ERWE IMMOBILIEN

2020 ANNUAL REPORT

ERWE IMMOBILIEN AG

Herriotstrasse 1· 60528 Frankfurt am Main

www.erwe-ag.com

Overview of the financial year 2020

Key figures

Financial year	31 Dec 2020	31 Dec 2019
Income statement (EURO million)		
Gross rental income	5,589	3,466
Earnings from property lettings	2,632	1,366
EBIT	3,906	11,540
Adjusted EBIT	4,460	11,752
Consolidated net income	103	8,706
Balance sheet (EURO million)		
Investment properties	192,713	131,910
Interestes in properties	8,832	6,255
Net Asset Value (EPRA)	68,244	69,822
NAV per share (EUR)	4.12	4.22
Net Reinstatement Value (EPRA)	80,662	78,940
NRV per share (EUR)	4.87	4.77
LTV (in %)	63.3	46.6

Total assets	215,161	162,638
Equity	58,388	58,285
Number of shares (000s)	16,562,922	19,562,922

Properties		
Inventory properties	5	3
Projekt developments	3	1
Participating interest	1	1
Lettable space in m²*	71,907	44,516
Occupancy rate in %*	89.2	74.5

Note: * only inventory properties

This Annual Report was published on 31. March 2021.
This English version is a translation of the legally definitive German version.

Highlights in 2020

2020 was by no means an easy year, but we nevertheless managed to reach all planned milestones. The revitalization of City Colonnaden Krefeld was successfully finalized and the entire office space of LICHTHOF Lübeck has been occupied by the City. At Postgalerie Speyer, hotel space was handed over to the new anchor tenant Amedia. The portfolio grew by four attractive acquisitions. Since December the ERWE share is listed on the Prime Standard segment, ERWE thus meets the highest standards of transparency in the capital market.

You can find out more about the individual properties on the following pages.


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01. City Colonnaden Krefeld
By redesigning and repositioning the property, we raised the occupancy rate from 85% to 100% in just two years.

02. TAUNUS LAB – DGNB certification in Gold
Ahead of its implementation, our TAUNUS LAB project has already received preliminary DGNB certification in Gold. This will become a full certificate when operations are launched. The DGNB (German Sustainable Building Council) has honoured a concept that accounts for the three dimensions of sustainability – ecological, economic and sociocultural – each of which is weighted equally in the assessment.

03. Postgalerie Speyer
Hotel space delivered to the new anchor tenant. Energy modernisation by insulating the roof and converting to LED lighting.

04. LICHTHOF Lübeck
Since May 2020, Lübeck City Administration has operated a civic centre and other service functions at the site. The space was converted using resource-efficient and environmentally compatible materials.

05. FAC 1
The refurbishment used resource-efficient and environmentally compatible materials and has proven to be highly sustainable for the property at this location. For this, the building was awarded LEED platinum certification.

Content

ERWE Immobilien AG

ERWE Immobilien AG is building a highly profitable commercial property portfolio.

ERWE Immobilien AG focuses on developing promising downtown commercial properties in prime locations of small and medium-sized towns and cities with more than 10,000 inhabitants. Its properties are used as offices, hotels, apartments and for downtown retail.

The company is listed in the Regulated Market (Prime Standard) of the Stock Market in Frankfurt am Main (XETRA) and in open trading in Berlin, Düsseldorf and Stuttgart (ISIN: DE000A1X3WX6). Since the contribution of ERWE Retail Immobilien GmbH, ERWE has continued the successful commercial property and retail centre activities at ERWE Real Estate GmbH, which in the past worked together with well-known joint venture partners.

ERWE Invest was founded last year to develop institutional asset management as a new pillar of the Group's activities. ERWE Immobilien develops properties on its own account and on behalf of third parties. It aims to release or significantly increase the value of its properties by implementing new concepts.

As well as recovering the value growth generated in individual cases, ERWE Immobilien AG aims to build a sustainable portfolio with substantial revenue growth.

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01. ERWE Immobilien AG has its headquarters at Herriot No.1 in Frankfurt-Niederrad.

02. With a ceiling height of 52 metres, the reception area at Herriot's offers an impressive and representative welcome to business partners.

03. Appealing on-site gastronomy makes for uncomplicated and effective business lunches.

Management Board Foreword

Dear Shareholders,
Dear Ladies and Gentlemen,

The past financial year may well enter the history books. A novel coronavirus which emerged in PR China in 2019 already then spread very rapidly around the world and obliged most countries to introduce extensive restrictions on contact. These measures led to a substantial downturn in economic output and placed an unprecedented burden on government finances.

As regards the real estate market, the lockdowns imposed almost worldwide severely hit retailers and numerous service providers, as well as gastronomy and hotel operators. Office property markets were also affected, as the pandemic reinforced the trend toward people working from home. Companies in particular have been required to devise and try out new ways of communicating and working together. In view of this, the move away from the office may turn out to be sustainable and thus free up at least some existing capacities. There will be a need to develop and implement new concepts for alternative uses, such as apartments, for this space as well.

The coronavirus crisis has accelerated change processes that have long been underway and were already visible in the downtown areas of small and medium-sized towns and cities in particular, namely the gradual withdrawal of many retail concepts from downtown sites. This trend, which has been apparent in such towns and cities for years, has now manifestly reached Germany's major cities, with textile retailers and department stores in particular on the retreat. Well-known retailers have announced the closure of up to one third of their stores. For ERWE, these developments harbour great opportunities, as we have already shown that we have the concepts and the experience to transform retail space that is no longer viable for new profitable uses.

"FOR US, **SUSTAINABILITY** IS ALREADY REFLECTED IN THE WAY **THE PROPERTY** IS BUILT. AFTER ALL, BUILDINGS ARE THE MOST SUSTAINABLE OBJECTS OF ALL. MANY OF THEM HAVE ALREADY BEEN IN PLACE FOR **HUNDREDS OF YEARS**".

Despite the crisis outlined above, we are satisfied with the performance of our company in the past financial year. We increased our operating revenues, i.e. gross rental income, by more than 60 percent in 2020 alone. On the one hand, we too were obliged to adjust the valuation of properties with retail and hotel space. On the other hand, thanks to our revitalisation activities we significantly reduced the share of retail space at our locations in favour of office use and service provision. Overall, the value of our investment properties rose from EUR 131 million to EUR 192 million in the past financial year.

At base, our business model involves exploiting these long-acknowledged change processes that have now been further accelerated by the coronavirus pandemic. We invest in properties that we can sustainably revitalise by implementing suitable concepts. And here we mean all aspects of sustainability, as we would like to show you in this Annual Report. You can find out more in the information about our individual properties.

These days, sustainability is generally referred to in connection with the efficient use of the planet's resources. Construction materials and fittings concepts that are capable of sustainable use should be key features of properties, as should an efficient energy supply. For us, sustainability is already reflected in the way the properties themselves are built. After all, real estate is the most sustainable object of all. Many of the properties in our historic inner cities have stood there for centuries now. When it comes to multi-floor residential buildings, for example, the concepts used in the late nineteenth and early twentieth centuries have proven to be the most sustainable.

In our specialisation in commercial properties, we are pursuing a new kind of sustainability. To this end, we develop mixed-use concepts intended to change or replace commercial properties previously put to monothematic use. These concepts should be better tailored to the needs of different groups of tenants, and that above all on a long-term basis. Properties of this kind can improve the current situation in many inner cities.

Our properties in Lübeck, Speyer and Krefeld offer good examples of how we revive downtown commercial space, and thus achieve a new kind of sustainability for commercial properties. At LICHTHOF Lübeck, we have reduced the retail share from 41 percent to 15 percent. In 2020, we handed over space to Lübeck City Administration for its new civic services centre and adjacent offices and thus secured a long-term tenant. In Krefeld as well, we acquired the city administration as a tenant for our first investment there. This way, we have achieved a good mix for the property, which comprises a modernised parking facility and retail and office space let on a long-term basis. In Speyer, we have been able to modernise our property and reduce the share of retail. Mainly thanks to the arrival of the Amedia hotel group, the retail share has fallen from 64 percent to its 44 percent currently. We are convinced that, once the pandemic is over, this hotel concept will become a new attraction in the cathedral city of Speyer.

When constructing new buildings, we also assess all options for sustainable use in advance. This is particularly true at TAUNUS LAB, a business park we are developing in Friedrichsdorf near Bad Homburg v.d.H. which has already been awarded preliminary sustainability certification in Gold by the DNGB (German Sustainable Building Council).

Alongside our investments and operating success, in 2020 we also improved our company's capacity to deal with the growing requirements ahead.

Having already internalised property management in 2019, at the end of 2020 we acquired a stake in our longstanding business partner, the peko group, which has already implemented various projects together with us.

The peko group has 20 years of implementation expertise covering all aspects of property development, planning and implementation. Its focus is on large-scale properties in the retail, office and residential segments. This logical integration of the peko group will offer us the flexibility needed to implement our projects on schedule and in their customary quality. The peko group has therefore become an important component of our own platform. Not only that, in October we already founded a new business field aimed at significantly expanding our growing commercial property portfolio.

With the new company ERWE Invest GmbH, we aim to build up and manage a portfolio of attractive inner-city commercial properties in Germany with participation by institutional investors. This should enable us to extend our service business and put our capacity to even more effective use.

Furthermore, we intend to participate in the resultant investments ourselves and thus also to benefit from the budgeted value growth. We appointed Markus Koch, whose previous roles include longstanding CFO at DIC Asset AG, and Rüdiger Weitzel, a member of the Management Board at ERWE Immobilien AG, as manging directors of ERWE Invest GmbH.

Given the foundations built in 2020, we are confident we will be able to expand our business model further, and that both sustainably and profitably.

Yours faithfully,

A. Harloff

Axel Harloff / **Management Board member**

C. Hillermann

Christian Hillermann / **Management Board member**

R. Weitzel

Rüdiger Weitzel / **Management Board member**

Frankfurt am Main, March 2021

Report of the Supervisory Board

Dear Shareholders,
Dear Ladies and Gentlemen,

In the 2020 financial year, the Supervisory Board of ERWE Immobilien AG consistently and diligently performed the duties incumbent on it by law, the Articles of Association and its own Rules of Procedure.

Cooperation with the management

The cooperation between the Supervisory Board and the management was characterised by a close exchange of information on a basis of trust. The Supervisory Board held both regular meetings and individual discussions. It continually monitored the activities of the Management Board and was also available to advise it outside the framework of meetings. It was closely involved by the Management Board at an early stage of all important decisions – particularly by way of the reports submitted by the Management Board pursuant to § 90 of the German Stock Corporation Act (AktG) – and was kept informed of the business performance, strategy, planning, including the financing, investment and personnel planning, and of all matters relevant to the company. Furthermore, the Supervisory Board monitored the accounting process and the measures taken by the Management Board in respect of risk management, the internal control system and compliance. All decisions and measures requiring the approval of the Supervisory Board were discussed in detail, with the necessary resolutions adopted on the basis of these discussions and the resultant draft resolutions submitted by the Management Board.

The Supervisory Board Chair was in regular contact with the Management Board, also outside the framework of Supervisory Board meetings, and was kept informed of the current business performance, corporate strategy and planning and all material business transactions. No conflicts of interest were disclosed or arose on the part of members of the Management and Supervisory Boards in the past financial year.

The members of the Supervisory Board took responsibility for undertaking any training or professional development measures necessary for them to fulfil their duties. In this, they received appropriate support from ERWE Immobilien AG.

Composition of Supervisory Board, Management Board and committees

TThere were no changes in the composition of the Supervisory Board in the 2020 financial year.

The Management Board witnessed the following change in its composition in 2020: At its meeting on 23 March 2020, the Supervisory Board appointed Christian Hillermann as a further member of the Management Board as of 1 April 2020.

Consistent with the Articles of Association, the Supervisory Board has three members. In view of this, the Supervisory Board has not formed any committees. In their work, all Supervisory Board members deal with all duties incumbent on the Supervisory Board.

Supervisory Board meetings and focuses of activities

The Supervisory Board held six meetings in the period under report, all of which were attended by all members and which, due to the Covid-19 pandemic, mostly took the form of video and telephone conference calls. Furthermore, the Supervisory Board adopted resolutions in writing by circulating the relevant documents.

One key component of all Supervisory Board discussions involved regular reports by the Management Board on the company's business activities, with detailed information about its sales and earnings performance, strategy, the status of major current and planned investments and their financing, the opportunity and risk situation, developments on the capital market and key management measures taken by the Management Board.

At the beginning of 2020, the Supervisory Board already addressed the development in the coronavirus pandemic and its impact on the macroeconomic climate and the company's business performance and prospects. It accompanied and fully approved of the measures and initiatives taken by the Management Board to deal with the crisis, avoid restrictions to operations and protect the health and safety of employees, not least by offering a wide range of mobile working and home office solutions.

Apart from this, the individual meetings focused on the following specific topics:

One key focus of the meeting held in January involved a resolution concerning the (variable) remuneration system for the Management Board. Furthermore, the meeting approved the conclusion of supplements to the contracts concluded with the Management Board members Axel Harloff and Rüdiger Weitzel and discussed the introduction of a virtual stock option plan for the company's executives.

At the meeting held to approve the financial statements on 23 March 2020, the Supervisory Board dealt with the annual and consolidated financial statements and the combined management and group management report of ERWE Immobilien AG for the 2019 financial year. This meeting was also attended by the auditor, who reported on the key findings of the audit. Alongside the regular report by the Management Board on the latest business performance, further key topics at this Supervisory Board meeting included the resolution adopted to appoint Christian Hillermann as a further member of the Management Board as of 1 April 2020 and the proposal to be submitted to the Annual General Meeting in respect of the election of the auditor.

At the May meeting, the Management Board provided the Supervisory Board with its regular report on the company's current business performance and acquisition opportunities, as well as on the potential expansion in activities to include a business unit offering investors a further investment opportunity via an alternative investment fund.

At the June meeting, held directly after the Annual General Meeting, the Management Board supplemented its report on the business performance with extensive information about the current status of the acquisitions pipeline. Furthermore, an amendment to the Rules of Procedure for the Supervisory Board was adopted.

At the August meeting, the Management Board presented the half-year financial report to the Supervisory Board and held in-depth discussions with the Supervisory Board concerning the current property financing situation and current financing options on the capital market.

Alongside the discussion of the quarterly report, including the status of project developments and planned acquisitions, the last meeting of the year, held in December, focused on the presentation and discussion of the company's budget for the coming year. Furthermore, following extensive discussions the Supervisory Board approved the acquisition of a fifty-percent stake in peko GmbH, Eppelborn, in order to secure access in future as well to the implementation competence at that company, which regularly acted as a general contractor for the company in project developments.

When preparing its decisions, the Supervisory Board regularly reviews whether it is subject to any potential conflicts of interest. In this respect, no potential conflicts of interest requiring consideration in the decision-making process were identified in the past financial year.

Corporate governance

The Supervisory and Management Boards are committed to the principles of good corporate governance in accordance with the recommendations made by the German Corporate Governance Code Government Commission. The Supervisory Board therefore regularly addresses matters of corporate governance in detail.

The Supervisory and Management Boards adopted their most recent Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 AktG in August 2020 and made this permanently available to shareholders on the company's website. Further information about corporate governance can be found in the Corporate Governance Statement.

Annual and consolidated financial statements

The Annual General Meeting elected Ebner Stolz GmbH & Co. KG Wirtschaftsprüfergesellschaft Steuerberatungsgesellschaft, Hamburg, as auditor and group auditor for the 2020 financial year and for any audit review performed on the half-year financial report in the 2020 financial year.

The auditor confirmed its independence to the Supervisory Board Chair and declared that there were no circumstances that would call into question its impartiality.

The annual financial statements of the company prepared by the Management Board, the consolidated financial statements and the combined management and group management report for the 2020 financial year were audited by the elected auditor and provided with unqualified audit opinions.

The Management Board submitted the annual financial statements, the consolidated financial statements and the combined management and group management report, as well as the auditor's report on its audit of the annual and consolidated financial statements, to the Supervisory Board in good time for its own review. At the meeting held to adopt the annual financial statements on 25 March 2021, the Supervisory Board discussed the documents and reports relating to the annual financial statements in detail with the Management Board.

The auditor attended this meeting, reported on material findings of its audit and was on hand to provide the Supervisory Board with additional information. Based on its own review of the annual financial statements, consolidated financial statements and the combined management and group management report, the Supervisory Board endorsed the findings of the audit performed by the auditor and established that, following the final results of its review, no objections were to be raised. The Supervisory Board concurred with the auditor's assessment that the internal control and risk management system in respect of the (group) financial reporting process did not show any material weaknesses. Once the auditor had granted its unqualified audit opinion, the Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Management Board by circulating and approving the respective documents on 30 March 2021. The annual financial statements are thereby adopted pursuant to § 172 AktG.

Thanks to Management Board members and employees

The Supervisory Board would like to thank the Management Board and all employees of ERWE Immobilien AG for their work, their great dedication and their loyalty.

Frankfurt am Main, March 2021

Dr. Olaf Hein
Supervisory Board Chair

ESG Report

Sustainability as component of corporate strategy

Since 2017, a Corporate Social Responsibility Directive issued by the European Union has obliged capital market-oriented corporations with more than 500 employees to report on nonfinancial aspects of their business activities.

The topics to be addressed are "Environment", "Social" and "Governance", in short "ESG". With 38 employees at the end of 2020, ERWE falls short of this threshold. Having built up its activities over the past three years, the Group now has five portfolio properties and three development projects. This means that the company has reached a size and relevance to society that justify the start of ESG reporting. The 2020 Annual Report therefore marks the launch of continuous reporting on the company's nonfinancial strategies and performance.

When it comes to the environment, the building sector has a particular responsibility. The most recent Climate Protection Report published by the Federal Government in August 2020 shows that buildings currently account for one quarter of all CO_2 emissions "The building sector therefore has an essential contribution to make towards meeting energy and climate targets", wrote the Federal Government. The use of sustainable construction and insulation materials, closer integration of the whole lifecycle of materials into construction planning and improvement of air-conditioning and ventilation systems – these aspects offer particularly clear savings potential.

In this report, we offer some examples as to how ESG requirements can be factored into the refurbishment of our portfolio properties and our new construction measures:

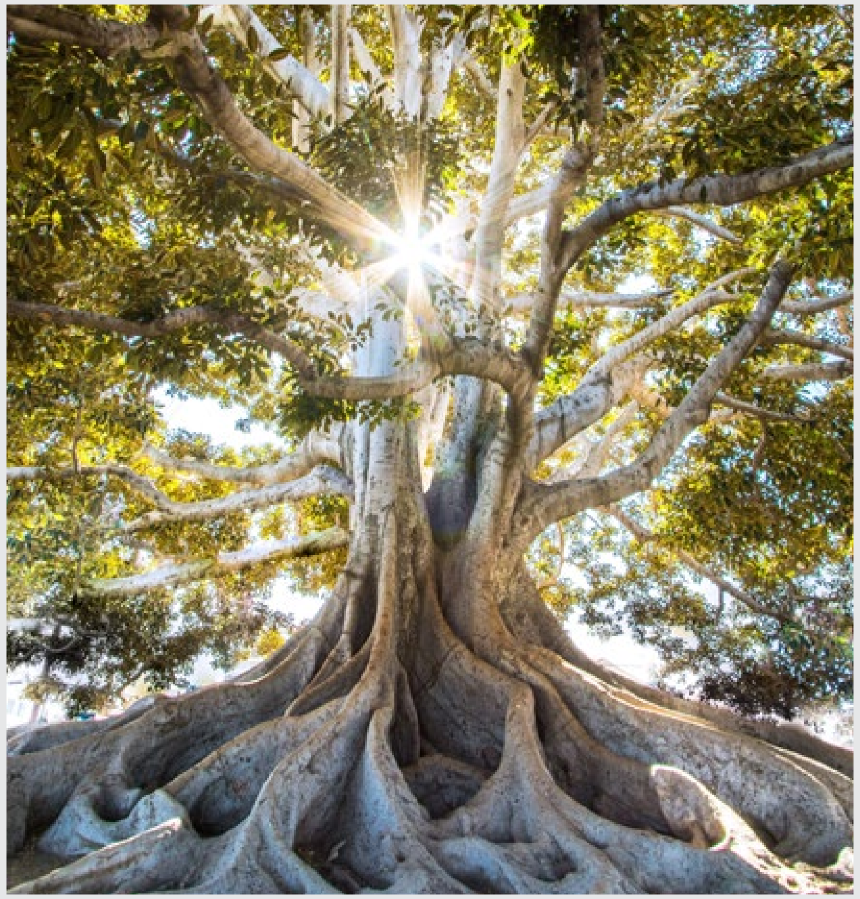
With regard to our portfolio properties, one example is the property we acquired in downtown Krefeld in 2018 and then extensively renovated and modernised. The parking facility with 420 parking spaces is now easier to drive through and has been let on a long-term basis to APCOA Parking. The office space has been modernised in a resource-efficient and environmentally compatible manner and let to Krefeld City Administration. All windows, for example, have been fitted with new thermal insulation glazing, which makes for a more pleasant atmosphere in the offices in the warm summer months.

For the second investment we made in Krefeld, in this case in 2020, we have launched a planning process for the site across the road from our first investment that provides for a new building with a mixed-use concept of offices, gastronomy, grocery retail and apartments. The new building should satisfy resource efficiency and environmental protection standards. Wherever possible, the materials used will be recyclable, or themselves made of recycled materials.

Sustainable building for sustainable success

Our investment in the heart of Lübeck's historic city centre has also developed very successfully. Since the autumn of last year, Lübeck City Administration has used around half the space for its staff and for a new civic service centre. With its new name, LICHTHOF, the arcade has also improved its image. The conversion and modernisation of space was implemented using resource-efficient and environmentally compatible materials.

Our first acquisition, Postgalerie Speyer, is located on a visual axis to Speyer Cathedral, one of Germany's best-known



01

01. Using natural resources, maximising passive solar radiation to obtain heat, and working with natural ventilation, e.g. with double-shell facades. The natural world shows how it works.

Photo Jeremy Bishop

heritage sites. A hotel will open its doors in this historic building for the first time in 2021 and thus offer a comfortable and modern place to stay for travellers from all over the world. During the modernisation work, ERWE made sure that use was made of resource-efficient and environmentally compatible materials and methods. These included insulating roof areas and installing LED lighting throughout the building, which will help to save energy.

In Coesfeld, ERWE will focus on bringing its "Kupferpassage" up to date in technical terms and help the property to achieve greater resource efficiency. Currently vacant apartments are being redesigned to attract new tenants.

Turning to our new construction projects, we already received preliminary DGNB certification in Gold during the preparations to implement the TAUNUS LAB project. This will become a full certificate once the complex has been built and is subsequently in operation. This way, the DGNB (German Sustainable Building Council) has honoured a concept that addresses the three dimensions of sustainability – ecological, economic and sociocultural aspects – each of which is weighted equally in the assessment. ERWE is building TAUNUS LAB, which will have around 50,000 m² of usable space and a parking facility for some 1,300 cars, in Friedrichsdorf close to Bad Homburg v.d.H in the Greater Frankfurt region.

Our new construction investment in Darmstadt is based on a similar development concept. Drawing on the substantial expansion potential at the site, the resultant property should be able to meet all current requirements in terms of resource efficiency and environmentally compatible construction materials. This way, it should offer maximum flexibility and a highly sustainable concept for a variety of user groups.

ERWE ensures that it meets the requirements, ordinances and laws governing the construction and refurbishment of properties, as well as the letting and management of properties and tenant support. To enable it to meet all legal requirements, the company has developed internal structures that monitor and manage projects. The strategic investment newly acquired in peko GmbH will provide additional capacities in this respect.

ERWE's risk management system forms an essential part of the company's governance risk compliance regulations. This system is described and documented in a guideline and continually developed further. Moreover, ERWE has a compliance management system which ensures that the company always satisfies all legal requirements. The same applies to ERWE's data protection regulations, which also account for the stricter standards in force since 25 May 2018 as a result of the EU's General Data Protection Regulation (EU-GDPR).

ERWE conforms to the current version of the German Corporate Governance Code dated 20 March 2020. The company's Declaration of Compliance is published on its website.

One equally important issue to ERWE is to support its employees by protecting their health and safety, particularly at the construction sites ERWE operates (taking due account of the German Industrial Safety Regulation), in its property management activities, and by creating pleasant office space for its employees. During the lockdowns, ERWE consistently implemented the guidelines issued by the Federal Government in terms of enabling employees to work from home.

Object overview

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Postgalerie Speyer

Historic building not far from Speyer Cathedral becomes new attraction

Postgalerie Speyer is located at the beginning of the pedestrian zone in central Speyer, which leads all the way to the world-famous cathedral, which is itself the main attraction for growing numbers of tourists, also from abroad.

The historic building at Postplatz 1 in Speyer has around 8,500 m² of retail and gastronomy space and around 8,200 m² of hotel, office and storage space.

Extensive revitalisation and modernisation will enable the space to be extended to more than 17,000 m². The revitalisation of the whole building will involve redesigning the retail space and providing the mall at the Postgalerie with a light, modern design. Furthermore, the gastronomy space has been extended, a move intended to entice people to spend longer in the building and improve the quality of their visit. A further focus involved changing the use of previously vacant retail and office space and converting this into new hotel space. This was let to the Amedia hotel group in mid-2018 already. All in all, 111 rooms have been created for the new hotel operator.

Energetical modernising for more sustainability

In modernising the building, one priority for ERWE was the use of resource-efficient and environmentally compatible materials and methods. These included insulating the roof area and the comprehensive installation of LED lights, which will help to save energy. Another energy-saving measure was the installation of a new combined heat and power unit to provide the building with a central supply of energy. Here, it was made sure that the pipes were efficiently routed, thus reducing heat loss and also saving energy.

A total of 82 hotel rooms were handed over to Amedia on schedule in mid-December 2020. A further 29 rooms and the hotel restaurant space followed at the beginning of 2021. Amedia has postponed the opening originally scheduled for early December to a date after the lockdown. The opening of three newly let gastronomy spaces will also only be possible once the restrictions have been lifted. The same applies for the resumption of activities to let the remaining space at the building.

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Attractiveness continuously raised

Further modernisation measures are planned for 2021 and 2022. An outdoor advertising concept consistent with monument protection requirements is also in preparation. The modernisation measures include a modern lighting concept, a pedestal and a staircase in the foyer.

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01. The Postgalerie is a palatial three-storey neo-baroque building with a mansard roof and sandstone block façade.

02. Diverse selection of gastronomy offerings complement the concept of the property.

03. The Amedia Hotel Group offers 111 rooms in the Postgalerie.

04. Located on the lively Postplatz and not far from the main gateway to the city, the Altpörtel. Speyer's famous cathedral is also easily within walking distance.

05. The shopping arcade is generously proportioned, modern and open. The natural light makes shopping all the more enjoyable.

PROJECT VOLUME

€ 47 Mio.

PROJECT TERM

2017 - 2022

TASK AREA

ERWE

Owner, developer, project manager, investor

Photos:
Jana Ludwig (01,02,03,05
Jonathan Web (04)

LICHTHOF Lübeck

Revival of arcade in Lübeck's historic centre

This property in the heart of Lübeck's Old City which was taken over by ERWE Immobilien AG in spring 2018 offers a prime example of the company's preferred model of developing mixed-use downtown concepts offering great flexibility and an attractive mix of uses.

On this basis, it has been possible to revive the shopping centre, which was only built in 1994 and was then called "Königspassage". One sign of the new start for the property, which is located opposite Lübeck's famous Marienkirche and directly on Königstrasse, was renaming the arcade as L I C H T H O F. The new name also reflects the architectural design of the property, which is flooded with light thanks to a large glass dome and glass roofing. Not only that, the new start will consistently implement the concept of "Service meets Shopping & Indulgence" right in the centre of Lübeck.

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Visits to authorities and shopping conveniently combined

The property already attracted a new long-term tenant in 2019, namely Lübeck City Administration, which has let 7,700 m², and thus around half of LICHTHOF. Since May 2020, the city administration has operated a civic centre and other public service functions at the site. This was preceded by extensive modernisation work, which began in 2019, and the conversion of the space for the city administration. One main focus here was on implementing the conversion with resource-efficient and environmentally compatible materials. Energy-saving LED lighting has been installed to illuminate all the new office space. Not only that, the existing air-conditioning system has been renewed with systems that use significantly less energy.

During the pandemic, those parts of the property that are otherwise open to the public had to be closed. The time was used to implement several building and technical measures. Overall, foundations have now been laid to make further progress with letting the rest of the property after the pandemic
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01. Light-flooded arcades invite shoppers to enjoy the moment.

02. The famous Marienkirche is just round the corner.

03. Since May 2020, the civic centre has been a core component of LICHTHOF. Other authorities are also located here.

04. Central information point for all civic affairs.

05. Idyllic small courtyard with outdoor gastronomy.

PROJECT VOLUME

€ 27,3 Mio.

PROJECT TERM

2018 - 2022

TASK AREA

ERWE

Owner, developer, project manager, investor

Visuals (04): Optify

City Colonnaden Krefeld

Extensive refurbishment attracts local authority and car park operator

This mixed-use commercial property, which was acquired by ERWE Immobilien AG in mid-2018, is primely located in downtown Krefeld and comprises a total of around 23,400 m² of office, retail and car park space.

Available development opportunities resulted above all from modernising the parking facilities and the office space to sustainably customise these for future users. The parking facility was completely refurbished, with the parking spaces subsequently being restructured. To do justice to the trend towards larger vehicles, the driveway and individual spaces were broad-ened to make parking easier. With 420 parking spaces in total, the facility now has a far brighter, customer-friendly design. A new letting agreement with a ten-year term has been concluded with APCOA Parking.

02

03

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01. C&A – a longstanding reliable tenant.

02. Traffic-calmed location with greenery invites shoppers to take their time.

03. A roofed-over display walkway guarantees footfall even in bad weather.

04. The 420 well-lit and customer-friendly parking spaces are operated by APCOA Parking.

05. Central location with good links to public transport.

Environmentally sound refurbishment

The building has around 3,400 m² of office space. This was modernised in a resource-efficient and environmentally compatible way in 2020. All windows were fitted with new thermal insulation glazing, making for a more pleasant climate in the warm summer months. Furthermore, energy-saving LED lighting was installed in all rooms. The new carpeting is made of recycled materials. The new long-term tenant for this office space is Krefeld City Administration, which has relocated various municipal departments, including sport and sport promotion, youth welfare services and public safety and order, with a total of around 110 employees. The retail space is still used by C&A.

05

04

Occupancy rate: 100 percent

The handover of this space to the city administration marked the successful completion of the revitalisation project for the commercial property in Krefeld – and that on schedule and within the allotted budget. By redesigning and repositioning the property, ERWE has raised the occupancy rate from 85% to 100%, and that in just two years, and now has a new anchor tenant and significantly higher rental income. At the same time, the refurbishment also met the objective of enhancing sustainability by implementing suitable technical measures.

PROJECT VOLUME	PROJECT TERM	TASK AREA
€18,5 Mio.	2018 - 2020	ERWE Owner, developer, project manager, investor

Kupferpassage Coesfeld

01

02

Property in prime location with USP

ERWE Immobilien AG took over "Kupferpassage" in Coesfeld in spring 2020. Coesfeld is located to the south-west of Münster and to the north of the Ruhr region, has a very good catchment area and, with more than 2,000 companies, a well-mixed and stable economic structure.

The property is a mixed-used building with around 15,000 m² of usable space, including 156 parking spaces. It is situated at a prime location in the centre of the town. Known as "Kupferpassage", it is the only shopping centre within a 15-kilometre radius. As well as retail, office and medical practice space, the property also includes 23 apartments with space of around 2,500 m².

03

Environmental aspects in focus in building upgrades

Work already began in 2020 on several measures to modernise the technical building installations. These included gradually implementing measures to make vacant apartments attractive for new tenants. As a rule, this involves the use of resource-efficient and environmentally compatible materials and appliances.

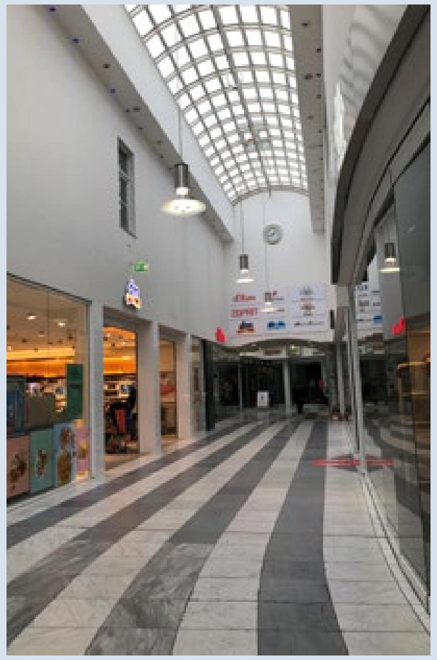
The design and technical measures planned to further improve "Kupferpassage" will be continued in the current financial year

01. The Kupferpassage offers a bright and warm welcome to its visitors.

02. In the heart of Coesfeld and directly in the pedestrian zone, the arcade is home to 16 specialist retailers with attractive and extensive product ranges.

03. 23 generously proportioned and modern flats are also located in the property.

04. High ceilings offer an appealing shopping experience.



04

PROJECT VOLUME

€ 20 Mio.

PROJECT TERM

2020 - 2022

TASK AREA

ERWE

Owner, centre manager, investor

Ziellenbachquartier Krefeld

Krefeld-Friedrichstraße
Property to revitalise the inner city

In mid-2020, ERWE Immobilien AG made a further investment in a prime location in down-town Krefeld, acquiring a corner property directly opposite the first investment. The property acquired will give way to a new building which will offer a mixed-use concept of the kind in demand from many users, with offices, gastronomy, grocery retail and apartments. The new building will also benefit from synergies with ERWE's first Krefeld investment across the road. Tenants will be offered permanent parking spaces at the building's own parking facility, for example. Overall, ERWE plans to invest around EUR 22 million in this prime location.

The planning process was launched at the end of 2020. As well as offering flexibly customisable space to meet the needs of different target groups, the construction of the new building will also account for resource efficiency and environmental protection, i.e. will be equipped with energy-efficient fittings. Not only that, wherever possible use will be made of materials that are recyclable or themselves made of recycled materials.


01


02

PROJECT VOLUME
€ 22 Mio.

PROJECT TERM
2021 - 2024

TASK AREA
ERWE
Owner, developer, project manager, investor

01. Residential, offices, gastronomy and retail in a prime city centre location.

02. The historic church of St. Dionysius is just round the corner.

Darmstadt

Commercial property in Darmstadt-Hilpertstrasse
Property with enormous potential for expansion

In June 2020, ERWE Immobilien AG acquired an existing property offering development potential in a thriving development area in Darmstadt. The site is located in the west of down-town Darmstadt, not far from the A5 motorway and with good transport links to Frankfurt Airport. The centre of Darmstadt is just a few minutes away. Thanks to its very good location, the site is well-suited for office and other service uses.

The existing development plan allows for the construction of a new property more than three times the size of the existing building, which has around 2,700 m²of usable space currently used for offices, production and logistics. Once the existing letting agreement expires and new letting agreements have been concluded for follow-up use, the planned concept is to be implemented from 2022. As well as meeting all current resource efficiency requirements, the planned new complex will be built with environmentally compatible materials and offer a layout concept that is as flexible as possible and thus highly sustainable for various user groups.

PROJECT VOLUME
€ 24 Mio.

PROJECT TERM
2022 - 2024

TASK AREA
ERWE
Owner, developer, project manager, investor

Residential and commercial building in prime location in central Darmstadt – Making the city a place to live and work

In December 2020, ERWE Immobilien AG acquired an ideally situated residential and commercial building in the centre of the pedestrian zone in downtown Darmstadt. The immediate vicinity includes public buildings such as the Regierungspräsidium regional government headquarters, the Residential Palace, as well as shopping centres and department stores. The main tenant, the textile provider Orsay has lent its name to the building: "Orsay-Haus". The adjacent retail space is operated by the delicatessen Schlemmermeyer.

The property has interesting potential for development in the form of as yet unused upper floor space. This potential is to be drawn on by implementing an environmentally compatible and sustainable modernisation programme to convert the upper floor for residential use and possibly into offices and medical practices. This can then be let on a long-term basis. Here too, we are following the trend towards mixed-use inner-city sites offering great flexibility in terms of their potential uses.

PROJECT VOLUME
€ 8 Mio.

PROJECT TERM
2022 - 2024

TASK AREA
ERWE
Owner, developer, project manager, investor

TAUNUS LAB Friedrichsdorf

Certified sustainability concept for TAUNUS LAB in Friedrichsdorf

In Friedrichsdorf, ERWE Immobilien AG is developing the TAUNUS LAB business park in several stages. Five complexes with a total of around 50,000 m² of usable space and a parking facility with some 1,300 parking spaces are to be built on the 4.4 hectare site. The building permit for the first stage of construction, with a volume of EUR 60 million, is expected to be granted in 2021. Construction work will begin once advance letting agreements have been signed for two thirds of the space. The next construction stages will then gradually be implemented. The total investment for all five construction stages is budgeted at around EUR 169 million.

01

Friedrichsdorf is close to Bad Homburg v.d.H., and is thus located in the Greater Frankfurt region, one of Germany's fastest-growing and largest conurbations. Downtown Frankfurt is around 30 minutes away by car and also easily accessible with public transport. Friedrichsdorf is located directly on the A5 motorway, one of the main arteries in the nationwide road system, which runs right through the Rhine-Main region and connects northern and eastern Germany with the western and southern federal states.

PROJECT VOLUME

€ 169 Mio.

PROJECT TERM

2019 - 2025

TASK AREA

ERWE

Owner, developer, project manager, investor

01. Ideal location directly on the motorway and with fast connections to Frankfurt.

02. Collaboration areas and green inner courtyards create a pleasant working atmosphere.

03. Linear design and endless light offer space for creative and productive work.

In the run-up to its implementation, the TAUNUS LAB project has already been awarded preliminary DGNB certification in Gold. This will become a full certificate further down the line once the complex has been built and is subsequently in operation. This way, the DNGB (German Sustainable Building Council) has honoured a concept that addresses the three dimensions of sustainability – ecological, economic and sociocultural aspects – each of which is equally weighted in the assessment.

The conceptual measures taken to ensure sustainable, resource-efficient and culturally meaningful use comprise a whole series of individual elements. Efficient and clean energy use is ensured with green roofs, high-performance solar protection, greenery in the inner courtyards and concrete core activation. This latter feature, which counts as an innovative method to cool and heat buildings, draws on the ability of ceilings and walls to store thermal energy and thus to heat or cool the building.

02

TAUNUS LAB offers sustainable sociocultural use with its inviting inner courtyards full of greenery and generous terraces in office sections. These will make the day-to-day atmosphere more pleasant for all those who work at the complex. The architectural design scheme also offers collaboration areas and creative workspaces. Direct public transport links will make it easy for employees to travel to and from work. Finally, the offices can be structured in smaller units, thus enabling the space to be put to highly flexible use. All in all, this trailblazing concept will appeal to companies whose philosophies already account for the widespread trend towards greater sustainability and more flexible working conditions.

03

Visuals:
B.C. Horvath

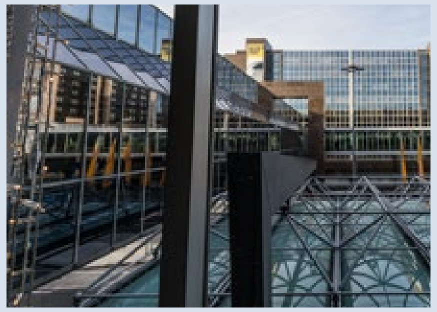
Frankfurt Airport Center 1

Rebirth of Frankfurter Airport in near future

Frankfurt Airport Center 1 (FAC 1) was acquired at the end of 2018 in a transaction executed with joint venture partner Godewind Immobilien AG, in which ERWE holds a 10.1 percent stake. ERWE had already been commissioned to perform an extensive refurbishment of the location, which is situated directly opposite Terminal A at Frankfurt Airport and has space of more than 48,000 m². This was aimed at repositioning and raising occupancy at the property's office and conference space. In mid-2020, Godewind was taken over by Covivio Group, a French company, and renamed as Covivio Office AG. This means that ERWE now has a new partner for the project.

As the modernisation measures have been implemented, the occupancy rate at FAC1, originally below 80 percent, has been raised to 92 percent. Given the difficult developments in the overall environment, and particularly at Frankfurt Airport itself, which is among those hardest hit by the coronavirus crisis, it was not possible to further increase the occupancy rate during 2020. Work nevertheless consistently continued with the modernisation measures. The elevators and sprinkler systems were renewed and the lobby was renovated. The main work will be completed in spring 2021, at which point ERWE's service contract will expire.

02



01

01. Frankfurt Airport Center 1 is directly opposite Terminal A.

02. Modern steel and glass construction offers transparency and clarity.

04

05

03

Redesign awarded a platinum certification

The refurbishment, which also involved prioritising the use of resource-efficient and environmentally compatible materials, has proven to be highly sustainable for the property at this location. Thanks to these measures, FAC1 also has LEED platinum certification.

At the end of 2020 and beginning of 2021, it was already possible to let several additional sections to existing tenants, as a result of which the occupancy rate rose to 93 percent in early 2021. Once the coronavirus pandemic is over, Germany's largest air travel hub will quickly regain all of its former vitality

.

03. Impressive foyer to the shopping arcade with select specialist retailers.

04. The lobby at Frankfurt Airport Center 1.

05. FAC 1 is seen as the best-connected office building in the airport city. 182 parking spaces are available to tenants.

PROJECT VOLUME

€ 205 Mio.

PROJECT TERM

2017 - 2021

TASK AREA

ERWE

Developer, project manager, investor (10,1%)

INVESTOR:

ERWE Immobilien AG, Covivio Office AG

Visuals (05): OX11
Photos: Reiner Freese (01,02,03)

ERWE Shares

Developments on the German stock market in 2020 were dominated by the coronavirus pandemic. Having begun the year on a promising note, the stock market showed an unprecedented downward slide upon the emergence of the pandemic and above all the decisions taken by nearly all of the world's countries to impose hard lockdowns.

Performance of the German stock market

Between the start of the year and its low on 19 March 2020, i.e. a few days before Germany's first lockdown began, the DAX – Germany's lead index – fell by 37.6 percent. At times, the market lost more than ten percent a day. This sharp downturn was nevertheless followed by relatively rapid recovery mainly attributable to the extensive measures taken by central banks in the USA, Europe and Japan to support the markets and economies with liquidity. By August, the DAX had already regained the level at which it began the year.

In the final quarter of 2020, markets were largely affected by the events surrounding the US presidential elections, with the voting out of President Trump providing relief for stock markets as well. A trillion-dollar economic recovery programme announced by incoming President Biden led the DAX to reach new highs at the end of 2020. This positive market performance continued even though Germany and neighbouring countries had been subject to a lockdown since the beginning of November, one which had still not been lifted upon the editorial deadline for this Annual Report.

Performance of the DIMAX and the DAXsubsector All Real Estate

Real estate shares tracked the development in the overall market in 2020, falling to an extent comparable with the DAX and other indices in February and March. By mid-March, the DAXsub-sector All Real Estate, in which ERWE Immobilien AG shares are listed, lost nearly 28 percent in value. Having shown a corresponding recovery, the index regained its former highs and even ended 2020 9.9 percent higher than at the opening of the year. The DIMAX, which includes the shares of all major real estate stock corporations in Germany, showed the same rollercoaster effect in 2020 and also ended the year 9.9 percent higher.

Performance of ERWE's share price

ERWE's share price performance was virtually unaffected by the pandemic. Having opened the year at EUR 3.34, the share price rose consistently to well above EUR 4.00, and thus approached the net asset value (NAV) per share. Subsequent fluctuations led the stock market valuation to return to the level at the start of the year. By the end of 2020, the share price had recovered and was 28 percent higher than at the beginning of the year.

This performance was assisted by the intensification in ERWE's investor relations activities. Given the external circumstances, the company participated in the Deutsches Eigenkapitalforum on a virtual basis and held one-to-one talks with investors throughout the year. To increase the tradability of its shares, ERWE managed to attract three equity analysis institutes to offer coverage. These are GSC Research, FMR Frankfurt am Main Research and Solventis Research, all of which began by issuing "buy" recommendations for ERWE's shares.

The investor relations measures initiated by the company are reflected not only in its share price, but also in average daily trading volumes, which more than doubled from 1,239 in 2019 to 3,889 in the 2020 financial year.

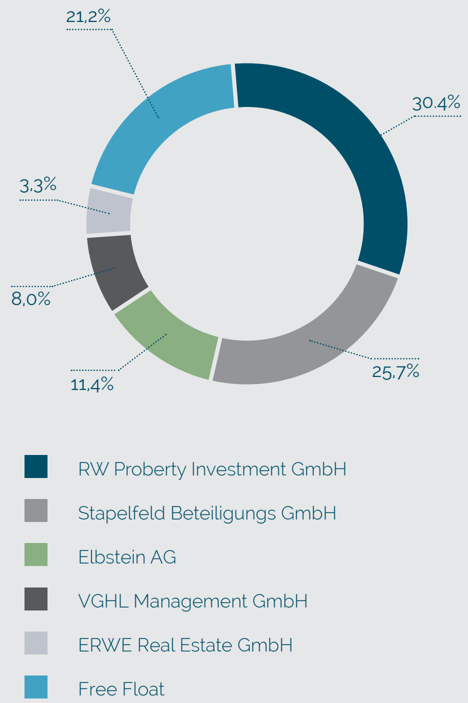
Performance of ERWE's bond

ERWE issued its first bond in late 2019 and early 2020. With a total volume of EUR 40 million, this bond has a term until 2023 and pays interest at 7.5 percent. In the first months of the year under report, the listed price was subject to fluctuations similar to those on most other financial markets. Having started in positive territory at 105 percent, the listed price then fell to 82 percent in early April due to the coronavirus pandemic before recovering to just under 100 percent by June and maintaining this level with minor fluctuations through to the end of the year.

THE ERWE'S BOND

ERWE ISSUED ITS FIRST BOND IN LATE 2019 AND EARLY 2020. WITH A **TOTAL VOLUME OF EUR 40 MILLION**, THIS BOND HAS A TERM UNTIL 2023 AND **PAYS** INTEREST **AT 7.5 PERCENT**.

Shareholder structure



Consolidated Financial Statements

Combined Management and Group Management Report of ERWE Immobilien AG for the 2020 Financial Year

I. Company fundamentals

1.1 Business model

ERWE Immobilien AG focuses on building up and sustainably developing a portfolio of promising downtown properties in prime locations in small and medium-sized cities. The properties are used both as offices and hotels, as well as for residential and downtown retail purposes.

The company has the objective of taking over properties offering potential for value growth ("value-add properties") and, by making targeted investments, boosting these properties and releasing their hidden value. It therefore invests in properties which, as well as being well located, also offer potential for development that can be exploited by making suitable investments, implementing new concepts, at least partly amending the use of the properties and newly letting them in creative ways.

ERWE's field of activity has significantly expanded due to the impact of the coronavirus pandemic. Several lockdowns imposed to prevent contacts between people in 2020 brought large sections of all German inner cities to a virtual halt. This in turn accelerated a process that will require massive restructuring, above all on the part of stationary retailers, and that will increase the number of vacant properties previously used exclusively by retailers. These properties could be reworked and developed for new groups of users.

ERWE sees itself as a specialist in revitalising properties that are no longer required, at least by retailers, in developing mixed-use concepts for new user groups and in implementing these concepts with suitable adjustments to the respective buildings and modernisation work. As a general rule, ERWE develops the assets it takes over on its own account. Over and above this, ERWE also makes its expertise available to third parties and established a new business field for this purpose in 2020 with the foundation of ERWE Invest GmbH.

To finance its growth, the company largely draws on capital market instruments, such as capital increases executed by issuing shares or placing corporate bonds.

In January 2019, the company's shares were admitted for trading on the Regulated Market (General Standard) on the Frankfurt Stock Exchange (XETRA). The shares were previously already listed on the open markets in Berlin, Düsseldorf and Stuttgart (WKN A1X3WX, ISIN DE000A1X3WX6). At the end of 2020, ERWE's shares were admitted for trading in the Prime Standard of the Frankfurt Stock Exchange. This stock market segment, which is organised under private law and subject to statutory regulation, is governed by the highest transparency standards and thus makes ERWE's shares more relevant to international investors as well.

1.2 Group structure and management system

ERWE Immobilien AG is the holding company of the ERWE Group and performs central management functions. Via subsidiaries held directly and indirectly, the company owns participating interests in various properties. The company is in some cases linked to its subsidiaries by way of agency agreements and also provides financing in the form of loans to the subsidiaries.

As of 31 December 2020, the company owned five portfolio properties in Speyer, Lübeck, Krefeld, Coesfeld and Darmstadt . The Group's development projects are also located in Krefeld and Darmstadt. Furthermore, ERWE owns 4.4. hectares of building land in Friedrichsdorf near Bad Homburg vor der Höhe and aims to develop a business park called TAUNUS LAB on the site. Moreover, the company holds a 10.1% stake in a real estate company that owns the "Frankfurt Airport Center 1" property. The wholly owned subsidiary ERWE Invest was founded in October 2020 with the objective of building up and managing a portfolio of commercial properties with participation by institutional investors. Furthermore, in December 2020 the company signed an investment agreement to acquire a 50% stake in peko GmbH, Eppelborn. This agreement was executed in January 2021. peko GmbH, a longstanding partner of ERWE, covers the whole of the property development value chain, with a particular focus on large-scale properties in the retail, office and residential segments.

Reporting is addressed directly to the Management Board and is not based on any segmentation. Alongside the acquisition and financing of investments in properties, the Group also focuses on developing these properties by way of modernisation, refurbishment, conversion and expansion, as well as by re-letting space and repositioning the properties. In view of this, no segment reporting is presented in the Management Report. The progress made in projects is regularly reviewed. This covers the status of construction measures and of new lettings and new tenant acquisition. The progress made in projects (obtaining building permits, progress of construction measures) and lettings (number of clients interested, number of viewings, lettings contract negotiations, lettings contract signings) are key management figures for the Group.

The current liquidity situation is regularly and promptly recorded on overall Group level. ERWE uses multiyear integrated financial planning to manage the company. This centrally managed approach enables the financial stability of the group of companies to be monitored. The continuous recording of liquidity flows on individual company level forms part of this management approach.

The company's financial performance indicators are adjusted EBIT as an indicator of its operating earnings, net asset value (NAV) as an indicator of its value and the loan-to-value (LTV) gearing indicator as an indicator of its financial stability. The occupancy rate for portfolio properties serves as a nonfinancial performance indicator.

Starting in the 2021 financial year, the company's value will be managed by reference to the EPRA Net Reinstatement Value (EPRA NRV). In calculating this key figure, we will refer to the "Best Practice Recommendations" issued by the European Public Real Estate Association (EPRA). This association has developed three new key figures to account for changes in the regulatory framework in Europe. The main difference between the NRV and the NAV relates to the inclusion of property acquisition tax for the properties held. This is deducted for the purpose of valuing the properties. It then has to be re-added as disposal is not expected if the property is to be retained in the portfolio.

II. Business report

2.1 Macroeconomic and sector-specific framework

ILike the whole of the global economy, the German economy was affected by the coronavirus pandemic in the 2020 financial year. Particularly in the first half of the year, worries about the pandemic and the measures hastily taken to contain its spread had such a significant impact that the overall economy fell into its severest recession of the post-war period. In the second quarter, gross domestic product fell by almost ten percent, and thus more sharply than ever before. The situation eased somewhat in the summer months and the third quarter, before returning to negative territory due to a second wave of the pandemic in the final quarter. Overall, German GDP contracted by 5.0 percent in the year under report. With this outcome, Germany even did comparatively well, as neighbouring countries lost an even greater share of their economic output, as can be seen in France (minus 9.4 percent), Italy (minus 9.9 percent), the United Kingdom (minus 10.3 percent) and Spain (minus 12.4 percent).

Almost all segments of the German economy were affected by this topic which dominated all others. Gross value added fell by 9.7 percent in manufacturing, for example, by 6.3 percent in retail, transport and hospitality, and by 11.3 percent among public service providers, and here above all at schools. The massive reduction in consumer spending particular affected providers of accommodation and hospitality (minus 34.9 percent), leisure, entertainment and culture (minus 15 percent), and apparel and footwear (14.1 percent). Construction was the only segment to report positive growth in 2020, in this case of 1.4 percent.

The lockdowns in the spring and since 1 November 2020 were and are being supported with government assistance, with gastronomy, accommodation, tourism and stationary retail in particular receiving state funds to compensate for the closure of their outlets. These segments of the economy have nevertheless complained vociferously that the aid is insufficient or paid out too sluggishly. Above all, the situation has deteriorated for textile retailers, who were already in a difficult position before the pandemic. Numerous well-known companies have decided to conduct insolvency plan proceedings, among them some household brands such as Karstadt-Kaufhof, Esprit, Adler Moden or Tom Tailor.

An even sharper economic downturn was only prevented by foreign trade returning to positive growth since the summer months, with the very rapid recovery shown by PR China helping to support to Germany's highly export-dependent economy. Volkswagen, Germany's largest company, now sells more than 40 percent of its vehicles in PR China. Massive government support measures also prevented the German economy from being hit even more severely. The enormous volumes of cash created and new borrowing, and that not only in Germany but throughout the euro area, give grounds to fear an insidious rise in inflation and thus a depreciation in the value of money.

2.2 Developments in the German property market

The pandemic also left its mark on large sections of the property market. While the residential property market was not affected, the measures to contain the pandemic had a varying impact on the other segments of the property market. The 45th Property Market Index compiled by the market research institute BulwienGesa for 2020 revealed cross-segment growth of 3.6 percent and thus documented that real estate prices in Germany have risen for 16 years. With growth of 4.0 percent, Germany's seven major "A" cities achieved the highest figure among the categories included in the overall index. Growth at B, C and D locations also remained high and ranged between 2.9 and 3.5 percent.

Residential properties are benefiting from a further rise in demand. For that reason, such properties are also viewed as a safe haven by many investors concerned about rising inflation. According to BulwienGesa, the Living sub-index rose by 5.0 percent in 2020. Commercial properties, on the other hand, showed a different picture, with office and retail properties in particular suffering from far-reaching structural changes that were intensified by the pandemic. According to BulwienGesa, office rents showed their first decline since 2009, if only slightly by 0.8 percent. New lettings fell by 28.3 percent to 4.6 million square meters, while 2.6 million square meters of office space were newly added (plus 22.7 percent). The end to the expansion in office rents was triggered in particular by people working from home, a trend that has been massively reinforced by the pandemic.

Having said that, despite the substantial expansion in home offices during the lockdowns companies do not intend to use these facilities on a permanent basis. Based on a survey conducted by the German Economic Institute (IW), only 6.4 percent of companies plan to reduce their office space during 2021.
For retailers, the coronavirus crisis has acted as a kind of catalyst. Structures for which acceptance levels were already declining prior to the pandemic, such as department stores or pedestrian zones, came under even greater pressure due to the pandemic. Online retail, which was growing rapidly before the crisis, generated substantial further growth due to the pandemic. It has become even more apparent that retailers who do not have well-established multi-channel strategies in place are losing substantial volumes of revenues.

Where department stores close, intelligent follow-up uses are required. An empirical study conducted by PwC in August 2020 showed, for example, that of all department stores closed in Germany only 20% would be able to continue operating sustainably based on pure retail use. Locations which opted for new mixed-use concepts, such as including office or hotel space, had without exception successfully survived in the market.

Around 80 percent of Germany's more than 475,000 retail businesses were obliged to close their doors during the coronavirus-related lockdowns. Exemptions applied for segments counting as essential local suppliers. These were permitted to remain open if they met strict hygiene requirements. During the period in which retailers were open once again in the summer, they were rarely able to make up for the sales previously lost, as consumers had become more hesitant in terms of their shopping behaviour. Due to fears of infection, financial worries and the absence of a relaxed shopping experience, consumers tended to focus on buying necessities rather than treating themselves to new products. While grocery retailers reported sales growth, sales at textile retailers plummeted by more than 70 percent in some months.

Many retailers were obliged to accept state aid and subsidies. As is apparent from the 2020 Autumn Survey of the German Property Association (ZIA), nearly one in four retailers applied for a loan from the KfW development bank, while around half suspended their rental payments. Despite these measures, many companies faced a drastically higher risk of bankruptcy, with well-known textile retailers being obliged to seek protection in insolvency plan proceedings.

There were nevertheless hardly any changes in investment behaviour. Strong demand for specialist retail properties, such as specialist shopping centres, local supply centres and DIY stores meant that the purchase yield (rental income to purchase price) remained at historic lows for first-class properties in this asset class. According to the ZIA association, specialist retail properties and local supply locations with suitable catchment areas will also remain stable in future. By contrast, the market for shopping centres and high-street properties lost significant momentum and yields rose. The ZIA association believes that vacant properties will be unavoidable in most inner cities and at shopping centres dominated by segments covering periodic needs.

Like the entire travel industry, hotel properties were also severely affected by the lockdowns in 2020, with revenues falling by as much as 90 percent in some months. Hotels predominantly focusing on trade fair and conference visitors were particularly hard hit. Even when normality returns, tourism in Germany will not regain its 2019 levels before 2022 at the earliest, according to the ZIA survey. Several public and private aid packages have been introduced to help hotel operators to survive. Among others, these include short-time allowances (furloughing), VAT reductions, supplier credits and fee waivers.

2.3 Business performance and company position

Major events in the financial year

The company began the 2020 financial year with great momentum, as the successful placement of the first 2019/2023 corporate bond in three stages (end of 2019, January and February 2020) meant that fresh liquid funds of EUR 40 million were available. As a result, the main focus initially was on potential acquisitions and on reviewing numerous offers. Upon the emergence of the pandemic, ERWE initially avoided any major growth steps and rather focused even more closely on the investment markets. Ultimately, the company then made four investments in the 2020 financial year – in Coesfeld, Krefeld and two properties in Darmstadt.

In March of the year under report, ERWE agreed the takeover of a mixed-use property in the centre of Coesfeld. This city is located to the south west of Münster and to the north of the Ruhr region. The "Kupferpassage" has around 15,000 m² of usable space, including 160 car parking spaces. Around 2,500 m² of the space is used for 23 apartments. ERWE has budgeted for a total investment of around EUR 20 million which, alongside the purchase price, is also intended to finance renovation and modernisation measures.

The second investment involves a property in downtown Krefeld located directly opposite the company's first investment in that city. The property acquired will give way to a new building which will offer a mixed-use concept of offices, gastronomy, grocery retail and apartments of the kind in demand from many users. At the same time, the new building will benefit from synergies with the first Krefeld investment across the road. Tenants will be offered parking spaces at the first investment property, for example. The total investment will amount to around EUR 22 million.

At the beginning of June 2020, ERWE acquired a property used for offices, production and logistics at a rapidly developing business estate in Darmstadt. This is located not far from the A5 motorway, and thus also not far from Frankfurt Airport. Applicable construction law offers the possibility of increasing the usable space at the site, which currently amounts to around 2,700 m², by a factor of three by building a new complex. An investment of around EUR 20 million is foreseen here.

The fourth investment, made in October of the year under report, once again related to Darmstadt, where ERWE acquired a further property, this time in a prime downtown location. This property, which has almost 1,000 m² of retail and residential/utility space, offers interesting prospects for value creation. ERWE plans to invest around EUR 1.2 million in exploiting these opportunities.

Alongside these new acquisitions, work on developing the existing portfolio continued on schedule in 2020.

Postgalerie Speyer

Postgalerie Speyer is located at the beginning of the pedestrian zone in central Speyer, which leads all the way to the world-famous cathedral. In 2020, this location was twice affected by the measures taken to contain the spread of the coronavirus pandemic. Due to the closure of retailers not covering basic needs in the second lockdown, the Postgalerie was shut in mid-December 2020. Upon the editorial deadline for this report, it was not yet possible to name a specific date on which the location would be allowed to re-open. Despite the pandemic, work on modernisation measures and on converting part of the property into a hotel continued in the year under report.

The occupancy rate was raised from 78 percent at the beginning of the year to 87.1 percent at the end of 2020. This was largely due to the Amedia Hotel Group, for which sections of the Postgalerie have been converted to hotel space with 111 rooms in total. Of these, 82 rooms were handed over to Amedia on schedule in mid-December 2020. A further 29 rooms followed at the beginning of 2021. Amedia has postponed the opening originally scheduled for December to a date after the lockdown. Consistent with the contract, the first rental payments are only expected in the current year. The opening of two newly let gastronomy spaces also had to be cancelled.

Due to the pandemic, the ongoing efforts to let space that is still vacant have only limited prospects of success. One letting agreement which had been largely negotiated with a gym operator for a ten-year term has been postponed due to the second ongoing lockdown.

The pandemic also led to delayed payments in some cases during the financial year. By the end of the year, however, part of the outstanding balances had been paid. Based on due commercial prudence, an appropriate level of write-downs has been recognised.

Further modernisation measures are planned in Speyer in the new financial year. An outdoor advertising concept is also in preparation. This will have to be approved by the monument protection authorities. The modernisation measures include a modern lighting concept, a pedestal and staircase, as well as turning around the escalator in the mall.

LICHTHOF Lübeck

Notwithstanding the tough climate, ERWE took major steps forward in developing its Lübeck property in the year under report. As part of the realignment of the property and the changes in use, the arcade was renamed LICHTHOF in early 2020. The new name stands for a fresh start with the new concept of "Service meets Shopping & Indulgence" in the heart of Lübeck, and at the same time reflects the architectural design of the property. This is because the prominent design feature is a large glass dome that provides excellent lighting in the central shopping area.

Office space of around 7,700 m² was modernised in the year under report and gradually handed over to Lübeck City Administration, which already let the space in 2019 and now operates a civic centre and other public service functions at LICHTHOF.

The retail space had to be closed during the pandemic. The coronavirus crisis also made it difficult to let out the space still vacant, with demand remaining subdued given the uncertain outlook. Despite the pandemic, the occupancy rate was raised from 70.2 percent at the beginning of 2020 to 75.9 percent at the end of the year. By the end of the year, ERWE reported only a low volume of delayed rental payments for this location.

The mall space and façade are to be provided with an attractive new design scheme in the 2021 financial year.

City Colonnades Krefeld

After around two years of development and extensive modernisation measures, ERWE was able to transfer this property, with its total of around 11,000 m² of usable space, to a new mix of uses in the year under report. Located at St. Antonstr. 56/Friedrichstr. 3-11/Königstr. 146 in the centre of Krefeld, the property was fully utilised upon the handover of office space of around 3,400 m² in mid-December. The new tenant is Krefeld City Administration, which has relocated around 110 employees and various municipal departments, including sport and sport promotion, youth welfare services and public safety and order, to the new space.

This letting agreement has a ten-year term and includes a five-year extension option. The letting of this space to the city administration means that both the office space in St. Anton Strasse and the retail and parking space at the property are now fully let. ERWE renovated the 420-space parking facility at the end of December 2019 already and newly let this to APCOA, the former operator.

Kupferpassage Coesfeld

Most of the retail space at Kupferpassage had to close during the lockdowns. The closures resulting from the second lockdown were still in force upon the editorial deadline for this report. By the end of the year under report, the tenants had nevertheless made virtually all of their rental payments, as a result of which only a minor amount was still outstanding at the reporting date. Over the course of the year, ERWE was able to agree significant extensions in a number of rental agreements, as a result of which the WAULT figure improved to 4.5, up from 2.7 upon the acquisition of the property in March. Overall, around 8.4 percent of the space at Kupferpassage was still available at the end of the year. A major share of this nevertheless comprised apartments that are gradually being modernised and will then rapidly be let. Furthermore, several existing tenants expressed their desire to extend their rental agreements or enlarge their rental space. Due to the pandemic, negotiations, also with new interested parties, will only be held once the current lockdown has been lifted.

Work began in the year under report on several measures to modernise the technical building installations. The further improvement measures planned for Kupferpassage will nevertheless only begin in 2021. These include refurbishing the underground car park, renovating the façade, redesigning the entrance and introducing a new optic mall concept.

Ziellenbachquartier Krefeld

In March of the year under report ERWE acquired a plot of land in central Krefeld, located opposite ERWE's first investment in Krefeld. ERWE intends to demolish the existing building on the site, which is no longer usable, and erect a new building. The company plans a mixed-use complex including offices, gastronomy, food retail and residences. By offering the use of the parking facilities at City Colonnaden, ERWE plans to realize the synergy potential between both properties.

Darmstadt – industrial estate

ERWE acquired this building at the industrial estate not far from the A5 motorway in Darmstadt in June of the year under report. Since then, it has mainly focused on project development activities. That is because the existing building has usable space of around 2,500 m², while the land-use plan permits significantly greater use to be made of the site. The plan would allow a building with around 11,000 m² gross floor space and between 9,000 m² and 9,500 m² of usable space. The specialist planners required for this and the service providers needed to market the newly created space were commissioned at the end of the year and the beginning of the new financial year. The forthcoming redevelopment of the property means that existing letting arrangements will only be continued on a short-term basis.

Darmstadt – downtown

The acquisition of this property at a central downtown location in Darmstadt only took effect as of 1 December 2020. Extensive refurbishment and renovation measures are in planning for the property's total of more than 1,000 m² of usable space, which is used for retail, flats and offices. The space in upper floors is to be developed and let out as residential space. Given their central location, the apartments are expected to be in very great demand.

TAUNUS LAB in Friedrichsdorf

In the year under report, ERWE applied for the building permit to start the first stage of construction of its new TAUNUS LAB business centre in Friedrichsdorf close to Bad Homburg v.d.H. However, the permit had not yet been received by the end of 2020. In parallel with the preparations being made for construction work, including a call for tenders from general contractors, work also began on marketing the space. It is planned to construct a total of five buildings with usable space of some 50,000 m² and 1,300 parking spaces in several stages. As expected, however, the efforts to let the space met with a subdued reception due to the coronavirus crisis and the lockdowns. Work is set to begin on the first stage of construction as soon as the building permit is issued and advance letting agreements have been signed for two thirds of the space to be newly created.

Frankfurt Airport Center 1

Frankfurt Airport Center 1 (FAC 1), which is located directly opposite Terminal A at Frankfurt Airport, was acquired at the end of 2018 in a transaction executed with joint venture partner Godewind Immobilien AG in which ERWE holds a 10.1 percent stake. ERWE had previously already been commissioned to perform an extensive refurbishment of the space of more than 48,000 m² with the aim of repositioning and raising occupancy at the property's office and conference space. In mid-2020, Godewind was taken over by Covivio Group, a French company, and renamed as Covivio Office AG. This means that ERWE now has a new partner for the project.

As the modernisation measures have been implemented, the occupancy rate at FAC1, originally below 80 percent, has been raised to 92 percent. Given the difficult developments in the overall environment, and particularly at Frankfurt Airport itself, which is among those hardest hit by the coronavirus crisis, it was not possible to further increase the occupancy rate during 2020. Work nevertheless consistently continued with the modernisation measures. The elevators and sprinkler systems were renewed and the lobby was renovated. The main work will be completed in spring 2021, at which point ERWE's service contract will expire.

Comparison with previous year's forecast

In last year's outlook we reported on our expectation that rental income would increase due to the space let out at the properties in Speyer and Lübeck and the takeover of the well-let Kupferpassage in Coesfeld. This latter property alone would increase ERWE's rental income by around 40 percent. We met this forecast, as our gross rental income rose by 61 percent to EUR 5.589 million in the year under report.

With regard to the balance sheet structure and performance, we reported that the financing structure would be optimised and that the loan-to-value (LTV) figure would permanently remain below 60 percent. In fact, the LTV showed a significant increase to 63.1 percent in the year under report. This higher level of LTV is mainly due to the issuance of the corporate bond. ERWE also assumed that, thanks to revitalisation and project development measures, it would achieve a moderate increase in its NAV. At EUR 4.12 per share, however, NAV fell slightly short of the previous year's figure (end of 2019: EUR 4.22 per share). This was due to the pandemic-related reduction in the valuation of individual properties at ERWE.

With regard to the annual financial statements prepared in accordance with the German Commercial Code (HGB), ERWE once again expected to report a slightly negative to neutral result in 2020. The actual result is significantly more negative than in the previous year. This is due to the extension in the Management Board to address the growing range of tasks facing the company and to the interest charge for the corporate bond, which is reported at the holding accompany (AG).

2.4 Notes on earnings, financial and asset position of the Group

The consolidated income statement of ERWE Immobilien AG shows gross rental income of EUR 5.589 million for 2020 (2019: EUR 3.466 million). This increase was mainly due to the long-term letting of large-scale office spaces to the city administrations of Krefeld and Lübeck during the financial year under report, as well as to the acquisition of Kupferpassage in Coesfeld with corresponding rental income. Net of expenses from property lettings, earnings from property lettings came to EUR 2.631 million (2019: EUR 1.366 million).

The fair value measurement of investment properties pursuant to IAS 40 resulted in corresponding income of EUR 6.788 million (2019: EUR 12.569 million). Within this item, fair value increases of EUR 13.460 million were countered by fair value reductions of EUR 6.672 million. The result from associates measured at equity amounted to EUR 2.607 million (2019: EUR 1.639 million). The growth in this figure, which includes the pro rata share of ERWE's profit from its investment in FAC 1, reflects the year-on-year increase in the valuation of this property.

The other operating income of EUR 1.249 million (2019: EUR 0.842 million) mainly comprises an amount of EUR 0.483 million (2019: EUR 0.480 million) involving income from project development and management services performed on behalf of the company which owns FAC1 in the course revitalising that property. Furthermore, this item also includes income of EUR 0.331 million from charging on tenant improvements (2019: EUR 0.116 million). This income is countered by corresponding amounts in other operating expenses.

The other operating expenses of EUR 4.508 million (2019: EUR 3.062 million) mainly consist of legal and advisory costs, expenses incurred for the company's stock market listing, investor relations activities and the shareholders' meeting, year-end and auditing expenses, expenses for projects not implemented and the aforementioned tenant improvements. The increase in other operating expenses is due in particular to higher legal and advisory expenses resulting from, among other factors, more extensive due diligence activities.

The rise in personnel expenses by EUR 3.048 million to EUR 4.863 million is attributable to the increase in the number of employees from 20 in 2019 to 38 in 2020, with this being due in particular to the expansion of property management and other operating activities. Furthermore, the inception of the virtual stock option programme for executives resulted in expenses of EUR 1.410 million.

The financial costs of EUR 6.595 million (2019: EUR 3.327 million) chiefly comprise interest expenses for the bond and for property financing loans. This increase was due to the corporate bond placed in December 2019 and increased at the beginning of 2020, the prorated debt financing for the acquisition of Kupferpassage Coesfeld and further debt financing for ongoing project development and revitalisation measures.

Net of financial costs, consolidated earnings before taxes amounted to EUR -2.675 million in 2020 (2019: EUR 8.224 million). The tax income of EUR 2.778 million (2019: EUR 0.482 million) is due in particular to the measurement of deferred taxes. This item relates to the application of the tax rate in connection with a disposal that is potentially exempt from trade taxes. Consolidated net income thus amounted to EUR 0.103 million (2019: EUR 8.706 million).

ERWE measures its operating earnings by reference to the "adjusted EBIT" key figure. This is initially calculated by adjusting consolidated net income to eliminate taxes, the financial result and non-recurring and special items. Adjusted EBIT includes income from the fair value measurement of investment properties and income from companies measured at equity as, consistent with the business model, this reflects the value created from the favourable purchase and subsequent development of properties. As presented in the following overview, adjusted EBIT for the period from 1 January to 31 December 2020 amounted to EUR 4.460 million (2019: EUR 11.752 million):

EUR 000s	2020	2019
Consolidated net income	103	8,706
+/- tax income/expenses	-2,778	-482
+/- financial income/costs	6,581	3,316
+/- non-recurring and special items	554	212
Adjusted EBIT	4,460	11,752

Asset position

The consolidated balance sheet as of 31 December 2020 shows non-current assets of EUR 204.330 million (2019: EUR 139.602 million), corresponding to 95 percent of total assets (2019: 86 percent). This total includes investment properties of EUR 192.713 million (2019: EUR 131.910 million). The year-on-year increase is chiefly due to the acquisition of four new properties in Coesfeld, Krefeld and Darmstadt, accounting for a total of EUR 31.155 million, investments of EUR 22.860 million in project development and revitalisation measures and fair value changes totalling EUR 6.788 million.

Furthermore, non-current assets include an amount of EUR 8.832 million for the stake in the company which owns FAC1 (2019: EUR 6.225 million). This increase is attributable to the prorated share of this company's earnings that is attributable to ERWE, which in turn was due in particular to the valuation of FAC1 as of 31 December 2020. Furthermore, non-current assets include the acquisition costs of EUR 1.343 million for the investment in peko GmbH, Eppelborn.

The increase in trade receivables to EUR 0.561 million was due in particular to the invoicing of service charges at a property for the period from 2017 to 2019, a process which was only completed in December 2020.

The year-on-year reduction in liquid funds and other assets was due to the utilisation in the year under report of the funds received from the corporate bond placed at the end of 2019.

The increase in financial debt by EUR 52.120 million from EUR 83.415 million to EUR 135.535 million as of 31 December 2020 resulted from the EUR 27.500 million increase in the corporate bond, as well as to an amount of EUR 14.990 million for prorated debt financing for the acquisition of Kupferpassage Coesfeld. Apart from these two items, the increase was attributable to further funds drawn down in connection with further project development and revitalisation measures at investment properties.

Of the provisions recognised within non-current liabilities, an amount of EUR 1.410 million (2019: EUR 0.000 million) involved provisions for the virtual stock option plan.

The deferred tax liabilities recognised within non-current liabilities particularly include deferred taxes recognised on temporary differences between values of investment properties in the consolidated financial statements and their tax carrying amounts. Despite the measurement results of EUR 6.788 million recognised for investment properties in the consolidated financial statements, these deferred tax liabilities decreased to EUR 12.521 million. The reason for this is that, due to changes in the structure of letting contracts at one property, ERWE now assumes that, were this property to be sold, the sale would be exempt from trade tax. As a result, the deferred tax liabilities stated here are around EUR 3.9 million lower than if a (fictitious) disposal at full tax rates were assumed. In the consolidated income statement, this led to a corresponding reversal of deferred tax liabilities recognised in previous years, and thus to an increase in consolidated net income.

The trade payables of EUR 1.881 million (2019: EUR 0.947 million) recognised within current liabilities mainly include liabilities not yet settled as of the balance sheet date in connection with project development and revitalisation services performed by third parties.

Given the annual results, equity showed only a slight increase of EUR 0.103 million to EUR 58.388 million. Due to the growth in total assets, the equity ratio fell to 27.1 percent in the period under report (2019: 35.8 percent).

Net asset value (NAV), the typical indicator used in the sector to measure the company's value, is calculated as follows:

EUR 000s	31 Dec 2020	31 Dec 2019
Equity	58,388	58,285
- non-controlling interests	-3,440	-3,595
Equity attributable to ERWE shareholders	54,947	54,690
Liabilities for deferred taxes on investment properties, where attributable to shareholders in parent company	13,297	15,132
Net asset value (NAV)	68,244	69,822
Number of shares	16,562,922	16,562,922
Net asset value (NAV) per share	4.12	4.22

In 2021, the EPRA NRV key financial performance indicator will replace the NAV. For information purposes, the EPRA NRV for the 2020 and 2019 financial years is presented below:

EUR 000s	31 Dec 2020	31 Dec 2019
Equity	58,388	58,285
- non-controlling interests	-3,440	-3,595
Equity attributable to ERWE shareholders	54,947	54,690
Liabilities for deferred taxes on investment properties, where attributable to shareholders in parent company	14,298	16,624
Property acquisition tax on investment properties	11,417	7,626
EPRA NRV	80,662	78,940
	16,562,922	16,562,922
EPRA NRV per share	4.87	4.77

ERWE calculates its loan-to-value (LTV) figure, which acts as an indicator of the company's indebtedness, as the ratio of adjusted net financial liabilities (financial debt less liquid funds) to total property assets plus the at-equity interest. In the past financial year, the LTV rose from 46.6 percent as of 31 December 2019 to 63.1 percent as of 31 December 2020.

EUR 000s	31 Dec 2020	31 Dec 2019
Investment properties	192,713	131,910
+ investments in property companies	8,832	6,225
= property assets	201,545	138,135
Financial debt	135,535	83,415
- cash and cash equivalents	-7,962	-19,055
= adjusted net financial liabilities	127,572	64,360
Loan-to-value (LTV)	63.3%	46.6%

Financial position

The cash flow from operating activities includes the inflows and outflows of funds from operations, as well as interest and income tax payments. The outflow of funds for operations amounted to EUR -2.940 million (2019: EUR -3.136 million). This negative cash flow was due to the fact that in some cases ERWE was still in the revitalisation stage with its properties in Speyer, Lübeck and Krefeld, as is still the case. Only once this phase has been completed do we expect to generate a positive cash flow from operating activities from the rental income then budgeted. Furthermore, ERWE also invested in expanding its personnel, a factor that was accompanied by correspondingly higher outflows of funds. Including the interest and ancillary costs paid, the outflow of funds for operations amounted to EUR -9.537 million (2019: EUR -6.235 million).

The cash flow from investing activities amounted to EUR -56.157 million at the end of the year (2019: EUR – 15.371 million) and largely reflects the extensive investments made by the company in the period under report. Outflows of funds arose in connection with the acquisition of the four properties in Coesfeld, Krefeld and Darmstadt, as well as with further project development and revitalisation measures.

The cash flow from financing activities came to EUR 54.601 million as of 31 December 2020 (2019: EUR 21.509 million). Financing activities led to an inflow of funds amounting to EUR 55.100 million due to the taking up of financial loans.

2.5 Earnings, financial and asset position in separate financial statements of ERWE Immobilien AG

The commercial success of ERWE Immobilien AG as a holding company is intrinsically linked with the business performance of the individual Group units. This means that, in order to understand the business performance of ERWE Immobilien AG and its key influencing factors, it is essential to consider the Group as a whole. The reporting on the Group's position and the presentation of its opportunities and risks therefore also largely apply to ERWE Immobilien AG as a standalone company. The individual financial statements of ERWE Immobilien AG on which this report is based were prepared in accordance with the requirements of the German Commercial Code (HGB) and the supplementary regulations of the German Stock Corporation Act (AktG).

Earnings position

The 2020 financial year was once again marked by investments in further portfolio growth, as well as in development, and in particular the conversion, expansion, renovation and modernisation of the property portfolio. As is apparent from these measures, ERWE Immobilien AG naturally did not receive any earnings contributions from its investments.

At EUR 0.894 million, revenue changed only slightly compared with the previous year (2019: EUR 0.787 million) and mainly resulted from charges passed on to subsidiaries. Interest income of EUR 2.608 million (2019: EUR 1.168 million) mainly results from interest charged on loans to and receivables due from subsidiaries. This was countered by interest expenses of EUR 3.486 million (2019: EUR 0.289 million) chiefly relating to the bond. As a result, the financial result stood at EUR -0.878 million (2019: EUR +0.880 million). The negative financial result is due to the fact that the inflows of funds were only invested in projects at the subsidiaries of ERWE AG following a certain delay. Moreover, loans to and receivables due from associates charge lower interest than the bond.

The profit and loss transfer agreement concluded with ERWE Properties GmbH in 2020 resulted in the assumption of a loss of EUR 0.277 million.

Personnel expenses increased to EUR 2.463 million (2019: EUR 0.528 million). On the one hand, the Management Board was extended to three members, while on the other hand this item includes expenses of EUR 1.338 million incurred to recognize a provision for the virtual stock option plan incepted in 2020. The other operating expenses of EUR 1.935 million (2019: EUR 1.902 million) include expenses of EUR 0.369 million (2019: EUR 0.455 million) incurred for the increase in the bond, as well as further expenses due to the holding company activities for the ERWE Group, such as for the shareholders' meeting, stock market listing, investor relations, year-end and audit expenses and other legal and consulting fees.

Given that no earnings contributions have yet been received from the operating subsidiaries, the company reported a net loss of EUR 4.578 million for 2020 (2019: EUR 0.738 million).

Financial and asset position

ERWE Immobilien AG finances its subsidiaries at least in part. Its equity of EUR 21.377 million (2019: EUR 25.955 million) and bond liabilities of EUR 40.000 million (2019: EUR 11.550 million) were therefore countered by financial assets and receivables due from subsidiaries amounting to EUR 62.346 million in total (2019: EUR 28.623 million). The funds received in 2019 and 2020 from taking up the bond were therefore predominantly used to finance the acquisition of new properties (Coesfeld, Krefeld and two properties in Darmstadt) and for further project development at the properties held by the subsidiaries.

This was also the reason for the reduction in cash and cash equivalents, which as of 31 December 2019 had mostly resulted from the inflow of funds due to the bond issue. The other assets reported for the previous year included receivables of EUR 1.894 million in connection with the bond placement. These funds were received by the company at the beginning of 2020.

2.6 Overall summary of economic position at the company (AG) and the Group

In the 2020 financial year, a period dominated by the coronavirus crisis, ERWE sustainably demonstrated that its investment decisions were correct in the past and would also be sustainable in the future. The decision to focus on mixed-use properties has proven to be particularly prescient, as it offers greater security in terms of sustainable utilisation than would single-topic properties. To date, the retail closures required during the lockdowns, which forced large numbers of ERWE's tenants to discontinue operations, have only led to a small number of letting problems which, where they arose, could be tackled and solved with new agreements. Rental arrears only arose in individual cases. A renewed review of the valuation of the property portfolio has demonstrated the high value potential harboured by the properties. This potential was gradually leveraged during 2019 and 2020 and has proven to be largely sustainable during one of the severest crises ever faced by retailers.

III. Outlook, opportunity and risk report

3.1 Outlook

Macroeconomic developments will be determined once again in 2021 by the uncertainties surrounding the further development of the coronavirus pandemic. Upon the editorial deadline for this Annual Report, it was not yet foreseeable when the pandemic would abate and whether the first wave in spring 2020 and the second wave since October 2020 would be followed by a third wave, triggered by even more infectious mutations. Upon publication of this report, the Federal Government had still not presented any convincing concept concerning future measures to be taken to combat the virus. There are concerns that the lockdown could continue until after Easter and that the summer vacations will have to be cancelled. Experts at the various economic institutes in Germany have published varying forecasts of macroeconomic developments, which predict GDP growth in a range of between 3.0 percent (Deutsche Bundesbank) and 3.5 percent (DIW German Institute for Economic Research). This would mean that, by the end of 2021, the economy would still not have returned to its pre-pandemic level. In February 2021, the Federal Government cut back its own original growth forecast from 4.4 percent to 3.0 percent, as it too is unable to assess the impact of the prolonged lockdown and does not expect to see a resounding economic recovery in 2021.

According to the Federal Government, the absence to date of any strong economic upturn is due to the disparate developments shown by different parts of the German economy. While the industrial sector is helping to stabilise the economy, with this being due above all to sharp export growth driven in particular by surprisingly strong growth in PR China, those sectors of the economy directly affected by the lockdown (retail, gastronomy, events and trade fairs, tourism, air travel) are continuing to suffer.

The labour market remains stable, although potential consequences of the lockdown are still being cushioned and concealed by ongoing short-time furloughing schemes. The Federal Government expects the total number of people in employment to remain stable at 44.8 million throughout the year and the unemployment rate to decrease slightly to 5.8 percent at the end of the year. The ongoing high levels of employment are expected to lead to a massive recovery in particularly hard hit sectors once the lockdown is lifted. However, it is still not yet clear when retailers, gastronomy, the event business, tourism and air travel will be able to restart.

Given the situation outlined above, real estate markets also face disparate outlooks. Residential properties are still highly popular, as they promise secure and continually rising rental incomes. The outlook for office space is more subdued, as the previous boom would appear to have been halted, at least temporarily, by the lockdowns and new concepts such as home office could slow demand in future. Finally, retail and hotel properties are currently viewed with a great deal of scepticism.

If hotels do not have guests and retailers earn less, or even have to file for insolvency, then it is not only rental incomes that falter. The values of the properties themselves also fall. Any wave of insolvencies would therefore also impact on funds that invest in hotel and retail properties. In June 2020, the rating agency Scope already downgraded twelve open real estate funds, including the three largest in the sector. The Federal Government has initiated substantial financial assistance programmes. It is nevertheless questionable whether these will be sufficient to cushion the wave of insolvencies already underway.

For ERWE, individual value depreciations within its property portfolio are on a manageable scale. By successfully implementing mixed-use concepts, the company has created a solid foundation for securing high occupancy rates and reliably letting the properties. The outstanding rent receivables that have accumulated to date remain comparatively low.

At the same time, for ERWE's business model the current coronavirus crisis offers substantial new investment opportunities. In nearly all of Germany's inner cities, the existing structures, with their monothematic focus on retail, are under pressure. Towns and cities face a massive withdrawal of store operators and a significant increase in the numbers of vacant properties. These properties have to be transformed and provided with a new focus. Local politicians can be expected to make great efforts to prevent their downtowns from simply dying. ERWE intends to participate in the resultant restructuring processes.

Assuming that suitable financing options are available, ERWE aims to at least double its property portfolio in the medium term, i.e. over the next three to five years.

Given the ongoing uncertainty surrounding the virus as spring begins, it is not possible to provide any forecast concerning developments in the 2021 financial year. After nearly five months of lockdown, scenarios in which public life restarts at a gradual pace stretching far into the summer would seem possible. Given the exceptionally sluggish progress being made with vaccinating the population, the possibility of a renewed lockdown in the autumn cannot be excluded. This also means that no forecast can be provided as to how long the retail tenants within ERWE's portfolio in particular can still cope with this situation and above all how long these tenants can survive this situation.

This being so, ERWE cannot exclude the possibility of a temporary deterioration in its rental income. Having said that, the pandemic could regress at a faster rate than expected, which would significantly boost consumers' propensity to spend and thus increase consumer spending and retail sales.

Upon the editorial deadline for this report, there were also uncertainties as to the situation on the capital markets and investors' willingness to invest in property stocks, or even to invest at all. Were the pandemic to recede, then this mind-set could also reverse and assist ERWE in implementing the capital-related measures it has planned. As ERWE's further growth is dependent on its ability to procure capital, upon the editorial deadline for this Annual Report it was not possible to provide any serious forecasts, or even potential targets, in respect of the company's income, performance or balance sheet ratios.

Assuming that the pandemic ebbs by April and retailers are able to return to a normal situation, then gross rental income in the existing portfolio is expected to rise by 40-50 percent to EUR 7.8 – 8.5 million in 2021. This growth is chiefly due to pleasing occupancy rates at the existing properties in Lübeck and Krefeld. In 2020, the conversion and modernisation work and subsequent handover of space meant that full rents were only paid from December 2020 in Krefeld and from September 2020 in Lübeck. This rental income will then be included on a full-year basis in 2021. In Speyer, the Amedia Hotel Group is expected to initiate its rental payments from June 2021.

Furthermore, based on talks currently underway we expect to be able to raise the occupancy rate in ERWE's existing portfolio. For 2021, we expect to see significant improvements in adjusted EBIT from property lettings before the at-equity result. Based on our assessment , the current uncertainties meant that neither earnings from property lettings not the at-equity result can yet be conclusively forecast.

In the current year, ERWE will also be working on the first Darmstadt and second Krefeld investments. Both locations harbour hidden reserves in the form of construction reserves. These can be released once building permits are issued. Furthermore, ERWE plans to make further new investments that in turn should harbour value potential. The loan-to-value (LTV) figure should at least reach around 60 percent or even fall below this threshold. The Group's performance as reflected in the EPRA Net Reinstatement Value (EPRA NRV) is expected to increase.

IV. Risk and opportunity report

4.1 Risk report

Risikomanagement-System

The risk management system in place at ERWE forms an essential part of the company's governance risk compliance regulations. Further elements comprise the compliance management system, internal control system and internal audit. ERWE's risk policy is directed towards planning and implementing the corporate strategy. In this, ERWE accepts reasonable risks in order to take advantage of business opportunities. Risks to the company's continued existence should be avoided.

The main task of group-wide risk management is to detect any developments that threaten the company's continued existence, to measure the risk capacity and assess the degree of threat. As a rule, individual risks only pose a threat to the company's continued existence in extreme cases. A greater threat is likely to arise when several risks accumulate. If accompanied by falling market rents and the loss of an anchor tenant, for example, rising interest rates could have a highly negative impact on the value of investment properties. This is one of the reasons why ERWE pursues a risk policy that takes into account the Group's risk-bearing capacity.

In the past year, ERWE created and documented numerous new organisational structures and processes in line with its growth. In addition, new procedures have been introduced, documented in writing and further developed. As part of this process of implementation and further development, processes and individual risks in the fields of risk management and compliance management have been further aligned to ERWE's group structure.

The risk management system comprises all organisational regulations and activities for the systematic, regular and Group-wide implementation of those procedures which are necessary for risk management. A designated person is responsible for each area of risk. Risk management is coordinated by a central unit at ERWE and supported by an external auditing company. ERWE's Management Board keeps the Supervisory Board regularly informed about ERWE's overall risk situation.

ERWE's Management Board compiles a separate risk report for the Supervisory Board on a quarterly basis. The overriding aim of the Group-wide risk management system, whose functionality is reviewed on a case-by-case basis, is to sustainably secure ERWE's continued existence.

An extensive risk catalogue documents all major risks, including compliance risks, to which ERWE believes that it is exposed. This catalogue was reviewed once again in the 2020 financial year and adapted where necessary to changes in ERWE's internal structures. Due account was also taken of the stricter data protection requirements resulting from the EU's General Data Protection Regulation (EU-GDPR), which has been in force since 25 May 2018.

ERWE's risk management system is described and documented in a guideline. This was developed further in the 2020 and 2021 financial years.

Where possible, risks are covered by adapted insurance cover customary to the market, particularly for buildings, general operating risks, personnel and management. The appropriateness of this cover is also reviewed.

The new version of the German Corporate Governance Code (DCGK) was adopted on 16 December 2019, thus concluding the public discussions surrounding the new DCGK since October 2018. On 23 January 2020, the DCGK Government Commission forwarded the new version of the Code to the Federal Ministry of Justice and Consumer Protection (BMJV). The new Code took effect upon its publication in the Federal Gazette on 20 March 2020. ERWE has accounted for the stricter recommendations made by the Code for the future in its compliance management activities. Those sections of the Code with which ERWE does not comply are presented in its declaration pursuant to § 289f and §315d of the German Commercial Code (HGB) which, in accordance with § 161 of the German Stock Corporation (AktG), is published on the website of ERWE Immobilien AG.

Risk classification

The risk owners assess the individual risks of their area of responsibility on a quarterly and ad-hoc basis, and forward these assessments to the risk management unit responsible for preparing the risk management report. In the process they assess both the risk classification, i.e. the impact that a risk occurrence would have on ERWE or the property or project development to be assessed, and the probability of the risk occurring. Risk classification is carried out as standard on the basis of the following specifications.

ERWE uses a 4-point scale (4 score) to assess the risks. The scale makes it possible to map the risks in the risk management system in a differentiated format. The standard descriptions of the risk categories and the probabilities of occurrence were also adjusted as part of a new way of recording and evaluating the risks. At the same time, other and more accurate risk descriptions have been applied for certain risks.

Risk classification

Risk classification is based on the following categories:
Requirement: Risk classification:

Category	Value	Description
Minimal	1	No significant impact on business processes
Conceivable	2	Visible impact on business processes
Serious	3	Substantial impact on business processes
Existential	4	Existential impact on business processes

Requirement: Probability of occurrence within one to three years:

Category	Value	Description
Marginal	1	up to 25 % probability of occurrence
Possible	2	26 %-50 % probability of occurrence
Probable	3	51 %-75 % probability of occurrence
Highly probable	4	from 76 % probability of occurrence

To measure risk, ERWE uses a scoring model (points system from 1 to 4) which facilitates the implementation, measurement and weighting of all individual risks in the Group. The scores are derived from the (weighted) average of the figures shown as values in the table above. For each risk, the potential amount of damages and probability of occurrence are determined before consideration of the respective (counter)measures (gross method). Threshold values are defined for significant risks, with measures automatically triggered when these are reached, such a duty to inform or the immediate initiation of a given course of action. In this respect, ERWE has established targeted improvement measures to reduce or eliminate risks.

Accounting-related internal control system

The accounting-related internal control system encompasses principles, procedures and measures throughout the Group to safeguard the economic efficiency, reliability and correctness of accounting and ensure compliance with the relevant legal provisions to provide a true and fair picture of the company's position in its external reporting. These include organisational rules such as dual control, as well as routine automated IT process controls. Clearly worded procedural guidelines also specify how the relevant rules should be applied in the ERWE Group.

A key element in correct, reliable accounting is the targeted separation of administrative, executive, accounting and approval functions, which ERWE ensures by assigning responsibility as appropriate. To make sure that the valuation of assets is accurate and in line with market conditions, ERWE draws on the expertise of specialist external real estate surveyors. Other regulatory and control measures are designed to provide reliable, easily understood information from the accounting records.

Accounting transactions are recorded using standard commercial accounting systems. Subsidiary accounting for the real estate is carried out locally in property management software systems. ERWE's consolidated financial statements were prepared with the assistance of the "Cognos" programme.

When the consolidated financial statements of the ERWE Group are prepared, the subsidiaries and second-tier subsidiaries supplement their separate financial statements with the necessary reporting packages. All figures and data are checked and evaluated by ERWE's accounting department and by an external service provider. Having received the lists of totals and balances and further information, the service provider compiles the consolidated financial statements using "Cognos".

Presentation of the most significant individual risks

The ERWE Group is exposed to numerous different risks which, whether individually or in the aggregate, may impact negatively on the assets, liabilities, financial position and financial performance, as well as on the further economic development of the overall Group. The risks presented are set out below. In determining the significance of these risks, the main focus is on presenting their potential impact on ERWE.

In addition to those general risks which apply to all companies, the eight most significant risks of the ERWE Group focus on property-specific risks resulting from the purchase and sale of real estate, management and project development, as well as associated real and financial risks. (see table below)

(1) Property valuation risk
The valuation of property is a central topic for real estate companies. The main factors influencing valuation are parameters such as the discount/capitalisation interest rate, vacancy rate and market rent. At project development properties, the expected construction costs represent a further major parameter. Valuation risk is therefore to be classified as a financial risk. It can be supplemented to include information that it would not be possible to actually achieve the values determined by surveyors on the market.

ERWE generally classifies valuation risk as a highly significant risk. As of the balance sheet date, this risk is assessed as "conceivable" with a "possible" probability of occurrence. Here, the probability of occurrence has been raised from "marginal" in the previous year to "possible".

(2) Lettings risk (loss of anchor tenants)
The return on real estate is mainly determined by lettings. Lettings risk is classified as a highly significant risk. At ERWE, this risk is assessed on the level of the company's individual properties. No large-scale loss of rental income, increase in vacancies, or non-compliance with scheduled reductions in vacancies due to coronavirus are currently identifiable. However, some of our tenants have been affected by the pandemic. In this respect, we may be affected by any resultant strategic decisions taken by our tenants to withdraw from individual locations or regions.

No.	Risks	Risk areas	Assessment
1	Property valuation risk (various internal and external factors)	Market / Finance / Accounting	High importance
2	Lettings risk (loss of anchor tenants)	Market / Finance / Operations	High importance
3	Refinancing risk (cluster risks, increase in interest rates)	Financing	High importance
4	Risk of non-compliance with financial indicators	Financing	High importance
5	Project development risks in the portfolio	Specific Project development	High importance
6	Project development risks for original project developments	Specific Project development	High importance
7	Liquidity risk	Market / Finance / Operations	Material importance
8	Capital market risk	Market / Finance / Operations	Material importance

This may delay the planned reduction in existing vacancies due to the uncertainties surrounding the further course of the pandemic. As of the balance sheet date, this risk is assessed as "minimal" with a probability of occurrence between "possible" and "probable".

(3) Refinancing risk
Given that its properties are partly debt-financed, ERWE is exposed to refinancing risks. There is currently no sign of banks restricting lending on properties. We nevertheless consider refinancing risk as a highly significant risk if there is an increased need for refinancing, as is the case in the 2021 financial year, and if there is a sharp deterioration in the economic climate.

Despite the coronavirus pandemic and given the refinancing and financing extension measures already agreed in 2021, we currently do not see any indications that this risk will materialise. Against the backdrop of solid property financing, the interest rate climate and alternative refinancing options via the capital market, however, we have assessed this risk as moderate. Upon the editorial deadline for this report and in view of the refinancing measures already implemented in 2021, ERWE assesses this risk as "conceivable" with a "possible" probability of occurrence.

(4) Risk of non-compliance with financial indicators
If ERWE Group companies were to breach obligations arising from loan agreements (financial covenants), the loans could be prematurely terminated or breaches of contractual terms might be ascertained. Compliance with financial covenants is continually monitored and managed by the Management Board. Furthermore, compliance is monitored within the risk management system, on both a regular and an ad-hoc basis, and communicated to creditors as part of routine bank reporting. As of the balance sheet, this risk is assessed as "minimal" with a "possible" probability of occurrence.

(5) Project development risks in the portfolio
Project development risks include approval risk for conversions and renovations, cost risk, project financing risk and deadline risk. Those risks of high importance for ERWE have been assessed on individual property level. ERWE has not witnessed any impact on construction times due to coronavirus. Overall, as of the balance sheet date this risk is assessed as "conceivable" with a "possible" probability of occurrence.

(6) Project development risks for original project evelopments
Project development risks for original project developments include the following individual risks: land and building ground risk, construction cost risks, project financing risk, deadline risk and project development profitability risks. Due to the pandemic, delays may arise in concluding letting agreements in advance of project implementation and in the projects themselves. These delays may adversely affect the cash flows from the projects.

Risks of fundamental importance of ERWE were assessed on the level of individual properties. Overall, the risk as of the balance sheet date is assessed as "conceivable" and has a probability of occurrence between "possible" and "probable".

(7) Liquidity risk
Liquidity risk is a financial risk. It denotes the risk of being unable to obtain the funds required to settle due payments or only on more costly refinancing terms. At ERWE, this risk is classified as significant and assessed as "conceivable" with a "possible" probability of occurrence.

(8) Capital market risk
In general, ERWE does not see the coronavirus pandemic as posing any threat to its own development, although it will be a challenging financial year for some of the company's existing tenants. The resultant impact cannot be quantified at present.

Impact of the coronavirus pandemic

In general, ERWE does not see the coronavirus pandemic as posing any threat to its own development, although it will be a challenging financial year for some of the company's existing tenants. The resultant impact cannot be quantified at present.

Further risks

In addition to the significant and material risks listed and described above, ERWE is also exposed to customary company-specific, financial, real estate and performance-related risks in its core and support processes.

In the fields of information technology (IT) and electronic data processing (EDP), ERWE draws on the services of an external service provider that is responsible for further developing the company's IT. Any disruptions to, downtime in or manipulation of the IT systems or unauthorised access to the company's IT could have a severely detrimental impact on ERWE's business process. To counter this risk, ERWE makes exclusive use of software that is well established in the market and offers high security standards. Furthermore, ERWE has concluded operations, maintenance and administration contracts with specialist IT service providers to ensure that all electronic applications function as smoothly as possible.

Since 25 May 2016, data security (data protection) requirements have become more stringent as a result of the EU General Data Protection Regulation (GDPR), which made it a criminal offence to fail to provide data protection safeguards from 25 May 2018 onwards. These requirements are being met with appropriate measures, technical and organisational regulations and agreements (data protection officers).

Like any other company, ERWE is also exposed to risks which are an inherent part of its own organisation (management and organisational risks). ERWE maintains a simple, clearly defined management and organisational structure. Although the low number of staff brings cost benefits, this is offset by the risk of losing people in key positions. This risk is countered by way of deputisation rules and by sharing important information about current business transactions. The risk is further reduced by ensuring proper documentation.

A further risk relates to compliance risks. Compliance involves the observance of laws and regulations. Every employee must adhere to prescribed, legal and regulatory parameters and respect internal guidelines. This general requirement gives rise to a wide variety of compliance risks in areas such as services provided by third parties in portfolio management, buying and selling, data protection and data security, IT, taxes (tax compliance), insider trading, labour law, money laundering or general operating risks.

ERWE counters these risks by means of compliance guidelines and appropriate training for employees which deals with the specific compliance risks relevant to their respective roles. Furthermore, ERWE will also be issuing a compliance policy, particularly in the form of a code of conduct and a tax compliance policy.

ERWE is exposed to legal risks whenever it enters in to a commercial arrangement, such as the letting, purchase or sale of properties, as well as in financing arrangements with banks, it activities on the capital market and company law agreements. Legal risks also arise from the need to comply with a variety of regulations, laws and requirements concerning property ownership and property management. With its internal legal department, ERWE is well equipped to manage legal issues and prevent legal risks. ERWE also seeks advice from external experts. Whenever risks from legal disputes are identified, they are duly recognised in the accounts and appropriate provisions are stated.

The business of the ERWE Group may be influenced by various external factors which the company itself is unable to control, such as potential acts of terrorism or natural disasters. Some of these, including coronavirus and the associated economic downturns, cannot be foreseen. However, political decisions in the context of, for example, tax policy, lettings law or the promotion of commercial property construction, may also impact positively or negatively on the company's ability to let or trade properties profitably.

Overall summary of ERWE Group's risk position

In the opinion of ERWE and the Group management, the material and significant risks listed above and other risks additionally stated do not, whether individually or collectively, present any risk to the company's continued existence. The company has not witnessed any large-scale implications of the coronavirus pandemic.

ERWE believes that any risks to the company's continued existence and real estate-related challenges arising as a result of the risks presented above can continue to be successfully managed and that suitable countermeasures can be developed in good time in future as well.

4.2 Opportunity report

Managers at the ERWE Group regularly assess the commercial opportunities available to the overall Group. The six most important opportunities that are closely linked to the aforementioned risks are presented below.

Presentation of the most important opportunities

The most significant opportunities are presented below. This assessment provides an indication of the current importance of these opportunities for ERWE.

No.	Opportunities	Divisions	Assessment
1	Intensification of capital market	Market / Finance / Accounting	High importance
2	Project development opportunities	Market / Operations	High importance
3	Refinancing opportunities	Financing	High importance
4	Reduction of vacancy rate	Market / Finance / Operations	High importance
5	Insourcing / outsourcing	Market / Operations	Material importance
6	Transaction opportunities	Market / Finance / Operations	Material importance

(1) Intensification of capital market
The capital market also offers opportunities. In certain circumstances and conditions, ERWE might, for example, be able to refinance itself on more favourable terms than with commercial banks. Not only that, the capital market provides ERWE with access to unsecured financing, for example by issuing a bond. ERWE views the chances of intensifying its activities on the capital market as a highly important opportunity. Increased refinancing on the capital market is therefore one of ERWE's declared aims.

(2) Project development opportunities
Although project development activities involve the associated risks outlined above, they can also harbour considerable opportunities for profit. Project development opportunities represent opportunities within the market or the company's operating business. They are therefore viewed by ERWE as highly important opportunities. As a specialist in revitalisation, ERWE sees the opportunity of cooperating with towns and cities to respond to the change in downtown areas and the move away from monothematic retail in the wake of the pandemic and thus to help promote the process of inner-city transformation.

(3) Refinancing opportunities
The very low level of interest rates, the ERWE Group's improved earnings position and its solidly financed investment properties offer potential to obtain very good refinancing for its properties and project developments, possibly on even more favourable terms. ERWE assesses the opportunities relating to its financing activities as highly important.

(4) Reduction of vacancy rate
Reducing the vacancy rate is a highly important opportunity. Reducing vacancies increases rental income and eliminates the expense of empty units. Further lettings can also have a positive effect on the property as a whole. ERWE is attempting to further reduce vacancies in its properties with a range of project development measures within existing projects and by making the overall property more attractive. Moreover, further reducing vacancies will generate higher cash flows, which may in turn improve the company's other key operating figures.
The termination of a letting agreement by a tenant due to the coronavirus pandemic would provide the opportunity of letting the space on improved terms.

(5) Insourcing/outsourcing
This opportunity, which is accorded material importance and has already largely been implemented, is that of insourcing (lettings and portfolio management) while retaining select topics for outsourcing. ERWE regularly analyses its own activities to determine whether it is worth undertaking certain work itself ("make") or having it performed by a service provider ("buy"). This analysis can be used to leverage synergies. ERWE continues to see these opportunities of insourcing and/or outsourcing as a good opportunity for the coming financing year.

(6) Transaction opportunities
Notwithstanding the coronavirus pandemic, there are currently considerable opportunities throughout the sector to generate profits with transactions. Transactions refer to both purchase and sales. ERWE classifies transactions as a material opportunity. It believes that transactions harbour substantial opportunities that may be exploited in the coming financial year.

Overall summary of ERWE Group's opportunity position

The impact of the Covid-19 pandemic on the real estate market cannot yet be quantified. Given current real estate policy and conditions in the sector, this means that the aforementioned opportunities facing the ERWE Group basically represent a positive opportunity position.

For ERWE as a specialist in revitalisation, the coronavirus pandemic, which will accelerate the transformation of inner cities and the move away from the monothematic focus on retail, presents the opportunity to cooperate with local authorities to promote this development.

ERWE may also benefit from pandemic-related opportunities in cases where longstanding tenants terminate their rental agreements. In this case, it may be possible to let the commercial space for higher rental payments. This in turn would positively influence the value of the property.

Further improvement in key financials, such as the loan-to-value (LTV) figure, lower average debt financing, financing via unsecured bonds and increasing the company's earnings strength and cash flow: These are just some of the parameters involved. The current low level of interest rates is one of the factors determining the positive opportunity position. The need to catch up on activities after the coronavirus pandemic also harbours opportunities for newly letting space and for tenants improving their business performance. In view of these factors, ERWE is optimistic in its assessment of the current 2021 financial year.

V. Further legal disclosures

1. Supplementary disclosures pursuant to § 289a (1) and § 315a (1) HGB

1.1 Composition of share capital

The fully paid-up share capital of ERWE Immobilien AG stood at EUR 16,562,922 at 31 December 2020 (2019: EUR 16,562,922) and was divided into 16,562,922 no-par bearer shares (2019: 16,562,922). Each share grants one vote and determines the share of profit

1.2 Restriction of voting rights and transfer of shares

No restrictions on voting rights or the transfer of shares have been agreed.

1.3 Direct or indirect voting rights of more than 10%

Based on the voting right notifications received by the company up to 31 December 2020 pursuant to § 33 and § 34 of the German Securities Trading Act (WpHG), the company is aware of the following direct or indirect shareholdings of more than ten percent of the voting rights at the end of 2020:

A total of 5,583,882 voting rights are attributable to Heinz-Rüdiger Weitzel. This represents a 33.71% stake in the company's share capital. Heinz-Rüdiger Weitzel is attributed the voting rights in RW Property Investment GmbH and ERWE Real Estate GmbH, which in turn hold stakes of 30.43% and 3.28% respectively.

A total of 5,583,882 voting rights are attributable to Axel Harloff and Nicole Harloff. This represents a 33.71% stake in the company's share capital. Axel Harloff and Frau Nicole Harloff are attributed the voting rights in Stapelfeld Beteiligungs GmbH and VGHL Management GmbH, which in turn hold 25.72% and 8.00% of the voting rights.

A total of 1,885,170 voting rights are attributable to John-Frederik Ehlerding. This represents an 11.38% stake in the company's share capital. John-Frederik Ehlerding is attributed the voting rights in Elbstein AG, which in turn holds an 11.38% stake in the company.

1.4 Shares with special rights conferring powers of control

There are no shares in the company with special rights conferring powers of control.

1.5 Type of voting right control for employee shareholdings

Employees who hold a stake in the capital of ERWE Immobilien AG exercise their rights of control like other shareholders in accordance with the statutory provisions and the Articles of Association. There is no indirect control of voting rights.

1.6 Statutory requirements and provisions of the Articles of Association on the appointment and dismissal of members of the Management Board and on amendments to the Articles of Association

The appointment and dismissal of members of the Management Board is governed by § 84 and § 85 of the German Stock Corporation Act (AktG). Under these provisions, members of the Management Board are appointed by the Supervisory Board for a maximum of five years. Members can be reappointed or their term of office extended, in each case for five years. In addition, § 6 of the Articles of Association stipulates that the number of Management Board members is determined by the Supervisory Board and that the Management Board comprises one or more persons.

Pursuant to § 179 (2) AktG in conjunction with § 19 of the company's Articles of Association, changes to the Articles of Association that do not involve changes in the company's object require a resolution of the shareholders' meeting. This needs a simple majority of the share capital represented at the vote.

1.7 Powers of the Management Board to issue and buy back shares

1.7.1 Authorisation to acquire treasury shares

By resolution dated 13 June 2019, the shareholders' meeting of ERWE Immobilien AG authorised the company's Management Board until 12 June 2024, subject to approval by the Supervisory Board, to acquire treasury shares in the company up to a total of 10% of the company's share capital existing at the time the resolution was adopted. Shares acquired on the basis of this resolution may also be retired. The full text of the resolution is stated in the invitation to the shareholders' meeting, which was published in the German Federal Gazette on 3 May 2019. The company had not made use of this authorisation as of the balance sheet date.

1.7.2 Authorised capital

Pursuant to § 4 (4) of the Articles of Association, the Management Board is authorised up to and including 12 June 2024, subject to approval by the Supervisory Board, to increase the company's share capital on one or more occasions by a total of up to EUR 8,000,000 in return for cash and/or non-cash contributions by issuing new no-par ordinary bearer shares. The Management Board is authorised, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights in the cases specified in § 4 (4) of the Articles of Association.

1.7.3 Conditional capital

Pursuant to § 4 (5) of the Articles of Association, the company's share capital is conditionally increased by up to EUR 8,000,000 by issuing up to 8,000,000 new no-par bearer shares.

Based on the resolution adopted by the shareholders' meeting on 12 July 2018, the conditional capital increase serves exclusively to issue shares in return for cash or non-cash contributions until 11 July 2023 to the holders or creditors of convertible bonds or bonds with warrants issued by the company or affiliates of the company within the meaning of § 18 AktG in which the company directly or directly holds at least 90% of the shares.

In accordance with the respective convertible or warrant bond conditions, the conditional capital increase also serves to issue shares to the bearers of convertible or warrant bonds with conversion or option obligations.

The conditional capital increase is only executed to the extent that the bearers of warrants from warrant bonds or the creditors of convertible bonds issued in the period up to and including 11 July 2023 by the company or affiliates of the company within the meaning of § 18 AktG in which the company directly or directly holds at least 90% of the shares on the basis of the authorisation provided by the shareholders' meeting on 12 July 2018 exercise their conversion or option rights or the bearers or creditors of convertible bonds or options bonds who are obliged to exercise their options or conversion rights actually satisfy such obligations and provided that the conversion or option rights are not fulfilled by granting treasury shares or other forms of settlement. The new shares are issued at the option/conversion prices to be determined in each case in accordance with the aforementioned authorisation resolution in the bond or option terms. The new shares may be provided with profit entitlement from the beginning of those financial years for which the shareholders' meeting has not yet adopted a resolution on the appropriation of profits.

1.7.4 Authorisation to issue warrant and/or convertible bonds

By resolution dated 4 June 2018, most recently amended and supplemented by resolution of the shareholders' meeting on 13 June 2019, the company's shareholders' meeting authorised the Management Board up to and including 11 July 2023, subject to approval by the Supervisory Board, to issue bearer or registered convertible bonds or warrant bonds, or a combination of these instruments (hereinafter collectively referred to as "bonds"), on one or more occasions up to a total nominal amount of EUR 100,000,000.00 and a maximum term of ten years and to grant conversion or option rights to the bearers or creditors of convertible or warrant bonds for a total of up to 8,000,000 new no-par bearer shares in the company in accordance with the more detailed terms and conditions of the bonds.

Company shareholders are basically entitled to subscription rights for the convertible or warrant bonds. Subject to approval by the Supervisory Board, the Management Board is nevertheless authorised to exclude shareholders' subscription rights to the convertible or warrant bonds in certain cases. It is also authorised to determine all further details of the issue and terms of the convertible or warrant bonds and their terms and conditions, or to determine such in agreement with the respective issuing group company.

1.8 Material agreements subject to a change of control following a takeover bid and their resultant impact

The terms and conditions of the corporate bond issued by ERWE Immobilien AG stipulate that in the event of a potential change of control due to a takeover bid, the respective bond creditors may demand premature repayment of the bonds on the terms specified in the bond terms and conditions.

Agreements that were concluded on the condition of a change of control also apply to members of the Management Board.

1.9 Compensation agreements with members of the Management Board or employees in the event of a takeover bid

In the event of a change of control event, each member of the Management Board has an extraordinary right of termination. If this special termination right is exercised, the respective Management Board member would be entitled to a severance payment of 80% or 100% of the capitalised basic remuneration for the originally agreed remaining term of his or her employment contract up to a maximum period of two or three years respectively.

Similarly, in the event of a change of control event the beneficiaries of the management profit participation plan adopted by the Supervisory Board on 23 January 2020 and subsequently incepted by the company may claim their profit share from the virtual shares granted to them within the aforementioned plan.

1.10 Main features of remuneration system

1.10.1 Management Board remuneration

The overall structure and level of Management Board remuneration is determined by the Supervisory Board of ERWE Immobilien AG and reviewed at regular intervals. The remuneration of the Management Board comprises a fixed annual salary, which is not performance-related and is paid as salary in equal monthly instalments, and non-cash benefits from the provision of a company car as well as reimbursement of health and nursing care insurance and accommodation. In addition, the Management Board receives reimbursement of expenses incurred in the performance of its duties in the documented amount.

In addition to basic annual remuneration, members of the Management Board receive variable remuneration (short-term incentive) based on the achievement of predefined targets for the respective financial year. The variable remuneration is capped and structured in such a way that allows both positive and negative developments to be taken into account. The Supervisory Board is allowed some discretion, with reasonable limits, when determining how far targets have been achieved.

At its meeting on 23 January 2020, the Supervisory Board also adopted a profit participation plan for management in the form of virtual shares. This scheme aims to retain the beneficiaries at the company and allow them to participate in its value growth. The appreciation rights entitle the beneficiary to remuneration, the amount of which depends on the share price performance of ERWE Immobilien AG. Within this stock option plan, the members of the Management Board were also granted stock appreciation rights as long-term incentives within their Management Board remuneration.

The insurance premiums for the directors and officers (D&O) insurance policy taken out by ERWE Immobilien AG are borne by the company.

1.10.2 Supervisory Board remuneration

The shareholders' meeting of the company on 16 June 2020 determined the following remuneration for the Supervisory Board: In addition to the reimbursement of expenses, each member of the Supervisory Board receives annual remuneration amounting to EUR 20,000. The Chair receives twice and the Deputy Chair one-and-a-half times this amount. If the remuneration and reimbursement of expenses are subject to VAT, this tax is refunded by the company if the Supervisory Board member can present a separate invoice. Furthermore, the company also bears the costs of the insurance premium for the directors and officers (D&O) insurance policy which covers the activities of its Supervisory Board members.

2. Corporate Governance Statement pursuant to § 289f HGB and § 315d HGB

The Corporate Governance Statement is published each year in the Investor Relations/Corporate Governance section of the company's website and can be accessed there at the following URL:

http://www.erwe-ag.com/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung/

Frankfurt am Main, March 2021

Axel Harloff / **Vorstand**

Christian Hillermann / **Vorstand**

Rüdiger Weitzel / **Vorstand**

Consolidated Balance Sheet
at 31 December 2020

Assets

EUR		31 Dec 2020	31 Dec 2019
Non-current assets			
Property, plant and equipment and intangible assets	E.1	1,387,899	1,466,970
Investment properties	E.2	192,713,000	131,910,000
Investments in associates	E.3	8,831,767	6,224,752
Prepayments made for property, plant and equipment and intangible assets		54,030	0
Prepayments made for investments	E.4	1,343,151	0
		204,329,847	**139,601,722**
Current assets			
Trade receivables and other receivables	E.5	561,303	340,885
Receivables from associates	E.6	964,308	619,848
Other assets	E.7	1,317,171	2,915,803
Income tax receivables		26,267	104,449
Cash and cash equivalents	E.8	7,962,383	19,055,016
		10,831,432	**23,036,000**
Total assets		**215,161,279**	**162,637,721**

Liabilities

EUR		31 Dec 2020	31 Dec 2019
Equity			
Share capital	E.9	16,562,922	16,562,922
Capital reserve		11,020,843	11,020,843
Revenue reserves		14,359,044	14,359,044
Accumulated net profit		13,004,593	12,747,254
Equity attributable to shareholders in the parent company		54,947,402	54,690,063
Non-controlling interests	E.9	3,440,283	3,594,773
		58,387,685	**58,284,836**
Non-current liabilities			
Financial debt	E.11	56,464,190	69,726,396
Provisions	E.14	1,447,259	36,960
Lease liabilities	E.12	2,162,382	2,563,180
Deferred tax liabilities	E.10	12,521,418	15,299,656
		72,595,249	**87,626,192**
Current liabilities			
Income tax liabilities	E.13	16,318	16,318
Financial debt	E.11	79,070,450	13,688,584
Trade payables	E.15	1,880,500	946,506
Lease liabilities	E.12	400,799	389,283
Other liabilities	E.16	2,810,278	1,686,003
		84,178,345	**16,726,693**
Total equity and liabilities		**215,161,279**	**162,637,721**

Consolidated Statement of Comprehensive Income

for the Period from 1 January to 31 December 2020

EUR		01 Jan-31 Dec 2020	01 Jan-31 Dec 2019
Gross rental income	F.1	5,588,992	3,465,659
Expenses from property lettings	F.1	-2,957,085	-2,099,861
Earnings from property lettings	F.1	**2,631,907**	**1,365,798**
Other operating income	F.2	1,249,490	841,999
Personnel expenses	F.3	-4,862,874	-1,814,628
Other operating expenses	F.4	-4,507,837	-3,061,501
Result from measurement of investment properties	E.2	6,788,394	12,569,200
Result from associates measured at equity	E.3	2,607,015	1,639,052
Earnings before interest and taxes (EBIT)		**3,906,095**	**11,539,920**
Financial income	F.5	13,393	10,910
Financial expenses	F.6	-6,594,877	-3,326,759
Earnings before taxes		**-2,675,389**	**8,224,071**
Taxes on income	E.10	2,778,238	481,620
Consolidated net income / comprehensive income		**102,849**	**8,705,690**
of which attributable to:			
Shareholders in parent company		257,339	8,268,059
Non-controlling interests	E.9	-154,490	437,631
Basic earnings per share	F.7	0.02	0.50
Diluted earnings per share	F.7	0.02	0.50

Consolidated Cash Flow Statement

for the Period from 1 January to 31 December 2020

EUR	01 Jan-31 Dec 2020	01 Jan-31 Dec 2019
Consolidated earnings before taxes	**3,906,095**	**11,539,920**
Depreciation of property, plant and equipment and amortisation of intangible assets	245,316	173,924
Measurement result from investment properties	-6,788,394	-12,569,200
Result from associates measured at equity	-2,607,015	-1,639,052
Change in asset and liability items		
(Increase) / decrease in trade receivables	-220,418	-118,623
(Increase) / decrease in other assets	-215,283	-443,776
(Decrease) / increase in provisions	1,410,299	-87,915
(Decrease) / increase in trade payables	323,996	-499,258
(Decrease) / increase in other liabilities	1,005,208	508,087
Operating cash inflow / outflow	**-2,940,196**	**-3,135,893**
Interest paid and ancillary financing costs	-6,566,302	-3,010,970
Interest received	0	10,910
Income tax payments	-30,273	-98,809
Cash flow from operating activities	**-9,536,771**	**-6,234,763**
Payments for the acquisition of investment property	-32,364,317	-6,060,860
Investments in investment properties	-21,926,490	-8,677,095
Payments for loans to associates	-303,000	-555,500
Investments in property, plant and equipment and intangible assets	-220,275	-77,759
Investments in equity instruments of other companies	-1,343,151	0
Cash flow from investing activities	**-56,157,233**	**-15,371,213**
(Payments) / proceeds in connection with equity allocations	0	-637,382
Repayments of lease liabilities	**-498,366**	**-160,710**
Taking up of financial debt	55,099,737	51,116,840
Repayment of financial debt	0	-28,809,609
Cash flow from financing activities	**54,601,371**	**21,509,139**
Change in cash and cash equivalents	-11,092,633	-96,836
Cash and cash equivalents at beginning of period	19,055,016	19,151,851
Cash and cash equivalents at end of period	**7,962,383**	**19,055,016**

Consolidated Statement of Changes in Equity
for the Period from 1 January to 31 December 2020

EUR	Share capital	Capital reserve	Revenue reserves	Accumu-latednet profit	Total	Non-controlling customers	Total equityl
Balance at 1 January 2020	**16,562,922**	**11,020,843**	**14,359,043**	**12,747,254**	**54,690,063**	**3,594,773**	**58,284,836**
Consolidated net income / comprehensive income	0	0	0	257,339	257,339	-154,490	102,849
Other changes	0	0	0	0	0	0	0
Balance at 31 December 2020	**16,562,922**	**11,020,843**	**14,359,043**	**13,004,593**	**54,947,402**	**3,440,283**	**58,387,685**

	Share capital	Capital reserve	Revenue reserves	Accumu-latednet profit	Total	Non-controlling customers	Total equityl
Balance at 1 January 2019	**16,562,922**	**11,020,843**	**14,390,301**	**4,479,195**	**46,453,261**	**3,132,041**	**49,585,303**
Consolidated net income/ comprehensive income	0	0	0	8,268,060	8,268,060	437,631	8,705,690
Other changes	0	0	-31,258	0	-31,258	25,100	-6,158
Balance at 31 December 2019	**16,562,922**	**11,020,843**	**14,359,043**	**12,747,254**	**54,690,063**	**3,594,773**	**58,284,836**

Notes to the Consolidated Financial Statements of ERWE Immobilien AG for the 2020 Financial Year

A. General disclosures

ERWE Immobilien AG (hereinafter: "ERWE AG") is the parent company of the Group and has its legal domicile in Frankfurt am Main, Germany. Its commercial address is Herriotstrasse 1, 60528 Frankfurt am Main, Germany. The company is entered in the Commercial Register of the District Court of Frankfurt am Main under HRB 113320. Its financial year is the calendar year.

The company is listed in the Regulated Market (Prime Standard) at the Stock Exchange in Frankfurt am Main (XETRA) and in open trading in Berlin, Stuttgart and Düsseldorf.

The business activities of ERWE AG and the subsidiaries included in the consolidated financial statements focus on the development of promising downtown commercial properties in prime locations in small and medium-sized towns and cities in Germany. Projects include office and hotel use, as well as downtown retail space. ERWE works on its own account and on behalf of third parties to develop projects whose value can be released or significantly increased by working with new concepts. As well as recovering the value growth generated in individual projects, ERWE's aim is to achieve sustainable portfolio expansion with significantly rising revenues.

On 27 October 2020 ERWE Immobilien AG as controlling company concluded a profit transfer agreement with ERWE Properties GmbH, a wholly-owned subsidiary of ERWE Immobilien AG.

B. Accounting principles

(1) Basis of preparation

These consolidated financial statements of ERWE AG cover the period from 1 January to 31 December 2020 and were prepared in accordance with the International Financial Accounting Standards (IFRS) as applicable in the European Union (EU).

All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the IFRS Interpretations Committee (IFRS IC) requiring mandatory application for the 2020 financial year have been taken into account. The consolidated financial statements of ERWE AG have been presented in Euros (EUR). Unless otherwise stated, all amounts are shown in euros. The non-disclosure of cent amounts may lead to differences when figures are rounded up or down.

The consolidated financial statements were approved for publication by the Management Board on 25 March 2021.

(2) Accounting standards and interpretations applied for the first time in the financial year

The Group has applied the following new and revised standards and interpretations as of 1 January 2020:

Standard/ interpretation	**Content of standard/interpretation**	**Mandatory application from**
IFRS 3	Amendments to the Definition of a Business	financial years beginning on or after 1 January 2020
IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform	financial years beginning on or after 1 January 2020
IFRS Conceptual Frame-work	Updating of References to the IFRS Conceptual Frame-work	financial years beginning on or after 1 January 2020
IAS 1 and IAS 8	Definition of Material	financial years beginning on or after 1 January 2020
IFRS 16	COVID-19-Related Rent Concessions	financial years beginning on or after 1 January 2020

The first-time application of these standards did not lead to any material adjustments in the consolidated financial statements.

(3) Accounting standards not yet requiring mandatory application

There are no new standards with material implications for the consolidated financial statements.

(4) Consolidation principles

Subsidiaries are all companies controlled by ERWE AG. The Group controls a company if it is exposed or entitled to fluctuating returns by means of its influence over the company. As a rule, control is accompanied by a share of voting rights of more than 50%. In assessing whether control exists, the existence and effect of potential voting rights that are currently exercisable or convertible are considered.

Subsidiaries are fully consolidated from the date on which control is transferred to the parent company. They are deconsolidated when control no longer exists.

All subsidiaries are included in the consolidated financial statements (see "Consolidated companies").

In the case of company acquisitions, an assessment is made (see "Material discretionary decisions and estimates") as to whether the acquisition constitutes a business combination pursuant to IFRS 3 or merely the acquisition of a group of assets and liabilities as an aggregate entity that is not a company.

Company acquisitions as defined in IFRS 3 are recognised using the purchase method. Under this method, the acquisition costs are allocated to the individually identifiable assets, liabilities and contingent liabilities acquired in accordance with their fair values at the time of acquisition. Any remaining debit difference is recognised as goodwill, while any credit difference is recognised in profit or loss. Acquisition-related costs are recognised as expenses.

Shares in the net assets of subsidiaries in the legal form of a corporation which are not attributable to ERWE AG are shown separately in equity as shares of non-controlling shareholders. When calculating the consolidated net profit attributable to non-controlling interests, consolidation entries affecting net income are also taken into account. There were no shares in the net assets of subsidiaries in the legal form of a partnership as of the balance sheet date.

The acquisition of property companies that do not meet the IFRS 3 definition of companies is presented as the direct purchase of an aggregate entity – in particular of properties. In this case, the acquisition costs are allocated to individually identifiable assets and liabilities based on their fair value. The acquisition of property companies therefore does not lead to the recognition of goodwill or negative goodwill from the consolidation of investments. Conversely, the sale of property companies is presented as the sale of an aggregate entity – in particular an entity of properties.

If ERWE acquires shares in companies that result in a stake of less than 50%, it recognises these at equity if it can exercise a significant influence on the associated company.

Intra-group receivables, liabilities and results are eliminated in the course of consolidated debts or expenses and income for the purposes of the consolidated financial statements. Expenses and income arising from the transfer of assets within the Group are also eliminated.

(5) Consolidated companies

Including the parent company, the scope of consolidation comprises 21 fully consolidated companies. The scope of consolidation has developed as follows:

Number	2020	2019
Balance at January	**11**	**9**
Additions	10	2
Disposals	0	0
Balance at 31 December	**21**	**11**

In the current period under report, 10 companies were added to ERWE's scope of consolidation by way of new foundation. These companies and the respective shareholdings are presented in the table below (Numbers 12 to 21).

The consolidated group as of 31 December 2020 is as follows:

No.	Company	Domicile	Stake	Held by No.	Activity
	Fully consolidated companies::		in %		
1.	ERWE Immobilien AG	Frankfurt am Main			Holding
2.	ERWE Properties GmbH	Frankfurt am Main	100,0	1	Holding
3.	ERWE Service und Verwaltungs GmbH	Frankfurt am Main	100,0	1	Service provider
4.	ERWE Parking GmbH	Frankfurt am Main	100,0	1	Service provider
5.	ERWE Immobilienmanagement GmbH	Hamburg	74,9	1	Service provider
6.	ERWE Immobilien Projekt 444 GmbH	Frankfurt am Main	100,0	2	Portfolio holder
7.	ERWE Betriebs GmbH	Frankfurt am Main	100,0	2	Operating facilities
8.	ERWE Projekt Friedrichsdorf GmbH	Frankfurt am Main	94,9	2	Portfolio holder
9.	ERWE Immobilien Retail Projekt 222 GmbH	Frankfurt am Main	90,0	2	Portfolio holder
10.	ERWE Immobilien Retail Projekt 333 GmbH	Frankfurt am Main	90,0	2	Portfolio holder
11.	ERWE Immobilien Retail Projekt 555 GmbH	Frankfurt am Main	90,0	2	Portfolio holder
12.	ERWE Darmstadt I GmbH	Frankfurt am Main	100,0	2	Portfolio holder
13.	ERWE Invest GmbH	Frankfurt am Main	100,0	1	Investment company
14.	ERWE Darmstadt II GmbH	Frankfurt am Main	100,0	2	Portfolio holder
15.	ERWE Projekt Homburg GmbH	Frankfurt am Main	100,0	2	Shelf company
16.	ERWE Projekt Bergisch-Gladbach GmbH	Frankfurt am Main	100,0	2	Shelf company
17.	ERWE Projekt Wiesbaden GmbH	Frankfurt am Main	100,0	2	Shelf company
18.	ERWE Projekt Recklinghausen GmbH	Frankfurt am Main	100,0	2	Shelf company
19.	ERWE Projekt Hagen GmbH	Frankfurt am Main	100,0	2	Shelf company
20.	ERWE Projekt Hanau GmbH	Frankfurt am Main	100,0	2	Shelf company
21.	ERWE Projekt Krefeld GmbH	Frankfurt am Main	100,0	2	Portfolio holder

C. Key accounting policies

Fair value measurement

The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. In measuring fair value, it is assumed that the transaction in the course of which the asset is sold or the liability is transferred takes place either on the:

- Principal market for the asset or liability; or the
- Most advantageous market for the asset or liability if there is no principal market.

The Group must have access to the principal or most advantageous market. The fair value of an asset or liability is measured on the basis of the assumptions that market participants would use to set the price of the asset or liability. This is based on the assumption that market participants act in their best economic interests.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The use of observable input factors is to be kept as high as possible and non-observable factors as low as possible.

All assets and liabilities for which the fair value is determined or reported in the financial statements are assigned to the fair value hierarchy described below, based on the lowest level input parameter that is significant to fair value measurement overall:

Level 1: Listed prices (taken over without amendment) in active markets for identical assets or liabilities.

Level 2: Valuation method in which the fair value measure ment is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement and directly or indirectly observable on the market.

Level 3: Valuation method in which the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement and not observable on the market.

For assets and liabilities recognised on a recurring basis in the financial statements, the Group determines whether any reclassifications between levels in the hierarchy have occurred by reviewing the classification at the end of the reporting period (based on the lowest level input parameter that is material to the fair value measurement overall).

Classification as current or non-current

The Group classifies the assets and liabilities recognised in the balance sheet into current or non-current assets and liabilities. An asset is classified as current if:

- It is expected to be realised in its normal operating cycle or it is held for sale or consumption during this period; or if
- It is expected to be realised within twelve months of the balance sheet date; or if
- It is a cash or cash equivalent unless the exchange or use of the asset to settle an obligation is restricted for a period of at least twelve months after the balance sheet date.

All other assets are classified as non-current.

A liability requires classification as current when:

- It is expected to be settled in its normal operating cycle; or if
- It is expected to be realised within twelve months of the balance sheet date; or if
- It is a cash or cash equivalent unless the exchange or use of the asset to settle an obligation is restricted for a period of at least twelve months after the balance sheet date.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and non-current liabilities respectively..

Financial assets

The ERWE Group only has financial assets that are valued at amortised cost pursuant to IFRS 9.4.1.2. These are mainly loans to third parties and receivables from rent and incidental rental costs which, moreover, do not have a significant impact on the assets, earnings and financial situation of the ERWE Group. This is accompanied by a reduction in the scope of the report.

Financial assets are retired when the contractual rights to cash flows from the financial asset expire or the rights to receive cash flows are transferred in a transaction in which all material risks and opportunities associated with ownership of the asset are also transferred.

Impairment of financial assets

Given its business model and tenant structure, the Group is not exposed to any high impairment risk. ERWE uses the simplified impairment model pursuant to IFRS 9.5.5.15 and consistently calculates its impairment requirements in the amount of the lifetime expected credit losses.

Financial liabilities

Loan liabilities and other liabilities are initially recognised at fair value less transaction costs. After initial recognition, liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are retired upon settlement, i.e. when the obligations specified in the contract have been settled or rescinded or have expired.

Leases

Since 1 January 2019, leases have been shown in the balance sheet in accordance with the requirements of IFRS 16. The companies of the ERWE Group act both as lessor (leasing out properties) and as lessee.

ERWE as lessor:
In principle, ERWE classifies its leases as either operating leases or, if substantially all of the risks and rewards incidental to ownership of the asset are transferred, as finance leases.

In the case of an operating lease, ERWE reports the leased asset as an asset under property, plant and equipment or an investment property. Subsequent measurement is carried out in accordance with the standard to be applied accordingly. Letting income connected to operating leases is recognised by the lessor through profit or loss on a straight-line basis over the term of the lease.

ERWE has recognised all leases in which it acts as lessor as operating leases.

ERWE as lessee:
For all agreements taking effect on or after 1 January 2019, ERWE reviews whether a lease exists or is included.

A lease exists if

- The fulfilment of the concluded lease agreement presupposes the use of an identified asset, and
- The lessee is entitled to obtain substantially all the economic benefits associated with the use of the identified asset, and
- The lessee is entitled to determine the use of the identified asset throughout its useful life.

If a lease is identified, the lessee recognises a right of use asset and a lease liability on the date the asset is made available.

The initial measurement of the lease liability is at the present value of the lessee's lease payments to be made over the term of the lease. Discounting is based on the interest rate implicit in the lease. If this cannot be determined, the Group's incremental borrowing rate is used. In subsequent measurement, the carrying amount of the lease liability is compounded using the interest rate used for discounting and reduced by the lease payments made. When recognising the lease liability, extension and termination options are taken into account if ERWE is reasonably certain that these options will be exercised in the future.

The cost of the right-of-use asset comprises the value of the lease liability upon addition plus the initial direct costs of concluding the agreement, an estimate of the restoration costs and less any incentives. The right-of-use asset is subsequently measured at amortised cost. ERWE amortises the rights of use on a straight-line basis over the term of the lease.

Modifications to the leases are always recognised against the right-of-use asset through other comprehensive income. These are recognised through profit or loss in the income statement if the carrying amount of the right-of-use asset is already reduced to zero or if this results from a partial termination of the lease.

In the case of short-term leases and low-value leases, the related payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

Cash-settled share-based payments (virtual stock option plan)

A liability is recognised for the fair value of cash-settled share-based payments. The fair value is measured upon initial recognition, as of every balance sheet date and on the fulfilment date. Changes in the fair value are recognised under personnel expenses. The fair value is distributed through profit or loss, with recognition of a corresponding liability, over the period from the first possible exercise date. It is determined with application of a binomial model (for further details, please see Note E.15).

Recognition of income and expenses

Income is recognised when it is likely that the Group will receive the economic benefits and the amount of income can be reliably determined.

Expenses are recognised upon being incurred in economic terms.

Interest income and expenses are recognised on a time-apportioned basis over their remaining term, taking due account of the remaining receivable/liability and the effective interest rate.

Cash flow statement

The cash flow statement shows the development in the Group's cash flows in the reporting period. In the consolidated financial statements, the cash flow from operating activities has been determined using the indirect method, which involves adjusting earnings before taxes to eliminate non-cash-effective items and add cash-effective items. The cash flow statement presents the cash flows from operating, investing and financing activities.

Material discretionary decisions, estimates and assumptions

When preparing the consolidated financial statements, the Management Board makes estimates and assumptions concerning expected future developments based on the circumstances known of at the balance sheet date. The estimates derived on this basis may deviate from actual circumstances at a later point in time. In this case, corresponding prospective adjustments are made to the assumptions and the carrying amounts of the assets or liabilities thereby affected.

Assumptions and estimates are continually reviewed and are based on experience and other factors, including expectations of future events that appear reasonable in the given circumstances.

In applying the accounting policies, the Management Board made the following estimates that have materially influenced the recognition, disclosure and measurement in the consolidated financial statements

- The fair values of investment properties are based on the findings of independent surveyors commissioned for this purpose. These values are based on discounted future surpluses, which for the portfolio properties are calculated using the discounted cash flow (DCF) method over a forecast period of ten years. When determining the value, the surveyors need to estimate factors such as rental income, vacancy rates, maintenance and modernisation measures, applicable discount and capitalisation rates. These directly influence the fair value of the investment properties. In addition, transaction costs are taken into account to the extent which ERWE deems probable. In the context of the residual value method for a project development property, the determination of the value of properties under construction also requires, in particular, an estimate of the construction costs still to be incurred and risk discounts for risk and profit until completion.

- With regard to the at-equity investment in Covivio Office VI GmbH & Co. KG, ERWE only has annual financial statements that have been prepared for this company as of 31 December 2020 in accordance with the German Commercial Code (HGB). For its own at-equity accounting, ERWE has converted these financial statements to IFRS to the best of its knowledge. This is largely based on the property surveys provided to the Management Board by the majority shareholders. Reference is made to the comments under E. 3. Given the close links between the two companies on the level of operative value creation, the at-equity result is recognised within operating earnings.

- The calculation of impairments of financial assets also requires the use of estimates. Here, the default risks of financial assets have to be assessed and the respective credit losses have to be estimated.

- Deferred taxes: Based on current budgets, the Management Board takes decisions as to the extent to which future loss carryovers can be used. The basis for these decisions is provided by the expected taxable profits at the respective company.

- For provisions, various assumptions have to be made concerning probabilities of occurrence and the amount of utilisation. Account was taken of all information known when preparing the financial statements.

- To estimate the fair value of share-based payment transactions, the most suitable valuation method must first be determined. This depends on the terms and conditions governing the granting of such payments. The estimate also requires identification of those inputs that are best suited to be included in the valuation, which in particular comprise the expected term of the stock appreciation right, volatility and dividend yield and corresponding assumptions. ERWE measures the costs of the virtual stock option plan using a binomial model in order to determine the fair value of the resultant liability. This liability must be revalued at the end of each reporting period through to the fulfilment date, with all changes in fair value recognised through profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

In applying the accounting policies, the Management Board took the following discretionary decisions that have materially influenced the amounts recognised in the consolidated financial statements:

- With regard to the properties held by the Group, the Management Board must decide at each reporting date whether these are to be held for long-term letting and/or value appreciation or designated as held for sale. Depending on this decision, the properties are then recognised under investment properties, inventories or non-current assets held for sale. This decision is discretionary as the opportunities to sell a property otherwise held for long-term letting and/or value appreciation on particularly advantageous terms are not foreseeable.

- Upon the addition of property companies, a decision has to be taken as to whether these represent acquisitions of businesses. If, in addition to the assets and liabilities, an operation (integrated group of activities) is also taken over, then the transaction constitutes a business combination. The business processes of, for example, asset and property management, receivables management and accounting are viewed as an integrated group of activities. Furthermore, one key indication that an operation has been taken over is the employment of personnel at the company thereby acquired.

- Deferred taxes: Deferred tax liabilities must be recognised for temporary differences between the property values recognised in the consolidated financial statements and the tax carrying amounts of these properties to the extent that it is probable that the temporary differences will be taxed in the event of a fictitious sale of the property. In 2019, the company assumed for the first time that this type of sale will be partially free of trade tax. Furthermore, in 2020 the requirements were met for another property sale to be free of trade tax. This resulted in a reduction in the respective deferred tax liabilities by around EUR 3.9 million compared with the tax charge resulting from application of the full rate. Therefore, for the temporary differences relating to these properties which, based on our assessment, can be sold free of trade tax, deferred tax liabilities were only recognised in the amount of the tax rate for corporate income tax and solidarity surcharge.

- Upon initial recognition of financial instruments, a decision has to be taken concerning the measurement category to which they are to be allocated.

D. Segment reporting

ERWE does not report internally by segment, therefore segment reporting is not possible. Other information to be disclosed under IFRS 8 is also not relevant. When a property is sold, significant revenue may be generated with a single customer within one year, but no dependencies can be inferred from this.

E. Notes to the consolidated balance sheet

(1) Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recognised at cost, less cumulative depreciation and cumulative impairment losses. Costs include those outlays directly attributable to the acquisition. Subsequent costs are only capitalised if the company is likely to obtain future economic benefits from such. Repairs and maintenance are recognised as expenses in the statement of comprehensive income in the financial year in which they are incurred.

Depreciation is recognised on a straight-line basis using estimated useful lives generally ranging from three to fifteen years. The depreciation methods and economic useful lives are reviewed and adjusted where necessary as of each balance sheet date.

Carrying amounts are tested for impairment as soon as there is any indication that they exceed the respective recoverable amounts.

Gains and losses on disposals of assets are calculated as the difference between the net disposal proceeds and the respective carrying amounts and are recognised through profit or loss.

The property, plant and equipment and intangible assets recognised as of 31 December 2020 also include plant and office equipment, operating equipment and right-of-use assets in connection with the treatment of leases pursuant to IFRS 16.

Property, plant and equipment and tangible assets developed as follows in the period under report:

EUR	Right-of-use assets	Intangible assets	Plant and office equipment	Total
Costs at 1 Jan 2020	**1,365,782**	**58,084**	**333,945**	**1,757,811**
Additions	0	22,927	145,307	168,234
Disposals	0	0	-1,988	-1,988
Costs at 31 Dec 2020	**1,365,782**	**81,011**	**477,263**	**1,924,057**
Write-ups				
Cumulated depreciation/amortisation at 1 Jan 2020	**-142,647**	**-19,957**	**-128,237**	**-290,841**
Additions	-143,750	-18,346	-83,220	-245,316
Disposals	0	0	0	0
Cumulated depreciation/amortisation at 31 Dec 2020	**-286,398**	**-38,303**	**-211,457**	**-536,158**
Carrying amount at 1 Jan 2020	**1,223,135**	**38,127**	**205,708**	**1,466,970**
Carrying amount at 31 Dec 2020	**1,079,384**	**42,708**	**265,806**	**1,387,899**

EUR	Right-of-use assets	Intangible	Plant and office equipment	Total
Costs at 1 Jan 2019	**807,088**	**13,210**	**255,001**	**1,075,299**
Additions	558,694	44,879	112,007	715,581
Disposals	0	-5	-33,064	-33,069
Costs at 31 Dec 2019	**1,365,782**	**58,084**	**333,945**	**1,757,811**
Write-ups				
Cumulated depreciation/amortisation at 1 Jan 2019	**-46,025**	**-13,205**	**-57,652**	**-116,882**
Additions	-96,623	-6,752	-70,584	-173,959
Disposals	0	0	0	0
Cumulated depreciation/amortisation at 31 Dec 2019	**-142,647**	**-19,957**	**-128,237**	**-290,841**
Carrying amount at 1 Jan 2019	**761,063**	**5**	**197,349**	**958,417**
Carrying amount at 31 Dec 2019	**1,223,135**	**38,127**	**205,708**	**1,466,970**

(2) Investment properties

Investment properties include all properties which are held for the long-term generation of rental income or value appreciation and which are not used by the company itself or intended for sale in the course of the company's ordinary business activities.

Investment properties are measured upon addition at cost, including any acquisition-related costs incurred, and subsequently at fair value. Fair value is the price at which an asset can be sold or a liability settled in an orderly transaction between market participants as of the measurement date. Ongoing maintenance expenses are recognised in the statement of comprehensive income. To the extent that they exceed ongoing maintenance, modernisation measures are capitalised if the company is likely to obtain future economic benefits from such. The valuation results are presented in the consolidated income statement under the item "Result from the valuation of investment property".

Investment properties are derecognised if they are sold or become permanently incapable of further use and are not expected to generate any future economic benefits upon disposal. Gains and losses from disposal or decommissioning are recognised in the year in which the properties are disposed of or decommissioned. The gain or loss corresponds to the difference between the disposal price on the one hand and the carrying amount plus any costs to sell on the other hand.

Properties are transferred out of investment properties to another balance sheet line item if a change of use arises and is documented by the start of own use or the start of development work in preparation for sale.

Investment properties are not traded on an active market but measured by reference to inputs not based on observable market data (Level 3).

For portfolio properties, the fair value of investment property is basically determined using discounted future surpluses calculated using the DCF method. The underlying detailed forecast period is ten years in each case. A potential discounted disposal value (terminal value) of the valuation properties is forecast for the end of this period. This reflects the price that can most likely be achieved at the end of the detailed forecast period. The discounted payment surpluses are capitalised as a perpetual annuity in the terminal value at the capitalisation rate. The sum of the discounted surplus cash and cash equivalents and the discounted potential disposal value produces the gross capital value of the valuation property. This value is converted into a net present value by taking into account transaction costs incurred in an orderly transaction.

Project development properties which, once complete, are to be held to generate rental income and/or value appreciation, are valued using the residual value method. An indicative market value of the completed and leased property is first determined on the basis of expected future annual net income. All costs still to be incurred in connection with the preparation of the project are then deducted from this value. These costs include, for example, all construction costs, ancillary construction costs, financing costs, marketing costs and incidental acquisition costs. A risk discount for risk and profit is also deducted.

The Management Board is responsible for determining the valuation methods and procedures and for coordinating the process. An external surveyor values the property based on the data obtained as of the valuation date, which was largely provided by the company's Asset Management. This ensures that the valuation of the properties is in line with the market and as per the balance sheet date. The results of the valuation by the external surveyor are checked for plausibility by Asset Management. This is followed by a discussion of the valuation results with the Management Board and the external surveyor.

The fair values of investment properties developed as follows in the period under report:

in EUR	31 Dec 2020	31 Dec 2019
Carrying amount at 1 January	131,910,000	101,910,000
Purchases (+)	31,154,917	7,310,860
Other additions (+)	22,859,689	8,284,394
Additions to right-of-use assets	0	1,747,392
Fair value increases (+)	13,460,496	12,636,593
Fair value reductions (-)	-6,672,102	-67,392
Reclassifications out of prepayments made (+)	0	88,153
Carrying amount at 31 December	**192,713,000**	**131,910,000**

The purchases result from the acquisition of the Coesfeld, Darmstadt I and Darmstadt II properties and of land in downtown Krefeld. The other additions chiefly relate to subsequent costs incurred in connection with revitalising properties in Speyer, Krefeld and Lübeck, as well as planning services for the TAUNUS LAB business park. For the property in Speyer, these other additions include a grant of EUR 1,776k made to the future hotel space tenant for FF&E.

The investment properties are encumbered with mortgages to secure liabilities.

The following overview shows the main assumptions used to measure the fair value of investment properties using the DCF method and the residual value method. The ranges stated here do not account for exceptional individual cases.

DCF method		31 Dec 2020	31 Dec 2019
Valuation parameter	Unit	Range	Range
Discount rate	in %	3.25%-4.50%	3.00%-4.75%
Capitalisation rate	in %	3.50%-4.50%	3.50%-4.25%
Market rent	in EUR/m²	7.00-18.00	9.50-20.28

Residual value method		31 Dec 2020	31 Dec 2019
Valuation parameter	Unit	Range	Range
Discount rate/capitalisation rate	in %	3.75%-3.90%	3.90%
Calculated construction costs of usable space	in EUR/m²	1,988 -2,328	2,309
Risk discount for risk and profit	%	11.00%	12.50%
Market rent (after completion)	in EUR/m²	13.00-22.50	16.00

The selected discount/capitalisation rate and the underlying market rents were identified as the key value driv-ers for the period under report and for the investment properties valued using the DCF method:

31 Dec 2020	Discount rate		Capitalisation rate		Market rent	
	-0.5% points	0.5% points	-0.5% points	0.5% points	-10%	+10%
Value change						
EUR 000s	6,800,000	-6,500,000	17,600,000	-13,300,000	-14,000,000	14,200,000
in %	4.49%	-4.29%	11.61%	-8.77%	-9.23%	9.37%

Valuation using the residual value method is particularly sensitive in relation to the following parameters:

31 Dec 2020	Discount rate/ capitalisation rate		Construction costs		Market rent	
	-0.25% points	0.25% points	-5% points	+5% points	-5%	+5%
Value change						
EUR 000s	10,500,000	-9,200,000	5,800,000	-5,600,000	-7,300,000	7,200,000
in %	26.65%	-23.35%	14.72%	-14.21%	-18.53%	18.27%

In the previous year, changes in the key value drivers resulted in the following fluctuations in value based on the DCF method:

31.12.2019	Discount rate		Capitalisation rate		Market rent	
	-0.5% points	0.5% points	-0.5% points	0.5% points	-10%	+10%
Value change						
EUR 000s	5,700,000	-5,600,000	14,600,000	-11,300,000	-5,400,000	5,200,000
in %	5.19%	-5.10%	13.30%	-10.29%	-4.92%	4.74%

In the previous year, changes in the key value drivers resulted in the following fluctuations in value based on the residual value method:

31 Dec 2019	Discount rate/ capitalisation rate		Construction costs		Market rent	
	-0.25% points	0.25% points	-5% points	+5% points	-5%	+5%
Value change						
EUR 000s	5,700,000	-5,020,000	3,030,000	-3,040,000	-3,970,000	3,960,000
in %	55.18%	-48.60%	29.33%	-29.43%	-38.43%	38.33%

(3) Interests in companies recognised at equity

An associate is a company over which the Group has significant influence. Significant influence involves the ability to participate in financial and operating policy decisions at the shareholding, but does not involve control or joint management of decision-making processes.

Significant influence is assumed when a shareholder directly or indirectly holds 20% or more of the voting rights in another company. Significant influence is mainly evidenced by whether the shareholder can actually exercise significant influence. Pursuant to IAS 28.6, significant influence may be presumed, also for holdings of less than 20%, if one or more of the following indicators apply:

- The shareholder is represented on the management or Supervisory Board
- The shareholder can significantly participate in the operating policy, including dividend policy
- The interchange of managerial personnel between the company and the associate is possible
- Material transactions or material scope of business relationships between the company and the associate
- The company provides essential technical information to the associate.

The Group holds a 10.1% shareholding in Covivio Office VI GmbH & Co. KG (previously: Godewind Office VI GmbH & Co. KG), whose legal domicile in Frankfurt am Main (HRA 51265).

ERWE reports this shareholding under investments in associates. Covivio Office VI GmbH & Co. KG holds a participating interest in Frankfurt Airport Center 1, a business centre at Frankfurt Airport. The company's business objective is holding, developing and letting the existing property. Due to extensive interdependencies, ERWE has the ability to significantly participate in the company's financial and operating policy decisions. ERWE has been awarded the contract to revitalise and reposition the business centre. Furthermore, ERWE has been commissioned to perform project development and, by managing investments in a targeted manner, will upgrade the lettings space in order to let this to attractive new tenants.

The interests held by the Group in an associate are recognised using the equity method. Upon initial recognition, the interests are measured at cost. In subsequent periods, changes in the Group's share of net assets are recognised. In the consolidated income statement, these are recognised as the result of at-equity interests.

ERWE performs a review at every balance sheet date to ascertain whether there are any indications that an interest may be impaired.

Unlike for 2019, Covivio Office AG (previously: Godewind Immobilien AG), Frankfurt am Main, no longer prepared its own IFRS consolidated financial statements for the 2020 financial year, as it is now included in the superordinate consolidated financial

statements of its French parent company. ERWE was therefore only provided with the annual financial statements of Covivio Office VI GmbH & Co. KG for the 2020 financial year in accordance with the German Commercial Code (HGB), as well as with the property valuation performed by an external surveyor for the property owned by Covivio Office VI GmbH & Co. KG. On this basis, and for the purpose of its own at-equity accounting, ERWE converted the annual financial statements of Covivio Office VI GmbH & Co. KG prepared in accordance with HGB to the best of its knowledge to IFRS. However, ERWE does not have all information required to fully convert the figures to IFRS. The relevant figures therefore constitute estimates.

The following table provides summarised financial information about the Group's interest in Covivio Office VI GmbH & Co. KG, which has been calculated in the manner outlined above:

EUR	2020	2019
Current assets	4,971,447	4,984,613
Non-current assets	269,372,547	229,770,251
Current liabilities	-20,903,626	-16,833,108
Non-current liabilities	-166,031,742	-156,314,945
Equity	**87,408,626**	**61,606,811**
ERWE's share of equity (10.104%)	**8,831,767**	**6,224,752**

ERWE recognised an amount of EUR 2,607,015 through profit or loss in the statement of comprehensive income. This corresponds to the difference between the pro rata equity at the respective balance sheet dates and represents the result from associates measured at equity.

(4) Prepayments made for investments in associates

The prepayments of EUR 1,343,151 made for investments include prepayments made to acquire a 50% stake in peko GmbH based in Eppelborn. The purchase contract was agreed in December 2020, with the purchase price also being settled. The entry of the capital increase at peko GmbH in the Commercial Register, on which ERWE's shareholder rights depend, was only executed in the subsequent year. With its four wholly-owned subsidiaries, peko GmbH mainly operates in the fields of construction planning and consulting, as well as in the construction of all kinds of building in its capacity as general contractor. In the subsequent year, ERWE will recognise its investment using the equity method.

(5) Trade receivables

Trade receivables exclusively result from lettings and do not bear interest. Allowances are recognised based on the maturity structure and depending on whether the receivables are due from active or former tenants.

Trade receivables amounted to EUR 561,303 in total and rose by EUR 220,418 compared with 31 December 2019 (EUR 340,885). Due to the timing of the reporting date, the increase in trade receivables was largely due to the billing in December 2020 of operating costs relating to previous years.

EUR	31 Dec 2020	31 Dec 2019
Trade receivables (gross)	817,721	857,618
Allowances	-256,418	-516,733
Trade receivables (net)	**561,303**	**340,885**
of which non-current	0	0
of which current	561,303	340,885

Die Fälligkeit der Forderungen aus Lieferungen und Leistungen ist aus der nachstehenden Tabelle ersichtlich:

EUR	31 Dec 2020	31 Dec 2019
Trade receivables	**817,721**	**857,618**
of which not impaired and not overdue	300,016	46,219
of which not impaired and overdue by up to 30 days	254,898	145,697
of which not impaired and overdue by between 31 and 60 days	3,276	0
of which not impaired and overdue by more than 60 days	3,113	148,969
Net value of impaired trade receivables	256,418	516,733

(6) Receivables from associates

The receivables from associates of EUR 964,308 (31 December 2019: EUR 619,848) include a loan of EUR 867,511, including interest claims, granted to Covivio Office VI GmbH & Co. KG. The loan is granted on a short-term basis and bears interest at 2.5%. Furthermore, receivables of EUR 96,797 from Covivio Office VI GmbH & Co. KG have also been reported in connection with project development and management services.

(7) Other current assets

Other current assets are structured as follows:

EUR	31 Dec 2020	31 Dec 2019
Tax receivables (VAT)	637,160	542,607
Prepayments for new projects	311,622	145,966
Deposits	176,048	175,448
Operating cost receivables	109,000	0
Prepaid expenses	74,853	102,668
Interest receivables	0	84
Bond-related receivables	0	1,894,300
Sundry other current assets	8,488	54,730
Total	**1,317,171**	**2,915,803**

The receivables of EUR 1,894,300 recognised in the previous year in connection with the bond subscription were settled in January 2020.

(8) Cash and cash equivalents

Cash and cash equivalents comprise credit balances on the business accounts of companies included in the scope of consolidation. These are recognised at nominal value. The development in cash and cash equivalents is presented in the consolidated cash flow statement.

(9) Equity

The company's share capital was unchanged and amounted to EUR 16,562,922 in the 2020 financial year.

By resolution of the shareholders' meeting on 13 June 2019, share capital was conditionally increased by up to EUR 8,000,000.00 ("conditional capital 2018/1").

Accordingly, the existing authorisation to issue convertible bonds or bonds with warrants was adjusted in such a way that the Management Board is now authorised up to and including 11 July 2023, with the approval of the Supervisory Board, to grant convertible bonds or bonds with warrants or a combination of these instruments up to a total nominal amount of EUR 100,000,000.00 with conversion or option rights up to a total of 8,000,000 new no-par bearer shares in the company in accordance with the terms and conditions of the bonds.

By resolution of the Annual General Meeting on 13 June 2019, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 8,000,000.00 by 12 June 2024 in return for contributions in cash and/or non-cash contributions, whereby shareholders' subscription rights may be excluded ("authorised capital 2019/I").

By resolution adopted on 13 June 2019, the shareholders' meeting authorised the company's Management Board to acquire and sell up to a total of 10% of the company's share capital existing at the time of the resolution by 12 June 2024, and to use the treasury stock to the exclusion of shareholders' subscription rights. The full text of the resolution is contained in the invitation to the shareholders' meeting, which was published in the Federal German Gazette on 3 May 2019.

ERWE AG did not hold any treasury stock at the balance sheet date.

The capital reserve contains the premium from the cash capital increase entered in the Commercial Register on 28 December 2018 less equity procurement costs.

Non-controlling shareholders accounted for a share of EUR 3,440,283, which is reported in equity as of 31 December 2020.

On the balance sheet date, non-controlling interests related exclusively to the following companies: ERWE Projekt Friedrichsdorf GmbH, ERWE Immobilien Retail Projekt 222 GmbH, ERWE Immobilien Retail Projekt 333 GmbH, ERWE Immobilien Retail Projekt 555 GmbH and ERWE Immobilienmanagement GmbH. The following summarised financial information is provided for these five companies (see table top right):

EUR	1 Jan–31 Dec 2020	1 Jan-31 Dec 2019
Revenue	4,283,092	3,420,886
Comprehensive income	3,494	8,123,005
Non-current assets	155,079,640	130,836,238
Current assets	4,232,402	8,719,620
Non-current liabilities	12,185,427	71,470,106
Current liabilities	108,199,233	29,161,864
Net assets	**38,927,382**	**38,923,888**
Non-controlling interests (%)	8.8%	9.2%
Non-controlling interest in annual net profit	-154,490	437,631
Non-controlling interest in equity	3,594,773	3,157,141
Non-controlling interests (EUR)	**3,440,283**	**3,594,773**

The development in equity in the period under report has been presented in the statement of changes in equity.

(10) Deferred tax assets and liabilities

Current tax claims and liabilities are measured at the amounts expected to be refunded by or paid to the tax authorities. The calculation of the amounts has been based on the tax rate and tax laws valid as of the balance sheet date.

Pursuant to IAS 12, deferred taxes are basically recognised for all temporary differences between the tax base for assets and liabilities and their carrying amounts in the IFRS financial statements, as well as for tax loss carryovers.

Deferred tax assets for tax loss carryovers have been recognised at the amounts at which the associated tax benefits are likely to be realised due to future taxable profits (and recognised at least at the amount of deferred tax liabilities). The loss carryovers relate exclusively to Germany and are therefore not expected to expire. In view of this, the company has foregone disclosing the maturity structures of non-capitalised loss carryovers.

The tax rates used to calculate deferred taxes have been based on currently valid statutory requirements. Deferred tax assets for temporary differences and for tax loss carryovers have been recognised at the amounts at which it is likely to be possible to offset the temporary differences against future positive taxable income, taking due account of minimum taxation requirements. In relation to the temporary differences between the fair values recognised in the consolidated financial statements for investment properties and their tax carrying amounts, reference is made to the information provided on material discretionary decisions, estimates and assumptions.

No deferred taxes are recognised for asset-side or liability-side taxable temporary differences in connection with interests in group companies as long as the Group can control their reversal and they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when the Group has an enforceable claim to setoff of the actual tax refund claims against the actual tax liabilities and these items refer to income taxes at the same taxable entity and collected by the same tax authority.

Deferred tax assets and liabilities as of 31 December 2020 consist of temporary differences in the following balance sheet line items:

EUR	31 Dec 2020	31 Dec 2019
Tax loss carryovers	2,110,635	1,692,242
Deferred tax assets before netting	2,110,635	1,692,242
Netting	-2,110,635	-1,692,242
Deferred tax assets after netting	**0**	**0**
Investment properties	14,297,518	16,623,537
Financing costs	256,973	332,412
At equity interests	77,563	35,948
Deferred tax liabilities before netting	14,632,053	16,991,898
Netting	-2,110,635	-1,692,242
Deferred tax liabilities after netting	**12,521,418**	**15,299,656**

The changes in deferred taxes in the period under report are presented in the following table:

EUR	1 Jan 2020	Income statement	31 Dec 2020
Investment properties	-16,623,537	2,326,019	-14,297,518
Financing costs	-332,412	75,440	-256,973
At equity interests	-35,948	-41,614	-77,563
Loss carryovers	1,692,242	418,393	2,110,635
Total	**-15,299,656**	**2,778,238**	**-12,521,418**

No deferred tax assets have been recognised for corporate income tax loss carryovers of around EUR 8.4 million (31 December 2019: around EUR 4.0 million) and trade tax loss carryovers of around EUR 18.7 million (31 December 2019: around EUR 7.3 million) as there are insufficiently specific prospects of these being realised. Due to uncertainties regarding the continuation of tax losses carried forward from the period before the contribution of ERWE Properties GmbH to ERWE AG in 2018, these items were not taken into account.

The tax expense reported differs from the theoretical amount that would result from applying the average income tax rate of the Group to earnings before taxes:

EUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Earnings before taxes on income	-2,675,389	8,224,071
Group tax rate	31.925%	31.925%
Expected taxes	-854,118	2,625,535
Reconciliation due to tax-related items:		
- Impact of unused losses or utilisation of as yet unrecognised loss carryovers	2,756,033	959,059
- Taxes for previous years	0	-43,789
- Tax-exempt income	-790,799	-456,485
- Tax rate changes (trade tax cutback)	-3,893,180	-3,567,018
- Other effects	3,826	1,078
Actual taxes	**-2,778,238**	**-481,620**

(11) Financial debt

Financial debt is initially recognised at fair value and subsequently at amortised cost taking due account of the effective interest method.

As of 31 December 2020, ERWE had the following floating-interest and fixed-interest financial debt:

EUR	31 Dec 2020	31 Dec 2019
Non-current financial debt		
- Floating-interest financial debt	15,948,268	11,920,525
- Fixed-interest financial debt	40,515,922	57,805,871
Non-current financial debt, total	**56,464,190**	**69,726,396**
Current financial debt		
- Floating-interest financial debt	31,750,878	12,355,000
- Fixed-interest financial debt	47,319,572	1,333,584
Current financial debt, total	**79,070,450**	**13,688,584**

Current and non-current financial liabilities totalled EUR 135,534,640 and increased by EUR 52,119,660 compared with 31 December 2019 (EUR 83,414,980). This is mainly due to increases in existing loans for the revitalisation of portfolio properties and the taking up of new loans to finance acquisitions of new properties. Furthermore, ERWE Immobilien AG increased the issue of its premium bond by EUR 28,450,000 (31 December 2019: EUR 11,550,000). This bond, which has a total volume of EUR 40,000,000, matures on 10 December 2023 and bears interest at 7.5% per annum. The bond is unsecured.

Financial loans of EUR 91,621,618 (31 December 2019: EUR 67,701,741) are mainly secured by the company with liens on property (31 December 2020: EUR 101,650,000; 31 December 2019: EUR 85,300,000). The assignment of rental income serves as further collateral.

The terms and conditions of the bond require compliance with financial covenants (change of control, debt ratios, debt service coverage ratio). If the covenants are breached, bondholders are entitled to demand repayment from the issuer. Possible breaches of financial covenants are counteracted by regular monitoring, to ensure that any potential breach of covenant is detected as early as possible and prevented by appropriate measures. In addition, no distributions may be made, although limited payments are permitted under certain conditions.

Of the loans recognised under current financial liabilities, for one loan recognised at EUR 39,924,894 at the balance sheet date an amount of EUR 8,000,000 was repaid in February 2021, with the remaining amount of EUR 31,924,894 being extended for two years. A further loan amount of EUR 4,005,931 has been refinanced on a long-term basis. The other current financial liabilities predominantly relate to property financing facilities secured by liens on property, which are due for refinancing in mid-2021.

(12) Lease liabilities

Lease liabilities are structured as follows as of 31 December 2020:

EUR	2020	2019
Balance at 1 January	**2,952,464**	**807,088**
Additions	0	2,306,086
Accrued interest	109,083	49,089
Previous year's effects (equity)	0	-14,767
Payments	-498,366	-195,032
Balance at 31 December	**2,563,181**	**2,952,464**
of which current	400,799	389,283
of which non-current	2,162,382	2,563,180

(13) Income tax liabilities

The income tax liabilities of EUR 16,318 (31 December 2019: EUR 16,318) include trade tax obligations relating to previous years.

(14) Provisions

Provisions are recognised for legal or constructive obligations to third parties that result from past events and are uncertain in terms of their maturity or amount. They are recognised when it is likely that an outflow of Group resources will be required to settle the obligation and the amount of obligation can be reliably estimated. The Group recognises provisions for loss-making transactions when the expected benefits from its contractual rights are lower than the unavoidable costs required to meet its contractual obligations. The valuation is based on the best possible estimate of the current obligation as of the balance sheet date. Non-current provisions are recognised at their settlement amount discounted as of the balance sheet date.

Non-current provisions are structured as follows:

EUR	Provision for storage obligations	Provision for personnel expenses	Total
1 Jan 2020	36,960	0	**36,960**
Utilised	0	0	**0**
Reversed	0	0	**0**
Added	0	1,410,299	**1,410,299**
31 Dec 2020	36,960	1,410,299	**1,447,259**

EUR	Provision for storage obligations	Provision for personnel expenses	Total
1 Jan 2019	4,758	0	**4,758**
Utilised	0	0	**0**
Reversed	0	0	**0**
Added	32,202	0	**32,202**
31 Dec 2019	36,960	0	**36,960**

Die langfristigen Rückstellungen für Personalkosten in Höhe von 1.410.299 EUR (31.12.2019: 0 EUR) betreffen die Rückstellung für ein virtuelles Beteiligungsprogramm.

Virtual stock option plan

Description of plan:
ERWE Immobilien AG incepted a virtual stock option plan in the 2020 financial year. This plan is intended to promote retention of the beneficiaries at the company and allow them to participate in its value growth. Within the plan, beneficiaries are granted contractually agreed virtual rights to participate in the appreciation of the company's shares. Based on a resolution adopted by the Supervisory Board, the plan provides for a maximum total volume of 3,000,000 stock appreciation rights (virtual shares). These are all granted on the basis of individual agreements concluded between the company and the beneficiaries. As a rule, the plan provides for cash settlement.

Vesting period and exercise conditions:
The exercising of stock appreciation rights granted within the plan is dependent on the beneficiary completing a specified period of service. Should the beneficiary leave his employment relationship with ERWE Immobilien AG prematurely, irrespective of the reason for such departure, virtual shares that are not yet vested are forfeited without compensation. The beneficiary otherwise becomes eligible for one quarter of the stock appreciation rights granted to him for the first time and in full upon the expiry of one year. The remaining three quarters of the stock appreciation rights thereby granted are gradually vested over the next thirty-six months, specifically in three equal packages every twelve months.

Measurement:
The binomial model (option pricing model) has been selected to measure the virtual shares granted to members of the Management Board. Based on the agreed contractual terms, this resulted in the option values presented in the table below as of 31 December 2020.

	Total	of which Management Board member			Not a member of Management Board
Measurement at 31 Dec 2020		Axel Harloff	Heinz-Rüdiger Weitzel	Christian Hillermann	
Number of contractually vested shares	-	-	-	-	-
Prorated number of virtual shares recognised in expenses	1,144,251	415,888	415,888	234,570	77,905
Present value of each virtual share	1.23	1.31	1.31	1.06	0.93
Expenses recognised in year under report	1,410,299	544,167	544,167	249,607	72,359
Provision at balance sheet date	**1,410,299**	**544,167**	**544,167**	**249,607**	**72,359**
Of which intrinsic value of virtual shares contractually vested at balance sheet date	-	-	-	-	-

Details of the structure of the value calculation, and of the inputs used, are presented in the following table:

	Total	of which Management Board member			Not a member of Management Board
Other disclosures		Axel Harloff	Heinz-Rüdiger Weitzel	Christian Hillermann	
Maximum number of virtual shares to be granted	3,000,000	800,000	800,000	600,000	600,000
Settlement	in cash	in cash	in cash	in cash	in cash
Structure					
Virtual shares outstanding at 1 January 2020	**0**	**0**	**0**	**0**	**0**
Weighted base price in EUR	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Virtual shares granted	2,800,000	800,000	800,000	600,000	600,000
Weighted base price in EUR	3.59	3.30	3.30	3.84	4.12
Virtual shares fully vested	0	0	0	0	0
Weighted base price in EUR	n/a	n/a	n/a	n/a	n/a
Virtual shares forfeited	0	0	0	0	0
Weighted base price in EUR	n/a	n/a	n/a	n/a	n/a
Virtual shares exercised	0	0	0	0	0
Weighted base price in EUR	n/a	n/a	n/a	n/a	n/a
Weighted average share price upon exercise in EUR	n/a	n/a	n/a	n/a	n/a
Exercise date	n/a	n/a	n/a	n/a	n/a
Ausgelaufene virtuelle Aktien	0	0	0	0	0
Weighted base price in EUR	n/a	n/a	n/a	n/a	n/a
Virtual shares outstanding at 31 December 2020	**2,800,000**	**800,000**	**800,000**	**600,000**	**600,000**
Weighted base price in EUR	**3.59**	**3.30**	**3.30**	**3.84**	**4.12**
Weighted average remaining term in years	**3.22**	**3.00**	**3.00**	**3.25**	**3.75**
Virtual shares exercisable	0	0	0	0	0
Weighted base price in EUR	n/a	n/a	n/a	n/a	n/a
Value calculation					
Weighted average fair value per option n	1.17	1.31	1.31	1.06	0.93
Option price model used	Binomial model				
Weighted average share price	4.28	4.28	4.28	4.28	4.28
Weighted average base price	3.59	3.30	3.30	3.84	4.12
Expected annual volatility	29.97% for 3-year remaining term, 27.9% for 4-year remaining term				
Expected dividend yield	0.00%				
Risk-free annual interest rate	-0.81% for 3-year remaining term, -0.75% for 4-year remaining term				
Other assumptions	n/a				

To estimate expected volatility, reference was made to the historic volatility of the logarithmised daily stock yield over a four-year period – depending on the respective remaining term of the stock appreciation rights – and with due consideration of a peer group.

(15) Trade payables

Trade payables rose year-on-year by EUR 933,994 from EUR 946,506 to EUR 1,880,500. This was chiefly due to outstanding items in connection with project development activities.

(16) Other current liabilities

Other current liabilities are structured as follows:

EUR	31 Dec 2020	31 Dec 2019
Interest deferrals	864,482	745,413
Liabilities for outstanding invoices	707,095	326,440
Liabilities for personnel	461,248	122,058
VAT liabilities	290,499	233,559
Liabilities for year-end and audit expenses	197,010	161,480
Deposits received	75,448	75,448
Other current liabilities	214,497	21,604
Total	**2,810,279**	**1,686,003**

Interest deferrals mainly relate to the interest for the ERWE Immobilien AG bond and the loan interest of the property companies. Liabilities for outstanding invoices mainly consist of legal and advisory expenses, particularly in connection with the due diligence reviews performed for potential property acquisitions. Liabilities for personnel relate above all to liabilities for salaries, payroll and church taxes and social security contributions..

F. Notes to the consolidated income statement

(1) Earnings from property lettings

The Group has concluded lease agreements for the commercial letting of its investment properties. Given the terms and conditions of the contracts, for example that the lease terms do not cover the major portion of the economic useful lives of the commercial properties, the Group has concluded that the essential risks and rewards incidental to ownership of the properties thereby let remain at the Group. The Group therefore recognises these contracts as operating leases. Income from operating lease contracts is recognised on a straight-line basis over the term of the respective lease pursuant to IFRS 16. Due to its operating nature, this income is recognised as revenue. As net rents are usually paid monthly in advance, the rent receivables are due immediately.

Income from the charging on of operating expenses is within the scope of IFRS 15. This income is recognised over time based on the underlying service performance, i.e. upon transfer of control over the respective service to the tenant. This depends on corresponding contractual arrangements being in place with the tenants and on the receipt of the consideration thereby determined being probable. Operating expenses are recognised in accordance with the principal method, as is the charging on of such expenses. Prepayments of operating expenses by tenants are paid monthly together with net rents and are immediately due for payment. Operating expense items and the corresponding income from charging these on to tenants are reported without being offset in the consolidated statement of comprehensive income. ERWE follows the current presentation practice in order to increase comparability.

Upon the sale of a property, earnings are recognised when the risks and rewards incidental to ownership (ownership rights, benefits and obligations) are transferred to the buyer.

The earnings of EUR 2,631,907 from property lettings (2019: EUR 1,365,798) are structured as follows:

in EUR	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
Gross rental income	5,588,992	3,465,659
Expenses from property lettings	-2,957,085	-2,099,861
Earnings from property lettings	**2,631,907**	**1,365,798**

Gross rental income is made up of EUR 4,367,081 in net lettings income (2019: EUR 2,863,502) and of EUR 1,221,911 in income from the charging on of operating expenses (2019: EUR 602,157). Of the income from charging on operating expenses, an amount of around EUR 262k relates to previous years for which the invoicing was only completed at the end of 2020.

The property-specific expenses of EUR 2,957,085 (2019: EUR 2,099,861) mainly include outlays for operating expenses and ancillary expenses, as well as maintenance.

(2) Other operating income

Other operating income is structured as follows::

EUR	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
Project development/ management services FAC1	483,490	480,000
Charging on of expenses for tenant renovations	331,406	116,765
Income from services	123,569	59,241
Other income from expenses charged on	97,581	45,723
Non-period income	82,545	6,709
Income from derecognition of liabilities / reversal of provisions	40,878	99,963
Non-cash compensation	35,115	22,349
Insurance compensation	8,516	7,949
Sundry other operating income	46,389	3,301
Total	**1,249,490**	**841,999**

ERWE has been commissioned to revitalise and reposition the business centre FAC 1 (Covivio Office VI GmbH & Co. KG), which results in income from project development and management services. Income from the charging on of expenses of tenant renovations relates to tenant renovations performed for the City of Lübeck. The corresponding expenses are included in other operating expenses. The income of EUR 123,569 from services (2019: EUR 59,241) chiefly results from the property management services provided by ERWE Immobilienmanagement GmbH to third parties.

(3) Personnel expenses

Personnel expenses are structured as follows:

EUR	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
Salaries	4,519,952	1,622,130
Statutory social security contributions	342,922	192,499
Total personnel expenses	**4,862,874**	**1,814,628**
of which expenses for pension benefits	-3,665	-2,982

(4) Other operating expenses

EUR	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
Legal and advisory expenses	1,252,103	599,988
Year-end and audit expenses, tax return and advisory expenses	396,028	310,515
Costs for non-realised projects	356,199	94,667
Expenses for tenant renovations	331,406	116,765
Non-deductible input tax	273,893	148,162
Depreciation/amortisation of other non-current assets	245,316	173,959
Individual allowances for receivables	197,824	13,463
Stock market listing and shareholders' meeting	178,547	290,559
Travel expenses	161,051	120,567
Advertising expenses	157,731	183,344
External services	127,626	93,348
Insurances	115,224	133,958
Rental and lease expenses	99,140	79,496
Supervisory Board remuneration	90,000	67,500
Compensation for damages	77,500	75,000
Vehicle expenses	53,738	18,495
Cost for premises	43,050	66,002
Incidental costs of monetary transactions	25,495	115,969
Hardware/software maintenance expenses	21,859	34,973
Non-period expenses	11,068	71,352
Pre-opening expenses for hotel in Speyer	0	40,000
Retrospective expenses for initial consolidation of at-equity investments	0	133,929
Sundry other operating expenses	293,040	79,493
Total	**4,507,837**	**3,061,501**

The legal and advisory expenses of EUR 1,252,103 (2019: EUR 599,988) mainly result from ongoing advisory services and advisory services for various property projects. The year-end and audit expenses also include expenses for the quarterly and half-year financial statements, as well as for annual reports and publication expenses. The costs for non-realised projects include costs for due diligence reviews on properties subsequently not acquired. The expenses of EUR 331,406 for tenant renovations (2019: EUR 116,765) are offset by income of the same amount within other operating income, as these expenses are charged on to the tenant. The depreciation/amortisation of other non-current assets comprises depreciation of EUR 143,750 recognised on IFRS 16 right-of-use assets (2019: EUR 96,623) and depreciation/amortisation of EUR 101,566 recognised on other non-current assets (2019: EUR 77,337). The rental and lease expenses of EUR 99,140 include expenses from low-value and short-term leases (2019: EUR 79,496).

(5) Financial income

The financial income of EUR 13,393 (2019: EUR 10,910) results from interest income in connection with a loan granted to Covivio Office VI GmbH & Co. KG.

(6) Financial expenses

EUR	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
Financial debt interest expenses	6,483,807	3,265,123
Other financial expenses	111,069	61,636
Total	**6,594,877**	**3,326,759**

Financial expenses mainly comprise interest expenses in connection with the loans for financing the properties. Other financial expenses predominantly relate to the compounding of lease liabilities.

(7) Earnings per share

Das Ergebnis je Aktie ("basic earnings per share") berechnet sich wie folgt:

EUR	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
Consolidated earnings (EUR)	**102,849**	**8,705,690**
Consolidated net income less non-controlling interests	257,339	8,268,059
Dilutive effects	0	0
Consolidated net income less dilutive effects	257,339	8,268,059
Number of shares		
Shares issued at balance sheet date	16,565,922	16,565,922
Weighted number of shares issued	16,565,922	16,565,922
Dilutive effects	0	0
Weighted number of shares issued (diluted)	16,565,922	16,565,922
Earnings per share (EUR)		
Basic earnings per share	0.02	0.50
Diluted earnings per share	0.02	0.50

Basic earnings per share are calculated by dividing the earnings attributable to the owners of shares in the parent company by the weighted average number of shares in circulation during the period under report.

G. Notes to the consolidated cash flow statement

Cash flows are broken down into operating, investment and financing activities. The indirect calculation method was chosen to present the cash flow from operating activities, while the cash flows from investing and financing activities were determined on the basis of payments. Cash funds correspond to the level of cash and cash equivalents.

Cash flow from operating activities for the period under report amounted to EUR -9,537k (2019: EUR -6,235k). Cash flow from operating activities mainly resulted from payments of interest and ancillary financing costs in the amount of EUR 6,566k (2019: EUR 3,011k). One-off financing costs and other one-off payments accounted for EUR 531k (2019: EUR 520k).

Cash flow from investing activities amounted to EUR 56,157k (2019: EUR 15,371k). In the period under report, payments of EUR 54,291k were made for the acquisition of and further investments in investment properties (2019: EUR 14,738k). Furthermore, the cash flow from investing activities in the period under report included payments of EUR 1,343k to acquire a 50% stake in an associated company (2019: EUR 0k).

Cash flow from financing activities amounted to EUR 54,601k in the period under report (2019: EUR 21,509k) and mainly related to the taking up of new financial loans (2020: EUR 55,100k; 2019: EUR 51,117k).

In the financial year under report, cash and cash equivalents decreased by EUR 11,093k from EUR 19,055k at the beginning to EUR 7,962k at the end of the period under report. Cash and cash equivalents include funds available at short notice and liquid funds not subject to long-term restraints on disposal.

Financial liabilities resulting from financing activities developed as follows in the period under report:

EUR 000s	Opening balance at 1 Jan 2020	Cash-effective changes*	Non-cash-effective changes: Effective interest method	Non-cash-effective changes: Other	Closing balance at 31 Dec 2020
Financial debt	83,415	51,433	686	0	135,534
Lease liabilities	2,952	-498	109	0	2,563
Total	**86,367**	**50,935**	**795**	**0**	**138,097**

EUR 000s	Opening balance at 1 Jan 2019	Cash-effective changes*	Non-cash-effective changes: Effective interest method	Non-cash-effective changes: Other	Closing balance at 31 Dec 2019
Financial debt	58,311	21,823	436	2,844	83,415
Lease liabilities	807	-195	49	2,291	2,952
Total	**59,119**	**21,628**	**485**	**5,135**	**86,367**

* including payments for ancillary financing costs

H. Disclosures on financial instruments and fair values

(1) Additional disclosures on financial instruments

a) Classification
At the ERWE Group, the classification of financial instruments required by IFRS 7 is performed by analogy with the respective balance sheet line items. The following tables show a reconciliation of the carrying amounts for each IFRS 7 class (balance sheet items) to the measurement categories on the individual reporting dates.

EUR 000s	Measured at amortised cost			Measured at fair value	
	IFRS 7 category	Carrying amount	Fair value	Carrying amount	Total balance sheet line items at 31 Dec 2020
Assets					
Trade receivables	Aac	561	561	0	561
Other current assets	Aac	2,281	2,281	0	2,281
Liabilities					
Non-current financial loans	Flac	56,464	57,215	0	56,464
Current financial loans	Flac	79,070	79,045	0	79,070
Trade payables	Flac	1,881	1,881	0	1,881
Lease liabilities	Flac	2,563	2,563	0	2,563
Other liabilities	Flac	2,810	2,810	0	2,810

EUR 000s	Measured at amortised cost			Measured at fair value	
	IFRS 7 category	Carrying amount	Fair value	Carrying amount	Total balance sheet line items at 31 Dec 2019
Assets					
Trade receivables	Aac	341	341	0	341
Other current assets	Aac	3,536	3,536	0	3,536
Liabilities					
Non-current financial loans	Flac	69,726	72,160	0	69,726
Current financial loans	Flac	13,689	13,689	0	13,689
Trade payables	Flac	947	947	0	947
Lease liabilities	Flac	2,952	2,952	0	2,952
Other liabilities	Flac	1,686	1,686	0	1,686

Abbreviations for IFRS 7 categories:
Aac Financial assets measured at amortised cost
Flac Financial liabilities measured at amortised cost

b) Fair value disclosures
The calculation of the fair values of financial assets and liabilities for measurement purposes and the explanatory note disclosures were based on Level 3 of the fair value hierarchy.

Trade receivables and other current assets have short remaining terms. Their carrying amounts as of the balance sheet date therefore approximate to their fair values. The same applies for floating-rate non-current and current financial loans, trade payables and other current liabilities.

The fair value of fixed-interest non-current financial loans is determined by discounting future cash flows. Discounting is based on a market interest rate with matching maturities and risks.

c) Net result of financial assets and liabilities
Gains and losses on financial assets and liabilities are structured as follows:

		Net result 1 Jan–31 Dec 2020		
EUR 000s	IFRS 7 category	Interest	Income/ expenses	Total
Financial assets measured at cost	Aac	13	0	13
Financial liabilities measured at cost	Flac	-5,908	-686	-6,595

		Net result 1 Jan–31 Dec 2019		
EUR 000s	IFRS 7 category	Interest	Income/ expenses	Total
Financial assets measured at cost	Aac	11	0	11
Financial liabilities measured at cost	Flac	-2,885	-442	-3,327

Interest income and interest expenses are presented under financial income and financial expenses. The expenses for financial liabilities measured at cost relate to adjustments made when applying the effective interest method. These expenses are presented under financial expenses..

(2) Financial risk management and IFRS 7 disclosures

Financial risk management forms an integral component of the risk management system and thus assists the company in meeting its targets. Material risks monitored and controlled within the Group's financial risk management include interest rate risk, default risk, liquidity risk and financing risk.

a) Interest rate risk
Most of the Group's loans have fixed interest rates. Interest rate risk therefore only applies to one long-term loan with a nominal value of EUR 16,016k and two short-term loans with a total amount of EUR 31,742k. As interest rates are not expected to rise in the near future, the company assesses this risk as being relatively low. For this reason and due to the relatively low proportion of floating-interest loans, the company has foregone performing any sensitivity analyses.

b) Default risk
Default risk involves the risk of contractual partners being unable to meet their contractually agreed payment obligations. Maximum default risk corresponds to the carrying amounts of the financial assets. Default risks are managed on group level for the overall Group. Trade receivables are mainly due from tenants. ERWE accords priority to ensuring impeccable creditworthiness during the tenant selection process already. To secure this risk, the Group requires tenants to provide deposits or guarantees. There is no significant concentration of potential credit risks within the Group. However, higher credit risks may exist for commercial properties due to the tenant structure.

c) Liquidity risk
Responsibility for liquidity risk management lies with the Management Board, which has established an appropriate concept for managing short, medium and long-term financing and liquidity requirements. On overall Group level, the current liquidity situation is regularly and promptly recorded. This centrally managed function monitors the financial stability of the group of companies. The ongoing calculation of liquidity flows on individual company level also forms part of this management system.

The liquidity analyses below present the contractually agreed (undiscounted) cash flows for primary financial liabilities, including interest payments, as of the respective balance sheet date. The analyses include all financial instruments held as of the respective balance sheet date. No account was taken of payments budgeted for future new liabilities.

EUR 000s	2021	2022	2023	2024	>2024
Financial debt	83,752	3,811	60,729	0	0
Trade payables	1,881	0	0	0	0
Lease liabilities	496	495	494	496	941
Other liabilities	2,810	0	0	0	0
Total	**88,939**	**4,306**	**61,223**	**496**	**941**

d) Finanzierungsrisiko
To be able to make further acquisitions, ERWE is dependent on the granting of loans or issuing of bonds. Furthermore, expiring loans have to be extended or refinanced. In these cases, there is the risk that it may not be possible to extend a loan, or only on different terms. Any infringement by companies within the ERWE Group of covenants relating to existing financing agreements may lead to loans having to be repaid prematurely or terminated. ERWE may possibly be unable to refinance itself at short notice. This factor is continually monitored by the Management Board. By issuing a bond with a total nominal value of EUR 40,000k, ERWE has secured financing through to December 2023.

The company's cash flow and potential future dividend payments depend on the economic success of its subsidiaries and participating interests or may have to be supplemented or replaced by debt capital. ERWE is dependent on generating sufficient liquidity from its real estate portfolio to cover the interest and repayment expenses associated with its existing financing facilities.

I. Other disclosures

(1) Capital management

The Group manages its capital with the objective of maximising shareholder returns by optimising the ratio of equity to debt. This way, it ensures that all group companies can operate on a going concern basis. The Group's balance sheet equity is used as an important key figure for capital.

As a stock corporation, the parent company ERWE Immobilien AG is subject to the minimum capital requirements of German stock corporation law. Furthermore, the Group is subject to the customary and sector-specific minimum capital requirements of the financial sector, particularly for financing specific properties. These minimum capital requirements are monitored continuously.

Risk management regularly reviews the Group's capital structure. To meet lending standards for external capital requirements, the company calculates and forecasts key accounting figures. These also include property-specific debt service ratios and loan-to-value figures.

The year-end equity ratio was as follows:

EUR	31 Dec 2020	31 Dec 2019
Equity (including non-controlling interests)	58,387,685	58,284,836
Total assets	215,161,279	162,637,721
Equity ratio in %	**27.14%**	**35.84%**

The loan-to-value (LTV) amounts to 63.1% (31 December 2019: 46.6%). Information about the calculation of this key figure can be found in the Combined Management Report.

(2) Minimum lease payments for operating leases

ERWE acts as lessor in a number of operating leases (rental agreements). Claims to minimum lease payments for long-term operating leases generally relate to the letting of commercial properties, which are recognised under investment properties. The Group does not have any other claims to minimum lease payments. Minimum lease payments include rental income (excluding apportionable operating expenses).

Disclosures on operating leases in accordance with IFRS 16.90b	2021	2022-2025	ab 2026
EUR 000s	< 1 year	1-5 years	> 5 years
Total future minimum lease payments due to non-terminable operating leases	6,245	20,933	25,761

Minimum lease payments (basic net rent) came to EUR 4,367,081 in the period under report (31 December 2019: EUR 2,863,502).

(3) Other financial obligations and contingent liabilities

As of 31 December 2020, ERWE had the following material rental and lease obligations in its capacity as lessee:

EUR	31.12.2020	31.12.2019
Rental and lease obligations		
- within one year	21,105	3,233
- maturing between 1 and 5 years	2,544	3,392
- maturing after 5 years	0	424
Total	**23,649**	**7,049**

For 2020, these financial obligations comprise the portion of rental and lease obligations not recognised in accordance with IFRS 16 and result from short-term rental agreements for vehicle parking spaces and storage areas, as well as small appliances.

In connection with contacts entered into with construction contractors, the Group has obligations of EUR 5,290,972 that are due within one year and EUR 95,443 that are due by June 2022.

(4) Related party disclosures

According to IAS 24 "Related Party Disclosures", related parties are defined as, among others, parent companies, subsidiaries and subsidiaries of a common parent company, associated companies, legal entities under the influence of the management and the management of the company. Business transactions between ERWE Immobilien AG and its consolidated subsidiaries are eliminated through consolidation and are therefore not explained in the notes.

The following material transactions were executed between the Group and related parties:

EUR	31 Dec 2020	1 Jan-31 Dec 2020
	Receivables (+)/ Liabilities (-)	**Income/interest income(+) /Expenses/interest (-)**
ERWE as borrower:		
VGHL Management GmbH – loan to ERWE 333	-312,281	-33,750
VGHL Management GmbH – loan to ERWE 555	-127,100	-15,888
Ehlerding Stiftung	-3,000,000	-255,000
ERWE as lender:		
Covivio Office VI GmbH & Co. KG	867,511	13,392
ERWE as recipient of service:		
ERWE Real Estate GmbH	0	-29,438
RW Property Investment GmbH	0	-4,687
Nicole Harloff (Managing Director of ERWE Immobilien Management GmbH)	0	-145,424
Dr. Holger Henkel (Supervisory Board member) legal advice	-55	-273
Hillermann Consulting e.K.	-3,485	-19,864
ERWE as provider of service:		
ERWE Real Estate GmbH	0	6,000
Covivio Office VI GmbH & Co. KG	96,797	483,490
H3 Heddernheimer Höfe GmbH	648	117,516

In June 2019, a loan of EUR 3,000,000 was taken up from Ehlerding Stiftung. This loan has a two-year term and charges interest at 8.5 % p.a. In the 2020 financial year interest expenses amounted to EUR 255,000.

Furthermore, VGHL Management GmbH granted loans of EUR 270,000 to ERWE Immobilien Retail Projekt 333 GmbH (balance plus capitalised interest as of 31 December 2020: EUR 312,281) and of EUR 127,100 to ERWE Immobilien Retail Projekt 555 GmbH. Both loans bear interest at 12.5% p.a. In the 2020 financial year, interest expenses amounted to EUR 33,750k at ERWE 333 and to EUR 15,888k at ERWE 555.

Upon the foundation of ERWE Immobilienmanagement GmbH, Nicole Harloff acquired a 25.1% stake in this company. In her role as managing director of ERWE Immobilienmanagement GmbH, she received remuneration of EUR 145,424 in the period from 1 January to 31 December 2020.

In the 2020 financial year, ERWE performed project development and management services in an amount of EUR 483,490 for Covivio Office VI GmbH & Co. KG. Furthermore, ERWE Properties GmbH issued loans totalling EUR 858,500 in several tranches to Covivio Office VI GmbH & Co. KG. These were supplemented by capitalised interest of EUR 9,011. These loans have been granted for an indefinite period, are unsecured, and bear interest at 2.5%. The interest for the period from 1 January to 31 December 2020 amounted to EUR 13,392.

ERWE Immobilienmanagement GmbH also performed services of EUR 117,516 for H3 Heddernheimer Höfe GmbH.

Dr. Holger Henkel provided legal consulting services in an amount of EUR 273 for ERWE in 2020.

In 2020, a sublease contract terminable at short notice was concluded with Hillermann Consulting e.K. in respect of office premises. These premises are used by employees of the ERWE Group. In the year under report, the rental payments amounted to EUR 16,640, while further amounts of EUR 3,224.36 were reimbursed for other costs.

With regard to the remuneration paid to the Management and Supervisory Boards, reference is made to the information provided in the following section.

(5) Management Board and Supervisory Board

The following individuals were members of the Management Board of ERWE Immobilien AG in the period under report and still are currently:

- Axel Harloff, Graduate in Business Administration
- Rüdiger Weitzel, Graduate in Engineering
- Christian Hillermann, Graduate in Business Administration (since 1 April 2020))

In the period under report, the members of the Management Board received fixed remuneration and a bonus. Furthermore, ERWE Immobilien AG incepted a virtual stock option plan in the 2020 financial year (please see E.14. Provisions). Total remuneration, including the non-cash benefit resulting from the use of a car, amounted to a combined total of EUR 2,421,790 for all members of the Management Board in the period under report (2019: EUR 516,000). Furthermore, the members of the Management Board were reimbursed for their travel and other expenses.

The remuneration of Management Board members was structured as follows:

EUR	Axel Harloff		Rüdiger Weitzel		Christian Hillermann		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Non-performance-related basic remuneration	240,000	180,000	240,000	180,000	150,000	0	630,000	360,000
Non-performance-related benefits in kind	31,726	21,000	17,823	15,000	24,300	0	73,849	36,000
Virtual stock option plan (long-term incentive)	544,167	0	544,167		249,607	0	1,337,941	0
Performance-related remuneration (short-term incentive)	160,000	60,000	160,000	60,000	60,000	0	380,000	120,000
Total	**975,893**	**261,000**	**961,990**	**255,000**	**483,907**	**0**	**2,421,790**	**516,000**

The short-term incentives for Axel Harloff and Rüdiger Weitzel each included bonuses of EUR 100k for the 2019 financial year, which were disbursed in 2020.

The other short-term incentives totalling EUR 180k and the long-term incentives were not disbursed in the year under report.

Axel Harloff is also Chairman of the Supervisory Boards at Accentro Real Estate AG and at Consus Real Estate AG. Rüdiger Weitzel is a member of the Supervisory Board at SATURIA Fondmanagement GmbH. Christian Hillermann is Deputy Chairman of the Supervisory Boards at ALBIS Leasing AG and Affinis AG.

The Supervisory Board members of ERWE Immobilien AG, their occupations and the remuneration received for the past year are shown in the following table:

Carsten Wolff is Deputy Chair of the Supervisory Board of Westgrund AG and Accentro AG. He is a member of the Supervisory Board of Eurohaus Frankfurt AG and a member of the Board of Directors of A.D.O. Group Ltd.

Name	Function	Occupation	Total remuneration 2020	Total remuneration 2019
Dr. Olaf Hein	Supervisory Board Chairman	Elbstein AG Management Board	40,000	30,000
Dr. Holger Henkeln	Deputy Chairman	Lawyer	30,000	22,500
Carsten Wolff	Member of Supervisory board	Head of Accounting and Finance	20,000	15,000
Total			**90,000**	**67,500**

(6) Employees

The average number of employees was as follows:

Number	2020	2019
Management Board members	3	2
Employees in permanent employment	35	18
Total	**38**	**20**

The ERWE Group had 35 employees and three Management Board members as of 31 December 2020.

(7) Group auditor's fee

The group auditor's fee for the 2020 financial year amounted to a total of EUR 134k, of which EUR 120k for auditing services (thereof EUR 10k for previous years), EUR 5 for tax advisory services and EUR 14k for other services.

(8) Events after the balance sheet date

The investment agreement already concluded in December 2020 to acquire a 50% stake in peko GmbH, Eppelborn was executed in January 2021 by entry of the required capital increase in the Commercial Register for peko GmbH.

The existing loan financing of EUR 40 million at a subsidiary of ERWE EG, which was still in place as of 25 February 2021, was extended by two years in February 2021, with the loan amount being simultaneously reduced to EUR 32 million. At a further subsidiary, the existing acquisition financing of around EUR 4 million was redeemed and replaced by a facility of EUR 10 million to finance further project development. Furthermore, the equity financing of an acquisition at a subsidiary was replaced by loan financing of EUR 2.3 million.

Apart from this, there have been no events of material significance for the asset, financial position and results of operations at ERWE AG since 31 December 2020.

(9) Declaration of Compliance with the German Corporate Governance Code

The Declaration of Compliance required by § 161 of the German Stock Corporation Act (AktG) was most recently issued by the Management Board in August 2020. This was made available to shareholders in the "Investor Relations" section of the company's website.

Frankfurt am Main, 25 March 2021

ERWE Immobilien AG

Axel Harloff /
Management Board member

Christian Hillermann /
Management Board member

Rüdiger Weitzel /
Management Board member

The audit report below also includes an "assurance report in accordance with § [Article] 317 Abs. [paragraph] 3b HGB [Handelsgesetzbuch: German Commercial Code] on the electronic reproduction of the consolidated financial statements and the combined management report prepared for publication purposes" ("ESEF assurance report"). The audit object underlying the ESEF assurance report (the ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed at or downloaded from the German Federal Gazette (Bundesanzeiger).

Independent Auditor's Report

to
ERWE Immobilien AG,
Frankfurt am Main

Report on the audit of the consolidated financial statements and the combined management report

Audit opinions

We have audited the consolidated financial statements of **ERWE Immobilien AG, Frankfurt am Main**, and its subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2020 to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of ERWE Immobilien AG, Frankfurt am Main, which is combined with the company's management report (hereinafter "combined management report"), for the financial year from 1 January 2020 to 31 December 2020. In accordance with German legal requirements, we did not examine the contents of the corporate governance statement published on the Group's website pursuant to § 315d and § 289f HGB, to which reference is made in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit:

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of those parts of the combined management report listed above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

Measurement of investment properties

Measurement of investment properties

a) Risk to the financial statements
In its consolidated balance sheet as of 31 December 2020, ERWE Immobilien AG has reported investment properties of EUR 192,713k (previous year: EUR 131,910k) measured at fair value pursuant to IAS 40. The consolidated statement of comprehensive income for the 2020 financial year includes a result from measurement of investment properties amounting to EUR 6,788k (previous year: EUR 12,569k).

The company's statements regarding investment properties are included in Sections C in respect of material discretionary decisions, estimates and assumptions, E. (2) of the consolidated financial statements and II.2.3. of the combined management report.

The respective fair values were determined by the executive directors in accordance with IFRS 13 using the discounted cash flow method / residual value method on the basis of surveys compiled by external surveyors. These involve Level 3 measurements which are based on material inputs not observable on the market. The forecast cash surpluses from rental income and operating, maintenance and administrative expenses include significant discretionary decisions and estimates with a material impact on the consolidated financial statements. Furthermore, IAS 40 and IFRS 13 require numerous disclosures in the notes whose completeness and appropriateness must be ensured.

b) Audit approach and conclusions
Our audit procedures include, in particular, evaluation of the measurement procedures with regard to their conformity with IAS 40 in conjunction with IFRS 13, and of the accuracy and completeness of the data regarding the property portfolio. We thereby verified the forecast values and parameters used in the measurement (particularly rental income and operating, maintenance and administrative expenses, as well discounting and capitalisation interest rates) and assured ourselves of the appropriateness of the discretionary decisions and estimates. Among other sources, we also used external market data to assess the parameters used in the measurement.

We further assured ourselves of the qualification and objectivity of the external surveyor appointed by the company.

In the knowledge that even relatively minor changes to the parameters used in the measurement can have significant effects on the value of investment properties, we also arithmetically verified the sensitivity analysis conducted by the external surveyor and the effects of possible fluctuations in these parameters. Further, we assessed the appropriateness of the associated statements in the notes to the consolidated financial statements.

In our opinion, ERWE Immobilien AG has implemented an appropriate valuation procedure that is suitable for determining fair values in accordance with IAS 40 and IFRS 13. We believe that the executive directors' assessments underlying the recognition of assets are sufficiently justified and lead to an appropriate presentation in the consolidated financial statements. The disclosures in the notes pursuant to IAS 40 and IFRS 13 are complete and appropriate.

Other information

The executive directors are responsible for the other information. The other information obtained as of the date of this audit opinion comprises:

- the corporate governance statement published on the Group's website pursuant to § 315d and § 289f, which is referred to in the combined management report, the supervisory board report,

- the remaining parts of the annual report, but not the consolidated statements, not the unreviewed contents of the disclosures in the combined management report and not our associated audit opinion, and

- the statement on the consolidated financial statements pursuant to § 297 Abs. 2 Satz 4 HGB and the statement on the combined management report pursuant to § 289 Abs. 1 Satz 5 and § 315 Abs. 1 Satz 5 HGB.

The supervisory board is responsible for the supervisory board report. The executive directors and supervisory board are responsible for the declaration in respect of the German Corporate Governance Code pursuant to § 161 AktG [Aktiengesetz: German Stock Corporation Act] and the corporate governance statement referred to in the combined management report. The executive directors are also responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the reviewed contents of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based the knowledge obtained in our activities prior to the date of this audit opinion, we conclude that the other information contains a material misstatement, we are obliged to report such circumstance. We have nothing to report in this respect.

Responsibilities of the Executive Directors and the Supervisory Board for the consolidated financial statements and the combined management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group.

In addition, the executive directors are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance report in accordance with § 317 Abs. 3b HGB on the electronic reproduction of the consolidated financial statements and the combined management report prepared for publication purposes

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter "ESEF documents") contained in the attached electronic file "ESEF-Unterlagen ERWE AG Konzernabschluss 2020" and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within the reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express an opinion on the information contained in this reproduction nor any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the "report on the audit of the consolidated financial statements and the combined management report" above.

Basis for the reasonable assurance conclusion
We conducted our assurance engagement on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Audit for Purpose of Disclosure of Electronic Reproductions of Financial Statements and Management Reports pursuant to § 317 Abs. 3b HGB (ED IDW AsS 410). Accordingly, our responsibilities are further described under "Group auditor's responsibilities for the assurance engagement on the ESEF documents". Our audit firm has applied the IDW Standard for Quality Management in the Audit Firm (IWD QS 1).

Reference to a further issue
The iXBRL-referral of the Cash Flow Statement in the ESEF-document comprises – in addition to the starting parameter Earnings before Interest and Taxes – information on the Consolidated Net Income, Earnings before Taxes, Financial Income and Expenses that are not included in the Cash Flow Statement.

Our note about the audit of the electronic reproduction of the Consolidated Financial Statement and the Management Report for the purpose of public disclosure according to § 317 sect. 3b HGB has not been modified in this respect.

Responsibilities of executive directors and supervisory board for the ESEF documents
The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with § 328 Abs. 1 Sentence 4 No. 1 HGB and the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Sentence 4 No. 2 HGB.

In addition, the executive directors of the company are responsible for such internal controls as they have considered necessary to enable the preparation of ESEF documents free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette (Bundesanzeiger).

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance engagement on the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgement and maintain professional scepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of the internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 16 June 2020. We were engaged by the supervisory board on 10 December 2020. We have been the group auditor of ERWE Immobilien AG, Frankfurt am Main, without interruption since the 2018 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the supervisory board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Dirk Heide.

Hamburg, 30 March 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Florian Riedl
Wirtschaftsprüfer
(German Public Auditor)

Dirk Heide
Wirtschaftsprüfer
(German Public Auditor)

Responsibility statement

We hereby confirm that, to the best of our knowledge, and in accordance with the applicable principles for reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group consistent with the principles of proper accounting, and that the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 25 March 2021
ERWE Immobilien AG

Axel Harloff / **Vorstand**

Christian Hillermann / **Vorstand**

Rüdiger Weitzel / **Vorstand**

At a glance

Supervisory Board	Dr. Olaf Hein	Chairman of Supervisory Board
	Dr. Holger Henkel	Deputy Chairman of Supervisory Board
	Carsten Wolff	Member of Supervisory Board
Management Board	Axel Harloff	Member of Management Board
	Christian Hillermann	Member of Management Board
	Rüdiger Weitzel	Member of Management Board
Company information	Legal domicile	Frankfurt am Main Frankfurt HRB 113320 ERWE Immobilien AG Herriotstr. 1 60528 Frankfurt am Main T +49 (0) 69 96 37 68 69-0 E-Mail: info@erwe-ag.com www.erwe-ag.com
	Investor Relations	Hans-Christian Haas Head of Investor Relations T +49 (0) 69 9637 6869 25 h.haas@erwe-ag.com
	Public Relations	german communications Jörg Bretschneider Milchstr. 6b 20148 Hamburg T +49 (0) 40 46 88 330 E-Mail: presse@german-communication.com
	Share capital	16,562,922 EUR
	Distribution	16,562,922 shares
	Voting rights	1 vote per share
	Share identification	WKN A1X3WX / ERWE ISIN DE000A1X3WX6 Stock market ticker ERWE
	Designated Sponsor	ODDO BHF Corporates & Markets AG Frankfurt am Main
	Stock markets	Frankfurt a. M. (XETRA), open markets in Berlin, Düsseldorf, Stuttgart
	Financial year	Calendar year

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