ERWE Immobilien AG • Herriotstr. 1 • 60528 Frankfurt

www.erwe-ag.com

Overview of the financial year 2021

Key figures

Financial year	31 Dec 2021	31 Dec 2020
Income Statement (TEUR)		
Gross rental income	7,891	5,589
Earnings from property lettings	4,422	2,632
EBIT	-4,800	3,906
Adjusted EBIT	-4,559	4,460
Consolidated net income	-10,161	103
Balance sheet (TEUR)		
Investment properties	195,495	192,713
Interestes in properties	1,411	8,832
Investments	8,751	0
Net Reinstatement Value (EPRA)	77,149	80,662
NRV per share (EUR)	4.23	4.87
LTV (in %)	67.8	63.3
Total assets	220,101	215,161
Equity	53,550	58,388
Number of shares (000s)	18,219,214	16,562,922
Properties		
Inventory properties	5	5
Projekt developments	3	3
Participating interest	1	1
Lettable space in m^{2*}	72,746	71,907
Occupancy rate in %*	89.3	89.2

Note: * only inventory properties

Highlights 2021

The year 2021 was again marked by the negative effects of the Corona pandemic. Nevertheless, significant progress was made in the operating business. In particular, 11,146 m² of lettable space in ERWE properties was let in the reporting year. This is significantly more than in the first pandemic year of 2020, when a total of 6,152 m² was let.

01 Commercial Property Krefeld

A particular success was the pre-letting of our second property in Krefeld with long-term contracts by financially strong tenants. (Picture shows visualisation of the Commercial Property Krefeld).

02 Postgalerie Speyer

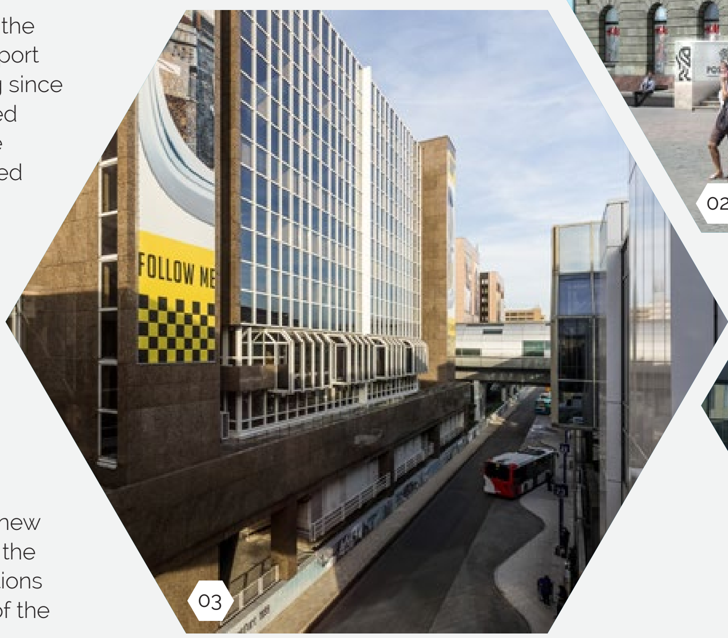
A new approach within ERWE's mixed-use concepts was developed for the Postgalerie Speyer. The eye clinic, which is expected to open there in mid-2022, is to become the nucleus for a medical care centre.

03 FAC 1

In the fourth quarter of last year, the service contract for Frankfurt Airport Center I, which has been running since 2018, was successfully completed below budget. With an extensive refurbishment, ERWE repositioned the property and increased the occupancy rate by around 10 percentage points. The building was certified LEED Platinum.

04 New projects in Bremerhaven and Wuppertal

A capital increase in July raised fresh funds of EUR 5.446 million for further growth and attracted new shareholders to the company. In the second half of the year, preparations were made for the acquisitions of the C&A buildings in Wuppertal and Bremerhaven, which were implemented with the help of the additional equity in the first quarter of 2022.



Content

ERWE Immobilien AG

ERWE Immobilien AG concentrates on building up a profitable commercial property portfolio.

ERWE Immobilien AG concentrates on the development of promising inner-city commercial properties in "A" locations in small and medium-sized towns with more than 10,000 residents. The property categories include office and hotel uses, flats as well as inner-city retail.

The company is listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. (XETRA) and in over-the-counter trading in Berlin, Düsseldorf and Stuttgart (ISIN: DE000A1X3WX6). Following the contribution in kind of ERWE Retail Immobilien GmbH to ERWE Immobilien AG, the company is continuing the successful activities in the field of commercial properties and retail centres of ERWE Real Estate GmbH, which has worked with renowned joint venture partners in the past.

Since last year, institutional asset management is being developed as a new pillar of the Group with the launch of ERWE Invest.

ERWE Immobilien AG develops projects for itself and for the account of third parties whose value potential can be released or significantly increased with new concepts.

In addition to realising an increase in value of each individual property, ERWE Immobilien AG's aim is to build up a sustainable portfolio with significantly rising income.

01 ERWE Immobilien AG's headquarters are located in the Herriot's Nr. 1-Building in Frankfurt-Niederrad.

02 The reception area of the Herriot's: An imposing, 52 m high entrée.

03 An attractive gastronomic offering directly in the building facilitates business-lunches

Management Board Foreword

Dear Ladies and Gentlemen,

The year 2021 once again posed special challenges to us as a real estate company, to our tenants and to society as a whole. No sooner did we appear to be out of the third wave of the Corona pandemic in spring 2021 than the virus re-emerged unabated in October, despite all containment measures and vaccination efforts. The fourth wave is likely to last until March of the new 2022 financial year before reasonably normal conditions can be expected again.

Uncertainty about the long-term effects of the pandemic on our tenants, especially in the retail and hotel sectors, led to a significantly more conservative assessment in the valuation of our properties by the appraisers. This resulted in a negative valuation result of 2.0 million euros, which could not be compensated by significantly improved earnings from property lettings. We are not satisfied with the resulting net loss of 10.2 million euros.

Despite the difficult general conditions, we were able to improve operationally. In 2021, around 8,000 sqm of rental space was newly let and comprehensive extensions of existing leases were agreed for 3,150 sqm. In Speyer, we let just under 500 sqm to an eye clinic in the past financial year and are currently registering further concrete interest from the medical sector for the remaining available space. For our development in Krefeld, the new construction of an office and commercial building in a prime location, we were able to sign long-term leases with the AOK Rheinland and a well-known German telecom company in the reporting year. With the end of many restrictions after the end of the pandemic, presumably from the end of March 2022, and the expected upturn in the economy, a number of ongoing negotiations with new tenants should become more concrete.

The challenges for the current year include the as yet unquantifiable consequences of the Russian invasion of Ukraine as well as the return of inflation, long thought to have disappeared, and the associated rising interest rates. Associated with this are changed supply chains, rising construction prices and capacity bottlenecks in the construction sector. These developments need to be observed and taken into account accordingly.

The impact of higher interest rates on ERWE should remain manageable. With the completion of the revitalisation measures in our portfolio properties, we are refinancing the initially comparatively expensive project financing with significantly more favorable long-term portfolio financing. This should significantly reduce the average interest rate on these loans and lead to savings in interest costs of up to 1.5 million Euros p.a.

In addition, growing inflation tends to lead to higher rental income, as we have agreed turnover or index-based rents with many retail tenants. Rising inflation eventually devalues the liabilities that still weigh on our properties, while values increase due to rising rental income. If inflation continues, we even expect falling initial yields, i.e. rising purchase factors for properties with retail space, which will allow our portfolio to grow further without much intervention.

„OUR BUSINESS MODEL CONTINUES TO PROVE AN IMPORTANT CONTRIBUTION TO THE FUTURE-ORIENTED DEVELOPMENT OF MANY GERMAN CITY CENTRES."

Our business model continues to prove an important contribution to the future-oriented development of many German city centres. The Corona virus has once again accelerated the processes of change in the city centres. In our estimation, stationary retail will no longer be a growth sector in the cities but will give way to new uses of the real estate in many areas. We are already seeing the steady return of housing and offices to city centres. In addition, there are established service sectors, such as public authorities, which are looking for new and concentrated locations close to the citizens and thus in the Cities, or medical and nursing facilities, hotel capacities and other leisure facilities of all kinds from gastronomy to fitness studios. Against this background, we continue to see considerable opportunity potential for our business strategy of investing in diversified, stable-value and sustainable real estate. In doing so, we do not lose sight of the ecological aspects and take established ESG criteria into account in our investments.

We are therefore confident about the new financial year and are sticking to our growth course. To this end, we acquired one portfolio property each in very good locations in Wuppertal and Bremerhaven at the beginning of the new financial year. Based on an increased occupancy of our available space as well as the new properties, we expect growing rents as well as improved results again in a stabilised economic environment from the fair value valuation and from current income.

Kind regards

A. Harloff

Axel Harloff / **Management Board member**

R. Weitzel

Rüdiger Weitzel / **Management Board member**

Frankfurt am Main, April 2022

Report of the Supervisory Board

Dear Shareholders,
Dear Ladies and Gentlemen,

In the 2021 financial year, the Supervisory Board of ERWE Immobilien AG consistently and continuously performed the duties incumbent upon it by law, the Articles of Association and its own Rules of Procedure.

Cooperation with the management

The cooperation with the management was characterised by an intensive and trusting exchange. Regular meetings as well as individual discussions took place. The Supervisory Board continuously monitored the activities of the Management Board and was also available to advise it outside the framework of meetings. It was always comprehensively involved by the Executive Board in important decisions at an early stage - in particular by way of the reports of the Executive Board pursuant to § 90 of the German Stock Corporation Act (AktG) - and was informed about the business development, strategy and corporate planning including financial, investment and personnel planning as well as all other relevant issues concerning the company.
The Supervisory Board also monitored the accounting process and the measures taken by the Management Board for risk management, the internal control system and compliance. All decisions and measures requiring approval were extensively discussed; necessary resolutions were adopted on the basis of these discussions and the resulting resolution proposals of the Management Board.

In addition to the Supervisory Board meetings, the Chairman of the Supervisory Board was in regular contact with the Management Board and kept himself informed about the current development of the business situation, corporate strategy and planning as well as significant business transactions. Conflicts of interest of Management Board and Supervisory Board members were neither reported nor occurred 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. They were appropriately supported by the company.

Composition of the Supervisory Board and the Executive Board, committees

The following personnel changes occurred in the Supervisory Board in the 2021 financial year:

The Chairman of the Supervisory Board, Dr. Olaf Hein, resigned from his office as a member of the Supervisory Board with effect from the end of the Annual General Meeting on 25 May 2021. On 25 May 2021, the Annual General Meeting then elected Mr. Volker Lemke as a member of the Supervisory Board until the end of the Annual General Meeting that resolves on the discharge of the Supervisory Board for the 2021 financial year.

With regard to the Management Board, there were no membership changes in 2021, but Mr. Christian Hillermann resigned from the Management Board with immediate effect on 4 March 2022 in the best agreement with the Supervisory Board.

In accordance with the Articles of Association, the Supervisory Board consists of three members. In the view of this, the Supervisory Board has not formed any committees. All members of the Supervisory Board have dealt with the entirety of the tasks of the Supervisory Board within the scope of their activities.

Meetings of the Supervisory Board and focal points of its activities

During the reporting period, the Supervisory Board held six meetings, each of which was attended by all members and which, due to the Covid 19 pandemic, were held exclusively via video and telephone conferences. In addition, resolutions were passed by written circular. During the meetings, the Supervisory Board also met regularly without the Management Board.

An essential part of all consultations of the Supervisory Board was the regular reporting of the Management Board on the business activities with detailed information on the development of sales and earnings, the strategy, the status of the main current and planned investments and their financing, the opportunity and risk situation, risk management, developments on the capital market and the main management measures of the Management Board. In the 2021 financial year, the Supervisory Board continued to deal with the development of the Corona pandemic and its impact on the macroeconomic environment and the business development and prospects of the company.

In addition, the following topics formed the focus of the individual meetings:
At the balance sheet meeting in March 2021, the Supervisory Board dealt - in ad-

dition to the routine report by the Board of Management on current business developments - with the annual and consolidated financial statements and the combined management report for ERWE Immobilien AG and the Group for the 2020 financial year. The auditor took part in the discussion and reported on the key findings of the audits carried out.

At the April meeting, the agenda included the revised remuneration system for Executive Board members to be submitted to the Annual General Meeting. In addition, the agenda for the Annual General Meeting, including the election proposals, was discussed and approved at this meeting.

At the meeting in May, held directly after the Annual General Meeting, the strategy and business model of the company were discussed in detail between the Supervisory Board and the Management Board in the context of elaborating on the content of the quarterly report. In addition, the options of capital measures of the company were presented and discussed in detail.

At the August meeting, the Management Board routinely presented the half-year report to the Supervisory Board and discussed the company's business strategy and liquidity planning in detail with the Supervisory Board.

In September, the meeting focused on the discussion of the capital market situation and the possibilities of capital measures. In addition, the Management Board reported in detail on current developments in the portfolio properties as well as on the acquisition pipeline and discussed them with the Supervisory Board.

At the last meeting in December, in addition to the routine discussion of the quarterly report, the Executive Board presented two acquisition objects to the Supervisory Board for approval.

In the course of the preparation of decisions by the Supervisory Board, a regular check is made as to whether conflicts of interest may exist. In the past financial year, 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.

In November 2021, the Supervisory Board and Executive Board most recently adopted the Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 AktG and made it permanently available to shareholders on the company's website. Further information on corporate governance can be found in the corporate governance declaration.

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 financial year 2021 and for any audit review performed on the half-year financial report on the 2021 financial year.

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

The annual financial statements of the Company and the consolidated financial statements, including the combined management and group management report for the 2021 financial year, as submitted by the Management Board, were audited by the appointed auditor and provided with an unqualified audit opinion.

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 reports on the audit of the annual financial statements and the consolidated financial statements to the Supervisory Board for review in a timely manner. The Supervisory Board intensively examined the documents relating to the annual financial statements and the reports and discussed them in detail with the Management Board at the meeting held to adopt the annual financial statements on 7 April 2022.

The auditor, who attended this meeting, reported on the main results of the audit and was available to the Supervisory Board to provide additional information. Based on its own review of the annual financial statements, the consolidated financial statements and the combined management and group management report, the Supervisory Board endorsed the results of the audit by the auditor and determined that no objections were to be raised after the final results of its review. The Supervisory Board concurred with the auditor's assessment that the internal control and risk management system with regard to the (Group) accounting process did not show any significant weaknesses. At this meeting, the Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Executive Board. The annual financial statements are thereby adopted pursuant with §172 AktG.

Thanks to Board members and staff

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, April 2022

Volker Lemke
Chairman of the Supervisory Board

ERWE and ESG

Theses on sustainable governance in the real estate sector

Environmental Social Governance, or ESG in short, has so far had little impact on concrete corporate activity. This was especially true for the real estate sector, which limited these additional criteria for corporate success to energy efficiency measures for buildings and the need for corresponding certification. This is now changing dramatically, especially because the requirements for real estate have to be redefined in changing lifestyles, in city centres that are currently under pressure and under unclear traffic and infrastructure developments. A thesis paper:

1 Thesis: Real estate should be comprehensively subjected to ESG criteria

Sustainability, openness to changing cultural and social requirements and the reduction in the use of fossil fuels are now necessary criteria for the development of real estate and its sustainable usability and value retention. Demographic development, i.e. the gradual ageing of the population with its specific demands on real estate, the change in inner cities and their infrastructure as well as the general challenge of climate change stand for this change.

It is important to take a holistic view of the life cycle of a property. ESG criteria should not be limited to compliance with building regulations and the growing number of requirements resulting from the various energy reforms. The energy balance of refurbished existing buildings is often better than that of new buildings. In many cases it takes up to 25 years until the energy expenditure for a new building can be compensated by ongoing savings in operation. Against this background, revitalisations and transformations of existing buildings pay off. This strategy is the focus of ERWE's business model.

The real estate industry should therefore considerably expand the catalogue of criteria for the further development of real estate and comprehensively consider the factors of sustainability, the social factors and corporate governance, in addition to the environment,.

2 Thesis: ESG has arrived in legislation and the financial market

The necessity for the real estate industry to deal more comprehensively with ESG issues also arises from the increasing legal relevance of the topic. For example, ESG forces managing directors and board members to take a closer look in order to limit liability reasons for claims, including financial loss claims from the shareholders' point of view, and to secure the basis of their own remuneration.

ESG is also gaining massively in importance on the capital markets. Investors no longer make their investment decisions purely on the basis of profitability, but also take into account factors such as the environment, social issues and corporate governance. The same applies to the financing of real estate, where banks are increasingly examining sustainability and ESG R relevance.

3 Thesis: Comprehensive ESG orientation is a megatrend in the real estate sector

Against this background, the orientation of investments according to ESG criteria is a current megatrend in the real estate sector.

The appropriate management ensures sustainability, which begins with a suitable approach and concept in every area of a property, from the acquisition process to the development of utilisation options, the resource-saving use of materials and intelligent building technology in new construction, the repositioning of existing properties and in operations. Sustainable properties are those that can retain and increase their value in the long term.

In view of the need for climate protection and changing lifestyles, a property should be prepared for the changing requirements and be as flexible as possible in its use.

In this way, the real estate industry would make a significant contribution to reducing man-made climate change through active sustainable entrepreneurial action.

Excerpt from an article by Rüdiger Weitzel, member of the Board of Management of ERWE Immobilien AG, in the Platow Forecast 2022

© Clay Banks

Implementation of sustainability criteria at ERWE

ERWE Immobilien AG considers itself under an obligation to comply with ESG objectives. The company takes environmental and social characteristics into account in its investment decisions as part of its investment strategy.

The focus of ERWE's investment strategy is preferably on the revitalisation and transformation of existing properties in city centre locations. This orientation is also reflected in the consideration of social features as part of the investment and in the ongoing management of properties. ERWE is convinced that this promotes the preservation of the building fabric and the efficient use of resources and contributes to a sustainable increase in the value of the properties. The ecological characteristics are defined as follows:

The ecological characteristics are defined as follows:

1. Consideration of the energy efficiency of buildings in the investment decision, in planning and implementation, as well as ongoing assessment
2. Promoting the use of green electricity in buildings
3. Preferably investments in existing buildings.
4. Resource-saving use of building materials with consideration of reusability

The social characteristics are defined as follows:

1. Location of the properties in city centre locations with public transport connections
2. Barrier-free access to the buildings

At least half or more of the existing portfolio should consist of properties that fulfil environmental and social criteria in an overall assessment. The degree of fulfilment is determined by the sum of the individually weighted ecological and social characteristics, which are evaluated using a scoring system.

The ecological and social characteristics are each divided into two criteria, each of which accounts for 25 per cent of the total score. Each criterion is awarded a maximum of five points. This applies to energy efficiency, where properties achieve the maximum score of five points if they consume less than 100 kWh/sqm/p.a. of energy, for the purchase of green electricity, as well as for the location of the properties in inner-city areas and whether they provide barrier-free access. Properties that achieve more than 50 per cent of the total score meet the ESG criteria. All of ERWE Immobilien AG's portfolio properties achieve ratings above 50 per cent of the possible total score based on current audits.

New construction projects should also fully meet these criteria. In addition, ERWE is aiming for DGNB gold certification here.

Overview of properties


09
FOLLOW ME


04


03


SALE
KUPFER PASSAGE
05


01
POSTGALERIE


02

Postgalerie Speyer

Historical building with new focal points close to Speyer Cathedral

The Postgalerie Speyer is located at the beginning of the pedestrian zone in Speyer's city centre, which extends to the famous Speyer Cathedral, a main attraction of increasing tourism, also from international visitors.

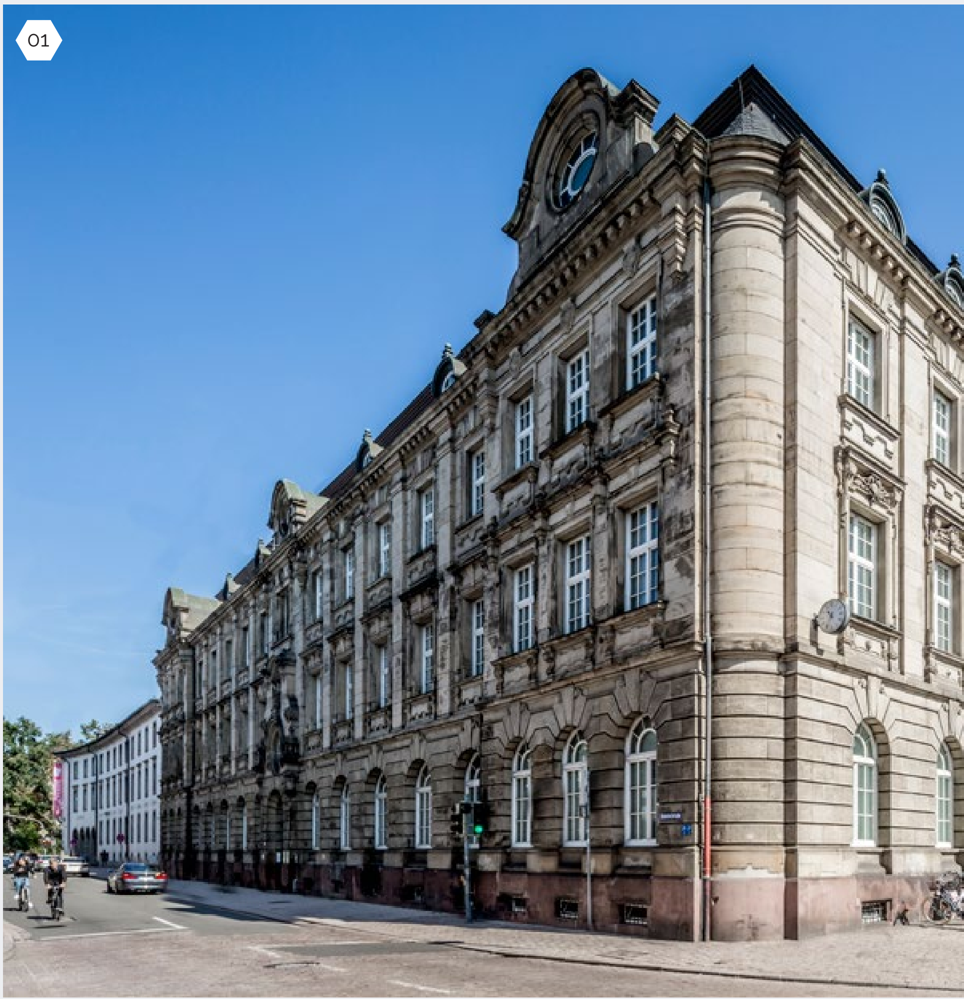
The historic building at Postplatz 1 in Speyer has around 8,500 sqm of retail and gastronomy space as well as around 8,200 sqm of hotel, office and storage space. In the course of extensive revitalisation and modernisation, the space could be expanded to a good 17,000 sqm. The revitalisation also includes the redesign of the public areas in a bright and modern design and improving the attractiveness of the entrance.

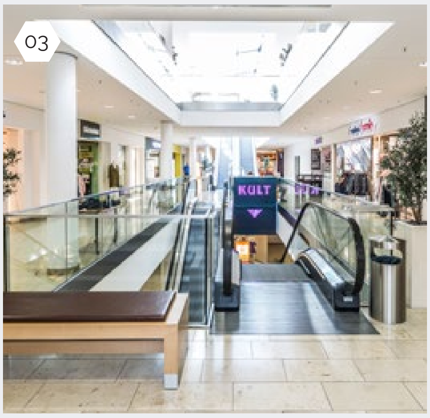
In order to promote the length of stay and quality, the gastronomy areas have also been expanded.

New usage concepts for a safe and sustainable future

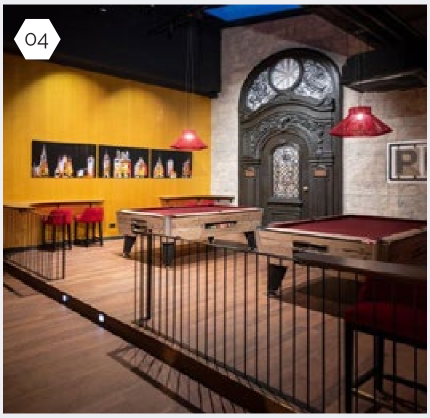
A new focus of the property results from the rededication of retail space and the conversion of previously vacant office space into a hotel concept. In May 2021, the Amedia hotel group opened an attractive 4-star hotel with 111 rooms.

A further new focus within the mixed-use concept is an eye clinic, which will open this year. Negotiations with additional potential ten-ants from the medical sector are currently under way. ERWE Immobilien AG is thus following a trend of offering such uses in central city centre locations with good transport links.





Overall, the Speyer Postgalerie is a good example of the transformation of a property formerly dominated by retail into a modern, sustainable and stable value mixed-use concept.

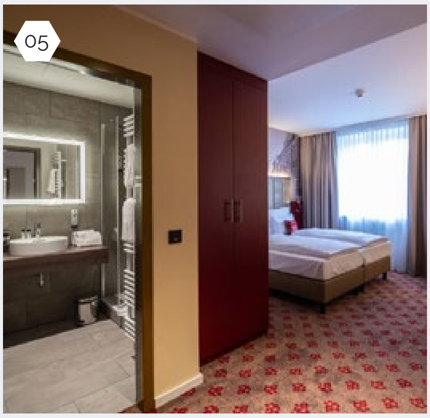


Project term

2017-2022

ERWE task area

Owner, developer, project manager, investor



01 The Postgalerie is a palatial three-storey neo-baroque mansard-roofed building with a richly decorated ashlar sandstone façade.

02 Situated on the bustling Postplatz not far from the the city's main gateway, the Altpörtel, the famous Speyer Cathedral is also within walking distance.

03 Impressive entrance portal to the shopping gallery with selected specialist shops.

04 Diverse gastronomic offerings complement the concept.

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

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

LICHTHOF Lübeck

From shopping arcade to multi-purpose building not far from Lübeck's St. Mary's Church

The L I C H T H O F in the heart of Lübeck's old town opposite Lübeck's famous St. Mary's Church is a successful transformation of a property formerly used predominantly for retail purposes, which shows how rental areas in city centres can be revitalised and operated sustainably and successfully again. Lichthof stands for the basic architectural concept of the property, which is particularly flooded with light thanks to a large skylight dome and glass roofs and offers a special quality of stay.

The repositioning led to the establishment of a modern inner-city service centre in addition to retail uses on the ground floor, which will provide an appropriate range of ser-vices with the central post office and other official uses on more than 10,000 m².

01

02

Focus on sustainable implementation

The extensive modernisation as well as the conversion of rental space for the city went hand in hand with the use of resource-saving and environmentally friendly materials. The conversion of the mall was almost completely finished in the reporting year. The conversion of the last vacant upper floor areas into a total of five flats is planned for 2022 . The necessary preparations were already completed in 2021. These measures will increase the usable floor space in the LICHTHOF once again from 15,496 m² to 15,883 s m².

Thus, the LICHTHOF property will also have a diversified mix of uses in the future that will retain its value.

ERWE task area

Owner, developer, project manager, investor

Project term

2018-2022

01 Light-flooded passages invite you to stroll and linger.

02 It is only a few steps to the famous Marienkirchee.

03 Since May 2020, the civic centre has been a part of the LICHTHOF. Other authorities are also housed here.

04 Central point of information for all matters.

05 Small idyllic backyard with outdoor gastronomy.

Visualizations: Optify

City Colonaden Krefeld

Pure mixed use: department stores', public authority and multi-storey car park under one roof

The centrally located mixed-use property with a share of office space, a multi-storey car park with 420 parking spaces and retail space has been fully let since the beginning of 2021, follow-ing extensive refurbishment and modernisation of the approximately 23,400 sqm of rental space. The multi-storey car park is leased by APCOA, the retail area by C&A and the approximate-ly 3,400 sqm of office space by the City of Krefeld. The city of Krefeld operates various depart-ments of the municipal authorities, including sports and sports promotion, youth welfare and a regulatory agency, with around 110 employees on the premises.

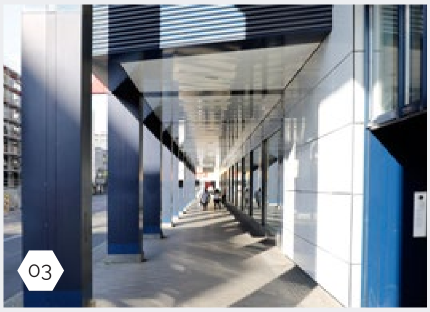
The new "City Colonaden" are thus another example of an overall successful refur-bishment with a sustainable and stable-value mix of uses.

Project term

2018-2020

ERWE task area

Owner, developer, project manager, investor



01 C&A – for years a dependable tenant.

02 Traffic-calmed location with lots of green invites you to stroll and linger.

03 A covered shop window front guarantees customer traffic even in bad weather.

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

Commercial building Krefeld

New impulses for Krefeld's inner city

Directly opposite the City Colonaden, ERWE Immobilien AG is developing another building and will once again provide significant impetus for Krefeld's city centre. The existing building, which was acquired in mid-2020, will be de-molished in order to be able to start the planned new con-struction before the end of 2022. The investment had already met with a very positive response from potential tenants in the course of 2021. In the second half of the year, the majority of the space on the upper floors was therefore let to a telecommunications

company and on the ground floor to AOK Rheinland. This means that around 60 per cent of the new space totalling around 8,500 sqm has already been let on a long-term basis to tenants with strong credit ratings . In addition to offering flexibly tailored spaces that are intended to meet the needs of different target groups, the planned new building will be constructed in accordance with ESG criteria by conserving resources .

Due to its location, architecture and flexible usage options, the property represents a sustainable investment that will retain its value.

Project term

2021-2023

ERWE task area

Owner, developer, project manager, investor

01 Services and office space in a prime city location.

02 The Catholic Old Town Church of St. Dionysius, located in the immediate vicinity.

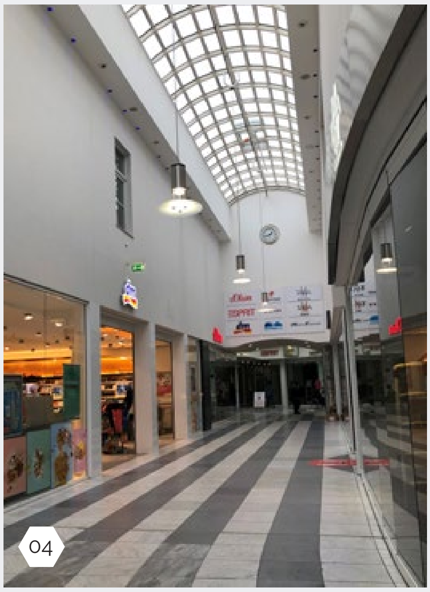
Visualization: Form A

Kupferpassage Coesfeld

Sole shopping centre in the city – interesting mix of uses

The "Kupferpassage" in Coesfeld is a mixed-use property with over 15,000 sqm of floor space including 156 parking spaces, located in the prime location in the centre of the city. Coesfeld is located southwest of Münster and north of the Ruhr area, has a very good catchment area and, with over 2,000 companies and a stable economic structure.

The "Kupferpassage" is the sole shopping centre in the city. In addition to retail, office and medical practice space, there are also 24 flats with around 2,500 m² of space in the property.



Extensive mondernization measures planned

The next few years will see the gradual upgrading of parts of the building services and the refur-bishment of the public areas. In addition, investments will be made in the modernisation of the flats. These investments will help to continue establis-hing the property as a sustainable and sta-ble investment property.

Project term

2020-2022

ERWE task area

Owner, center manager, investor

01 Bright and friendly, the Kupferpassage welco-mes its visitors.

02 In the heart of Coesfeld - located directly on the pedestrian zone - the Passage offers 16 specialist shops with attractive and compre-hensive offers.

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

04 High ceilings create an attractive shopping experience.

Commercial building Darmstadt

Living and shopping in a prime city centre location

The residential and commercial building is located in the middle of Darmstadt's pedestrian zone, a prime city centre location.

Extensive refurbishment and renovation measures are planned for this property, consisting of retail space on the ground floor and office and residential space on the upper floors. The already vacant spaces on the upper floors are to be converted into residential space and rented out. The property will thus have retail space on the ground floor and up to 14 flats on the upper floors. In this way, we are following the trend of creating city-centre living, which is particularly interesting in university towns, especially for a younger public. In addition, this mix of uses cre-ates a stable value investment.

Project term
2022-2023

ERWE task area
Owner, developer, project manager, investor

Commercial property Darmstadt-Hilpertstraße

Tripling of land utili-sation in a convenient location

In June 2020, ERWE Immobilien AG acquired a developable property in a commercial area in Darmstadt. This area is located in the west of Darmstadt's city centre, not far from the A5 mo-torway, with excellent connections to the city centre and public transport. The prop-erty and location allow for the develop-ment of a modern and sustainable office concept that meets the requirements of Darmstadt's prospering office market.

The existing development plan allows for the construction of a new property that is more than three times the size of the existing property with around 2,700 m² of usable space, which is currently still being used as an office and produc-tion/logistics property. After the expiry of the current letting and the signing of new tenants, the demolition of the existing property is planned in the near future. The new building, for which a construction time of around 20 months is estimated, will use environmentally friendly building materials in addition to all cur-rent specifications for resource conservation and offer a space con-cept for different user groups that is as flexible as possible and therefore very sustainable .


01

Project term

2022-2024

ERWE task area

Owner, developer, project manager, investor


02

01 Modern and timeless architecture on Hilpert-straße in Darmstadt.

02 Outdoor meeting and recreation area in the heart of the property.

Visualizations:
peko planungs GmbH

TAUNUS LAB Friedrichsdorf

TAUNUS LAB business park in the Frankfurt/M. metropolitan area.

ERWE Immobilien AG is developing the TAUNUS LAB business park in Friedrichsdorf in several phases. On a total area of 4.4 hectares, the construction of five buildings with around 58,000 sqm of usable space and a multi-storey car park with around 1,300 parking spaces is planned. Accordingly, the overall project was divided into sub-projects in the reporting year. Construc-tion of the new sections will not begin until a corresponding pre-letting rate has been achieved. Construction permission is expected to be received in 2022.

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

02 Collaboration areas and landscaped inner courtyards provide a pleasant working atmosphere.

03 Straightforward design and lots of light create space for creative and productive work.

Project term

2019-2025

ERWE task area

Owner, developer, project manager, investor

Already during the preparation for im-plementation, the TAUNUS LAB project received a prelimi-nary DGNB certifica-tion in gold, which will later become a full certificate after construction and then in operation. With this, the DNGB (German Sustainable Building Council) rewards a concept that corresponds to the three sustainability areas of ecology, economy and socio-culture, which are equally weighted in the assessment.


02


03


02

Visualizations: B.C. Horvath

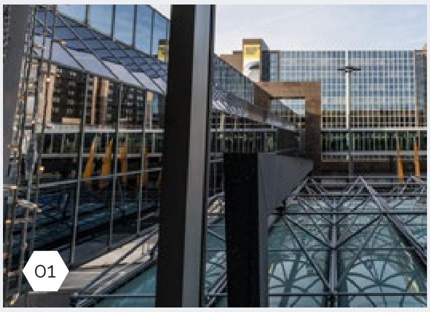
Frankfurt Airport Center 1

Successful implementation of a major order

The Frankfurt Airport Center 1 (FAC1) was acquired by the then joint venture partner Godewind (since 2020 Covivio) at the end of 2018 with ERWE holding a 10.1% stake. ERWE was awarded the contract for the comprehensive refurbishment of the 48,000 sqm of space with the aim of repositioning the office and congress space of the property, which is located directly opposite Terminal A of Frankfurt Airport, and increasing the occupancy rate.

The project was successfully completed last year below the original budget. Thanks to the re-source-saving measures taken by ERWE, the property was certified LEED Platinum.


02


01

01 The Franfurt Airport Center 1 is located opposite Terminal A of the airport.

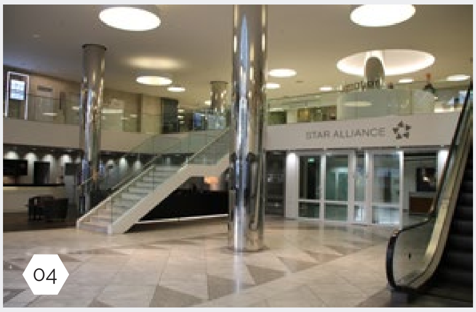
02 Modern steel and glass construction for more transparency and visibility.

03 Impressive entrance portal to the shopping gallery with selected specialist shops.

04 The lobby of the Frankfurt Airport Center 1.

05 FAC1 is considered the best-connected office building in Airport City. 182 parking spaces are available for tenants.

03



04

05

Project term

2017-2021

ERWE task area

Developer, project manager, investor

Investor:

ERWE Immobilien AG, Covivio Office AG

Visualizations: OX.11 (04, 05)
Photos: Reiner Freese (01,02,03)

ERWE Shares

The German stock market continued its long-term upward trend in 2021, gaining 15.8 per cent year-on-year. The index hence rose nine times in ten years; only in 2019 were the prices of the most important German shares lower than in the previous year. The end of the third wave of the Corona pandemic in spring 2021 combined with the end of a lockdown in Germany that lasted over five months proved to be an important driver.

Development of the German stock market

From the beginning of April, the DAX crossed the 15,000 points threshold for the first time and repeatedly marked all-time highs through the summer and into September. On 20 September 2021, the index membership was increased from 30 to 40 stocks.

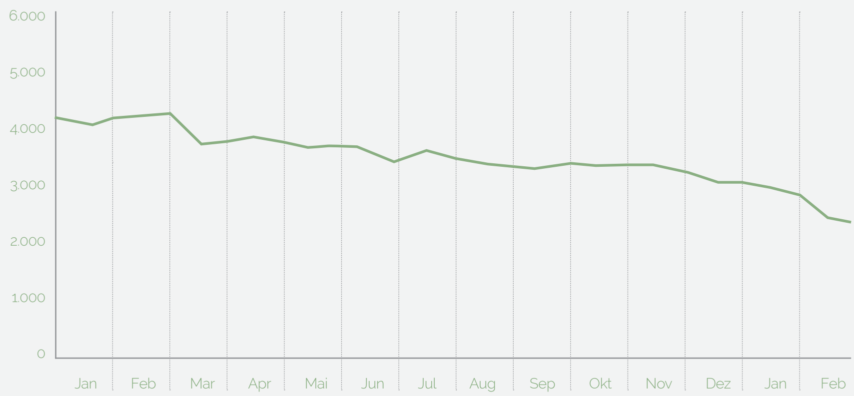
After a few corrections, the DAX crossed the next one-thousand-point hurdle in November to mark the all-time record high of over 16,000 points. Since then, the technology sector in particular has been under pressure almost worldwide. The technology-heavy Nasdaq index on the US equity market lost up to 17 percent at the end of January 2022. This was a reaction of this segment of the stock market to the interest rate turnaround expected by the markets in 2022. Since inflation has risen sharply due to disrupted global supply chains and significantly rising energy prices, investors expect interest rates to rise in 2022, making refinancing more expensive, which could have an impact on technology stocks in particular, which are dependent on external financing for their growth and often do not pay dividends.

Development of the DAXsubsector All Real Estate

The prices of real estate stocks initially followed the trend of the general market in 2021 as well and rose to an all-time high by mid-August after the end of the lockdown. The DAXsubsector All Real Estate marked a score of 181.8 on 18 August 2021, which was eight percent higher than at the beginning of the year. Since then, the market segment of real estate shares has tended to show a negative performance. At the end of the year, the index stood at 152.19 points, almost 20 per cent lower than in August and ten per cent below the beginning of 2021. The main cause was the fear of rising interest rates, which was reinforced by the significant increase in inflation in the second half of the year. The downward trend continued in the new year 2022. As of mid-February, the DAXsubsector All Real Estate fell by almost three percent compared to the beginning of the year. Within the real estate sector, there was a clear spread in performance, with a better development of portfolio holders with stable rental income – especially with a focus on residential properties.

Share price ERWE Immobilien AG

ERWE's share price performance: from January 2021 to February 2022



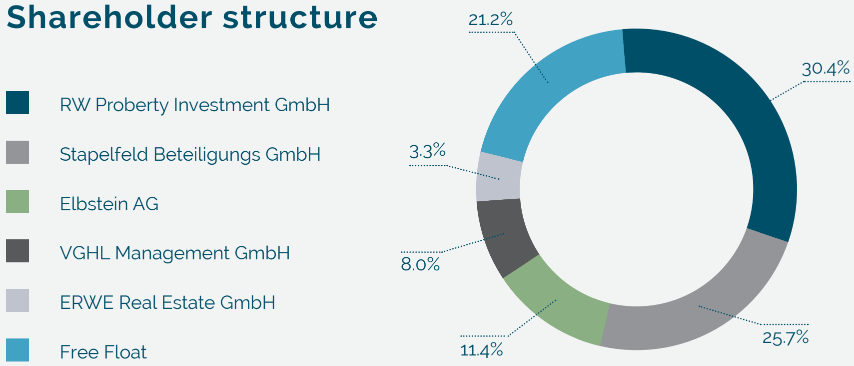
© Adobe Stock

Development of the ERWE share

The performance of the ERWE share was again detached from the overall market development. While the ERWE share price was still rising in the previous year 2020, it has been falling continuously since the second half of 2021. Starting at 4.22 euros per share, the price fell to 2.98 euros per share by the end of 2021. The average daily turnover of 3,719 shares was at the same level as the previous year. In the current year, the downward trend has continued, so that the share was quoted at 2.20 euros as of mid-February.

In 2021, however, all of the four research houses that cover and analyse the development of ERWE Immobilien AG had issued buy recommendations. GSC Research, which had initially issued a hold recommendation for the ERWE share in mid-April 2021, changed this assessment at the beginning of June with a buy recommendation, which was confirmed in two further updates at the beginning of September and in mid-November. Montega, which initiated coverage of the ERWE share in summer 2021, issued a buy recommendation in mid-August, which was confirmed in updates in early September and mid-November.

Shareholder structure



Development of the ERWE bond

The bond issued by ERWE at the end of 2019 and the beginning of 2020 with a total volume of €40 million moved in a narrow range between 97.5 per cent at the beginning of 2021 and 101 per cent at the end of October. In the following months, the price fluctuations were more pronounced, as fears about the further development of interest rates in view of growing inflation increased in the markets and were reflected in the valuation of the bond. Since the beginning of the current year 2022, the price of the bond has fluctuated between 94 and 98 per cent.

Consolidated Financial Statements


© Kalep Tapp

Combined Management and Group Management Report of ERWE Immobilien AG for the 2021 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. The properties are used as offices and hotels, as well as for medical facilities, for residential purposes, as gastronomy and other event space, and for downtown retail. The company has the objective of taking over properties offering potential for value growth, boosting these properties by making targeted investments and releasing their hidden value. It therefore invests in properties which, in addition to 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 intelligent ways.

ERWE sees itself as a specialist in repositioning properties that were formerly put to monothematic use, such as retail properties. In its solutions, it focuses in particular on mixed-used concepts that are developed for new user groups and then implemented 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.

Since the end of 2020, ERWE's shares (WKN A1X3WX, ISIN DE000A1X3WX6) have been traded 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.

ERWE holds a 74.9 percent stake in ERWE Asset GmbH. This company pools all property-related operating activities, ranging from repositioning and developing the properties, property management and active asset management.

ERWE directly holds one hundred percent of the shares in ERWE Service und Verwaltungs GmbH, which performs a variety of tasks within the Group on behalf of the subsidiaries and the holding company, and ERWE Properties GmbH, which in turn acts as the holding company for the Group's property companies. As of 31 December 2021, the company owned five portfolio properties in Speyer, Lübeck, Krefeld, Coesfeld near Münster and Darmstadt. The Group's development projects are located in Krefeld and Darmstadt. Furthermore, ERWE owns 4.4 hectares of building land in Friedrichsdorf near Bad Homburg vor der Höhe and intends to develop a business park called TAUNUS LAB on the site. Moreover, via a real estate company (Covivio Office VI GmbH & Co. KG) ERWE holds a 10.1 percent stake in Frankfurt Airport Center 1.

At the beginning of 2021, ERWE acquired a 50% stake in peko GmbH. peko covers the whole of the property development value chain and, as project manager, already acts as a partner to ERWE for Postgalerie Speyer, LICHTHOF Lübeck, the commercial property in Krefeld and TAUNUS LAB.

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

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II. Business report

2.1 Macroeconomic and sector-specific framework

The coronavirus pandemic was again constantly present in 2021 as a factor influencing economic activity both in Germany and internationally. In Germany, a lockdown lasting nearly five months from November 2020 to April 2021 noticeably held back economic developments. Gross domestic product (GDP) already contracted sharply in the final quarter of 2020 and was unable to make up for lost ground in the first quarter of 2021. On the contrary: economic growth in Germany only picked up again once the lockdown ended. The situation increasingly recovered during the spring and summer months, leading GDP to approach, if not match, pre-crisis levels from 2019. Overall, Germany's GDP rose by just 2.7 percent in 2021, having fallen by 4.6 percent in the previous year. The recovery in the German economy thus fell well short of its foreign neighbours. The French economy, for example, grew by 6.5 percent, while the Spanish and Italian economies grew by 4.6 percent and 6.2 percent respectively.

This comparatively weak economic growth failed to meet most forecasts, such as that issued by the German Council of Economic Experts, which had predicted growth of 3.1 percent for 2021, or that of the Federal Government, which had expected GDP growth of 3.5 percent. These forecasts were not met for two main reasons: unexpected disruptions to global supply chains due to the pandemic had the effect of severely impeding supplies to German industry and the economy as a whole was held back by the rapid rise in energy prices.

Having said that, gross value added improved in virtually all sectors compared with the previous year. Growth amounted to 4.4 percent in the manufacturing sector, 3.0 percent in transport and hospitality and 3.2 percent among public service providers. Business service providers achieved the highest growth, with an upturn of 5.4 percent. Construction was the only sector to report a downturn, in this case of 0.4 percent. This was due above all to shortages in the supply of construction materials and electronics articles. These also affected other sectors, notably the retail sector.

For 2022, various institutes have voiced the expectation that the German economy will rapidly regain and substantially exceed pre-pandemic levels. The forecasts for the development in gross domestic product range from 3.9 percent (OECD) to 4.0 percent (Deutsche Bank AG), 4.1 percent (Federal Government), 4.6 percent (Council of Economic Experts) and even 4.9 percent (DIW German Institute for Economic Research). Momentum will be provided by private consumer spending and the manufacturing sector, which has reported record new orders.

2.2 Developments in the German property market

In terms of its development, the German property market was largely detached from the overall economy in 2021. Whereas gross domestic product was not yet able to make up for the pandemic-induced downturn in the previous year, the real estate market maintained its upturn. According to the property index compiled by the research institute bulwiengesa, property prices rose by 4.6 percent across all segments in 2021, and thus for the 17th consecutive year.

Specifically, individual segments of the property market showed different rates of growth. The Living sub-index once again showed the strongest growth, rising by 5.7 percent. While purchase prices grew fastest, with the prices of terraced houses and newly built owner-occupied flats surging by 7.8 percent and 6.4 respectively, rents at existing properties rose by just 2.2 percent. Based on the analysis compiled by bulwiengesa, office rents rose by 1.9 percent, while retail rents were adversely affected by the lockdown, access restrictions, low customer footfall and an increasing migration in sales to online channels. Peak rents for prime locations fell by 3.0 percent during 2021, while rents for second-tier and district locations remained stable.

The German Property Association (ZIA) reached a similar conclusion in its 2022 Spring Survey. With regard to office space, the survey states that this market is still affected by the impact of the coronavirus crisis, but that the debates seen in 2021 concerning a reduction in office space due to more people working from home had already ebbed. Having fallen in the previous year, investment volumes (turnover of space) in the 127 largest office markets rose again in 2021, in this case by 8.5 percent to 5.5 million m² of commercial space. Following a pandemic-induced downturn of 37 percent in 2020, the seven top-tier cities of Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart even reported strong turnover growth of 26 percent to around 3 million m². Office space turnover also improved in second-tier cities, albeit at a markedly lower rate of 5.6 percent to 1.3 million m²; in the previous year, however, turnover had fallen less drastically than in the major cities.

New construction volumes totalled 2.8 million m² of space in the 127 office markets in 2021 (2020: 2.6 million m²). This represents the highest volume of space completed for ten years. Very high completion figures are also expected for 2022, as most of the current projects have already reached a well-advanced stage of construction. Due to a shortage of materials and rising construction costs, more major delays are expected above all for newly planned projects. Vacancy rates showed a further slight overall increase to 4.1 percent (2020: 3.8 percent). According to the ZIA, however, these are still low and consistent with customary market fluctuation reserves. The top-tier cities reported the sharpest rise in vacancies to 4.4 percent currently (2020: 3.4 percent). At 3.7 percent, the vacancy rate is lowest in the second-tier cities (2020: 3.5 percent).

With regard to the retail sector, in its Spring Survey the ZIA outlines the impact of the ongoing coronavirus crisis, which was reflected in subdued consumer confidence and a lower propensity to spend. These factors were exacerbated by concerns about inflation.

The retail sector as a whole is expected to have generated sales of EUR 594.4 billion in 2021 (plus 3.1 percent compared with 2020), with high rates of sales growth for local suppliers and e-commerce concealing significant downturns in sales for downtown retailers in the textiles, apparel, shoes and leather goods segments. Downtown retailers reported a particularly drastic downturn, with 2021 sales 36 percent down on pre-crisis levels. Based on the ZIA's assessment, the improved assistance programmes were still insufficient and there was still the risk of insolvencies, store closures and staff redundancies.

The prospects for some segments of the retail sector other than local suppliers were still uncertain, added the ZIA in its Spring Survey. Retailers would have to react flexibly to new requirements and make greater use of digital channels in order to dovetail their activities more closely with online retail. The associated transformation from pure sales space to mixed-used meeting points was an ever more important factor, particularly in the centres of smaller cities. Sustainability in retail would require new infrastructure concepts for e-mobility and enhanced energy management.

The hotel sector was severely affected by the coronavirus crisis once again in 2021, with a similarly low number of overnight stays as in the first year of the pandemic in 2020. Based on data through to the end of October 2021, the volume of overnight stays in Germany was still around 38 percent below 2019 levels and even around six percent lower than in 2020. Overall, the ZIA viewed the prospects for the hotel property market as still unclear. Mass insolvencies had been avoided to date and, with the lifting of lockdown restrictions, tourism-based demand had gradually begun to recover in many places. Despite positive signals from mountainous and coastal regions, however, the situation in cities with high shares of business travellers and foreign guests was still concerning.

2.3 Business performance and company position

Major events in the financial year

The coronavirus crisis and the measures taken to contain the pandemic also left their mark on the operating performance of ERWE Immobilien. During nearly six months of lockdown in Germany, the retailers at all of ERWE's properties were obliged to close their doors if they did not supply goods covering everyday needs. At the properties in Speyer, Lübeck, Coesfeld, Krefeld and downtown Darmstadt, it lasted until June 2021 before all of the retail space was reopened. Due to these closures, not all of the tenants were able to cover all of their rental obligations. Even during the lockdown, and especially once stores reopened, several tenants already began to pay outstanding rents or reached repayment agreements with ERWE. At the end of 2021, outstanding net rental payments totalled around EUR 0.509 million, corresponding to some 6.5 percent of ERWE's gross rental income.

With the reopening at the beginning of the summer, consumers regained their propensity to spend and travel, albeit not yet at pre-pandemic levels. Interest in rental space offered on the markets began to grow and numerous new lettings were implemented from the summer. Overall, usable space of 11,146 m² was let at ERWE's properties in the year under report. Of this, 7,998 m² involved new lettings, while 3,148 m² related to extensions of existing lettings contracts. That is significantly more than in 2020, the first year of the pandemic, in which total space of 6,152 m² was let, of which 3,982 m² for new lettings and 2,170 m² for extensions.

In view of the major acquisitions opportunities available in numerous German inner cities, ERWE improved its position by executing a capital increase in July of the year under report. It successfully raised its share capital by 10 percent by placing a cash capital increase with qualified investors to the exclusion of subscription rights. The placement price stood at EUR 3.30 per share, meaning that ERWE received gross proceeds of around EUR 5.466 million from the issue. Since this measure, the company's new share capital has amounted to EUR 18.219 million (previously: EUR 16.563 million).

Towards the end of the year, ERWE firmed up its ongoing acquisition efforts and prepared the acquisition of two properties, both in prime locations, in Wuppertal and Bremerhaven.

Postgalerie Speyer

Postgalerie Speyer is located at the start of the pedestrian zone in central Speyer, which leads all the way to the world-famous cathedral. In 2021, this location was affected by measures taken to contain the spread of the coronavirus pandemic through to the month of June: Only then were retailers not covering basic needs permitted to reopen. In May 2021, the Amedia Hotel Group opened the space prepared for it with 111 rooms for tourists. Based on contractually secured agreements, the occupancy rate of 85.8 percent at Postgalerie was almost unchanged on the end of 2020 (86.4 percent).

Due to the pandemic, the efforts made to let out space still vacant showed only limited success at first. The summer brought increased interest in the space still available at Postgalerie. At the end of the third quarter, space of around 480 m² was let to an eye clinic. Once the necessary construction measures have been completed, the clinic is expected to open in May or June 2022.

The eye clinic illustrates the new approach taken by ERWE in terms of the mixed-use concepts it draws on to let space following suitable revitalisation. The focus here is on medical facilities, which in many cities are on the increase in downtown areas, i.e. in good locations that also have good transport links. In most cases, several doctors work together under one roof to cover a medical specialism or to provide a medical care centre. To account for this trend and, based on its initial experience of the standards expected by the eye clinic, ERWE commissioned a specialist service provider to develop concepts with which the space still vacant could be prepared for medical uses and offered on the market.

Modernisation work continued regardless of the pandemic and included a modern lighting concept, a pedestal and staircase.

LICHTHOF Lübeck

Revitalisation measures at LICHTHOF continued on schedule in the year under report, while new lettings activities were held back by the pandemic. The retail space at the centre was able to reopen for the first time in June. At 76.7 percent, the occupancy rate at LICHTHOF is hardly changed on the previous year (end of 2020: 76.2 percent). The principal tenant is the City of Lübeck, which has operated a civic centre there since May 2020 and rented various office space on a long-term basis. The agreed overall rent was received in full for the first time in the 2021 financial year.

Conversion work on the mall was completed almost entirely in the year under report. In 2022, it is planned to convert four office units and to change the attic on one side of the building into a total of five apartments. The necessary preparations were completed in 2021 but the building permit has yet to be received. These measures will increase the usable space at LICHTHOF from 15,496 m² at present to 15,883 m².

City Colonaden Krefeld

Following extensive refurbishment and modernisation of its total space of around 23,400 m², this mixed-used property with offices, a parking facility offering more than 420 spaces and retail space has been fully let since the beginning of 2021. The parking facility is used by APCOA, the retail space by C&A and the office space of around 3,400 m² by Krefeld's city administration. Here, the City of Krefeld operates various administrative departments, including sport and sport promotion, youth welfare, and public safety and order.

Commercial property Krefeld

ERWE's second investment in downtown Krefeld met with a very positive response in the year under report. The end of the third wave of the coronavirus pandemic brought increased interest in the new development of this central downtown location. Not only that: in the second half and towards the end of the year, this interest was confirmed in long-term lettings contracts. Space on the upper floors has been let to a telecommunications company, while the health insurance provider AOK Rhineland has let the ground floor. This way, around 60 percent of the 8,500 m² of space due to be newly built has already been let to high-quality tenants on a long-term basis.

The building permit application for the planned new building was prepared in 2021 and submitted at the end of the year. Permission to demolish the existing building was also applied for, with demolition beginning after this was granted at the end of 2021. As well as flexibly customised space intended to meet the needs of various target groups, the planned new building will also meet resource-effective construction and environmental protection standards, i.e. it will be equipped with energy-saving facilities. Furthermore, wherever possible it will make use of materials that are recyclable or themselves made of recycled materials. A positive decision for KfW-55 funding of EUR 2.8 million has been received for the planned building.

Kupferpassage Coesfeld

Stores at Kupferpassage Coesfeld also had to wait until June before reopening. By the end of the year under report, the tenants had nevertheless paid nearly all rents, with only a small amount was still outstanding at the reporting date. The occupancy rate at Kupferpassage rose slightly to 92.8 percent at the end of the period under report (end of 2020: 91.6 percent).

A large share of the space still vacant relates to apartments. Of 24 units in Kupferpassage, five apartments still due to be refurbished and renovated were vacant at the end of 2021. These are due to be newly let in 2022. In the year under report, work began on modernising the technical building equipment. This includes renovating the underground car park, renovating the façade and redesigning the entrance, while introducing a new mall concept including the renovation of features such as the floor tiles.

Commercial building Darmstadt

Extensive refurbishment and renovation measures are planned for this property, which is located in the centre of downtown Darmstadt and has more than 1,000 m² of usable space, with store space in the ground floor and office and residential space in the upper floor. The space that is already vacant in the upper floors is to be converted for residential use and let out. Planning was completed in the year under report and the application for a building permit was submitted. In 2021, an unchanged total of 51 percent of the space was let.

Commercial property Darmstadt-Hilpertstrasse

Based on current planning, this property in a business estate close to the A5 motorway will be demolished in 2022. The application for permission to demolish the building was submitted in the year under report. The land is suitable for a new building with nearly four times as much usable space than before (currently around 2,500 m²). The planning work for the new building will be completed at the beginning of 2022. A positive decision for KfW-55 funding of EUR 3.2 million has been received for the planned building.

TAUNUS LAB in Friedrichsdorf

Space totalling around 44,000 m² is planned for TAUNUS LAB in Friedrichsdorf close to Bad Homburg v.d.H. Here, ERWE initially intends to implement the first stage of construction. The building permit was already applied for in 2020 and is expected to be received in 2022, once the issue of the necessary parking spaces and their design has been definitively clarified.

Having called for tenders from general contractors, ERWE now has reliable budgets for the planned first stage of construction, which comprises the Lab North and Lab West buildings. The company received positive decisions for KfW-55 funding for both of these buildings in 2021. The maximum amount of eight million euros thereby committed will help to mitigate the impact of rising construction costs.

Once the permit has been issued, construction work will begin on these building sections when advance letting agreements have been signed for at least 60 percent of the space to be newly built. As expected, the progress made in letting the space has been subdued due to the coronavirus crisis and lockdowns. Upon the editorial deadline for this report, however, numerous parties had indicated their interest in letting new space and the company is now negotiating lettings.

Frankfurt Airport Center 1

Consistent with the relevant provisions, ERWE's contract to perform extensive refurbishment work at Frankfurt Airport Center I opposite Terminal A at Frankfurt Airport expired on schedule in the year under report. Due to several special wishes on the part of new tenants, the relevant work continued to the end of 2021. At the same time, ERWE was able not only to meet, but even to undercut the budget for the refurbishment work. ERWE has itself held a 10.1 percent stake in the building complex since the end of 2018. Including parking and storage, the property has total usable space of 56,445 m².

Comparison with previous year's forecast

In last year's outlook, we forecast that rental income would increase. This expectation was underpinned by the full occupancy achieved at City Colonaden in Krefeld and by the growing rental income foreseeable in Lübeck and Speyer. Furthermore, rental income would be received for the first full-year period at Kupferpassage Coesfeld. ERWE met this forecast, with gross rental income increasing by 41.2 percent to EUR 7.891 million.

We also significantly improved our adjusted EBIT before the result from measurement of investment properties and the result from associates measured at equity. The negative figure of EUR -5.489 million reported for the previous year thus virtually halved to EUR -2.486 million.

The company made only minimal progress in increasing the occupancy rate compared with the previous year. At 89.3 percent at the end of 2021, the occupancy rate across all of ERWE's properties was virtually unchanged on the figure of 89.2 percent at the end of 2020.

According to the 2021 forecast, the loan-to-value (LTV) key figure should stay around 60 percent or even decrease. The company did not meet this forecast. Mainly as a result of valuation adjustments, the LTV rose from 63.3 percent at the end of 2020 to 67.8 percent at the end of 2021.

The EPRA Net Reinstatement Value (EPRA NRV) was also affected by negative valuation effects and could not be increased as planned. At EUR 4.23 at the end of the year, the EPRA NRV per share fell short of the previous year's figure (EUR 4.87).

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

Earnings position

The consolidated income statement of ERWE Immobilien AG shows gross rental income of EUR 7.891 million for 2021 (2020: EUR 5.589 million). This increase was mainly due to the receipt of rental income from Kupferpassage Coesfeld for the first full-year period, as well as to payments from the rental contract with the City of Lübeck. Furthermore, in Speyer the tenant Amedia made its first payments. Net of expenses from property lettings, earnings from property lettings came to EUR 4.422 million (2020: EUR 2.632 million).

The fair value measurement of investment properties pursuant to IAS 40 resulted in corresponding expenses of EUR 2.012 million (2020: income of EUR 6.788 million). These were mainly attributable to a reduction in the fair value of Postgalerie Speyer. Fair value increases of EUR 6.653 million were offset by fair value reductions of EUR 8.665 million.

The other operating income of EUR 1.247 million (2020: EUR 1.249 million) mainly comprises income from the reversal of provisions for the virtual stock option plan (EUR 0.513 million; 2020: EUR 0). Due to ERWE's share price performance, the provisions recognised for this plan were lower in the year under report. Furthermore, this line item includes income of EUR 0.157 million from the derecognition of liabilities (2020: EUR 0.041 million), income of EUR 0.149 million from the reversal of allowances for receivables (2020: EUR 0) and insurance compensation of EUR 0.146 million (2020: EUR 0.008 million). In the previous year, other operating income also included income of EUR 0.331 million from the charging on of tenant improvements.

The other operating expenses of EUR 4.116 million (2020: EUR 4.508 million) mainly consist of legal and advisory expenses, expenses incurred for the company's stock market listing, investor relations activities and the Annual General Meeting, as well as year-end and auditing expenses of EUR 1.809 million (2020: EUR 1.826 million). The reduction in this line item compared with the previous year is mainly due to the absence of expenses for tenant improvements in the 2021 financial year (2020: EUR 0.331 million). The increase in expenses for external services from EUR 0.128 million to EUR 0.299 million was attributable to commission payments for the mediation of tenants for the commercial property in Krefeld.

Personnel expenses came to EUR 4.322 million, as against EUR 4.863 million in 2020; however, the previous year's figure included non-cash expenses of EUR 1.410 million due to the inception of the virtual stock option plan. Following adjustment for this item, the remaining increase in personnel expenses by EUR 0.869 million was due to the further rise in the number of employees from 35 to 44 at the end of 2021.

The financial costs of EUR 6.764 million (2020: EUR 6.595 million) chiefly comprise interest expenses for the bond and for property financing loans. The slight increase is largely due to the first full-year of interest on the loan for Kupferpassage Coesfeld.

Net of financial costs, consolidated earnings before taxes stood at EUR -11.548 million in 2021 (2020: EUR -2.675 million). The tax income of EUR 1.387 million (2020: EUR 2.778 million) consists almost entirely of income from reversals of deferred tax liabilities and is to be viewed in connection with property valuations. Consolidated earnings after taxes therefore amounted to EUR -10.161 million (2020: EUR 0.103 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 2021 amounted to EUR -4.439 million (2020: EUR 4.460 million):

EUR 000s	2021	2020
Consolidated net income	-10.161	103
+/- tax income/expenses	-1.387	-2.778
+/- financial income/costs	6.748	6.581
+/- non-recurring and special items	241	554
Adjusted EBIT	**-4,559**	**4,460**

Asset position

The consolidated balance sheet of the ERWE Group as of 31 December 2021 shows non-current assets of EUR 208.396 million (31 December 2020: EUR 204.330 million). As in the previous year, this corresponds to 95 percent of total assets. The year-on-year increase was chiefly due to investment properties, which rose from EUR 192.713 million to EUR 195.495 million. Their value thus increased by EUR 2.782 million. Here, the capitalisation of revitalisation and project development measures of EUR 4.794 million was opposed by fair value reductions of EUR 2.012 million as a result of surveyor valuations. The prepayments of EUR 1.256 million for investment properties refer to a property in Wuppertal, whose acquisition has since been completed in 2022.

Furthermore, non-current assets include an amount of EUR 8.751 million for the participating interest in Covivio Office VI GmbH & Co. KG (2020: EUR 8.832 million). Due to the expiry of the service contract with ERWE, this holding was reclassified as of 31 December 2021 from investments in associates to participating interests. Moreover, the 50-percent stake held in peko GmbH was consolidated for the first time at equity as an associate (EUR 1.410 million). In the previous year, this interest was still recognised under prepayments for investments. There were no material changes in current assets. Receivables from companies linked by virtue of investment refer to Covivio VI GmbH & Co. KG. In the previous year, these items were still recognised as receivables from associates. The increase in liquid funds by EUR 0.611 million was due not least to the proceeds from the capital increase in July.

In July 2021, ERWE executed a capital increase which raised its share capital by 10 percent, a measure from which the company received gross cash proceeds of EUR 5.466 million. As a result, subscribed capital increased from EUR 16.563 million to EUR 18.219 million, while the capital reserve grew from EUR 11.021 million to EUR 14.687 million. In addition, ERWE secured its liquidity position by executing refinancing measures and taking up new loans. Overall, total assets grew from EUR 215.161 million to EUR 220.101 million in the period under report.

Due to the negative annual earnings, ERWE's equity ratio fell to 24.33 percent in the period under report. As of 31 December 2020, this key figure had amounted to 27.14 percent.

The significant increase in non-current financial debt to EUR 113.076 million (2020: EUR 56.464 million) is to be viewed in connection with the reduction in current financial debt to EUR 34.757 million (2020: EUR 79.070 million) and results from the long-term refinancing of short-term project loans, particularly for LICHTHOF Lübeck. Furthermore, the term was extended for the financing of Postgalerie Speyer.

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. Due to the corrections made to property values, deferred tax liabilities also decreased in 2021, in this case by EUR 1.388 million to EUR 11.133 million. The increase in financial debt by a total of EUR 12.299 million was due to loans taken up to finance project developments in Friedrichsdorf, Krefeld and Darmstadt.

The net reinstatement value (NRV), the typical indicator used in the sector to measure the company's value, is calculated as the share of equity attributable to ERWE shareholders, plus deferred tax liabilities recognised on investment properties and the property acquisition tax on investment properties. The net reinstatement value per share amounted to EUR 4.25 in 2021 (2020: EUR 4.87) and thus exceeded the listed share price as of the balance sheet date.

EUR 000s	31 Dec 2021	31 Dec 2020
Equity	53,555	58,388
- non-controlling interests	-2,483	-3,440
Equity attributable to ERWE shareholders	51,067	54,947
Liabilities for deferred taxes on investment properties	14,467	14,298
Property acquisition tax on investment properties	11,615	11,417
EPRA NRV	**77,149**	**80,662**
Number of shares	18,219,214	16,562,922
EPRA NRV per share	**4.23**	**4.87**

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 investments in property-holding companies. In the past financial year, the LTV rose from 63.3 percent as of 31 December 2020 to 67.8 percent as of 31 December 2021. The increase in financial debt and the LTV was attributable in particular to the taking up of additional loans to finance investments in the development properties in Friedrichsdorf, Krefeld and Darmstadt.

EUR 000s	31 Dec 2021	31 Dec 2020
Investment properties	195,495	192,713
Prepayments made for investment properties	1,256	0
+ investments in property companies	8,751	8,832
= property assets	205,502	201,545
Financial debt	147,834	135,535
- cash and cash equivalents	-8,573	-7,962
= adjusted net financial liabilities	139,261	127,572
Loan-to-Value (LTV)	**67.8%**	**63.3%**

Financial position

The cash flow from operating activities amounted to EUR -3.793 million in the period from 1 January to 31 December 2021 (2020: EUR -2.970 million).

This negative cash flow is due to the fact that gross rental income has not yet reached an adequate level on account of the remaining vacancies at portfolio properties. Not only that: The properties in development initially lead to an outflow of operating funds, particularly for personnel expenses, which are not yet offset by any inflows of funds.

The cash flow from investing activities amounted to EUR -6.205 million at the end of the year (31 December 2020: EUR -56.157 million). In the year under report, this was due to outflows of EUR 1.256 million for prepayments made to acquire the properties in Wuppertal and a reduced amount of EUR 4.779 million for investments in portfolio and development properties. The significantly higher outflow of funds for investing activities in the previous year resulted from the acquisition of the properties in Coesfeld, Krefeld and Darmstadt. Furthermore, in the previous year the company still made significantly higher payments in connection with revitalising its portfolio properties.

The cash flow from financing activities came to EUR 10.610 million as of 31 December 2021 (31 December 2020: EUR 48.035 million). Financing activities led to an inflow of funds amounting to EUR 46.148 million due to the taking up of financial loans. This was countered by repayments of financial loans amounting to EUR 34.071 million. The capital increase executed in July 2021 led to an inflow of funds amounting to EUR 5.323 million. The significantly higher inflow of funds from financing activities in the previous year is to be viewed in connection with the outflow of funds for investing activities, which was also significantly higher in 2020.

Overall, the inflows and outflows of funds presented above resulted in a slight increase in cash and cash equivalents to EUR 8.573 million as of the balance sheet date (31 December 2020: EUR 7.962 million).

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 2021 financial year was characterised by investments in development, and in particular the conversion, expansion, renovation and modernisation of the property portfolio. As is apparent from these measures, ERWE Immobilien AG did not receive any earnings contributions from its investments.

Revenue, which decreased from EUR 0.894 million to EUR 0.499 million, resulted from charges passed on to subsidiaries. Interest income of EUR 4.492 million (2020: EUR 2.608 million) mainly results from interest charged on loans to and receivables due from associates. This was countered by interest expenses of EUR 3.173 million (2020: EUR 3.486 million) chiefly relating to the bond. As a result, the financial result totalled EUR 1.319 million (2020: EUR -0.878 million). The higher volume of interest income was due to the significant increase in higher-interest loans to associates to EUR 50.797 million (2020: EUR 27.425 million) compared with the lower interest applicable to receivables from associates of EUR 6.800 million (2020: EUR 25.066 million).

The profit and loss transfer agreement concluded with ERWE Properties in 2020 resulted in the assumption of a loss of EUR 0.359 million (2020: EUR 0.277 million).

Personnel expenses decreased to EUR 0.965 million (2020: EUR 2.463 million). The previous year's figure was adversely affected by expenses of EUR 1.338 million due to the recognition of a provision for the virtual stock option plan. Due to ERWE's share price performance, part of the provision stated for the virtual stock option plan was reversed in the year under report. The resultant income of EUR 0.513 million is recognised in other operating income, which amounted to EUR 0.560 million in total (2020: EUR 0.081 million).

The other operating expenses of EUR 1.821 million (2020: EUR 1.935 million) include expenses due to the holding company activities for the ERWE Group, such as the year-end and auditing expenses and the expenses incurred for the preparation and review of quarterly reports (EUR 0.433 million; 2020: EUR 0.321 million), legal and advisory expenses (EUR 0.319 million; 2020: EUR 0.404 million), and costs for financing measures (EUR 0.218 million; 2020: EUR 0.478 million). The costs for financing measures predominantly relate to equity procurement costs.

Given that no earnings contributions have yet been received from the operating subsidiaries, the company reported an annual net loss of EUR -0.772 million for 2021 (2020: EUR -4.578 million).

Financial and asset position

ERWE Immobilien AG finances its subsidiaries at least in part. Its equity of EUR 26.070 million, which was increased by the cash capital increase (2020: EUR 21.377 million), and liabilities of EUR 40.000 million for the bond, which is due for repayment in December 2023, were therefore countered by shares in, loans to and receivables due from subsidiaries amounting to EUR 67.452 million in total (2020: EUR 62.346 million).

While loans increased by EUR 23.372 million to EUR 50.797 million, the receivables due from associates, which are reported under current assets, decreased by EUR 18.265 million to EUR 6.801 million. Of this change, an amount of EUR 18.229 million was due to reclassifications of items reported in the previous year as receivables from associates to loans. Due to the formulation and/or amendment of the related loan agreements, these receivables now qualify as non-current and are therefore recognised in non-current assets. Furthermore, additional loans of EUR 8.000k were granted to a subsidiary in 2021 for the partial repayment of credit financing facilities at that subsidiary. Further loan liabilities of EUR 5.000 million due to mature in December 2022 have been reported in other liabilities (2020: EUR 3.000 million).

The funds received from the capital increase and higher volume of new loans taken up led, following the use of part of these funds to finance subsidiaries, to an increase in cash and cash equivalents from EUR 3.105 million in 2020 to EUR 4.427 million as of 31 December 2021.

2.6 Overall summary of company's economic position

Based on our assessment, the 2021 financial year documented the viability of ERWE's business model. The company made progress in terms of repositioning, modernising and agreeing sustainable new lettings at all of its properties. The progress made with its development projects shows that ERWE is able to develop properties into sustainably successfully portfolio properties by implementing smart concepts. The renewed valuation of the property portfolio largely confirmed the stable value of the properties taken over in previous years and since developed. The portfolio property in Speyer was the only location requiring a larger-scale valuation adjustment, with this being due to the coronavirus pandemic.

III. Events after balance sheet date

Reference is made to the disclosures in the notes to the consolidated financial statements in respect of events of material significance occurring after the balance sheet date.

IV. Outlook

The coronavirus pandemic already had a significantly negative impact on the development in the German economy in 2020 and 2021. The hopes placed in a sustainable recovery in economic output following the sharp downturn in 2020 were not fulfilled in 2021 and also do not seem have materialised in the new 2022 financial year. According to Germany's Bundesbank, the fourth wave of the pandemic driven by the new Omicron variant "put the brakes on" the Germany economy at the beginning of 2022. Economic output already contracted by 0.7 percent in the final quarter of 2021. If the first quarter of 2022 were also to close with negative growth then, according to the Bundesbank, this would represent a technical recession. However, the Bundesbank does not expect to see a recession in 2022 as whole, as the German economy can point to well-filled order books. Once the pandemic recedes and the associated restrictions are lifted in the spring, and once supply shortages ease, this should lead to a strong upturn in economic output.

The Bundesbank published the above outlook just a few days before the outbreak of war in Ukraine. Based on ERWE's assessment, the war could create new macroeconomic risks for 2022 that currently cannot be quantified. The sanctions already imposed on Russia and additionally announced by the European Union and the USA could severely impair general economic activity. In particular, energy prices, which already rose significantly in 2021, may show further sharp rises and thus drive inflation, which is already high, even further upwards. Inflation in Germany stood at 5.7 percent in December and at 5.1 percent in January, and thus at levels last measured 30 years ago.

Based on ERWE's assessment, the medium and long-term effects of the war in Ukraine are also unforeseeable. This is the first time in 83 years that one European country has attacked and occupied another country. The reactions shown by NATO and the whole of the West give reason to expect additional severe sanctions and the political and economic isolation of Russia. This will have currently unquantifiable consequences for the development in the domestic economy as well. Against the current backdrop, it is hardly possible to provide any in-depth forecast of the macroeconomic situation or of developments on real estate markets.

Energy prices can be expected to rise further, leading all goods and services to become even more expensive and inflation to remain higher for now. This could create additional demand in the market for investment properties, as many investors will wish to protect their capital against further depreciation. This situation means that lettings and occupancy rates for retail, office and hotel properties can only be expected to show a hesitant improvement. Given the war, there could be a further marked deterioration in consumers' propensity to spend and travel. This in turn could have a negative impact, particularly on those ERWE tenants who still have retail activities or hotel operations.

However, the possibility of a macroeconomic downturn may cause central banks to rethink their previously announced intention to raise interest rates to avoid halting economic growth altogether. This could ease the interest rises widely expected for this and next year. Should interest rates nevertheless rise, then ERWE has already accounted for this risk, on the one hand by fixing interest rates on a long-term basis for its portfolio properties and on the other hand by converting the respective financing facilities upon the completion of current revitalisation and construction measures. This way, financing facilities are converted from specific project financing to more favourably-priced long-term portfolio financing. Based on our assessment, the average interest rate for all revitalisation and construction measures currently underway at ERWE is expected to decrease by 180 basis points to an average of 1.4 percent p.a. This will generate interest expense savings of around EUR 1.5 million a year, most likely from 2023.

Based on the assumptions that the pandemic does not flare up again with all of the related restrictions and that the Ukraine war does not have any sustainably negative implications for our company, we expect to see an improvement in our financial and non-financial key performance indicators in the current financial year.

For 2022, ERWE expects to see further growth in its rental income. This will be driven both by the two properties newly acquired in Wuppertal and Bremerhaven, as well as by further new lettings at portfolio properties. Overall, gross rental income should rise to more than EUR 10 million in 2022. Given the talks currently underway, we expect to see a further improvement in occupancy rates.

Adjusted EBIT before the result from the measurement of investment properties and before the result from participating interests is expected to rise significantly in 2022. Based on our assessment, the current uncertainties mean that it is not possible to provide any definitive forecast concerning either the result from the measurement of investment properties or the result from participating interests.

The loan-to-value (LTV) figure is expected to move towards the targeted threshold of 60 percent once again. On the condition that no capital increase is executed in the current year, we expect it to be possible to achieve a moderate increase in the EPRA Net Reinstatement Value (EPRA NRV) per share.

With regard to the annual financial statements of ERWE Immobilien AG prepared in accordance with German commercial law, the company is expected to post a slightly negative to neutral result once again in 2022. This is because the success of the company's business activities is largely only reflected at its subsidiaries.

IV. Risk and opportunity report

4.1 Risk report

Risk management 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 years, 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 continually aligned ever more closely 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 2021 financial year and adapted where necessary to changes in ERWE's internal structures. Due account was also taken of the 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 which is continually developed further. 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.

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:

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 as 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.

From a valuation of 3.5 upwards, (immediate) measures must be taken to reduce the risks.

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.

(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 and expected completion dates 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. Due to pandemic-related uncertainties in the market, this risk is assessed as in the previous year.

(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, the company may be affected by any resultant strategic decisions taken by our tenants to withdraw from individual locations or regions. This may delay the planned reduction in existing vacancies due to the uncertainties surrounding the further course of the pandemic. Overall, as of the balance sheet date this risk is assessed as "conceivable" with a probability of occurrence between "marginal" and "possible".

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

(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 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. As of the balance sheet date, this risk is assessed 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.
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(6) Project development risks for original project developments
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 to 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
For ERWE, capital market risk denotes dependence on the capital market with its investors and the risk of becoming increasingly dependent on the capital market. ERWE classifies this risk as being of material significance. The impact of any pandemic-related insecurities on the capital market for ERWE cannot be conclusively assessed. This risk is assessed as "serious" with a "marginal" probability of occurrence.

Impact of the coronavirus pandemic and the war in Ukraine

In general, ERWE does not see the coronavirus pandemic as currently posing any threat to its own development, although it is a challenging financial year for some of the company's existing tenants.

The future repercussions of the war in Ukraine for our company cannot be quantified at present. It is nevertheless apparent that these will indirectly lead to a further increase in Germany's already high construction costs. This could affect our project development properties in particular, unless it is possible to pass on the increase in construction costs via rental prices. Furthermore, any potential supply bottlenecks for construction materials could also delay the scheduled completion dates for our project development properties. This would adversely affect liquidity and the valuation of the properties.

As the war in Ukraine is also driving inflation further upwards due to rising energy costs, this may also lead to higher interest rates. Of ERWE's existing financial debt of EUR 147.8 million as of 31 December 2021, around EUR 123.7 million is due to be refinanced in 2022 and 2023. Any rise in interest rates may raise the cost of refinancing. Furthermore, rising interest rates would also increase the discount and capitalisation rates applied to value properties, with a correspondingly negative impact on the values recognised for investment properties.

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), guidelines, training, instructions etc.

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 the general compliance and tax compliance guidelines it has issued, as well as with appropriate training for employees. This deals with the specific compliance risks relevant to their respective roles. Furthermore, ERWE has issued a compliance policy (in particular a code of conduct).

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, its 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 coronavirus pandemic nevertheless held back new lettings activities at portfolio projects and in some cases at project developments. Since the lockdown measures ended, however, the company has noticed increased demand for lettings space.

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.

No.	Opportunities
1	Intensification of capital market
2	Project development opportunities
3	Refinancing opportunities
4	Reduction of vacancy rate
5	Insourcing / outsourcing
6	Transaction opportunities

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.

(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 and the solidly financed investment properties offer potential to obtain very good financing 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 to let 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.

Divisions	Assessment
Market / Finance / Accounting	High importance
Market / Operations	High importance
Financing	High importance
Market/ Finance/ Operations	High importance
Market / Operations	Material importance
Market/ Finance/ Operations	Material importance

Overall summary of ERWE Group's opportunity position

The Covid-19 pandemic has clearly left its mark on the development in real estate markets. While the residential property market has benefited significantly, commercial property markets faced setbacks in terms of rental income from retailers. After all, the lockdowns and numerous rules introduced to contain infections placed a significant burden on stationary retailers in particular. In many downtowns in Germany the pandemic has further exacerbated the long-emerging structural crisis. Small store operators and above all stationary textile retailers are suffering from the growth in online retail channels and from customers staying away. This is increasingly forcing them to give up their businesses and vacate properties. Many towns and cities are also suffering from the significant downturn in tourism. These developments nevertheless provide ERWE with numerous opportunities to implement its special business model of revitalising such properties, most of which are in poor state, by implementing mixed-use concepts.

This provides ERWE with the opportunity to acquire properties at favourable prices in numerous inner cities and make these available to new user groups. It does so by revitalising the properties and implementing mixed-used concepts, a process that is often supported by local authorities that have a great interest in revitalising their inner city areas. This way, occupancy rates can be increased at the properties, with units being let at higher rents. This in turn may release sometimes substantial potential for value growth.

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 interest rates for 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 2022 financial year.

Overall summary

Following the significant downturn in economic output in February and March 2022, which was largely triggered by the war in Ukraine, the Management Board expects any stabilisation in the economy as the year progresses to lead to a continuation in the economic recovery which became apparent shortly after the pandemic receded.

The overall economy and the capital markets will nevertheless continue to face risks in future, with these being triggered by cyclical crises of confidence and the recent re-emergence of military conflict. ERWE's earnings performance in its new business environment significantly depends on these factors. Given the company's financial stability, however, the Management Board believes that the company is well prepared to manage future risks. No risks with the potential to threaten the company's continued existence are currently discernible.

VI. 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 18,219,214 at 31 December 2021 (2020: EUR 16,562,922) and was divided into 18,219,214 no-par bearer shares (2020: 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 2021 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 2021:

A total of 6,174,131 voting rights are attributable to Axel Harloff and Nicole Harloff. This represents a 33.89% 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 25.82% and 8.07% of the voting rights.

A total of 5,683,882 voting rights are attributable to Heinz-Rüdiger Weitzel. This represents a 31.20% 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 28.21% and 2.99% respectively.

A total of 2,284,213 voting rights are attributable to John-Frederik Ehlerding. This represents a 12.54% stake in the company's share capital. John-Frederik Ehlerding is attributed the voting rights in Elbstein AG, which in turn holds an 12.54% 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 6,343,708.00 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 amounting to the capitalised basic remuneration for the originally agreed remaining term of his or her employment contract up to a maximum period of two 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.

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, April 2022

A. Harloff

Axel Harloff / **Management Board member**

R. W

Rüdiger Weitzel / **Management Board member**

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Consolidated Balance Sheet

at 31 December 2021

Assets

EUR		31 December 2021	31 December 2020
Non-current assets			
Property, plant and equipment and intangible assets	E.1	1,431,366	1,387,899
Investment properties	E.2	195,495,000	192,713,000
Investments in associates	E.3	1,410,755	8,831,767
Participating interests	E.4	8,750,877	0
Prepayments made for property, plant and equipment and intangible assets		52,094	54,030
Prepayments made for investment properties	E.5	1,256,000	0
Prepayments made for investments in associates	E.6	0	1,343,151
		208,396,092	**204,329,847**
Current assets			
Trade receivables and other receivables	E.7	611,257	561,303
Receivables from associates	E.8	0	964,308
Receivables from companies linked by virtue of investment	E.9	883,806	0
Other assets	E.10	1,600,979	1,317,171
Income tax receivables		36,298	26,267
Cash and cash equivalents	E.11	8,573,056	7,962,383
		11,705,395	**10,831,432**
Total assets		**220,101,487**	**215,161,279**

Liabilities

EUR		31 December 2021	31 December 2020
Equity			
Share capital	E.12	18,219,214	16,562,922
Capital reserve		14,687,361	11,020,843
Revenue reserves		14,357,366	14,359,044
Accumulated net profit		3,802,797	13,004,593
Equity attributable to shareholders in the parent company		51,066,738	54,947,402
Non-controlling interests	E.12	2,482,949	3,440,283
		53,549,687	**58,387,685**
Non-current liabilities			
Financial debt	E.14	113,076,405	56,464,190
Provisions	E.16	975,456	1,447,259
Lease liabilities	E.15	1,804,018	2,162,382
Deferred tax liabilities	E.13	11,133,137	12,521,418
		126,989,016	**72,595,249**
Current liabilities			
Income tax liabilities		0	16,318
Financial debt	E.14	34,757,455	79,070,450
Trade payables	E.17	227,011	1,880,500
Liabilities to associates	E.18	1,221,142	0
Liabilities to associates	E.19	139,200	0
Lease liabilities	E.15	503,300	400,799
Other liabilities	E.20	2,714,676	2,810,278
		39,562,784	**84,178,345**
Total equity and liabilities		**220,101,487**	**215,161,279**

Consolidated Statement of Comprehensive Income

for the Period from 1 January to 31 December 2021

EUR		01 Jan 2021 - 31 Dec 2021	01 Jan 2020 - 31 Dec 2020
Gross rental income	F.1	7,890,836	5,588,992
Expenses from property lettings	F.1	-3,468,499	-2,957,085
Earnings from property lettings	F.1	**4,422,337**	**2,631,907**
Other operating income	F.2	1,247,256	1,249,490
Personnel expenses	F.3	-4,322,853	-4,862,874
Other operating expenses	F.4	-4,116,125	-4,507,837
Result from measurement of investment properties	E.2	-2,011,576	6,788,394
Result from associates measured at equity	E.3	-19,490	2,607,015
Earnings before interest and taxes (EBIT)		**-4,800,451**	**3,906,095**
Financial income	F.5	16,295	13,393
Financial expenses	F.6	-6,764,116	-6,594,877
Earnings before taxes		**-11,548,272**	**-2,675,389**
Taxes on income	E.13	1,387,465	2,778,238
Consolidated net income / comprehensive income		**-10,160,807**	**102,849**
of which attributable to:			
Shareholders in parent company		-9,201,796	257,339
Non-controlling interests	E.12	-959,011	-154,490
Basic earnings per share	F.7	-0.53	0.02
Diluted earnings per share	F.7	-0.53	0.02

Consolidated Cash Flow Statement

for the Period from 1 January to 31 December 2021

EUR	01 Jan - 31 Dec 2021	01 Jan - 31 Dec 2020
Consolidated net income / comprehensive income	**-10,160,807**	**102,849**
Financial income	-16,295	-13,393
Financial expenses	6,764,116	6,594,877
Taxes on income	-1,387,465	-2,778,238
Depreciation of property, plant and equipment and amortisation of intangible assets	346,162	245,316
Measurement result from investment properties	2,011,576	-6,788,394
Result from associates measured at equity	19,490	-2,607,015
Change in asset and liability items		
(Increase) / decrease in trade receivables	-49,954	-220,418
(Increase) / decrease in other assets	-219,539	-215,283
(Decrease) / increase in provisions	-471,804	1,410,299
(Decrease) / increase in trade payables	-447,130	323,996
(Decrease) / increase in other liabilities	-172,377	1,005,208
Income tax payments	-17,135	-30,273
Cash flow from operating activities	**-3,801,161**	**-2,970,469**
Interest received	16,295	0
Payments for acquisition of investment properties	-1,256,000	-32,364,317
Investments in investment properties	-4,778,793	-21,926,490
Payments for loans to associates	0	-303,000
Investments in property, plant and equipment and intangible assets	-179,192	-220,275
Investments in equity instruments of other companies	0	-1,343,151
Cash flow from investing activities	**-6,197,690**	**-56,157,233**
(Payments) / proceeds in connection with equity allocations	5,322,810	0
Interest paid and ancillary financing costs	**-6,225,724**	**-6,566,302**
Repayments of lease liabilities	**-564,607**	**-498,366**
Taking up of financial debt	46,147,664	55,099,737
Repayment of financial debt	-34,070,620	0
Cash flow from financing activities	**10,609,524**	**48,035,069**
Change in cash and cash equivalents	610,673	-11,092,633
Cash and cash equivalents at beginning of period	7,962,383	19,055,016
Cash and cash equivalents at end of period	**8,573,056**	**7,962,383**

Consolidated Statement of Changes in Equity
for the Period from 1 January to 31 December 2021

EUR	Share capital	Capital reserve	Revenue reserves	Accumulated net profit	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	**16,562,922**	**11,020,843**	**14,359,043**	**13,004,593**	**54,947,402**	**3,440,283**	**58,387,685**
Consolidated net income / comprehensive income	0	0	0	-9,201,796	-9,201,796	-959,011	-10,160,807
Capital increase	1,656,292	3,809,472	0	0	5,465,764	0	5,465,764
Equity procurement costs in connection with capital increases	0	-142,954	0	0	-142,954	0	-142,954
Other changes	0	0	-1,677	0	-1,677	1,677	0
Balance at 31 December 2021	**18,219,214**	**14,687,361**	**14,357,366**	**3,802,797**	**51,066,738**	**2,482,949**	**53,549,687**

	Share capital	Capital reserves	Revenue reserves	Accumulated net profit	Total	Non-controlling interests	Total equity
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**


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Notes to the Consolidated Financial Statements of ERWE Immobilien AG for the 2021 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 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.

B. Accounting principles

(1) Basis of preparation

These consolidated financial statements of ERWE AG cover the period from 1 January to 31 December 2021 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 2021 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 07 April 2022.

(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 2021:

Standard/ interpretation	Content of standard/ interpretation	Mandatory application from
Amend. IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	financial years beginning on or after 1 January 2021
Amend. IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform (Phase 2)	financial years beginning on or after 1 January 2021
Amend. IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	financial years beginning on or after 1 April 2021

The first-time application of these amendments 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 and is able to determine these 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 non-controlling interests. 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 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 properties.

If ERWE acquires shares in companies that result in a stake of less than 50%, it recognises these at equity if it is able to exercise a significant influence on the associated company. If this is not the case, ERWE recognizes its interest at fair value as of the respective balance sheet date.

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 24 fully consolidated companies. The scope of consolidation has developed as follows:

Number	2021	2020
Balance at 1 January	**21**	**11**
Additions	3	10
Disposals	0	0
Balance at 31 December	**24**	**21**

In the current period under report, 3 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 22 to 24).

The consolidated group comprises the following companies as of 31 December 2021:

Nr.	Comapny	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 Asset GmbH (previously: 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	General partner GmbH
19.	ERWE Projekt Hagen GmbH	Frankfurt am Main	100.0	2	Shelf company
20.	ERWE TAUNUS LAB Verwaltung GmbH (previously: ERWE Projekt Hanau GmbH)	Frankfurt am Main	100.0	2	General partner GmbH
21.	ERWE Projekt Krefeld GmbH	Frankfurt am Main	100.0	2	Portfolio holder
22.	ERWE Taunus LAB North GmbH & Co. KG	Frankfurt am Main	94.9	8 *	Shelf company
23.	ERWE Taunus LAB West GmbH & Co. KG	Frankfurt am Main	94.9	8 *	Shelf company
24.	ERWE Bremerhaven I GmbH & Co. KG	Frankfurt am Main	100.0	2 **	Shelf company

* The general partner of these companies is ERWE TAUNUS LAB Verwaltung GmbH (previously: ERWE Projekt Hanau GmbH) (Number 20.)

** The general partner of this company is ERWE Projekt Recklinghausen GmbH (Number 18.)

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 measurement 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 settled within twelve months of the balance sheet date; or if
- The company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date (e.g. in the event of an infringement of credit terms).

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

IThe 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.

Participating interests are recognised in the balance sheet at fair value, with changes in fair value being netted and recognised in the income statement. This category comprises equity instruments for which the ERWE Group has not irrevocably decided to classify them as recognised at fair value in other comprehensive income. Dividends from these equity instruments are recognised as income in the income statement when there is a legal claim to payment.

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.16).

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 future 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 participating interest in Covivio Office VI GmbH & Co. KG, ERWE only has annual financial statements that have been prepared for this company as of 31 December 2021 in accordance with the German Commercial Code (HGB). To determine the fair value of this participating interest, ERWE has converted these financial statements to IFRS to the best of its knowledge. Conversion 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. Through to 31 December 2021, the participating interest was measured at equity, as ERWE had the possibility of exercising significant influence. As the conditions for exercising significant influence ceased to apply as of 31 December 2021, the participating interest has been recognised in the annual financial statements in the participating interests line item, while changes in its value have continued to be recognised in the at-equity result.

- With regard to the 50% participating interest held in peko GmbH and its subsidiaries, ERWE also only has annual financial statements that have been prepared for these companies as of 31 December 2021 in accordance with the German Commercial Code (HGB). No significant variances between HGB and IFRS are apparent in this case, as a result of which the HGB annual financial statements have been used as the basis for at-equity measurement. Reference is made to the comments under E.3.

- 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 the previous year, the volatility referred to in measuring the fair value of share-based payments was based on the 3-year volatility of a peer group; due to the brief history of the company's stock market listing, exclusive reference to volatility at ERWE Immobilien AG would not have provided a robust basis of data. In the year under report, by contrast, 2-year volatility was measured by reference to ERWE Immobilen AG itself, as the company's share price over the past 2 years provided a valid basis of data..

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. For the temporary differences relating to the properties which, based on our assessment, can be sold free of trade tax, deferred tax liabilities are therefore 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 2021 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 intangible assets developed as follows in the period under report:

EUR	Right-of-use assets	Right-of-use assets	Plant and office equipment	Total
Costs at 1 Jan 2021	**1,365,782**	**81,011**	**477,263**	**1,924,057**
Additions	208,648	0	181,265	389,913
Disposals	0	0	-1,129	-1,129
Costs at 31 Dec 2021	**1,574,430**	**81,011**	**657,399**	**2,312,841**
Write-ups				
Cumulated depreciation/amortisation at 1 Jan 2021	**-286,398**	**-38,303**	**-211,457**	**-536,158**
Additions	-205,170	-19,546	-121,446	-346,162
Disposals	0	0	846	846
Cumulated depreciation/amortisation at 31 Dec 2021	**-491,568**	**-57,849**	**-332,057**	**-881,474**
Carrying amount at 1 Jan 2021	**1,079,384**	**42,708**	**265,806**	**1,387,899**
Carrying amount at 31 Dec 2021	**1,082,862**	**23,162**	**325,342**	**1,431,366**

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**

(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 held 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 and accounting for the expected date of completion. 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:

EUR	31 Dec 2021	31 Dec 2020
Carrying amount at 1 January	192,713,000	131,910,000
Purchases (+)	0	31,154,917
Other additions (+)	4,793,576	22,859,689
Fair value increases (+)	6,653,824	13,460,496
Fair value reductions (-)	-8,665,400	-6,672,102
Carrying amount at 31 December	**195,495,000**	**192,713,000**

Other additions mainly relate to retrospective costs in connection with the revitalisation of the properties in Darmstadt, Krefeld, Coesfeld, Speyer and Lübeck, as well as to planning and other services for project developments in Krefeld, Darmstadt and the TAUNUS LAB business park in Friedrichsdorf. For the property in Speyer, other additions include a grant of EUR 150k provided to the tenant of the hotel space for furniture, fixtures and equipment (FF&E).

The investment properties are encumbered with mortgages to secure liabilities.

As ERWE plans to build the project development properties in Krefeld, Darmstadt and Friedrichsdorf in accordance with KfW Standard 55 for Energy-Efficient Buildings, applications were submitted to the Federal Funding Programme for Efficient Buildings (BEG) – Non-Residential Buildings – Grant (463) prior to the halting of this programme in 2022. Funding has been approved by the KfW provided that the relevant conditions are met. The construction costs still to be incurred for these projects have been reduced by the amount of these BEG grants (EUR 13,837k), leading to a corresponding increase in the fair value of these investment properties.

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 2021	31 Dec 2020
Valuation parameter r	Unit	Range	Range
Discount rate	%	3.25%-4.75%	3.25%-4.50%
Capitalisation rate	%	3.50%-4.75%	3.50%-4.50%
Market rent	EUR/m²	7.00-20.00	7.00-18.00

Residual value method		31 Dec 2021	31 Dec 2020
Valuation parameter	Unit	Range	Range
Discount rate/capitalisation rate	%	3.65%-3.85%	3.75%-3.90%
Calculated construction costs (excluding BEG grants)	EUR/m²	1,956 -2,468	1,699 -2,353
Risk discount for risk and profit	%	11.00%	11.00%
Market rent (after completion)	EUR/m²	13.40-22.50	13.00-22.50

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

31 Dec 2021	**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	-6,300,000	16,800,000	-12,800,000	-14,000,000	14,100,000
%	4.61%	-4.27%	11.39%	-8.68%	-9.49%	9.56%

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

31 Dec 2021	**Discount rate/ capitalisation rate**		**Constrution costs**		**Market rent**	
	-0.25%-points	0.25%-points	-5%-points	+5%-points	-5%	+5%
Value change						
EUR 000s	10,800,000	-9,400,000	6,500,000	-6,300,000	-7,200,000	7,400,000
%	30.34%	-26.40%	18.26%	-17.70%	-20.22%	20.79%

A further key measurement parameter in the residual value method is the scheduled completion date. Should the project developments be completed by an average of half a year later than scheduled, this would reduce fair value by EUR 2,800k.

In the previous year, changes in the key value drivers resulted in the following fluctuations in value based on 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
%	4.49%	-4.29%	11.61%	-8.77%	-9.23%	9.37%

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 2020	**Discount rate/ capitalisation rate**		**Constrution 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
%	26.65%	-23.35%	14.72%	-14.21%	-18.53%	18.27%

(3) Investments in associates

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 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.

The Group holds a 10.1% shareholding in Covivio Office VI GmbH & Co. KG, whose legal domicile is in Frankfurt am Main (HRA 51265, Frankfurt am Main District Court). Covivio Office VI GmbH & Co. KG is 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 had the ability until 31 December 2021 to significantly influence in the company's financial and operating policy decisions. Prior to that date, ERWE had been commissioned to revitalise and reposition the business centre. Furthermore, ERWE was commissioned to perform project development and, by managing investments in a targeted manner, to upgrade the lettings space in order to let this to attractive new tenants. Until the expiry of these interdependencies as of 31 December 2021, ERWE reported this shareholding under investments in associates. As of 31 December 2021, the shareholding has been recognised at fair value under participating interests. In the financial year under report, the development in the value of this shareholding was still reported under the result from associates measured at equity.

Furthermore, the Group holds a 50% shareholding in peko GmbH, whose legal domicile is in Eppelborn (HRB 14135, Saarbrücken District Court). The purchase contract was signed and the payment price settled in December 2020. The entry of the resultant capital increase at peko GmbH in the Commercial Register, which substantiates ERWE's shareholder rights, was nevertheless only executed in 2021. In the previous financial year, the purchase price payment of EUR 1,343,151 was recognised under prepayments made for investments in associates. Since the current financial year, ERWE has recognised this participating interest using the equity method. peko GmbH and its four wholly-owned subsidiaries chiefly operate in the field of construction planning and consultancy, as well as in the construction of all kinds of building as general contractor.

The following table provides summarised financial information about the Group's participating interest in peko GmbH, which has been calculated in the manner outlined above:

EUR	2021
Current assets	3,971,276
Non-current assets	278,398
Current liabilities	-1,381,215
Non-current liabilities	-46,949
Equity	**2,821,510**
ERWE's share of equity (10,104%)	**1,410,755**

ERWE recognised an amount of EUR 61,400 through profit or loss in the statement of comprehensive income. This corresponds to the difference between the acquisition cost as of the acquisition date and prorated equity at the balance sheet date and represents the result from associates measured at equity.

(4) Participating interests

The participating interests recognised as of the balance sheet date include the interest held in Covivio Office VI GmbH & Co. KG, Frankfurt am Main, at an amount of EUR 8,750,877 (31 December 2020: EUR 0). As of 31 December 2021, ERWE was no longer able to exercise significant influence and therefore measured the investment at fair value through profit or loss as of the balance sheet date. Reference is made to the comments under E.3.

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

EUR	2021	2020
Current assets	4,887,613	4,971,447
Non-current assets	268,374,843	269,372,547
Current liabilities	-22,826,810	-20,903,626
Non-current liabilities	-163,827,595	166,031,742
Equity	**86,608,051**	**87,408,626**
ERWE's share of equity (10.104%; 31 Dec 2020: 10.104%)	**8,750,877**	**8,831,767**

ERWE recognised an amount of EUR -80,890, corresponding to the difference between prorated equity at the respective balance sheet dates, for the last time in 2021 through profit or loss in the "Result from associates measured at equity" line item in the statement of comprehensive income.

(5) Prepayments made for investment properties

The prepayments of EUR 1,256,000 made for investment properties include a prepayment for the purchase of a property in Wuppertal (31 December 2020: EUR 0). The acquisition of this property was completed in 2022. The property is let on a long-term basis to C&A.

(6) Prepayments made for investments in associates

The prepayments of EUR 0 made for investments (31 December 2020: EUR 1,343,151) in the previous year included prepayments made to acquire the 50% stake in peko GmbH based in Eppelborn. The purchase contract was agreed in December 2020, with the purchase price also being settled in 2020. The entry of the capital increase at peko GmbH in the Commercial Register, on which ERWE's shareholder rights depend, was only executed in 2021. As of the balance sheet date on 31 December 2021, this investment has been recognised using the equity method. Reference is made to the comments under E.3.

(7) 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 611,257 in total and rose by EUR 49,954 compared with 31 December 2020 (EUR 561,303).

EUR	31 Dec 2021	31 Dec 2020
Trade receivables (gross)	773,423	817,721
Allowances	-162,166	-256,418
Trade receivables (net)	**611,257**	**561,303**
of which non-current	0	0
of which current	611,257	561,303

The maturities of trade receivables are presented in the following table:

EUR	31 Dec 2021	31 Dec 2020
Trade receivables	**773,423**	**817,721**
of which not impaired and not overdue	0	300,016
of which not impaired and overdue by up to 30 days	57,175	254,898
of which not impaired and overdue by between 31 and 60 days	82,102	3,276
of which not impaired and overdue by more than 60 days	451,524	3,113
Net value of impaired trade receivables	182,622	256,418

(8) Receivables from associates

The receivables from associates of EUR 964,308 reported in the previous year included 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 were also reported in connection with project development and management services. As of 31 December 2021, ERWE was no longer able to exercise significant influence and has therefore recognised the receivables due from Covivio Office VI GmbH & CO. KG under receivables from companies linked by virtue of investment. Reference is made to the comments under E.9.

(9) Receivables from companies linked by virtue of investment

As of 31 December 2021, receivables from companies linked by virtue of investment include a loan of EUR 883,806, 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%. In the previous year, these receivables were still recognised under receivables from associates. Reference is made to the comments under E.8.

(10) Other current assets

Other current assets are structured as follows:

EUR	31 Dec 2021	31 Dec 2020
Tax receivables (VAT)	663,752	637,160
Operating cost receivables	429,200	109,000
Deposits	186,839	176,048
Prepayments for new projects	174,415	311,622
Prepaid expenses	64,864	74,853
Sundry other current assets	81,908	8,488
Total	**1,600,979**	**1,317,171**

(11) 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.

(12) Equity

In July 2021, the company's share capital was increased by EUR 1,656,292 to EUR 18,219,214 by way of a capital increase executed in return for cash contributions (31 December 2020: EUR 16,562,922). The placement price was set at EUR 3.30 per share. The gross proceeds from the issue therefore amounted to EUR 5,465,764. The capital reserve increased by EUR 3,666,518 to EUR 14,687,361 (31 December 2020: EUR 11,020,843). The amount of EUR 3,666,518 comprises the premium of EUR 3,809,472 less capital procurement costs of EUR 142,954; pursuant to IAS 32.35, these costs have been deducted from equity.

In addition to the 2021 capital increase, the capital reserve also contained the premium from the cash capital increase entered in the Commercial Register on 28 December 2018 less equity procurement costs.

Conditional capital amounts to EUR 8,000,000.00 ("conditional capital 2018/I").

The Management Board is authorised until 11 July 2023, subject to approval by the Supervisory Board, to issue convertible 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 further authorised, subject to approval by 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"). The capital increase by 1,656,292 shares in July 2021 was executed from authorised capital, as a result of which this amounted to EUR 6,343,708.00 as of the balance sheet date.

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 German Federal Gazette on 3 May 2019.

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

Non-controlling shareholders accounted for a share of EUR 2,482,949, which is reported in equity as of 31 December 2021 (31 December 2020: EUR 3,440,283).

On the balance sheet date, non-controlling interests related exclusively to the following companies: ERWE Immobilien Retail Projekt 222 GmbH, ERWE Immobilien Retail Projekt 333 GmbH, ERWE Immobilien Retail Projekt 555 GmbH, ERWE Asset GmbH, ERWE Projekt Friedrichsdorf GmbH, ERWE TAUNUS LAB Verwaltung GmbH (as general partner GmbH), ERWE Taunus LAB North GmbH & Co. KG and ERWE Taunus LAB West GmbH & Co. KG. The following summarised financial information is provided for these eight companies (31 December 2020: five companies):

EUR	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Revenue	6,053,044	4,283,092
Comprehensive income	-9,171,066	3,494
Non-current assets	149,938,449	155,079,640
Current assets	2,319,903	4,232,402
Non-current liabilities	61,115,913	12,185,427
Current liabilities	61,373,365	108,199,233
Net assets	**29,769,074**	**38,927,382**
Non-controlling interests (%)	8.3%	8.8%
Non-controlling interest in annual net profit	-959,011	-154,490
Non-controlling interest in equity	3,441,960	3,594,.773
Non-controlling interests (EUR)	**2,482,949**	**3,440,283**

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

(13) 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 rates 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 2021 consist of temporary differences in the following balance sheet line items:

EUR	31 Dec 2021	31 Dec 2020
Tax loss carryovers	3,615,379	2,110,635
Deferred tax assets before netting	3,615,379	2,110,635
Netting	-3,615,379	-2,110,635
Deferred tax assets after netting	**0**	**0**
Investment properties	14,467,306	14,297,518
Financing costs	203,859	256,973
Investments in associates and participating interests	77,351	77,563
Deferred tax liabilities before netting	14,748,516	14,632,053
Netting	-3,615,379	-2,110,635
Deferred tax liabilities after netting	**11,133,137**	**12,521,418**

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

EUR	01 Dec 2021	Income statement	31 Dec 2021
Investment properties	-14,297,518	-169,788	-14,467,306
Financing costs	-256,973	53,114	-203,859
At equity interests	-77,563	212	-77,351
Loss carryovers	2,110,635	1,504,744	3,615,379
Total	**-12,521,418**	**1,388,282**	**-11,133,137**

No deferred tax assets have been recognised for corporate income tax loss carryovers of around EUR 17.1 million (31 December 2020: around EUR 8.4 million) and trade tax loss carryovers of around EUR 29.9 million (31 December 2020: around EUR 18.7 million) as the prospects for realisation are insufficiently specific.

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 2021	1 Jan – 31 Dec 2020
Earnings before taxes on income	-11,548,272	-2,675,389
Group tax rate	31.925%	31.925%
Expected taxes	-3,686,786	-854,118
Reconciliation due to tax-related items:		
- Impact of unused losses or utilisation of as yet unrecognised loss carryovers	595,069	2,756,033
- Taxes for previous years	817	0
- Tax-exempt income	0	-790,799
- Tax rate changes (trade tax cutback)	1,704,552	-3,893,180
- Other effects	-1,117	3,826
Actual taxes	**-1,387,465**	**-2,778,238**

(14) 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 2021, ERWE had the following floating-interest and fixed-interest financial debt:

EUR	31.12.2021	31.12.2020
Non-current financial debt		
- Floating-interest financial debt	21,398,665	15,948,268
- Fixed-interest financial debt	91,677,740	40,515,922
Non-current financial debt, total	**113,076,405**	**56,464,190**
Current financial debt		
- Floating-interest financial debt	25,578,802	31,750,878
- Fixed-interest financial debt	9,178,653	47,319,572
Current financial debt, total	**34,757,455**	**79,070,450**

Current and non-current financial liabilities totalled EUR 147,833,860 and increased by EUR 12,299,220 compared with 31 December 2020 (EUR 135,534,640). 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.

Financial loans of EUR 106,082,815 (31 December 2020: EUR 91,621,618) are mainly secured by the company with liens on property (31 December 2021: EUR 136,850,000; 31 December 2020: EUR 101,650,000). 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, a total of EUR 15,800,000 has already been repaid/refinanced in 2022. The other current financial liabilities predominantly relate to property financing facilities secured by liens on property, as well as to a loan from HCK Wohnimmobilien GmbH, which are due for refinancing by the end of 2022.

(15) Lease liabilities

Lease liabilities are structured as follows as of 31 December 2021:

EUR	2021	2020
Balance at 1 January	**2,563,181**	**2,952,464**
Additions	208,501	0
Accrued interest	100,243	109,083
Payments	-564,607	-498,366
Balance at 31 December	**2,307,318**	**2,563,181**
of which current	503,300	400,799
of which non-current	1,804,018	2,162,382

(16) 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
01 Jan 2021	36,960	1,410,299	**1,447,259**
Utilised	0	0	**0**
Reversed	0	512,947	**512,947**
Added	0	41,144	**41,144**
31 Dec 2021	36,960	938,496	**975,456**

EUR	Provision for storage obligations	Provision for personnel expenses	Total
01 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**

The non-current provisions of EUR 938,496 for personnel expenses (31 December 2020: EUR 1,410,299) involve provisions for a virtual stock option plan.

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 thirtysix 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 2021.

	Total	of which Management Board member			
Measurement at 31 Dec 2021		**Axel Harloff**	**Heinz-Rüdiger Weitzel**	**Christian Hillermann**	**Not a member of Management Board**
Number of contractually vested shares	700,000	200,000	200,000	150,000	150,000
Prorated number of virtual shares recognised in expenses	2,053,163	632,870	632,870	434,441	352,982
Present value of each virtual share	0.46	0.52	0.52	0.38	0.32
Provision at 31 Dec 2020	1,410,299	544,167	544,167	249,607	72,359
Income from reversal of provision (-) / expenses (+)	-471,803	-214,456	-214,456	-84,035	41,143
Provision at balance sheet date	**938,496**	**329,711**	**329,711**	**165,572**	**113,502**
Of which intrinsic value of virtual shares contractually vested at balance sheet date	-	-	-	-	-

The reduction in the amount of provision stated is due to the significant decrease in ERWE's share price.

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			
Other disclosures		**Axel Harloff**	**Heinz-Rüdi-ger Weitzel**	**Christian Hillermann**	**Not a member of Manage-ment Board**
Maximum number of virtual shares to be granted	3,000,000	800,000	800,000	600,000	600,000
Settlement	in Bar	in Bar	in Bar	in Bar	in Bar
Structure					
Virtual shares outstanding at 1 January 2021	**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
Virtual shares expired	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 2021	**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	**2.22**	**2.00**	**2.00**	**2.25**	**2.75**
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	0.45	0.52	0.52	0.38	0.32
Option price model used	Binomial model				
Weighted average share price	3.26	3.26	3.26	3.26	3.26
Weighted average base price	3.59	3.30	3.30	3.84	4.12
Expected annual volatility	30.73% for 2-year remaining term, 28.55% for 3-year remaining term				
Expected dividend yield	0.00%				
Risk-free annual interest rate	-0.73% for 2-year remaining term, -0.64% for 3-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.

(17) Trade payables

Trade payables fell year-on-year by EUR 1,653,489 from EUR 1,880,500 to EUR 227,011. Alongside reporting date effects, the liabilities due to peko GmbH and its subsidiaries (31 December 2020: EUR 1,132,150) have been reported under liabilities to associates as of the balance sheet date.

(18) Liabilities to associates

The liabilities to associates relate to outstanding invoices of EUR 1,221,142 which are payable to peko GmbH and its subsidiaries and are consolidated using the equity method. As of 31 December 2020, liabilities of EUR 1,132,150 due to peko GmbH and its subsidiaries had still been reported under trade payables.

(19) Liabilities from companies linked by virtue of investment

The liabilities from companies linked by virtue of investment relate exclusively to repayment obligations of EUR 139,200 in connection with the project development and management contract with Covivio Office VI GmbH & Co. KG (31 December 2020: EUR 0).

(20) Other current liabilities

Other current liabilities are structured as follows:

EUR	31 Dec 2021	31 Dec 2020
Liabilities for outstanding invoices	744,647	707,095
Liabilities for personnel	665,728	461,248
Interest deferrals	647,333	864,482
Year-end expenses for financial statements, auditing, tax return and advisory expenses, publication expenses	256,400	197,010
Liabilities for Supervisory Board remuneration	73,979	0
Deposits received	60,352	75,448
VAT liabilities	40,493	290,498
Other current liabilities	225,744	214,497
Total	**2,714,676**	**2,810,279**

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 deferred operating expenses. 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 4,422,337 from property lettings (2020: EUR 2,631,907) are structured as follows:

EUR	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Gross rental income	7,890,836	5,588,992
Expenses from property lettings	-3,468,499	-2,957,085
Earnings from property lettings	**4,422,337**	**2,631,907**

Gross rental income is made up of EUR 6,274,000 in net lettings income (2020: EUR 4,367,081) and of EUR 1,616,836 in income from the charging on of operating expenses (2020: EUR 1,221,911).

The property-specific expenses of EUR 3,468,499 (2020: EUR 2,957,085) 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 2021	1 Jan-31 Dec 2020
Income from reversal of provisions	512,947	0
Income from derecognition of liabilities	157,092	40,878
Reversal of receivables allowances	148,836	0
Insurance compensation	146,103	8,516
Non-period income	121,199	82,545
Income from services	78,212	123,569
Non-cash compensation	37,222	35,115
Other income from expenses charged on	10,585	97,581
Project development/ management services FAC1	81	483,490
Charging on of expenses for tenant renovations	0	33,.406
Sundry other operating income	34,979	46,389
Total	**1,247,256**	**1.249,490**

The income from the reversal of provisions relates to the significantly lower provision stated for the company's virtual stock option plan due to the development in its share price. Reference is made to the comments under E.16. The income from derecognition of liabilities is mainly due to the reversal of outstanding invoices deferred in the previous year. The income from the reversal of receivables allowances results from payments received for receivables that had already been written down. In the previous year, the income from the charging on of expenses of tenant renovations related to tenant renovations performed for the City of Lübeck. The corresponding expenses were included in other operating expenses in the previous year.

(3) Personnel expenses

Personnel expenses are structured as follows:

EUR	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Salaries	3,838,555	4,519,952
Statutory social security contributions	484,298	342,922
Total personnel expenses	**4,322,853**	**4,862,874**
of which expenses for pension benefits	4,551	3,665

In the previous year, personnel expenses included expenses of EUR 1,410,299 for the allocation made to the provision for the virtual stock option plan.

(4) Other operating expenses

EUR	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
Legal and advisory expenses	1,146,237	1,252,103
Year-end and audit expenses, cost of interim reporting, tax return and advisory expenses, publication expenses	491,942	396,028
Depreciation/amortisation of other non-current assets	346,162	245,316
External services	298,899	127,626
Costs for non-realised projects	259,658	356,199
Non-period expenses	173.,63	11,068
Stock market listing and shareholders' meeting	171,645	178,547
Advertising expenses	162,638	157,731
Rental and lease expenses	158,823	99,140
Individual allowances for receivables	121,522	197,824
Travel expenses	119,035	161,051
Vehicle expenses	98,176	53,738
Supervisory Board remuneration	90,000	90,000
Insurances	81,483	115,224
Hardware/software maintenance expenses	63,868	21,859
Cost for premises	45,217	43,050
Incidental costs of monetary transactions	21,778	25,495
Non-deductible input tax	4,692	273,893
Expenses for tenant renovations	0	331,406
Compensation for damages	0	77,500
Sundry other operating expenses	261,087	293,040
Total	**4,116,125**	**4,507,837**

The legal and advisory expenses of EUR 1,146,237 (2020: EUR 1,252,103) mainly result from ongoing advisory services and advisory services for various property projects. The depreciation/amortisation of other non-current assets comprises depreciation of EUR 205,171 recognised on IFRS 16 right-of-use assets (2020: EUR 143,750) and depreciation/amortisation of EUR 140,991 recognised on other non-current assets (2020: EUR 101,566). External services include commission payments of EUR 220,000 for the conclusion of a rental agreement. The costs for non-realised projects include costs for due diligence reviews on properties subsequently not acquired or whose acquisition is no longer planned. The rental and lease expenses of EUR 158,823 include expenses from short-term and low-value leases (2020: EUR 99,140). The expenses of EUR 331,406 recognised in the previous year for tenant renovations were offset by income of the same amount within other operating income, as these expenses are charged on to the tenant.

(5) Financial income

The financial income of EUR 16,295 (2020: EUR 13,393) 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 2021	1 Jan-31 Dec 2020
Financial debt interest expenses	6,581,537	6,483,807
Other financial expenses	182,579	111,069
Total	**6,764,116**	**6,594,877**

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

Basic earnings per share are calculated as follows:

EUR	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Consolidated earnings (EUR)	**-10,160,807**	**102,849**
Consolidated net income less non-controlling interests	-9,201,796	257,339
Dilutive effects	0	0
Consolidated net income less dilutive effects	-9,201,796	257,339
Number of shares		
Shares issued at balance sheet date	18,219,214	16,565,922
Weighted number of shares issued	17,211,825	16,565,922
Dilutive effects	0	0
Weighted number of shares issued (diluted)	17,211,825	16,565,922
Earnings per share (EUR)		
Basic earnings per share	-0.53	0.02
Diluted earnings per share	-0.53	0.02

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.

As of 31 December 2021, interest received and paid and ancillary financial expenses have been recognised in the cash flow from investing activities and the cash flow from financing activities respectively. Furthermore, the cash flow statement has been extended. The calculation of cash flows has been based on consolidated net income rather than on consolidated net income before interest and taxes. Financial income, financial expenses and taxes on income are now reported as separate line items in the cash flow statement. The previous year's figures have also been reclassified accordingly.

The cash flows published in the consolidated financial statements as of 31 December 2020, and thus excluding the aforementioned reclassifications, were as follows:

EUR	31 Dec 2021
Cash flow from operating activities	- 9,536,771
Cash flow from operating activities	-56,157,233
Cash flow from operating activities	54,601,371

In the comments provided below, the previous year's figures refer to the figures after reclassification.

Cash flow from operating activities for the period under report amounted to EUR -3,801k (2020: EUR -2,970k). Cash flow from operating activities is mainly influenced by payments of personnel expenses and other operating expenses, which were only countered by a lower volume of earnings from property lettings.

Cash flow from investing activities amounted to EUR -6,198k (2020: EUR -56,157k). In the period under report, payments of EUR -6,035k were made for the acquisition of and further investments in investment properties (2020: EUR -54,291k). Furthermore, in the previous year the cash flow from investing activities included payments of EUR -1,343k to acquire a 50% stake in an associated company.

Cash flow from financing activities amounted to EUR 10,610k in the period under report (2020: EUR 48,035k) and mainly related to the taking up or refinancing of financial loans (2021: EUR 46,148k; 2020: EUR 55,100k) and to the proceeds of EUR 5,322k from the capital increase executed in July 2021 (net of the costs incurred for the capital increase) (2020: EUR 0k). These items were countered by outgoing payments of EUR -34,070k for the repayment of financial loans (2020: EUR 0k) and interest paid and ancillary financing costs of EUR 6,226k (2020: EUR -6,566k).

In the financial year under report, cash and cash equivalents increased by EUR 611k from EUR 7,962k at the beginning to EUR 8,573k 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:

			Non-cash-effective changes		
EUR 000s	**Opening balance at 1 Jan 2021**	**Cash-effective changes***	**Effective interest method**	**Other**	**Closing balance at 31 Dec 2021**
Financial debt	135,534	11,969	330	0	147,834
Lease liabilities	2,563	-565	100	209	2,307
Total	**138,097**	**11,404**	**430**	**209**	**150,141**

*including payments for ancillary financing costs

			Non-cash-effective changes		
EUR 000s	**Opening balance at 1 Jan 2020**	**Cash-effective changes***	**Effective interest method**	**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**

* 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.

Abbreviations for IFRS 7 categories:

FVtPL Financial assets measured at fair value through profit and loss

Aac Financial assets measured at amortised cost

Flac Financial liabilities measured at amortised cost

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 2021
Assets					
Participating interests	FVtPL	0	0	8,751	8,751
Trade receivables	Aac	611	611	0	611
Other current assets	Aac	2,485	2,485	0	2,485
Liabilities					
Non-current financial loans	Flac	113,076	112,893	0	113,076
Current financial loans	Flac	34,757	34..757	0	34,757
Trade payables	Flac	227	227	0	227
Liabilities to associates	Flac	1,221	1,221	0	1,221
Liabilities to companies linked by virtue of investment	Flac	139	139		139
Lease liabilities	Flac	2,307	2,307	0	2,307
Other liabilities	Flac	2,715	2,715	0	2,715

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

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.

Participating interests include the interest held in Covivio Office VI GmbH & Co. KG, for which ERWE has determined the fair value in accordance with IFRS to the best of its knowledge. This calculation was chiefly based on a property survey provided by the company.

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 2021		
EUR 000s	IFRS 7 category	Interest	Income/ expenses	Total
Financial assets measured at fair value	FVtPL	0	0	0
Financial assets measured at cost	Aac	16	0	16
Financial liabilities measured at cost	Flac	-6,460	-304	-6,764

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

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. Loans for which a change in an otherwise fixed interest rate upon the expiry of a specified period is already agreed upon arrangement of the loan have also been recognized under floating-interest loans. In these cases, however, the change in the interest rate does not refer to a benchmark rate. Interest rate risk therefore only applies to one long-term loan with a carrying amount of EUR 2,922k and three short-term loans with a total amount of EUR 25,510k. 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 whose interest rates refer to a benchmark rate, 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 individual 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	2022	2023	2024	2025	>2025
Financial debt	40,542	94,090	3,457	559	21,667
Trade payables	227	0	0	0	0
Liabilities from associates	1,221	0	0	0	0
Liabilities from companies linked by virtue of investment	139				
Lease liabilities	587	549	498	416	524
Other liabilities	2,715	0	0	0	0
Total	**45,431**	**94,639**	**3.,55**	**975**	**22,191**

d) Financing risk
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.

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 000s	31 Dec 2021	31 Dec 2020
Equity (including non-controlling interests)	53.549.687	58.387..85
Total assets	220.101.486	215.161.279
Equity ratio in %	**24.33%**	**27.14%**

The loan-to-value (LTV) amounts to 67.8% (31 December 2020: 63.1%). 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	2022	2023-2026	ab 2027
EUR 000s	< 1 Jahr	1-5 Jahre	> 5 Jahre
Total future minimum lease payments due to non-terminable operating leases	6,174	17,901	19,581

Minimum lease payments (basic net rent) came to EUR 6,274,000 in the period under report (31 December 2020: EUR 4,367,081).

(3) Other financial obligations and contingent liabilities

As of 31 December 2021, ERWE had the following material rental and lease obligations in its capacity as lessee:

EUR	31.12.2021	31.12.2020
Rental and lease obligations		
- within one year	46,400	21,105
- maturing between 1 and 5 years	17,806	2,544
- maturing after 5 years	0	0
Gesamt	**64,206**	**23,649**

For 2021, 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 office space, vehicle parking spaces and storage areas, as well as small appliances.

ERWE had purchase price obligations amounting to a total of EUR 19,504,012 for the purchase of properties in Wuppertal and Bremerhaven, for which the transfer of benefits and encumbrances had not taken place as of 31 December 2021.

In connection with contracts entered into with construction contractors, the Group has obligations of EUR 3,358,534 that are due within one year and EUR 2,753,624 that are due by July 2025.

(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 2021	01 Jan-31 Dec 2021
	Receivables (+)/ liabilities (-)	Income/ interest income(+) / expense/ interest (-)
ERWE as borrower:		
VGHL Management GmbH – loan to ERWE 333	-340,000	-30,295
VGHL Management GmbH – loan to ERWE 555	-160,000	-14,419
HCK Wohnimmobilien GmbH – loan to ERWE AG	-5,006,250	-6,250
Ehlerding Stiftung	0	-127,500
ERWE as lender:		
Covivio Office VI GmbH & Co. KG	883,806	16,294
ERWE as beneficiary of service:		
VGHL Management GmbH	0	-15,224
ERWE Real Estate GmbH	0	-48,308
RW Property Investment GmbH	-5,875	-4,429
Nicole Harloff (Managing Director of ERWE Asset GmbH)	0	-108,933
Philipp Weitzel (Managing Director of ERWE Asset GmbH)	-56	-185,937
Julia Weitzel (HR manager)	0	-31,314
peko construction GmbH	-911,742	-24,136
peko planungs GmbH	-273,700	-2,756
peko GmbH	-35,700	-3,878
H³ Gastro Event GmbH	0	-11,528
Hillermann Consulting e.K.	-3,095	-39,790
ERWE as provider of service:		
ERWE Real Estate GmbH	0	1,200
Covivio Office VI GmbH & Co. KG	-139,200	-163,278
H³ Heddernheimer Höfe GmbH	0	75,047

VGHL Management GmbH granted loans of EUR 340,000 to ERWE Immobilien Retail Projekt 333 GmbH and of EUR 160,000 to ERWE Immobilien Retail Projekt 555 GmbH. Both loans bear interest at 12.5% p.a. In the 2021 financial year, interest expenses amounted to EUR 30,295 at ERWE 333 and to EUR 14,419 at ERWE 555. The other expenses include advisory services of EUR 15,224.

Furthermore, in December 2021 HCK Wohnimmobilien GmbH granted a loan of EUR 5,000,000 to ERWE Immobilien AG. This loan bears interest at a fixed rate of 5.0% and has a term running until the end of 2022. In the 2021 financial year, interest expenses amounted EUR 6,250.

The loan of EUR 3,000,000 taken up from Ehlerding Stiftung, which charged interest at 8.5% p.a., was repaid in June 2021. Interest expenses of EUR 127,500 were incurred until the repayment date.

Upon the foundation of ERWE Asset GmbH, Nicole Harloff acquired a 25.1% stake in this company. In her role as managing director of ERWE Asset GmbH (previously: ERWE Immobilienmanagement GmbH), she received remuneration of EUR 108,933 in the period from 1 January to 31 August 2021.

Philipp Weitzel and Julia Weitzel are close family relations pursuant to IAS 24 of Management Board member Rüdiger Weitzel. In his role as managing director of ERWE Asset GmbH, Philipp Weitzel received remuneration of EUR 185,937 (including the reimbursement of travel expenses) in the period from 1 January to 31 December 2021. Julia Weitzel worked as HR manager for the Group in the period from 1 January to 31 December 2021 and received remuneration of EUR 31,314 in this period.

peko GmbH and its four wholly-owned subsidiaries mainly operate in the field of construction planning and consulting, as well as in the construction of all kinds of building as general contractor. peko GmbH and its subsidiaries performed services of EUR 3,739,032 for ERWE, of which an amount of EUR 3,708,262 was capitalised as construction costs for the respective properties.

H³ Gastro Event GmbH rents 223 m² of office space and business fittings in Speyer. It was agreed to let the office space free of rental charge; however, ancillary expenses of EUR 7,528 were incurred. For the business fittings, ERWE generated rental income of EUR 6,000. Furthermore, H³ Gastro Event GmbH received a FF&E grant of EUR 50,000 that is being deferred over the term. Of this grant, a prorated portion of EUR 10,000 was recognised in the consolidated statement of comprehensive income in the financial year under report.

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 30,780, while further amounts of EUR 9,010 were reimbursed for other costs.

ERWE Properties GmbH granted loans totalling EUR 858,500 in several tranches to Covivio Office VI GmbH & Co. KG. These were supplemented by capitalised interest of EUR 25,306. 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 2021 amounted to EUR 16,294. The other liabilities and expenses due from Covivio Office VI GmbH & Co. KG largely relate to repayment obligations for a project development and management contract settled in the previous year.

ERWE Asset GmbH generated income of EUR 58,200 from H³ Heddernheimer Höfe GmbH in the period until 30 June 2021 in return for business procurement for this company. From 1 July 2021, ERWE Service GmbH assumed the property management accounting for H³ Heddernheimer Höfe GmbH and generated income of EUR 18.000 for performing this task in the financial year under report.

Furthermore, ERWE AG has issued counter-guarantees for guarantees issued by the Management Board members Axel Harloff and Rüdiger Weitzel for an amount of EUR 2,000k in connection with credit financing granted to subsidiaries of ERWE AG.

With regard to the remuneration of 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 are/were members of the Management Board of ERWE Immobilien AG:

- Axel Harloff, Graduate in Business Administration
- Rüdiger Weitzel, Graduate in Engineering
- Christian Hillermann, Graduate in Business Administration (until 4 March 2022)

As remuneration for its activities, the Management Board is entitled to a fixed salary and to variable remuneration components. This short-term variable remuneration takes the form of an annual bonus (short-term incentive: STI), payment of which is dependent on achievement of targets set and reviewed by the Supervisory Board for each financial year and for each member of the Management Board. The long-term variable remuneration takes the form of an investment programme by way of virtual shares (long-term incentive: LTI), i.e. of imaginary shares in the company, the value of which is based on the price of ERWE's share in the XETRA trading system of the Frankfurt Stock Exchange. Reference is made to the comments under E.16. 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 000s	Axel Harloff		Rüdiger Weitzel		Christian Hillermann		Gesamt	
	2021	2020	2021	2020	2021	2020	2021	2020
Non-performance-related basic remuneration	240	240	240	240	200	150	680	630
Non-performance-related benefits in kind	38	32	24	17	37	24	99	73
Non-performance-related other benefits (cost reimbursements etc.)	17	13	0	0	15	7	32	21
Performance-related remuneration (short-term incentive)	0	100	0	100	0	0	0	200
Gesamt	**295**	**385**	**264**	**357**	**252**	**181**	**811**	**924**

The short-term incentives of EUR 100k paid in 2020 involved payment of the entitlement for the 2019 financial year. The Supervisory Board has not yet reached any decision in respect of the short-term incentives for the 2020 and 2021 financial years. These incentives are not included in the above table. The company has recognised provisions of EUR 360k for this purpose.

Provisions of EUR 824k have been stated for the long-term incentives (2020: EUR 1,338k). Reference is made to the comments under E.16. These provisions are also not included in the above table, as there is as yet no entitlement to payment.

Axel Harloff is 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 financial year are shown in the following table:

Name	Function	Occupation	Total remuneration 2021	Total remuneration 2020
Dr. Olaf Hein	Supervisory Board Chairman (until 25 May 2021)	Elbstein AG Management Board	16,022	40,000
Volker Lemke	Supervisory Board Chairman (since 25 May 2021)	Elbstein AG Management Board	23,978	0
Dr. Holger Henkel	Deputy Chairman	Lawyer	30,000	30,000
Carsten Wolff	Member of Supervisory Board	Head of Accounting and Finance	20,000	20,000
Total			**90,000**	**90,000**

Dr. Hein stood down from the Supervisory Board as of 25 May 2021. Volker Lemke was elected as a member of the Supervisory Board by the Annual General Meeting on 25 May 2021.

Carsten Wolff is Deputy Chairman of the Supervisory Board of Accentro AG, a member of the Supervisory Board of Eurohaus Frankfurt AG and a member of the Board of Directors of the ADO Group Ltd. Volker Lemke is the Chairman of the Supervisory Board of Baufinanzwerk AG.

(6) Employees

The average number of employees was as follows:

Number	2021	2020
Management Board members	3	3
Employees in permanent employment	44	35
Total	**47**	**38**

The ERWE Group had 44 employees and three Management Board members as of 31 December 2021.

(7) Group auditor's fee

The group auditor's fee for the 2021 financial year amounted to a total of EUR 176k, of which EUR 133k for auditing services (of which EUR 34k for previous years) and EUR 43k for other services.

(8) Events after the balance sheet date

C&A, the tenant of the retail space at City Colonaden Krefeld, notified us on 22 February of its intention to exercise its extraordinary right of termination in respect of its rental agreement. This rental agreement will therefore expire on 28 February 2023. At the same time, C&A wishes to conclude a new lease agreement with reduced rental space. Negotiations are currently underway for this. In parallel, talks are also taking place with other interested parties who are showing interest in the space that is becoming available.

On 1 March, ERWE acquired the C&A building in Wuppertal-Elberfeld. This property, which has rental space of almost 10,000 square metres, is fully let on a long-term basis to C&A. The investment offers a stable current return and harbours attractive potential for value growth.

On 4 March, Christian Hillermann, previously the member of ERWE's Management Board responsible for corporate finance, stood down from his position with immediate effect and on amicable terms. The other members of the Management Board, Axel Harloff and Rüdiger Weitzel, have assumed his responsibilities in equal share.

The credit financing of EUR 15.3 million in place at a subsidiary of ERWE AG and due for repayment on 31 March 2022 was extended on 30 March until 28 February 2023 at an unchanged interest rate. An immediate repayment of EUR 250k and a further repayment of EUR 1 million on 30 June 2022 were also agreed. The short-term prolongation is to be replaced by long-term financing upon conclusion of the lease negotiations for the property.

On 30 March 2022, Deutsche Börse approved an application by ERWE to revoke the admission of the ERWE share to the Prime Standard. The revocation will take effect at the close of 30 June 2022, so that the share will again be listed in the General Standard segment from 1 July 2022.

On March 31, ERWE acquired the C&A building in Bremerhaven. The property with rental space of close to 5,600 square meters is fully let to C&A. Bremerhaven's city centre is about to undergo extensive urban development, which offers the potential to increase the value of the acquired property.

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 2021.

(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 November 2021. This was made available to shareholders in the "Investor Relations" section of the company's website.

Frankfurt am Main, 7 April 2022

ERWE Immobilien AG

A. Harloff

Axel Harloff /
Management Board member

R. Weitzel

Rüdiger Weitzel /
Management Board member

The audit report below also includes an "assurance report in accordance with § [Article] 317 Abs. [paragraph] 3a 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 2021, 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 2021 to 31 December 2021, 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 2021 to 31 December 2021. 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, based on 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 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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 2021. 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

a) Risk to the financial statements

In its consolidated balance sheet as of 31 December 2021, ERWE Immobilien AG has reported investment properties of EUR 195,495k (previous year: EUR 192,713k) measured at fair value pursuant to IAS 40. The consolidated statement of comprehensive income for the 2021 financial year includes a negative result from measurement of investment properties amounting to EUR 2,012k (previous year: Positive result of EUR 6,788k).

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. Furthermore, for one property and one project development, we have obtained a further value appraisal (control calculation) by an external expert commissioned by us.

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.

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 supervisoryboard 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 skepticism 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. 3a 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. 3a 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_2021.zip" 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.

Except for this opinion and our opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2021 included in the "Report on the audit of the consolidated financial statements and the combined management report" above, we do not express any opinion on the information given in these reproductions or on the other information included in the above-mentioned file.

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).

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 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 skepticism 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 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) accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable at the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML rendition

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 25 May 2021. We were engaged by the supervisory board on 28 September 2021. 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).

Other matters - Use of the auditor's report

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the combined management report as well as the audited ESEF documents. The consolidated financial statements and combined management report converted into the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Public auditor responsible for the engagement

The public auditor responsible for the engagement is Dirk Heide.

Hamburg, 7. April 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Florian Riedl
Wirtschaftsprüfer
(Public auditor)

Dirk Heide
Wirtschaftsprüfer
(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, 7. April 2022
ERWE Immobilien AG

Axel Harloff / **Management Board member**

Rüdiger Weitzel / **Management Board member**


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At a glance

Supervisory Board	Volker Lemke	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
	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	18,219,214 EUR
	Distribution	18,219,214 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 mwb fairtrade Wertpapierhandelsbank AG, Frankfurt am Main
	Listing	Frankfurt am Main, XETRA Regulated Market (Prime Standard)
	Financial year	Calendar year

ERWE Immobilien AG • Herriotstr. 1 • 60528 Frankfurt
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