



ERWE
IMMOBILIEN



9M-REPORT

30 September 2020

ERWE Immobilien AG

KEY FIGURES

ERWE IMMOBILIEN AG

Financial year

30 September 2020
30 September 2019

Income Statement (EURO 000s)

Gross rental income	3,991	2,455
Earnings from property lettings	2,316	911
EBIT	6,188	5,544
Adjusted EBIT	6,188	6,080
Consolidated net income	3,749	1,748

Balance sheet (EURO 000s)

30 September 2020
31 December 2019

Investment properties	183,348	131,910
Interests in properties	6,450	6,225
Net asset value (EPRA)	71,487	69,822
NAV per share	4.32	4.22
LTV (%)	59.9%	46.6%
Total assets	209,726	162,638
Equity	62,033	53,285
Number of shares (000s)	16,563	16,563

Properties

30 September 2020
31 December 2019

Inventory properties	4	3
Project developments	2	1
Participating interests	1	1
Lettable space in m ² *	71,243	54,558
Occupancy rate in %*	88.6%	74.5%

* only Inventory Properties

9M-Report
30 September 2020
ERWE Immobilien AG



CONTENTS

	PAGE
Management Board Foreword	6 - 8
Balance Sheet	10 - 11
Income Statement	12
Development in Equity	14
Net Asset Value	15
Adjusted EBIT	15



MANAGEMENT BOARD FOREWORD

DEAR LADIES AND GENTLEMEN,
DEAR SHAREHOLDERS,

Looking back on the first nine months of the current financial year, we can already conclude that 2020 has become one of the most challenging and difficult years ever. The uncertainty is due to the novel SARS-COV-2 virus, which already brought normal social life and business activity virtually to a halt between March and June of this year and which, as this interim report was being prepared, has once again convinced politicians to shut down large areas of social life in Germany in November.

Given that the virus is again spreading very rapidly, it is currently not possible to foresee the implications for future economic developments. Although many areas of the economy have been hit very hard by this turn of events, cautious navigation has enabled us to pass through the year to date in good shape. We have successfully implemented numerous steps, seized some good opportunities and done much to promote the further growth of our company while at the same time laying firm foundations for its future development.

We began the 2020 financial year with a solid financial basis for the further growth steps we had planned. Following the initial placement of our 2019/2023 bond, by mid-February we had successfully increased its volume to Euro 40 million. The bond has a four-year term running until 2023 and a yield of 7.5 percent p.a. Given the coronavirus crisis, we deliberately took a cautious approach to using the fresh liquid funds while nevertheless keeping a very close eye on market developments. It very quickly became clear that the coronavirus crisis had acted as a catalyst in accelerating the changes in downtown retail in German cities.

Given the expansion in online retail, as well as changes in consumer behaviour, the monothematic retail structures established in recent decades are now less viable in many inner cities. Downtown districts are rather expected to experience a growing renaissance, one in which work, residential and new leisure opportunities will play an ever greater role alongside shopping. We recognised the benefits of mixed use before the advent of the coronavirus and can now seize the new opportunities on a large scale. At the same time, this situation has also impacted on the office market, which flourished in recent years but is now being affected above all by the consideration many companies are giving to home office solutions.

ERWE has invested in four projects in the year to date. In Coesfeld near Münster, i.e. on the northern edge of the Ruhr region, we took over "Kupferpassage". This property, which is put to mixed use, has around 15,000 m² of usable space, including 156 car parking spaces. Around 2,500 m² of the space is occupied by apartments. ERWE has planned a total investment of around Euro 20 million and 91.6 percent of the space was let out as of 30 September 2020. Satisfaction among the retail tenants is reflected in several letting extension negotiations currently underway. Vacant apartments are currently being refurbished for future use, for which there is already demand, and are expected to be fully let next year.

The second investment involves a property in downtown Krefeld which is located directly opposite our first investment in that city. The property acquired will give way to a new building that will comprise office, gastronomy, retail and residential space. This will provide the mixed-use concept that is in demand from many users, while also tapping synergies with our first investment across the road in Krefeld. This way, it will be possible to provide tenants with permanent parking spaces in the first investment property. The total investment will amount to around Euro 22 million.

At the beginning of June, ERWE acquired a property with office, production and logistics space in a fast-developing commercial area in Darmstadt. The estate is located not far from the A5 motorway and thus also not far from Frankfurt Airport. Based on valid building law, the property, which currently has space of around 2,700 m², provides for the option of constructing a new building with more than three times the space. An investment of around Euro 20 million is planned.





© Alejandro Escamilla

We made the fourth investment in October, and thus shortly after the end of the period under report. We once again acquired a property in Darmstadt, in this case in a prime downtown location. The property, which has just under 1,000 m² of retail and residential/usable space, has interesting prospects for value creation. To tap these, we will be investing a single-digit million euro amount in total.

Alongside our activities to further expand the company, we also succeeded in further developing our existing properties. As of 30 September 2020, 84.5 percent of the space at our Postgalerie property in Speyer was already let out. Work on converting former office space, which will in future be used by Amedia for hotel operations, continued to progress on schedule in the period under report. In several stages, 111 rooms will be handed over to the hotel, which now plans to open in December, and thus after the lockdown. The hotel restaurant is also expected to open in December 2020, provided that the "lockdown light" permits this. In 2021, we will start work on converting the publicly accessible areas. This work will include the entrance areas, a new lighting concept, a stair landing for the main entrance and measures aimed at making the building a more attractive place to visit.

At LICHTHOF Lübeck, we handed over all the space let to Lübeck City Administration at the end of September. This means that 73.3 percent of the space has been let. The planned conversion work on public areas will begin next year. Here too, by introducing a new lighting concept and implementing further measures we aim to enhance the attractiveness of the property to visitors.

Our property in Krefeld was fully let at the end of the period under report. The office space previously still vacant was let on a long-term basis in July to Krefeld City Administration, which intends to move various administrative activities to the site. Once the finishing and modernisation work is complete, the space will be handed over to the city administration in three phases by the end of this year.

We expect to receive permission to build the new TAUNUS LAB business centre in Friedrichsdorf near Bad Homburg v.d.H. before the end of this year. In the period under report, we issued a tender for a general contractor. Given the coronavirus situation, pre-letting activities are progressing more slowly.

At our investment in Frankfurt Airport Center, in which we hold a 10.1 percent stake, we have now reached a lettings quota of 96.0 percent. The conversion work is progressing on schedule and within budget. The conversion of public areas will be completed by mid-2021.

The income statement for the first nine months documents ERWE's growth and its lettings success. The company has only witnessed a very low volume of rental income losses due to the coronavirus crisis. These are due to be settled by the relevant parties by the end of the year. At Euro 3,991 million, rental income was therefore significantly higher than in the previous year's period (Euro 2.454 million). Net of expenses, earnings from property lettings amounted to Euro 2.315 million (Euro 0.910 million). Consistent with the growing range of tasks, personnel expenses rose significantly to Euro 3.240 million (previous year: Euro 1.186 million).

The income statement was significantly influenced by IAS 40 fair value measurement items, which totalled Euro 8.890 million and are largely attributable to measurement of the Coesfeld property. A revaluation of deferred tax liabilities led to a positive item of Euro 2.341 million, as a result of which the income statement showed consolidated net income of Euro 3.748 million for the first nine months of the 2020 financial year (previous year: Euro 1.748 million). Adjusted EBIT rose to Euro 6.188 million (previous year: Euro 6.080 million).

Due to the new investments made, our total assets grew to Euro 209.762 million (end of 2019: Euro 162.637 million). Of this total, Euro 183.348 million was attributable to investment property (end of 2019: Euro 131.910 million).

Our key financial performance indicators remain highly robust. At 59.9 percent, loan-to-value is still within our guidance figure of 60 percent, and that despite the high volume of debt capital taken up (end of 2019: 46.6 percent). The equity ratio stood at 29.58 percent (end of 2019: 35.84 percent). At Euro 71.487 million, or Euro 4.32 per share, our net asset value rose slightly compared with the end of 2019 (Euro 4.22 per share).

ERWE's further development will depend on its ability to exploit the attractive opportunities currently available in a market shaped by significant restructuring. We are being offered numerous investment opportunities that clearly fit our business model. To act on these, we will require further capital and a broader framework for managing our investment opportunities.

To address this situation, at the end of the period under report we founded ERWE Invest GmbH, which has the objective of building up and managing a portfolio of attractive commercial properties in German inner cities with the involvement of institutional investors. We naturally also wish to participate in these portfolios. This way, we will be able to spread our funds more widely, generate revenues from management services. Ultimately, we will also participate directly in the potential value growth, large parts of which will be accessed thanks to our concept and our commitment. We have been able to attract Markus Koch, previously longstand-

ing CFO at DIC Asset AG, to manage this company. He will be joined by Rüdiger Weitzel as Managing Director of ERWE's new operation.

Overall, we expect ERWE to make further acquisitions and report further growth. This will be reflected in rising operating earnings in the coming year already.

Yours faithfully,



Axel Harloff
Vorstand

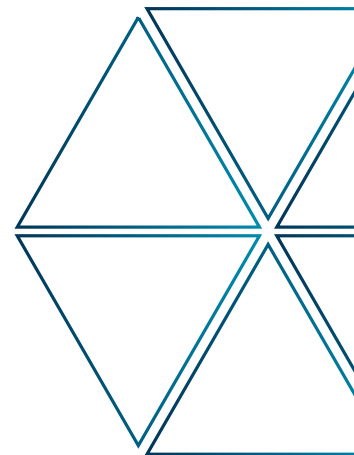


Christian Hillermann
Vorstand



Rüdiger Weitzel
Vorstand

Frankfurt am Main, November 2020





© Sanjay

Assets

EUR	30 September 2020	31 December 2019
Non-current assets		
Property, plant and equipment and intangible assets	1,423,559	1,466,970
Investment properties	183,348,100	131,910,000
Interests in companies measured at equity	6,449,752	6,224,752
Prepayments made for investment properties	101,243	0
	191,322,654	139,601,722
Current assets		
Trade receivables and other receivables	819,681	340,885
Receivables from companies linked by virtue of investment	1,016,797	619,848
Other financial assets	0	1,894,300
Other assets	1,423,502	1,021,503
Income tax receivables	0	104,449
Cash and cash equivalents	15,143,626	19,055,016
	18,403,606	23,036,000
	209.726.260	162.637.721

Liabilities

EUR	30 September 2020	31 December 2019
Equity		
Share capital	16,562,922	16,562,922
Capital reserve	11,020,843	11,020,843
Revenue reserves	14,359,044	14,359,043
Accumulated net profit	16,279,253	12,747,254
Equity allocable to shareholders in parent company	58,222,062	54,690,063
Non-controlling interests	3,811,356	3,594,773
	62,033,418	58,284,836
Non-current liabilities		
Financial debt	57,323,489	69,726,396
Provisions	1,035,060	36,960
Leasing liabilities	2,245,861	2,563,180
Deferred tax liabilities	12,934,079	15,299,656
	73,538,489	87,626,192
Current liabilities		
Income tax liabilities	16,318	16,318
Financial debt	71,517,656	13,688,584
Trade payables	304,796	946,506
Liabilities to companies linked by virtue of investment	0	0
Leasing liabilities	413,897	389,283
Other liabilities	1,901,686	1,686,003
	74,154,353	16,726,693
Total equity and liabilities	209,726,260	162,637,721

Consolidated Income Statement for the Period from 1 January to 30 September 2020

EUR	1 Jan - 30 Sep 2020	1 Jan - 30 Sep 2019
Gross rental income	3,991,077	2,454,801
Expenses from property lettings	-1,675,235	-1,543,963
Earnings from property lettings	2,315,842	910,838
Other operating income	679,234	524,830
Personnel expenses	-3,240,702	-1,186,305
Other operating expenses	-2,681,476	-1,993,964
Result from measurement of investment properties	8,890,148	5,988,190
Result from associated companies valued at equity	225,000	1,300,000
Earnings before income and taxes (EBIT)	6,188,045	5,543,590
Financial income	4,386	7,411
Financial expenses	-4,785,666	-2,515,091
Earnings before taxes	1,406,765	3,035,909
Taxes on income	2,341,818	-1,287,621
Consolidated net income / comprehensive income	3,748,583	1,748,288
of which attributable to:		
Shareholders in parent company	3,531,999	1,825,591
Non-controlling interests	216,584	-77,304
Undiluted earnings per share	0.21	0.11
Diluted earnings per share	0.21	0.11



Development in Equity for the Period from 1 January to 30 September 2020

EUR	Share capital	Capital reserve	Revenue reserves	Accumulated net profit	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2020	16,562,922	11,020,843	14,359,044	12,747,254	54,690,063	3,594,773	58,284,836
Consolidated net income / comprehensive income	0	0	0	3,531,999	3,531,999	216,584	3,748,583
Other changes	0	0	0	0	0		0
Balance at 1 Sep 2020	16,562,922	11,020,843	14,359,044	16,279,253	58,222,062	3,811,356	62,033,418

EUR	Share capital	Capital reserve	Revenue reserves	Accumulated net profit	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2019	16,562,922	11,020,843	14,390,301	4,479,195	46,453,261	3,132,041	49,585,302
Consolidated net income / comprehensive income	0	0	0	1,825,591	1,825,591	-77,304	1,748,287
Other changes	0	0	-24,166	0	-24,166	25,101	935
Balance at 1 Sep 2019	16,562,922	11,020,843	14,366,135	6,304,786	48,254,686	3,079,838	51,334,524

Net-Asset-Value (NAV)

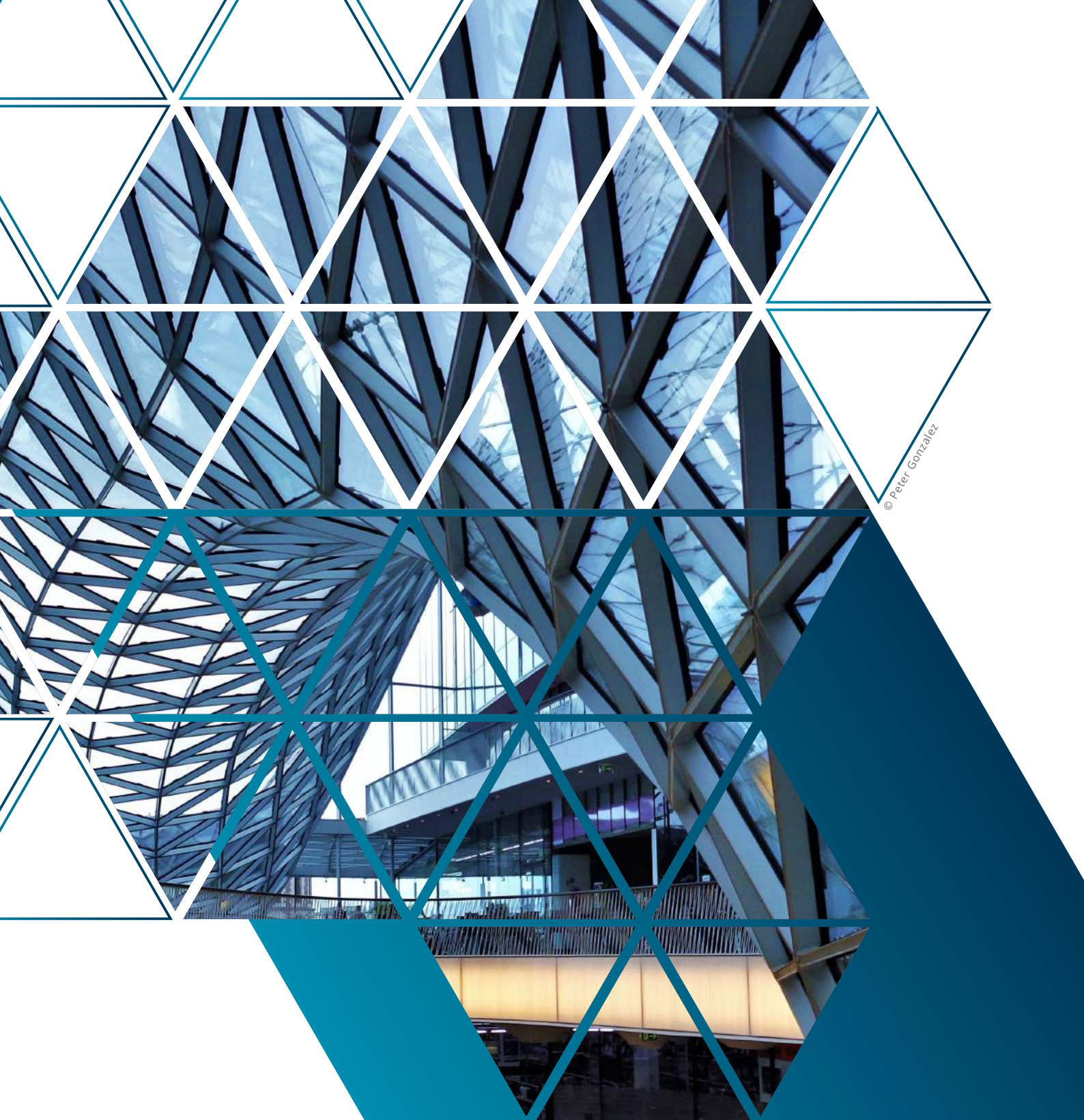
30 September 2020

EUR 000s	31 September 20	31 December 19
Equity	62,033	58,285
- non-controlling interests	-3,811	-3,595
Equity attributable to ERWE shareholders	58,222	54,690
Liabilities for deferred taxes on investment properties, where attributable to shareholders in parent company	13,265	15,132
Present value of projects recognised at cost, where attributable to shareholders in parent company	0	0
Net-Asset-Value (NAV)	71,487	69,822
Number of shares	16,562,922	16,562,922
Net-Asset-Value (NAV) per share	4.32	4.22

Adjusted EBIT

for the Period from 1 January to 30 September 2020

EUR 000s	2020	2019
Consolidated net income	3,748,583	1,748,288
+ taxes	-2,341,818	1,229,428
+/- financial costs/income	4,781,280	2,507,681
+/- non-recurring and special items	0	595,000
Adjusted EBIT	6,188,045	6,080,397



© Peter Gonzalez

ERWE Immobilien AG

✉ Herriotstraße 1
D-60528 Frankfurt am Main

☎ Tel.: +49 69 96 37 68 69 0
Fax: +49 69 96 37 68 69 30

📍 info@erwe-ag.com
www.erwe-ag.com