ANNUAL REPORT
GODEWIND IMMOBILIEN AG
2019

GODEWIND IMMOBILIEN AG

IFRS CONSOLIDATED KEY FIGURES

EARNINGS INDICATORS	UNIT	2019	2018
Revenues from letting activities	in EUR k	40,766	712
Net operating income from letting activities (NOI)	in EUR k	22,998	577
Gains/losses from property valuation	in EUR k	214,321	10,756
EBITDA	in EUR k	12,444	–6,838
Consolidated net income	in EUR k	187,762	10,128
FFO I	in EUR k	8,903	–3,769
FFO I per share	in EUR	0.08	–0.04
EPRA earnings	in EUR k	46,073	2,205
EPRA earnings per share	in EUR	0.43	0.03
Earnings per share, basic	in EUR	1.73	0.11
Earnings per share, diluted	in EUR	1.70	0.11

KEY STATEMENT OF FINANCIAL POSITION METRICS			
Investment property	in EUR k	1,096,037	300,905
Cash and cash equivalents	in EUR k	24,769	157,745
Total assets	in EUR k	1,132,443	503,054
Shareholders' equity (incl. non-controlling interests)	in EUR k	582,931	397,251
Equity ratio	in %	51.48	78.97
Net debt	in EUR k	486,440	–59,390
Net loan to value (LTV)	in %	44.4	–19.7
EPRA NAV	in EUR k	654,705	396,394
EPRA NAV per share	in EUR	6.10	3.65
EPRA NNNAV per share	in EUR	5.38	3.62

SELECTED PORTFOLIO KEY PERFORMANCE INDICATORS		as at 31.12.2019	as at 31.12.2018
Property value pursuant to IAS 40	in EUR k	1,096,037	300,905
Number of properties		10	4
Lettable area	in m²	293,406	96,655
Annualised 'topped-up' rental income	in EUR k	41,576	13,657
Gross initial yield	in %	3.79	4.54
EPRA vacancy rate	in %	21.1	32.3
Portfolio LTV	in %	46.6	29.1
WALT	in years	5.2	4.2
Average rent	in EUR/m²	15.27	15.98

OUR VISION

WE HAVE GROWN GODEWIND IMMOBILIEN AG INTO ONE OF GERMANY'S LEADING LISTED PROPERTY COMPANIES. WE DID THIS BY FOCUSING ON EXPANDING OUR PROFITABLE AND VALUABLE PORTFOLIO, WHICH CONSISTS SOLELY OF OFFICE PROPERTIES CONCENTRATED AT FOUR OF THE TOP SEVEN LOCATIONS IN GERMANY.

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FOREWORD BY THE EXECUTIVE BOARD

Ladies and Gentlemen,
Dear Shareholders,

In conjunction with the publication of the first report for a full financial year since the IPO in April 2018, we have the privilege of reporting to our shareholders that the company has enjoyed further outstanding success in its short, action-packed corporate history.

Covivio X-Tend AG, an indirect subsidiary of Covivio S.A., Metz (Covivio), has announced to the shareholders of Godewind Immobilien AG its intention to make a voluntary, public takeover offer for 100 percent of Godewind's share capital. The announced terms of the takeover bid provide for EUR 6.40 cash per share for each shareholder, making for a gain of about 60 percent on the issue price of EUR 4.00 at the IPO or an internal rate of return of 28.7 percent. The takeover bid is intended to be submitted as a delisting offer. Combined with the extensive cost synergies, this will provide an opportunity to create a leading European real-estate group together.

Covivio's announced offer is not only a reflection of the ongoing consolidation of the German commercial-property market. What's more, it underscores our successful work over the last two years and the company appeal that this has created.

Just 24 months after starting operations solely as an optimiser of existing office properties, Godewind's position in spring 2020 is a story of success: listed in the Prime Standard, represented in – among others – the SDAX and in the GEX Index, the index of Germany's top 26 entrepreneur-run groups, establishment of a highly profitable office property portfolio worth almost EUR 1.1 billion, a takeover offer from Covivio and, with that, the most successful blind-pool IPO in the European real-estate sector ever. Our company was built up from 'scratch' in the shortest period of time and now occupies an excellent position after less than two years. Godewind is well-equipped for the future, also as part of Covivio.

It therefore comes as no surprise that the figures for 2019 send a strong signal to the industry and capital market – they show that we have established Godewind as one of the leading listed players in the German office property market.

We were, for instance, able to increase property value to almost EUR 1.1 billion – after roughly EUR 300 million in 2018. The EPRA NAV per share increased to EUR 6.10 after the previous EUR 3.65. We achieved this by successfully adding value through our active asset management in particular. The pleasing business development rests on a stable foundation, since our purchases were focused exclusively on office properties in prime locations with high value-adding potential and deliberately included strategic office vacancies of more than 26 percent initially. We had purchased ten properties based on these quality criteria by the time the reporting period concluded, allowing us to enjoy a profitable financial year in 2019.

For lasting success – especially in times of falling yields from purchases – it is important to be able to optimise properties using internal resources to leverage previously hidden value. By successfully implementing this 'Manage-to-Core' strategy, we established an attractive, purely office-based portfolio, which is a unique selling point compared to other listed property companies in Germany.

Using this clear development strategy, we reduced the deliberately purchased office vacancy to less than 10 percent within just a few months and, in doing so, exceeded our already ambitious targets. Our active asset management played a key role in reducing vacancy in connection with rent adjustments and extensions of existing tenancy agreements. In the previous year, for example, tenancy agreements for over 42,000 m² were signed and existing tenancy agreements for over 37,000 m² were extended, all on favourable terms. This is also reflected in the funds from operations (FFO) which reached roughly EUR 8.9 million in the 2019 financial year. It should be noted that the earnings from properties purchased in the 2019 financial year were only factored into the figures on a proportional basis.

Our company is further underpinned by a stable financial basis. With a net loan-to-value ratio of about 44.4 percent at year end in 2019, we possess the flexibility required to expand our portfolio further. The refinancing costs are subject to an average interest rate of 1.21 percent for all our loan agreements and are therefore extremely low.

The capital market has also increasingly acknowledged our positive business performance and excellent prospects. With a price increase of 64 percent, Godewind shares were among the most successful of last year. In addition, the year-end price of EUR 4.74 was almost 20 percent higher than the issue price of EUR 4.00 for the IPO. The price rose further to EUR 6.40 after publication of the planned takeover bid on 13 February of this year.

A crucial part of this success story is owed to our staff. Thanks to their commitment and expertise, they have developed Godewind into one of the leading listed property companies in Germany 'in record time'. We would therefore like to express our gratitude to all of our employees. Finally, we would also like to thank you, our shareholders, for the confidence and support you have put in us, without which we would not have been able to lead Godewind to success.

Best regards,

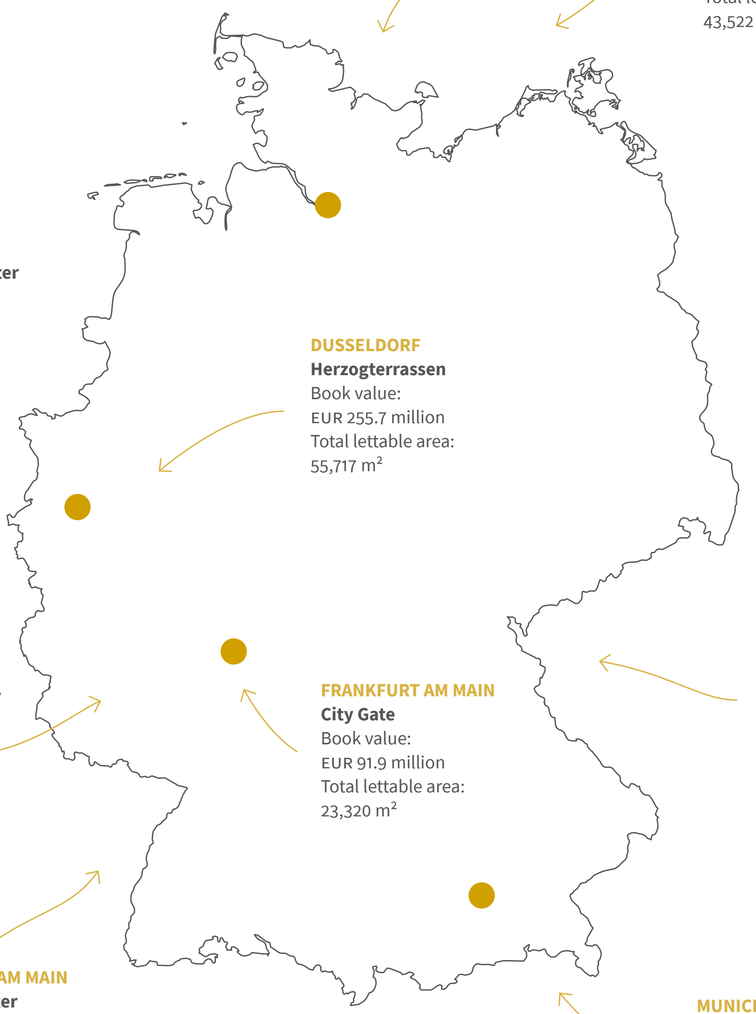
Stavros Efremidis Chairman of the Executive Board	**Ralf Struckmeyer** Member of the Executive Board

OUR PORTFOLIO

Our office properties are located in attractive locations in Germany's growth centres. They are also characterised by a high level of organic growth potential through vacancy reduction. They are therefore an optimum fit for our company's strategy.

HAMBURG
Pentahof
Book value:
EUR 67.5 million
Total lettable area:
25,345 m²

HAMBURG
Quartier am Zeughaus
Book value:
EUR 191.2 million
Total lettable area:
43,522 m²



DUSSELDORF
Airport Business Center
Book value:
EUR 46.0 million
Total lettable area:
13,069 m²

DUSSELDORF
Herzogterrassen
Book value:
EUR 255.7 million
Total lettable area:
55,717 m²

FRANKFURT AM MAIN
Frankfurt Airport Center
Book value:
EUR 229.3 million
Total lettable area:
48,136 m²

FRANKFURT AM MAIN
City Gate
Book value:
EUR 91.9 million
Total lettable area:
23,320 m²

FRANKFURT AM MAIN
Y2
Book value:
EUR 77.3 million
Total lettable area:
30,930 m²

FRANKFURT AM MAIN
ComConCenter
Book value:
EUR 48.4 million
Total lettable area:
16,264 m²

MUNICH/ASCHHEIM
Eight Dornach
Book value:
EUR 42.9 million
Total lettable area:
17,612 m²

MUNICH/KIRCHHEIM
Sunsquare
Book value:
EUR 45.8 million
Total lettable area:
19,492 m²

DUSSELDORF
HERZOGTERRASSEN

Herzogterrassen is located directly within the Dusseldorf city centre 500 m away from lively Königsallee. The former WestLB headquarters are now an asset with many tenants and highly flexible office spaces that are particularly suited to tenants from the financial and services sectors. It additionally possesses first-rate infrastructure integration. Herzogterrassen has also been setting ecological standards with 100 per cent green power supply since July 2019.

Herzogterrassen, Dusseldorf

	31.12.2019 (Status quo)	15.4.2019 (Purchase date)
Office vacancy	0.0%	40.1%
Rental income	EUR 12.6 million	EUR 6.7 million
WALT	10.9 years	6.4 years

Airport Business Center, Dusseldorf

	31.12.2019 (Status quo)	30.11.2018 (Purchase date)
Office vacancy	5.4%	16.3%
Annualised rental income	EUR 2.1 million	EUR 1.8 million
WALT	3.8 years	3.9 years

Airport Business Center is situated right by the A52 motorway and possesses outstanding connections to the motorway network and Dusseldorf Airport. The airport economy has developed continuously in recent years, which is reflected in the steadily rising peak rents.

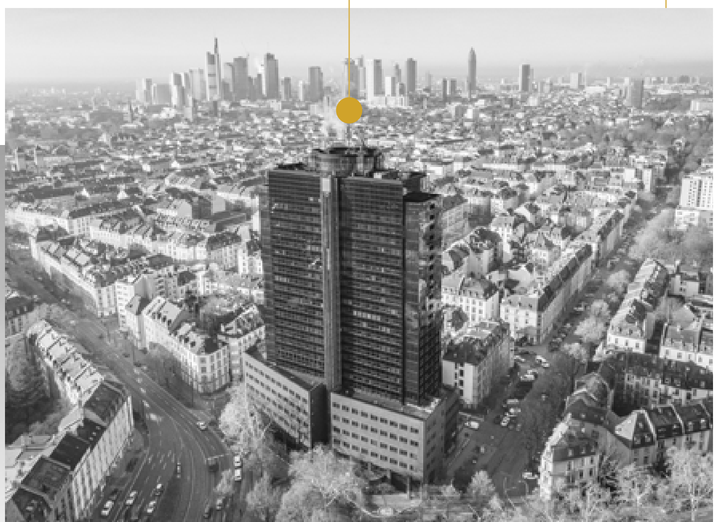
AIRPORT BUSINESS CENTER
DUSSELDORF

FRANKFURT AM MAIN
CITY GATE

The office complex known as City Gate, containing 28 floors, is located in front of Nibelungenplatz square in Nordend, Frankfurt. The building is suitable for a diverse range of tenants thanks to its flexible spaces and good transport integration. The office tower most recently underwent an extensive modernisation in 2018. In the same year, City Gate also received the 'excellent' sustainability certification from BREEAM for first-class green buildings.

City Gate, Frankfurt

	31.12.2019 (Status quo)	1.9.2019 (Purchase date)
Office vacancy	9.2%	9.2%
Annualised rental income	EUR 3.9 million	EUR 3.8 million
WALT	6.6 years	6.7 years



Niederrad borough has become an important office location in Frankfurt in recent years. The demand for office space at this strategically attractive location between the airport and city centre has risen steadily. Well-renowned corporate groups have based themselves here, resulting in the high vacancy rates being consigned to history.

ComConCenter, Frankfurt

	31.12.2019 (Status quo)	31.10.2018 (Purchase date)
Office vacancy	2.8%	10.7%
Annualised rental income	EUR 2.3 million	EUR 2.0 million
WALT	5.9 years	3.1 years

COMCONCENTER
FRANKFURT AM MAIN

FRANKFURT AM MAIN

FRANKFURT AIRPORT CENTER

Frankfurt Airport Center is a unique asset with a direct connection to Terminal 1 at Frankfurt Airport. In addition, there exist outstanding connections to the motorway and railway networks. This is reflected in the steadily rising peak rents. FAC is simultaneously an ecologically certified office complex with Platinum LEED certification.

Frankfurt Airport Center, Frankfurt

	31.12.2019 (Status quo)	28.12.2018 (Purchase date)
Office vacancy	3.8%	18.4%
Annualised rental income	EUR 11.3 million	EUR 10.0 million
WALT	7.5 years	6.1 years

Y2 is located in the Mertonviertel neighbourhood in Frankfurt, profiting from the outstanding connections to the Frankfurt city centre. A metro station is located close by the building. The asset is very flexible and can be let to multiple tenants in smaller units or used as a large-area project.

Y2, Frankfurt

	31.12.2019 (Status quo)	13.2.2019 (Purchase date)
Office vacancy	22.9%	32.2%
Annualised rental income	EUR 3.4 million	EUR 2.7 million
WALT	11.2 years	5.5 years

Y2

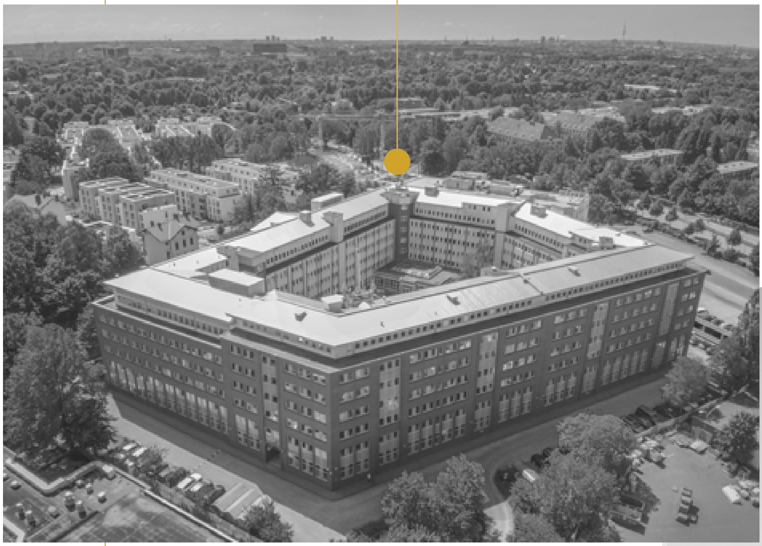
FRANKFURT AM MAIN

HAMBURG
PENTAHOF

Pentahof, Hamburg

	31.12.2019 (Status quo)	31.1.2019 (Purchase date)
Office vacancy	0.0%	0.0%
Annualised rental income	EUR 3.0 million	EUR 3.0 million
WALT	3.9 years	4.8 years

Pentahof is located in the Hamburg neighbourhood of Fuhlsbüttel and benefits from outstanding connections to the A7 motorway as well as nearby Hamburg Airport. The asset is very flexible and can be used as a multi- or single-tenant property.



Quartier am Zeughaus is located in Hamburg-Eppendorf, one of the most well-known and desired neighbourhoods in Hamburg with rising rents and an attractive tenant mix. The asset offers premium offices and very flexible usage. The last core modernisation took place in 2008.

Quartier am Zeughaus, Hamburg

	31.12.2019 (Status quo)	30.4.2019 (Purchase date)
Office vacancy	3.4%	9.5%
Annualised rental income	EUR 8.1 million	EUR 7.3 million
WALT	3.5 years	3.3 years

QUARTIER AM ZEUGHAUS
HAMBURG

MUNICH
SUNSQUARE

The sunsquare office complex is located in Kirchheim-Heimstetten in the thriving suburbs of Munich. The short distance to Munich and the perfect infrastructure, with a commuter railway station right in front of the door, have motivated many prestigious companies to base themselves in the direct proximity. The grounds offer diverse opportunities for developing additional lettable area.

Sunsquare, Munich

	31.12.2019 (Status quo)	15.12.2018 (Purchase date)
Office vacancy	50.2%	67.6%
Annualised rental income	EUR 1.3 million	EUR 0.8 million
WALT	5.4 years	3.7 years

Eight Dornach, Munich

	31.12.2019 (Status quo)	31.1.2019 (Purchase date)
Office vacancy	25.3%	50.3%
Annualised rental income	EUR 1.9 million	EUR 1.1 million
WALT	3.8 years	4.2 years

Eight Dornach is located in the ExpoGate business park in Munich-Dornach, just beside the Munich city limits. The property enjoys excellent integration with the Munich city centre and Munich trade fair centre. Eight Dornach can be used flexibly for smaller lease units as well as for large tenants or a combination of the two.

EIGHT DORNACH
MUNICH

REPORT OF THE SUPERVISORY BOARD

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

Cooperation between the Supervisory Board and the Executive Board

The Supervisory Board duly discharged during the reporting period all obligations imposed on it by law and the Articles of Association. It continuously oversaw the Executive Board's conduct of business, advised it on all matters of importance to the company and confirmed that the management of the company was at all times lawful, proper, expedient and economical. The Executive Board informed and involved the Supervisory Board directly and early on in all decisions of central importance for the company. In particular, the Executive Board informed the Supervisory Board regularly, promptly and comprehensively, both in writing and verbally, of the Godewind Group's corporate planning, business performance, strategic development and current situation. The reporting also related to the company's risk management and early-detection system and to the Executive Board's compliance activities and financial management.

Based on the Executive Board's reporting, the Supervisory Board discussed in depth the company's business performance, its key decisions and transactions and its plans, and scrutinised them for plausibility. The company's strategic direction was established in dialogue with the Executive Board. The reporting also included, when necessary, disclosures concerning variances between actual performance and targets reported earlier or between business results and planning (follow-up reporting). When decisions needed to be made concerning business dealings that were subject to approval according to law, the company's Articles of Association or the Executive Board's rules of procedure – as in the case of capital measures or the acquisition of real-estate or equity interests, for example – the Supervisory Board approved such transactions after close examination.

Moreover, the Chairman of the Supervisory Board was in regular contact with the Executive Board, and with the Chairman of the Executive Board in particular, and kept himself informed of the developments in the current business environment and of important business transactions. The members of the Supervisory Board were at all times informed of the content and results of this exchange in a timely manner and no later than at the next meeting.

There were no indications of conflicts of interest among members of either the Executive Board or the Supervisory Board during the 2019 financial year.

Points of emphasis in the Supervisory Board's deliberations

The Supervisory Board met six times during the reporting period. Each of the meetings was attended by all of its members.

During the meeting on 5 March 2019, the Supervisory Board first concentrated on the update to the 2019 business plan. This update became necessary after the company purchased a further five properties in December 2018/January 2019 following the submission of its planning for the 2019 financial year in November 2018. The Executive Board also explained the planned capex activities and tenant improvement works and presented some of the upcoming major tenancy agreement deals. The Supervisory Board unanimously approved the update to the 2019 business plan.

The Supervisory Board further used this meeting to deal with the two Executive Board members' bonuses for the 2018 financial year. The Executive Board's performance target was to conclude property purchase agreements with a total value of at least EUR 600 million by 31 December 2018. The Supervisory Board found that this target had been reached at a level of 96 per cent and granted Chairman Stavros Efremidis a bonus of EUR 288,000 and Mr Ralf Struckmeyer EUR 153,600.

Finally, this meeting also saw the Supervisory Board approve the conclusion of loan agreements for artwork destined for the company's offices in Berlin and Frankfurt am Main, with the company acting as borrower and a company belonging to Mr Stavros Efremidis as lender.

The auditors Yaman Pürsün and Lorena Theuerkorn from KPMG AG attended a meeting of the Supervisory Board on 4 April 2019 and explained the focus areas for the audit. They also explained that the auditor's report for the consolidated 2018 statements could still not be issued due to outstanding measurement issues for two properties. The auditor's report for the individual financial statements was however available and was approved by the Supervisory Board after a discussion. The Chairman therefore declared the individual financial statements adopted. The matter of approval of the consolidated statements was then planned for decision at another Supervisory Board meeting on 9 April 2019.

At this meeting, the Chief Financial Officer Ralf Struckmeyer further explained the planned refinancing and financing of the following properties:

- Y2, Frankfurt am Main
- Sunsquare, Kirchheim b. München
- Eight Dornach, Aschheim
- Herzogterrassen, Dusseldorf
- Zeughaus, Hamburg

The Supervisory Board unanimously approved the conclusion of these loan agreements on the presented terms following a discussion.

In a Supervisory Board meeting held as a conference call on 9 April 2019, the Supervisory Board noted that the auditor's report from KPMG AG for the consolidated 2018 financial statements had been released. The consolidated financial statements were then unanimously approved.

In a Supervisory Board meeting held as a conference call on 12 June 2019, the Supervisory Board dealt with the matter of the draft agenda for the company's ordinary annual general meeting called for 6 August 2019. The planned capital activities were explained. Discussions were also held as to which audit firm to propose as statement auditor for the 2019 financial year at the annual general meeting. The bids of the two shortlisted firms were compared and discussed. The Supervisory Board in the end decided unanimously to propose a vote for Ebner Stolz GmbH & Co. KG at the annual general meeting and also unanimously approved the remaining items on the agenda.

At a Supervisory Board meeting on 6 August 2019, held following the company's ordinary annual general meeting also held on that day, the Supervisory Board first recounted the events of the annual general meeting. The committee members revealed their extreme satisfaction with the events. It was emphasised that no objections were made to the notary's minutes.

This meeting also featured a discussion of the programme for the Executive Board's one-year variable remuneration and the specific structure of this programme for the 2019 financial year. The Supervisory Board unanimously approved the relevant, proposed resolutions.

The meeting also included a discussion about the ongoing lease negotiations with WeWork, the outcome of which was to continue negotiations with the aim of signing a lease agreement within the month.

The Supervisory Board meeting on 27 November 2019 saw the attendance of auditors Olaf Sackewitz and Florian Riedl from Ebner Stolz GmbH & Co. KG for agenda item 7 (audit of the 2019 annual financial statements). They explained the focus areas of their audit, distributed a handout and answered questions asked by the Supervisory Board.

The financial problems of WeWork were also discussed at this meeting since WeWork had leased extensive floor area at the Herzogterrassen property in Dusseldorf through a German subsidiary. The Executive Board explained the comprehensive financial support given to WeWork by its Japanese shareholder Softbank, which brought WeWork's liquidity to roughly USD 6.5 billion and enables the company to remain a going concern and restructure as planned with the goal of achieving profitability. The Supervisory Board agreed with the Executive Board's assessment that it had made the right choice to sign a tenancy agreement with WeWork.

Furthermore, Chief Financial Officer Ralf Struckmeyer presented the preliminary plans for the 2020 financial year, which were unanimously approved by the Supervisory Board after discussion.

The Executive Board explained at this meeting its proposal to contract an external third party to carry out internal auditing. The Supervisory Board unanimously approved this proposal.

The Executive Board moreover presented and explained the terms for the planned refinancing of the Frankfurt Airport Center property, which were also unanimously approved by the Supervisory Board after discussion.

Finally, the Supervisory Board discussed a fine that BaFin imposed on the company in connection with publication requirements under capital market law. The Executive Board explained to the Supervisory Board the background of the situation, the relevant measures that had been taken prior to it and the additional measures taken subsequently. With regard to further follow-up actions, the Supervisory Board considered the aforementioned factors and, after consulting an external legal adviser in November 2019, came to the conclusion that the company's Executive Board had taken all necessary and appropriate measures and that the relevant efforts had been intensified once again following the event to prevent such violations in future. The Supervisory Board will continue monitoring the implementation of the adopted measures in close cooperation with the Executive Board.

During the 2019 financial year, the Supervisory Board also utilised written approval processes to adopt various resolutions concerning investment decisions and borrowing, among other things.

This included, among other things, the acquisitions of the properties Herzogterrassen in Düsseldorf and City Gate in Frankfurt am Main. Furthermore, the Supervisory Board circulated and passed a resolution on borrowing for the properties Y2, Frankfurt am Main; Sunsquare, Kirchheim bei München; Eight Dornach, Aschheim; Herzogterrassen, Dusseldorf; Zeughaus, Hamburg; and City Gate, Frankfurt am Main and on the interim financing and refinancing of the Frankfurt Airport Center property. The Supervisory Board also circulated and passed a resolution to enter into the lease agreement with WeWork and carry out the associated investments.

No Supervisory Board committees

Given that the Supervisory Board is made up of three persons, it has opted not to form committees and a committee report is therefore inapplicable.

Corporate governance and statement of compliance

Responsible and transparent corporate management enjoys a high priority at Godewind Immobilien AG. Information on corporate governance can also be found in the 'Corporate Governance' section of the Group management report in the 2019 annual report. On 27 December 2019, the Executive and Supervisory Boards issued a statement of compliance which, together with the corporate-governance declaration pursuant to Section 289a of the German Commercial Code (HGB), was made permanently available to the shareholders over the company's website. The current statement of compliance is also reproduced in the 2019 annual report.

Audit of the annual and consolidated financial statements

Ebner Stolz GmbH & Co. KG was appointed auditor of the individual and consolidated accounts for the 2019 financial year by resolution at the annual general meeting on 6 August 2019, and consequently audited and issued an unqualified audit opinion to the annual financial statements of Godewind Immobilien AG as at 31 December 2019 and the consolidated financial statements as at 31 December 2019.

The financial reports (the annual and consolidated financial statements as at 31 December 2019 along with the management and Group management reports for the 2019 financial year) and the auditor's report were submitted to the Supervisory Board by the relevant due date and were examined closely. The Supervisory Board discussed the documents extensively and approved both sets of statements at its conference-call meeting on 20 March 2020, at which the auditors were also present. The annual financial statements as at 31 December 2019 were therefore adopted.

Frankfurt am Main, 20 March 2020

Dr Bertrand Malmendier
Chairman of the Supervisory Board

EPRA KEY FIGURES

The European Public Real Estate Association (EPRA) is a non-profit association and represents the interests of the European publicly traded real estate companies. The organisation was founded in 1999 and is registered in Brussels, Belgium. It publishes best practice recommendations for real estate companies on how to measure their performance parameters. The objective is to make financial reporting consistent and transparent and thus improve comparability within the real estate sector. With these recommendations, EPRA has created a framework for standardised financial reporting that goes beyond the IFRS and crystallises the peculiarities of the real estate sector. Godewind joined the association in December 2018 and aims to adopt and comply with all EPRA recommendations for all statutory and mandatory indicators. The company has applied the current EPRA "BPR General Recommendations" for measuring its performance parameters.

The key figures for the financial year 2019 are as follows:

SUMMARY OF EPRA KEY FIGURES

	31.12.2019	31.12.2018
EPRA NAV in EUR k	654,705	396,394
EPRA NAV per share in EUR	6.10	3.65
EPRA NNNAV in EUR k	576,706	392,803
EPRA net initial yield (NIY) in %	2.8	3.2
EPRA 'topped-up' net initial yield in %	3.3	3.3
EPRA vacancy rate in %	21.1	32.3
EPRA earnings in EUR k	46,073	2,205
EPRA earnings per share in EUR	0.43	0.03
EPRA cost ratio (incl. direct vacancy costs) in %	62.1	1,361.1
EPRA cost ratio (excl. direct vacancy costs) in %	50.3	1,361.1

EPRA EARNINGS

EPRA earnings measure the operational performance of real estate companies which derive most of their income from leasing and managing property portfolios. Calculations are based on IFRS earnings before non-controlling interests, adjusted by excluding certain positions defined by EPRA. In order to ensure comparability, fair value gains, sales of properties and non-property-related income and expenses in particular are excluded and adjusted for non-controlling interests. Not excluded from EPRA earnings are one-off effects and non-cash expenses/income.

EPRA EARNINGS

IN EUR K	31.12.2019	31.12.2018
Consolidated net income	187,762	10,128
Changes in value of investment properties	–214,321	–10,756
Deferred and actual taxes relating to EPRA adjustments	74,407	3,591
Profit or loss attributable to non-controlling interests	–1,775	–758
EPRA earnings	**46,073**	**2,205**
Number of shares in thousands	107,307	86,655
EPRA earnings per share in EUR	**0.43**	**0.03**

EPRA NET ASSET VALUE (NAV)

EPRA NAV is a key performance measure of the real net asset value of real estate investment companies with a long-term investment strategy. EPRA NAV represents the recognised fair value of the properties' net asset value. Certain positions which are unlikely to crystallise over the long term are excluded from EPRA NAV. Hence, measurement of this indicator is based on the assumption that real estate companies hold their properties for long periods of time and are unlikely to sell them at short notice. Excluded are therefore deferred tax liabilities on revaluations of the property portfolio and financial instruments held to maturity.

EPRA NET ASSET VALUE (NAV)

IN EUR K	31.12.2019	31.12.2018
Equity attributable to shareholders of Godewind Immobilien AG (undiluted)	576,706	392,803
Deferred tax liabilities on properties	77,998	3,591
EPRA net asset value (EPRA NAV)	**654,705**	**396,394**
Number of shares in thousands	107,250	108,509
EPRA net asset value (EPRA NAV) per share in EUR	**6.10**	**3.65**

EPRA TRIPLE NET ASSET VALUE (NNNAV)

EPRA triple NAV is based on the same measurements as EPRA NAV. However, this indicator also includes the fair value of deferred tax and other liabilities as well as the financing instruments. EPRA triple NAV can be seen as a spot measure of real estate companies' NAV as of the reporting date, showing the actual market values for all assets and liabilities.

EPRA TRIPLE NET ASSET VALUE (NNNAV)

IN EUR K	31.12.2019	31.12.2018
EPRA net asset value (EPRA NAV)	654,705	396,394
Deferred taxes	–77,998	–3,591
EPRA triple net asset value (EPRA NNNAV)	**576,707**	**392,803**
Number of shares in thousands	107,250	108,509
EPRA triple net asset value (EPRA NNNAV) per share in EUR	**5.38**	**3.62**

EPRA NET INITIAL YIELD

EPRA net initial yield (NIY) represents the yield based on the annualised rental income. This indicator is calculated by subtracting the non-recoverable property operating expenses, e.g. ground rents, service fees, etc., incl. all transaction costs, divided by the gross market value of the property portfolio.

EPRA NET INITIAL YIELD (NIY)

IN EUR K	31.12.2019	31.12.2018
Market value of investment properties	1,096,037	300,905
Net market value of the property portfolio	**1,096,037**	**300,905**
Transaction costs	36,596	6,640
Gross market value of the property portfolio	**1,132,633**	**307,545**
Annualised rental income	36,658	13,600
Non-recoverable operating expenses	–4,563	–3,647
Annualised net rental income	**32,095**	**9,953**
Notional rent for rent-free periods in process or other rent incentives	4,918	56
Annualised ‘topped-up’ net rental income	**37,013**	**10,009**
EPRA net initial yield (NIY) in %	**2.8**	**3.2**
EPRA ‘topped-up’ net initial yield in %	**3.3**	**3.3**

EPRA VACANCY RATE

The EPRA vacancy rate is calculated as the ratio of the estimated market rental value (ERV) of vacant space to the ERV of the whole portfolio, expressed as a per centage. The measure gives a clear indication of a portfolio’s effective vacancy rate.

EPRA VACANCY RATE

IN EUR K	31.12.2019	31.12.2018
Market rent for vacancy	12,439	6,459
Market rent, total	58,956	20,028
EPRA vacancy rate in %	**21.1**	**32.3**

EPRA COST RATIO

The EPRA cost ratio is the ratio of the sum of operating expenses and overheads relative to rent. This figure thus reflects the relevant overhead costs of the entire property plattform versus rental income, making it comparable to other property companies. The relevant operating costs and overheads recognised in the EPRA cost ratio include all costs of managing the real estate portfolio – without changes in carrying amounts, special amortisation such as that of goodwill, borrowing costs, or tax expense – that cannot be apportioned or charged on. This also includes one-time effects and non-recurring costs.

EPRA COST RATIO

IN EUR K	31.12.2019	31.12.2018
Expenses for letting activities	17,768	135
Personnel expenses	6,710	4,115
Depreciation and amortisation	809	23
Other operating expenses	4,105	3,350
Recoverable operating expenses	–9,218	–152
Income from other trade receivables representing reimbursement and cost recovery	–849	–12
Other operating income representing reimbursement and cost recovery	–261	0
EPRA costs (incl. direct vacancy costs)	**19,064**	**7,459**
Direct vacancy costs	–3,631	0
EPRA costs (excl. direct vacancy costs)	**15,433**	**7,459**
Net rental income	30,690	548
EPRA cost ratio (incl. direct vacancy costs) in %	**62.1**	**1,361.1**
EPRA cost ratio (excl. direct vacancy costs) in %	**50.3**	**1,361.1**

THE GODEWIND SHARES

STOCK MARKETS IN 2019

Share trading in 2019 was characterised by global political and economic risks. In particular, the simmering trade war between the United States and China, the world's two largest economies, caused uncertainty. At the same time, interest rates in Europe continued to fall and even reached negative territory in parts. The ten-year German federal bond concluded the year with a yield of –0.187 percent after a yield of 0.171 percent at the start of 2019. The yield fell to a low of –0.715 percent over the course of the year. All federal bonds with a maturity of up to thirty years returned negative yields for the first time. One reason for this is the ongoing expansionary monetary policy of the European Central Bank (ECB), which also helped increase international share prices further. The regularly budding concerns about Brexit only briefly put a brake on positive price developments in stock markets. The Dow Jones and S&P 500 achieved new record highs on multiple occasions.

The German DAX stock market index managed to increase by 25.5 percent over the course of the year, closing just under an all-time high at 13,249 points. The DAX reached its low point right at the start of the year with 10,386.97 points on 2 January and its high point for the year with 13,425.85 points on 16 December. It therefore performed significantly better than during the preceding year when it took hits of about 18 percent. Unlike the US stock markets, the DAX did not achieve a new record level until the beginning of 2020, for reasons including stress factors specific to Europe. The international trade conflicts and Brexit are particularly relevant to the German economy, which is strongly export-oriented. Furthermore, technology shares which were in especially high demand on the markets play a comparatively small role on the German stock market.

GODEWIND SHARE PRICE PERFORMANCE

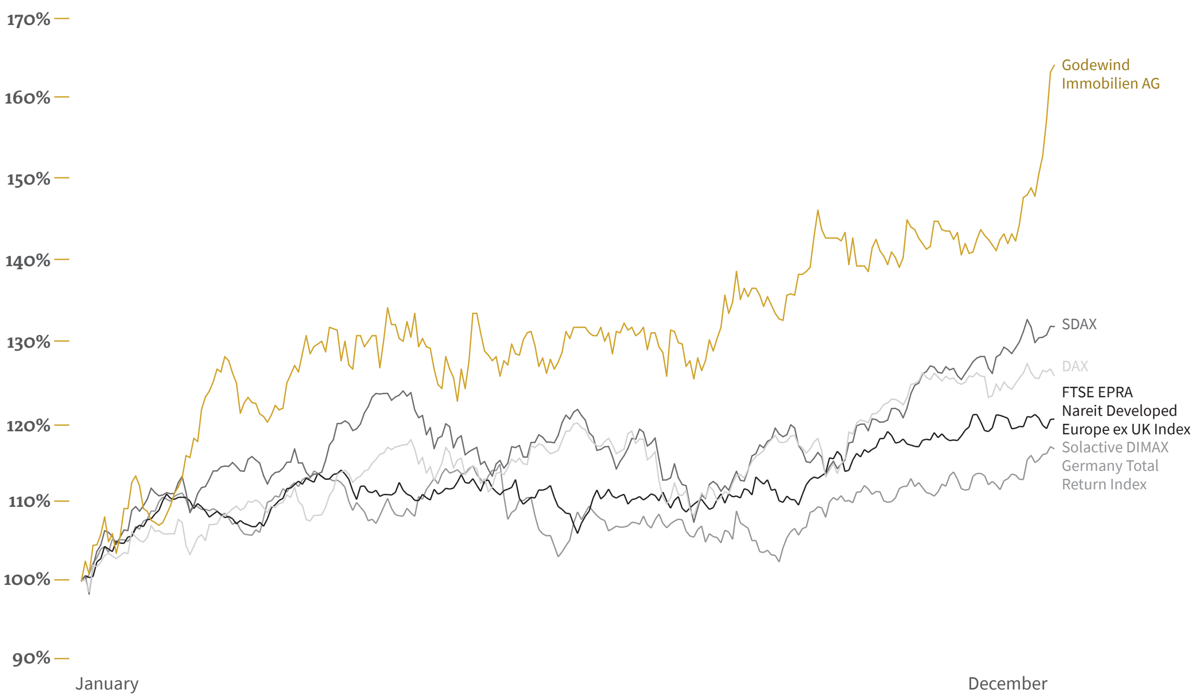
The share price for Godewind Immobilien AG performed particularly well given this dynamic environment. The share started 2019 with a closing price of EUR 2.96 and also hit the year's low point of EUR 2.90 in the course of the first day of trading. The price of Godewind shares increased significantly in light of the successful expansion of the office property portfolio throughout all of 2019. Significant progress in reducing vacancy and increasing rental income supported the shares' positive development. The year's high of EUR 4.82 was reached on 27 December, the second-last day of trading for the year. The shares closed at year end on 30 December at a price of EUR 4.74, representing a full-year gain of 60.1 percent. The year-end market capitalisation amounted to EUR 515.5 million.

An average of 223,323 company shares were traded daily on national and international stock exchanges between 2 January and 30 December 2019. Of them, a daily average of 75,162 shares were traded on the XETRA trading platform of Deutsche Börse AG and a daily average of 148,161 shares were traded on so-called dark pools, i.e. OTC platforms in London.

The share price increased to the current quoted offer price of EUR 6.40 with the announcement on 13 February 2020 by Covivio X-Tend AG, a 100 percent subsidiary of Covivio S.A. (Covivio), of its intention to make a public, voluntary takeover offer to the shareholders of Godewind Immobilien AG for 100 percent of the share capital of Godewind. The shares' value has therefore increased by 60 percent on its issue price of EUR 4.00 per share since the IPO in April 2018.

The German Stock Exchange announced on 4 March 2020 that Godewind shares were to be listed in the SDAX as of 23 March that year.

GODEWIND SHARE PRICE 2019

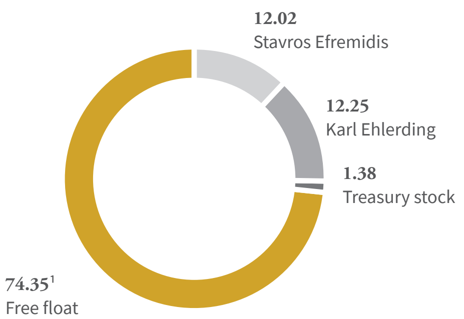


SHAREHOLDER STRUCTURE

The company had a high free float of 74.35 percent of its shares as at the end of the reporting period. This provides a good basis for the shares in terms of trading. The total number of shares outstanding on 31 December 2019 was 108,750,000. The remaining shares are largely distributed among three parties. As CEO of the company, Stavros Efremidis owns 12.02 percent of the shares. Supervisory Board member Karl Ehlerding holds 12.25 percent while 1.38 percent of shares are held by Godewind Immobilien AG as treasury shares.

SHAREHOLDER STRUCTURE AS AT 31.12.2019

IN %



[1] Including the interests of institutional buyers such as Deutsche Asset Management GmbH, Pelham Capital Ltd, Morgan Stanley & Co. and others. Excluding financial or other instruments pursuant to Sections 38 and 39 of the German Securities Trading Act (WpHG).

2019 ANNUAL GENERAL MEETING

The company's annual general meeting was held in Frankfurt on 6 August 2019. With 70.09 percent of the votes present, the shareholders voted in favour of all proposed resolutions by a clear majority. These included resolutions on various raises of authorised and conditional capital, a new authorisation to purchase treasury shares and a business partnership with a new audit firm.

SHARE BUY-BACK PROGRAMME

Godewind announced on 13 December 2018 that it would buy back up to 1.5 million treasury shares from 14 December 2018 to no later than 29 March 2019. The share buy-back programme was terminated at the close of trading on 20 February 2019. In total, the company acquired 1.5 million shares at an average price of EUR 3.23. The buy-back took place exclusively via the electronic-trading market of the Frankfurt Stock Exchange (XETRA). The resolution was based on an authorisation granted at the 2018 annual general meeting.

Godewind announced on 14 January 2020 that it would buy back up to 1,762,500 shares in a second share buy-back programme running from 16 January 2020 to no later than 30 April 2020. The company had acquired 362,691 shares at an average purchase price of EUR 5.22 by 13 February 2020. The Executive Board resolved on this day to terminate the share buy-back programme with immediate effect. The buy-back took place exclusively via the electronic-trading market of the Frankfurt Stock Exchange (XETRA). The resolution was based on an authorisation granted at the 2019 annual general meeting.

INVESTOR RELATIONS ACTIVITIES

Since the IPO, Godewind Immobilien AG has constantly intensified its capital market communication. The company further strengthened its communication with institutional and private investors, analysts and the financial and business media in a targeted manner in 2019. Godewind Immobilien AG held various investor roadshows during the 2019 financial year, including in Dublin, Edinburgh, London, Paris, Munich, Copenhagen, Oslo, Stockholm, Tel Aviv, Vienna, Zurich and Frankfurt. In addition, the company took part in various national and international investor conferences – for example at MMWarburg Small Cap Selection, Oddo BHF 13th German Conference, the Metzler Small Cap Conference Germany, the Large & Midcap Event in Paris and Geneva and the MKK in Munich. A total of over 200 individual conversations were held with various institutional investors and shareholders during the past year.

THE GODEWIND SHARES

International Securities Identification Number (ISIN)	DE000A2G8XX3
Identification Number (WKN)	A2G8XX3
Number of shares as of 31 December 2019	108,750,000
Share type	Ordinary registered shares
Market segment	Regulated Market (Prime Standard)
Supersector	FIRE
Sector	Financial services
Subsector, subsector code	Real Estate, 702
Index	SDAX, CDAX, Classic All Share, DIMAX, GEX German Entrepreneurial Index, Prime All Share
Stock exchanges	XETRA, Frankfurt (FWB), Dusseldorf, Munich, Berlin, Hamburg, Stuttgart
Ticker symbol	GWD
Primary listing	5 April 2018
Issue price	EUR 4.00
Period high (27 December 2019)	EUR 4.82
Period low (2 January 2019)	EUR 2.90
Market capitalisation (30 December 2019)	EUR 515,475,000
Designated sponsor	Oddo Seydler Bank AG, J.P. Morgan Securities plc

ANALYST COVERAGE

Research institute/ broker	Target price	Rating	Analyst	Date
First Berlin	EUR 6.40	ADD	Ellis Acklin	19.2.2020
Kepler Cheuvreux	EUR 6.40	Hold	Edouard Enault	27.2.2020
Pareto Securities	EUR 5.60	Buy	Katharina Schmenger	15.1.2020
SMC Research	EUR 6.40	Hold	Dr Adam Jakubowski	17.2.2020
Warburg Research	EUR 6.40	Sell	Andreas Pläsier	14.2.2020

In March 2019, First Berlin Equity Research became the first research institute to publish a research report on Godewind shares. The first report by SMC Research followed in the same month. Both research firms gave the share a buy recommendation. Warburg Research and Pareto Securities issued their first buy recommendation for the share in their research reports in June. All analysts raised their target prices further as the year progressed. The analysts at Kepler Cheuvreux launched their observation of Godewind's shares in January 2020, which means that five institutes in total presently publish research reports on Godewind's shares. Following the announcement of a takeover offer for Godewind by Covivio X-Tend AG, all analysts raised their target price to the takeover price of EUR 6.40 per share.

SUSTAINABILITY REPORT

THE SUSTAINABILITY CONTEXT

Recent years have been characterised by an unprecedented shift in awareness about need to act on the most pressing sustainability issues facing the planet. This has been reinforced by heightened warnings about the rate of greenhouse gas accumulation in the atmosphere, a growing understanding of the impact of high levels of air pollution on public health in our cities, and the consequences of unchecked waste on the environment.

Amid this, local and national governments, businesses and organisations across Europe have stepped-up efforts by declaring a climate emergency, and have committed to substantively reduce or eliminate carbon emissions over the next 30 years guided by the aspirations of the Paris Commitment.

With real estate contributing approximately 40 percent of global greenhouse gas emissions according to the International Energy Agency, the ramifications for the property sector are clear. There is growing pressure from investors, policy makers, occupiers and society for the sector to reduce its impact, and actively manage climate-related risk. Germany's Climate Action Plan 2050, for example, sets out long-term strategies for upgrading building stock and the gradual phasing out of fossil-fuel heating systems, and a zero-energy standard for new buildings from 2021, aiming towards a carbon-neutral built environment by 2050.

As a real estate investor and owner with a portfolio spanning Germany's top metropolitan areas, this shift is manifesting itself through the regular contact we have with our stakeholders, including our investors, tenants and employees, and wider afield through the broader financial market and occupier trends that we observe.

Sustainability is increasingly gaining prominence among the investment community as investors integrate ESG criteria into their investment decisions, both to preserve long-term asset values and reduce investment risk. These trends are supported by the growth of sustainability benchmarking initiatives, led by the European Public Real Estate Association's (EPRA) Sustainability Best Practice Recommendations, and the Global Real Estate Sustainability Benchmark (GRESB) which has grown rapidly over the past decade to cover real estate and infrastructure assets valued at $4.5 trillion in 2019.

The impacts of this shift are also materialising in debt markets. Within the property sector, developers, owners and investors are capitalising on these trends through the growing issuance of green bonds which have increased substantially in value in recent years. According to the Climate Bonds Initiative, the value of green bonds hit $257.5 billion in 2019, of which a significant proportion was used to fund green building projects. This is forecast to rise considerably.

Secondly, we are witnessing a growing demand from occupiers for environmentally efficient spaces that align with their sustainability objectives and meet their changing needs. Features that encourage health and wellbeing are becoming a standard requirement for modern office properties. It is a pattern we expect to continue as the importance of employee wellbeing on productivity, talent attraction and retention provides an opportunity for property owners to integrate occupier wellbeing into their acquisition and asset management strategies.

OUR APPROACH TO SUSTAINABILITY

Taken together, we recognise the opportunities that these trends present to our business. We see action on them as fundamental to support our mission to deliver sustainable increases in earnings and incomes for our shareholders, and believe we have an opportunity to make a positive contribution by integrating sustainability as central pillar of our value creation portfolio strategy. Underpinning this mission is our commitment to the principles of transparency, integrity and discipline which are firmly embedded within the company and among our employees.

In this respect, 2019 was an important year for Godewind as we took concrete action to formalise our sustainability commitment, beginning with this report which outlines our approach to the management of our portfolio and our people. We intend to accelerate these steps as we align our environmental strategy, policies and procedures following the takeover by Covivio that was announced in early 2020.

As a first step, we have aligned this report with the EPRA Sustainability Best Practice Recommendations for the social and governance performance measures that we are able to provide data for. These can be found on page 25 of this report. Given that 60 percent of our assets were acquired in 2019, we are unable to present full-year environmental data for our total portfolio, however we want to report this in future years. We have already begun this process as we aim to report utilities consumption across all assets to provide stakeholders with a comprehensive understanding of our sustainability impacts.

ENVIRONMENTAL MANAGEMENT

With a portfolio comprising office assets in the major German cities of Dusseldorf, Frankfurt, Hamburg and Munich, our most significant direct environmental impacts relate to the consumption of fossil-fuel derived energy, water and waste.

Acquisitions

Environmental aspects are integrated into all stages of the asset lifecycle, starting with acquisitions. We include environmental due diligence as part of the acquisition process to identify and assess environmental risks including site contamination and the presence of toxic materials.

Whilst we give preference to acquiring assets with 'green' credentials, (as evidenced by our BREEAM and LEED certified properties in Frankfurt), this does not prevent us from acquiring assets that align with our broader investment criteria which focuses on office properties with sustainable income streams and long-term value potential. For assets without a green building certification, we evaluate the benefits from gaining a certification as part of our active asset management approach.

Asset management

During the operations phase, we support ongoing improvements to environmental performance as part of our optimisation strategy for each property. This encompasses investments in building infrastructure and engagement with our occupiers with a focus on reducing energy consumption and promoting the use of energy from renewable sources. Across our portfolio, tenants establish their own contracts for electricity and water supplies, hence our focus is on utilities within landlord-controlled areas and shared services.

We use refurbishments as an opportunity to install more efficient equipment, targeting areas that will have the biggest reduction in terms of energy consumption and operating costs. At properties with higher than average energy costs, we commission technical assessments to evaluate their environmental profile and identify potential improvements. This includes examining the building's mechanical and electrical systems to inform investment plans and ultimately deliver savings for our tenants through reduced service charges.

As we establish robust data gathering and reporting procedures, we will monitor progress to evaluate the baseline impact of efficiency improvements. We have started the process of systematically collecting environmental performance data, and want to include all properties in our portfolio. Once this system is fully in place, we can more rapidly identify inefficiencies at individual buildings and implement corrective measures to reduce energy, water and waste consumption.

In this respect, several projects were commenced in 2019 that will support these efforts and guide our energy management and cost reduction strategies. Working with an external consultant, we have embarked on a wider review of our portfolio to identify opportunities to reduce energy costs by optimising utilities contracts for the supply of common areas and shared services.

In tandem, we have embarked on a wider review of our energy contracts as part of our ambition to procure zero carbon electricity and fuels where feasible. Once complete, the switch is expected to reduce CO_2 emissions from our current portfolio by approximately 7,000 tons annually, enabling us to achieve carbon neutrality for our Scope 1 and 2 emissions. Currently, one property in our portfolio, Herzogterrassen in Dusseldorf already procures 100 percent renewable electricity for the common areas and shared services.

Recognising the premium that buildings with a green building certification can command, and the increasing demand from larger tenants to occupy buildings that promote occupier well-being and environmental stewardship, we have also started an analysis of our portfolio to identify additional opportunities to achieve certifications to LEED and BREEAM standards.

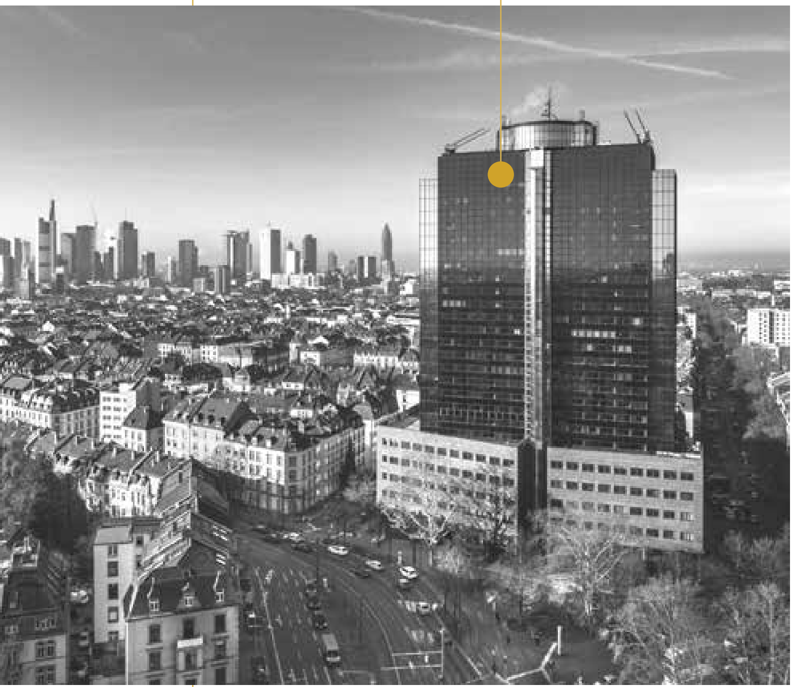
FRANKFURT AM MAIN
FRANKFURT AIRPORT CENTER

Frankfurt Airport Center offers 48,000 m² of LEED Platinum certified space. The property, originally built in 1988, was purchased by Godewind in December 2018 and was the first in our portfolio to be acquired with a green building certification.

The property benefits from its location at the heart of Frankfurt Airport which is home to more than 450 companies and over 81,000 employees, making it one of the most important business locations in the Rhein Main area. It offers direct access from Terminal 1 and features fully air-conditioned, high-quality and disabled-friendly office and conference space with variable floor plans and flexible layouts that can be adapted to tenants' individual needs.

The airport's transport links are a key draw, with good connections to the A3 and A5 motorways as well as direct rail connections to Frankfurt Central Station and nationwide ICE train services.

FRANKFURT AM MAIN
CITY GATE



City Gate, located at Nibelungenplatz 3 in Frankfurt, was purchased by Godewind in September 2019 making it our fourth acquisition in the city. Originally built in 1966, the property has undergone extensive refurbishments, firstly in 1993, and more recently in 2018. This included the modernisation of the interior space and upgrades to mechanical and electrical equipment which resulted in the property achieving a 'Very Good' certification according to the internationally recognised BREEAM green building standard.

The building offers a lettable area of 23,300 m² set across 28 floors with unrivalled views across the city. Building users are welcomed by a light and airy two-storey lobby. Natural fresh ventilation and the use of first-class materials create a pleasant working environment combined with card access-controlled lifts and full air conditioning with individual room controls.

Its location – close to one of the city's largest universities – means it is extensively served by public transport with five tram stops and an underground station within a short walking distance from the property. In addition, the property has excellent connections to the star transport network in the Rhine-Main area: via the Niebelungenallee, the Frankfurter Nordwestkreuz can be reached within a 10-minute drive; and downtown Frankfurt is approximately 2.7 km south of the property. The two-storey underground car park offers a high parking space key of ~ 1/105 m² office space, and includes four electric car charging stations, two of which are available to all tenants.

Given that the majority of our portfolio's energy consumption occurs in tenant areas, and is outside of our direct influence, there are limits what we can achieve alone. Here we are stepping up engagement with tenants to promote the efficient use of resources, and using refurbishments to install more efficient equipment in tenant areas.

Other opportunities to support our tenants include promoting more sustainable transport solutions such as the installation of two electric car charging stations that are available to all our tenants at City Gate in Frankfurt. In total, 11 electric charging stations have been installed across our portfolio, including nine led exclusively by our tenants.

One direct consequence of our focus on urban locations is that all of our properties are in close proximity to public transport. The average distance from a train or tram stop is 0.6 km, and 0.2 km from the nearest bus stop, thereby further enabling more sustainable transport options.

OUR PEOPLE

Our workforce is characterised by highly educated professionals and a strong entrepreneurial culture built on the principles of transparency, integrity and discipline.

We operate according to the highest standards of corporate governance and ethical business practices. Compliance with all applicable laws and regulations is a minimum expectation for all our employees, and this is communicated through a compliance manual which outlines our procedures with regards to insider trading.

By the end of 2019, we employed 22 people, not including the two members of our Management Board (the CEO and CFO) and one student trainee. They are spread equally between our offices in Berlin and Frankfurt. During the year, nine people joined the company equating to a new hire rate of 37.5 percent, which was partially offset by four departures.

We place a high degree of trust and professional responsibility in our employees, and in return we offer a stimulating and dynamic work environment with competitive levels of compensation and benefits including performance related bonuses and annual leave above the statutory minimum.

Within the context of a skills shortage and fierce competition for the talent necessary to support our business growth, we reinforce high levels of staff motivation by promoting engagement, professional development and implementing measures that support staff health, wellbeing and satisfaction.

EMPLOYEE ENGAGEMENT

As a company with a relatively compact workforce, we naturally benefit from high engagement levels. Open and honest communications are encouraged and supported by a relatively flat organisational structure. Our management team operates an open-door policy meaning they remain approachable to all employees.

This culture is supported by the fact that our employees have often built long-standing professional relationships with each other developed through previous positions, and is further nurtured by events such as fortnightly breakfast meetings. These provide an opportunity for management and employees to meet and discuss developments affecting the business and other issues important to them.

Training and development

We aim to attract and retain the best talent that we need to fulfil our business model. Investing in our people's knowledge and skills supports their personal growth whilst contributing positively to our productivity and operational performance.

Training and development is targeted at employees' individual needs and is supported organically by our culture that promotes the open exchange of knowledge and information, both between employees and the company's management.

As we grow we are putting in place procedures to formalise our training programmes. As a first step, in 2019 we conducted a survey to assess employees' training and development expectations. The results indicated that employees would appreciate training relevant to their specific skills, as well as more general topics related to the investment and real estate markets. We want to use the findings to develop bespoke development plans for employees that support their career goals. Secondly, we also want to establish a formal appraisal process for employees and their supervisors to agree and review personal objectives.

Diversity and anti-discrimination

Consistent with a corporate culture that is built on openness and transparency, we do not tolerate any form of discrimination on the basis of nationality, race, age or gender. All external recruitment and internal promotions are made solely on the relative strengths and performance of each individual and their ability to fulfil the expectations of the role. This is reflected in the fact that 50 percent of our employees at the non-management level are female. Across all employees and management levels, the proportion of women employees is 35 percent which is consistent with the German real estate sector more broadly.

Health, safety and wellbeing

We are committed to the safety and wellbeing of our employees. Given the nature of our workforce, the risk of health and safety incidents is considered low and we operate in compliance with all relevant German and EU-level regulations covering workplace health and safety. We recorded no injuries or lost time incidents in 2019. Our absentee rate of 2.1 percent relates to illness only.

It is widely acknowledged that the quality of the workplace and the mental and physical health of employees can have a significant impact on productivity and engagement. With this in mind, we have undertaken a number of initiatives to promote the wellbeing of our people.

Office furniture is designed to promote good workplace ergonomics to reduce musculoskeletal risks and increase physical comfort, and a weekly fruit basket is delivered to both office locations. We also offer discounted gym membership following a recent breakfast meeting where employees and management discussed the steps we can take to encourage physical activity. The offer has been taken up by approximately 50 percent of our employees, and is supplemented by regular events such as team sports that are promoted by the company's health insurance provider.

Furthermore, employees enjoy a high degree of autonomy and have the ability to work flexibly to accommodate personal needs outside the workplace such as child care.

OUR KEY PERFORMANCE INDICATORS

The following key performance indicators are based on EPRA's Sustainability Best Practice Recommendations. Portfolio related performance measures cover our total portfolio under management and therefore align with the operational control approach. Employee related performance measures cover all direct employees, the Management Board and trainees. Coverage for all performance measures is 100 percent of these organisational boundaries. There are no estimations and segmental analysis is not applicable as all our properties are the same asset class located in Germany.

SUSTAINABILITY KEY PERFORMANCE INDICATORS

Impact Area	EPRA Code	EPRA Name	Indicator	2019
Environment **Building certifications**	Cert-Tot	Green building certifications	% of portfolio (by floor area) with a green building certification	8.0% BREEAM Very Good 16.4% LEED Platinum
Social **Diversity**	Diversity-Emp	Employee gender diversity	of female Supervisory Board members	0%
			of female Management Board members	0%
			of female non-Board members employees	50%
	Diversity-Pay	Gender pay ratio	Ratio of basic salary of men to women (all employees excluding management board & senior management)	1.67
			Ratio of remuneration of men to women (all employees excluding management board & senior management)	1.90
Social **Employees**	Emp-Turnover	Employee turnover and retention	Total number of new hires	9
			New hire rate	37.5%
			Total number of leavers	4
			Turnover rate	16.7%
Social **Health and safety**	H&S-Emp.	Employee health and safety	Injury rate	0%
			Lost Day rate	0%
			Absentee rate [1]	2.1%
			Work-related fatalities	0
	H&S-Asset [2]	Asset health and safety	Percent of assets	100%
	H&S-Comp	Health and safety compliance	Number of incidents of non-compliance	0
Social **communities**	Comty-Eng	Community engagement	Godewind's community engagement activities focus on providing financial support for charitable organisations close to where our assets are located. In 2019, we made donations totalling €15,000 in lieu of Christmas gifts for our largest tenants. The donations benefitted three charities: Freunde der Arche Frankfurt, Waisenhaus Stiftung and Frankfurter Stiftung für krebskranke Kinder.	
Governance **Board composition**	Gov-Board	Composition of the highest governance body	of executive Management Board members [3]	2
			of independent/non-executive Supervisory Board members [4]	3
			Average tenure of Management and Superiority Board members	2
			of independent/non-executive board members with competencies relating to environmental and social topics	0
Governance **Board selection**	Gov-Select	Nominating and selecting the highest governance body	Please see Report of the Supervisory Board	
Governance **Conflicts of Interest**	Gov-CoI	Process for managing conflicts of interest	Please see Report of the Supervisory Board	

[1] Calculated as days lost due to illness as a proportion of the number of hours worked by all employees during the year.
[2] Statutory inspections of properties are conducted on a regular basis by our property and facility management teams. The frequency of these inspections includes an annual assessment and more regular checks for mechanical and electrical equipment such as elevators. In 2019, we recorded no instances of non-compliance resulting in a sanction or fine.
[3] Relates to the Management Board which includes two members: our CEO and CFO.
[4] Relates to the Supervisory Board which includes three members, all of whom are independent.

COMBINED MANAGEMENT REPORT

Contents

COMBINED MANAGEMENT REPORT

1 BASIC INFORMATION ON THE GROUP

Godewind Immobilien AG has utilised its option under German Commercial Code (HGB) Section 315(5) and compiled a combined management report for the Godewind Group and Godewind Immobilien AG. Given that the course of business, position and the risks and rewards of future business development are mostly the same for Godewind Immobilien AG and the Godewind Group, the statements below, including the indicated figures, pertain to the Godewind Group unless otherwise remarked.

a. Business model of the Group

Godewind Immobilien AG, based in Frankfurt am Main (hereinafter also referred to as 'Godewind', 'the Group' or 'the company'), is a real-estate company that specialises in office properties in Germany. The company's focus is on expanding its attractive property portfolio with an emphasis on office properties at top locations[1] in Germany. Godewind is an active portfolio and asset manager and strives to achieve sustainable increases in its earnings and income by regularly leveraging value-adding potential which is complemented, among other things, by the deliberately acquired vacancy of roughly 27% originally. Godewind currently possesses an office property portfolio worth over EUR 1 billion, and using an extensive network and value-adding acquisitions, it intends to further expand its office property portfolio in the medium term and continuously increase its enterprise value.

The financial basis for this was created with the IPO in April 2018, Since this date, Godewind has been listed in the German stock exchange's Prime Standard segment, which affords the highest level of transparency.

The company's success is firstly due to the pronounced real-estate expertise of its management team and employees, all of whom boast extensive knowledge of and experience in the financial and capital markets, and, secondly, to the extensive network it has built up within the real-estate and capital markets. Thanks to this structure, Godewind is adept at identifying, acquiring and increasing the value of lucrative properties within the highly competitive commercial real-estate market. One of its principal strengths lies in realising highly complex real-estate, financing and capital market transactions, thus ensuring high transaction speed and reliability for the benefit of all business partners involved. The company's long-standing, comprehensive track record of creating shareholder value in various listed real-estate companies also stands it in very good stead.

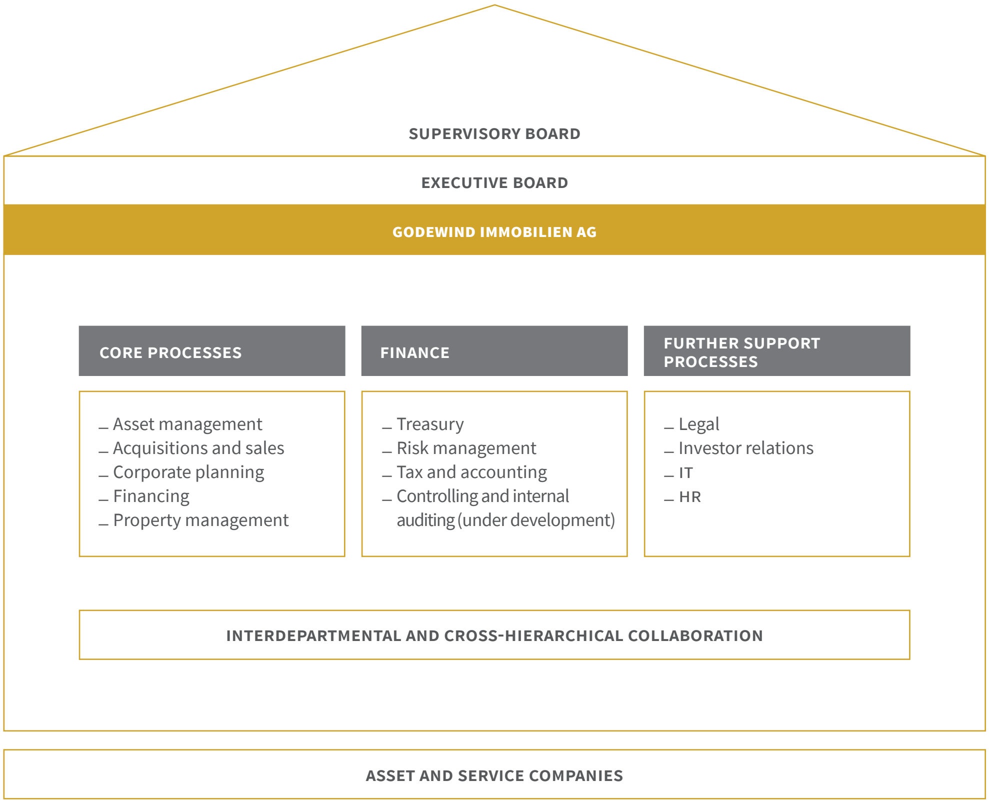
b. Structure of the Group

Godewind AG came about in 2015 by way of a change in the legal form of an existing GmbH (German limited-liability company). At the end of 2017, the company was renamed Godewind Immobilien AG and its Articles of Association were brought into alignment with the current business model.

Since then, Godewind Immobilien AG has served as the parent company of the Group and, as such, assumed the role of a managing holding company. The Group's real-estate holdings are held by subsidiaries that are acquired as property development companies or established via real-estate transactions. The Group also has further subsidiaries with administrative or management roles. As at the end of the reporting period, the Group was made up of Godewind Immobilien AG and a further seventeen companies (previous year: fifteen subsidiary companies), with the Frankfurt am Main and Berlin offices assuming responsibility for management operations.

[1] Top locations: Berlin, Cologne, Düsseldorf, Frankfurt am Main, Hamburg, Munich, Stuttgart.

The Group's (process-oriented) organisational structure is as follows:



During the reporting period, the Group expanded its portfolio from four to ten office properties in the Frankfurt am Main, Munich, Düsseldorf and Hamburg urban areas, with a market value of roughly EUR 1.1 billion and a lettable area of approximately 293,400 m².

Active portfolio and asset management, including the reduction of deliberately acquired vacancy, has already produced sustainable increases in earnings and income which are reflected in the increased values of existing properties.

Godewind Immobilien AG is managed by its Executive Board, which is made up of Stavros Efremidis (CEO) and Ralf Struckmeyer (CFO). It is advised and supervised by the Supervisory Board. The Executive Board and Supervisory Board perform their executive and supervisory duties in accordance with the provisions of German company law and of the company's own internal regulations. The Supervisory Board consists of Dr Bertrand Malmendier (Chairman), Dr Roland Folz and Karl Ehlerding.

Cooperation among the company's business units is fostered by its flat organisation, lean structure and direct channels of communication. Decisions are reached and implemented expeditiously as a result.

Godewind has demonstrated an exceptional level of flexibility that enables it to respond quickly and efficiently to current market developments and take advantage of acquisition and exit opportunities as they arise. Its acquisitional success, in particular, is thanks to the management's excellent network and resulting access to attractive off-market transactions. When it comes to dealing with special legal, real estate or business issues, Godewind has a highly specialised network of professional consultants at its disposal.

Godewind Immobilien AG moreover can claim considerable tax loss carry-forwards and has a tax deposit account at its disposal, enabling it to capitalise on tax advantages for the company and its shareholders.

c. The Group's objectives and strategies

Godewind's principal objectives are to increase its company value for its shareholders sustainably, to be a reliable partner to its business partners and to offer its employees an attractive working environment, diverse tasks and responsibilities and performance-based salaries.

The company's acquisition and portfolio strategy focuses on developing a profitable and valuable portfolio of commercial properties in Germany through swift and successful implementation of its Value-Add/Manage-to-Core strategy.

The purchases are in line with this corporate strategy and concentrated in office properties in the Core (+) and Value-Add categories in appealing locations in growing German cities. The portfolio of existing properties consists of profitable and valuable assets that Godewind intends to hold over the long term. In particular, they are characterised by a high level of organic growth potential through vacancy reduction. Increased cash flows and attractive yields will be attained by leveraging this potential.

They form the core of the portfolio and are intended to generate reliable and attractive dividends for shareholders. The Group distinguishes between the three following categories in this regard:

The Core(+) portfolio: The Core(+) portfolio is characterised by office properties in attractive locations with value-adding potential and, simultaneously, stable cash flows and a moderate risk profile. The weighted average lease terms (WALT) are standard and vacancies not particularly pronounced in this category. Nevertheless, the rents for these properties may be somewhat below the market average, indicating attractive value-adding potential by increasing the WALT and adjusting rents to market levels. This portfolio included five properties with a lettable area of approximately 121,500 m², WALT of 4.5 years, vacancy rate of 3.8% and market value of EUR 445 million as at the end of the reporting period.

The Value-Add portfolio: this category includes properties with above-average value-adding potential. These properties are characterised by, among other things, relatively high vacancies and/or relatively low rents and low weighted average lease terms (WALT). Nevertheless, these properties are also located in growing cities in Germany. Godewind realises the value-adding potential of these assets through active asset management. The increased rental income produced in this way continuously increases the value of the existing property portfolio, improving the Group's value and profitability. This category included three properties with a lettable area of approximately 68,000 m², WALT of 8.1 years, vacancy rate of 31.0% and market value of roughly EUR 166 million as at the end of the reporting period.

The Managed-to-Core (+) portfolio: the Managed-to-Core (+) portfolio contains assets that were originally categorised as Value-Add, though have seen the realisation of significant value-adding potential following successfully implemented portfolio and asset management activities (including vacancy reduction, market rent adjustments and lease extensions) and are now transitioning to categorisation as Core(+). This portfolio includes the properties FAC in Frankfurt am Main and Herzogterrassen in Düsseldorf with a total lettable area of approximately 104,000 m², vacancy rate of 2.0% (about 33% when acquired), WALT of 9.3 years and market value of roughly EUR 485 million together.

The property purchases are being financed internally and through external borrowing. When borrowing externally, the Group takes out medium-term bank loans on attractive terms. The Group endeavours to achieve a net LTV of 45 to 55%.

d. Active management system

Godewind's objective is to increase the value creation potential of its portfolios by actively managing the corresponding properties so as to generate attractive returns. The management system it uses to this end comprises corporate planning, portfolio- and company-related reporting and regular analysis of the pertinent key performance indicators (KPI). This structure is based on corporate planning, which is prepared and regularly reviewed in collaboration with the relevant specialist departments. If deemed necessary on the basis of the pertinent KPIs, the planning can be adjusted accordingly during the course of the year.

For Group management purposes, the Executive Board uses funds from operations and the EPRA NAV figures as the most important financial performance indicators, as defined below:

- Funds from operations (FFO I) refers to the net result for the period (including the share for non-controlling interests), adjusted for the disposal result, depreciation and amortisation, the valuation result in relation to the properties, the valuation result in relation to financial instruments, non-cash expenses and income, non-recurring and extraordinary items, financing and transaction costs and tax assets including deferred taxes.
- The EPRA net asset value (EPRA NAV) is calculated on the basis of equity (before non-controlling interests) adjusted for deferred taxes on investment properties.

The company management system also takes other property-specific key figures into account. These include the following:

- Annualised net rental income (NRI) comprises the net rental income as at the end of the reporting period, projected for the year as a whole.
- Net loan to value (net LTV), i.e. the ratio of net financial debt (bank and leasing liabilities less cash and cash equivalents) to the market value of the properties.
- WALT, which is the weighted average of the remaining rental terms.

The main factors influencing the key figures result from the development of the property portfolio and the financing structure.

The company's active asset management approach stipulates continual monitoring of the real estate portfolio. In particular, the amount of rental income, the lease terms and the occupancy rates are optimised.

The financing structure and compliance with financial and property-specific covenants are subject to regular review, thus facilitating the early identification and implementation of the steps necessary to minimise risk or optimise earnings.

In terms of managing the parent company, the key performance indicator pursuant to the German Commercial Code is net income before taxes and non-recurring items, as this is a key indicator of the company's ability to pay a dividend.

2 ECONOMIC ENVIRONMENT

a. Macroeconomic and industry-specific development[1]

Economic developments in Germany

The gross domestic product (GDP) in 2019, adjusted for price, was 0.6% higher than the previous year according to initial calculations by the German Federal Statistical Office (Destatis). This represents the tenth year in a row that the German economy has grown. However, the growth has lost some of its steam and came out lower than the figures for 2017 (+2.5%) and 2018 (+1.5%) and below the ten-year average (+1.3%).

This economic growth is primarily underpinned by consumption. Private consumption expenditure, adjusted for price, was 1.6% higher than the previous year, with government final consumption expenditure increasing by 2.5%. Private and government consumption expenditure therefore grew more strongly than in the two preceding years.

Gross fixed-capital formation has also risen strongly. Investment in construction increased by 3.8% year on year when adjusted for price, with this increase felt particularly strongly in civil engineering and housing construction. Overall gross capital formation, which also includes changes in inventories along with gross fixed-capital formation, fell by 1.7% in 2019. The distinct decline in inventories can be attributed to weaker industrial production and rising exports, among other things.

The industry recording the strongest growth was construction, which saw a rise of 4.0%. The information and communication industries as well as financial services and insurance providers, all in the service sector, performed above average with 2.9% each. On the other hand, industrial production (excluding construction) was on the decline with negative growth of 3.6%, caused in particular by the weakening automotive sector.

Germany's economic output was produced by a workforce of over 45 million in 2019, representing a year-on-year increase of 0.9% due in most part to the increase in social-security-contributing employment. As in previous years, the higher labour market participation and the inward migration of workers from foreign countries outweighed age-driven demographic trends and outward migration from Germany.

The ECB left its base rate at 0% in 2019 and continued its expansionary monetary policy due to persistently low inflation. The deposit rate was reduced from –0.4% to –0.5% in September and the bond-buying programme recommenced later in the year. An interest rate turnaround is not expected as the inflation forecast is indicating a continued downward trend, being 1.6% and still well below the ECB's target rate of 2% in 2020.

The impact of COVID-19 on further business development has not been considered and is difficult to forecast at present. The financial statements are being compiled in a period of far-reaching uncertainty regarding the economic fallout of the coronavirus.

Commercial investment market in Germany

The transaction volume amounted to roughly EUR 24.2 billion in the first half of 2019, corresponding to a decline of 12% on the same period last year. This was mainly caused by a lower number of transactions in the hundreds-of-millions range. High-volume core properties have – almost without exception – ended up in the hands of long-term owners in recent years, which means they are on the market relatively infrequently. Accordingly, the volume decrease in this segment is roughly 20% on the same period last year. The short supply can also be seen in the average size of transactions, which was approximately EUR 24.5 million in the first half of the year and consequently about 5% below the figure for the first half of 2018.

However, when considering the entire year, the average transaction size increased by some 9% year on year. This also makes it clear that there has been a broad-based rise in prices. Falling yields are no longer the factor driving prices and have been replaced by the rent increase potential that is factored into prices and reduces future upside potential. The prime yields for offices and business buildings in the top seven cities were 3.1% on average in mid-2019, leaving yields unchanged since the first quarter. The prime yields for shopping centres (4.2%), specialist retail centres (3.9%) and logistics properties (4.2%) were most recently heading in a sideways direction.

[1] The information presented in this section is based on press release no. 018 of the German Federal Statistical Office (Destatis), dated 15 January 2020; market commentary and forecasts by Savills Advisory Services Germany GmbH & Co. KG (savills) and internal observations.

Office properties had a 45% share in the total sales with a transaction volume of nearly EUR 11 billion. In second place were retail properties, with a 24% share worth EUR 5.9 billion, followed by logistics and industrial properties, which at EUR 2.5 billion accounted for 10%. The transaction volumes of logistics and industrial properties fell by 32% year on year while office and retail properties recorded soft growth of 5 and 2% respectively.

It remains expected that real-estate investors (including international ones) will seek to expand their portfolios in Germany. Germany continues to be desirable in a global context thanks to its stability, despite heightened macroeconomic risks, and is considered a safe haven for investment.

Office market in Germany

The key figures for the seven major office markets in Germany signalled an increasing shortage of space over the course of the year. The average space take-up and rents rose in all markets while vacancy rates declined.

Although the economic prospects are not as positive as before, there has been no sign of falling demand so far. Rather, take-up in some markets has been limited by short supply. Berlin recorded the strongest quarter in its history with take-up of roughly 320,000 m² in the third quarter. In Düsseldorf and Stuttgart, the take-up of lettable space in the first nine months alone was as high as the entire preceding year. Nevertheless, Frankfurt and Munich were examples of markets where take-up fell.

Vacancy reduction continued in all markets, with the vacancy rate in the top seven cities at 3.1% at year end. This corresponds to a 0.5% decline. Real-estate supply is particularly short in Berlin (1.6% vacancy rate), Stuttgart (2.0%) and Munich (2.2%). Given this background, many commercial tenants previously factored in area for expanding into when signing new leases so as to continue their growth. However, this trend seems to be slowing down in light of economic developments.

Office rents rose in all seven top markets due to the shortage of space. The average peak rent has returned to the EUR 33 per m² mark for the first time since the beginning of the 1990s. The growth was especially noticeable in Frankfurt where a peak rent of EUR 44.50 per m² is now payable (+6.0%) and in Berlin (+4.7% to EUR 38.20 per m²).

Office area of 1.3 million m² was completed and delivered in 2019, and has already been fully let. The completion of development projects with a size of 2 million m² is planned over the current year and roughly three-quarters of that space has already been pre-let.

This is evidence of the persistently high demand for high-quality, modern real estate, though it should be noted that the mismatch between supply and demand will slowly soften as a result of the slower growth of office employment. All the same, peak rents are expected to increase by about 3 to 4% in 2020, especially as users have heightened demands for location and space quality.

In light of the developments described above, the management of Godewind is convinced that the demand for high-quality office space will remain in the medium term and that, as a result, investments and asset-related measures to increase economic potential will be reflected in the company's profitability and value enhancement.

b. The Group's business development in the reporting period

The Group achieved its objective of using the issue proceeds from the IPO in 2018 to build up a profitable and substantial portfolio during the reporting period.

There were transfers of benefits and encumbrances for the office complexes already acquired in 2018, taking place in late January (Pentahof in Hamburg and Eight Dornach in Aschheim bei München), in February (Y2 in Frankfurt am Main) and late April (Quartier am Zeughaus in Hamburg) during the reporting period.

Further property acquisitions

Godewind signed a contract to purchase the Herzogterrassen office complex through an asset deal as part of another off-market transaction on 24 January 2019. Herzogterrassen is a modern office complex with a central location in Düsseldorf and considerable upside potential. The property, which comprises about 55,700 m² of lettable space in total, had a purchase price of EUR 140 million. The vacancy at the time of acquisition was roughly 45% and the annualised rental income came to approximately EUR 6.5 million. The transaction was completed in the middle of April 2019.

Godewind signed the purchase agreement for the acquisition of an additional office complex on 22 May 2019. This asset deal was for the twenty-eight-floor office building in Frankfurt am Main known as City Gate. The multi-tenant complex offers government institutions, state-owned companies and various other service providers highly flexible spaces in a location with attractive transport connections, and particularly benefits from the stable rental income of its highly creditworthy, primarily public-sector tenants. The office tower was renovated in 1993 and 2018. The purchase price for the roughly 23,300 m² total lettable area came to EUR 85 million, with the transaction completed in early September. The vacancy at the time of acquisition was about 13% and annualised rental income about EUR 3.8 million.

Refinancing on favourable terms

The Godewind Group entered into the following loan agreements during the reporting period to finance and refinance its property acquisitions:

A loan agreement for EUR 82 million was signed in mid-February for three assets in the Group's office building portfolio. The loan, which has a total term of five years and an interest rate of 1.09%, has a purpose of refinancing the ComConCenter in Frankfurt, Airport Business Center in Düsseldorf and Pentahof in Hamburg, acquired for gross purchase prices of EUR 142.4 million altogether.

Godewind signed a further loan agreement in April for EUR 80 million. The loan, which has a total term of five years, has a purpose of refinancing the Herzogterrassen office complex in Düsseldorf. The new, repayment-free loan agreement was signed with an attractive interest rate of 1.32% over a five-year term.

Four additional loan agreements amounting to EUR 168 million in total were signed in early May 2019. The loans, with an overall term of four to five years, have a purpose of refinancing the Quartier am Zeughaus office complexes in Hamburg, Y2 in Frankfurt and sunsquare and Eight Dornach in the Munich urban area. Attractive interest rates were also stipulated for these loans, reducing the overall portfolio's interest rate at the time to 1.38%.

Another loan agreement worth EUR 56 million in total was signed in late August for City Gate, the last asset that had not yet been externally financed. The repayment-free loan has a term of seven years with an interest rate of 1.12%.

Closing the City Gate deal resulted in the conclusion of all financing for Godewind's portfolio, currently comprising ten office complexes, and the transfer of all properties to Godewind.

Godewind took out a repayment-free loan at a volume of EUR 130 million and with a term of six years for Frankfurt Airport Center (FAC), effective as of 30 December 2019. Interest is due at a rate of 1.2% p.a. The loan discharges the existing finance of EUR 92.1 million with a short remaining term and interest rate of 1.87% p.a., and thereby reduces annual interest expenditure by approximately EUR 0.15 million despite the higher loan amount. The reborrowing was made possible by reducing vacancy from roughly 18% originally to 3.8% currently.

With the new loan agreement, the current average interest rate for all existing loan agreements, with a total volume of around EUR 497 million, is now 1.21%. The asset-based LTV is 47% and the net LTV is 45%. The average remaining term for all loan agreements is now about five years.

Vacancy reduction success

From the middle of the year onwards, the focus was increasingly on reducing the vacancies acquired in a targeted manner.

New leases were signed at FAC (5,000 m² to MDAX companies) and sunsquare (3,000 m² to logistics companies) from as early as May during the reporting period. Extensions were announced for anchor tenants at Quartier am Zeughaus (2,400 m²) and FAC (10,800 m²) in June and July.

A lease agreement was signed for Herzogterrassen in late August, just four months after closing, which completely filled the office vacancy in the complex. The tenancy agreement was signed with a leading co-working provider for the entire vacant office space as well as additional space in Herzogterrassen, 21,589 m² in total. Thanks to the Godewind asset management team's negotiations, this new contract will have a very positive impact on the property's key figures. The largest part of the space (approximately 75%) was handed over on 30 April 2020, while the remaining space is planned for handover in the fourth quarter of 2020. This brings the contracted annual net cold rent for the office complex to approximately EUR 12.6 million. The Herzogterrassen office vacancy rate is consequently falling to 0% while the average remaining term for the leases (WALT) on this property are now increasing from 6.1 years to 11.1 years.

This improvement in parameters has had a significant, positive impact on the year-end valuation of Herzogterrassen.

New leases and lease extensions were also achieved in the later course of the year, for instance at Y2 in Frankfurt where a tenancy agreement with an anchor tenant for 11,250 m² was extended and a new tenancy agreement for 1,845 m² was concluded with a specialist publisher, at Eight Dornach where a new lease for 4,100 m² was concluded with a DAX-listed company, at ComConCenter in Frankfurt where a tenancy agreement for 6,300 m² was extended and at Airport Business Center in Düsseldorf where a new lease for roughly 1,300 m² was concluded with a corporate consultancy.

Selected key portfolio performance indicators at year end were as follows:

	31.12.2019	31.12.2018
Property value (EUR m)	1,096	301
Number of properties	10	4
Lettable area (m²)	293,406	96,655
Annualised net rental income (EUR m)	32.1	10.0
Gross initial yield (%)	**3.79**	**4.54**
EPRA vacancy rate	21.1	32.3
Portfolio LTV (%)	**46.6**	**29.1**
WALT (years)	5.2	4.2
Average rent (EUR per m²)	**15.27**	**15.98**

Sustainability

Godewind sees sustainability as a crucial issue and makes it a priority to operate its properties in a way that is as resource-friendly as possible. Environmental, social and governance (ESG) criteria are increasingly being foregrounded by all market stakeholders in the real-estate sector, particularly as it contributes roughly 40% of greenhouse gas emissions according to the International Energy Agency. This trend is being bolstered with the implementation of sustainability benchmarking systems. Godewind is currently working to establish a corresponding key-figures system using the EPRA's best-practice guidance and communicate it by way of a sustainability report.

Godewind optimised the power and gas supply of its entire property portfolio at the end of the year with a consultancy specialised in utility cost management. This involved tendering out the future energy supply contracts for a term expiring at the end of 2023 and with total savings of 25% of the previous gas costs planned as a result. Furthermore, Godewind will in future receive advice on transitioning to fully CO2-neutral energy supply.

The Group also makes a point of consistently optimising utility costs and striving for CO2 neutrality in the interests of its tenants. The next step is to optimize the portfolio's energy supply to be completely climate-neutral.

c. Events after the reporting date

On 14 January 2020, the Executive Board of Godewind resolved, with the Supervisory Board's approval, to carry out a share buy-back programme. Under the share buy-back programme, up to 1,762,500 of the company's shares (which equates to 1.62% of its share capital) are to be bought back.

Covivio S.A. and Covivio X-Tend AG ('Covivio' collectively) signed a letter of intent (business combination agreement, 'BCA') on 13 February 2020 under which Covivio will submit a voluntary, public takeover bid for 100% of Godewind's share capital. The terms of the takeover bid provide for EUR 6.40 cash per share for each shareholder. The takeover bid is intended to be submitted as a delisting offer and exceeds the year-end EPRA NAV per share of EUR 6.10 by EUR 0.30 per share.

The Executive and Supervisory Boards of Godewind will support the acceptance of the takeover bid, subject to further examination of the offer documents, and accept the bid for the treasury shares held by the company. To provide security for the transaction, Covivio entered into share purchase agreements with various Godewind shareholders (including members of the company's Executive and Supervisory Boards) in which they undertook to transfer Godewind shares in return for payment of a purchase price of EUR 6.40 per Godewind share. These share purchase agreements – together with the treasury shares and exercised options – account for up to about 35% of the Godewind share capital on a fully diluted basis.

The Godewind Executive Board then resolved to end the share buy-back programme announced on 14 January 2020 with immediate effect.

For all other matters, please refer to the section on events after the reporting period in the notes to the consolidated financial statements.

d. Earnings, assets and financial position of the Group

The assets, financial position and earnings of the Group are described below. Since business activities only commenced in the preceding year, a comparison of the consolidated financial statements with the previous year's figures is only possible to a limited extent.

Group earnings

IN EUR K	1.1.–31.12.2019	1.1.–31.12.2018
Net operating income from letting activities (NOI)	22,998	577
Operating income	261	49
Personnel expenses	–6,710	–4,114
Other operating expenses	–4,105	–3,350
Operating result (EBITDA)	**12,444**	**–6,838**
Depreciation, amortisation and write-downs	–809	–23
Net gain/loss from the valuation of investment property	214,321	10,756
Operating result (EBIT)	**225,956**	**3,895**
Financial result	–10,022	–255
Earnings before tax (EBT)	**215,934**	**3,640**
Income taxes	–28,172	6,488
Consolidated net income	**187,762**	**10,128**
Other comprehensive income	34	–52
Comprehensive income	**187,796**	**10,076**
FFO I	**8,903**	**–3,769**

The year's consolidated net income amounts to EUR k 187,762 (previous year EUR k 10,128) and was driven primarily by the positive valuation result for investment properties and the positive net operating income from letting activities.

The net operating income from letting activities was generated from existing properties, with earnings from properties acquired during the reporting period only being calculated into the current figures proportionally. The income includes the net rental income of EUR k 30,699 (previous year: EUR k 548) along with recoverable operating expenses (EUR k 9,218, previous year EUR k 152) and income from other trade receivables (EUR k 849, previous year: EUR k 12).

The net gain/loss from the valuation of investment property pertains to properties in which the aforementioned letting success could be achieved, namely, Herzogterrassen (revaluation income EUR 96.4 million), Quartier am Zeughaus (EUR 30.2 million), FAC (EUR 24.6 million), Y2 (EUR 21.1 million) and ABC and ComConCenter (EUR 15.9 million). Since the properties' vacancy rates in part formed their purchase prices, the swift and significant improvement of the occupancy rates led to the realisation of corresponding value-adding potential.

Increases in personnel expenses are attributable to planned increases in the workforce, which by year end had grown to 25 including the Executive Board members (previous year 19). The personnel expenses include non-cash expenses for share-based remuneration of EUR k 2,022 (previous year EUR k 1,270).

The other operating expenses mainly include legal and consulting expenses, office rents, corporate-communication costs and other administrative costs.

The financial result is primarily the result of the ongoing interest expenditure for property finance and other non-recurring financing costs of EUR k 3,369.

Income tax consists almost exclusively of deferred taxes formed on the basis of existing loss carry-forwards and accounting differences, particularly from property valuation, pursuant to German tax law and IFRS.

FFO I is therefore calculated as follows:

IN EUR K	2019	2018
Consolidated net income for the period	**187,762**	**10,128**
Taxes on income and earnings	28,172	–6,488
EBT	**215,934**	**3,640**
Revaluation of the property portfolio pursuant to IAS 40	–214,321	–10,756
Depreciation, amortisation and write-downs	809	23
Other non-cash income	–117	–35
Other non-cash expenses	2,024	1,277
Other non-recurring items recognised as income	4,574	2,082
FFO I	**8,903**	**–3,769**
Average number of shares (in thousands)	107,307	86,655
FFO I per share (in EUR)	**0.08**	**–0.04**

Assets and financial position

IN EUR K	31.12.2019	31.12.2018
Assets		
Non-current assets		
Investment properties	1,096,037	300,905
Advance payments for investment properties	0	34,273
Property, plant and equipment	1,014	480
Advance payments on property, plant and equipment	0	292
Other non-current assets	295	325
Intangible assets	5,606	85
Active deferred taxes	0	6,711
Total non-current assets	**1,102,952**	**343,071**
Current assets		
Trade receivables	809	142
Other current assets	3,913	2,096
Cash and cash equivalents	24,769	157,745
Total current assets	**29,491**	**159,983**
Balance sheet total – assets	**1,132,443**	**503,054**
Liabilities		
Equity	**582,931**	**397,251**
Non-current liabilities		
Financial debts	515,815	98,367
Pension obligations	304	408
Other non-current liabilities	225	73
Deferred tax liabilities	21,453	0
Total non-current liabilities	**537,797**	**98,848**
Current liabilities		
Trade payables	5,824	4,795
Financial debts	1,881	28
Other current liabilities	4,010	2,132
Total current liabilities	**11,715**	**6,955**
Balance sheet total – liabilities	**1,132,443**	**503,054**

The Group's asset situation as at the end of the reporting period was marked by the development and expansion of its property portfolio. In particular, the values of investment properties, financial liabilities and deferred tax liabilities increased in connection with this due to the valuation differences for the properties.

The deferred tax assets, net of deferred tax liabilities, are largely deferred taxes recognised for trade and corporation tax loss carry-forwards. Owing to the taxable income expected within the five-year planning horizon, it is assumed that a portion of the tax income can be realised from loss carry-forwards.

Intangible assets mainly include right-of-use assets for rented properties.

Principles and objectives of financial and liquidity management

The Group strives to maintain an adequate capital basis to maintain the trust of investors, creditors and the markets and to ensure the company's sustainable development. Financial risks are managed based on balance sheet equity.

Godewind has a central financial-management system for managing liquidity. The objective of its financial-management activities is to ensure that its liquidity position is adequate. Excess liquidity on the part of subsidiaries is concentrated in and controlled by the parent company where possible. The notes to the consolidated financial statements contain further information on the management of individual financial risks.

The Group's equity ratio was 51.5% as at the end of the reporting period (previous year: 79.0%). The EPRA net asset value (NAV) developed as follows:

IN EUR K	31.12.2019	31.12.2018
Shareholders' equity (before non-controlling interests)	576,706	392,803
Deferred taxes on investment properties	77,999	3,591
EPRA net asset value (NAV)	**654,705**	**396,394**

The financial position was marked by the expansion of letting operations (cash flow from operating activities) and the development and expansion of the existing-property portfolio, with the purchase price payments being reflected in the cash flow from investing activities and the income from borrowing in the cash flow from financing activities.

IN EUR K	31.12.2019	31.12.2018
Cash flow from operating activities	9,427	–2,453
Cash flow from investing activities	–543,125	–222,960
Cash flow from financing activities	400,722	363,986
Net change in cash	**–132,976**	**138,573**
Cash and cash equivalents as of 1 January	157,745	19,172
Cash and cash equivalents as of 31 December	**24,769**	**157,745**

Overall assessment by the Group

The Executive Board is very satisfied with the Group's business development in its second year of operations. The cash inflows from the successful IPO in 2018 provided the basis for subsequent investments in office properties in top locations with excellent value-adding potential.

The portfolio of existing properties at the end of the reporting period comprised ten office complexes in Frankfurt am Main, Düsseldorf, Hamburg and the Munich urban area with a total value of over EUR 1 billion.

During the second half of the year, Godewind's experienced real-estate specialists succeeded in significantly reducing the deliberately acquired vacancy in some properties, contractually securing lease extensions and rent adjustments and optimising the Group's financing structure.

The expectation for FFO I ranged from EUR 8.5 million to EUR 9.5 million and was achieved with a result of EUR 8.9 million. During the second half of 2019, the EPRA net asset value (EPRA NAV) increased significantly from EUR 487.7 million at 30 June to EUR 654.7 million at 31 December. The previous net rental income of EUR 10.0 million successfully rose to EUR 32.1 million in the course of 2019. A WALT of 5.2 years could be achieved thanks to active asset management. The targeted financing structure with a net LTV between 45 and 55%, was at 45% at year end. As a result, all forecast parameters for the company were met.

The company's success is reflected in the recognised increases in property values and ultimately substantiated by the present takeover offer.

3 REPORTING ON THE ANNUAL FINANCIAL STATEMENTS OF GODEWIND IMMOBILIEN AG

The asset situation, financial position and earnings of the parent company Godewind Immobilien AG (also referred to as the 'parent') are explained in the following. Since business activities only commenced in the preceding year, a comparison of the consolidated financial statements with the previous year's figures is only possible to a limited extent.

In addition to its role as a holding company, Godewind Immobilien AG also fulfils a financing role for the Group as a whole. This financing role sees it pass on liquid funds from equity transactions to affiliated companies. Loans to affiliated companies amounted to EUR 326.3 million as of the reporting date (previous year EUR 220.9 million).

IN EUR K	31.12.2019	31.12.2018
Financial assets	383,147	221,032
Other fixed assets	1,144	857
Total fixed assets	**384,291**	**221,889**
Receivables due from affiliated companies	1,161	115
Cash and cash equivalents	7,024	155,004
Other current assets	1,260	1,543
Total current assets	**9,445**	**156,662**
Total assets on statement of financial position	**393,736**	**378,551**
Equity	**390,867**	**376,239**
Provisions	2,412	1,559
Trade payables	225	386
Liabilities to affiliated companies	1	257
Other liabilities	231	110
Total liabilities	**2,869**	**2,312**
Total liabilities on statement of financial position	**393,736**	**378,551**

The financial assets comprise shares in affiliated companies and long-term lending for Group finance. The increase in particular is the result of the acquisition of shares in Godewind Office VI GmbH (property company for FAC) and lending for the property companies' own shares in the property financing.

The equity increase is the result of the net annual income, bringing the parent company's equity ratio to 99.3% as of the reporting date (previous year: 99.4%).

The provisions included pension obligations (EUR k 214, previous year EUR k 310), personnel provisions (EUR k 1,611, previous year EUR k 708) and other provisions (EUR k 587, previous year EUR k 541).

The parent's earnings are marked by income from the profit transfer agreement with Godewind Beteiligungsgesellschaft mbH. Godewind Beteiligungsgesellschaft mbH sold a 94.9% interest in Godewind Office VI GmbH to Godewind AG during the 2019 financial year. The profit from the sale came to EUR k 21,295 and was in turn distributed to Godewind AG through the profit and loss agreement.

IN EUR K	31.12.2019	31.12.2018
Revenue	4,656	115
Other operating income	497	49
Personnel expenses	–4,651	–2,902
Other operating expenses	–4,399	–13,751
Profits retained pursuant to profit transfer agreements	17,108	0
Expenses for loss absorption	0	–234
Financial result	5,576	338
Other taxes	–26	0
Net income for the year (previous year: net loss)	**18,761**	**–16,385**

The forecast result midway between EUR 1 and 10 million was therefore greatly surpassed. Revenue consisted mainly of income from intragroup allocations (EUR k 3,460, previous year EUR k 101) and intragroup revenue from the management and administration of properties (EUR k 1,196, previous year EUR k 14).

The other operating income mainly consists of a grant for tenant improvement work (EUR k 350) and out-of-period earnings from the reversal of provisions (EUR k 72, previous year EUR k 35).

The increase in personnel expenses results from the planned increase to the size of the workforce. There were 25 (previous year: 19) people employed by the holding company, including the Executive Board members, as at the end of the reporting period.

The other operating expenses mainly comprise rental expenses (EUR k 943, previous year EUR k 213), legal and consulting costs (EUR k 345, previous year EUR k 118) and other corporate-communication and administration costs (EUR k 3,111, previous year EUR k 13,420). This item last year mainly included the costs for carrying out the IPO.

The financial result is mainly from lending to affiliated companies (EUR k 7,754, previous year EUR k 417) less interest and similar expenses (EUR k 2,178, previous year EUR k 82).

Forecast

Due to the Covivio Group's planned acquisition of shares in Godewind Immobilien AG, the current management only has a very limited ability to issue a reliable forecast of the parent's performance.

The business developments in Godewind Immobilien AG will strongly depend on corporate strategy, corporate structure, the speed at which planned property acquisitions are realised and the financing activities associated with them, and these will all be determined by the new owner.

Based on forecasting carried out by the current management, net income midway between EUR 10 and 100 million is expected for the year, which will exceed the 2019 financial year considerably.

For the rest, please refer to the statements made in the forecast report for the Group.

4 RISK, OPPORTUNITIES AND FORECAST REPORT

a. Integrated risk and corporate management

Operating activities based on the new business model were commenced in the preceding year. Work on expanding the corresponding system for corporate and risk management has been ongoing ever since. The company's management approach comprises the following:

The areas of the company's integrated corporate-management and risk management system specified above are now fully functional and under continual development in line with the company's business expansion measures.

The Group has also set up and implemented an internal control system in line with the pertinent legal regulations and industry standards. This is intended to ensure, in respect of the accounting process, that transactions are recorded and presented accurately and in full accordance with the legal requirements, the generally accepted accounting principles and internal guidelines.

The system monitors risks inherent to the accounting process and facilitates proper accounting by ensuring that the relevant principles, measures and procedures are followed.

The company's organisational, control and management structures are regulated and documented in a transparent manner, with all accounting process tasks clearly defined. Central to this control system is the principle of dual control, that is, the separation of approval and execution functions.

The accounting process is based on standard IT software. An access and authorisation concept structures the various authorisations according to the internal guidelines. The Group has an integrated central accounting system and its uniform accounting, account assignment and valuation guidelines are subject to regular reviews and updates.

To ensure that it complies with the pertinent requirements, it has also set up (or is in the process of setting up) a range of further processes and organisational units in line with the risk management concept described. This includes further development of the Financial Controlling department. In its meeting on 27 November 2019, the Supervisory Board approved the Executive Board's proposal to contract out internal auditing externally.

Section c goes into the details of the risk management (system) as a core element of the approach described.

b. Corporate management and corporate governance

The Executive Board and Supervisory Board of Godewind Immobilien AG have adopted the statement of compliance with the recommendations of the German Corporate Governance Code as prescribed by Section 161 of the German Companies Act (AktG) and made it permanently available to shareholders. The statement of compliance and the corporate-governance declaration have been published online at https://www.godewind-ag.com/en/corporate-governance/.

c. Risk management system

In the course of 2018, the company introduced a risk management system tailored to its current business model and covering all Group divisions (including shareholdings and subsidiaries).

The objective of the risk management system consists in detecting and monitoring risks on a continuous basis and taking measures to avoid or reduce them. The company's risk management system was designed to meet the requirements of the German Companies Act and the German Corporate Governance Code.

For Godewind, the term 'risk' denotes a possible negative variance of an action's results from a defined objective. Possible positive variances from business plans are referred to as 'opportunities'.

Risks are inherent in all types of entrepreneurial activity and can negatively impact the processes of setting and achieving objectives. Emerging from the uncertainty of future events, they are reflected in the possibility of deviating, in negative terms, from a specific target value. Risks that are not recognised and managed in good time can put the company's development in jeopardy.

As a rule, risks can be divided into two types:

1. Risks that affect the company's earnings, assets and financial position, and
2. Risks that pose a threat to the company as a going concern.

A generally applicable and concrete definition of such an existential threat is, according to conventional economic theory and practice, something that must be established on an individual-company basis. After all, the degree of damage that must be suffered before a risk becomes a threat to a company as a going concern will depend on various individual factors, including the respective company's financial strength. Risk management does not encompass the identification and evaluation of opportunities.

The organisational and personnel-specific aspects of risk management work are managed by the legal department. However, because the process of dealing with key risk factors necessitates specialist knowledge, risk management also requires the involvement of the respective departments. Clear communication across all company levels is also crucial to ensuring high-quality risk management, as is the ability of all employees to assess risks.

To be able to assess the risk management system's effectiveness, the company systematically documents the results of the corresponding risk identification and evaluation processes. It is also used as a means of rendering the various risk management tasks comprehensible and workable for employees. The overall process is illustrated in the risk management handbook. The documentation also serves as a record for the auditor, who reviews the early risk detection system annually to determine whether it is capable of identifying existential risks. The early risk detection system's effectiveness is not tested.

Risk management thus includes:

1. Continuously monitoring all risk management activities
2. Examining, receiving and evaluating urgent risk reports and informing the Executive Board as appropriate
3. Adapting the risk management system to the ever-changing business and environmental conditions and to the business model
4. Specialised professional assistance in all systematic measures to identify, analyse, quantify, manage and control risks
5. Evaluating and preparing data relating to risk developments, including risk reporting
6. Conducting plausibility checks of risk assessments

The risk cycle requires the various specialist departments to conduct risk monitoring according to the 'bottom-up' principle. This involves examining the respective risk situation from the perspective of the individual specialist departments and from that of Godewind as a whole, and processing, discussing and summarising the results together with the Risk Management division and risk managers.

The Risk Management division aggregates the individual risks into risk types based on the information gathered from the risk managers and then draws up a risk inventory.

The risk management process is based on the following diagram:

Risk identification

As part of the risk identification process, the company's Executive Board and department heads convene regularly to discuss possible (new) risks.

The risks are categorised as shown below. This categorisation enables the company to differentiate clearly between the individual risk types and to then assign responsibilities and preventive measures as appropriate:

- Data processing risks
- Financial risks
- Economic-performance risks
- Personnel risks
- Business environment and sector risks; other risks

Risk analysis

Assessments of gross risk are based on the likelihood of occurrence, the potential extent of damage and the severity. For each identified risk, risk management measures to reduce the gross risk are defined. Risk assessments that also take such measures into account are used to calculate the respective net risk.

A risk event's likelihood of occurrence is determined by examining a specific period of time. That risk is then categorised depending on whether and how often it is likely to occur within one year.

The corresponding likelihood of occurrence categories used by Godewind are as follows:

Likelihood of occurrence within the period of one year in %

Unlikely	0 – 10
Possible	≥ 10 – 50
Likely	≥ 50

Extent of damage

Risks can be assessed both quantitatively and qualitatively. The extent of damage can therefore be classified on the basis of several risk dimensions, such as financial losses and damage to reputation. Until commencement of the company's operations, assessments of the extent of damage that a risk can potentially cause are performed on the basis of negative effects measured according to their impact on the Group's equity as per IFRS. Risk assessments should also take into account the impact on equity that damage to the company's reputation can ultimately have.

The extent of damage is classified as follows:

Risk dimension	Financial damage (thresholds in EUR k)
Low risk	0–1,000
Medium risk	≥ 1,000–10,000
High risk	> 10,000

Severity

The severity of a specific risk is determined by multiplying the probability of occurrence with the extent of the damage caused by the event. The severity value thus arrived at is the gross risk – gross because it has not yet taken the pertinent risk management measures into account.

The risks assessed in this way are recorded in a valuation system. Risks in the medium and dark areas are classified as 'risks that pose a threat to the company as a going concern'.

RISK VALUATION SYSTEM

After the gross risk has been determined, an inventory of the existing measures and controls that can be assigned to that risk is compiled. The net risk is then ascertained by conducting a risk assessment that takes into account the existing risk management measures. If the net risk (aka residual risk) arrived at is considered unacceptable, additional risk management measures may have to be developed.

Risk management also involves defining early warning indicators for as many risks as possible. Early warning indicators are specific factors, variables or key performance indicators that signal changes in a risk's likelihood of occurrence or in the extent of damage potentially caused by a risk and can therefore serve to alert to an impending risk event. The respective risk owner or, if applicable, person responsible for the risk, must define the threshold values and monitoring frequency for each early warning indicator. If the early-warning system detects that a threshold value has been exceeded, the risk manager will provide a corresponding ad hoc report to the Executive Board. If the event causing the threshold value to be exceeded results in significant disruption to operations or significant losses, or imperils significant outstanding accounts, the Executive Board will report this to the Supervisory Board without undue delay.

Risk communication

The quarterly risk assessments performed by the risk managers serve as the basis for ongoing risk monitoring during the year.

The assessments involve the respective risk managers systematically recording and evaluating all risk types in a digital risk matrix. The focus when recording each risk type is on fully identifying all significant potential risks. Moreover, insignificant minor losses that occur frequently and can become significant over a period of twelve months must be recorded as an aggregated risk. Risks are assessed by estimating the extent of damage and the likelihood of occurrence.

Risk management involves the persons, bodies and procedures described in the following:

1. Risk Committee: the Risk Committee, to which all Godewind department heads belong, is an advisory body tasked with coordinating the company's risk strategy. They also discuss the risks associated with strategically relevant decision-making.
2. Regular reporting: the risk manager reports to the Executive Board in writing on a quarterly basis. The Executive Board reports to the chairperson of the Supervisory Board on a quarterly basis, providing a summary of the company's situation and risks. This regular reporting includes a risk report that contains, as a minimum, information on risks that constitute a threat to the company as a going concern.
3. Ad hoc reporting: the company performs ad hoc risk reporting. This is based on its monitoring of early-warning indicators and their defined threshold values. If an indicator exceeds the defined threshold value, the risk manager must inform the Executive Board without undue delay.
4. External reporting: external reporting enables shareholders, lenders and other stakeholders to stay abreast of existential risks and available opportunities. The company's external reporting complies with DRS 20.

d. Risk report and individual risks

The following reporting procedures are based on the risk categorisation method also used in the context of risk management. Of all the identified risks to the Group, those in particular that are explained below appear at the present time to have the potential to significantly affect the earnings, assets and financial position of Godewind and the Group and to result in a negative variance from objectives. All of the risks presented are considered not to pose a threat to the company as a going concern. Risks are categorised by the residual risk that is present after mitigation measures have been implemented (net presentation).

Data processing risks

Godewind manages its business operations using IT solutions mainly provided by external service providers. If its IT systems fail, then the affected departments' ability to work may be temporarily restricted. This risk of failure is countered through regular monitoring, collaboration with efficient service providers and the use of standard, certified software.

Unauthorised access to its systems and malfunctions due to malware are further general risks. Godewind counters these by regularly updating its security procedures and using authorisation concepts to restrict access to its data.

Due to the increasing digitalisation of administrative processes, data protection is an issue growing in importance for the company. The data privacy statement available on the Godewind website provides further information in this regard.

The risks in relation to data processing are generally assessed as being 'medium–low'.

Financial risks

Financial risks include financing and liquidity risks, risks arising from the use of financial instruments and the risk of making incorrect or incomplete statements in the scope of external reporting.

All ten of the company's properties were financed on attractive terms during the 2019 financial year. With regard to the Herzogterrassen property in Düsseldorf, the company signed a long-term lease agreement with WeWork for a space of approximately 21,600 m². The company undertook to carry out construction activity on the property at a volume of roughly EUR k 11,400.

The tenant will carry out construction work at a scale of approximately EUR k 22,350, which the company will be obliged to reimburse to the tenant. The existing financing does not cover this additional liquidity need. For this reason, the company has taken efforts to refinance in order to meet this added need. If this refinancing were not to be received in time, the management would enter into bridging loans to gain the required liquidity. The latter would trigger additional expenditure of roughly EUR k 250. The agreements were not yet signed as at the end of the financial year and the negotiations with the potential lenders were not continued after entering into the business combination agreement with Covivio X-Tend AG. It will be a matter for the new management of the future majority shareholder to ensure liquidity, so the management does not currently consider that it has significant financing or liquidity risks to contend with.

As a capital market-oriented company, Godewind must comply with exacting regulatory requirements in connection with reporting obligations and external reporting. It is therefore exposed to the risk of non-compliance with standards. This risk is countered by the use of appropriately qualified employees and advisers, the continual involvement of the legal department and by means of the management system described above.

Changes in tax law, too, can subject the company to financial risks, with the current consolidated financial statements recognising deferred tax assets on loss carry-forwards worth EUR 56.1 million. If this tax capitalisation were to be rejected, either in whole or in part, the company would incur corresponding tax expenses. Moreover, changes in the company's shareholder or organisational structure could incur real-estate transfer tax.

For further information on financial risk management, please refer to sections 5.3 – 5.7 of the notes to the consolidated financial statements, which provide detailed information on managing default risks, market risks and liquidity risks.

Overall, the company's financial risks are classified as 'medium–low'.

Economic-performance risks

Performance risks are risks arising from real-estate business activities. These risks include risks arising from bad investments and from ongoing property management activities. Godewind counters these risks, in particular with extensive technical and legal due-diligence procedures and professional asset and property management.

In connection with this, the Risk Committee has engaged in intensive dialogue with the tenant WeWork, which has leased approximately 21,600 m² in the Herzogterrassen property in Düsseldorf through a tenancy agreement dated 23 August 2020. The net annual basic rent will run to EUR k 6,218, while Godewind has undertaken to carry out certain construction activity at a cost of roughly EUR k 11,400. In addition, Godewind has undertaken to pay to the tenant a grant of about EUR k 22,350 for tenant improvements. WeWork encountered financial difficulties after signing the tenancy agreement, which, among other things, led to a cancellation of its planned IPO. Its majority shareholder, Softbank, from Japan, subsequently injected significant funding into the tenant, stabilising WeWork's financial situation. The company remains convinced of the WeWork business model and the money that will be invested in the property will increase its value regardless of its usage by WeWork.

Overall, risks in the category of economic-performance risks are rated 'medium'.

Personnel risks

Employees are a crucial success factor for business development. A shortage of skilled workers, increased employee fluctuation and employee absenteeism therefore constitute risks for companies. Godewind counters these risks by providing an attractive working environment, a good working atmosphere, a flexible working structure and performance-related pay.

Overall, the company's personnel risks are classified as 'medium–low'.

Business environment and sector risks; other risks

As stated in the economic report in respect of macroeconomic and industry-specific developments, the Executive Board continues to believe, in light of the stable domestic economy, that the demand for commercial properties will continue to take a positive direction and therefore sees no significant risks for Godewind in this connection. Even the risk of substantial near-term increases in interest rates is estimated to be rather low at the moment.

In the course of the company's real-estate acquisition efforts, contract negotiations may be broken off and, in some cases, the properties sought by the company may be sold to competitors. This would then cause costs for 'broken deals' that future revenue from the target property would not cover. The Group counters these risks by taking precautionary measures and ensuring structured acquisition processes.

Overall, the risks emanating from the economic environment and the sector and other risks are categorised as 'medium'.

Overall assessment

Given the continuing stability of economic development in Germany, the company's available cash, the real-estate expertise of its regular staff and its existing network, Godewind is at present not exposed to any substantial risks, and especially not any risks to its continued existence.

e. Opportunities

As at the end of 2019, the company considered itself to be in a good position to increase the value of its portfolio through further transactions. A statement cannot be made about opportunities as a result of the business combination agreement brokered with Covivio X-Tend AG in February 2020 and the new management that will soon begin work.

f. Forecast report

An ad hoc disclosure was made on 13 February 2020 to announce the conclusion of a business combination agreement ('BCA') between the company and Covivio X-Tend AG in Berlin, an indirect subsidiary of Covivio S.A. in Metz. Covivio X-Tend AG intends to acquire the majority of shares in the company by buying shares and making a takeover offer.

Present planning for the 2020 financial year is based exclusively on the portfolio of existing properties due to the business combination agreement. The result of FFO I will be in a range between EUR 17 million and EUR 21 million at the end of 2020 while the annualised net rental income is planned to increase in a range forecast between EUR 33.5 million and EUR 35.5 million. The WALT is also expected to increase as a result of extensions to existing lease agreements and new, long-term leases for vacant spaces. A further year-on-year increase of the EPRA NAV is expected. Additional recruitment is not planned in light of the planned takeover.

If the assumptions on which the company's forecasts are based fail to materialise, or if other extraordinary developments occur, the results forecast may differ significantly from the results that actually come to pass. Moreover, changes in the real-estate portfolio (e.g. through purchases or sales) or expenses that exceed the planned level (e.g. rent losses, management costs or interest) may result in divergences from the company's plans. The new parent company may also take decisions relevant to the forecasts and these decisions may in turn lead to divergent results.

In particular, the consequences of the coronavirus that is spreading around the world and the consequent post-pandemic business development and impact on the real economy cannot be gauged at this time. As a result, there is a significantly increased risk of defaults on lease payments, tenant insolvencies and lease extensions and new leases for vacant spaces being delayed or cancelled.

5 REMUNERATION REPORT

Remuneration of the Executive Board

This remuneration report is a component of the combined management report for the Godewind Group and Godewind AG. In accordance with the applicable legal requirements and the recommendations of the German Corporate Governance Code as amended on 7 February 2017 ('Code'), the remuneration report explains the main features and structure of the remuneration system for the Executive Board and Supervisory Board of Godewind AG and discloses the remuneration amounts paid to the individual members of these bodies in the 2019 financial year. It also takes into account the requirements of German Accounting Standard (DRS) No. 17.

The remuneration paid to the Executive Board comprises three components:

- Fixed remuneration
- Annual variable remuneration (short-term incentive)
- Multi-year variable remuneration (long-term incentive)

These three components are explained in greater detail below.

IN EUR K	Stavros Efremidis Chairman of the Executive Board				Ralf Struckmeyer Chief Financial Officer			
	2018	2019	2019 min.	2019 max.	2018	2019	2019 min.	2019 max.
Remuneration received								
Fixed remuneration	600	600	600	600	330	330	330	330
Fringe benefits	12	11	11	11	11	11	11	11
Total	**612**	**611**	**611**	**611**	**341**	**341**	**341**	**341**
Annual variable remuneration (STI)	288	617	0	660	154	329	0	352
Multi-year variable remuneration (LTI)	5,803	0	0	0	1,741	0	0	0
2018 share option plan (term ending April 2022)								
Number of options allocated	3,434,000	0	0	0	1,030,000	0	0	0
Fair value of the options	5,803	0	0	0	1,741	0	0	0
Total	**6,703**	**1,228**	**611**	**1,271**	**2,236**	**670**	**341**	**693**
Benefit expenses	0	0	0	0	0	0	0	0
Total remuneration	**6,703**	**1,228**	**611**	**1,271**	**2,236**	**670**	**341**	**693**

IN EUR K	Stavros Efremidis Chairman of the Executive Board		Ralf Struckmeyer Chief Financial Officer	
	2018	2019	2018	2019
Benefits granted				
Fixed remuneration	633	600	348	330
Fringe benefits	12	11	11	11
Total	**645**	**611**	**359**	**341**
Annual variable remuneration (STI)	0	288	0	154
Multi-year variable remuneration (LTI)	0	0	0	0
Other	0	0	0	0
Total	**0**	**288**	**0**	**154**
Benefit expenses	0	0	0	0
Total remuneration	**645**	**899**	**359**	**495**

The benefits granted to the Executive Board amounted to EUR k 1,898 (previous year: EUR k 8,939).

The fair value of the share options that were granted in the reporting period was ascertained with the assistance of an external evaluator using a Monte Carlo simulation. The remuneration received by the Executive Board in the reporting year amounted to EUR k 0 (previous year: EUR k 1,446).

Fixed remuneration

The fixed remuneration received by Mr Efremidis amounts to EUR k 600 p.a.; for Mr Struckmeyer it comes to EUR k 330 p.a. These annual fixed-remuneration amounts are paid in twelve equal instalments on a monthly basis. Fringe benefits include, but are not limited to, casualty insurance, life insurance in the form of direct insurance taken out by the employer and contributions to private health and nursing insurance premiums.

The members of the Executive Board are covered in addition by D&O insurance. The policy conditions provide for a deductible of 10%.

Annual variable remuneration (short-term incentive)

The two Executive Board members are each contractually entitled to annual, variable performance-based remuneration.

The Supervisory Board redefined the performance targets for the annual variable remuneration for financial years 2019 and later at its meeting on 6 August 2019.

Three performance targets with the following weighting form the basis of bonus calculations:

- EPRA NAV per share (undiluted) (‘EPRA NAV’) 50%
- FFO I 30%
- FTSE EPRA Nareit Developed Europe ex UK Index (‘EPRA Index’) 20%

At least 50% of a performance target must be achieved in order to obtain a bonus for a performance target. Bonuses are capped at 200% of target fulfilment. Interim values are interpolated linearly.

The Supervisory Board reserves the right to reduce or increase the bonuses computed for each Executive Board member by up to 10% as it sees fit. This addresses the satisfaction of the ESG factors and compliance conformity of the investments made by the Executive Board.

The specifications for the three performance targets are defined as follows for the 2020 financial year and following (the arrangement laid out further below applies to the 2019 financial year):

EPRA NAV

The Executive Board sets an amount for the EPRA NAV as at 31 December of the relevant financial year in the budget approved by the Supervisory Board for the relevant financial year. If this EPRA NAV is actually reached, this results in target achievement of 100%.

The corridor for the minimum bonus (50%) and maximum bonus (200%) (the cap) is then calculated based on the planned increase of the EPRA NAV. The increase is computed arithmetically based on the difference between the figures at 31 December of the budget year (or reporting period) and 31 December of the preceding year.

The formula is as follows:

A 100% performance value corresponds to the budgeted EPRA NAV as at 31 December of the budget year (or reporting period). The increase corresponds to the difference between the EPRA NAV per share as at 31 December of the budget year and the same figure for the preceding year based on the annual report; a 100% higher increase than budgeted, i.e. a double increase, produces a 200% performance value.

An increase 50% lower than budgeted, i.e. a half increase, produces a 50% performance value. Increases between 50% and 200% are interpolated linearly.

FFO I

The Executive Board sets an amount for the FFO I as at 31 December of the relevant financial year in the budget approved by the Supervisory Board for the relevant financial year. If the FFO I is actually reached, this results in target achievement of 100%.

The corridor for the minimum bonus (50%) and maximum bonus (200%) (the cap) is then calculated based on the planned increase of the FFO I, which is computed arithmetically based on the difference between the figures at 31 December of the budget year and 31 December of the preceding year.

The formula is as follows:

- A 100% performance value corresponds to the budgeted FFO I for the budget year. The increase corresponds to the difference between the FFO I for the budget year and the same figure for the preceding financial year.
- An increase 50% higher than budgeted, i.e. a 1.5x increase, produces a 200% performance value.
- An increase 25% lower than budgeted, i.e. a 0.75x increase, produces a 50% performance value.

EPRA index

If the Godewind share price during a financial year achieves the same increase as the EPRA index, this results in target performance of 50%. If the increase compared to the index's is 1% higher, this results in target performance of 100%. If the increase compared to the EPRA index's is 2% higher, this results in target performance of 200%.

In these calculations, the Godewind share price is based on the weighted average closing XETRA prices for the month of December in the preceding year and the December of the financial year, and the EPRA index is based on the average values calculated for these two months using the published figures.

Short-term incentive for the 2019 financial year

The Supervisory Board has defined the performance targets and baseline values for the 2019 financial year as follows:

Baseline values (amounts to be granted when target performance is 100%):

Stavros Efremidis	EUR 300,000.00
Ralf Struckmeyer	EUR 160,000.00

Performance values for the three performance targets:

EPRA-NAV	EUR 4.83 = 100%
FFO I	EUR 6.6 m = 100%
EPRA Index	as described above

The Supervisory Board can reduce or increase the amounts calculated using the above methods by up to 10% to reflect other performance of the Executive Board members.

The Supervisory Board circulated and passed a written resolution dated 13 February 2020 setting Mr Stavros Efremidis' bonus for 2019 at EUR k 617 and Mr Ralf Struckmeyer's at EUR k 329. The target performance was 94%. The Supervisory Board took the amounts produced through the above methods (EUR k 561 for Mr Efremidis and EUR k 299 for Mr Struckmeyer) and increased them to the amounts set out above to reflect the undefined performance of the members.

Share-based multi-year variable remuneration (long-term incentive)

In 2018, the Supervisory Board granted Mr Efremidis a subscription right to 3,434,000 shares not vesting before 2022. Also in 2018, the Supervisory Board granted Mr Struckmeyer a subscription right to 1,030,000 shares not vesting before 2022.

Once the vesting period has expired, the two Executive Board members will each be entitled for the first time to exercise up to 50% of the options granted to them, depending on the degree to which the following performance targets have been achieved:

Absolute performance target

Up to 50% of the granted option rights are calculated at the fair value of their distribution, depending on the performance of total shareholder returns ('TSR') as measured by the ratio between the IPO price of the Godewind Immobilien AG shares and the volume-weighted average price (VWAP) of the shares in the two months before and after the reference date of 5 April 2022 (four years after the shares' first trading date), plus the accumulated distributed gross dividends attributable to each individual share ('absolute TSR performance').

The degree of target achievement will be determined for the second time on 5 April 2023 in lieu of 5 April 2022. The reference date for the third assessment of target achievement is 5 April 2024.

Annual absolute TSR performance must be at least 10%. In the event of an absolute TSR performance of 10% annually, 40% of the option rights granted to the beneficiary and attributable to achievement of the absolute performance target (i.e. 40% of 50% of the beneficiary's total option rights) may be exercised.

If absolute TSR performance of 18% annually is achieved, the respective beneficiary can exercise all of the option rights that are granted to him/her and all that are contingent upon achievement of the absolute performance target (i.e. 100% of 50% of the beneficiary's total option rights become exercisable).

If absolute TSR performance is between 10 and 18%, then linear interpolation is used to calculate the option rights that become exercisable.

Relative performance target

Up to 50% of the granted option rights are exercisable according to the following provision, subject to the relative performance of the Godewind Immobilien AG share price, in the period between the date on which the option rights are issued and the end of the vesting period, as compared to the performance of the FTSE EPRA/Nareit Developed Europe ex UK Index ('EPRA Europe (ex UK) Index') in the identical period:

EPRA Europe (ex UK) Index + 0 basis points (bps), i.e. the performance of the share price is in line with that of the EPRA Europe (ex UK) Index	50% of the subscription rights contingent upon this performance target become exercisable
EPRA Europe (ex UK) Index + 100 basis points, i.e. the performance of the share price exceeds that of the EPRA Europe (ex UK) Index by 100 basic points	75% of the subscription rights contingent upon this performance target become exercisable
EPRA Europe (ex UK) Index + at least 200 basis points, i.e. the performance of the share price exceeds that of the EPRA Europe (ex UK) Index by 100 basic points	100% of the subscription rights contingent upon this performance target become exercisable

If the share price performance is between the values stated above, then linear interpolation is used to calculate the option rights that become exercisable. Fulfilment of the performance targets is reviewed and evaluated separately for each 50% of the granted option rights. Failure to achieve one of the two performance targets does not also render non-exercisable the up to 50% of the issued share options attributable to satisfaction of the other performance target.

The two Executive Board members did not receive any share options for the 2019 financial year.

Benefits in the event of premature termination of contract

According to their employment contracts, the two Executive Board members are entitled to terminate their employment contract in the event of a change of control. Under such circumstances, they will receive severance payments corresponding to three years' remuneration.

If a member of the Executive Board resigns from office for cause or if the appointment of a member to the Executive Board is revoked for cause, that member receives a severance payment corresponding to two years' remuneration.

The term 'year's remuneration' in this context encompasses the applicable, fixed annual salary and bonuses.

Supervisory Board remuneration

The members of the Supervisory Board receive fixed annual remuneration amounting to EUR k 30, the Deputy Chairman one-and-a-half times that amount and the Chairman twice the aforementioned amount.

Shareholdings of Executive Board and Supervisory Board members

The company's managers held the following number of shares in the company as at the end of reporting period:

Dr Bertrand Malmendier:	165,000
Dr Roland Folz:	165,000
Karl Ehlerding:	13,321,166
Stavros Efremidis:	13,069,584
Ralf Struckmeyer:	300,000

Disclosures pursuant to HGB Sections 289(4) and 315a(4)

The supplementary disclosures pursuant to Section 289(4)(1) to (9) are as follows:

Godewind AG's subscribed capital (share capital) amounted to EUR 108,750,000 at the end of the reporting period and is divided into 108,750,000 no-par bearer shares (no. 1).

To our knowledge there are no restrictions affecting voting rights or the transfer of shares (no. 2).

Direct or indirect interests in the share capital that transfer more than 10% of the voting rights to the respective shareholders (no. 3) existed at the end of the reporting period through:

- Karl Ehlerding
- Stavros Efremidis

There are no holders of shares with special rights conferring powers of control (no. 4). Godewind AG employees holding an interest in the issuer's capital have no indirect voting control (no. 5).

The processes for appointing and dismissing members of the Executive Board are governed by AktG Sections 84 et seq. and Section 5(1) of Godewind AG's Articles of Association. Accordingly, the Supervisory Board determines the number of Executive Board members and may appoint a Chairman to the Executive Board. All provisions concerning amendments to the Articles of Association are set forth in AktG Sections 133 and 179 (no. 6).

The Executive Board is authorised to acquire, with the Supervisory Board's consent, Godewind AG shares amounting to 10% of the share capital existing on the date on which the Executive Board resolution was adopted (no. 7).

There exist special termination rights for lenders of loans worth approximately EUR 313 million that are being utilised by the Group. For the rest, please refer to the disclosures on events after the reporting period (takeover offer) in the notes to the consolidated financial statements (no. 8).

Change of control agreements have been entered into with senior employees and the members of the Executive Board. The same applies to compensation agreements (no. 9).

Frankfurt am Main, 20 March 2020

Stavros Efremidis	**Ralf Struckmeyer**
Chairman of the Executive Board	Member of the Executive Board

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

IN EUR K	NOTE	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Investment property	3.4, 4.1	1,096,037	300,905
Advance payments for investment properties	3.6, 4.1	0	34,273
Property, plant and equipment		1,014	480
Advance payments on property, plant and equipment	3.6	0	292
Intangible assets		130	85
Right-of-use assets	3.1, 3.13, 7.3	5,476	0
Other non-current assets	3.6, 3.9, 4.2, 5.1	295	325
Deferred tax assets	3.11, 4.13	0	6,711
Total non-current assets		**1,102,952**	**343,071**
Current assets			
Trade receivables	3.9, 4.3, 5.1	809	142
Income tax receivables	3.6, 3.11, 4.4	1	1
Other current assets	3.6, 4.2	3,912	2,095
Cash and cash equivalents	3.9, 4.5, 5.1	24,769	157,745
Total current assets		**29,491**	**159,983**
Total assets on statement of financial position		**1,132,443**	**503,054**

IN EUR K	NOTE	31.12.2019	31.12.2018
LIABILITIES			
Equity			
Issued capital	3.7, 4.6	108,750	108,750
Treasury shares	3.7, 4.6	–1,500	–241
Capital reserve	3.7, 4.6	260,870	258,855
Retained earnings	3.7, 3.14, 4.6	208,586	25,439
Capital and reserves attributable to the owners of Godewind Immobilien AG	3.7, 4.6	**576,706**	**392,803**
Non-controlling interests	3.7, 4.6	6,225	4,448
Total equity		**582,931**	**397,251**
Non-current liabilities			
Non-current liabilities to banks	3.9, 4.7, 5.1	496,566	87,528
Pension obligations		304	408
Other non-current derivative financial instruments	3.9, 4.8, 5.1, 5.3	0	662
Non-current lease liabilities	3.1, 3.13, 5.1, 7.3	19,249	10,177
Other non-current liabilities	3.10, 4.9	225	73
Deferred tax liabilities	3.11, 4.13	21,453	0
Total non-current liabilities		**537,797**	**98,848**
Current liabilities			
Current liabilities to banks	3.9, 4.7, 5.1	606	0
Trade payables	3.9, 4.10, 5.1	5,824	4,795
Other current financial liabilities	3.9, 4.11, 5.1	565	0
Current lease liabilities	3.1, 3.13, 5.1, 7.3	710	28
Tax liabilities	3.11, 4.12	29	5
Other current liabilities	3.10, 4.9	3,981	2,127
Total current liabilities		**11,715**	**6,955**
Total liabilities on statement of financial position		**1,132,443**	**503,054**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

IN EUR K	NOTE	2019	2018
Net operating income from letting activities (NOI)		**22,998**	**577**
Net rental income	3.12, 6.1	30,699	548
Recoverable operating expenses	3.12, 6.1	9,218	152
Income from other trade receivables	3.12, 6.1	849	12
Revenues from letting activities		**40,766**	**712**
Operating expenses	3.12, 6.1	–12,505	–134
Maintenance expenses	3.12, 6.1	–1,950	–1
Other payments	3.12, 6.1	–3,313	0
Expenses for letting activities		**–17,768**	**–135**
Unrealised gains/losses from the valuation of investment properties at fair value	3.12, 6.2	214,321	10,756
Gains/losses from the valuation of investment properties		**214,321**	**10,756**
Other operating income	3.12, 6.3	261	49
Operating income		**261**	**49**
Personnel expenses	3.14, 6.4, 7.2	–6,710	–4,114
Depreciation and amortisation	3.13, 7.3	–809	–23
Other operating expenses	3.12, 6.5	–4,105	–3,350
Operating expenses		**–11,624**	**–7,487**
Operating result (EBIT)		**225,956**	**3,895**
Financial income	3.12, 6.6	0	4
Financial expenses	3.12, 6.6	–10,022	–259
Financial result		**–10,022**	**–255**
Earnings before tax (EBT)		**215,934**	**3,640**
Income taxes	3.11, 4.13	–28,172	6,488
Consolidated net income		**187,762**	**10,128**
Of which not to be reclassified to profit or loss in subsequent years			
Actuarial gains or losses after tax		34	–52
Reclassification of unrealised gains from fair-value measurement of securities to profit or loss			0
Total comprehensive income		**187,796**	**10,076**
Consolidated net income attributable to:			
Owners of the parent entity		185,987	9,370
Non-controlling interests		1,775	758
		187,762	**10,128**
Earnings per share			
Basic earnings per share in EUR	6.7	1.73	0.11
Diluted earnings per share in EUR	6.7	1.70	0.11
Total comprehensive income attributable to:			
Owners of the parent entity		186,021	9,318
Non-controlling interests		1,775	758
		187,796	**10,076**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

IN EUR K	NOTE	2019	2018
Consolidated net income		187,762	10,128
Depreciation and amortisation of property, plant and equipment; intangible assets and right-of-use assets	7.3	809	22
Net gains/losses from fair-value adjustment	6.2	–214,321	–10,756
Increase (+)/decrease (–) in provisions		–104	34
Increase (+)/decrease (–) in inventories, trade receivables and other assets not attributable to either investing or financing activities	4.2, 4.3, 4.4	–2,454	–2,124
Increase (+)/decrease (–) in trade liabilities and other liabilities not attributable to either investing or financing activities	4.9, 4.10, 4.12	3,068	5,484
Other non-cash expenses (+)/income (–)	6.4, 7.2	2,105	1,231
Net interest recognised in profit or loss	6.6, 7.3	10,022	255
Interest income	6.6	0	4
Interest expenses	6.6	–5,632	–243
Tax expenses	4.13	28,172	–6,488
Net cash flows from operating activities		**9,427**	**–2,453**
Investments in investment properties	4.1	–542,678	–222,103
Acquisition of intangible assets and property, plant and equipment		–447	–857
Cash flow from investing activities		**–543,125**	**–222,960**
Proceeds from capital increase	4.6, 7.1	1	375,000
Capital increase expenses	4.6, 7.1	0	–10,269
Purchase of treasury shares	4.6, 7.1	–4,139	–745
Proceeds from borrowing	4.7, 7.1	540,568	0
One-time finance payments	4.7, 6.6, 7.1	–5,633	0
Lease payments	7.1, 7.3	–732	0
Repayments of borrowings	4.7, 7.1	–129,343	0
Cash flow from financing activities		**400,722**	**363,986**
Increase/decrease in cash and cash equivalents		–132,976	138,573
Funds at start of reporting period		**157,745**	**19,172**
Cash and cash equivalents (with a term of up to three months)		157,745	19,172
Cash and cash equivalents at start of reporting period		**157,745**	**19,172**
Funds at 31 December 2019		**24,769**	**157,745**
Cash and cash equivalents (with a term of up to three months)		19,669	157,745
Restricted cash and cash equivalents		5,100	0
Cash and cash equivalents at 31 December 2019		**24,769**	**157,745**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

IN EUR K	NOTE	Issued capital	Treasury shares
As at 1 January 2018		**15,000**	**0**
Consolidated net income		0	0
Other comprehensive income	4.6	0	0
Cash capital increase	4.6	93,750	0
Withdrawals for transaction costs	4.6	0	0
Changes in the scope of consolidation	4.6	0	0
Treasury shares	4.6	0	–241
Withdrawal from the capital reserve	4.6	0	0
Share-based payment	4.6, 6.4, 7.2	0	0
As at 31 December 2018		**108,750**	**–241**
As at 1 January 2019		**108,750**	**–241**
Consolidated net income		0	0
Other comprehensive income	4.6	0	0
Changes to the recognition of minorities	4.6	0	0
Treasury shares	4.6	0	–1,259
Share-based payment	4.6, 6.4, 7.2	0	0
As at 31 December 2019		**108,750**	**–1,500**

	Capital reserve	Retained earnings/ total on statement of financial position	Equity attributable to owners of Godewind Immobilien AG	Equity attributable to non-controlling shareholders	Total consolidated equity
	0	**3,561**	**18,561**	**0**	**18,561**
	0	9,370	9,370	758	10,128
	0	–52	–52	0	–52
	281,250	0	375,000	0	375,000
	–10,601	0	–10,601	0	–10,601
	0	0	0	3,691	3,691
	–24	–481	–746	0	–746
	–13,040	13,040	0	0	0
	1,270	0	1,270	0	1,270
	258,855	**25,438**	**392,802**	**4,449**	**397,251**
	258,855	**25,438**	**392,802**	**4,449**	**397,251**
	0	185,987	185,987	1,775	187,762
	0	34	34	0	34
	0	0	0	1	1
	–7	–2,873	–4,139	0	–4,139
	2,022	0	2,022	0	2,022
	260,870	**208,586**	**576,706**	**6,225**	**582,931**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 2019

1 GENERAL DISCLOSURES CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 Reporting company

Godewind Immobilien AG (hereinafter 'Godewind AG' for short), which has its registered office in Frankfurt am Main (Germany), is a specialised commercial-property company with a focus on buying, structuring and managing commercial real estate in Germany.

Its business address, which is registered in the commercial register of the local court (Amtsgericht) of Frankfurt am Main under the number HR B 111649, is Taunusanlage 8, 60329 Frankfurt am Main, Germany.

The real estate is held by subsidiaries (property companies) of Godewind AG. The consolidated financial statements encompass Godewind AG and its subsidiaries (hereinafter 'Godewind AG', 'company' or 'Group' for short).

Godewind AG is classified as a major corporation since its shares are traded in the Prime Standard segments of the XETRA, Frankfurt am Main, Dusseldorf, Munich, Berlin, Hamburg and Stuttgart stock exchanges (German Commercial Code [HGB] Section 267(3) second sentence).

1.2 Basic principles

The consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union and the rules of German commercial law as additionally applicable pursuant to HGB Section 315e(1).

The Group's financial year is coterminous with the calendar year. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the parent company's financial statements (31 December 2019) with application of uniform accounting and measurement methods.

These consolidated financial statements are presented in euros, the Group's functional currency. Unless otherwise noted, the figures appearing in the explanatory notes and tables are stated in thousands of euros (EUR k). Stating quantities in EUR k may result in rounding differences both in individual tables contained in the notes and between the figures presented in the notes and those appearing in other parts of the financial statements.

The consolidated financial statements have been prepared on the basis of historical costs. Investment property, receivables from reinsurance transactions, share options to be earned and recognised in equity (retained earnings), pension obligations and hedge accounting measured at fair value constitute exceptions.

There has been no segment reporting according to IFRS 8. Segments are defined based on the type of real estate held. Since only office properties were held in the financial year, only one segment exists. The classification of purchased properties as Core(+), Upgraded to Managed-to-Core(+) and Value-Add supports the acquisition strategy (see combined management report) and does not represent a segmentation of business operations where the profit of each forms a basis for the allocation of intragroup resources.

Explanations are not made of the entries for property, plant and equipment; payments in advance for fixed assets, intangible assets and pension obligations due to their lack of significance. Altogether they account for just 0.1% of the Group's balance sheet total; the depreciation and amortisation of these items impacts roughly 0.1% of consolidated net income.

The consolidated financial statements are planned for approval by the Executive Board for publication on 20 March 2020.

2 CONSOLIDATION PRINCIPLES

2.1 Consolidation methods

The consolidated financial statements encompass all subsidiaries that are controlled by Godewind AG. 'Control' of a company is present if the Group is exposed to fluctuating yields from its interest in that company or if the Group is entitled to such yields and has the ability to influence them by means of its control of the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control begins and until such time as the control ends.

When control is acquired over entities referred to as 'property companies', the Group accounts for the acquisition of a group of assets that does not constitute a business by recognising the identifiable assets and the liabilities assumed. The costs of acquiring such a group are allocated to the individual assets and liabilities on a fair-value basis as of the date of acquisition. This accounting does not give rise to goodwill.

If groups of assets and liabilities are acquired by way of share-based payments (e.g. an issue of new shares), then the corresponding increase in equity is recognised up to the nominal value of the issued shares directly in the share capital, and the portion of the fair value of the acquired group of assets and liabilities that is in excess thereof is recognised directly in the capital reserve.

Non-controlling shares are measured at fair value as of the date of acquisition.

Intragroup balances and transactions and all unrealised income and expenses from intragroup transactions are eliminated when the consolidated financial statements are drawn up.

2.2 Scope of consolidation

The consolidated financial statements of Godewind AG encompass the parent company and the following subsidiaries (collectively the 'Group'):

Fully consolidated subsidiaries (name and registered office)	Share of capital (%)	Function
Godewind Beteiligungsgesellschaft mbH, Frankfurt am Main	100	Investment holding company
Godewind Verwaltungs I GmbH, Frankfurt am Main	100	General partner
Godewind Verwaltungs II GmbH, Frankfurt am Main	100	General partner
Godewind Verwaltungs III GmbH, Frankfurt am Main	100	General partner
Godewind Verwaltungs IV GmbH, Frankfurt am Main	100	General partner
Godewind Technical Services I GmbH, Frankfurt am Main	100	Technical-service provider
Godewind Technical Services II GmbH, Frankfurt am Main	100	Technical-service provider
Godewind Technical Services III GmbH, Frankfurt am Main	100	Technical-service provider
Godewind Technical Services IV GmbH, Frankfurt am Main	100	Technical-service provider
Godewind Office I GmbH & Co. KG, Frankfurt am Main	100	Property company
Godewind Office II GmbH, Frankfurt am Main	100	Property company
Godewind Office III GmbH & Co. KG, Frankfurt am Main	100	Property company
Godewind Office IV GmbH & Co. KG, Frankfurt am Main	100	Property company
Godewind Office V GmbH & Co. KG, Frankfurt am Main	100	Property company
Godewind Office VI GmbH, Frankfurt am Main (formerly MP Sky S.à r.l., Luxembourg)	89.90	Property company
Godewind Office VII GmbH & Co. KG, Frankfurt am Main[1]	100	Property company
Godewind Office VIII GmbH & Co. KG, Frankfurt am Main[1]	100	Property company

[1] established during reporting period

2.3 Acquisitions

The following properties were acquired during the financial year with a transfer of benefits and encumbrances before the end of the reporting period:

Property	Location	Purchase price (EUR k)	Area (m²)	Transfer of benefits and encumbrances
Pentahof	Hamburg	60,600	25,345	31.1.2019
Quartier am Zeughaus	Hamburg	153,000	43,522	30.4.2019
Y2	Frankfurt am Main	52,000	30,930	13.2.2019
Eight Dornach	Aschheim bei München	30,000	17,612	1.2.2019
Herzogterrassen	Düsseldorf	140,000	55,717	15.4.2019
City Gate	Frankfurt am Main	85,000	23,320	30.8.2019
Total		**520,600**	**196,446**	

The properties listed above were acquired through acquisition of assets and liabilities by single succession (asset deals).

No subsidiary companies and/or properties were sold during the financial year.

3 ACCOUNTING POLICIES

3.1 Changes to accounting policies

Application of IFRS continued unchanged with the exceptions described below.

a. First-time application of new standards

The following amended or new IFRS became applicable in the year under review:

Standard	Contents
EU-endorsed	
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement for Employee Benefits
Amendments to IAS 28	Long-Term Interests in Associates and Joint Ventures
Annual Improvements to IFRS (2015–2017 cycle)	Amendments and clarifications to IFRS 3, IFRS 11, IAS 12 and IAS 23

IFRS 16 Leases

The Group applied IFRS 16 for the first time as of 1 January 2019 using the modified retrospective method. For this reason, the cumulative effect of application of IFRS 16 is recognised as an adjustment of the retained earnings in the opening statement of financial position as of 1 January 2019; comparison information is not adjusted.

When making the transition, the Group used the simplifying provision for retaining the definition of a lease. This means that the Group applies IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases according to IAS 17 and IFRIC 4.

IFRS 16 replaces the existing provisions that apply to leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Definition of a lease

Previously, under IFRIC 4, a determination was made at the start of a contract as to whether the agreement constituted or included a lease. The determination of a contract as a lease is now made using the definition set out in section 3.13 Leases.

When transitioning to IFRS 16, exemptions were applied with the effect that only contracts concluded or amended on 1 January 2019 or later were assessed to see whether they constituted a lease or whether the transaction included a lease. IFRS 16 was only applied to existing contracts if they had been previously identified as leases under IAS 17 and IFRIC 4. Other existing contracts were not analysed for leases under IFRS 16.

Leases in which the Group is the lessee

The Group leases assets mainly in the form of leaseholds, self-used office properties and business equipment. Previously, leases were distinguished between operating leases and finance leases, with the criterion for this distinction being whether all material risks and rewards associated with the leased asset were transferred to the Group as the lessee. The Group now recognises new assets (right-of-use assets) and liabilities for almost all its leases in the statement of financial position in accordance with IFRS 16.

Previously, all leases except for leasehold property were identified and recognised as operating leases under IAS 17. During the transition, the lease liabilities from these contracts are measured at the present value of the remaining lease payments. They were discounted using the Group's incremental borrowing rate as at 1 January 2019. The right-of-use assets from these leases were measured at the amount of the recognised lease liability (plus any liabilities for asset retirement obligations).

During the transition, the value of the recognised right-of-use assets was assessed and the Group did not find any indicators of impairment.

The Group applied the following exemptions provided by IFRS 16 for operating leases under IAS 17:

- Neither lease liabilities nor rights-of-use assets were recognised for leases with a term of fewer than twelve months.
- Similarly, neither lease liabilities nor values in use were recognised for leases of assets of little value (<EUR k 5).
- Initial direct costs were not included when measuring right-of-use assets.
- The term of the leases was determined retroactively.

The leasehold for the Frankfurt Airport Center (FAC) property was classified by the Group as a finance lease in accordance with IAS 17 in its 2018 consolidated statements. The carrying values for this lease liability and the right-of-use asset included within the investment properties were incorporated unchanged with effect from 1 January 2019.

Leases in which the Group is the lessor

The investment properties held by the Group were rented out and the tenancy agreements for them were classified as operating leases under IAS 17. This classification also applies under IFRS 16, which means that there were no impacts on the statement of financial position at the time of transition as a result.

The Group has reassessed the classification of subleases in which it is the lessor and did not reclassify any subleases as finance leases.

The income from the aforementioned tenancy agreements was divided into lease and non-lease components by applying IFRS 15 (see section 3.12 Realisation of expense and income).

Impact on the financial statements

During the transition to IFRS 16, the Group recognised additional right-of-use assets and lease liabilities as well as liabilities for asset retirement obligations and recognised the difference in the retained earnings. The impacts at the time of the transition are summarised in the following.

In EUR k	1.1.2019
Right-of-use assets	2,493
Lease liabilities	2,455
Liabilities for asset retirement obligations	38
Retained earnings	0

The Group discounted the lease payments using its incremental borrowing rate as at 1 January 2019 when it measured the lease liabilities from operating leases. The discount rate applied was 2.87%.

Transition of lease liabilities according to IFRS 16

In EUR k	1.1.2019
Liabilities from operating leases as at 31 December 2018	3,347
Discounted using the incremental borrowing rate as at 1 January 2019	2,470
Liabilities from financing leases as at 31 December 2018	10,205
Exemption used not to recognise leases for assets of low value	0
Exemption used not to recognise leases with a term of fewer than 12 months	–15
Lease liabilities as at 1 January 2019	12,660

Other accounting standards

The additional accounting specifications applicable from 1 January 2019 do not produce any material impacts on the consolidated financial statements.

b. New standards to be applied in subsequent periods

The following accounting rules were newly published or amended by the IASB by the date of these consolidated financial statements. If they are adopted by the European Union, their application will not become mandatory until after the reporting date; the company has not voluntarily applied them in advance.

In EUR k	Contents	First-time application mandatory as of financial year
EU-endorsed		
Updated references to the Conceptual Framework for Financial Reporting	Amendments to references to the revised Conceptual Framework	1.1.2020
Amendments to IAS 1 and IAS 8	Definition of Material	1.1.2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Reform of LIBOR and other reference rates	1.1.2020
EU endorsement pending		
Amendments to IFRS 3	Business Combinations	1.1.2020
IFRS 17	Insurance Contracts	1.1.2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinitely postponed

Amendments to IFRS 3 Business Combinations

The amendments to IFRS 3 Business Combinations include clarifications of the definition of a business and, by extension, of the distinction between acquisition of a business (business combination) and acquisition of a group of assets. The Group's acquisitions have so far been recognised as acquisitions of assets. Based on the Group's assessment, this will not change when applying the IFRS 3 amendments because the acquisitions are of property without substantive processes for the provision of services and therefore not of businesses.

Other accounting standards

Currently, the company does not expect application of the other future accounting rules to have any material effects on the consolidated financial statements with the exception of additional disclosures in the notes. The standards are to be applied for the first time once they become mandatory.

3.2 Estimates, management judgements and assumptions made for accounting purposes

The estimates and assumptions used as a basis for compiling the consolidated financial statements pursuant to IFRS affect the measurement of assets and liabilities, the disclosure of contingent assets and liabilities as at the relevant reporting dates and the amount of income and expenses for the reporting period. Although these assumptions and estimates were made to the best of the management's knowledge based on current events and measures, actual results may ultimately differ from these estimations.

Estimates and the underlying assumptions are reviewed regularly. Revised estimates are recognised on a prospective basis.

Deferred taxes

Deferred tax assets and liabilities are recognised and measured based on the following assumptions:

- A planning period of five years is assumed for the measurement of tax loss carry-forwards given that the certainty of forecasts declines as the planning horizon increases; for this period the planning takes into account the expected taxable earnings of the Godewind Immobilien AG's scope of consolidation.
- The underlying five-year planning horizon was regarded as a reliable planning basis particularly in view of remaining lease terms as of the reporting date, lease extension options, tenant creditworthiness and financing terms and periods as factors of consideration. The underlying assumptions are also based on the management's experience, input from due-diligence results and the technical assessment.
- It is assumed that any sale of the property companies will only take place after the five-year period under consideration; a reversal of the temporary differences arising from the unrealised measurement result, taking into account the minimum tax rate, would result in future use of the tax loss carry-forwards. The use for tax purposes of trade tax loss carry-forwards depends on a legally permitted taxation strategy that is yet to be utilised.
- The planning and assessment was undertaken for each property company separately and took into account the probability of a tax structuring option that Godewind Immobilien AG would take to generate or increase tax earnings. For instance, it may be necessary to change the company's legal form and then sign a profit and loss agreement before sale.

Further explanations in regard to deferred taxes are contained in sections 3.11 and 4.13.

Investment properties

To determine the fair value of investment properties, the Group calls upon the services of outside independent real-estate appraisers who have the appropriate professional qualifications and up-to-date experience with the location and type of properties being appraised, a new valuation is carried out every six months for the semi-annual and annual financial statements based on the fair value of the Group's investment property portfolios as determined by the independent appraisers and in light of the management's extensive knowledge.

Crucial assumptions are made concerning, inter alia, rent increases, vacancy rates and expected maintenance expenses. The discount and capitalisation rates and the location- and property-specific surcharges chosen by the appraiser have a significant effect on the valuation. An altered estimation and a change in capital market interest rates could result in substantial increases or decreases in value.

The fair value of all the investment properties was classified, based on the input factors of the valuation method used, as a level 3 fair value.

Further information on the assumptions made to determine fair value is contained in sections 3.4 and 4.1 (Investment properties).

3.3 Determination of fair value

Based on the input factors used in the valuation method, fair values are classified according to IFRS 13 into different levels of the fair-value hierarchy:

- Level 1: Quoted prices (unadjusted) on active markets for similar assets and liabilities.
- Level 2: Valuation parameters that do not consist of the quoted prices used as inputs in Level 1 but which are observable for assets or liabilities either directly (i.e. as a price) or indirectly (i.e. as a derivative of a price).
- Level 3: Measurement parameters for assets or liabilities that are not based on observable market information.

If the input factors used to determine the fair value of an asset or liability can be classified into different levels of the fair value hierarchy, then the fair value measurement as a whole is assigned to the level of the fair value hierarchy corresponding to the lowest input factor that is material to the measurement as a whole.

The Group recognises re-groupings between different levels of the fair-value hierarchy at the end of the reporting period in which the change has occurred.

3.4 Investment properties

Investment properties are properties that are held to obtain rental income and/or for the purpose of appreciation and which are not used by the company itself or intended for sale. They are initially measured at cost when added and later at fair value, and any related changes in profit or loss are recognised. If properties are acquired through acquisition of shares in a property company and the acquired asset or group of assets does not constitute a business, then the acquisition costs of the group of individual identified assets and liabilities are classified on the basis of their fair value (see also section 2.1 Consolidation methods).

Further explanations regarding how the fair value of investment properties is calculated is contained in section 4.1 (Investment properties and advance payments on investment properties).

Any profit or loss when an investment property is disposed of (calculated as the difference between the net disposal proceeds and the carrying amount) is recognised in profit or loss.

3.5 Impairment of non-financial assets

The vast majority of the assets on the statement of financial position are not subject to IAS 36 accounting.

At the end of each reporting period, the Group assesses whether there exist indicators of asset impairment. These indicators include a considerable decline in market price, substantial detrimental changes in the business environment or obsolescence of an asset.

If such indicators are present, the Group conducts an impairment test according to IAS 36 Impairment of Assets and compares the carrying amount of the asset being tested with the recoverable amount. The recoverable amount of the asset is its fair value less disposal costs or its value in use, whichever is higher. Its value in use is equivalent to the present value of the expected cash inflows.

If no recoverable amount can be calculated for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets (cash-generating unit) to which the asset in question can be assigned.

If the carrying amount of an asset or cash-generating unit exceeds the recoverable amount, then the associated impairment expenses are recognised through profit or loss in the expense categories corresponding to the function of the impaired asset.

Assets are examined on every reporting date for indications that any previously recognised impairment expense no longer exists or has decreased. A reversal is made accordingly. A reversal may be made for no more than the carrying amount or the lower recoverable amount and is recognised in other income.

3.6 Advance payments and other assets

Advance payments and other assets are measured initially at nominal value, taking transaction costs into account, and subsequently at amortised cost using the effective-interest method.

3.7 Equity

The share capital is stated at its nominal amount and encompasses all issued registered shares.

The par value of the treasury shares is disclosed separately from the share capital. The transaction costs directly attributable to the issue of new shares are deducted from the capital reserve.

Please refer to section 3.14 for the recognition of share options.

3.8 Management of capital

The Group strives to maintain an adequate capital basis to maintain the trust of investors, creditors and the markets and to ensure the company's sustainable development. Financial risks are managed based on balance sheet equity.

The Group monitors its capital by means of the ratio between net liabilities and equity. Net liabilities comprise all liabilities (excluding pension obligations) less cash and cash equivalents.

The ratio of net liabilities to equity as of the reporting date was as follows:

IN EUR K	31.12.2019	31.12.2018
Liabilities (excluding pension obligations)	549,209	105,395
Less cash and cash equivalents	24,769	157,745
Net liabilities	**524,440**	**–52,350**
Equity	**582,931**	**397,251**
Ratio of net liabilities to equity	**0.90**	**n/a**

3.9 Financial instruments

Financial assets

The Group recognises financial assets on its statement of financial position when it is a contractual counterparty to the financial instrument. A financial asset is derecognised when the contractual rights to the cash flows expire or are transferred, the Group has no power of disposal over it and bears none of the material risks or rewards arising from it.

Financial assets are classified on the basis of the business model under which financial assets are held and the characteristics of the cash flow resulting from those financial assets. Whether a financial asset is measured at amortised cost according to the effective-interest method or at fair value is decided according to these criteria.

All of the Group's financial assets are categorised under the 'Hold' business model criterion.

Potential impairment of financial assets is determined according to the expected credit loss model, which models the course of a deterioration or improvement in the credit quality of financial instruments by factoring in expected losses.

When impairment is recognised, the following three stages are distinguished:

- Stage 1: 12-month credit losses: to be applied to all items if there is no significant deterioration of credit quality.
- Stage 2: Credit losses over the entire term (considered at the group level): applicable if there is a significant deterioration in credit quality in the case of individual financial instruments or groups of financial instruments.
- Stage 3: Credit losses over the entire life of the financial instrument (considered at the individual level): applicable if there is evidence of impairment when assets are considered individually. In this case the entire life of the financial instrument must be considered.

Impairment of trade receivables and other financial assets is calculated using the simplified approach and changes in credit risks are not tracked.

When recognised for the first time, and on every subsequent reporting date, a loss allowance is recognised in the amount of the losses expected over the entire life of the receivable (lifetime expected credit loss).

Impairment is recorded for individual, major financial instruments or groups of financial instruments with similar risks if there is objective evidence that the cash flow can no longer be expected to occur at the amount originally predicted.

Objective evidence of impairment is present when the debtor's creditworthiness deteriorates or market values are in persistent decline. For groups of financial instruments with similar risks, historical default probabilities are used as a function of overdue payments. If the reasons for a write-down are no longer present, a reversal is made accordingly up to the amortised costs without impairment.

Trade receivables are first recognised on the balance sheet at the transaction price as of the time at which they occur and other non-derivative financial assets at fair value as of the trading date, taking into account the transaction costs.

Trade receivables, cash and cash equivalents and other financial assets are usually accounted for at amortised cost in accordance with the effective-interest method. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits at banks and other current, highly liquid financial investments with an original maturity of no more than three months.

The receivable from the reinsurance is measured through profit or loss at fair value (FVTPL) since the amount of the cash flows from this financial instrument depends on the duration of the surpluses generated and hence does not comprise only fixed payments of principal and interest. Since the reinsurance is not secured against insolvency, it is not netted against existing pension obligations.

Financial liabilities

Financial liabilities that consist mainly of liabilities to banks and trade payables are accounted for at their fair value as of the trading date less the directly attributable transaction costs. They are subsequently measured at amortised cost in accordance with the effective-interest method. A financial liability is derecognised if the contractual obligations are discharged or cancelled or if they expire.

Derivative financial instruments are initially recognised at fair value as of the trading date.

Derivatives that are not classified as hedging instruments are subsequently accounted for through profit or loss at fair value (FVTPL).

Derivatives that are classified as hedging instruments are likewise accounted for at fair value. The way that changes in fair value are recognised depends on the type of the hedging instrument:

- Fair-value hedge: recognised through profit or loss (FVTPL)
- Cash flow hedge: recognised in other comprehensive income (FVOCI)

The interest rate swap assumed in 2018 in connection with the acquisition of MP Sky S.à r.l. was classified as a hedging instrument and recognised at fair value in other comprehensive income as a cash flow hedge. The relationship of the swap to the hedged item, a bullet repayment loan with a nominal amount of EUR k 85,000, and of the hedged risk to a variable interest rate for the interest payments on that loan was designated a hedging relationship according to the criteria of IFRS 9 6.4.1. The interest rate swap was also discharged with the discharge and refinancing of the underlying loan on 30 December 2019. We also refer to the statements in section 5.3 Interest change risk.

Financial instruments that mature in more than twelve months are presented as non-current.

In regard to the accounting of financial instruments we also refer to our statements in section 5.1 Classifications and fair value.

3.10 Other liabilities

Other liabilities were measured at amortised cost using the effective-interest method.

3.11 Deferred and current income taxes

Tax expense comprises actual and deferred taxes. Actual taxes and deferred taxes are recognised in profit or loss except to the extent to which they are related to an item that is recognised directly in equity or in other comprehensive income.

When determining the amount of actual and deferred taxes, the Group takes into account the effects of uncertain tax items. The assessment is based on estimates and assumptions and may include a series of management judgements concerning future events. Estimates are necessary to determine the provision for income taxes since there are, in the normal course of business, transactions and calculations in which the ultimate tax burden is uncertain.

New information may cause the Group to alter its management judgements in respect of its existing tax liabilities. Such changes in tax liabilities will have effects on tax expense in the period in which such a determination was made.

Actual taxes

Actual taxes are defined as the expected tax liability or tax asset in respect of the taxable income or tax loss for the financial year based on the tax rates that apply on the reporting date or will soon apply along with all adjustments of tax liabilities for earlier years. The amount of the expected tax liability or tax asset reflects a best estimate that is derived by taking into consideration any existing tax uncertainties.

Actual tax assets and tax liabilities can be offset only if the company has a legal right to offset the amounts against one another and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred taxes

Deferred tax assets and deferred tax liabilities are recognised applying the temporary concept in conjunction with the liability method. Deferred taxes have been recognised for all temporary differences between the carrying amounts of the assets and liabilities for Group accounting purposes and the amounts used for tax purposes.

Deferred taxes have not been recognised for:

- Temporary differences arising from first-time recognition of assets or liabilities in a transaction which is not a business combination and affects neither the accounting profit before taxes nor the taxable profit; this concerns in particular properties that are purchased by way of a share deal and for which the transaction does not qualify as a corporate merger under IFRS 3

- Temporary differences in connection with shares in subsidiaries, associated companies or jointly controlled entities if the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future
- Temporary differences arising from first-time recognition of goodwill

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available for which it can be used. Future taxable gains are calculated on the basis of the reversal of taxable temporary differences. Should the amount be insufficient to fully capitalise deferred tax assets, the future taxable gains are calculated on the basis of the individual subsidiaries' business plans.

Deferred tax assets are tested for impairment at the end of each reporting period and, where necessary, reduced by the extent to which it is no longer probable that the associated tax benefit will be realised; reversals are made if the probability of future taxable income improves.

The use for tax purposes of trade tax loss carry-forwards recognised in the consolidated statement of financial position depends on the utilisation of an as yet undefined, legally permitted taxation strategy when disposing of properties.

Unrecognised deferred tax assets are reviewed on each reporting date and recognised to the extent to which it is probable that future taxable income will allow their realisation.

Deferred taxes are measured using the tax rates which are expected to apply in the period during which an asset is realised or a liability is satisfied and which are expected to be applied to temporary differences as soon as they are reversed, specifically tax rates that are valid or have been announced as at the end of the reporting period. To calculate domestic deferred taxes, a combination of the parent company's corporate tax and trade tax rates adding to 31.925% was used for 2019, as in the preceding year. Where there is no expectation of income subject to trade tax owing to use of the expanded trade tax reduction for real-estate companies, deferred tax assets are recognised without consideration of trade tax carry-forwards. Minimum taxation was factored in.

The measurement of deferred taxes reflects the tax consequences of the Group's expectations in regard to the manner in which the carrying amounts of its assets or the satisfaction of its liabilities will be realised as of the reporting date. For deferred tax liabilities and deferred tax assets that exist due to measurement of the investment properties at fair value when applying IAS 40, the assumption that the carrying amounts of the investment properties will be realised upon their sale has not been disproved.

Deferred tax assets and deferred tax liabilities are netted only if an entity has a legally enforceable right to settle current tax assets and current tax liabilities on a net basis, the deferred tax amounts relate to income taxes that are levied by the same tax authority and the realisation period is the same for both.

In accordance with the provisions of IAS 12 'Income Taxes', deferred tax assets and deferred tax liabilities are not discounted.

3.12 Realisation of expense and income

The revenue from renting out investment properties held for sale is income from operating leases within the meaning of IFRS 16. It is realised, less any sales deductions, on a straight-line basis over the term of the lease if satisfaction of the resulting receivables is probable. Granted rent incentives are recognised as a component of total rental income over the term of the lease. Income from third-party rent guarantees is recognised in other operating income if the lease is one that has already been terminated.

The operating costs received are classified as non-leasing components under the aforementioned leases. They are reported as proceeds within the meaning of IFRS 15 since the Group, for the most part, acts as principal in the lease agreements with tenants.

The Group bases this assessment on the inventory risk associated with the operating costs, particularly for vacant properties. Operating costs are realised entirely as income on a straight-line basis over the term of the leases. The associated expenses from operating costs are likewise fully recognised on a straight-line basis over the term of the leases.

When properties are sold, the revenue is realised as soon as the significant risks and rewards are transferred to the buyer with the transfer of benefits and encumbrances.

Proceeds from the disposal of financial assets (securities) are recognised when the contractual rights in respect of cash flows from an asset expire or the rights to receive a cash flow arise in a sales transaction in which all material risks and rewards incident to ownership of the financial asset are also transferred.

They are similarly derecognised if the company neither transfers nor retains all material risks and rewards incident to ownership and it does not retain control of the transferred asset.

The company collects interest income pro rata temporis, taking into account the remaining balance due and the effective rate of interest over the remaining term.

3.13 Leases

The Group applied IFRS 16 using the modified retrospective method, for which reason it did not adjust the comparative information.

The effects of being a lessee applying IFRS 16 to leases for the first time as of 1 January 2019 are explained in section 3.1 Changes to accounting policies.

Method applied as of 1 January 2019

When contracts commence on or after 1 January 2019, the Group assesses whether they constitute or include a lease under IFRS 16. A lease requires control of the usage of an identified asset in return for a fee for a fixed period of time.

Leases in which the Group is the lessee

The Group recognises an asset for the right of use and a lease liability on the commencement date. The right-of-use asset is measured using the carrying value of the lease liability, less lease incentive payments and adjusted by payments already made plus any initial costs and estimated costs for removal, dismantlement or restoration.

The right-of-use asset depreciates through the linear method over the term of the lease from its commencement date. If the lease includes a purchase option for the underlying asset or if the asset is to be transferred to the Group at the end of the lease, the right-of-use asset depreciates over the asset's typical useful life. The right-of-use asset is regularly tested for impairment and, if necessary, its value adjusted; the lease liability is also adjusted with certain revaluations.

The lease liability is recognised on the commencement date at the present value of the remaining payments for the lease. These lease payments include:

- Fixed lease payments, including de facto fixed
- Variable lease payments aligned to an index or interest rate, initially measured using the index or interest rate as at the commencement date
- Amounts payable from a residual-value guarantee
- The exercise price of a purchase option and payments for an extension option if it is reasonably likely and certain that the option will be exercised and compensation payments for premature termination of the lease if it is reasonably certain that the lease will be terminated prematurely

The present value is calculated using the interest rate implicit in the lease or, if it is too difficult to determine this, using the Group's incremental borrowing rate. The Group usually uses the incremental borrowing rate, which is determined based on various external sources of finance and adjusted by the terms of the lease and conditions of the underlying asset.

The lease liability is measured using the carrying amount with the effective-interest method applied. The lease liability is revalued if future lease payments change because of index or interest rate adjustments, if the residual-value guarantee changes or if there is a change in the assessment of the likelihood of a purchase, extension or termination option being exercised. The revaluation of the lease liability also includes adjusting the carrying value of the right-of-use asset and the lease liability is adjusted through profit or loss if the carrying value of the right-of-use asset is zero.

The Group recognises the right-of-use assets that do not fall under investment property as its own item under non-current assets on the statement of financial position. The lease liabilities are recognised as their own item under current and non-current liabilities on the statement of financial position in line with their term.

The Group utilises the option not to include on the statement of financial position right-of-use assets and lease liabilities from leases with a short term and those for assets of low value; it instead charges the lease payments as an expense on a straight-line basis over the term of the lease.

Leases in which the Group is the lessor

The Group allocates the agreed consideration on the basis of the relative stand-alone prices when the lease commences or is amended.

A distinction is made as to whether a lease is a finance or operating lease when it commences. The classification is based on an assessment of whether all risks and rewards of ownership of the underlying asset mainly remain with the Group or are transferred to the lessee. The lease is treated as a finance lease if they are transferred to the lessee, otherwise it is deemed an operating lease.

The Group recognises head leases and subleases separately on the statement of financial position if the Group is an intermediate lessor. The sublease is classified based on the right-of-use asset from the head lease and not the underlying asset. For short-term head leases where the Group utilises the option mentioned above, the sublease is classified as an operating lease.

The Group does not classify the tenancy agreements for Frankfurt Airport Center as a sublease because the lease from the leasehold, with the Group as lessee, only includes the right of use of the land, whereas the tenancy agreements with the Group as lessor include a right of use of the property.

Other than that, the Group is not a lessor in any leases that are classified as finance leases.

If a contract includes lease and non-lease components, the consideration is allocated using IFRS 15.

The lease payments from operating leases for investment properties are recognised on a straight-line basis as earnings in the revenues from letting activities.

The accounting rules under IFRS 16 for leases where the Group is the lessor generally do not differ from those of the preceding period.

Method applied prior to 1 January 2019

Leases in which the Group is the lessee

Leases under which the company as lessee bore the material risks and rewards incident to ownership of the leased property were classified as finance leases. When recognised for the first time, the leased property was capitalised at fair value or the present value of the minimum lease payments, whichever was less. At this time a lease liability of the same amount was recognised under non-current financial liabilities. The portion of the lease liability that fell due within twelve months of the end of the reporting period was shown in each instance in current financial liabilities. Each lease payment made was subsequently divided into interest and principal portions based on a constant interest payment on the remaining lease liability. The interest portion was recognised through profit or loss as an interest expense in the statement of comprehensive income.

During the preceding year, a leasehold, as part of an investment property, was accounted for as a finance lease according to the option allowed by IAS 17.19.

Under leases in which the company was the lessee, economic ownership of the leased properties was, according to IAS 17, attributed to the lessor if the latter bore substantially all risks and rewards from the leased property that were incident to ownership.

Leased properties under these leases were classified as operating leases and were not recognised on the company's statement of financial position. Payments made were recognised by the lessee on a straight-line basis over the term of the lease through profit or loss. The operating leases were for parking spaces, vehicles, portions of the office and operating equipment; and business premises. The agreements did not contain any purchase options.

Leases in which the Group is the lessor

The Group classified leases as finance leases or operating leases when it entered into them. This classification was carried out analogously to the rules applicable as of 1 January 2019 except when classifying subleases.

3.14 Share-based payment

The fair value of share-based payment agreements as of the date on which they are granted to Executive Board members and employees is recognised as an expense with a corresponding increase in equity over the period in which the beneficiaries acquire an unlimited entitlement to the long-term incentive. The amount recognised as an expense is adjusted to reflect the number of long-term incentives for which the related service conditions are expected to be fulfilled, with the result that the amount ultimately recognised as an expense is based on the number of long-term incentives for which the associated service conditions will have been satisfied at the end of the earning period. The fair value of share-based payment bonuses subject to lock-up terms is measured as of the grant date, taking these terms into account; no adjustment is made for differences between expected and actual results.

Beginning in the 2018 financial year, the company introduced share option programmes so that it could grant share options to Executive Board members and selected employees.

The programmes serve as a source of targeted incentives for programme participants and are simultaneously intended to foster participant loyalty to the company.

The fair value of the share options is measured by means of a Monte Carlo simulation. A simulation of the log-normally distributed processes is conducted for the Godewind share price and the performance of the FTSE EPRA/Nareit Developed Europe ex UK Index to depict, in accordance with the performance targets, the absolute performance of Godewind shares and their performance relative to the index.

4 EXPLANATIONS REGARDING THE ITEMS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4.1 Investment properties and advance payments on investment properties

The 'investment properties' item at 31 December 2019 comprised ten office properties with 293,406 m^2 of lettable area.

Godewind AG leases out its investment properties under operating leases. The net rental income received from these properties amounted to EUR k 30,699 during the financial year (2018: EUR k 548).

When properties are acquired, the associated property company enters into pre-existing lease agreements. They generally have a non-terminable remaining term of between one and eighteen years. For the existing properties, the weighted average remaining lease term (WALT) numbered 5.2 years as of the end of the reporting period (previous year: 4.2 years).

As of the end of the reporting period, the following future net minimum lease payments were outstanding under leases that were until then non-terminable (including imputed rents for owner-used space):

<table>
<tr><th>IN EUR K</th><th>31.12.2019</th><th>31.12.2018</th></tr>
<tr><td>Up to one year</td><td>37,781</td><td>13,456</td></tr>
<tr><td>One to two years</td><td>33,512</td><td rowspan="4">36,854</td></tr>
<tr><td>Two to three years</td><td>29,392</td></tr>
<tr><td>Three to four years</td><td>27,519</td></tr>
<tr><td>Four to five years</td><td>22,156</td></tr>
<tr><td>Longer than five years</td><td>67,626</td><td>27,867</td></tr>
<tr><td>**Total**</td><td>**217,986**</td><td>**78,177**</td></tr>
</table>

The minimum lease payment of EUR k 36,854 was recognised in the preceding year with a term of one to five years. In 2019, a detailed presentation has been chosen so as to illustrate the lease payment increase better.

The direct operating expenses (operating and incidental costs) directly attributable to the investment properties from which rental income was received during the financial year amounted to EUR k 12,505 (2018: EUR k 134).

The fair value of the investment properties was determined by outside, independent real-estate appraisers who have the appropriate professional qualifications and up-to-date experience with the location and type of properties being appraised and on the basis of other assumptions by the company. The properties Sunsquare (Kirchheim bei München), Airport Business Center (ABC, Düsseldorf), Y2 (Frankfurt am Main), Pentahof (Hamburg), ComConCenter (CCC, Frankfurt am Main), Eight Dornach (Aschheim bei München) and Quartier am Zeughaus (Hamburg) were valued by independent real-estate appraiser Jones Lang LaSalle SE for 31 December 2019. The properties City Gate (Frankfurt am Main), Frankfurt Airport Center (FAC, Frankfurt am Main) and Herzogterrassen (Düsseldorf) were valued by independent real-estate appraiser Savills Advisory Services Germany GmbH & Co. KG.

The market value of these properties was calculated according to the International Valuation Standards (IVS) and the guidelines and implementation rules of the Royal Institution of Chartered Surveyors (RISC) and, consequently, corresponds to the estimated amount at which an asset or liability could be sold on the valuation date between a willing seller and a willing buyer, after a reasonable marketing period, in an arm's-length transaction, with each party acting knowledgeably, prudently and without compulsion. It was also assumed that the manner and extent of their use as at the end of the reporting period accorded with their 'highest and best use'.

The measurement of their market value in this appraisal was based on a dynamic present-value examination of cash flows according to the discounted cash flow method. For a period of ten to eleven years, a detailed cash flow plan was assumed with an annual payment due date in arrears for all receipts and disbursements and an annual due date in arrears for the final value at the end of the observation period. An inflation rate and market rent increase between 1.40% and 2.00% p.a. (2018: 1.53% and 2.09%) was assumed.

Gross income from the contractually let spaces was assessed and recognised, taking into consideration the contractually agreed minimum remaining lease terms, possible graduated rental agreements and indexation terms. The contractual rental income (actual rents along with contractually stipulated rents for tenancies beginning after the reporting date) for the entire portfolio totals EUR k 43,550 p.a. (2018: EUR k 14,640).

For the period following expiry of the contractual minimum lease term, an extrapolated nominal market rent – i.e., the market rent assumed to be prevailing as of the reletting date – was applied to the rental unit with a chosen probability percentage (as a rule 75.0%) following an assumed property- and market-specific vacancy period and with incurred conversion and marketing costs. In cases involving a lease extension, it was generally assumed that no or only negligible vacancy, renovation and marketing costs would be incurred when recognising the updated market rent (analogous to relettings).

From the estimated (nominal) market rents according to the varying quality of the various spaces, total gross income at prevailing market rates was calculated at roughly EUR k 56,998 p.a. (2018: EUR k 19,977).

For final-value capitalisation, the present annuity value was calculated for the estimated payment surpluses of the last year of the observation period and discounted to the valuation date. The estimated net income for the 10th and 11th annual periods was capitalised with a chosen capitalisation interest rate as an ordinary perpetual annuity. The chosen capitalisation rate corresponds to the interest rates observable in a stable real-estate capital market environment plus a property-specific risk premium. Depending on the quality, location and structure of the properties, the applied capitalisation rates vary between 3.75% and 4.65% (2018: 4.50% and 5.25%).

The following separate components were factored in for the management costs arising from the individual properties:

The non-recoverable operating costs comprise the running costs that arise from ownership of a property or from the use of a property and its structural installations as intended. According to the customary practices of the local property market, the tenant usually bears these costs along with the rent. For measurement purposes, the proportional operating costs not borne by the tenants are reflected by an estimate between 0.75% and 2.1% (2018: 1.0% and 2.9%) of gross income.

Vacancy costs were estimated for all spaces not leased as of the valuation date or that may be vacant from time to time during the observation period owing to tenant fluctuation. Annual vacancy costs between EUR 18.00 and EUR 24.00 (2018: EUR 20.00 and 22.00) per m² were recognised for measurement purposes. For FAC, annual vacancy costs of EUR 60.00 per m² (2018: EUR 60.00) were assumed. For other spaces and storage areas, the annual vacancy costs recognised for the total portfolio are EUR 6.00 to EUR 12.00 per m² (2018: EUR 6.00 to EUR 12.00). The vacancy rate for the portfolio as a whole (the ratio of unlet area to lettable area) was 22.7% as of the end of the reporting period (2018: 26.3%).

Administrative costs comprise letting fees, property management, accounting, management controlling, billing of incidental costs and planning and carrying out repairs and maintenance. The measurement was made assuming observance of the principles of sound management practice. For valuation purposes, the aforementioned non-recoverable administrative costs were factored in as 0.2% to 1.7% (2018: 1.0%) of gross income.

The maintenance costs comprise the expenses that must be made to preserve the structural installations for their intended use during their useful life, despite wear, age and weathering, so that the usability and earnings capacity of the valued object is maintained. These costs were included in the valuation by factoring in EUR 6.00 to EUR 8.80 (2018: EUR 6.00 to EUR 7.00) per m² of office area, EUR 3.50 to EUR 4.30 (2018: EUR 3.50) per m² of other and storage areas and EUR 30.00 to EUR 60.00 (2018: EUR 60.00) per parking space per year. Under the leases, the Group, as lessor, bears an obligation to repair and maintain facades, load-bearing elements and roofs on a regular basis.

For the tenant improvement costs arising from a change of tenant, lump-sum estimates of EUR 10.00 to EUR 25.00 per m² (2018: EUR 25.00) for storage areas and for office areas EUR 600.00 (2018: EUR 600.00) for the Sunsquare property and from EUR 150.00 to EUR 300.00 (2018: EUR 125.00 to EUR 220.00) for the rest of the portfolio, per m² of lettable area were applied, differentiated according to the quality of the space, the manner of its use and the obtainable market rent, along with agent commissions and rent incentives equivalent to three to nine months of rent (2018: two to nine months of rent).

The discount rate stated for all payment surpluses comprises a long-term risk-free rate and a risk premium in accordance with international valuation practice. Depending on the quality, location, occupancy rate and structure of the properties, the discount rates that were applied vary between 4.15% and 6.40% (2018: 5.30% to 7.25%).

In addition to the market value calculation, a sensitivity analysis was performed with changes in the discount and capitalisation rates. If the discount and capitalisation rates underlying the property valuation were increased or reduced by 0.5 percentage points, this would produce the following values for the investment properties as of 31 December 2019:

IN EUR K, AS OF 31.12.2019/31.12.2018

CAPITALISATION RATE	DISCOUNT RATE −0.50%	DISCOUNT RATE 0.00%	DISCOUNT RATE +0.50%
−0.50%	1,258,037 348,905	1,204,037 329,705	1,137,037 312,705
0.00%	1,137,037 323,305	1,096,037 305,405	1,043,037 289,705
+0.50%	1,056,037 302,105	998,037 285,405	957,037 270,705

The overview below shows the effects that possible fluctuations in market rent – a key valuation parameter – would have on the valuation of the investment properties. Potential reciprocal effects cannot be quantified owing to the complexity of the relationships.

31.12.2019

Valuation parameter	Change in parameter	Effect on value	
	in %	in EUR k	in %
Market rent	5	44,192	4.03
Market rent	–5	–59,925	–5.47

31.12.2018

Valuation parameter	Change in parameter	Effect on value	
	in %	in EUR k	in %
Market rent	5	17,400	5.77
Market rent	–5	–17,500	–5.80

The indicated ranges do not incorporate extraordinary, unique situations. The assumptions used to value the properties were made by the independent valuers based on their many years of experience.

IN EUR K	Investment properties	Payments in advance	Total
Net carrying amount as of 1.1.2018	**0**	**0**	**0**
Additions	290,149	34,273	324,422
Disposals	0	0	0
Changes in fair value	10,756	0	10,756
Net carrying amount as of 31.12.2018/1.1.2019	**300,905**	**34,273**	**335,178**
Additions	546,538	0	546,538
Transfers	34,273	−34,273	0
Disposals	0	0	0
Changes in fair value	214,321	0	214,321
Net carrying amount as of 31.12.2019	**1,096,037**	**0**	**1,096,037**

The investment properties include a right of use under a leasehold worth EUR k 14,037 (2018: EUR k 10,205) (see section 7.3 Leases).

The payments made in advance in the preceding year relate mainly to the Quartier am Zeughaus (EUR k 15,651), Pentahof (EUR k 9,081), Y2 (EUR k 7,589) and Eight Dornach (EUR k 1,950) properties.

Changes in fair value are recognised in profit or loss and are included in the unrealised net gain/loss from measurement of investment property at fair value. All gains are unrealised.

4.2 Other non-current and current assets

IN EUR K	31.12.2019		31.12.2018	
	Non-current	Current	Non-current	Current
Deferred items	0	1,281	0	32
Tax assets	0	853	0	1,264
Notarial trust accounts	0	754	0	450
Deposits	248	1	247	74
Reinsurance	47	23	78	22
Other assets	0	1,000	0	254
Total	**295**	**3,912**	**325**	**2,095**

The tax assets consist mainly of refund claims for value-added tax. The deferred items mainly include deferrals of receivables from preliminary utility bills. The other assets mainly comprise a receivable in connection with the reversal of an interest rate swap (EUR k 818) and rent receivables from previous owners (EUR k 182).

4.3 Trade receivables

Breakdown and age distribution:

IN EUR K	31.12.2019	31.12.2018
Rent receivables	809	0
Maturing in the following time spans as at the end of the reporting period:		
Not yet mature	98	0
Matured fewer than three months ago	498	142
Matured more than three months ago	213	0
Value adjustments to rent receivables	0	0
Total	**809**	**142**

An assessment as of the end of the reporting period showed no need for an allowance for expected loan losses.

4.4 Income tax receivables

The current income tax receivables are broken down as follows:

IN EUR K	31.12.2019	31.12.2018
2018 corporate tax	1	1

4.5 Cash and cash equivalents

IN EUR K	31.12.2019	31.12.2018
Cash and cash equivalents	24,769	157,745

Cash consists mainly of unrestricted bank balances (EUR k 24,769, 2018: EUR k 22,733) and short-term, highly liquid financial investments with an original term of no more than three months (EUR k 0, 2018: EUR k 135,012).

An assessment as at the end of the reporting period showed no need for an allowance for expected loan losses.

There exist restrictions on the cash and cash equivalents worth EUR k 5,100 (2018: EUR k 0). They are the result of the pledge on a reserve account for maintenance and improvements as collateral for a loan for property acquisition.

For some incoming rent accounts there are agreements that provide a restraint in the event of a loan repayment default (see 4.7 Liabilities to banks).

4.6 Equity

Share capital

	In EUR k	in thousands of shares
1.1.2018	**15,000**	**15,000**
Cash capital increase	93,750	93,750
31.12.2018	**108,750**	**108,750**
31.12.2019	**108,750**	**108,750**

The subscribed and fully paid-up share capital of Godewind Immobilien AG amounts to EUR k 108,750 (2018: EUR k 108,750) and is divided into 108,750,000 ordinary registered shares. A resolution was adopted at the annual general meeting on 20 February 2018 for a capital increase of up to EUR k 175,000. The capital increase took place in 2018 through a cash contribution with a nominal amount of EUR k 93,750. A further capital increase did not take place in 2019. There are no preferred shares in existence. There do not exist any shares with limited voting rights except for the 1,500,000 treasury shares that were held as of 31 December 2019 (2018: 240,856) (AktG Section 71b).

As regards disclosures about capital management, we refer to our statements in section 5.3 Capital Risk Management.

Authorised capital

Authorised Capital 2018 I: through a resolution adopted at the annual general meeting on 20 February 2018, the Executive Board was authorised to increase the share capital, with the Supervisory Board's consent, by up to EUR k 50,000 by 19 February 2023, once or repeatedly, by issuing up to 50,000,000 new bearer shares in exchange for cash and/or non-cash contributions, the shareholder's subscription rights being subject to exclusion. The entire text of the resolution is presented in Section 4(8) of the Articles of Association, which are available for perusal at https://www.godewind-ag.com/en/corporate-governance-2/.

Authorised Capital 2018 I has not been used yet.

Contingent capital

Contingent Capital 2019 I: the share capital has been contingently increased by up to EUR k 47,700, divided into up to 47,700,000 bearer shares. The contingent capital increase will be implemented only to the extent that the holders of convertible bonds, or of warrants attached to bonds, issued by the company or a Group company by 5 August 2024 on the basis of the authorising resolution adopted at the annual general meeting on 6 August 2019 make use of their conversion or option rights or fulfil their obligation to exercise such option or conversion rights, or that the company makes use of one of the tender rights granted to it and if no other means of performance are used to service these rights. The entire text of the resolution is presented in Section 4(6) of the Articles of Association, which are available for perusal at https://www.godewind-ag.com/en/corporate-governance-2/.

A contingent capital increase has not been implemented yet.

Contingent Capital 2019 II: the share capital has been contingently increased by up to EUR k 6,600, divided into up to 6,600,000 bearer shares. The contingent capital increase will be implemented only to the extent that the holders of share option rights issued pursuant to the authorising resolution adopted at the annual general meeting on 20 February 2018 make use of their subscription rights to the company's shares. The entire text of the resolution is presented in Section 4(7) of the Articles of Association, which are available for perusal at https://www.godewind-ag.com/en/corporate-governance-2/.

The contingent capital increase has not been implemented yet.

Employees of the company obtained rights to 220,000 shares as part of a share option programme during the 2019 financial year. Please refer to section 7.2 Share-Based Payment Agreements for a presentation of the total share options issued.

Treasury shares

Treasury shares comprised 1,500,000 shares adding to EUR k –1,500 in total during the financial year (2018: EUR k –241).

On 13 December 2018, the Executive Board of Godewind Immobilien AG resolved, with the Supervisory Board's approval, to launch and carry out a share buy-back programme. This share buy-back programme saw the repurchasing of 1,500,000 company shares (equivalent to around 1.38% of the share capital). The buy-backs took place exclusively through the stock exchange by electronic trading on the Frankfurt Stock Exchange (XETRA).

With the buy-back programme, the company is making use of the authorisation it was granted at the annual general meeting on 20 February 2018, according to which shares totalling 10% of the company's existing share capital as of the date of the resolution may be acquired by 19 February 2023. The price per share (without incidental acquisition costs), if acquired through the exchange, may not be more than 10% over or under the price of the company's share in XETRA trading (or trading in a comparable successor system) as determined on the trading date by the opening auction. The repurchased shares may be used for any of the purposes permitted by the authorisation given at the annual general meeting on 20 February 2018, including sale with exclusion of shareholders' subscription rights (a) in return for a cash payment, provided that the price at which the shares are sold is not significantly less than the exchange price of the company's shares in XETRA trading (or in trading in a comparable successor system) and (b) in contribution in kind; the shares may also be recalled.

The buy-back began on 14 December 2018 (first acquisition date) and ended on 21 February 2019 (last possible acquisition date). There were 1,500,000 shares that had been bought at an average price of EUR 3.24 by 31 December 2019. The total price came to EUR k 4,854.

Capital reserve

Changes in the capital reserve during the reporting period were as follows:

IN EUR K	
1.1.2018	**0**
Contributions to the capital reserve	282,520
Withdrawals for transaction costs	–10,625
of which transaction costs for capital increases	–10,601
of which transaction costs for share buy-back	–24
Withdrawal from the capital reserve	–13,040
31.12.2018	**258,855**
1.1.2019	**258,855**
Share-based payment	2,022
Withdrawals for transaction costs	–7
of which transaction costs for capital increases	–0
of which transaction costs for share buy-back	–7
Withdrawal from the capital reserve	–0
31.12.2019	**260,870**

The contributions to the capital reserve, with an amount of EUR k 2,022 (2018: EUR k 1,270), came from reserves formed pro rata for the share options being earned by the Executive Board and selected employees (see section 7.2 Share-based payment agreements). Contributions produced by the premium from the capital increases were not made during the financial year (2018: EUR k 281,250). Withdrawals amounting to EUR k 7 were made during the financial year for transaction costs relating to the buy-back of the company's shares (2018: EUR k 24). Withdrawals for transaction costs were not made for capital increases during the financial year (2018: EUR k 10,601). The company used EUR k 0 (2018: EUR k 13,040) of the capital reserve to balance out the annual loss under German commercial law in accordance with AktG Section 150.

Retained earnings

There were withdrawals during the financial year of EUR k 2,873 from retained earnings for the premium from the acquisition of treasury shares (2018: EUR k 481).

In addition, the actuarial effects on pension obligations (EUR k 34) were recognised directly in equity as other comprehensive income (2018: EUR k –52).

Non-controlling interests

Non-controlling interests as at the end of the reporting period amounted to EUR k 6,225 (2018 EUR k 4,449). Of the change from the preceding year, EUR k 1,775 is attributable to consolidated net income (2018: EUR k 758) and EUR k 1 (2018: EUR k 0) to a contribution from a non-controlling shareholder in Godewind Office VI GmbH (changes to the recognition of minorities).

Dividends

Godewind Immobilien AG did not pay a dividend in the 2019 financial year, nor did it in the preceding year.

4.7 Liabilities to banks

The bank loans have the following terms:

31.12.2019 in EUR k	Currency	< 1 year	Term 1–5 years	> 5 years	**Total**
Secured bank loans	EUR	606	440,726	55,840	**497,172**

31.12.2018 in EUR k	Currency	< 1 year	Term 1–5 years	> 5 years	**Total**
Secured bank loans	EUR	0	87,528	0	**87,528**

The bank loans are secured by land charges and other forms of collateral (contingent account garnishment, assignments and pledging of company shares and guarantees). The registered land charges amount to EUR k 549,330 (2018: EUR k 115,000). The loan agreements contain financial covenants. In the event of a breach of one of these covenants (loan terms), default on repayment or insolvency, the collateral given will be used to satisfy the creditors' claims.

Fixed interest between 1.09% and 1.38% p.a. (2018: variable interest of 1.44%) is charged on the liabilities to banks. The weighted average interest rate is 1.21% p.a.

4.8 Other non-current derivative financial instruments

IN EUR K	
1.1.2018	**0**
Additions	662
Changes in fair value	0
31.12.2018/1.1.2019	**662**
Changes in fair value	225
Disposals	887
31.12.2019	**0**

A swap was recognised as an interest rate hedge for the bank loans assumed in connection with the acquisition of MP Sky S.à r.l. (now Godewind Office VI GmbH) (see section 5.3 Interest change risk).

The interest rate swap was discharged as part of the refinancing of the loan effective from 30 December 2019.

4.9 Other liabilities

IN EUR K	31.12.2019		31.12.2018	
	Non-current	Current	Non-current	Current
Personnel costs	0	1,611	0	708
Portion of purchase price still outstanding	0	754	0	450
Deposits	0	523	0	315
Deferred items	0	442	0	443
Overpayment of tenants	0	437	0	0
Supervisory Board remuneration	0	135	0	135
Asset retirement obligations	78	0	0	0
Security due at end of warranty period	74	0	0	0
Record-keeping requirements	73	0	73	0
Other liabilities	0	79	0	76
Total	**225**	**3,981**	**73**	**2,127**

4.10 Trade payables

IN EUR K	31.12.2019	31.12.2018
Trade payables		
From leasing	2,912	7
From other trade payables	672	1,622
Deferral	2,240	3,166
Total	**5,824**	**4,795**

The deferred items are mainly outstanding liabilities from not yet issued utility bills worth EUR k 1,783 (2018: EUR k 110) and the costs for the annual financial statements amounting to EUR k 380 (2018: EUR k 329).

4.11 Other current financial liabilities

The current tax liability is broken down as follows:

IN EUR K	31.12.2019	31.12.2018
Other current financial liabilities	565	0

A loan from the non-controlling shareholder in Godewind Office VI GmbH is recognised.

4.12 Tax liabilities

The current tax liability is broken down as follows:

IN EUR K	31.12.2019	31.12.2018
Value-added tax	24	0
Trade tax	5	0
Luxembourg wealth tax	0	5
Total	**29**	**5**

4.13 Income tax

Current tax expense was calculated on the basis of the financial year's taxable profit. The tax rate for the parent company in the 2019 financial year was 31.9% (2018: 31.9%). This tax rate comprises the corporate tax rate and the solidarity surcharge totalling 15.8% (2018: 15.8%) and the trade tax rate of 16.1% (2018: 16.1%). Actual tax expense in the financial year amounted to EUR k 5 (2018: EUR k 0). Deferred tax income in the financial year amounted to EUR k –28,167 (2018: EUR k 6,488 tax income).

Taxes recognised in the consolidated net income

IN EUR K	31.12.2019	31.12.2018
Actual tax expense		
Current year	5	0
Adjustment for previous years	0	0
Total	**5**	**0**
Deferred tax expense/income		
Creation/reversal of temporary differences	–74,237	–3,601
Recognition of (prior-period) tax losses not yet accounted for	46,015	10,051
Addition of pension provision	55	38
Tax expense/income	**–28,167**	**6,488**
Tax expense/income	**–28,172**	**6,488**

Changes in deferred taxes in the balance sheet during the year

IN EUR K	As of 1.1.2019	Recognised in profit or loss	Recognised directly in equity	Other addition	Net	31.12.2019 Deferred tax assets	31.12.2019 Deferred tax liabilities
Investment properties	–3,601	–74,186	0	0	–74,186	0	–77,787
Recognition of loss carry-forwards with future disposals	2,152	44,512	0	0	44,512	46,664	0
Other	50	215	3	0	218	268	0
Swap	211	–211	0	0	–211	0	0
Tax loss carry-forwards	7,899	1,503	0	0	1,503	9,402	0
Tax assets (liabilities) before offsetting – total	**6,711**	**–28,167**	**3**	**0**	**–28,164**	**56,334**	**–77,787**
Tax assets (liabilities) net						**–21,453**	**–**

IN EUR K	As of 1.1.2018	Recognised in profit or loss	Recognised directly in equity	Other addition	Net	31.12.2018 Deferred tax assets	31.12.2018 Deferred tax liabilities
Investment properties	0	–3,601	0	0	–3,601	0	–3,601
Recognition of loss carry-forwards with future disposals	0	2,152	0	0	2,152	2,152	0
Other	0	38	12	0	50	50	0
Swap	0	0	0	211	211	211	0
Tax loss carry-forwards	0	7,899	0	0	7,899	7,899	0
Tax assets (liabilities) before offsetting – total	**0**	**6,488**	**12**	**211**	**6,711**	**10,312**	**–3,601**
Tax assets (liabilities) net	–	–	–	–	–	**6,711**	**–**

Financing was assumed in connection with the acquisition of Godewind Office VI GmbH (formerly MP Sky S.à r.l.) in 2018, and was secured with an interest rate swap and included, by way of initial consolidation, in the recognition of the investment. Deferred tax assets amounting to EUR k 211 resulted from related temporary differences. This financing was supplanted during the financial year and the corresponding deferred tax asset was derecognised through profit and loss. During the 2019 financial year, EUR k 44,512 in deferred tax assets were formed on future use of tax loss carry-forwards in connection with the reversal of temporary differences associated with disposal and realisation of as yet unrealised valuation results. Deferred taxes were not formed for an outside basis difference.

Recognised and unrecognised deferred tax assets

Deferred tax assets on tax loss carry-forwards are recognised in the amount in which the related tax advantages are likely to be realised through future taxable gains. The Executive Board assumes that, over the five-year planning horizon, use may be made of corporate tax loss carry-forwards in the amount of EUR k 44,065 (previous year: EUR k 35,183) and trade tax loss carry-forwards in the amount of EUR k 15,086 (previous year: EUR k 14,480). As of 31 December 2019, related tax assets amounting to EUR k 9,402 (previous year: EUR k 7,899) have been recognised as deferred tax assets. On top of that, tax assets for the use of loss carry-forwards in connection with future property disposals were recognised at EUR k 46,664 as at the end of the financial year.

Unrecognised deferred tax assets result as follows from tax loss carry-forwards:

IN EUR K	31.12.2019	31.12.2018
Unrecognised deferred tax assets on tax losses	6,610	55,092

Tax loss carry-forwards

The tax loss carry-forwards changed as follows:

IN EUR K	31.12.2019	31.12.2018
Tax loss carry-forwards (corporate tax)	198,680	196,880
Tax loss carry-forwards (trade tax)	194,058	192,369

A significant portion of the tax loss carry-forwards resulted from the former business model, which no longer exists in that form.

The tax loss carry-forwards can be carried forward indefinitely. Under certain conditions, however, they may be reversed proportionally or in full (e.g. if more than 50% of shares are held by a single shareholder).

The use of capitalised tax assets for tax purposes may depend on the utilisation of an as yet undefined, legally permitted taxation strategy when disposing of properties, such as changing the legal form of property companies and then entering into profit and loss agreements.

Taxes recognised directly in equity

IN EUR K	2019			2018		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Acquisition costs for treasury shares	10	–3	7	36	–12	24

Reconciliation of the effective tax rate

	2019		2018	
	in %	in EUR k	in %	in EUR k
Earnings before income tax		**215,934**		**3,640**
Taxes based on the company's domestic tax rate	–31.925	–68,936	–31.90	–1,161
Non-tax-deductible expenses of the share option programme	–0.30	–646	–11.13	–405
Non-deductible expenses	–2.13	–4,604	–0.69	–25
Recognition of tax effects of tax loss carry-forwards not yet accounted for	21.31	46,015	221.96	8,079
Expenses (–)/income (+) from income taxes according to the statement of comprehensive income	**–13.05**	**–28,172**	**178.24**	**6,488**

The tax deposit account pursuant to German Corporation Tax Act (KStG) Sections 27(2) und 28(1) third sentence held a value of EUR k 413,339 as at 31 December 2019 (previous year: EUR k 413,339).

5 ADDITIONAL DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

5.1 Classifications and fair value

The table below shows the carrying amounts and fair value of financial assets and financial liabilities and includes their levels in the fair-value hierarchy. It contains no information on fair value for financial assets or financial liabilities that were not measured at fair value if the carrying amount constitutes a reasonable approximation of their fair value.

Nearly all carrying values in the consolidated financial statements correspond approximately to their fair value since all financing was completed in the 2019 financial year and reflects current market value in this regard.

For the receivable from the reinsurance, fair value was determined by means of the actuarial reserve maintained by the insurance companies together with the allocated surpluses.

IN EUR K	31.12.2019				
	Carrying value				
	Fair value of hedging instruments	Other FVTPL	Financial assets at amortised cost	Other financial liabilities	Total
Financial assets at fair value					
Receivables from reinsurance	–	70	–	–	70
Total	–	70	–	–	70
Financial assets not measured at fair value					
Trade receivables	–	–	809	–	809
Cash and cash equivalents	–	–	24,769	–	24,769
Total			**25,578**	**–**	**25,578**
Financial liabilities at fair value					
Interest rate swaps used for hedging purposes	0	–	–	–	0
Total	**0**	**–**	**–**	**–**	**0**
Financial liabilities not measured at fair value					
Secured bank loans	–	–	–	497,172	497,172
Liabilities from finance leases	–	–	–	19,958	19,958
Trade payables	–	–	–	5,824	5,824
Other current financial liabilities[1]	–	–	–	565	565
Total	**–**	**–**	**–**	**523,520**	**523,520**

[1] financial liabilities only

IN EUR K	31.12.2018				
	Carrying value				
	Fair value of hedging instruments	Other FVTPL	Financial assets at amortised cost	Other financial liabilities	Total
Financial assets at fair value					
Receivables from reinsurance	–	100	–	–	100
Total	**–**	**100**	**–**	**–**	**100**
Financial assets not measured at fair value					
Trade receivables	–	–	142	–	142
Cash and cash equivalents	**–**	**–**	**157,745**	**–**	**157,745**
Total	**–**	**–**	**157,887**	**–**	**157,887**
Financial liabilities at fair value					
Interest rate swaps used for hedging purposes	**662**	**–**	**–**	**–**	**662**
Total	**662**	**–**	**–**	**–**	**662**
Financial liabilities not measured at fair value					
Secured bank loans	–	–	–	87,528	87,528
Liabilities from finance leases	–	–	–	10,205	10,205
Trade payables	–	–	–	4,796	4,796
Other current financial liabilities[1]	–	–	–	450	450
Total	**–**	**–**	**–**	**102,979**	**102,979**

[1] financial liabilities only

Fair value			
Level 1	Level 2	Level 3	Total
–	70	–	70
–	0	–	0

Fair value			
Level 1	Level 2	Level 3	Total
–	100	–	100
–	662	–	662

5.2 Principles of financial risk management

The Group is exposed to liquidity risks by its use of financial instruments. These risks include, in particular, interest change risk, a liquidity risk, default risks associated with acquiring, holding and selling properties and default on lease payments.

The Executive Board bears ultimate responsibility for setting up and monitoring the Group's risk management system. The Supervisory Board was regularly informed during the financial year of the Group's business performance and the Supervisory Board's consent was obtained whenever it was deemed necessary.

The internal control system for the Group's accounting is geared to transactions relating to development of its real estate portfolio and to real estate-related administrative functions.

Godewind AG possesses an extensive risk management system designed to identify, analyse, communicate and control risks. The risk management system comprises the following principal processes: risk guidelines by which risk management is structured, defined processes for detecting risks (an early risk detection system, employee surveys), documentation and reports to the Executive Board.

During the reporting period, the risk matrix and early risk detection system were updated and risks identified on a regular basis. Other concrete measures were taken in addition: employee surveys, risk mitigation, surveys of experts, reporting and the related documentation.

Because it has fewer hierarchical levels, the system's organisation is characterised by a lower degree of separation of functions and is adapted to the transactions that normally arise in this connection.

For more information, please refer to the disclosures concerning risk management in the combined management report.

5.3 Interest change risk

As a rule, Godewind prefers financing agreements that provide fixed interest rates. All loans utilised by the company as at the end of the reporting period are subject to a fixed, multi-year interest rate of 1.21% p.a. on average. The obligation to pay variable interest during the preceding year resulted from borrowing as part of the acquisition of Frankfurt Airport Center (FAC), that is, the majority of shares in the property company MP Sky S.à r.l. (now Godewind Office VI GmbH).

By entering into a hedging transaction (interest rate swap), Godewind intended to fix future cash flows as interest payments (cash flow hedge) as a hedge against the risk of rising interest rates, thereby increasing the predictability of the amount of future interest payments.

The effectiveness of this strategy was measured using the critical terms match method based on the assumption that equality between the reference values would bring about a completely effective hedging relationship.

The above loan was refinanced on 30 December 2019 and the hedging transaction was cancelled. The Group was not party to any hedging transactions as at the end of the reporting period.

The hedging transaction resulted in neither a gain nor a loss in other comprehensive income during the financial year.

5.4 Other market risks

Other market risks include the risk that market prices, such as exchange rates, interest rates or share prices, will change and thereby affect the Group's income.

Godewind AG is exposed to market risks particularly in respect of vacancies, real estate market risks and tenant solvency. In order to avoid such risks, the Executive Board has obtained risk assessments from outside experts, called in consultants when acquiring real estate holdings and obtained rent guarantees in certain cases.

For the possible impacts of market risks, please refer to the sensitivity analyses in section 4.1 (Investment properties and advance payments on investment properties).

5.5 Credit risk management

Credit risk is the risk of financial losses if a tenant or a counterparty to a financial instrument fails to serve its contractual obligations. Essentially, credit risks arise from 'trade receivables' and 'other assets'. The carrying amounts of the financial assets reflect the maximum credit risk.

The company's credit risk is determined mainly by the individual characteristics of the customer or counterparty.

The following are examples of objective indications that impairment has occurred:

- Indications of substantial financial difficulties on the part of a customer or a group of customers that indicate a measurable decline in estimated cash flows, or
- Missed due dates or non-payment of interest or principal

Carrying amounts for receivables are normally corrected through an impairment account. When receivables are not collectable, the receivables are fully derecognised with the impairment loss.

It is owing to the company's customer structure and business model that outstanding receivables from leases amount to only EUR k 809 (2018: EUR k 142) and hence are only of an insignificant scale.

In addition, Godewind AG obtains the industry's customary means of security to reduce the risk of a default. These include, for example, deposits, guarantees or sureties.

The creditworthiness of the tenants is monitored. Tenancy agreements with new tenants with a weak credit standing are avoided. In particular, the newly signed lease agreement with WeWork for the Herzogterrassen property was monitored during the year as part of the risk management system. This monitoring considered the appropriateness of the obtained collateral and ongoing dialogue in connection with WeWork's refinancing measures.

If it emerges in subsequent periods that the reasons for the impairment are no longer present, reversal of the impairment will be recognised through profit or loss up to the original cost.

No impairment losses were recorded for trade receivables during the reporting period. An estimation of the expected loan losses based on the expected credit risk using rankings for these receivables showed no significant impairment.

Cash and cash equivalents were likewise tested for impairment by means of rankings of banks or bond issuers (for the short-term, highly liquid financial investments with an original term of no more than three months). For the readily available demand deposits in banks the calculation was performed on a one-day basis. In the case of the current financial investments, the calculation was performed based on a remaining term of four days. The calculations showed no significant impairment.

As of the reporting date there are no significant default risks present. The carrying amount of the financial assets recognised in the consolidated financial statements constitutes the maximum default risk.

5.6 Liquidity risk

Liquidity risk is defined as the risk that the company may not be able to fulfil, by providing cash or other financial assets, the obligations it has entered into in connection with its financial liabilities. The company's approach to liquidity management is to ensure as far as possible that it always has at its disposal sufficient liquidity to meet its liabilities when due, under both normal conditions and conditions of stress, without causing unacceptable losses or risking damage to the company's reputation.

Short-term credit lines have not been arranged to date.

In 2019, the company recorded net cash outflows totalling EUR k 132,976 (2018: cash inflows of EUR k 138,573) from the company's business activities. Significant outflows are attributable to disbursements for investment properties amounting to EUR k 542,678 (2018: EUR k 222,103). Liquidity was increased by borrowing EUR k 540,568 (2018: EUR k 0) for financing purposes. An inflow of EUR k 9,427 (2018: outflow of EUR k 2,453) resulted from operating activities.

The primary goal of the company's financial management is to ensure that the company has the liquidity necessary to remain a going concern.

The company's solvency during the financial year was secured without interruption.

The maturities of the financial liabilities, including the estimated interest burden, are presented below:

IN EUR M	31.12.2019					
	Due daily	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Loans from banks	0	0	0.6	446.1	56.5	503.2
Lease liabilities	0	0.3	1.0	5.0	30.3	36.6
Other liabilities	0	1.6	3.0	0.2	0	4.8
Trade payables	0	5.8	0	0	0	5.8
Total	**0.0**	**7.7**	**4.6**	**451.3**	**86.8**	**550.4**

IN EUR M	31.12.2018					
	Due daily	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Loans from banks	0.0	0.0	0.0	88.8	0.0	88.8
Lease liabilities	0.0	0.0	0.4	1.6	27.5	29.5
Other liabilities	0.0	0.7	1.8	0.4	0.0	2.9
Trade payables	0.0	4.8	0.0	0.0	0.0	4.8
Total	**0.0**	**5.5**	**2.2**	**90.8**	**27.5**	**126.0**

5.7 Financing risk

The Group monitors its financing by means of the net loan-to-value (LTV) ratio, which is the ratio of financial liabilities, less cash, to the value of investment properties with the inclusion of properties held for sale.

The ratio of net financial liabilities (excluding trade payables and less cash) to the value of real estate was as follows as of the end of the reporting period:

IN EUR K	31.12.2019	31.12.2018
Financial liabilities	517,696	98,183
Less cash and cash equivalents	24,769	157,745
Net financial liabilities	**492,927**	**–59,359**
Investment properties	1,096,037	300,905
Net loan to value (Net LTV) in %	**45.0**	**–19.7**

6 EXPLANATIONS REGARDING THE ITEMS IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

6.1 Rental income from letting activities

IN EUR K	2019	2018
Revenues from letting activities		
Net rental income	30,699	548
Recoverable operating expenses	9,218	152
Income from other trade receivables	849	12
Total	**40,766**	**712**
Expenses for apportionable operating costs	**–12,505**	
Maintenance expenses	–1,950	–134
Other property expenses	–3,313	–1
Total	**–17,768**	**–135**
Net rental income from letting activities (NOI)	**22,998**	**577**

Net rental income comprises rental (leasing) income from the investment properties.

6.2 Net gain/loss from the valuation of investment property

IN EUR K	2019	2018
Gains from measurement at fair value	214,321	11,590
Losses from measurement at fair value	0	–834
Total	**214,321**	**10,756**

Unrealised net gain/loss from the valuation of investment property at fair value resulted in income amounting to EUR k 214,321 (2018: EUR k 10,756).

As regards the measurement methodology, please refer to the statements concerning investment properties in sections 3.4 and 4.1.

6.3 Other operating income

IN EUR K	2019	2018
Reversal of provisions	117	35
Reduction of liabilities	82	0
Other	61	14
Total	**261**	**49**

Prior-period income amounted to EUR k 199 (2018: EUR k 35).

6.4 Personnel expenses

IN EUR K	2019	2018
Wages and salaries	–6,352	–3,941
Social expenses and pensions	–358	–173
Total	**–6,710**	**–4,114**

Personnel expenses include share-based remuneration of EUR k 2,022 (2018: EUR k 1,270) (see section 7.2 Share-based payment agreements).

Godewind AG employed an average of 20 employees (excluding Executive Board members) during the 2019 financial year (2018: 12), including seven (2018: 5) senior employees and thirteen (2018: seven) employees. The Group had a staff of 21 as at the end of the reporting period (2018: 19).

6.5 Other operating expenses

IN EUR K	2019	2018
Financial reporting and auditing costs	–663	–334
Travel and other personnel expenses	–536	–391
Legal and advice costs	–535	–121
Advertising and promotional costs	–369	–174
Occupancy costs and rents	–323	–213
Costs of the annual general meeting	–164	–20
Costs of aborted transactions	–150	–1,269
Non-deductible input tax	–148	0
Supervisory Board remuneration, incl. expenses	–140	–147
IT costs	–135	–121
Valuation costs	–135	–90
Fees and levies	–127	–67
Office costs	–117	–78
Other outside services	–56	–86
Insurance	–55	–34
Vehicle costs	–50	–23
Capital increase costs	0	–147
Other	–401	–36
Total	**–4,105**	**–3,350**

The other operating expenses in the 2019 financial year have been presented in more detail for improved comprehensibility. This means that the presentation of the figures for the previous year has been adjusted and differs from the 2018 annual report.

The costs of aborted transactions are primarily made up of costs for preparing property acquisitions, including their financing.

For Supervisory Board remuneration, please refer to our statements on related parties (see 7.4 Transactions with related parties).

The auditor's fee requiring disclosure under HGB Section 314(1)(9), with the inclusion of expenses, is as follows:

IN EUR K	2019
Audit services	255
Other confirmation services	46
Other services	31
Total	**340**

The fee for audit services performed in the 2018 financial year by former auditor KPMG AG, including expenses and travel costs for the audits (single-entity and consolidated financial statements of Godewind AG) amounted to EUR k 240. The fee for the comfort letter reported under other confirmation services amounted to EUR k 100.

6.6 Financial result

IN EUR K	2019	2018
Financial income		
Other interest income	0	4
Total	**0**	**4**
Financial expenses		
Interest on loans from banks	**–6,228**	**0**
Fees and financing costs for loans from banks	**–2,577**	**0**
Prepayment fees	–605	0
Compounding on lease liabilities	–576	0
Custodial/deposit charges (negative interest)	0	–182
Fees for short-term bonds	–22	–71
Compounding on non-financial liabilities	–4	–6
Other interest	–10	0
Total	**–10,022**	**–259**
Financial result	**–10,022**	**–255**

6.7 Earnings per share

Basic earnings per share were calculated on the basis of the profit attributable to the common shareholders and a weighted average of shares that were outstanding. The diluted earnings were calculated taking into account the dilution effects of potential ordinary shares. These two key figures were calculated as follows:

Attribution of profit to ordinary shareholders (basic and diluted)

IN EUR K	2019	2018
Profit attributable to the owners of the parent company	185,987	9,370
Profit attributable to the ordinary shareholders	**185,987**	**9,370**

Weighted average of ordinary shares (basic)

IN THOUSANDS OF SHARES	2019	2018
Weighted average of ordinary shares as of 31 December (basic)	**107,307**	**86,655**
Undiluted earnings per share	**1.73**	**0.11**

Weighted average of ordinary shares (diluted)

IN THOUSANDS OF SHARES	2019	2018
Weighted average of ordinary shares as of 31 December (basic)	107,307	86,655
Effects of issuing stock options	1,824	16
Weighted average of ordinary shares as of 31 December (diluted)	**109,131**	**86,671**
Diluted earnings per share	**1.70**	**0.11**

7 OTHER DISCLOSURES

7.1 Consolidated statement of cash flows

The cash flow statement was prepared using the indirect method given current business activity, providing a distinction between business, investing and financing activities. Total cash and cash equivalents recognised as of the end of the reporting period consist of bank balances, and, in the previous year, also of current, highly liquid financial investments with an original term of no more than three months.

Reconciliation of changes between the initial and closing amounts of financial liabilities from financing activities:

IN EUR K	2019								
	Liabilities			Equity					
	Liabilities to banks	Liabilities from finance leases	Other current financial liabilities	Subscribed capital	Treasury shares	Capital reserve	Retained earnings	Non-controlling interest	Total
Carrying amount as at 1.1.2019	**87,528**	**10,205**	**0**	**108,750**	**–241**	**258,855**	**25,439**	**4,448**	**494,984**
Changes in cash flow from financing activities:									
Proceeds from capital increases								1	1
Disbursements for the acquisition of treasury shares					–1,259	–7	–2,873		–4,139
Proceeds from borrowing	540,012		556						540,568
One-time finance payments	–5,633								–5,633
Disbursements for loan repayments	–129,343								–129,343
Disbursements for finance leases		–732							–732
Total change in cash flow from financing activities	**405,036**	**–732**	**556**	**0**	**–1,259**	**–7**	**–2,873**	**1**	**400,722**
Other changes	**4,608**	**10,486**	**9**	**0**	**0**	**2,022**	**186,020**	**1,776**	**204,921**
Carrying amount as at 31.12.2019	**497,172**	**19,959**	**565**	**108,750**	**–1,500**	**260,870**	**208,586**	**6,225**	**1,100,627**

IN EUR K	2018				
	Equity				
	Subscribed capital	Treasury shares	Capital reserve	Retained earnings	Total
Carrying amount as at 1.1.2018	**15,000**	**0**	**0**	**3,561**	**18,561**
Changes in cash flow from financing activities:					
Proceeds of capital increase	93,750	0	281,250	0	375,000
Payments for the cost of capital increase	0	0	–10,269	0	–10,269
Disbursements for the acquisition of treasury shares	0	–241	–24	–481	–746
Total change in cash flow from financing activities	**93,750**	**–241**	**270,957**	**–481**	**363,985**
Other changes	**0**	**0**	**–12,102**	**22,359**	**10,257**
Carrying amount as at 31.12.2018	**108,750**	**–241**	**258,855**	**25,439**	**392,803**

7.2 Share-based payment agreements

The 2018 share option programme was adopted by resolution at the 2018 ordinary annual general meeting on 20 February 2018. The share options are an entitlement to acquire a share at the exercise price and have a term of four to six years with a vesting period of four years. 50% of each of the share option rights may be exercised only if the absolute total shareholder return (TSR) performance stands at no less than 10% per year and the relative performance of Godewind shares matches at least the performance of the FTSE EPRA/Nareit Developed Europe ex UK Index.

Share option programme 2018 I

A total of 4,464,000 share options were granted to the Executive Board from the 2018 share option programme on 1 May 2018 with settlement in equity instruments.

The fair value of a share option was EUR 1.69 (50% weighting each for the absolute and relative performance target sub-tranches) and was based on a Monte Carlo simulation with the following parameters:

	2018 I Absolute performance target	2018 I Relative performance target
Grant date	1.5.2018	1.5.2018
Valuation date	30.4.2018	30.4.2018
Maturity	5.6.2026	5.6.2026
Exercise price (in EUR)	1.00	1.00
Offering price at Godewind AG IPO (in EUR)	4.00	–
Share price on grant date (in EUR)	3.75	3.75
Index price	–	3,051.32
Interest rate end of term 1st reference date (%)	0.10	0.10
Interest rate end of term 2nd reference date (%)	0.25	0.25
Interest rate end of term 3rd reference date (%)	0.37	0.37
Dividend yield of Godewind share (%)	0.00	0.00
Dividend yield of index (%)	–	3.54
Godewind volatility (%)	24.99	24.99
Index volatility (%)	–	16.57
Godewind/index correlation	–	0.512
Fair value (in EUR)	**0.91**	**2.47**

Share option programme 2018 II

A total of 515,000 share options were granted to selected employees from the 2018 share option programme on 28 November 2018 with settlement in equity instruments.

The fair value of a share option was EUR 1.000 (50% weighting each for the absolute and relative performance target sub-tranches) and was based on a Monte Carlo simulation with the following parameters:

	2018 II Absolute performance target	2018 II Relative performance target
Grant date	28.11.2018	28.11.2018
Maturity	28.1.2027	28.1.2027
Exercise price (in EUR)	1.00	1.00
Offering price at Godewind AG IPO (in EUR)	4.00	–
Share price on grant date (in EUR)	2.899	2.899
Index price	–	2,972.28
Interest rate end of term 1st reference date (%)	–0.08	–0.08
Interest rate end of term 2nd reference date (%)	0.05	0.05
Interest rate end of term 3rd reference date (%)	0.17	0.17
Dividend yield of Godewind share (%)	0.00	0.00
Dividend yield of index (%)	–	4.02
Godewind volatility (%)	24.12	24.12
Index volatility (%)	–	15.71
Godewind/index correlation	–	0.4909
Fair value (in EUR)	**0.26**	**1.74**

Share option programme 2019 I

A total of 45,000 share options were granted to selected employees from the 2018 share option programme on 31 March 2019 with settlement in equity instruments.

The fair value of a share option is EUR 1.405 (50% weighting each for the absolute and relative performance target sub-tranches) and is based on a Monte Carlo simulation with the following parameters:

	2019 I Absolute performance target	2019 I Relative performance target
Grant date	31.3.2019	31.3.2019
Valuation date	29.3.2019	29.3.2019
Maturity	31.5.2027	31.5.2027
Exercise price (in EUR)	1.00	1.00
Offering price at Godewind AG IPO (in EUR)	4.00	–
Share price on grant date (in EUR)	3.7115	3.7115
Index price	–	3,137.67
Interest rate end of term 1st reference date (%)	–0.38	–0.38
Interest rate end of term 2nd reference date (%)	–0.31	–0.31
Interest rate end of term 3rd reference date (%)	–0.22	–0.22
Dividend yield of Godewind share (%)	0.00	0.00
Dividend yield of index (%)	–	3.77
Godewind volatility (%)	23.95	23.95
Index volatility (%)	–	15.61
Godewind/index correlation	–	0.4917
Fair value (in EUR)	**0.58**	**2.23**

Share option programme 2019 II

A total of 175,000 share options were granted to selected employees from the 2018 share option programme on 1 July 2019 with settlement in equity instruments.

The fair value of a share option is EUR 0.84 (50% weighting each for the absolute and relative performance target sub-tranches) and is based on a Monte Carlo simulation with the following parameters:

	2019 II Absolute performance target	2019 II Relative performance target
Grant date	1.7.2019	1.7.2019
Valuation date	1.7.2019	1.7.2019
Maturity	1.9.2027	1.9.2027
Exercise price (in EUR)	1.00	1.00
Offering price at Godewind AG IPO (in EUR)	4.00	–
Share price on grant date (in EUR)	3.7850	3.7850
Index price	–	2,998.67
Interest rate end of term 1st reference date (%)	–0.62	–0.62
Interest rate end of term 2nd reference date (%)	–0.55	–0.55
Interest rate end of term 3rd reference date (%)	–0.48	–0.48
Dividend yield of index (%)	–	4.11
Godewind volatility (%)	23.98	23.98
Index volatility (%)	–	15.61
Godewind/index correlation	–	0.4905
Fair value (in EUR)	**0.27**	**1.41**

The estimates for expected volatility are based on historical volatility. Since the shares of Godewind AG have been listed on the exchange only since 5 April 2018, a basket of shares of three comparable companies (alstria office-REIT AG, DIC Asset AG and Hamborner Reit AG) provided a share price history from which an historical volatility was derived.

The share options changed during the reporting period as follows:

SHARE OPTIONS	2019		2018	
	No. of options	Weighted average exercise price (in EUR)	No. of options	Weighted average exercise price (in EUR)
Outstanding as of 1 January	4,979,000	1.000	–	–
During the reporting period				
granted	220,000	1.000	4,979,000	1.000
forfeited	–	–	–	–
exercised	–	–	–	–
expired	–	–	–	–
Outstanding as of 31 December	**5,199,000**	**1.000**	**4,979,000**	**1.000**
Exercisable as of 31 December	–	–	–	–

The options outstanding as of 31 December 2019 have an average exercise price of EUR 1.000 and a weighted average remaining life of 6.5 years. The personnel expenses recognised in the 2019 financial year from the grant of share options amounted to EUR k 2,022 (2018: EUR k 1,270).

7.3 Leases

Leases as a lessee

As the owner of the Frankfurt Airport Center (FAC) property, the Group is the lessee of a leasehold with a term until 31 December 2090. The ground rent is tied to the consumer price index; the ground rent for the period from 1 January 2020 to 31 December 2090 is EUR k 29,062 before future indexation.

The company entered into tenancy agreements for office space in Frankfurt am Main and Berlin in 2018 and 2019. The agreements have a fixed term lasting until 30 November and 31 December 2028 respectively. The total rent for the period from 1 January 2020 to 31 December 2028 amounts to EUR k 7,407 net.

Leasing obligations amounting to EUR k 126 exist for a remaining term of up to three years for internally used vehicles.

There exist payment obligations of EUR k 43 for a remaining term of three years for leased office equipment, which is recognised as assets of little value and not with a value in use and lease liability.

Right-of-use assets

Right-of-use assets are recognised as their own item and developed as follows:

IN EUR K	Total
Net carrying amount as of 1.1.2019	**2,493**
Additions	3,632
Disposals	0
Depreciation, amortisation and write-downs	–649
Net carrying amount as of 31.12.2019	**5,476**

Lease liabilities

IN EUR K	31.12.2019 Non-current	31.12.2019 Current	31.12.2018 Non-current	31.12.2018 Current
Liabilities from finance leases	19,249	710	10,177	28

The present value of the lease liabilities from the tenancy agreements for office properties and leases for company cars was calculated with an incremental borrowing rate of 2.87%.

Amounts recognised in the income statement

IN EUR K	
2019 – Leases under IFRS 16	
Interest expenses for lease liabilities	576
Expenses for short-term leases	50
Expenses for leases for an asset of low value	14
2018 – Operating leases under IAS 17	
Leasing expenses	**182**

Amounts recognised in the cash flow statement

IN EUR K	2019
Total cash outflows for leases	732

The total future minimum lease payments under the aforementioned leases are as follows:

IN THOUSANDS OF SHARES/IN EUR K	31.12.2019	31.12.2018
Up to one year	1,338	985
Longer than one year and up to five years	5,007	5,086
Longer than five years	30,239	31,487
Total	**36,585**	**37,558**

Leases as a lessor

The Group rents out its investment properties. All leases are classified as operating leases in the lessor's view since they mainly do not transfer all risks and rewards associated with ownership.

Further information about the operating leases is provided in sections 4.1 Investment properties and advance payments on investment properties and 6.1 Rental income from letting activities.

7.4 Transactions with related parties

The subsidiaries of Godewind Immobilien AG together with the members of the Executive Board and Supervisory Board of Godewind Immobilien AG and their relatives are regarded as related parties.

a. Transactions with related parties

The law firm of the Chairman of the Supervisory Board acted for the company in a legal capacity in one case during the reporting period. The Supervisory Board's authorisation pursuant to AktG Section 114 had been granted. The company did not pay for this service.

There were no other transactions with related parties during the financial year.

There were no outstanding balances as of the end of the reporting period. In the current year and in the previous year, no expense was recognised for unrecoverable or doubtful receivables in respect of the amounts owed by related parties. Guarantees were neither given nor received.

Loan and service agreements along with two profit and loss agreements exist between Godewind Immobilien AG and its subsidiaries. Payments between the companies are eliminated in the course of consolidation.

b. Parent company and the top-most controlling party

Godewind Immobilien AG holds the majority of voting rights in all affiliated companies and is the top-most parent company. Please refer to section 2.2 for information about shareholdings.

c. Remuneration of members of management in key positions

Those occupying key management positions are the members of the Executive and Supervisory Boards.

Remuneration of members of the Executive Board comprises:

IN EUR K	2019	2018
Benefits due in the short term	1,898	1,395
Share-based remuneration	0	7,544
Total	**1,898**	**8,939**

The remuneration received by members of the Executive Board comprises salaries, contributions in kind and expense reimbursements. The members of the Executive Board are also participants in the Group's share option programme. The granted share options have a remaining life of 6.4 years. See section 7.2 Share-based payment agreements for disclosures concerning the share-based payments.

Remuneration of the members of the Supervisory Board comprises:

IN EUR K	2019	2018
Benefits due in the short term	135	135
Total	**135**	**135**

The members of the Supervisory Board receive fixed annual remuneration amounting to EUR k 30, the Deputy Chairman one-and-a-half times that amount and the Chairman twice that amount.

The active and former Supervisory Board members will receive non-performance-related emoluments totalling EUR k 135 (2018: EUR k 135) for the 2019 financial year. Travel and other expenses amounting to EUR k 5 (2018: EUR k 12) were reimbursed.

d. Total emoluments of active Executive Board members

The total emoluments for the members of the Executive Board total EUR k 1,898 (2018: EUR k 8,939) for the 2019 financial year and are broken down as follows:

IN EUR K	Stavros Efremidis Chairman of the Executive Board				Ralf Struckmeyer Chief Financial Officer			
	2018	2019	2019 Min	2019 Max	2018	2019	2019 Min	2019 Max
Benefits granted								
Fixed remuneration	600	600	600	600	330	330	330	330
Fringe benefits	12	11	11	11	11	11	11	11
Total	**612**	**611**	**611**	**611**	**341**	**341**	**341**	**341**
Annual variable remuneration (STI)	288	617	0	660	154	329	0	352
Multi-year variable remuneration (LTI)	5,803	0	0	0	1,741	0	0	0
2018 share option plan Term ending in April 2022								
Number of options allocated	3,434,000	0	0	0	1,030,000	0	0	0
Fair value of the options	5,803	0	0	0	1,741	0	0	0
Total	**6,703**	**1,228**	**611**	**1,271**	**2,236**	**670**	**341**	**693**
Benefit expenses	0	0	0	0	0	0	0	0
Total remuneration	**6,703**	**1,228**	**611**	**1,271**	**2,236**	**670**	**341**	**693**

The fair value of the share options that were granted during the reporting period was ascertained by an external evaluator using a binomial model.

The remuneration received by the Executive Board in the reporting period amounted to EUR k 1,394 (2018: EUR k 1,004).

IN EUR K	Stavros Efremidis Chairman of the Executive Board		Ralf Struckmeyer Chief Financial Officer	
	2018	2019	2018	2019
Remuneration received				
Fixed remuneration	633	600	348	330
Fringe benefits	12	11	11	11
Total	**645**	**611**	**359**	**341**
Annual variable remuneration (STI)	0	288	0	154
Multi-year variable remuneration (LTI)	0	0	0	0
Other	0	0	0	0
Total	**645**	**899**	**359**	**495**

Annual variable remuneration

The variable remuneration for the Executive Board members in 2019 totalled EUR k 946 (2018: EUR k 442). An equivalent liability was formed for this amount; no inflow occurred during the financial year.

e. Shareholdings of Executive and Supervisory Board members

The members of the Executive Board and Supervisory Board held the following numbers of shares in the company as at the end of the reporting period:

Executive Board

Stavros Efremidis (CEO):	13,069,584
Ralf Struckmeyer (CFO):	300,000

Supervisory Board

Dr Bertrand Malmendier (Chairman):	165,000
Dr Roland Folz (Deputy Chairman):	165,000
Karl Ehlerding (Supervisory Board member):	13,321,166

Acquisitions after the reporting period are shown in section 7.7 Events after the reporting period.

7.5 Declaration regarding the Corporate Governance Code

The Executive Board and the Supervisory Board of Godewind Immobilien AG have issued a statement pursuant to AktG Section 161 and made it permanently available to the shareholders on the website of Godewind AG at https://www.godewind-ag.com/en/corporate-governance-2/.

7.6 Governing bodies

The following persons were members of the company's Supervisory Board during the financial year:

- Dr Bertrand Malmendier, solicitor, Berlin (Chairman)
- Dr Roland Folz, banker, Berlin (Deputy Chairman)
- Karl Ehlerding, qualified business administrator, Hamburg (member)

Appointed as members of the Executive Board in the financial year under review were:

- Stavros Efremidis, Berlin (Chairman, Chief Executive Officer)
- Ralf Struckmeyer, Frankfurt am Main (Chief Financial Officer)

The positions held by the Executive Board members are as follows:

Name, position, residence	Profession	Other positions
Stavros Efremidis Chairman of the Executive Board, Berlin	Real-estate businessman	_ Member of the supervisory board of PRIMUS Immobilien AG, Berlin, until August 2019 _ Managing director, Invivo Capital GmbH, Berlin _ Managing director, Invivo Management GmbH, Berlin _ Managing director, Invivo Immobilienverwaltungs GmbH, Berlin
Ralf Struckmeyer Member of the Executive Board, Frankfurt am Main	Qualified business administrator	_ Managing director, Platin Asset GmbH, Frankfurt am Main

The positions held by the Supervisory Board members are as follows:

Name, position, residence	Profession	Other positions
Dr Bertrand Malmendier Chairman, Berlin	Solicitor	**Supervisory board positions:** _ Studio Babelsberg AG, Potsdam _ KEST Systems AG, Dortmund from December 2019 **Other positions:** _ Advisory board member, KEST GmbH, Ratingen _ Advisory board member, Hydroma Inc., Montreal, Canada from November 2019 _ Managing director, MALCON GmbH, Potsdam until August 2019 _ Managing director, BAZECON GmbH, Berlin _ Managing director, GEPLABAU Gesellschaft für Planungs- und Baugenehmigungs-beratung GmbH, Berlin _ Managing partner, Eggers Malmendier, Rechtsanwälte Partnergesellschaft, Berlin _ Managing partner, Malmendier Hellriegel Rechts-anwälte Partnerschaftsgesellschaft, Berlin
Dr Roland Folz Deputy Chairman, Berlin	Banker	**Supervisory board positions:** _ Fürst Fugger Privatbank AG, Augsburg _ Studio Babelsberg AG, Potsdam **Other positions:** _ CEO, solarisBank AG, Berlin
Karl Ehlerding Hamburg	Qualified business administrator	**Supervisory board positions:** _ Maternus-Kliniken Aktiengesellschaft, Berlin _ Elbstein AG, Hamburg _ KHS GmbH, Dortmund, until 31 March 2019 **Other positions:** _ North advisory board, Deutsche Bank AG, Frankfurt am Main _ Managing director, Erste "Hohe Brücke 1" Verwaltungs GmbH, Hamburg

7.7 Events after the reporting period

Corona-Virus

The impact of COVID-19 on further business development has not been considered and is difficult to forecast at present. The financial statements are being compiled in a period of far-reaching uncertainty regarding the economic fallout of the coronavirus.

In particular, the consequences of the coronavirus that is spreading around the world and the consequent post-pandemic business development and impact on the real economy cannot be gauged at this time. As a result, there is a significantly increased risk of defaults on lease payments, tenant insolvencies and lease extensions and new leases for vacant spaces being delayed or cancelled.

Share buy-back programme

On 14 January 2020, the Executive Board of Godewind Immobilien AG resolved, with the Supervisory Board's approval, to launch and carry out a share buy-back programme. Under the share buy-back programme, up to 1,762,500 of the company's shares (which equates to 1.62% of its share capital) are to be bought back. The first day of trading was 20 January 2020. The Executive Board resolved on 13 February 2020 to cancel the share buy-back programme with immediate effect. A total of 361,691 shares had been bought back by that point.

Takeover offer

Godewind Immobilien AG, Covivio S.A. and Covivio X-Tend AG signed a letter of intent (business combination agreement) on 13 February 2020 under which Covivio will submit a voluntary, public takeover bid for 100% of the share capital of Godewind Immobilien AG. The terms of the takeover bid provide for EUR 6.40 in cash for each shareholder. The takeover bid is intended to be submitted as a delisting offer.

The takeover offer underscores the recognised value of the investment properties and value-adding potential that they contain.

The takeover offer has the following effects for the Group:

- The Executive Board members are entitled to extraordinary termination of their employment contracts. This would necessitate severance payments equivalent to three years' remuneration (approximately EUR k 5,700).
- Of the share options granted to the Executive Board and employees:
  3,434,000 options were exercised prematurely as part of a capital increase on 13 March 2020, and
  1,765,000 options were extinguished, necessitating compensation payments of EUR k 9,531.
- There exist special termination rights for the issuer of roughly EUR k 313,212 of loans utilised by the Group.

Godewind Office VI GmbH, a subsidiary, had its legal form converted into a limited partnership through a notarised agreement dated 18 February 2020. The limited partnership runs the company Godewind Office VI GmbH & Co. KG.

Frankfurt am Main, 20 March 2020

Stavros Efremidis Chairman of the Executive Board	**Ralf Struckmeyer** Executive Board

RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and 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, 20 March 2020

Stavros Efremidis Chairman of the Executive Board	**Ralf Struckmeyer** Executive Board

INDEPENDENT AUDITOR'S REPORT

To the Godewind Immobilien AG, Frankfurt am Main

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of Godewind Immobilien AG, Frankfurt am Main (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report which is combined with the management report (following: "Group Management Report") of Godewind Immobilien AG, Frankfurt am Main, for the financial year from January 1 to 31 December 2019. In accordance with the German legal requirements we have not audited the content of the corporate governance statement published on the companies website in accordance with § 289f and 315d HGB, which is referred to in the Group Management Report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group 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 opinion on the Group Management Report does not extend to the above-mentioned components of the group management report which have not been audited in substance.

Pursuant to § 322 (3) 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 Group Management Report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the Group 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 are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group 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 Group 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 2019. 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 the following, we describe what we consider to be the key audit matters:

Valuation of investment property

a) Risk for the consolidated financial statements

As of the balance sheet date, the consolidated balance sheet shows investment property with a total carrying amount of EUR 1,096 Mio. This corresponds to 96.8% (previous year 59.8%) of total assets. Godewind Immobilien AG, Frankfurt am Main, measures investment property at fair value in accordance with IAS 40 (IFRS 13). In the 2019 financial year, an unrealised result of EUR 214.3 Mio. (previous year: EUR 10.8 Mio.) from the fair value measurement of investment property is reported in the consolidated statement of comprehensive income. The property assets and the unrealised result from the valuation of investment property at fair value thus had a significant impact on the consolidated financial statements for 2019.

The Group's disclosures on investment property are contained in sections 3.4, 3.12, 4.1 and 6.2 of the notes to the consolidated financial statements. In addition, further information is provided in the comments on the net assets, financial position and results of operations as well as on the opportunities and risks in the risk, opportunity and forecast report of the Group Management Report.

The fair value of investment property is determined by the legal representatives on the basis of reports prepared by external experts (Jones Lang LaSalle SE, Berlin, Savills Advisory Services GmbH & Co. KG, Frankfurt am Main). For this purpose, the appraisers have received up-to-date property and tenant lists and maintenance plans. Based on these, the appraisers determine the fair value using current market data and internationally recognized valuation methods. The valuation is performed using a discounted cash flow method, in which expected future cash flows from a property are discounted to the valuation date using a property-specific discount rate in line with the market. In the 2019 financial year, physical property inspections were carried out by the experts for all investment properties.

In our opinion, the valuation of investment property was of particular importance within the scope of our audit, as the recognition and measurement of this significant item is based to a large extent on estimates and assumptions. Even minor changes in the parameters relevant to valuation can lead to significant changes in fair value. In accordance with IFRS 13, sensitivity analyses for changes in key parameters are presented in point 4.1 of the notes to the consolidated financial statements.

The main parameters relevant to valuation in the past financial year, which are explained in the notes, were the discount and capitalization rates, the sustainable rental income achievable in the future and the exit values. Their development reflects the varying dynamics of property purchase price and rental price development as well as property-specific risks and opportunities, which represent the main driver for the increase in fair values as of 31 December 2019 compared to the previous year or acquisition costs. In addition, IAS 40 and IFRS 13 require a large number of disclosures in the notes, the completeness and appropriateness of which must be ensured.

b) Auditor's response and conclusions

Our audit procedures included assessing the accounting policies used in the valuation process for conformity with IFRS 13 and examining, on a test basis, evidence supporting the accuracy and completeness of the property and tenant portfolios used and maintenance planning. In doing so, we used, as far as possible, our findings from the audit of the accounting-related internal control system in the area of revenue recognition. In addition, for selected properties, we examined the causes of changes in value compared to the previous year or at the time of acquisition and, in particular, the appropriateness of the parameters relevant to valuation, above all the discount and capitalisation rates, sustainable rental income, vacancy rates and management costs. To this end, we took random samples of the market rents applied on the rental market, drawing on external sources, assessed the performance of properties in the peer group relevant to Godewind Immobilien AG, Frankfurt am Main, and discussed specific issues with the experts and the Board of Management in writing, by telephone and in personal discussions. We assessed the sales price (exit) assumed in the valuation model after ten years on the basis of current and expected multiples. In addition, we obtained a plausibility check of the valuation for selected properties by property experts commissioned by us.

We have also satisfied ourselves of the qualification, independence and objectivity of the external appraisers commissioned by the Company. With the knowledge that even relatively small changes in the parameters relevant to the valuation can have a significant impact on the amount of investment property, we have also assessed the sensitivity analyses carried out by the external experts and the effects of possible fluctuations in these parameters.

We have also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

In our opinion, Godewind Immobilien AG, Frankfurt am Main, has implemented an appropriate valuation method that is suitable for determining fair values in accordance with IFRS 13. In our opinion, the estimates of the legal representatives on which the accounting is based are sufficiently justified and result in an appropriate presentation in the consolidated financial statements. The disclosures made in the notes to the consolidated financial statements in accordance with IAS 40 and IFRS 13 are complete and appropriate.

Other information

Management and the Supervisory Board are responsible for the other information. The other information obtained as of the date of this audit opinion includes:

- the consolidated corporate governance statement published on the Company's website in accordance with § 315d HGB, to which reference is made in the Group Management Report,
- the confirmation pursuant to § 297 (2) sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to § 289 (1) sentence 5 in connection with § 315 (1) sentence 5 HGB regarding the group management report,
- the report of the supervisory board and
- the other parts of the annual report but not the consolidated financial statements, not the information in the Group Management Report included in the audit and not our associated audit opinion.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration pursuant to § 161 AktG on the German Corporate Governance Code, which forms part of the corporate governance declaration pursuant to §§ 289f and 315d HGB published on the Company's website. The legal representatives are also responsible for other information.

Our audit opinions on the consolidated financial statements and on the Group Management Report do not cover the other information, and consequently we do not express an 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 Group Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the supervisory board for the consolidated financial statements and the group management report

Management is 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 (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, management is responsible for such internal control as management has 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, management is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, management is 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, management is responsible for the preparation of the Group 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, management is responsible for such arrangements and actions (systems) as they have considered necessary to enable the preparation of a Group 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 Group 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 Group Management Report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group 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 Group 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 the 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 Group 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 Group Management Report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group 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 Group 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 management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's 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 Group 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group Management Report with the consolidated financial statements, its conformity with law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 communicate 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

Further information pursuant to article 10 of the EU audit regulation

We were elected as group auditor by the annual general meeting on August 6, 2019. In accordance with § 318 (2) HGB, we are considered the auditors of the consolidated financial statements, as no other auditors were appointed. We were engaged by the Supervisory Board on 10 September 2019. Since the 2019 financial year, we have been acting as auditors of the consolidated financial statements of Godewind Immobilien AG, Frankfurt am Main.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Olaf Sackewitz.

Hamburg, 20 March 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Florian Riedl
Wirtschaftsprüfer
(German Public Auditor)

Olaf Sackewitz
Wirtschaftsprüfer
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LEGAL NOTICE

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2020 FINANCIAL CALENDAR

2019 Annual Report	24 March 2020
Q1 2020 Interim Statement	15 May 2020
Annual General Meeting, Frankfurt	7 May 2020

CAPITAL MARKET CALENDAR

Kepler Cheuvreux, 19th German Corporate Conference, Frankfurt	22 January 2020
Godewind Roadshow, Dusseldorf	24 January 2020
Godewind Roadshow, London	27/28 January 2020

DISCLAIMER

This document may contain forward-looking statements regarding the earnings, assets and financial position and the earnings forecast of Godewind. These statements may be identified by words such as “may”, “will”, “expect”, “anticipate”, “contemplate”, “intend”, “plan”, “believe”, “continue” and “estimate” and variations of such words or similar expressions. These forward-looking statements are based on the assessments, expectations and assumptions of the Executive Board of Godewind as of the date of the preparation of this document, based on information available at the date hereof and subject to risks and uncertainties. They can be based on circumstances that are beyond control of Godewind. Readers of this document should not place undue reliance on these forward-looking statements. Should these risks or uncertainties materialise, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Godewind may materially vary from those described explicitly or implicitly in the relevant forward-looking statement. This could result from a variety of factors, such as those discussed by Godewind in public reports and statements, including but not limited to those reported in the chapter “Risk report”. Godewind undertakes no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise, unless expressly required to do so by law.

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