

**ANNUAL  
REPORT**  
GODEWIND  
IMMOBILIEN AG  
**2018**

# IFRS CONSOLIDATED KEY FIGURES

EARNINGS INDICATORS	UNIT	2018
Net rental income	in EUR k	548
Net operating income from letting activities (NOI)	in EUR k	577
Earnings from property valuation	in EUR k	10,756
EBITDA	in EUR k	-6,838
Adj. EBITDA	in EUR k	-4,756
Consolidated net income	in EUR k	10,128
FFO I	in EUR k	-3,769
FFO I per share	in EUR	-0.04
FFO II	in EUR k	-3,769
FFO II per share	in EUR	-0.04
EPRA earnings	in EUR k	2,205
EPRA earnings per share	in EUR	0.03
Earnings per share, basic	in EUR	0.11
Earnings per share, diluted	in EUR	0.11

## KEY BALANCE SHEET METRICS (FIGURES)

Investment property	in EUR k	300,905
Investment properties held for sale	in EUR k	0
Cash and cash equivalents	in EUR k	157,745
Balance sheet total	in EUR k	503,054
Equity incl. minorities	in EUR k	397,251
Equity ratio	in %	78.97
Net debt	in EUR k	-59,390
Net loan to value (LTV)	in %	-19.7
EPRA NAV	in EUR k	396,394
EPRA NAV per share	in EUR	3.65
EPRA NNNAV per share	in EUR	3.62

## SELECTED PORTFOLIO KEY PERFORMANCE INDICATORS

		as at 31.12.2018
Property value pursuant to IAS 40	in EUR k	300,905
Number of properties		4
Lettable area	in m <sup>2</sup>	96,655
Annual basic rent	in EUR k	13,657
Gross initial yield	in %	4.38
EPRA vacancy rate	in %	23.8
Portfolio LTV	in %	29.1
WALT	in years	4.2
Average rent	in EUR/m <sup>2</sup>	15.98

## KEY SHARE DATA

WKN/ISIN		A2G8XX3/DE000A2G8XX3
Share capital	in EUR	108,750,000
Number of shares		108,750,000
High/low 2018	in EUR	3.94/2.76
Closing price 2018	in EUR	2.89
Market capitalisation as at 31 December 2018	in EUR	314,287,500
Market segment		Regulated Market (Prime Standard)
Indices		CLASSIC
Designated sponsor		Oddo Seydler Bank AG, J.P. Morgan Securities plc
Stock exchanges		XETRA, Frankfurt (FWB), Dusseldorf, Munich, Berlin, Hamburg, Stuttgart

## OUR VISION

WE AIM TO GROW GODEWIND IMMOBILIEN AG INTO ONE OF GERMANY'S LEADING LISTED REAL ESTATE COMPANIES. WE ARE FOCUSED ON THE DEVELOPMENT OF A SOUND AND PROFITABLE PORTFOLIO OF OFFICE PROPERTIES IN THE ATTRACTIVE CITIES OF GERMANY. IN THE MEDIUM TERM, WE SEEK TO ESTABLISH A PORTFOLIO WORTH APPROXIMATELY THREE BILLION EUROS.

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**FOREWORD BY  
THE EXECUTIVE BOARD**

Ladies and Gentlemen,  
Dear shareholder,

We can look back on an extraordinarily eventful year. At its start, the name “Godewind Immobilien AG” largely only existed on paper. Today, Godewind is one of the leading owners of office properties in Germany.

With a clear vision, a convincing strategy and experienced management, within a few months we formed a new strong player with excellent growth prospects and successfully positioned ourselves on the market.

In April 2018, we accomplished the first blind pool IPO by a real estate company in Germany. In the process, we were able to raise gross proceeds of EUR 375 million. In the months that followed, we built up the structures needed for a growth platform in order to achieve our medium-term goal of establishing a real estate portfolio with a value of EUR 3 billion. The first real estate purchase followed in September. Since then, we have acquired nine assets with a purchase volume of around EUR 740 million. In compliance with our investment criteria, we focused on office properties in the value-add segment, i.e. with development potential, and on Core(+).


In the 2019 financial year, we will build on our successes from 2018 and achieve great things with Godewind. In addition to expanding the portfolio, we will leverage the potential of the properties already acquired.

We would like to thank our employees, who have advanced Godewind’s development with their untiring dedication. Last but not least, we would like to thank you, our shareholders, for your trust and for supporting the growth course we have embarked on. We hope that you will continue to trust in us in 2019 as well.

Best regards,



**Stavros Efremidis**  
Chairman of the  
Executive Board



**Ralf Struckmeyer**  
Member of the  
Executive Board

## OUR COMPANY'S HIGHLIGHTS

Since our IPO a year ago, we have experienced significant developments. We now have a pure office property portfolio in prime locations in Germany. Moreover, we have further expanded our corporate structures and our management holds substantial interests in the company. Here you will find an overview:

### OUR TEAM

With a stake of more than 30 per cent, the management team is an entrepreneurially committed stakeholder in the company. Between them, the 19-strong team have more than 200 years of experience in the real estate and capital markets.

# 269,510 m<sup>2</sup>

Total lettable area  
of 269,510 square metres

# 28%

vacancy rate  
Growth through active portfolio management

# 9

office complexes in prime locations  
in Germany

# EUR 375 MILLION

IPO with issue proceeds  
of EUR 375 million

# EUR 740 MILLION

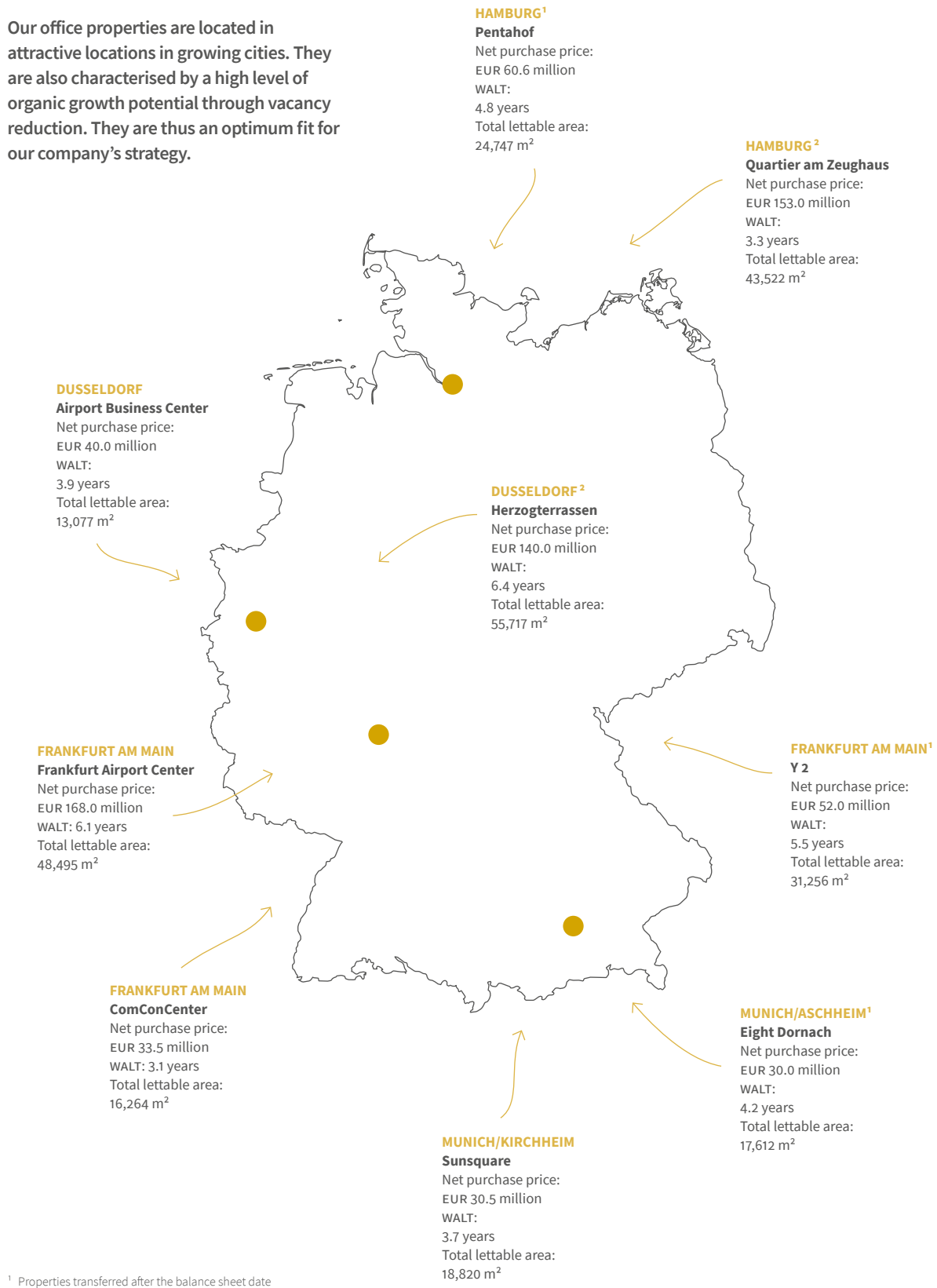
Building a portfolio  
of around EUR 740 million

# TOP REGIONS

Properties in 4 top regions:  
Frankfurt, Hamburg, Dusseldorf and Munich

## OUR PORTFOLIO

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



<sup>1</sup> Properties transferred after the balance sheet date

<sup>2</sup> Properties not yet transferred



## TWELVE MONTHS OF BEING LISTED – TWELVE QUESTIONS TO THE EXECUTIVE BOARD

Twelve months ago, Godewind Immobilien AG floated on the stock exchange. The members of Godewind's Executive Board, Stavros Efremidis and Ralf Struckmeyer, describe the most important events since the IPO and explain the company's growth plans.

**Mr. Efremidis, last year you pulled off the first successful blind pool IPO of a German real estate company. Why did you opt for this form?**

**STAVROS EFREMIDIS** We wanted to create something new in the real estate sector. And we succeeded. Godewind didn't have any real estate at the time of the IPO. Before us, no German real estate company had ever succeeded in floating on the stock exchange under these conditions. We convinced our investors with an excellent track record,

a well-thought-out strategy and our own significant investment of more than EUR 25 million – the majority of my own assets! Given this situation, the fact that we raised EUR 375 million from renowned investors represents an impressive success and shows the great trust that we enjoy.

**Your team has since invested around EUR 740 million in establishing the real estate portfolio. Please can you describe the acquisitions you've recently made?**

**RALF STRUCKMEYER** We only acquire properties that ideally fit with our acquisition and development strategy. We've succeeded in doing this with the nine purchases – all office properties in prime locations in cities such as Frankfurt, Hamburg, Dusseldorf or Munich. These properties'



value-added potential makes me particularly optimistic. Their true value will only be seen once we systematically develop them. We're very satisfied with the acquisitions because we benefit from the dynamic office market, which is fundamentally stronger than it's been in 20 years.

**Reports abound that the yields for real estate investments in Germany have fallen significantly. Is the best time not already behind us?**

**SE** We have to clearly differentiate here. In the case of residential properties, I agree with you. The market is now largely saturated. The yields are correspondingly low. It's a different picture for office properties. With the right approach, it's possible to achieve attractive yields. We're professionals in this area and identify the properties with the highest potential. We focus on value-add real estate. We can increase value here with our asset and property management and develop our properties sustainably. Our strength is not only the purchase yield, but in particular the constantly increasing rental yields and property values.

**Please describe the value-add approach. What makes Godewind different from traditional real estate portfolio owners?**

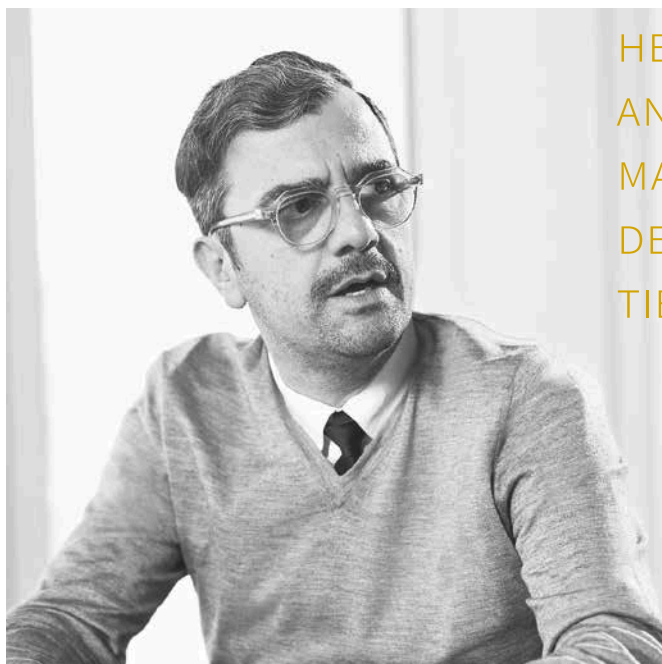
**SE** We're not only a real estate portfolio owner. We're also a real estate portfolio developer. We don't buy finished properties in prime locations at inflated prices. We buy

properties with development potential in precisely these locations – and at very attractive prices. The art is the ability to recognise and leverage this potential.

**RS** Leveraging the potential of properties is a complex task. There are only a few companies that can do this for commercial properties. Our team knows exactly what they need to pay attention to when acquiring such properties and what's necessary to develop their potential. The composition of the active asset management team is decisive here. We've been able to find experienced, highly qualified employees who systematically implement the strategy. This includes realising our competitive advantages – transaction speed, reliability – the famous handshake mentality and, of course, the availability of sufficient investment funds. Whether tenant management, construction management or asset management – every property confronts us with individual challenges. There are great opportunities in these challenges. We're the leader here in Germany.



**WE FOCUS ON VALUE-ADD REAL ESTATE. WE CAN INCREASE VALUE HERE WITH OUR ASSET AND PROPERTY MANAGEMENT AND DEVELOP OUR PROPERTIES SUSTAINABLY.**



**Stavros Efremidis**  
Chairman of the  
Executive Board



WE'VE BEEN ABLE TO AVOID COSTLY FINANCING MODELS AND OPERATE FLEXIBLY ON THE PROCUREMENT MARKET. OUR ACQUISITIONS' ATTRACTIVE CONDITIONS SHOW THAT THIS WAS THE RIGHT WAY.

**So far you've largely acquired these properties using equity. How do you want to organise the refinancing and when will this take place?**

**RS** The high cash reserves from the IPO gave us an advantage against the competition. We've been able to avoid costly financing models and operate flexibly on the procurement market. Our acquisitions' attractive conditions show that this was the right way. On the financing side too, we also operate from a position of strength. As a result of our track record of experienced management, our network with long-term business partners and the good quality of the assets purchased, we receive favourable conditions – in particular for refinancing relatively large parts of our portfolio. In addition, we benefit from the historically low interest rate level. Our aim is a net loan-to-value of 45 to 55 per cent. In this way, we'll remain able to strike in the event of attractive opportunities. We want to continue to grow.

**Which regions do you regard as particularly attractive here and where do you want to expand your portfolio?**

**SE** We concentrate on economically strong metropolitan areas. So far, we've acquired properties in Hamburg, Dusseldorf, Frankfurt and Munich. Of course we'd like to continue to grow here. But other major centres, such as Berlin, Cologne or Stuttgart, remain attractive. We generally only invest in prime locations, we don't pay inflated prices and we like properties with development potential.

**Ralf Struckmeyer**  
Member of the  
Executive Board

I'm very confident that we'll continue to strengthen and expand our portfolio with attractive transactions in the next few months.

**You've almost achieved your first goal – the creation of a portfolio with a value of EUR 1 billion. You've specified EUR 3 billion as your medium-term goal. Are you sticking with that?**

**SE** Definitely we're sticking with it. With an attractive portfolio, we've transformed Godewind into an important player in the sector within a few months. Our aspiration is to further expand our market position and continue to grow in the interests of our shareholders. Why shouldn't we reach the EUR 3 billion threshold in the medium term? The existing portfolio alone can be increased just through organic growth – that is through vacancy reduction – to more than EUR 1 billion. We're very confident that we'll achieve this.

**RS** Finally, what's decisive for the purchase of further properties for us is that they be economically attractive. That's why we examine opportunities very carefully and weigh up the feasibility in each individual case.

**That sounds good. All the same, the share's lost value since the IPO. How do you explain this performance?**

**SE** We had a lot of exposés on our desks during the IPO and wanted to act immediately after it. That was also what some shareholders expected. When our company became much better known following the IPO, further acquisition opportunities arose. We examined these closely because it's always our aspiration to select the best assets. That's also in our shareholders' interests. Some short-term-oriented investors exited in this phase and temporarily put the share price under pressure with their sales. But we're not deterred. Our aspiration is and remains to shape the company's growth in the interests of our shareholders. Our attractive transactions show that this was the right decision – our investors recognise that too.

**How do you plan to acquire new investors for the share?**

**RS** The figures published for 2018 show Godewind's first reliable figures, although it has not yet been possible to consolidate all the properties acquired as of 31 December 2018. In addition, the first research reports were recently released, including, for example, SMC Research and First Berlin. This significantly increases the shares' transparency. We have been a member of the European Public Real Estate Association (EPRA) and have been using EPRA key figures since 2018. The transparency obtained in this way creates additional trust among investors.

**SE** In addition, the management team is often out and about and seeks direct contact with important institutional investors. We hold roadshows and visit conferences. Trust can best be established through personal contact. I have the impression that investors' trust has increased significantly again in the past few months.

**What about the company's dividend policy? When do you want to start paying a dividend and how high will it be?**

**RS** We want to pay a dividend as soon as the economic conditions are met – at the earliest for the 2019 financial year. We intend our shareholders to benefit from our success with a distribution of at least 60 per cent of the funds from operations. Godewind Immobilien AG's tax loss carry-forwards offer further financial advantages for our shareholders. The company's contributions account for tax purposes makes it possible to distribute dividends without deducting withholding taxes.

**Could you give us an overview of the shareholder structure? Who is invested and why?**

**RS** The Godewind share is very liquid. The free float is more than 60 per cent. In addition, renowned institutional investors are invested in the share, including DWS Investment GmbH, Morgan Stanley and Pelham Capital. They're convinced by our company's story and see that our operating business is also heading in the right direction.

**SE** The Executive Board and Supervisory Board have invested a considerable amount in the company for the same reason. I hold around 5.8 per cent of the shares myself. Management's interests are thus aligned with those of investors. I wouldn't have invested if I didn't know how well-positioned we are for the future.

**Please can you summarise why investors should invest in the Godewind share from your perspective?**

**SE** We're a rapidly growing company with a convincing story. Our positive performance will continue. Over the past few years, I've often demonstrated with my team that we can achieve attractive yields for our shareholders in the long term. We've laid the foundation with the latest transactions and the creation of a portfolio that currently has a value of EUR 740 million. Now we can concentrate on what we do best: create and develop value.

**I wish you and the Godewind shareholders success on this course. Thank you for the interview.**

# REPORT OF THE SUPERVISORY BOARD

## FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

### Cooperation between the Supervisory Board and the Executive Board

During the financial year 2018, the Supervisory Board performed in full the duties incumbent upon it under the law and the company's Articles of Association. It continuously oversaw the Executive Board's conduct of business, advised it in 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 orally, 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. Documents necessary for decision-making were referred to the members of the Supervisory Board in due time before the meetings were held or resolutions were circulated for written approval.

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 contained, 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.

In the financial year, there were no indications of conflicts of interest among members of either the Executive Board or the Supervisory Board.

### Points of emphasis in the Supervisory Board's deliberations

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

In the meeting on 20 February 2018, the Supervisory Board devoted its attention to the company's IPO and the measures necessary to implement it. In addition, the Supervisory Board approved the agenda for the ordinary Annual General Meeting for 2017, which took place following the meeting of the Supervisory Board. The Supervisory Board also approved the proposal that KPMG AG Wirtschaftsprüfungsgesellschaft be appointed the auditor for the financial year 2018.

The employment contracts for the two Executive Board members Stavros Efreimidis and Ralf Struckmeyer, which the Chairman of the Supervisory Board had prepared, were discussed and approved. The Chairman of the Supervisory Board was authorised to sign and execute the contracts. The rules of procedure for the Executive Board were also adopted in this connection.

The Supervisory Board also discussed during this meeting the company's annual financial statements, as of 31 December 2017, along with the management report. The auditor was consulted by telephone and explained the main performance indicators in the financial statements. The Supervisory Board then unanimously approved the annual financial statements and management report as of 31 December 2017.

The company's Annual General Meeting resolved on 20 February 2018 to institute a stock option programme for the Executive Board and selected employees. In respect of the programme's size, the Annual General Meeting resolved that the stock option rights could not amount in total to more than 6 per cent of the company's share capital.

In the meeting on 17 April 2018, the Supervisory Board began by receiving the Executive Board's report on the IPO that had been successfully carried out in early April, for which it thanked the Executive Board.

The Executive Board further reported its intention to rent office premises in both Frankfurt am Main and Berlin, each with an area of approximately 700 square metres and each for a period of ten years.

The Executive Board ended by reporting on the status of its negotiations to acquire the company's first real estate portfolio.

In this meeting, the Supervisory Board devoted further attention to the stock option programme that had been approved by the Annual General Meeting on 20 February 2018. With the company's share capital amounting to EUR 108,750,000 owing to the capital increase, the Supervisory Board resolved to specify the programme details as follows:

- The number of shares to be issued under the 2018 stock option programme was set at a maximum of 6,525,000 shares.
- 4,464,000 of these were allocated to the members of the Executive Board and 2,061,000 to selected employees.
- The number of shares allocated to the members of the Executive Board were divided up as follows:  
Stavros Efremidis: 3,434,000 shares;  
Ralf Struckmeyer: 1,030,000 shares.
- The Chairman of the Supervisory Board is authorised to sign and execute related subscription rights agreements with the two members of the Executive Board.

The Supervisory Board ended by adopting the final version of the Supervisory Board's rules of procedure.

In the meeting on 4 July 2018, the Supervisory Board devoted its attention to the target quotas for women on the Supervisory Board and Executive Board. Further, the Supervisory Board deliberated on specific targets for its composition and the drafting of a competence profile (No. 5.4.1 of the German Corporate Governance Code). It came to the conclusion that the three current members of the Supervisory Board possess the necessary skills and experience in the field in which the company operates. The Supervisory Board did not consider any changes to be necessary.

In the meeting on 28 November 2018, the Executive Board was able to report to the Supervisory Board concerning the first signed purchase agreements and the first acquisition of a property. The Executive Board further reported that the leases for the offices in Berlin and Frankfurt am Main had been signed. In Frankfurt, the company will be moving into its new premises in December 2018, in Berlin in January 2019. The Executive Board also presented the Supervisory Board with the compliance guidelines, the risk management manual and the process manual. The Supervisory Board approved the first two of the aforementioned documents and took note of the third without demurrals.

The auditors Yaman Pürsün and Michael Kunisch of KPMG AG discussed with the Supervisory Board the main points of focus of the audit of the 2018 annual financial statements and explained the main aspects.

In the financial year 2018, the Supervisory Board also adopted, by the circulation method, various resolutions concerning, inter alia, approval of investment decisions. By circular resolution of 10 October 2018, the Supervisory Board approved the second addendum to the employment contracts of both members of the Executive Board. The bonus for the financial year 2018 was newly specified. The performance target was defined as the volume of real estate purchase agreements made by the end of the financial year.

### **No Supervisory Board committees**

The Supervisory Board dispensed with forming committees in view of the fact that it consists of three members.

### **Corporate governance and statement of compliance**

For Godewind AG, responsible and transparent corporate management has high priority. Information on corporate governance can also be found in the chapter "Corporate governance" of the Group management report in the 2018 management report. On 27 December 2018, the Executive Board and Supervisory Board issued a statement of compliance, which, together with the corporate governance declaration pursuant to Section 289f of the German Commercial Code (HGB), was made permanently available to the shareholders on the company's website. The current statement of compliance is also reproduced in the 2018 management report.

### **Audit of the annual and consolidated financial statements**

KPMG AG, which the Annual General Meeting of 20 February 2018 had appointed to be the auditor of the annual and consolidated financial statements for the financial year 2018, audited the annual financial statements of Godewind AG as of 31 December 2018, along with the consolidated financial statements as of 31 December 2018, and provided them with an unqualified audit certificate.

The financial reporting documents (the annual and consolidated financial statements as of 31 December 2018, along with the management report and Group management report for the financial year 2018) and the auditor's report were presented to the Supervisory Board in a timely manner. These documents were examined closely. The Supervisory Board extensively discussed the aforementioned documents and approved the HGB financial statements in the meeting of 4 April 2019, at which the auditor was present. The consolidated financial statements were approved in a meeting held by telephone on 9 April 2019.

Frankfurt am Main, 9 April 2019

#### **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 2018 are as follows:

### SUMMARY OF EPRA KEY FIGURES

IN EUR K	31.12.2018
EPRA NAV	396,394
EPRA NAV per share (in EUR)	3.65
EPRA earnings	2,205
EPRA earnings per share (in EUR)	0.03
EPRA NNNAV	392,803
EPRA net initial yield (NIY) (in %)	3,2
EPRA vacancy rate (in %)	23,8

### 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	31.12.2018
Consolidated net income	10,128
Changes in value of investment properties	-10,756
Profits or losses on the disposal of portfolio properties	0
Deferred and actual tax in respect of EPRA adjustments	3,591
Profit or loss from non-controlling interests	-758
EPRA excess	2,205
Average number of shares during the period (in k)	86,655
EPRA excess per share (in EUR)	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	31.12.2018
Diluted NAV (after the exercise of options and convertibles)	392,803
Revaluation to market value of property portfolio in accordance with IAS 2	0
Deferred tax liabilities on properties	3,591
EPRA net asset value (NAV)	396,394
Number of shares	108,509
EPRA net asset value (NAV) per share (in EUR)	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	31.12.2018
EPRA net asset value (NAV)	396,394
Market value of debt	0
Deferred tax	-3,591
EPRA triple net asset value (NNNAV)	392,803
Number of shares	108,509
EPRA triple net asset value (NNNAV) per share (in EUR)	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	31.12.2018
Market value of investment properties	300,905
Market value of trading properties (incl. shares in joint ventures)	0
Net market value of the property portfolio	300,905
Transaction costs	6,640
Gross market value of the property portfolio	307,545
Annualised rental income	13,600
Non-recoverable operating expenses	-3,647
Annualised net rental income	9,953
EPRA net initial yield (NIY) (in %)	3.2

**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	31.12.2018
Estimated market rental value of vacant space	4,769
Estimated market rental value of the whole portfolio	19,997
EPRA vacancy rate (in %)	23.8

**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 platform 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	31.12.2018
Property management expenses	135
Personnel expenses	4,115
Depreciation, amortisation and write-downs	23
Other operating expenses	3,350
Revenue from on-charging of operating costs	-152
Income from other trade receivables that represents reimbursements and re-billings	-12
Other operating income representing reimbursements and re-billings	0
Ground rent	0
<b>EPRA costs (incl. direct vacancy costs)</b>	<b>7,459</b>
Direct vacancy costs	0
<b>EPRA costs (excl. direct vacancy costs)</b>	<b>7,459</b>
Net rental income	548
<b>EPRA cost ratio (incl. direct vacancy costs) (in %)</b>	<b>1,361.1</b>
<b>EPRA cost ratio (excl. direct vacancy costs) (in %)</b>	<b>1,361.1</b>

## THE GODEWIND SHARES

### CAPITAL MARKETS IN 2018

The stock markets in 2018 were characterised by rising global political and economic risks. In particular, the simmering trade conflict between the world's two largest economies, the United States and China, created uncertainty, meaning that the DAX and SDAX experienced heavy losses at the start of the year.

The DAX reached its peak with a daily closing price of 13,559.60 points as early as 23 January. Finally, the DAX was around 18.3 per cent lower on the last trading day of 2018 than on the last trading day of 2017. The SDAX fell even further in the same period, dropping 20.0 per cent.

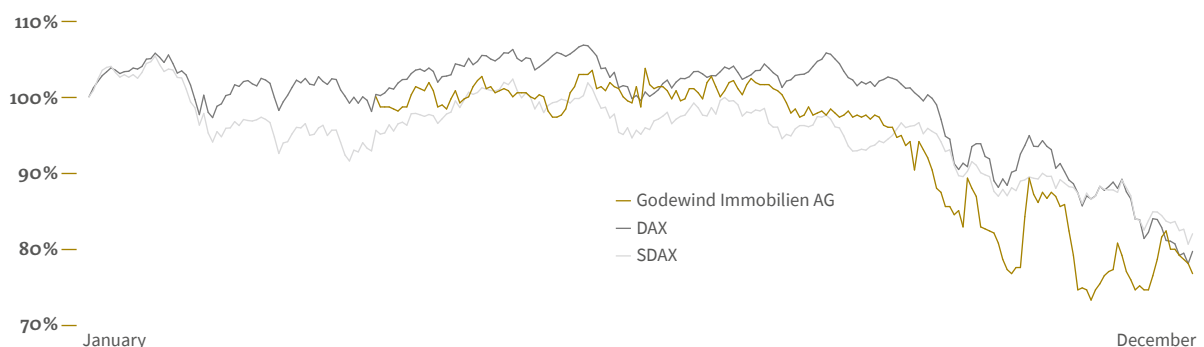
Prices recovered significantly in the second quarter. As a result, the SDAX reached its annual high of 12,736.54 points on 13 June. Until the end of September, prices were largely stable with increasing volatility. After several profit warnings by large companies and emerging economic concerns, the forecasts for many countries' GDP development were lowered. As a result, the markets came under pressure in the fourth quarter and plummeted by 14.4 per cent (DAX) and 20.5 per cent (SDAX) in this period.

### GODEWIND SHARE PRICE PERFORMANCE

In this unsettled environment, Godewind Immobilien AG pulled off the first successful blind pool IPO by a German real estate company in the Prime Standard of the Frankfurt Stock Exchange on 5 April 2018. Its market capitalisation, based on the offering price of EUR 4.00 per share and a total of 108,750,000 shares outstanding, amounted to EUR 435 million.

The shares started with a price of EUR 3.60. In the following months, the price climbed to its annual high of EUR 3.94 in the course of 14 June. Until mid-August, the share price remained stable and thereafter followed the stock market's general downward trend. The Godewind shares reached their annual low on 22 November with a closing price of EUR 2.76. With a series of positive reports on real estate purchases in the final quarter of the year, the share price stabilised again. At the end of the year, the shares closed on 28 December at a price of EUR 2.89. With a continuing good operating performance as a result of further real estate purchases, the share continued to rise after the reporting period. Additional positive impetus for the share price resulted from the share buyback programme within the period from 14 December 2018

GODEWIND SHARE PRICE 2018





to 20 February 2019. On 29 March 2019, the Godewind shares closed at EUR 3.71, which was equivalent to a market capitalisation of EUR 403.5 million.

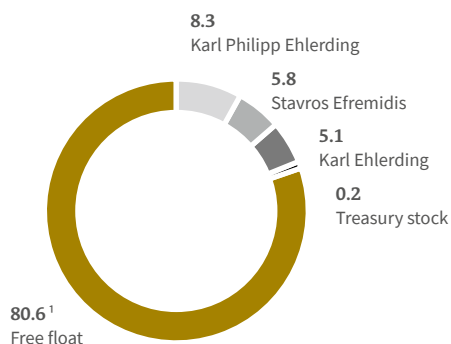
From 5 April to 31 December 2018, an average of approximately 97,250 company shares were traded per day on the regulated German stock exchanges.

## SHAREHOLDER STRUCTURE

As of the reporting date, the shares' free float was more than 80 per cent. This provides a good basis for the shares in terms of trading. The total number of shares outstanding on 31 December 2018 was 108,750,000. The remaining shares are largely distributed among three persons. As CEO of the company, Stavros Efremidis owns 5.8 per cent of the shares. Supervisory Board member Karl Ehlerding holds 5.1 per cent and his son Karl Philipp Ehlerding holds 8.3 per cent of the shares.

### SHAREHOLDER STRUCTURE AS AT 31.12.2018

IN %



<sup>1</sup> The free float matches the definition used by Deutsche Börse. Without financial or other instruments pursuant to Sections 38 and 39 of the German Securities Trading Act (WphG).

## 2018 ANNUAL GENERAL MEETING

The company's Annual General Meeting was held in Berlin on 20 February 2018. Through the resolution for a cash capital increase by up to EUR 175 million, the basis for the IPO was created. With 100 per cent of the votes present, the shareholders unanimously voted in favour of all the resolution proposals. Other resolutions also passed included those in favour of various authorised and conditional capitals and the relocation of the company's registered office to Frankfurt am Main.

## SHARE BUYBACK PROGRAMME

On 13 December 2018, the company announced that it was going to buy back up to 1.5 million shares from 14 December 2018 onwards. The share buyback programme was terminated at the close of trading on 20 February 2019. 1.5 million shares were acquired at an average price of EUR 3.23. The buybacks only took place via the stock exchange in electronic trading on the Frankfurt Stock Exchange (XETRA). The basis of the decision was an authorisation granted at the 2018 Annual General Meeting.

On 31 December 2018, the company had bought back 240,856 shares at an average price of EUR 2.99.

## INVESTOR RELATIONS ACTIVITIES

Since the IPO, Godewind Immobilien AG has increased its capital market communication. For example, the company has communicated intensively with institutional investors, retail investors, analysts and the financial and business press. The company has held roadshows in Germany and the United Kingdom. In addition, Godewind has participated in its first capital market conferences. In the first quarter, research companies SMC Research and First Berlin released their initial analyses of the Godewind share.

### THE GODEWIND SHARES

International Securities Identification Number (ISIN)	DE000A2G8XX3
German Securities Identification Number (WKN)	A2G8XX3
Number of shares as of 30 June 2018	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	CLASSIC
Stock exchanges	XETRA, Frankfurt (Frankfurt Stock Exchange), Dusseldorf, Munich, Berlin, Hamburg, Stuttgart
Ticker symbol	GWD
Primary listing	5 April 2018
Issue price	EUR 4.00
Period high (14 June 2018)	EUR 3.94
Period low (22 November 2018)	EUR 2.76
Market capitalisation (28 December 2018)	EUR 314,287,500
Designated sponsor	Oddo Seydler Bank AG, J.P. Morgan Securities plc
Paying agent	Baader Bank AG

# **COMBINED MANAGEMENT REPORT**

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# COMBINED MANAGEMENT REPORT

Godewind Immobilien AG has availed of the option set forth in Section 315(5) HGB and prepared a combined management report for the Godewind Group and Godewind Immobilien AG. Because Godewind Immobilien AG and the Godewind Group are largely in alignment with each other as regards course of business, company situation and future opportunities and risks, the following statements, in particular the figures specified, refer to the Godewind Group (unless stated otherwise).

## 1 BASIC INFORMATION ON THE GROUP

### a. Business model of the Group

Godewind Immobilien AG and its subsidiaries (hereinafter also referred to as “Godewind”, “the Group” or “the company”) are real estate companies that specialise in commercial real estate. Our business focus is on acquiring, structuring and managing commercial properties (primarily office properties) with a view to building an attractive portfolio in the medium term and on continuously increasing our enterprise value.

The IPO on 5 April 2018 and the issue proceeds, which amounted to EUR 375 million gross, created the financial basis for this. Since this date, Godewind has been listed in the German stock exchange’s Prime Standard segment, which affords the highest level of transparency.

Our company’s success is due, on the one hand, 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 on the other, 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

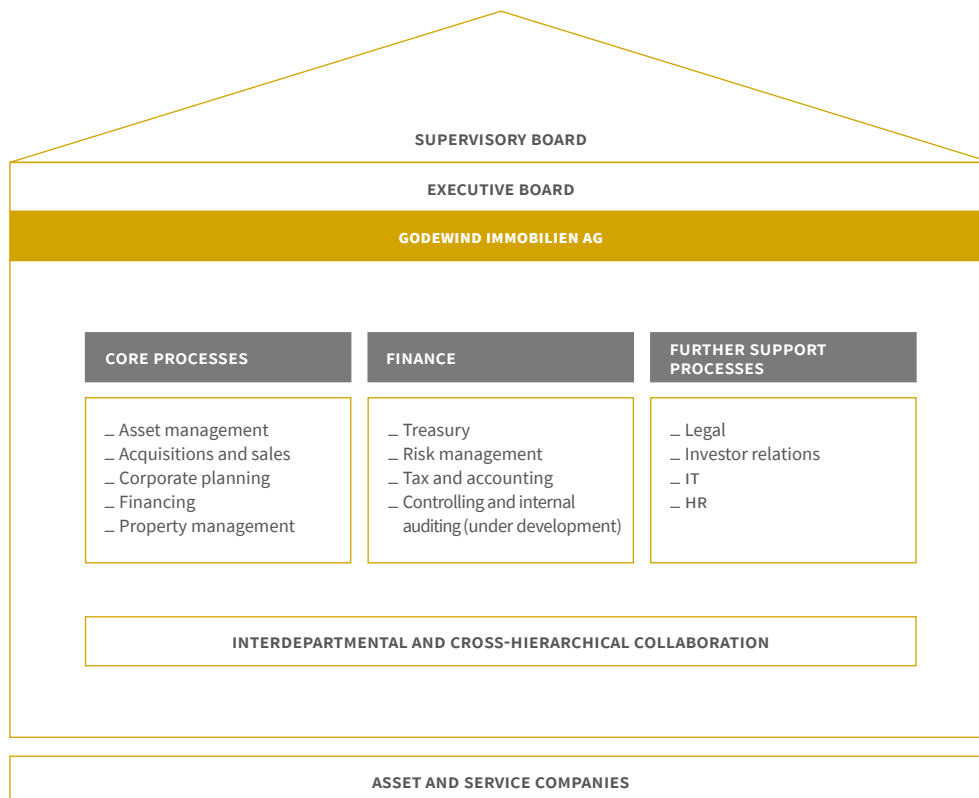
Godewind AG came about in 2015 by way of a change in the legal form of an existing GmbH (German limited liability company) at the end of 2015. At the end of 2017, the company was renamed Godewind Immobilien AG and its Articles of Association were brought into alignment with the current business model.

Since then, Godewind Immobilien AG has served as the parent company of the Group and, as such, assumed the role of management 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 of the balance sheet date, the Group is made up of Godewind Immobilien AG and a further 15 companies (previous year: no subsidiaries), with the Frankfurt am Main and Berlin offices assuming responsibility for management operations.

As of the balance sheet date, the Group possessed a portfolio of four office properties in Frankfurt am Main, Kirchheim bei München and Düsseldorf with a market value totalling EUR 300.9 million. A further five office properties, spread over Hamburg, Frankfurt

am Main, the Greater Munich area and Dusseldorf, were acquired in December 2018 and January 2019 for a purchase price of EUR 434.9 million in total. Since the reporting date, these transactions have either been closed or are about to be closed.

The Group’s process-oriented organisational structure is as follows:



Godewind Immobilien AG is managed by its Executive Board, which as of the balance sheet date 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 stock corporation law (Aktienrecht) and of the company’s own internal regulations. As of the balance sheet date, the Supervisory Board consisted of 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 company’s objectives and strategies**

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

The company's acquisition strategy for the medium term focuses on developing a profitable and valuable commercial real estate portfolio in Germany with a value of around EUR 3 billion.

Within the portfolio of commercial properties, purchases are to be assigned to one of three portfolios – labelled Core(+)-, Opportunistic and Manage-2-Core(+) – according to a three-level strategy:

The Core(+) portfolio: This portfolio comprises assets that are to be held there over the long term. These assets are characterised by a steady cash flow and generate attractive returns. As such, they form the core of the portfolio and are intended to generate reliable dividends for shareholders. As of the reporting date, this portfolio comprises two properties with a market value of EUR 78.2 million.

The Opportunistic portfolio: Properties that are acquired through portfolio transactions or special situations but that, due to their location or nature, are inconsistent with the company's investment focus are added to this sales and opportunities portfolio. The cash flow generated from the corresponding sales is to be invested primarily in strengthening the asset and Manage-2-Core portfolios, or used for dividend payments. As of the reporting date, no properties have been assigned to this category.

The Manage-2-Core portfolio: The Manage-2-Core portfolio comprises assets with considerable potential for appreciation. Through its active asset management approach, the company intends to enhance the potential of these assets. As of the reporting date, this portfolio comprised two properties with a market value of EUR 222.7 million.

#### **d. Active management system**

Godewind Immobilien AG'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). Since operations only commenced at the end of the reporting year, when the first acquisitions were made, the following statements only partially reflect the overall structure that is to be implemented over the course of 2019.

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, 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 comprises the net rental income as of the reporting date, projected for the year as a whole.
- Net loan to value (net LTV), i.e. the ratio of net financial liabilities (liabilities to banks less cash) to the market value of the properties.
- WALT, which is the weighted average of the remaining rental terms.

The main factors influencing the KPIs are the structure of the real estate portfolio and the financing structure.

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

### a. Macroeconomic and industry-specific development<sup>1</sup>

Economic performance in Germany weakened somewhat in 2018 as compared to the previous year. With a 0.2% decline in the third quarter and growth in the fourth quarter that was lacklustre at best, gross domestic product increased by 1.5% (2.2% in the previous year). The risks of recession are increasing, due primarily to the uncertainty surrounding international situations such as the impending Brexit and US trade disputes with Europe and China.

The continuing decline in the ifo Business Climate Index in late 2018 and early 2019 also points to gathering clouds on the economic horizon. According to the latest economic forecasts of the German Federal Government and the Institute for the World Economy, the economy is set to grow by 1% in 2019. This does indicate, however, that the economy in this country will remain at least stable, owing in large part to the continued strong performance of the domestically oriented sectors to which the construction and real estate industries belong.

The situation in the labour market further improved for the gainfully employed. At the end of 2018, around 2.2 million people were registered as unemployed, a 7.7% decline on the previous year. The unemployment rate was 4.8%. Disposable income stood at 2.2% above the previous year's level, having increased continuously over the last several years despite a weakening in economic growth.

Consumer prices continued to climb, owing in particular to the trend in energy prices. The annual average inflation rate was 1.9%, which is very close to the inflation target set in the European Central Bank's monetary policy.

The borrowing trend remained positive. Financing conditions continued to be favourable, owing to persistently low interest rates. The key interest rate, which has been set at 0% since spring 2016, will remain unchanged over the summer of 2019 according to current ECB announcements.

According to the "Immobilienweisen Expert Panel" of the German Property Federation (ZfA), the German real estate industry is set to continue to benefit from these favourable financing conditions and from the good overall (domestic) economic situation. Capacity utilisation and the shortage of skilled workers are, however, set to increasingly hinder further growth and make construction services even more expensive. From a tax perspective, it is still unclear what effects the planned reforms to property tax will have.

Macroeconomic conditions are (still) having a favourable impact on the key German office property markets. Employment gains have been a significant factor in the steadily growing demand for office space seen in recent years, and in the top locations<sup>2</sup>, office space expansion has been limited in scale. These factors have reduced the supply of office space noticeably. The vacancy rate fell to 2% in Berlin, Munich and Stuttgart and to around 4% in Hamburg and Cologne. Larger reserves of vacant space have been recorded only in Dusseldorf and Frankfurt, at 7% and 8% respectively. These circumstances are making it increasingly difficult for companies to rent larger interconnected spaces in their desired locations. It is likely, therefore, that the demand for office space will continue to follow a positive trend in the financial year 2019.

In 2018, office properties proved the most popular form of investment in commercial real estate (measured on the basis of investment volume). Invested capital increased from EUR 24.4 billion to EUR 28.8 billion in the reporting year. This development was due in particular to several large-volume deals in the three-digit million range. 2018 was also a very successful year in terms of take-up rates. In total, 6.1 million m<sup>2</sup> of commercial rental space was taken up in the largest office markets, an increase of 12% on the ten-year average (5.4 million m<sup>2</sup>). The large number of owner-occupants and significant increase in pre-letting and lettings under construction indicate that the strain on the market for office real estate is set to continue.

Consequently, even the highest rents increased for the eighth year in a row in the top locations, reaching EUR 30.70 per m<sup>2</sup> of office space (+5.9% as compared to the previous year) by the end of 2018.

They have also led to purchase prices for office space reaching record levels in the reporting year. These increased on average by 11.5% in the top locations, entering for the first time, at approximately EUR k 11 per m<sup>2</sup>, the five-figure range. Munich continued to be the most expensive location at approximately EUR 13,750 per m<sup>2</sup>, with Frankfurt a close second at EUR 13,650 per m<sup>2</sup>. The least expensive among the top locations were Dusseldorf (EUR 8,370 per m<sup>2</sup>), Stuttgart (EUR 7,140 per m<sup>2</sup>) and Cologne (EUR 6,930 per m<sup>2</sup>).

Over the course of the year, initial net yields fell once again across all city classes. In the top locations, the weighted average for core real estate was 3.0% at the end of 2018, only ten basis points below the previous year's figure. Things here therefore seem to have reached their lowest point.

<sup>1</sup> The statements in this section are based on the publication "Frühjahrgutachten der Immobilienwirtschaft 2019 des Rates der Immobilienweisen" released by ZfA Zentraler Immobilien Ausschuss e.V., the publication "Immobilienmarkt Deutschland 2018/2019", released by DZ HYP as part of its specialist publication series, and our own observations.

<sup>2</sup> Top locations: Berlin, Dusseldorf, Frankfurt am Main, Hamburg, Cologne, Munich, Stuttgart

In light of the developments described above, the management of Godewind is convinced that the demand for high-quality office space will remain strong 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**

Business performance in 2018 was shaped by the company's IPO on 5 April 2018, its organisational development and the building of a regular staff, as well as its first acquisitions in the second half of the year.

Godewind's capital increase saw 93,750,000 new shares issued at a price of EUR 4.00 per share, resulting in gross proceeds of EUR 375 million. The company was able to implement the IPO as a "blind pool" IPO, with investors demonstrating a high level of trust in the company by subscribing primarily on the basis of its acquisition strategy. This underscores yet again the Godewind team's formidable expertise in the real estate and financial sectors.

The funds acquired through the IPO served to finance the following property acquisitions:

The ComConCenter (CCC) office property in Frankfurt am Main was acquired on 13 September 2018 as part of an asset deal. The purchase price of EUR 35.6 million, which included incidental acquisition costs, was financed entirely with internal funds. The property comprises a rentable area of approx. 16,300 m<sup>2</sup>. The transfer of benefits and burdens occurred on 31 October 2018.

Godewind acquired the Airport Business Center (ABC) property at Dusseldorf Airport by way of an asset deal; the corresponding purchase agreement was closed on 16 October 2018. The property concerned is an office property. The purchase price of EUR 42.7 million, which included incidental acquisition costs, was financed entirely with internal funds. The property's lettable area is approximately 13,100 m<sup>2</sup>, not including its 256 parking spaces. The transaction was closed on 30 November 2018.

As per the acquisition strategy, both properties were assigned to the Core(+) portfolio. All of the properties specified are office properties in attractive locations. The vacancy rate is currently approximately 17% for the Dusseldorf property and approximately 12% for the Frankfurt property. The anchor tenants include various well-known companies from the service and industry sectors.

The purchase agreement for the acquisition of Sunsquare in Kirchheim bei München was entered into on 24 October 2018. The purchase price of EUR 32.0 million (including incidental acquisition costs) paid to acquire this office building by way of the asset deal was financed entirely with internal funds. The property's lettable area is approximately 18,800 m<sup>2</sup>, not including its 645 parking spaces. The transfer of benefits and burdens occurred on 15 December 2018.

This property is part of the Manage-2-Core portfolio. Measures to exploit its development potential include reducing the vacancy rate (currently 63%), adjusting rents and extending rental contracts.

Moreover, the premises purchased also include an expansion reserve of around 15,500 m<sup>2</sup>.

Under a purchase agreement dated 31 October 2018, the Group entered into a share deal by which it acquired 89.9% of the shares in the company that owns the Frankfurt Airport Center (FAC) office building at Frankfurt Airport. The purchase price of EUR 169.5 million for the property was provided, less the existing financing (EUR 88.0 million), from internal funds. The property's rentable area comprises approx. 48,500 m<sup>2</sup> and includes 182 parking spaces. The transfer of benefits and burdens occurred on 28 December 2018.

The company intends to exploit its development potential through its Manage-2-Core strategy. The FAC features excellent transportation connections. It is located in immediate proximity to Terminal 1 of Frankfurt Airport. Its tenants are airlines and service companies.

With a current vacancy rate of around 18% (taking into account lease agreements that have been signed but have not yet commenced) the FAC offers significant potential for appreciation. Implementation of an extensive modernisation plan and the associated repositioning of the property are expected to eliminate vacancies in the medium term.

### **c. Events after the reporting date**

In addition, the following acquisitions, which were either closed after the reporting date or are still pending, have been made to date:

Under a purchase agreement dated 19 November 2018, Godewind entered into an asset deal by which it acquired the Pentahof office complex near Hamburg Airport for a purchase price of EUR 60.6 million. The property comprises a rentable area of approx. 24,700 m<sup>2</sup> plus 347 underground parking spaces and 113 outdoor parking spaces. Completion took place on 31 January 2019.



The annual net rent (excluding ancillary costs) it generates is well below the figure achievable on the market. The property is currently fully let. The anchor tenant is a global petroleum company with an outstanding credit rating. The company aims to boost the property's potential through an active asset management approach that will involve rent adjustments and extensions to rental agreements.

Under purchase agreements dated 11 December 2018, the company acquired two further office properties – one in Hamburg-Eppendorf (Quartier am Zeughaus) and one in Frankfurt am Main (Y 2) – by way of an asset deal. The total purchase price for the properties was around EUR 205.0 million. Together they offer a total lettable area of approx. 74,500 m<sup>2</sup> and 1,349 parking spaces. The Y 2 property was transferred on 14 February 2019. Transfer of the Quartier am Zeughaus property is planned for 30 April 2019.

As office properties in attractive locations with upside potential, these purchases were in keeping with the acquisition strategy. The vacancy rate is currently approximately 35.3% for the Frankfurt property and approximately 10.6% for the Hamburg property. The anchor tenants include a number of public sector organisations as well as well-known companies from the service and industry sectors.

The company intends to significantly push up the corresponding KPIs through active asset management. It plans to achieve this by reducing the vacancy rates, adjusting rents and extending rental contracts with anchor tenants. The current average rents at the properties are below market rent.

Under a purchase agreement dated 19 December 2018, the company acquired the Eight Dornach office property in the Greater Munich area by way of an asset deal. The net purchase price for the property was EUR 30 million. The property lies within the ExpoGate business park in Aschheim-Dornach right on the Munich city limit. It encompasses a lettable area of about 17,600 m<sup>2</sup> and has 279 parking spaces for cars. Aschheim-Dornach's immediate proximity to Munich and optimal infrastructure have made it a popular location for many well-known corporations. This property was transferred on 31 January 2019.

This property, too, has the potential to increase significantly in value. As of 31 March 2019, its vacancy rate was still approximately 51.0%. Its potential for development is to be enhanced by a reduction in vacancy and new tenancies. The current average rent at the property is well below the market rent. The planned reduction in vacancy is expected to result in a substantial increase in rental income.

Under a purchase agreement dated 24 January 2019, the Group acquired another building with a total area of some 55,700 m<sup>2</sup> for the purchase price of roughly EUR 140 million. This is the office complex known as "Herzogterrassen" in central Dusseldorf. The transaction will be completed by the end of April 2019.

An initial new loan agreement for EUR 82 million was signed on 7 February 2019 for three portfolio assets. The purpose of the loan, which has a total term of five years, is to refinance the ComConCenter in Frankfurt, the Airport Business Center in Dusseldorf and the Pentahof in Hamburg. The financing was underwritten by DZ HYP AG. An existing financing arrangement amounting to EUR 88 million at an interest rate of 1.87% p. a. was assumed when the Frankfurt Airport Center was acquired in October 2018.

With its attractive 1.09% p. a. interest rate, the new five-year loan agreement brings the average interest rate for the portfolio's existing bank loans down to approximately 1.5% p. a. Completion of the transaction will contribute substantially to strengthening the company's future financial position and results of operations, and to increasing its ability to pay dividends.

With that transaction now successfully completed, more financing is to follow in regard to the assets Quartier am Zeughaus in Hamburg, Herzogterrassen in Dusseldorf, Y 2 in Frankfurt, and Sunsquare and Eight Dornach in the Greater Munich area.

#### **d. Earnings, assets and financial position of the Group**

The assets, financial position and earnings of the Group are described below. Owing to the (re-)commencement of business activities and the added (property) companies in the financial year, the disclosures in the consolidated financial statements are of limited comparative value in relation to the previous year's disclosures of Godewind Immobilien AG (the parent company).

## Earnings

EUR K	1.1.-31.12.2018	1.1.-31.12.2017
Net operating income from letting activities (NOI)	577	0
Operating income	49	43
Personnel expenses	-4,114	-8
Other operating expenses	-3,350	-481
<b>Operating result (EBITDA)</b>	<b>-6,838</b>	<b>-446</b>
Depreciation, amortisation and write-downs	-23	0
Result from the valuation of investment properties held	10,756	0
<b>Operating result (EBIT)</b>	<b>3,895</b>	<b>-446</b>
Financial result	-255	496
<b>Earnings before tax (EBT)</b>	<b>3,640</b>	<b>50</b>
Taxes on income and earnings	6,488	0
<b>Consolidated net income</b>	<b>10,128</b>	<b>50</b>
Other income	-52	-616
<b>Comprehensive income</b>	<b>10,076</b>	<b>-566</b>
<b>FFO I</b>	<b>-3,769</b>	<b>16</b>

The results of operations are particularly positively influenced by the result from the valuation of investment properties held and taxes on income and earnings.

Revenue from renting and leasing was obtained with the portfolio properties for which the transfer of benefits and encumbrances took place in the months from end of October to December 2018 (ComConCenter, Airport Business Center Dusseldorf, Sunsquare and Frankfurt Airport Center). It includes income from property management generated in the last two months of the year (EUR k 712) minus the expenses related to such property management (EUR k 135).

Income from the valuation of investment properties resulted from the professional reappraisal of the portfolio properties as of the reporting date taking into account their development potential and the progress that had been made in reducing vacancies. The company was able to negotiate favourable purchase prices for the acquisitions in its existing portfolio by virtue of, in particular, the professional conduct of its negotiations and its responsiveness in the purchase agreement negotiations, not to mention its existing liquidity. The valuation result includes approximately EUR 8.8 million for the FAC, approximately EUR 2.1 million for the Sunsquare property and approximately EUR 0.7 million for the CCC and, in the reverse direction, approximately EUR 0.8 million for the ABC property. For further details on property valuation, please refer to the detailed information in the notes to the consolidated financial statements.

Increases in personnel expenses are attributable to increases in the number of employees, which by the end of the year had led the company's staff to grow to 19 including the Executive Board members.

Operating expenses mainly comprise expenses for incompleting projects, consulting expenses incurred in connection with the capital increase and property acquisitions, and other administrative expenses.

The financial result is attributable primarily to charges for the safekeeping of cash and cash equivalents.

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

FFO I is calculated as follows:

EUR K	2018	2017
<b>Consolidated net income for the period</b>	<b>10,128</b>	<b>50</b>
Taxes on income and earnings	-6,488	0
<b>EBT</b>	<b>3,640</b>	<b>50</b>
Revaluation of the property portfolio pursuant to IAS 40	-10,756	0
Depreciation, amortisation and write-downs	23	0
Other non-cash income	-35	-34
Other non-cash expenses	1,277	0
Other non-recurring items recognised as income	2,082	0
<b>FFO I</b>	<b>-3,769</b>	<b>16</b>
Average number of shares (in k)	86,655	1,732
<b>FFO I per share (in EUR)</b>	<b>-0.04</b>	<b>0.01</b>

FFO I is calculated based on the operating costs of commencing operations and the contributions to earnings of the first properties acquired.

Adjusted other non-cash expenses mainly include expenses for the stock option programme.

Other one-off effects recognised in income comprise mainly costs for cancelled transactions and other legal and consulting costs.

## Assets and financial position

EUR K	31.12.2018	31.12.2017
<b>Assets</b>		
<b>Non-current assets</b>		
Investment properties	300,905	0
Advance payments for investment properties	34,273	0
Property, plant and equipment	480	0
Advance payments on property, plant and equipment	292	0
Other non-current assets	325	95
Intangible assets	85	0
Active deferred taxes	6,711	0
<b>Total non-current assets</b>	<b>343,071</b>	<b>95</b>
<b>Current assets</b>		
Other current assets	2,238	344
Cash and cash equivalents	157,745	19,172
<b>Total current assets</b>	<b>159,983</b>	<b>19,516</b>
<b>Balance sheet total – assets</b>	<b>503,054</b>	<b>19,611</b>
<b>Liabilities</b>		
<b>Equity</b>	<b>397,251</b>	<b>18,561</b>
<b>Non-current liabilities</b>		
Financial debts	98,367	0
Pension obligations	408	374
Other non-current liabilities	73	0
<b>Total non-current liabilities</b>	<b>98,848</b>	<b>374</b>
<b>Current liabilities</b>		
Trade payables	4,795	668
Financial debts	28	0
Other current liabilities	2,132	8
<b>Total current liabilities</b>	<b>6,955</b>	<b>676</b>
<b>Balance sheet total – liabilities</b>	<b>503,054</b>	<b>19,611</b>

### 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 insofar as possible. The notes to the consolidated financial statements contain further information on the management of individual financial risks.

The Group monitors its capital by means of the ratio between net liabilities and equity. Net liabilities comprise all liabilities (including interest-bearing bonds and loans and liabilities from financing leases) less cash and cash equivalents.

Investment property encompasses the market values of the portfolio properties acquired in the year under review (ComConCenter, Sunsquare, Frankfurt Airport Center and Airport Business Center Dusseldorf).

Advance payments for investment properties are advance payments towards the purchase price of the properties for which the transfer of benefits and encumbrances had yet to take place as of the reporting date.

Deferred tax assets are largely deferred taxes recognised for trade and corporation tax loss carry-forwards. The deferred tax liabilities offset against deferred tax assets relate to measurement differences between the tax accounts and IFRS for the portfolio properties. 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.

The increase in equity and in cash and cash equivalents resulted from the capital increase that occurred in April 2018. That brought the Group's equity ratio to 78.97% as of the reporting date. The EPRA net asset value (NAV) developed as follows:

EUR K	31.12.2018	31.12.2017
Shareholders' equity (before non-controlling interests)	392,803	18,561
Deferred taxes on investing properties	3,591	0
<b>EPRA net asset value (NAV)</b>	<b>396,394</b>	<b>18,561</b>

The company's financial position was influenced by the inflow of funds resulting from the IPO (cash flow from financing activities) and the purchase price payments for the first acquisitions (cash flow from investing activities).

EUR K	31.12.2018	31.12.2017
Cash flow from operating activities	-2,453	-228
Cash flow from investing activities	-222,960	5,967
Cash flow from financing activities	363,986	11,505
<b>Net change in cash and cash equivalents since commencement of the period</b>	<b>138,573</b>	<b>17,244</b>
Cash and cash equivalents as of 1 January	19,172	1,928
<b>Cash and cash equivalents as of 31 January</b>	<b>157,745</b>	<b>19,172</b>

The financial liabilities consist mainly of bank loans and leasing obligations that were assumed in connection with the acquisition of the FAC. The committed amount of the bank loan is EUR 115 million, of which EUR 87.5 million had been drawn as of the reporting date. The net loan-to-value (LTV) ratio as of the reporting date was -19.7%, as cash and cash equivalents exceeded financial liabilities.

The Group was always in a position to fulfil its repayment obligations.

### Overall assessment of the Group

The Executive Board is very satisfied with the company's business development in its first year of operations. The cash inflows from the successful IPO provided the basis for subsequent investments in office properties in top locations with excellent upside potential. The first contractually secured and completed acquisitions have already been successfully realised.

In addition, the company has been able to assemble a team of experienced real estate specialists.

It has therefore achieved its goal of laying the foundations for a high-performing real estate portfolio by making its first promising acquisitions. The objective of laying the foundation for positive performance by the real estate portfolio and the company with initial promising acquisitions has been achieved.

### 3 REPORTING ON THE ANNUAL FINANCIAL STATEMENTS OF GODEWIND IMMOBILIEN AG

The parent company's earnings, assets and financial position are explained in the following. Since business activities commenced only recently, 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 220.9 million as of the reporting date.

EUR K	31.12.2018	31.12.2017
Financial assets	221,032	0
Other fixed assets	857	2
<b>Total fixed assets</b>	<b>221,889</b>	<b>2</b>
Receivables due from affiliated companies	115	0
Cash and cash equivalents	155,004	19,172
Other current assets	1,543	107
<b>Total current assets</b>	<b>156,662</b>	<b>19,279</b>
<b>Balance sheet total – assets</b>	<b>378,551</b>	<b>19,281</b>
<b>Equity</b>	<b>376,239</b>	<b>18,345</b>
Provisions	1,559	924
Trade payables	386	4
Liabilities due to affiliated companies	257	0
Other liabilities	110	8
<b>Total liabilities</b>	<b>2,312</b>	<b>936</b>
<b>Balance sheet total – liabilities</b>	<b>378,551</b>	<b>19,281</b>

The financial assets comprise shares in affiliated companies and long-term loans taken out as part of Group financing.

The increase in equity and in cash and cash equivalents resulted from the IPO that was successfully carried out in April 2018. That brought the parent company's equity ratio to 99.4% as of the reporting date.

Cash and cash equivalents comprised cash and commercial papers. The results of operations in the annual financial statements are influenced by expenses for the IPO and the expansion of the headcount and the organisation. A key difference from the IFRS financial statements arises from the recognition in profit and loss of the expenses for the IPO and the non-recognition of deferred taxes.

The provisions comprised pension obligations, personnel provisions and other provisions (in the previous year, exclusively pension and other provisions). Cash comprises cash on hand (EUR 20.0 million)

and commercial paper (EUR 135.0 million). The company's earnings position as reported in the annual financial statements reflects expenses for the IPO, staff expansion and organisational development. A fundamental difference to the IFRS accounts is the recognition of expenses through profit or loss.

EUR K	31.12.2018	31.12.2017
Sales	115	0
Other operating income	49	531
Personnel expenses	-2,902	8
Other operating expenses	-13,751	-817
Expenses from the assumption of losses	-234	0
Financial result	338	-24
<b>Net loss for the year</b>	<b>-16,385</b>	<b>-318</b>

Revenue consisted mainly of revenue from intragroup allocations.

Other operating income in the previous year was income received in prior periods from the disposal of assets.

The increase in staff costs resulted from the team building undertaken to implement the new business model (in the previous year, these consisted exclusively of Executive Board remuneration and old-age pensions). As of the balance sheet date, the holding company had 19 employees including the members of the Executive Board.

Other operating expenses comprise, in particular, the costs of the IPO and other administrative expenses (in the previous year, this position mainly comprised legal and consulting costs, acquisition and audit costs, and rental expenses).

As of the balance sheet date, cash and cash equivalents had significantly increased from EUR 19.2 million to EUR 155.0 million. The inflow from the IPO of EUR 375.0 million gross is offset by loans of EUR 220.9 million.

### Forecast

The business performance of Godewind Immobilien AG will be highly dependent on the speed of planned property acquisitions and financing measures. Since the completion of individual transactions can have a substantial impact on the parent company's earnings, assets and financial position, the feasibility of a forecast for the following year is limited.

For the 2019 financial year, the Executive Board expects a profit in the mid-single-digit million range. Capital measures taken in 2019 may, however, considerably reduce this figure as a result of the associated expenses. The company plans to pay a dividend to the shareholders for the 2019 financial year.

It also strives to steadily expand its real estate portfolio and, to this end, is exploring the market prospects offered by its current real estate pipeline. Transaction costs that may be incurred in this connection could significantly impact earnings.

Five new employees were hired at the beginning of 2019, with further hirings being planned for the financial year 2019 as a whole.

The Asset Management department's objective is to substantially reduce vacancies all across the portfolio. Also planned is the extension of existing leases when necessary. To fulfil these tasks, the Asset Management team employs an active management approach.

## 4 RISK, OPPORTUNITIES AND FORECAST REPORT

### a. Integrated risk and corporate management

Operating activities based on the new business model were commenced in the year under review. 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 and risk management system specified above are now fully functional and under continual development in line with the company's business expansion measures. Godewind's management structure, for example, is soon to be supplemented by an internal audit function.

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 principles of generally accepted accounting practice 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. Among these is the Financial Controlling department, which includes Internal Auditing.

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 Stock Corporation 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 Stock Corporation 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. This documentation is then provided to the auditor responsible for auditing the early warning system for risks. It is also used as a



means of rendering the various risk management tasks comprehensible and workable for employees. 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. No test of the early risk detection system's effectiveness takes place.

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 the persons responsible for the particular risk.

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

Unlikely	0%–10%
Possible	≥ 10%–50%
Probable	≥ 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:

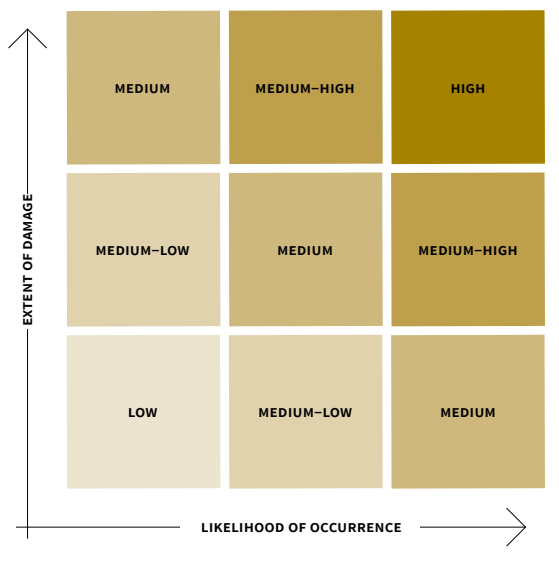
Risk dimension	Financial loss (value limits in EUR k)
Low risk	0–1,000
Medium risk	≥ 1,000–10,000
High risk	> 10,000

**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 metrics 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 persons responsible for the risks 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. Here, all significant potential risks must be identified and evaluated for each risk type. 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. Because risks are relevant to strategic decision-making, the Risk Committee regularly convenes to discuss them during extended Executive Board meetings. These meetings are recorded accordingly.
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 existing 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 certified standard 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 becoming an increasingly important issue 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.

Taking into account the funds raised through the IPO and the successful conclusion of initial financing agreements at favourable conditions, Godewind's management does not currently consider that it has significant financing or liquidity risks to contend with or risks from the use of financial instruments.

To avoid negative interest, cash and cash equivalents are invested in part in "commercial papers". These are unsecured short-term securities, mostly with maturities of around one month, issued by well-known industrial companies and financial service providers. The risks here are reduced both through the short maturities and through the fact that Godewind spreads its investments across several issuers.

As a capital market-oriented company, Godewind must comply with the highest regulatory requirements as regards 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 conditions, too, can subject the company to financial risks. In the current consolidated financial statements, for example, deferred taxes amounting to EUR 6.7 million are on balance capitalised. If this tax capitalisation is rejected, either in whole or in part, then 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 with, in particular, extensive technical and legal due diligence procedures and professional asset and property management.

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

##### 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. Godewind 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".

### General statement

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, including in particular any risks to its continued existence.

### e. Opportunities

Only one year after commencing its operations, the Group has succeeded in acquiring a real estate portfolio with a contractually secured portfolio of properties and a gross purchasing volume of around EUR 740 million. The opportunities offered by this portfolio include, in particular, the potential for capital appreciation through the reduction of vacancy rates and the adjustment of rents. The WALT for the portfolio as a whole is at around 4.2 years as of the reporting date.

The Executive Board believes that its well-developed network in the real estate industry will in future continue to produce opportunities for attractive off-market transactions. As far as financing is concerned, the Group will continue to benefit from low interest rates when financing its acquisitions. The possibility of using tax loss carry-forwards is further opportunity for Godewind.

### f. Forecast report

The Group's future business performance will likely depend heavily on the speed with which it can see its real estate acquisitions through to fruition. Such completion of individual acquisitions can significantly impact the Group's earnings, assets and financial position, which is why compiling a forecast for the following year is only possible to a limited extent.

Godewind's planning for 2019 is therefore currently based on the property acquisitions that it has completed on or secured by contract. Positive FFO I in the mid-single-digit million range is anticipated for these properties.

A substantially increased EPRA net asset value (EPRA NAV) is expected by the end of the financial year 2019. The WALT and net rental income are expected to increase continually.

Godewind is moreover striving to ensure a favourable financing structure with a net LTV of 45 to 55%. It is also keen to follow up on the acquisitions made to date – the gross purchasing volume of which amounts to around EUR 740 million – by rapidly expanding its portfolio of commercial properties further still.

Five new employees were hired at the beginning of 2019, with further new hires planned over the course of the year.

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.

## 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 those bodies in the financial year 2018. It also takes into account the requirements of German Accounting Standard No. 17.

The remuneration paid to the Executive Board comprises three components:

- Fixed remuneration
- Annual variable remuneration (STI)
- Multi-year variable remuneration (LTI)

These three components are explained in greater detail below.

EUR K	Stavros Efremidis Chairman of the Executive Board Date joined: 12.12.2017				Ralf Struckmeyer Chief Financial Officer Date joined: 12.12.2017			
	2017	2018	2018 min.	2018 max.	2017	2018	2018 min.	2018 max.
<b>Benefits granted</b>								
Fixed remuneration	33	600	600	600	18	330	330	330
Fringe benefits	0	12	12	12	0	11	11	11
<b>Total</b>	<b>33</b>	<b>612</b>	<b>612</b>	<b>612</b>	<b>18</b>	<b>341</b>	<b>341</b>	<b>341</b>
Annual variable remuneration (STI)	0	288	0	300	0	154	0	160
Multi-year variable remuneration (LTI)	0	5,803	0	5,803	0	1,741	0	1,741
2018 stock option plan (term ending April 2022)								
Number of options allocated	0	3,434,000	0	3,434,000	0	1,030,000	0	1,030,000
Fair value of the options	0	5,803	0	5,803	0	1,741	0	1,741
<b>Total</b>	<b>33</b>	<b>6,703</b>	<b>612</b>	<b>6,715</b>	<b>18</b>	<b>2,236</b>	<b>341</b>	<b>2,242</b>
Benefit expenses	0	0	0	0	0	0	0	0
<b>Total remuneration</b>	<b>33</b>	<b>6,703</b>	<b>612</b>	<b>6,715</b>	<b>18</b>	<b>2,236</b>	<b>341</b>	<b>2,242</b>

EUR K	Stavros Efremidis Chairman of the Executive Board Date joined: 12.12.2017		Ralf Struckmeyer Chief Financial Officer Date joined: 12.12.2017	
	2018	2017	2018	2017
<b>Remuneration received</b>				
Fixed remuneration	633	0	348	0
Fringe benefits	12	0	11	0
<b>Total</b>	<b>645</b>	<b>0</b>	<b>359</b>	<b>0</b>
Annual variable remuneration (STI)	288	0	154	0
Multi-year variable remuneration (LTI)	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>933</b>	<b>0</b>	<b>513</b>	<b>0</b>
Benefit expenses	0	0	0	0
<b>Total remuneration</b>	<b>933</b>	<b>0</b>	<b>513</b>	<b>0</b>

The benefits granted to the Executive Board amounted to EUR k 8,939 (previous year: EUR k 51). In the financial year 2017, Mr. Nikolai Dumsky and Mr. Volker Lemke were still employed by the company. They left the company as of 31 December 2017. Mr. Lemke received EUR k 22 in remuneration for the financial year 2017.

The fair value of the stock options that were granted in the reporting period was ascertained, with an external evaluator's assistance, using a binomial model whose general approach is based on the work of Cox, Ross and Rubinstein (1979). The remuneration received by the Executive Board in the reporting year amounted to EUR k 1,446 (previous year: EUR k 0).

#### 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 are not limited to casualty insurance, life insurance in the form of direct insurance and private health insurance contributions.

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

#### Annual variable remuneration (STI)

The two Executive Board members are each contractually entitled to annual variable performance-based remuneration, which for the financial year 2018 amounted to a maximum of EUR k 300 in the case of Mr. Efremidis and to a maximum of EUR k 160 in the case of Mr. Struckmeyer. The performance target consisted of the conclusion of effective sales purchase agreements for real estate in the financial year 2018. If sales purchase agreements amounting to at least EUR 600 million were made, the target was deemed fulfilled. If sales purchase agreements were made for less than EUR 350 million, the target was deemed unfulfilled. Interim values are interpolated linearly.

The two Executive Board members' employment contracts provide that, beginning with the financial year 2019, a bonus will be granted with a base value of EUR k 200 for Mr. Efremidis and EUR k 110 for Mr. Struckmeyer. The contracts provide a target range between 75% (minimum) and 125% (maximum), with no entitlement for payment of a bonus if the target achieved is less than 75%. Funds from operations, net asset value, share price performance and the size of the company's real estate portfolio are taken into account when target achievement is measured. The specific base value for each member of the Supervisory Board and the specific performance targets are newly set by the Supervisory Board for each financial year. They have yet to be specified for the financial year 2019.

In a meeting held on 5 March 2019, the Supervisory Board ascertained that the target for the financial year 2018 had been achieved by 96%, and it determined the two Executive Board members' bonuses accordingly. Mr. Efremidis received a bonus of EUR k 288, and Mr. Struckmeyer EUR k 154, for the financial year 2018.

#### Share-based multi-year variable remuneration (LTI)

In 2018, the Supervisory Board granted Mr. Efremidis a subscription right to 3,434,000 shares, which can be exercised no earlier than 2022. Also in 2018, the Supervisory Board granted Mr. Struckmeyer a subscription right to 1,030,000 shares, which can be exercised in 2022 at the earliest.

Once the vesting period has expired, the two Executive Board members are each entitled for the first time to exercise up to 50% of the option rights 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 offering price of the Godewind Immobilien AG share and the volume-weighted average price (VWAP) of the share in the two months before and after the reference date of 1 May 2022 (four years after the shares' first trading date), plus the accumulated distributed gross dividends attributable to the individual share ("absolute TSR performance").

The degree of target achievement will be determined for the second time on 1 May 2023 in lieu of 1 May 2022. The reference date for the third assessment of target achievement is 1 May 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% is achieved, then the respective beneficiary can exercise all of the option rights granted to him/her and 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 200 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.

Fulfillment 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 render the exercisable line up to 50% of the granted stock options attributable to achievement of the performance target.

**Benefits in the event of premature termination of contract**

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

If a member of the Executive Board resigns from office for cause or has his appointment to the Executive Board revoked for cause, then he shall receive a severance payment corresponding to two annual remuneration payments.

The term annual remuneration payment 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 and the chairman twice the aforementioned amount.

**Shareholdings of Executive Board and Supervisory Board members**

As of the balance sheet date, the members of the company's management held the following number of shares in the company:

Dr. Bertrand Malmendier:	125,000
Dr. Roland Folz:	125,000
Karl Ehlerding:	5,614,509
Stavros Efremidis:	6,269,584
Ralf Struckmeyer:	150,000

**Disclosures pursuant to Sections 289a(1) and 315a(1) HGB**

The supplementary disclosures pursuant to Sections 289a(1) nos 1–9 as well as 315a(1) nos 1–9 are as follows:

Godewind AG's subscribed capital (share capital) amounted to EUR 108,750,000 on the balance sheet date and is divided into 108,750,000 no-par value registered 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) exist as of the balance sheet date:

- DWS Investment GmbH
- J.P. Morgan Chase & Co.
- Morgan Stanley
- Och-Ziff Master Fund, Ltd.

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 of appointing and dismissing members of the Executive Board are governed by Section 84f AktG and Section 5(i) of Godewind AG's Articles of Association. Accordingly, the Supervisory Board determines the number of Executive Board members. It may appoint a Chairman of the Board. All provisions concerning amendments to the Articles of Association are set forth in Sections 133 and 179 AktG (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).

The company has entered into no material agreements that are subject to the condition of a change of control resulting from a takeover bid (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). Please refer to the remuneration report for further information.

On 13 December 2018, the Executive Board decided, with the approval of the Supervisory Board, to launch a share buyback programme to run until the end of March 2019. This share buyback programme saw the repurchasing of 1,500,000 company shares (equivalent to around 1.38% of the share capital). The maximum volume of the share buyback programme (acquisition costs excluding ancillary acquisition costs) is EUR 5.25 million. With regard to the number of treasury shares to be stated as per Section 160(i) No. 2 AktG, we refer to the explanations on the composition of equity and on events after the balance sheet date, as provided in the notes to the consolidated financial statements.

Frankfurt am Main, 29 March 2019



**Stavros Efremidis**  
Chairman of the  
Executive Board



**Ralf Struckmeyer**  
Member of the  
Executive Board

# **CONSOLIDATED FINANCIAL STATEMENTS**



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# CONSOLIDATED BALANCE SHEET

## AS AT 31 DECEMBER

IN EUR K	NOTE	31.12.2018	31.12.2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	3.3, 4.1	300,905	0
Prepayments for investment properties	3.7, 4.1	34,273	0
Property, plant and equipment	3.5, 4.2	480	0
Prepayments for property, plant and equipment	3.7, 4.2	292	0
Intangible assets	3.5, 4.3	85	0
Other non-current assets	3.5, 4.4, 5.1	325	95
Active deferred taxes	3.13, 4.16	6,711	0
<b>Total non-current assets</b>		<b>343,071</b>	<b>95</b>
<b>Current assets</b>			
Trade receivables	3.11, 4.5, 5.1	142	0
Income tax receivables	3.7, 4.6	1	0
Other current assets	3.7, 4.4	2,095	344
Cash and cash equivalents	3.8, 4.7	157,745	19,172
<b>Total current assets</b>		<b>159,983</b>	<b>19,516</b>
<b>Balance sheet total – assets</b>		<b>503,054</b>	<b>19,611</b>

IN EUR K	NOTE	31.12.2018	31.12.2017
<b>LIABILITIES</b>			
<b>Equity</b>			
Share capital	3.8, 4.8	108,750	15,000
Treasury shares	3.8, 4.8	-241	0
Capital reserve	3.8, 4.8	258,855	0
Retained earnings	3.9, 3.16, 4.8	25,439	3,561
<b>Capital and reserves attributable to owners of Godewind Immobilien AG</b>	3.9, 4.8	<b>392,803</b>	<b>18,561</b>
Non-controlling interests	3.9, 4.8	4,448	0
<b>Total equity</b>		<b>397,251</b>	<b>18,561</b>
<b>Non-current liabilities</b>			
Non-current liabilities to banks	3.11, 4.9, 5.1	87,528	0
Pension obligations	3.10, 4.10, 5.2	408	374
Other non-current derivative financial instruments	3.11, 4.11, 5.1, 5.3	662	0
Non-current lease liabilities	3.15, 4.12, 5.1	10,177	0
Other non-current liabilities	3.12, 4.13	73	0
<b>Total non-current liabilities</b>		<b>98,848</b>	<b>374</b>
<b>Current liabilities</b>			
Trade payables	3.11, 4.14, 5.1	4,795	668
Current lease liabilities	3.15, 4.12, 5.1	28	0
Tax liabilities	3.12, 4.15	5	0
Other current liabilities	3.12, 4.13, 5.1	2,127	8
<b>Total current liabilities</b>		<b>6,955</b>	<b>676</b>
<b>Balance sheet total – liabilities</b>		<b>503,054</b>	<b>19,611</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

IN EUR K	NOTE	2018	2017
<b>Net operating income from letting activities (NOI)</b>		<b>577</b>	<b>0</b>
Net rental income	3.14, 6.1	548	0
Recoverable operating expenses	3.14, 6.1	152	0
Revenue from other trade receivables	3.14, 6.1	12	0
<b>Property management income</b>		<b>712</b>	<b>0</b>
Operating expenses	3.14, 6.1	-134	0
Maintenance expenses	3.14, 6.1	-1	0
<b>Property management expenses</b>		<b>-135</b>	<b>0</b>
Unrealised changes in fair value of investment property	3.3, 6.2	10,756	0
<b>Net operating income from the measurement of investment properties</b>		<b>10,756</b>	<b>0</b>
Proceeds from investment properties held for sale		0	0
Expenses from the disposal of investment properties held for sale		0	0
<b>Profit or loss from the disposal of investment properties held for sale</b>		<b>0</b>	<b>0</b>
Proceeds from the sale of portfolio properties		0	0
Expense from carrying amount reduction		0	0
<b>Profit or loss from the disposal of portfolio properties</b>		<b>0</b>	<b>0</b>
Other operating income	3.14, 6.3	49	43
<b>Operating income</b>		<b>49</b>	<b>43</b>
Personnel expenses	3.16, 6.4, 7.2	-4,114	-8
Depreciation, amortisation and write-downs	3.5, 4.2, 4.3	-23	0
Other operating expenses	3.14, 6.5	-3,350	-481
<b>Operating expenses</b>		<b>-7,487</b>	<b>-489</b>
<b>Profit or loss from operations</b>		<b>3,895</b>	<b>-446</b>
Finance income	3.14, 6.6	4	704
Finance expenses	3.14, 6.6	-259	-208
<b>Financial result</b>		<b>-255</b>	<b>496</b>
<b>Earnings before taxes</b>		<b>3,640</b>	<b>50</b>
Taxes on income and earnings	3.13, 4.16	6,488	0
<b>Consolidated net income</b>		<b>10,128</b>	<b>50</b>
of which not to be reclassified to profit or loss in subsequent years			
Actuarial gains or losses after tax	3.10, 4.10	-52	0
Reclassification to profit or loss of unrealised gains from fair value measurement of the securities		0	-616
<b>Total comprehensive income</b>		<b>10,076</b>	<b>-566</b>
Consolidated net income attributable to:			
Owners of the parent entity		9,370	50
Non-controlling interests		758	0
		<b>10,128</b>	<b>50</b>
<b>Earnings per share</b>			
Basic earnings per share in EUR	6.7	0.11	0.03
Diluted earnings per share in EUR	6.7	0.11	0.03
Total comprehensive income attributable to:			
Owners of the parent entity		9,318	-566
Non-controlling interests		758	0
		<b>10,076</b>	<b>-566</b>

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

IN EUR K	NOTE	2018	2017
Consolidated net income		10,128	50
Depreciation and amortisation of property, plant and equipment and intangible assets	4.2, 4.3	22	0
Net gains/losses from fair value adjustment	6.2	-10,756	0
Gains/losses from the measurement of marketable securities		0	-511
Increase (+)/decrease (-) in provisions	4.10	34	0
Increase (+)/decrease (-) in inventories, trade receivables and other assets not attributable to either investing or financing activities	4.4, 4.5	-2,124	-332
Increase (+)/decrease (-) in trade liabilities and other liabilities not attributable to either investing or financing activities	4.13, 4.14	5,484	565
Other non-cash expenses (+)/income (-)	6.4, 7.2	1,231	0
Interest recognised as income/expense	6.6	255	17
Interest received	6.6	4	29
Interest paid	6.6	-243	-47
Tax expense	4.16	-6,488	1
<b>Net cash from operating activities</b>		<b>-2,453</b>	<b>-228</b>
Investments in investment properties	4.1	-222,103	0
Acquisition of intangible assets and property, plant and equipment	4.2, 4.3	-857	0
Acquisition of securities		0	-5,591
Proceeds from the sale of investments/securities		0	11,558
<b>Net cash from investing activities</b>		<b>-222,960</b>	<b>5,967</b>
Proceeds from capital increase	4.8	375,000	14,500
Capital increase expenses	4.8	-10,269	0
Purchase of treasury shares	4.8	-745	0
Proceeds from/payments for receivables and liabilities to related parties		0	-2,995
<b>Net cash from financing activities</b>		<b>363,986</b>	<b>11,505</b>
Increase/decrease in cash and cash equivalents		138,573	17,244
Cash and cash equivalents at 1 January		19,172	1,928
<b>Cash and cash equivalents as at 31 December</b>	4.7	<b>157,745</b>	<b>19,172</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER

IN EUR K	NOTE	Share capital	Treasury shares
<b>Balance at 1 January 2017</b>		500	0
Net income for the year		0	0
Other income		0	0
Cash capital increases	4.8	14,500	0
<b>Balance at 31 December 2017</b>		15,000	0
<b>Balance at 1 January 2018</b>		15,000	0
Consolidated net income		0	0
Other income	4.8	0	0
Cash capital increase	4.8	93,750	0
Withdrawals for transaction costs	4.8	0	0
Changes in the basis of consolidation	2.3, 4.8	0	0
Treasury shares	4.8	0	-241
Withdrawal from the capital reserve	4.8	0	0
Share-based payment	4.8, 6.4, 7.2	0	0
<b>Balance at 31 December 2018</b>		108,750	-241

	Capital reserves	Other reserves	Retained earnings	Equity attributable to owners of Godewind Immobilien AG	Equity attributable to non-controlling interest shareholders	Total Group equity
	0	616	3,511	4,627	0	4,627
	0	0	50	50	0	50
	0	-616	0	-616	0	-616
	0	0	0	14,500	0	14,500
	0	0	3,561	18,561	0	18,561
	0	0	3,561	18,561	0	18,561
	0	0	9,370	9,370	758	10,128
	0	0	-52	-52	0	-52
	281,250	0	0	375,000	0	375,000
	-10,601	0	0	-10,601	0	-10,601
	0	0	0	0	3,691	3,691
	-24	0	-481	-746	0	-746
	-13,040	0	13,040	0	0	0
	1,270	0	0	1,270	0	1,270
	258,855	0	25,438	392,803	4,448	397,251

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR 2018

### 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 commercial real estate 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 HRB 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" 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 (Section 267(3) Sentence 2 HGB).

#### 1.2 Fundamental 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 Section 315e(1) HGB.

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 2018) with application of uniform accounting and measurement methods. The previous year's figures constitute the company's separate financial statements according to IFRS. The obligation to prepare consolidated financial statements was first incurred with the formation of the first subsidiary in early 2018.

These consolidated financial statements are presented in euro, the Group's functional currency. Unless otherwise noted, the figures appearing in the explanatory notes and tables are stated in thousands of euro (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, stock options to be earned and recognised in equity (retained earnings), pension provisions and hedge accounting measured at fair value constitute exceptions.

There has been no segment reporting according to IFRS 8 in the financial year. 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 consolidated financial statements were adopted by the Executive Board on 29 March 2019 for publication.



## 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 do 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 Basis 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 company
Godewind Verwaltungs II GmbH, Frankfurt am Main	100%	General partner company
Godewind Verwaltungs III GmbH, Frankfurt am Main	100%	General partner company
Godewind Verwaltungs IV GmbH, Frankfurt am Main	100%	General partner company
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
MP Sky S.à r.l., Luxembourg	89.90%	Property company

All of the subsidiaries, with the exception of MP Sky S.à r.l., were formed in the financial year. MP Sky S.à r.l. was acquired during the financial year in the course of a real estate transaction (see section 2.3).

## 2.3 Acquisitions and disposals

The following properties were acquired in the financial year with transfer of benefits and encumbrances before the reporting date:

Property	Location	Purchase price (EUR k)	Area (m <sup>2</sup> )	Weighted average lease term (WALT) in years	Transfer of benefits and encumbrances
ComConCenter (CCC)	Frankfurt am Main	33,500	16,300	3.1	31.10.2018
Airport Business Center (ABC)	Düsseldorf	40,000	13,100	3.9	30.11.2018
Sunsquare	Kirchheim bei München	30,500	18,800	3.7	15.12.2018
Frankfurt Airport Center (FAC)	Frankfurt am Main	168,000	48,500	4.6	28.12.2018
<b>Total</b>		<b>272,000</b>	<b>96,700</b>	<b>4.2</b>	

With the exception of the Frankfurt Airport Center (FAC), the properties listed above were acquired through acquisition of assets and liabilities by single succession (asset deals).

The Frankfurt Airport Center (FAC) at Frankfurt am Main Airport was acquired by way of acquisition of shares in the capital of MP Sky S.à r.l. (share deal) under a contract dated 31 October 2018. The property has an annualised net cold rent of EUR 10.1 million with an occupancy rate of 82% and an average remaining lease term (WALT) of 4.6 years. The acquisition was financed by taking over a bank loan amounting nominally to roughly EUR 88.0 million and from internal funds.

The assets that were assumed comprise EUR 172.240 million, with investment property accounting for EUR 169.518 million of that. The assumed liabilities amounted to EUR 90.832 million

No companies and/or properties were sold in 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
<b>EU-endorsed</b>	
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers – Clarifications
Amendments to IAS 40	Investment Property – Transfers of Investment Property
Amendments to IFRS 2	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Insurance Contracts – Applying IFRS 9 with IFRS 4
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Annual improvements to IFRS (2014–2016 cycle)	Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards – and IAS 28 – Investments in Associates and Joint Ventures

### IFRS 9 Financial Instruments

IFRS 9 specifies the requirements for recognition and measurement of financial assets, financial liabilities and some contracts for the purchase or sale of non-financial contracts. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group applied IFRS 9 for the first time on 1 January 2018.

Owing to the transition methods the Group chose when applying this standard (modified retrospective method), the comparative information in the present financial statements has not been adjusted to the requirements of the new standard. The first-time application of this standard had no effect on the consolidated financial statements or on how the earnings, assets and financial position or earnings per share are presented.

IN EUR K	1.1.2018		Original carrying amount per IAS 39	New carrying amount per IFRS 9
	Original measurement category per IAS 39	New measurement category per IFRS 9		
<b>Financial assets</b>				
Other assets (re-insurance)	Determined at fair value	At FVTPL as required	95	95
Cash and cash equivalents	Loans and receivables	Amortised costs	19,172	19,172
<b>Total financial assets</b>			<b>19,267</b>	<b>19,267</b>
<b>Interest-bearing liabilities</b>				
Trade payables	Other financial liabilities	Other financial liabilities	668	668
<b>Total financial liabilities</b>			<b>668</b>	<b>668</b>

The Group observed amendments to IAS 1 Presentation of Financial Statements – according to which a recognised impairment of financial assets must in future be stated as a separate item in the statement of comprehensive income – that had been necessitated by introduction of IFRS 9. The Group had previously included impairments from trade receivables in other expenses. For reasons of materiality, impairments of other financial assets are not reported separately in the statement of comprehensive income but rather in net financial income or loss, in which respect the presentation is similar to that of IAS 39.

In addition, the Group applied consequential amendments to IFRS 7 Financial Instruments: Disclosures to information contained in the notes for the financial year 2018. These were not, however, applied to the comparative information.

For further disclosures concerning the financial instruments, we refer to sections 3.11 (Financial instruments) and 5 (Additional disclosures) concerning financial instruments.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, in what amount and when revenue is recognised. It replaces existing guidelines for recognising revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. According to IFRS 15, revenue is recognised when a customer obtains control of goods or services.

Determining whether the passing of control is time-related or time period-related requires management judgements.

The Group applied IFRS 15 for the first time on 1 January 2018.

Owing to the transition methods the Group chose (modified retrospective method) when applying this standard, the comparative information in the present financial statements has not been adjusted to the requirements of the new standard. The first-time application of this standard has had no effect on the consolidated financial statements or on how the earnings, assets and financial position or earnings per share are presented. In addition, the disclosure duties according to IFRS 15 have in general not been applied to comparative information.

For further disclosures concerning revenue, we refer to section 3.14 (Realisation of expense and income).

#### **Amendments to IAS 40 Investment Property**

IAS 40 was amended to clarify in which cases classification of a property as an “investment property” begins or ends when the property is still under construction or development. The list that had been presented in IAS 40.57 as an exhaustive enumeration did not clearly provide the classification of uncompleted properties. The list is now expressly characterised as non-exhaustive, so that uncompleted properties can now be subsumed under the provision.

This has had no material effects on the consolidated financial statements of Godewind AG.

#### **Amendments to IFRS 2 Share-based Payment**

These amendments concern how (non-)vesting conditions are factored into the measurement of cash-settled share-based payment transactions, the classification of share-based payments with a net settlement feature for taxes to be withheld, and how modifications that change the classification of payments from “cash-settled” to “equity-settled” are accounted for.

The amendments have had no material effects on the consolidated financial statements of Godewind AG.

#### **Amendments to IFRS 4 Insurance Contracts**

The adjustments to this standard concern the first-time application of IFRS 9. Because IFRS 9 and the new standard for insurance contracts (IFRS 17) took effect at different times, greater volatility in profit and loss and a doubling of conversion costs would have resulted during the period of transition without these adjustments.

Since the Group does not fall within the scope of IFRS 4, these amendments have had no effect on the consolidated financial statements of Godewind AG.

#### **IFRIC 22 Foreign Currency Transactions and Advance Consideration**

IFRIC 22 addresses an application question in regard to IAS 21 The Effects of Changes in Foreign Exchange Rates. It clarifies the applicable exchange rate date for translating into foreign currencies transactions that include advance payments made or received. It provides that the exchange rate for the underlying asset, income or expense is the date on which the asset or liability resulting from the advance payment is initially recognised.

This has had no material effects on the consolidated financial statements of Godewind AG.

#### **Annual improvements to IFRS (2014–2016 cycle)**

The annual improvements to IFRS (2014–2016 cycle) resulted in amendments to three IFRS, of which the amendments to IFRS 1 and IAS 28 were to be applied for the first time in 2018:

It has been clarified in IAS 28 that the option of measuring an investment in an associate or joint venture held by a venture capital organisation or other qualified entity can be exercised on an investment-by-investment basis.

In addition, the short-term exemptions in IFRS 1, Appendix E (IFRS 1.E3–E7) for first-time IFRS users were deleted.

These changes have had no material effects on the consolidated financial statements of Godewind AG.

## b. New standards to be applied in subsequent periods

Application of the following accounting rules, which were newly published or amended by the IASB by the date of these separate financial statements, does not become compulsory, assuming their adoption by the European Union, until after the reporting date, and the company has not voluntarily applied them early.

Standard	Contents	First-time application compulsory for financial years
<b>EU-endorsed</b>		
IFRS 16	Leases	1.1.2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1.1.2019
IFRIC 23	Uncertainty over Income Tax Treatments	1.1.2019
<b>EU endorsement still pending</b>		
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement for Employee Benefits	1.1.2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1.1.2019
Annual improvements to IFRS (2015–2017 cycle)	Amendments and clarifications to IFRS 3, IFRS 11, IAS 12 and IAS 23	1.1.2019
Amendments to IAS 1 and IAS 8	Definition of Material	1.1.2020
Amendments to IFRS 3	Business Combinations	1.1.2020
Updated references to the conceptual accounting framework	Amendments to references to the revised Conceptual Framework	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

### IFRS 16 Leases

The Group is obliged to apply IFRS 16 Leases as of 1 January 2019.

The Group's assessment of the effects of applying IFRS 16 for the first time to the consolidated financial statements is as presented below. The actual effects of applying this standard as of 1 January 2019 may differ from this assessment since the new accounting methods may be subject to change before publication of the first consolidated financial statements to be drawn up after the initial application date.

IFRS 16 introduces a uniform accounting model according to which leases must be recognised on the lessee's balance sheet. A lessee recognises a right-of-use asset, which represents its right to the use of the underlying asset, and a liability under the lease, which represents its obligation to make leasing payments. There are simplifying provisions for short-term and low-value leases. For the lessor the accounting is comparable to the current standard; i.e., lessors will continue to classify leases as financing or operating leases.

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.

### Leases in which the Group is the lessee

The Group will be recognising new assets and liabilities for the operating leases for its business premises, parking spaces and motor vehicles (see section 7.3 Other financial obligations). The type of expenses associated with these leases will be changing since the Group will now be recognising depreciation of right-of-use assets along with interest expense from the leasing liabilities.

To date the Group has recognised expenses from operating leases on a straight-line basis over the term of the lease and recognised assets and liabilities only in the amount in which there was a time difference between the actual leasing payments and the recognised expenses.

No material effects on the Group's financing leases are expected.

Based on the information currently available, the Group estimates that it will recognise as of 1 January 2019 additional leasing liabilities in the amount of EUR 2.445 million under leases existing as of the reporting date along with right-of-use assets amounting to EUR 2.493 million. This accounting will have effects on the key performance indicators loan to value (ratio of net financial liabilities (liabilities to banks less cash) to the market value of the properties) and equity ratio. For the 2019 financial year this will result in write-downs of EUR k 278 and interest expense of EUR k 79.

Owing to the lease on the business premises in Berlin, which takes effect in January 2019, a leasing liability amounting to EUR 3.864 million and a right of use amounting to EUR 3.552 million will be recognised as of 1 January 2019.

The discount rate used to calculate present value is 2.867%.

#### Leases in which the Group is the lessor

The Group will be reassessing the classification of subleases in which it is the lessor. Based on the information currently available, the Group does not expect that any subleases will have to be reclassified as financing leases.

No significant changes are expected to other leases in which the Group is the lessor.

#### Transition

The Group plans to apply IFRS 16 for the first time as of 1 January 2019 using the modified retrospective method. For this reason, the cumulative effect of applying IFRS 16 will be recognised as an adjustment of the opening balance sheet figures for retained earnings as of 1 January 2019; comparative information will not be adjusted.

When making the transition, the Group intends to use the simplifying provision for retaining the definition of a lease. This means that the Group will be applying IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases according to IAS 17 and IFRIC 4. The Group intends to apply a value threshold of EUR 5,000 and a minimum term of more than twelve months to the identification of leases to be capitalised.

#### 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 when they become compulsory for the first time.

### 3.2 Estimates, management judgements and assumptions made for accounting purposes

The estimates and assumptions based on which the consolidated financial statements have been drawn up according to IFRS affect the measurement of assets and liabilities, the disclosure of contingent assets and liabilities as of the applicable 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 underlying assumptions are subject to continual review. Revisions of estimates are recognised prospectively.

#### Deferred taxes

Deferred tax assets 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 Godewind Immobilien AG.
- 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 the property companies will be sold, if at all, only 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 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.

Further explanations in regard to deferred taxes are contained in sections 3.13 and 4.16.

### 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 to be appraised. As a rule, the measurement is made 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 revaluations or devaluations.

The fair value of all of 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 in 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 of the property) is recognised in profit or loss.

### 3.5 Property, plant and equipment and intangible assets

Intangible assets that are acquired by the Group and have limited useful lives and property, plant and equipment are measured at cost less accumulated depreciation or amortisation and accumulated impairment expenses.

When parts of fixed assets have different useful lives, they are reported as separate items (major components) of property, plant and equipment.

Scheduled depreciation is calculated on a straight-line basis over expected useful life. These useful lives are between three and thirteen years for property, plant and equipment and five years for intangible assets.

The carrying amounts of the property, plant and equipment and intangible assets are reviewed for impairment as soon as indications are present that the recoverable amount is less than the carrying amount.

All profit or loss from the disposal of an intangible or fixed asset is recognised in profit or loss.

Subsequent expenditures are capitalised only if it is probable that the company will enjoy the future economic benefit associated with the expenditures.

### 3.6 Impairments of non-financial assets

On each reporting date, the Group determines whether any indications are present that an asset could be impaired. Among such indicators are a considerable decline in market price, substantial detrimental changes in the business environment or obsolescence of an asset.

If such indications are present, the Group conducts an impairment test according to IAS 36 – Impairment of Assets and compares the carrying amount of the asset to be 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, then 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 a 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. The reversal is recognised in other income.

### 3.7 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 and deducting impairments.

### 3.8 Equity

The share capital is stated in 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.

Share rights granted under a stock option programme are not recognised on the balance sheet until they are exercised.

### 3.9 Capital 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.

The Group monitors its capital by means of the ratio between net liabilities and equity. Net liabilities comprise all liabilities (including interest-bearing bonds and loans and liabilities from financing leases) less cash and cash equivalents.



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

IN EUR K	31.12.2018	31.12.2017
Total liabilities (without pension obligations)	105,395	676
Less cash and cash equivalents	157,745	19,172
<b>Net liabilities</b>	<b>-52,350</b>	<b>-18,496</b>
<b>Equity</b>	<b>397,251</b>	<b>18,561</b>
<b>Ratio of net liabilities to equity</b>	<b>n/a</b>	<b>n/a</b>

### 3.10 Pension obligations

The pension provisions were calculated according to the projected unit credit method. The projected unit credit method according to IAS 19 takes into account the known pensions and acquired pension expectations as of the reporting date along with anticipated future salary and pension increases. The actuarial profits and losses were recognised directly in equity in other comprehensive income.

The company pension scheme consists of defined benefit pension plans. The company's obligation consists in providing promised benefits to earlier employees.

### 3.11 Financial instruments

#### Financial assets

The Group recognises financial assets on its balance sheet 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 and the Group has no power of disposal over, and bears none of the material risks or opportunities arising from, the financial asset.

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 to collect business model criterion.

Potential impairments of financial assets are 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 impairments are recognised, the following three stages are distinguished:

- Stage 1: Twelve-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): to be applied 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): to be applied if there is evidence of an impairment need when assets are considered individually. In this case the entire life of the financial instrument must be considered.

Impairments of trade receivables and other financial assets are 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).

Impairments are 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 in the amount originally predicted. Objective evidence of an 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, 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, as a rule, 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.

Only 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 commitments.

#### Interest-bearing liabilities

Financial liabilities that consist mainly of liabilities to banks and trade payables are accounted for as of the trading date at their fair value 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. How 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 connection with the acquisition of MP Sky S.à r.l. is 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 in the nominal amount of EUR 85.0 million, 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 per IFRS 9 6.4.1. 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).

#### 3.12 Other liabilities

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

#### 3.13 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 that is not a business combination and which affects neither the accounting profit before taxes nor the taxable profit;
- 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; and
- 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, then the future taxable gains are calculated on the basis of the individual subsidiaries' business plans.

Deferred tax assets are tested for impairment on each reporting date and reduced as necessary to 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.

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 it is expected will be applied to temporary differences as soon as they are reversed, specifically tax rates that are valid or have been announced as of the reporting date. To calculate domestic deferred taxes, a tax rate of 31.925%, a combination of the parent company's corporation tax and trade tax rates, was used for 2018. Insofar as no income that is subject to trade tax is expected, 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.

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 applying IAS 40, the assumption that the carrying amounts of the investment properties will be realised upon their sale has not been falsified.

Deferred tax assets and deferred tax liabilities are offset against each other 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 taxing 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.

### 3.14 Realisation of expense and income

The revenue from the letting of investment properties held for sale is income from operating leases within the meaning of IAS 17. They are realised, less any reductions, 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.

Collected operating costs 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. 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 recognised in full 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.

### 3.15 Leases

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

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

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

Leased properties under these leases are classified as operating leases and are not recognised on the company's balance sheet. Payments made are recognised by the lessee on a straight-line basis over the term of the lease through profit or loss. The operating leases have as their subject matter parking spaces, vehicles, portions of the office and operating equipment, and business premises. The agreements contain no purchase options.

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

### 3.16 Share-based payment

The fair value of share-based payment agreements as of the date on which they are granted to employees is recognised as expense with a corresponding increase in equity over the period in which the employees acquire an unlimited entitlement to the long-term incentive. The amount recognised as expense is adjusted to reflect the number of long-term incentives for which the related service conditions are expected to be fulfilled, so that the amount ultimately recognised as 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. For share-based payment incentives with non-exercise terms, the fair value is calculated as of the granting date taking such terms into account; no adjustment is made to the differences between expected and actual results.

Beginning in the financial year 2018 the company introduced stock option programmes so that it could grant stock options to Executive Board members and selected employees. The programmes serve as a source of targeted incentives for programme participants and are intended at the same time to foster participant loyalty to the company.

The fair value of the share rights is measured by means of a Monte Carlo simulation. A simulation of the lognormally 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 the Godewind share and its performance relative to the index.

## 4 EXPLANATIONS REGARDING THE ITEMS ON THE CONSOLIDATED BALANCE SHEET

### 4.1 Investment properties and advance payments on investment properties

The item “investment properties” comprises as of 31 December 2018 four office properties with approximately 96,700 m<sup>2</sup> 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 548 in the financial year (2017: EUR k 0).

When properties are acquired, the associated property company enters into existing lease agreements. As a rule, these have a non-terminable remaining term of between one and sixteen years. For the existing properties, the average weighted remaining lease term (WALT) amounted to 4.2 years as of the reporting date.

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

IN EUR K	31.12.2018	31.12.2017
< 1 year	13,456	0
1–5 years	36,854	0
> 5 years	27,867	0
<b>Total</b>	<b>78,177</b>	<b>0</b>

The direct operating expenses (operating and incidental costs) directly attributable to the investment properties from which rental income was received in the financial year amounted to 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 to be appraised and on the basis of other assumptions by the company. As of 31 December 2018, the ComConCenter, Airport Business Center and Sunsquare properties had been appraised by the independent real estate appraisers Jones Lang LaSalle SE and the Frankfurt Airport Center property by the 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 (RICS) and, accordingly, 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 of the reporting date 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 of from 1.53% to 2.09% p. a. 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 comes in total to EUR 14.640 million p. a.

For the period following expiration 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 per centage (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 assumed as a rule, when the extrapolated market rent was estimated (this assumption applying analogously to relettings), that no or only negligible vacancy, conversion or marketing costs would be incurred.

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 19,977 million p. a.

For final value capitalisation, the present annuity value was calculated for the estimated payment surpluses of the last year of the period of observation and discounted to the valuation date. The estimated net income for the tenth and eleventh 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 estimated capitalisation rates vary between 4.50% and 5.25%.

For the management costs arising from the individual properties, the following separate components were factored in:

The non-recoverable operating costs comprise those running costs that arise from ownership of a property or from use as intended of a property and its structural installations. 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 of from 1.0% to 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 fluctuations in occupancy rates. For measurement purposes, annual vacancy costs between EUR 6.00 and EUR 60.00 per m<sup>2</sup> were assumed. The vacancy rate for the portfolio as a whole (the ratio of unlet area to lettable area) was 26.3% as of the reporting date.

Administrative costs comprise letting fees, property management, accounting, management controlling, incidental cost invoicing and maintenance planning and performance. 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 1.0% of gross income.

The maintenance costs comprise those expenditures that, because of wear, age and weather, must be made to preserve the structural installations for their intended use during their useful life so that the usability and earnings capacity of the valuation subject is maintained. For valuation purposes, these costs were factored in at a rate of EUR 3.50 to EUR 7.00 per m<sup>2</sup> of lettable area and EUR 60.00 per parking space per year. Under the leases, the Group bears an obligation as lessor 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 25.00 for storage and office areas and from EUR 125.00 to EUR 600.00 per m<sup>2</sup> 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 brokers' commissions and rent incentives equivalent to 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 5.30% and 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, the following values resulted for the investment properties as of 31 December 2018:

IN EUR k, AS OF 31.12.2018

		DISCOUNT RATE		
		-0.50%	0.00%	+0.50%
CAPITALISATION RATE	-0.50%	340,436	325,543	311,318
	0.00%	310,158	300,905	283,752
	+0.50%	285,840	273,397	261,579

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.

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

IN EUR K	Investment properties	Payments in advance	Total
<b>Net carrying amount as of 1.1.2017</b>	0	0	0
Additions	0	0	0
Disposals	0	0	0
Changes in fair value	0	0	0
<b>Net carrying amount as of 31.12.2017/1.1.2018</b>	0	0	0
Additions	290,149	34,273	324,422
Disposals	0	0	0
Changes in fair value	10,756	0	10,756
<b>Net carrying amount as of 31.12.2018</b>	<b>300,905</b>	<b>34,273</b>	<b>335,178</b>

The investment properties include a right of use under a leasehold amounting to EUR 10.205 million (see section 4.12 Leasing liabilities).

The payments made in advance relate mainly to the Quartier am Zeughaus (EUR 15.651 million), Pentahof (EUR 9.081 million), Y 2 (EUR 7.589 million) and Eight Dornach (EUR 1.950 million) properties (see section 7.7 Events after the reporting date).

Changes in fair value are recognised in profit or loss and are included in unrealised profit or loss from measurement of investment properties at fair value. All gains are unrealised.

#### 4.2 Property, plant and equipment and payments in advance for fixed assets

Property, plant and equipment and advance payments for property, plant and equipment have changed as follows in the last two financial years:

IN EUR K	Other equipment, operating and office equipment	Payments in advance	Total
<b>Acquisition costs as of 1.1.2017</b>	0	0	0
Additions	0	0	0
Disposals	0	0	0
Transfers	0	0	0
<b>Acquisition costs as of 31.12.2017/1.1.2018</b>	0	0	0
Additions	498	292	790
Disposals	0	0	0
Transfers	0	0	0
<b>Acquisition costs as of 31.12.2018</b>	<b>498</b>	<b>292</b>	<b>790</b>
<b>Accumulated amortisation as of 1.1.2017</b>	0	0	0
Additions (scheduled amortisation)	0	0	0
Additions (write-downs)	0	0	0
Disposals	0	0	0
<b>Accumulated amortisation as of 31.12.2017/1.1.2018</b>	0	0	0
Additions (scheduled amortisation)	18	0	18
Additions (write-downs)	0	0	0
Disposals	0	0	0
<b>Accumulated amortisation as of 31.12.2018</b>	<b>18</b>	<b>0</b>	<b>18</b>
<b>Net carrying amount as of 31.12.2017</b>	0	0	0
<b>Net carrying amount as of 31.12.2018</b>	<b>480</b>	<b>292</b>	<b>772</b>



### 4.3 Intangible assets

Intangible assets performed in the last two financial years as follows:

IN EUR K	Similar rights and assets	Total
<b>Acquisition costs as of 1.1.2017</b>	<b>0</b>	<b>0</b>
Additions	0	0
Disposals	0	0
Transfers	0	0
<b>Acquisition costs as of 31.12.2017/1.1.2018</b>	<b>0</b>	<b>0</b>
Additions	89	89
Disposals	0	0
Transfers	0	0
<b>Acquisition costs as of 31.12.2018</b>	<b>89</b>	<b>89</b>
<b>Accumulated amortisation as of 1.1.2017</b>	<b>0</b>	<b>0</b>
Additions (scheduled amortisation)	0	0
Additions (write-downs)	0	0
Disposals	0	0
<b>Accumulated amortisation as of 31.12.2017/1.1.2018</b>	<b>0</b>	<b>0</b>
Additions (scheduled amortisation)	4	4
Additions (write-downs)	0	0
Disposals	0	0
<b>Accumulated amortisation as of 31.12.2018</b>	<b>4</b>	<b>4</b>
<b>Net carrying amount as of 31.12.2017</b>	<b>0</b>	<b>0</b>
<b>Net carrying amount as of 31.12.2018</b>	<b>85</b>	<b>85</b>

### 4.4 Other non-current and current assets

IN EUR K	31.12.2018		31.12.2017	
	non-current	current	non-current	current
Tax assets	0	1,264	0	1
Notarial trust accounts	0	450	0	0
Deposits	247	74	0	8
Deferred items	0	32	0	335
Reinsurance	78	22	95	0
Other assets	0	254	0	0
<b>Total</b>	<b>325</b>	<b>2,095</b>	<b>95</b>	<b>344</b>

The tax assets consist mainly of refund claims for value-added tax.



#### 4.5 Trade receivables

Breakdown and age distribution:

IN EUR K	31.12.2018	31.12.2017
Rent receivables	142	0
As of the reporting date due in the following time spans:		
Due for < 3 months	142	0
Due for > 3 and < 6 months	0	0
Due for > 6 months	0	0
Value adjustments to rent receivables	0	0
<b>Total</b>	<b>142</b>	<b>0</b>

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

#### 4.6 Income tax receivables

The current income tax receivable breaks down as follows:

IN EUR K	31.12.2018	31.12.2017
2018 corporation tax	1	0

#### 4.7 Cash and cash equivalents

IN EUR K	31.12.2018	31.12.2017
Cash and cash equivalents	157,745	19,172

Cash consists mainly of unrestricted bank balances (EUR 22.733 million; 2017: EUR 19.172 million) and short-term, highly liquid financial investments with an original term of no more than three months (EUR 135.012 million; 2017: EUR k o).

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

For some incoming rent accounts there are agreements that provide a restraint in the event of a loan repayment default (see 4.9 Non-current liabilities to banks).

#### 4.8 Equity

##### Share capital

	in EUR k	in T shares
1.1.2017	500	500
Cash capital increase	14,500	14,500
31.12.2017	15,000	15,000
1.1.2018	15,000	15,000
Cash capital increase	93,750	93,750
31.12.2018	108,750	108,750

The subscribed and fully paid-up share capital of Godewind Immobilien AG amounts to EUR 108.750 million (2017: EUR 15.000 million) and is divided into 108,750,000 ordinary registered shares. The Annual General Meeting of 20 February 2018 adopted a resolution for a capital increase of up to EUR 175.000 million. The capital increase was effected by cash contribution in the nominal amount of EUR 93.750 million. There are no preferred shares in existence. There are no shares with limited voting rights in existence with the exception of the 240,856 of the company's own shares that were held as of 31 December 2018 (Section 71b AktG).

In regard to the disclosures concerning capital management we refer to our statements in section 5.3 (Capital risk management).

##### Authorised capital

Authorised Capital 2018/I. By a resolution of the Annual General Meeting adopted on 20 February 2018, the Executive Board was authorised to increase the share capital, with the Supervisory Board's consent, by up to EUR 50.0 million 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 2018/I: The share capital has been contingently increased by up to EUR 6.0 million, divided into up to 6,000,000 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 19 February 2023 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/>.

The contingent capital increase has not been implemented yet.

Contingent Capital 2018/II: The share capital has been contingently increased by up to EUR 1.500 million, divided into up to 1,500,000 bearer shares. The contingent capital increase will be implemented only to the extent that the holders of stock option rights issued pursuant to the authorising resolution of the Annual General Meeting of 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.

The company issued share rights to a total of 4,979,000 shares in the reporting period. Of these, 4,464,000 options were issued to two members of the Executive Board and 515,000 to employees. The vesting period is four years. The options are not recognised on the balance sheet until they are exercised.

**Treasury shares**

Treasury shares comprised EUR k -241 in the financial year (2017: EUR k 0).

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 buyback programme. Under the share buyback programme, up to 1,500,000 of the company's shares (which equates to 1.38% of its share capital) are to be bought back. The maximum volume of the share buyback programme (acquisition costs without incidental acquisition costs) amounts to EUR 5.250 million. The buybacks will take place exclusively through the stock exchange by electronic trading on the Frankfurt Stock Exchange (XETRA).

With the buyback programme the company is making use of the authorisation it was granted by 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 exceed by more than 10%, or fall short of by more than 10%, 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 under the authorisation of the regular Annual General Meeting of 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 buyback began on 14 December 2018 (first acquisition date) and for the present is set to end on 29 March 2019 (last possible acquisition date). By 31 December 2018, 240,856 shares had been acquired at a total price of EUR k 721. The transaction costs for the share buyback amounted in the financial year to EUR k 24 (deferred taxes on transaction costs already accounted for).

**Capital reserve**

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

IN EUR K	
1.1.2017	0
Contributions to the capital reserve	0
Withdrawal from the capital reserve	0
31.12.2017	0
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 buyback	-24
Withdrawal from the capital reserve	-13,040
31.12.2018	258,855

The source of the deposits amounting to EUR 281.250 million was the premium from the capital increases referred to above. For the stock options to be earned for the Executive Board and selected employees, reserves are formed on a pro rata basis. EUR 1.270 million (2017: EUR k 0) was allocated to the capital reserve in the financial year (see section 7.2 Share-based payment agreements). Withdrawals amounting to EUR 10.625 million were made in the financial year (2017: EUR k 0) for transaction costs relating to the capital increase and the buyback of the company's shares. Another withdrawal from the capital reserve and an equivalent

deposit to retained earnings in the amount of EUR 13.040 million were made in the financial year to partially offset the net loss of Godewind Immobilien AG.

#### Retained earnings

EUR k 481 (2017: EUR k 0) was withdrawn in the financial year from retained earnings for the premium from the acquisition of the company's own shares.

In addition, the actuarial effects on pension obligations (EUR k 52) were recognised directly in equity as other comprehensive income (see in this regard the section on pension provisions). Furthermore, EUR 13.040 million was withdrawn from the capital reserve and added to retained earnings.

#### Non-controlling interests

Non-controlling interests as of the reporting date amounted to EUR 4.586 million (2017: EUR k 0). Of that, EUR 3.691 million is attributable to non-controlling shareholders in MP Sky S.à r.l. (changes in the basis of consolidation) and EUR k 758 to consolidated net income.

#### Dividends

Godewind Immobilien AG paid dividends neither during the financial year under review nor in the financial year 2017.

### 4.9 Non-current liabilities to banks

The bank loans have the following terms:

IN EUR K	31.12.2018	31.12.2017
Secured bank loans		
< 1 year	0	0
1-5 years	87,528	0
> 5 years	0	0
<b>Secured bank loans</b>	<b>87,528</b>	<b>0</b>

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 115.000 million. In the event of a breach of the covenant (loan terms), default of repayment or insolvency, the security given will be used to satisfy the creditors' claims.

Variable interest, currently at the rate of 1.44% p. a. (2017: 0.00%), is charged on the liabilities to banks (3-month Euribor plus a margin of 1.75% p. a.).

### 4.10 Provisions for pensions and similar obligations

IN EUR K	
1.1.2017	431
Use	-25
Reversal	-38
Accrued interest	6
<b>31.12.2017/1.1.2018</b>	<b>374</b>
Use	-25
Addition	52
Accrued interest	7
<b>31.12.2018</b>	<b>408</b>

Pension commitments were measured on the basis of the provisions contained in IAS 19 and recognised actuarial standards applying the projected unit credit (PUC) method. The 2018 G mortality tables of Dr. Klaus Heubeck were used as the basis of calculation. The retirement age for accounting purposes is the contractual retirement age of 63 years for men and women. Widows' and widowers' pension expectancies were measured collectively.

The actuarial interest is 1.60% (2017: 1.60%). The adjustment trend for current pensions is 2.00% (2017: 1.50%) annually. It is calculated based on a duration of ten years.

The addition in the reporting year is attributable entirely to actuarial losses recognised in other comprehensive income.

For the pension commitments there are reinsurance receivables amounting to EUR k 100 (2017: EUR k 95), cf. in this regard the statements in section 4.4 (Other non-current and current assets). Pension payments amounting to EUR k 26 are expected in the 2019 financial year.

### 4.11 Other non-current derivative financial instruments

IN EUR K	
1.1.2017	0
Changes in fair value	0
<b>31.12.2017/1.1.2018</b>	<b>0</b>
Additions	662
Changes in fair value	0
<b>31.12.2018</b>	<b>662</b>

Shown is a swap as an interest rate hedge for the bank loans assumed in connection with the acquisition of MP Sky S.à r.l. (see sections 2.3 Acquisitions and disposals and 5.3 Interest-change risk).

The market value of the interest rate swap was recognised in liabilities in connection with the initial consolidation of MP Sky S.à r.l. Deferred taxes were formed on the difference in carrying amounts according to tax law and according to IFRS (see section 4.16 Income taxes).

#### 4.12 Leasing liabilities

IN EUR K	31.12.2018		31.12.2017	
	non-current	current	non-current	current
Liabilities from financing leases	10,177	28	0	0

Shown is the liability from a leasehold that is accounted for, according to the option allowed by IAS 17.19, as a financing lease pertaining to an investment property. The lease has a remaining term of 72 years. The present value of the leasing payments was calculated using an interest rate of 3.90%.

Total future minimum leasing payments under the financing leases are as follows:

IN EUR K	31.12.2018	
	Nominal value	Present value
< 1 year	409	28
1-5 years	1,636	152
> 5 years	27,017	10,025
<b>Total</b>	<b>29,062</b>	<b>10,205</b>

#### 4.13 Other liabilities

IN EUR K	31.12.2018		31.12.2017	
	non-current	current	non-current	current
Personnel costs	0	708	0	0
Portion of purchase price still outstanding	0	450	0	0
Deferred items	0	443	0	0
Deposits	0	315	0	0
Supervisory Board remuneration	0	135	0	8
Record-keeping requirements	73	0	0	0
Other liabilities	0	77	0	0
<b>Total</b>	<b>73</b>	<b>2,127</b>	<b>0</b>	<b>8</b>

#### 4.14 Trade payables

IN EUR K	31.12.2018	31.12.2017
Trade payables		
from leasing	7	0
from other trade payables	1,622	4
Deferral	3,166	664
<b>Total</b>	<b>4,795</b>	<b>668</b>

Deferred items comprise mainly outstanding invoices for project management or consulting costs amounting to EUR 1.503 million (2017: EUR k 547), for transaction costs amounting to EUR k 955 (2017: EUR k 0) associated with the acquisition of properties, and for costs of the annual financial statements amounting to EUR k 329 (2017: EUR k 81).

#### 4.15 Tax liabilities

The current tax liability breaks down as follows:

IN EUR K	31.12.2018	31.12.2017
Luxembourgian wealth tax	5	0

#### 4.16 Income taxes

Current tax expense was calculated on the basis of the financial year's taxable profit. The tax rate for the parent company in the financial year 2018 was 31.9% (2017: 31.9%). This tax rate comprises the corporate tax rate and the solidarity surcharge totalling 15.8% (2017: 15.8%) and the trade tax rate of 16.1% (2017: 16.1%). Actual tax expense in the financial year amounted to EUR k 0 (2017: EUR k 0). Deferred tax income in the financial year amounted to EUR 6.488 million (2017: EUR k 0).

#### Taxes recognised in the consolidated net income

IN EUR K	31.12.2018	31.12.2017
<b>Actual tax expense</b>		
Current year	0	0
Adjustment for previous years	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Deferred tax income</b>		
Creation/reversal of temporary differences	-3,601	0
Recognition of (prior period) tax losses not yet accounted for	10,051	0
Addition of pension provision	38	0
<b>Total</b>	<b>6,488</b>	<b>0</b>
<b>Tax income from continuing operations</b>	<b>6,488</b>	<b>0</b>

**Changes in deferred taxes in the balance sheet during the year**

IN EUR K	1.1.2018	Recognised in profit or loss	Recognised directly in equity	Other addition	Net	31.12.2018	
						Deferred tax assets	Deferred tax liabilities
Investment properties	0	-3,601	0	0	-3,601	0	-3,601
Recognition of loss carry-forwards in conj. 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
<b>Tax assets (liabilities) before offsetting</b>	<b>0</b>	<b>6,488</b>	<b>12</b>	<b>211</b>	<b>6,711</b>	<b>10,312</b>	<b>-3,601</b>
Offsetting of taxes						0	0
<b>Tax assets (liabilities) net</b>						<b>6,711</b>	

Financing secured with an interest rate swap and included, by way of initial consolidation, in the recognition of that investment was assumed in connection with the acquisition of MP Sky S.à r.l. Deferred tax assets amounting to EUR k 211 resulted from related temporary differences. In the financial year EUR 2.152 million 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.

The company recognised deferred tax assets in excess of the deferred tax liabilities. The basis for this was the contractually secured rental income and the assumptions made for taxable earnings planning purposes. Adjusted for such one-time effects, which show a tax loss, IAS 12.35 is not relevant. A significant portion of the tax loss carry-forwards resulted from the former business model, which no longer exists in that form.

No deferred taxes were accounted for in the financial year 2017.

**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 corporation tax loss carry-forwards in the amount of EUR 35.183 million (previous year: EUR k 0) and trade tax loss carry-forwards in the amount of EUR 14.480 million (previous year: EUR k 0). As of 31 December 2018, related tax assets amounting to EUR 7.899 million (previous year: EUR k 0) have been recognised as deferred tax assets.

Unrecognised deferred tax assets have resulted from uncapitalised deferred tax assets from loss carry-forwards:

IN EUR K	31.12.2018	31.12.2017
Unrecognised deferred tax assets on tax losses	55,092	57,510

**Tax loss carry-forwards**

Tax loss carry-forwards changed as follows:

IN EUR K	31.12.2018	31.12.2017
Tax loss carry-forwards (corporation tax)	196,880	180,752
Tax loss carry-forwards (trade tax)	192,369	176,317

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

**Taxes recognised directly in equity**

IN EUR k	2018			2017		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Acquisition costs for treasury shares	36	-12	24	0	0	0

**Reconciliation of the effective tax rate**

	2018		2017	
	in %	in EUR k	in %	in EUR k
Comprehensive income before tax		8,140		50
Taxes based on the company's domestic tax rate	-31.90	-2,597	-31.90	-16
Non-tax-deductible expenses of the stock option programme	-4.98	-405	0.00	0
Non-deductible expenses	-0.31	-25	0.00	0
Recognition of tax effects of tax loss carry-forwards not yet accounted for	116.89	9,515	0.00	0
<b>Tax expense (-)/tax income (+) from income taxes according to the statement of comprehensive income</b>	<b>79.71</b>	<b>6,488</b>	<b>-31.90</b>	<b>-16</b>

## 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.

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.

The fair value of the interest rate swap is calculated from the present value of the estimated future cash flow and is made available to the banks with which the swap was entered into.

IN EUR K

31.12.2018

	Carrying amount				
	Fair value of hedging instruments	Other FVTPL	Financial assets at amortised cost	Other interest-bearing liabilities	Total
<b>Financial assets at fair value</b>					
Receivable from reinsurance	-	100	-	-	100
<b>Total</b>	-	100	-	-	100
<b>Financial assets not measured at fair value</b>					
Trade receivables	-	-	142	-	142
Cash and cash equivalents	-	-	157,745	-	157,745
<b>Total</b>	-	-	157,887	-	157,887
<b>Interest-bearing liabilities at fair value</b>					
Interest rate swaps used for hedging purposes	662	-	-	-	662
<b>Total</b>	662	-	-	-	662
<b>Financial liabilities not measured at fair value</b>					
Secured bank loans	-	-	-	87,528	87,528
Liabilities from financing leases	-	-	-	10,205	10,205
Trade payables	-	-	-	4,796	4,796
Other current liabilities <sup>1</sup>	-	-	-	450	450
<b>Total</b>	-	-	-	102,979	102,979

<sup>1</sup> financial liabilities only

IN EUR K

31.12.2017

	Carrying amount				
	Fair value of hedging instruments	Other FVTPL	Financial assets at amortised cost	Other financial liabilities	Total
<b>Financial assets at fair value</b>					
Receivable from reinsurance	-	95	-	-	95
<b>Total</b>	-	95	-	-	95
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	-	-	19,172	-	19,172
<b>Total</b>	-	-	19,172	-	19,172
<b>Financial liabilities not measured at fair value</b>					
Trade payables	-	-	-	668	668
<b>Total</b>	-	-	-	668	668





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 brings about a completely effective hedging relationship.

As of 31 December 2018, the Group held the following hedging instruments to hedge against interest-change risk:

Reference value	Hedged item (variable interest payments under the loan agreement)	Hedging instrument (interest rate swap)
Nominal amount (EUR k)	85,000	85,000
Term	2021	2021
Variable/hedged interest rate	3-month Euribor	3-month Euribor for fixed interest rate of 0.12%
Interest period	3 months (quarter)	3 months (quarter)

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

The bank has no right of early cancellation in respect of the derivative.

There were no hedging instruments in the previous year.

#### 5.4 Other market risks

Other market risks consist in 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.

In regard to potential effects or market risks we 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 an 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
- Non-compliance with due dates or non-payment of interest or principal.

Carrying amounts for receivables are as a rule corrected through an impairment account. When receivables are uncollectable, 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 142 (2017: EUR k 0) and hence exist to only an insignificant extent.

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 collateral bail.

The creditworthiness of the tenants is monitored. Rental agreements with new tenants with a weak credit standing are avoided.

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 in the reporting year. An estimation of the expected loan losses based on the expected credit risk using rankings for these receivables showed no need for an impairment loss.

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 impairment need.

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 asset, the obligations it has entered into in connection with its financial liabilities. The company's approach to liquidity management consists in ensuring, 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 2018, the company recorded a net balance of EUR 138.573 million (2017: EUR 17.244 million) in total cash inflows from the company's business activities. Significant outflows are attributable to disbursements for investment properties amounting to EUR 222.103 million (2017: EUR k 0). For financing purposes liquidity was increased by EUR 364.731 million (2017: EUR 14.500 million) through the capital increase. An outflow of EUR 2.453 million (2017: EUR k 228) resulted from operating activities.

The primary goal of the company's financial management is to ensure that the company has the liquidity necessary for its continuation.

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

IN EUR K

1.1.-31.12.2018

	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
Loans from banks	0.0	0.0	0.0	88.0	0.0	88.0
Leasing 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
<b>Total</b>	<b>0.0</b>	<b>5.5</b>	<b>2.2</b>	<b>90.0</b>	<b>27.5</b>	<b>125.2</b>

IN EUR K

1.1.-31.12.2017

	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	0.0	0.3	0.4	0.0	0.0	0.7

## 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 (less cash) to the value of real estate was as follows as of the reporting date:

IN EUR K	31.12.2018	31.12.2017
Interest-bearing liabilities	98,355	668
Less cash and cash equivalents	157,745	19,172
<b>Net financial liabilities</b>	<b>-59,390</b>	<b>-18,504</b>
Investment properties	300,095	0
<b>Properties</b>	<b>300,095</b>	<b>0</b>
<b>Net loan to value (LTV) in %</b>	<b>-19.7</b>	<b>n/a</b>

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

### 6.1 Net operating income from letting activities

IN EUR K	2018	2017
<b>Revenue from property management</b>		
Net rental income	548	0
Revenue from on-charging of operating costs	152	0
Revenue from other trade receivables	12	0
<b>Total</b>	<b>712</b>	
<b>Property management expenses</b>		
Expenses from apportionable operating costs	-134	0
Maintenance expenses	-1	0
<b>Total</b>	<b>-135</b>	<b>0</b>
<b>Net operating income from letting activities</b>	<b>577</b>	<b>0</b>

Net rental income comprises rental income from the investment properties.

### 6.2 Net operating income from the measurement of investment properties

IN EUR K	2018	2017
Gains from measurement at fair value	11,590	0
Losses from measurement at fair value	-834	0
<b>Total</b>	<b>10,756</b>	<b>0</b>

Unrealised profit or loss from measurement of investment properties at fair value resulted in income amounting to EUR 10,756 million (2017: EUR k o).

In regard to the measurement methodology we refer to the statements concerning investment properties in sections 3.4 and 4.1.

### 6.3 Other operating income

IN EUR K	2018	2017
Reversal of provisions	35	35
Other	14	8
<b>Total</b>	<b>49</b>	<b>43</b>

Prior period income amounted to EUR k 35 (2017: EUR k 35).

### 6.4 Personnel expenses

IN EUR K	2018	2017
Wages and salaries	-3,941	-22
Social expenses and pensions	-173	14
<b>Total</b>	<b>-4,114</b>	<b>-8</b>

Personnel expenses comprise expenses for share-based payments amounting to EUR 1.270 million (2017: EUR k o) (see section 7.2 Share-based payment agreements).

In the financial year 2018 Godewind AG employed on average twelve employees (not including Executive Board members): five senior employees and seven general staff (2017: 0).

## 6.5 Other operating expenses

IN EUR K	2018	2017
Costs of aborted transactions	-1,269	0
Accounting and audit costs	-334	-89
Travel expenses	-261	0
Occupancy costs and rents	-213	-78
Advertising and promotional costs	-174	0
Legal and consulting fees	-121	-265
Capital increase costs	-147	0
Supervisory Board remuneration	-147	-12
Valuation costs	-90	0
Fees and levies	-67	0
Leasing and motor vehicle costs	-23	0
Costs of the Annual General Meeting	-20	0
Other	-485	-37
<b>Total</b>	<b>-3,350</b>	<b>-481</b>

The costs of terminated transactions comprise primarily costs of preparing property acquisitions, including their financing.

In regard to Supervisory Board members' remuneration we refer to our statements on related parties (see 7.4 Transactions with related parties (companies and persons)).

The auditor's fee to be disclosed pursuant to Section 314(1) No. 9 HGB, with the inclusion of expenses, is as follows:

IN EUR K	2018
Audit services	240
Other confirmation services	100
Other services	0
<b>Total</b>	<b>340</b>

The fee for audit services performed by KPMG AG WPG, including expenses and travel costs for the auditor (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	2018	2017
<b>Finance income</b>		
Gains from the sale of securities	0	674
Interest income from loans to related parties	0	30
Other interest income	4	0
<b>Total</b>	<b>4</b>	<b>704</b>
<b>Finance expenses</b>		
Custodial/deposit charges (negative interest)	-182	0
Fees for short-term bonds	-71	0
Losses from the sale of securities	0	-161
Interest on loans from related parties	0	-41
Interest expense from pension commitments	-6	-6
<b>Total</b>	<b>-259</b>	<b>-208</b>
<b>Financial result</b>	<b>-255</b>	<b>496</b>

## 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	2018	2017
Profit attributable to the owners of the parent company	9,370	50
<b>Profit attributable to the ordinary shareholders</b>	<b>9,370</b>	<b>50</b>

### Weighted average of ordinary shares (basic)

IN THOUSANDS OF SHARES	2018	2017
Ordinary shares issued as of 1 January	3,534	458
Effects of issuing shares	78,062	1,274
Effects of acquiring treasury shares	5,059	0
<b>Weighted average of ordinary shares as of 31 December (basic)</b>	<b>86,655</b>	<b>1,732</b>
<b>Basic earnings per share (in EUR)</b>	<b>0.11</b>	<b>0.03</b>

**Weighted average of ordinary shares  
(diluted)**

IN THOUSANDS OF SHARES	2018	2017
Weighted average of ordinary shares as of 31 December (basic)	86,655	1,732
Effects of issuing stock options	16	0
Weighted average of ordinary shares as of 31 December (diluted)	86,671	1,732
Diluted earnings per share	0.11	0.03

**7 OTHER DISCLOSURES****7.1 Cash flow statement**

The cash flow statement was prepared in respect of current business activities with respect to the indirect method, according to which a distinction was made between business, investing and financing activities. Total cash and cash equivalents recognised as of the reporting date consist of bank balances and 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	2018					
	Liabilities		Equity			
	Liabilities to related parties	Subscribed capital	Treasury shares	Capital reserves	Retained earnings	Total
Carrying amount as of 1.1.2018	0	15,000	0	0	3,561	18,561
<b>Changes in cash flow from financing activities:</b>						
Payment from capital increase	0	93,750	0	281,250	0	375,000
Disbursements for costs of capital increase	0	0	0	-10,269	0	-10,269
Disbursements for acquisition of treasury shares	0	0	-241	-24	-480	-745
<b>Total change in cash flow from financing activities</b>	<b>0</b>	<b>93,750</b>	<b>-241</b>	<b>270,957</b>	<b>-480</b>	<b>363,986</b>
Other changes	0	0	0	-12,102	22,357	10,255
Carrying amount as of 31.12.2018	0	108,750	-241	258,855	25,438	392,802

IN EUR K	2017					
	Liabilities		Equity			
	Liabilities to related parties	Subscribed capital	Treasury shares	Capital reserves	Retained earnings	Total
Carrying amount as of 1.1.2017	5,253	500	0	0	3,511	9,264
<b>Changes in cash flow from financing activities:</b>						
Payment from capital increase	0	14,500	0	0	0	14,500
Disbursements for liabilities to related parties	-2,995	0	0	0	0	-2,995
<b>Total change in cash flow from financing activities</b>	<b>-2,995</b>	<b>14,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,505</b>
Other changes	-2,258	0	0	0	50	-2,208
Carrying amount as of 31.12.2017	0	15,000	0	0	3,561	18,561

## 7.2 Share-based payment agreements

The 2018 stock option programme was adopted by resolution of the 2018 ordinary Annual General Meeting on 20 February 2018. The stock 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 the stock 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 the Godewind share matches at least the performance of FTSE EPRA/Nareit Developed Europe ex UK.

### 2018 stock option programme – issue to Executive Board members

From the stock option programme a total of 4,464,000 stock options were granted to the Executive Board on 1 May 2018 with settlement through equity instruments.

The fair value of a stock option is EUR 1.69 (50% weighting each for the absolute and relative performance target sub-tranches) and is 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
Due	5.6.2026	5.6.2026
Exercise price (in EUR)	1.00	1.00
Offering price IPO Godewind AG (in EUR)	4.00	-
Share price on grant date (in EUR)	3.75	3.75
Price index	-	3,051.32
Interest rate end of term 1st reference date (in %)	0.10	0.10
Interest rate end of term 2nd reference date (in %)	0.25	0.25
Interest rate end of term 3rd reference date (in %)	0.37	0.37
Dividend yield Godewind share (in %)	0.00	0.00
Dividend yield index (in %)	-	3.54
Godewind volatility (in %)	24.99	24.99
Volatility index (in %)	-	16.57
Godewind/index correlation	-	0.512
<b>Fair value (in EUR)</b>	<b>0.91</b>	<b>2.47</b>

### 2018 stock option programme – issue to employees

From this stock option programme a total of 515,000 stock options were granted to selected employees on 28 November 2018 with settlement through equity instruments.

The fair value of a stock option is EUR 1.000 (50% weighting each for the absolute and relative performance target sub-tranches) and is 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
Due	28.1.2027	28.1.2027
Exercise price (in EUR)	1.00	1.00
Offering price IPO Godewind AG (in EUR)	4.00	-
Share price on grant date (in EUR)	2.899	2.899
Price index	-	2,972.28
Interest rate end of term 1st reference date (in %)	-0.08	-0.08
Interest rate end of term 2nd reference date (in %)	0.05	0.05
Interest rate end of term 3rd reference date (in %)	0.17	0.17
Dividend yield Godewind share (in %)	0.00	0.00
Dividend yield index (in %)	-	4.02
Godewind volatility (in %)	24.12	24.12
Volatility index (in %)	-	15.71
Godewind/index correlation	-	0.4909
<b>Fair value (in EUR)</b>	<b>0.26</b>	<b>1.74</b>

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 a historical volatility was derived.

The stock options changed in the reporting year as follows:

STOCK OPTIONS	2018		2017	
	No. of options	Weighted average exercise price (in EUR)	No. of options	Weighted average exercise price (in EUR)
Outstanding as of 1 January	-	-	-	-
during the reporting year				
granted	4,979,000	1.000	-	-
forfeited	-	-	-	-
exercised	-	-	-	-
expired	-	-	-	-
<b>Exercisable as of 31 December</b>	<b>4,979,000</b>	<b>1.000</b>	-	-
Exercisable as of 31 December	-	-	-	-

The options outstanding as of 31 December 2018 have an average exercise price of EUR 1.000 and a weighted average remaining life of 7.5 years. The personnel expenses recognised in the financial year 2018 from the grant of stock options amounted to EUR 1.270 million (2017: EUR k o).

### 7.3 Other financial obligations

In 2018, the company entered into a lease agreement for office space in Frankfurt am Main. The agreement has a fixed term ending on 30 November 2028. The total rent for the period from 1 January 2019 to 30 November 2028 amounts to EUR 3.236 million net.

Leasing obligations amounting to EUR k 95 exist for a remaining term of up to three years for internally used vehicles.

Subsequent to the first-time application of IFRS 16 as of 1 January 2019, the other financial obligations referred to above have been accounted for accordingly as rights of use and leasing liabilities (see 3.1 Changes to accounting policies).

Total future minimum leasing payments under the aforementioned financing leases are as follows:

IN EUR K	2018	2017
< 1 year	452	0
1-5 years	1,543	0
> 5 years	1,604	0
<b>Total</b>	<b>3,599</b>	<b>0</b>



#### 7.4 Transactions with related parties (companies and persons)

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

##### a) Transactions with related parties

The law firm of the Chairman of the Supervisory Board acted in two cases during the reporting period for the company in a legal capacity. The Supervisory Board's authorisation pursuant to Section 114 AktG had been granted in each case. For these services the company was charged EUR k 23 net.

In 2017, loans existed both to and from related parties. The loans were all returned in full in 2017. Interest expenses amounting to EUR k 45 were incurred and interest income amounting to EUR k 30 earned on these loans in 2017.

The terms and conditions of these transactions were market-standard.

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

There were no outstanding balances as of the reporting date. 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.

Between Godewind Immobilien AG and its subsidiaries, loan and service agreements along with two profit and loss agreements exist. 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. In regard to its shareholdings reference is made to section 2.2.

#### c) Remuneration of members of management in key positions

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

Remuneration of members of the Executive Board comprises:

IN EUR K	2018	2017
Benefits due in the short term	930	22
Share-based payments	7,544	0
<b>Total</b>	<b>8,474</b>	<b>22</b>

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 stock option programme. The granted stock options have a remaining life of 7.4 years. For the disclosures concerning the share-based payments see section 7.2 (Share-based payment agreements).

Remuneration of the members of the Supervisory Board comprises:

IN EUR K	2018	2017
Benefits due in the short term	135	12
<b>Total</b>	<b>135</b>	<b>12</b>

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

For the financial year 2018, the active and retired Supervisory Board members will receive non-performance-related emoluments totalling EUR k 135 (2017: EUR k 12). Travel expenses amounting to EUR k 6 (2017: k 0) were reimbursed.

#### d) Total emoluments of active and former Executive Board members

In the financial year 2017, Mr. Nikolai Dumsky and Mr. Volker Lemke were still employed by the company. They left the company as of 31 December 2017. Mr. Lemke received EUR k 22 in remuneration for the financial year 2017.

Total emoluments for the members of the Executive Board for the financial year 2018 totalled EUR 8.939 million (2017: EUR k 51) and break down as follows:

IN EUR K	Stavros Efremidis Chairman of the Executive Board Date joined: 12.12.2017				Ralf Struckmeyer Chief Financial Officer Date joined: 12.12.2017			
	2017	2018	2018 min.	2018 max.	2017	2018	2018 min.	2018 max.
<b>Benefits granted</b>								
Fixed remuneration	33	600	600	600	18	330	330	330
Fringe benefits	0	12	12	12	0	11	11	11
<b>Total</b>	<b>33</b>	<b>612</b>	<b>612</b>	<b>612</b>	<b>18</b>	<b>341</b>	<b>341</b>	<b>341</b>
Annual variable remuneration (STI)	0	288	0	300	0	154	0	160
Multi-year variable remuneration (LTI)	0	5,803	0	5,803	0	1,741	0	1,741
2018 stock option plan (term ending April 2022)								
Number of options allocated	0	3,434,000	0	3,434,000	0	1,030,000	0	1,030,000
Fair value of the options	0	5,803	0	5,803	0	1,741	0	1,741
<b>Total</b>	<b>33</b>	<b>6,703</b>	<b>612</b>	<b>6,715</b>	<b>18</b>	<b>2,236</b>	<b>341</b>	<b>2,242</b>
Benefit expenses	0	0	0	0	0	0	0	0
<b>Total remuneration</b>	<b>33</b>	<b>6,703</b>	<b>612</b>	<b>6,715</b>	<b>18</b>	<b>2,236</b>	<b>341</b>	<b>2,242</b>

The fair value of the stock options that were granted in the reporting period was ascertained, with an external evaluator's assistance, using a binomial model whose general approach is based on the work of Cox, Ross and Rubinstein (1979).

The remuneration received by the Executive Board in the reporting year amounted to EUR 1.446 million (previous year: EUR k 0).

IN EUR K	Stavros Efremidis Chairman of the Executive Board Date joined: 12.12.2017		Ralf Struckmeyer Chief Financial Officer Date joined: 12.12.2017	
	2018	2017	2018	2017
<b>Remuneration received</b>				
Fixed remuneration	633	0	348	0
Fringe benefits	12	0	11	0
<b>Total</b>	<b>645</b>	<b>0</b>	<b>359</b>	<b>0</b>
Annual variable remuneration (STI)	288	0	154	0
Multi-year variable remuneration (LTI)	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>933</b>	<b>0</b>	<b>513</b>	<b>0</b>
Benefit expenses	0	0	0	0
<b>Total remuneration</b>	<b>933</b>	<b>0</b>	<b>513</b>	<b>0</b>

**Annual variable remuneration**

The variable remuneration for the Executive Board members in 2018 totalled up to EUR k 460 (2017: EUR k 0). An equivalent provision was formed for this amount; no inflow occurred in the financial year.

**e) Shareholding of Executive Board and Supervisory Board members**

As of the balance sheet date the members of the Executive Board and Supervisory Board held the following number of shares in the company:

**Executive Board**

Stavros Efremidis (CEO):	6,269,584
Ralf Struckmeyer (CFO):	150,000

**Supervisory Board**

Dr. Bertrand Malmendier (Chairman):	125,000
Dr. Roland Folz (Deputy Chairman):	125,000
Karl Ehlerding (Supervisory Board member):	5,614,509

Acquisitions after the reporting date are shown in section 7.7 (Events after the reporting date).

**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 Section 161 AktG 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 gentlemen were members of the company’s Supervisory Board during the financial year:

- Dr. Bertrand Malmendier, lawyer, Berlin (Chairman since 20 November 2017)
- Dr. Roland Folz, bank officer, Berlin (Deputy Chairman since 20 November 2017)
- Karl Ehlerding, qualified business administrator, Hamburg (member since 20 November 2017)

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

- Stavros Efremidis, Berlin (Chairman since 12 December 2017)
- Ralf Struckmeyer, Frankfurt am Main (since 12 December 2017)

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 BUWOG AG, Vienna, Austria (until 4 May 2018) – Member of the supervisory board of PRIMUS Immobilien AG, Berlin – Managing director of Invivo Capital GmbH, Berlin – Managing director of Invivo Management GmbH, Berlin – Managing director of 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	Lawyer	<b>Supervisory board positions:</b> – Studio Babelsberg AG, Potsdam <b>Other positions:</b> – Advisory board member, KEST GmbH, Ratingen – Managing director, MALCON GmbH, Potsdam – Managing director, BAZECON GmbH, Berlin – Managing partner, Malmendier Hellriegel Rechtsanwälte Partnerschaftsgesellschaft, Berlin
Dr. Roland Folz Deputy Chairman, Berlin	Bank officer	<b>Supervisory board positions:</b> – NÜRNBERGER Beteiligungs-Aktiengesellschaft, Nuremberg (until 24 April 2018) – Fürst Fugger Privatbank AG, Augsburg – Studio Babelsberg AG, Potsdam <b>Other positions:</b> – CEO, solarisBank AG, Berlin
Karl Ehlerding Hamburg	Qualified business administrator	<b>Supervisory board positions:</b> – Maternus-Kliniken, Aktiengesellschaft, Berlin – Elbstein AG, Hamburg – Salzgitter Aktiengesellschaft, Salzgitter (until 24 May 2018) – WCM Beteiligungs- und Grundbesitz-AG, Berlin (until 6 June 2018) – KHS GmbH, Dortmund <b>Other positions:</b> – Advisory Board North, Deutsche Bank AG, Frankfurt am Main – Managing director, Erste “Hohe Brücke” Verwaltungs GmbH, Hamburg

## 7.7 Events after the reporting date

### Acquisitions

The following properties were acquired, in form of asset deals, by the reporting date:

Property	Location	Purchase price (in EUR k)	Area (in m <sup>2</sup> )	Weighted average lease term (WALT) (in years)	Transfer of benefits and encumbrances
Pentahof	Hamburg	60,600	24,700	4.8	31.1.2019
Quartier am Zeughaus	Hamburg	153,000	43,500	3.0	expected end of April 2019
Y 2	Frankfurt am Main	52,000	30,930	4.3	14.2.2019
Eight Dornach	Aschheim bei München	30,000	17,600	4.2	1.2.2019
Herzogterrassen	Dusseldorf	140,000	55,700	5.5	expected end of April 2019
<b>Total</b>		<b>435,600</b>	<b>172,430</b>	<b>4.4</b>	

### Share acquisitions by related parties

On 25 January 2019, Supervisory Board member Karl Ehlerding acquired shares in Godewind Immobilien AG amounting in total to EUR 4.396 million at the price of EUR 3.14 per share.

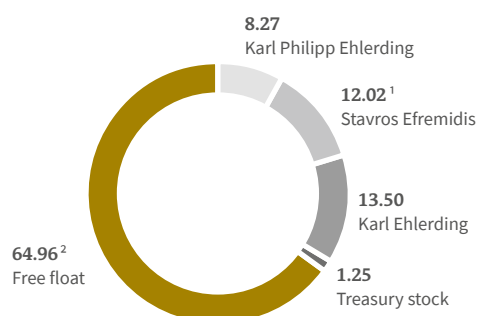
On 4 February 2019, Supervisory Board member Karl Ehlerding acquired shares in Godewind Immobilien AG amounting in total to EUR 23.829 million at the price of EUR 3.11 per share.

On 4 February 2019, Ingrid Ehlerding (wife of Supervisory Board member Karl Ehlerding) acquired shares in Godewind Immobilien AG amounting in total to EUR 4.497 million at the price of EUR 3.11 per share.

As of the reporting deadline the shareholder structure is as follows:

#### SHAREHOLDER STRUCTURE AS OF 21.2.2019

IN %



<sup>1</sup> including financial instruments

<sup>2</sup> The free float matches the definition used by Deutsche Börse. Without financial or other instruments pursuant to Sections 38 and 39 WpHG.

### Share buyback programme

After the reporting date the company acquired another 1,259,144 shares at a total price of EUR 4.133 million. The last date on which shares were acquired was 20 February 2019.

Frankfurt am Main, 29 March 2019

**Stavros Efremidis**  
Chairman of the  
Executive Board

**Ralf Struckmeyer**  
Member of the  
Executive Board

## AFFIRMATION OF THE COMPANY'S LEGAL REPRESENTATIVES

We hereby affirm to the best of our knowledge that, in accordance with the applicable accounting principles, the consolidated financial statements as of 31 December 2018 for the financial year from 1 January to 31 December 2018 give a true and fair view of the Group's earnings, assets and financial position, and that the combined Group management report contains a fair review of the development and performance of the Group's business and of its position along with a description of the principal risks and opportunities associated with the Group's expected development.

Frankfurt am Main, 29 March 2019



**Stavros Efremidis**  
Chairman of the  
Executive Board



**Ralf Struckmeyer**  
Member of the  
Executive Board

# INDEPENDENT AUDITOR'S REPORT

To 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 and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2018 to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Godewind Immobilien AG for the financial year from 1 January 2018 to 31 December 2018.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January 2018 to 31 December 2018, 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 cover the content of the non-financial statement and the corporate governance statement mentioned above.

Pursuant to Section 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 opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the 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 evidence we have obtained is sufficient and appropriate to provide a basis for our 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 2018 to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

### Measurement of investment properties

In regard to the measurement of investment properties, we refer to the statements in sections 2.3, 3.2, 3.4, 3.15, 4.1 and 6.2 of the notes to the consolidated financial statements and to the statements in section 2b of the combined Group management report.

#### THE RISK FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Investment properties were recognised in the amount of EUR 300.9 million in the consolidated financial statements of Godewind Immobilien AG as at 31 December 2018. These properties constitute 59.8% of the consolidated balance sheet total and thus have a significant impact on the company's asset position.

Godewind Immobilien AG measures the investment properties at fair value in accordance with IAS 40 in conjunction with IFRS 13. In the current year, fair value increases amounting to EUR 10.8 million were recognised in the statement of comprehensive income.

Jones Lang LaSalle SE, Frankfurt am Main, and Savills Advisory Services Germany GmbH & Co. KG, Frankfurt am Main – appraisers engaged by Godewind Immobilien AG – measured the investment properties by means of a discounted cash flow (DCF) method as of 31 December 2018. The cash flows used for the DCF method were based on property-specific plans for the next ten years that were extrapolated on the basis of long-term growth rate assumptions. The capitalisation and discount rates were in each instance derived from the yield return of an alternative investment with a comparable risk.

Measuring the fair value of properties according to the DCF method is a complex process involving assumptions that are highly dependent on the company's estimates and assessments. Even minor changes in the relevant assumptions can result in substantial changes in the resulting fair value figures. The primary assumptions on which measurements are based are those concerning market rents, occupancy rates, and capitalisation and discount rates.

The consolidated financial statements are subject to the risk that the measurement of the investment properties is not reasonable due to existing estimation uncertainties and subjective biases.

They are subject in addition to the risk that the disclosures made in the notes in regard to the investment properties as required by IAS 40 and IFRS 13 are not proper.

### OUR AUDIT APPROACH

Our audit procedure, which was conducted with the assistance of our real estate valuation specialists, included, inter alia, an assessment of the measurement method used for the external appraisals in respect of its conformity with IAS 40 in conjunction with IFRS 13, the accuracy and completeness of the property-related data used, and the reasonableness of the principal measurement assumptions used, such as those that were made in respect of market rents, occupancy rates, maintenance and investment expenses, and the discount and capitalisation rates that were applied.

To verify the mathematical accuracy of the valuations, we approximately recalculated the appraisals.

We reconciled the data used for accuracy and completeness by checking the main source data used in the appraisals – such as target rents, lettable area, number of parking spaces and year of construction – for all properties against the principal lease agreements.

To evaluate the reasonableness of the principle measurement assumptions, we conducted inspections of all of the properties with the assistance of our valuation specialists. We evaluated the reasonableness of the property-specific market rents and the discount and capitalisation rates by comparing them with market- and industry-specific reference values, taking into account the type and location of the properties. We also used observable multipliers provided by reputable outside providers. We questioned the relevant appraiser in regard to the valuation model and the principal assumptions that were made for measurement purposes and assessed the answers.

We have confirmed to our satisfaction the qualifications and objectivity of the external real estate appraisers engaged by Godewind Immobilien AG.

In addition, we have evaluated the reasonableness of the disclosures made in the notes to the consolidated financial statements as required for investment properties according to IAS 40 and IFRS 13.

### OUR CONCLUSIONS

All in all, the assumptions and parameters underlying the measurement of the investment properties are justifiable. The disclosures made in the notes to the consolidated financial statements in regard to the investment properties pursuant to IAS 40 and IFRS 13 are proper.

### Recognition of deferred tax assets on loss carry-forwards

In regard to the recognition of deferred tax assets on loss carry-forwards, we refer to sections 3.2, 3.13 and 4.16 of the notes to the consolidated financial statements and to section 2c of the combined management report.

**THE RISK FOR THE FINANCIAL STATEMENTS**

Deferred tax assets amounting to EUR 6.7 million net of deferred tax liabilities are recognised in the consolidated financial statements of Godewind Immobilien AG as at 31 December 2018.

To account for the deferred tax assets, Godewind Immobilien AG estimates the extent to which existing deferred tax assets can be used in subsequent reporting periods or the extent to which taxable temporary differences are present. The realisation of tax assets that are not offset by any taxable temporary differences is contingent upon sufficient taxable income being generated in the future. If there are reasonable doubts as to whether such calculated deferred tax assets will be usable in future periods, then deferred tax assets are not recognised, or deferred tax assets already recorded are written down.

The reporting of deferred tax assets depends largely on the estimates and assumptions of the company's legal representatives concerning the company's operating performance, and on the Group's tax planning; it is therefore fraught with considerable uncertainties. The main value drivers in the company's operating performance and the Group's tax planning are the expected cash inflows under the plans specific to each property. These cash flows are also the basis on which the properties' fair value is calculated. The fair value of the properties is determined by external appraisers based on the discounted cash flow (DCF) method.

In the 2018 financial year, Godewind Immobilien AG capitalised, in the amount of EUR 10.1 million before netting, deferred tax assets on loss carry-forwards resulting from previous years. Having newly positioned Godewind Immobilien AG in 2018, these were regarded for the first time as recoverable. The company omitted to recognise deferred tax assets on loss carry-forwards in previous years owing to its lack of business operations. In the assessment of Godewind Immobilien AG, property purchases have made a lasting change in the Group's earnings position, making it possible now to capitalise deferred tax assets on loss carry-forwards that have not been recognised in the past.

The consolidated financial statements are subject to the risk that the company's assessment in this regard is not reasonable and that the recognised deferred tax assets are not recoverable.

**OUR AUDIT APPROACH**

For our evaluation in regard to tax matters, we enlisted the assistance of our tax specialists in the audit. We began by taking a critical assessment at the temporary differences between the carrying amounts according to IFRS and those in the tax accounts. In addition, we reconciled the loss carry-forwards with the tax assessment notices and tax calculations for the current financial year. At the same time, we assessed whether the methodology applied

to recognise deferred tax assets, including the recognition criteria and the planning period, was in accordance with the requirements of IAS 12.

We also assessed the recoverability of the deferred tax assets based on the company's internal forecasts of its future taxable income situation and subjected the underlying assumptions to critical review. In this regard, we reconciled in particular the planning for future taxable income with the expected future cash inflows from the real estate portfolio.

The expected future cash inflows from the real estate portfolio were assessed with the assistance of our real estate valuation specialists. The procedure for evaluating the reasonableness of the key assumptions used, such as market rents, occupancy rates and maintenance expenses, accords with the procedure described above for auditing the measurement of investment properties.

We have had the legal representatives of Godewind Immobilien AG explain to us their assessment of a lasting improvement in the company's earnings position. In this connection, we verified to our satisfaction the implementation of the measures to improve earnings from the real estate portfolio, analysed the reasons for the improvement in earnings, and assessed the sustainability of the earnings to be taxed.

**OUR CONCLUSIONS**

The assumptions underlying the recognition of deferred tax assets are on the whole reasonable.

**Other information**

Management is responsible for the other information. The other information comprises the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our 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.



### **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 Section 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 they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Furthermore, 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 measures (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 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 Section 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) [and supplementary compliance with the ISAs] 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 skepticism 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 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 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 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 Section 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 opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by 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 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 20 February 2018. We were engaged by the supervisory board on 5 March 2019. We have been the group auditor of the Godewind Immobilien AG without interruption since the financial year 2018.

We declare that the 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 Yaman Pürsün.

Frankfurt am Main, 9 April 2019

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

**Pürsün**  
Wirtschaftsprüfer  
[German Public Auditor]

**Theuerkorn**  
Wirtschaftsprüferin  
[German Public Auditor]

## LEGAL NOTICE

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## 2019 FINANCIAL CALENDAR

Warburg Small Cap Selection, Frankfurt	30 January 2019
ODDO BHF German Conference, Frankfurt	20 February 2019
Metzler Small Cap Conference	6 March 2019
2018 Annual Report	10 April 2019
Q1 2019 Interim Statement	10 May 2019
Annual General Meeting, Frankfurt	Day to follow
Quirin Champions, Frankfurt	12 June 2019
2019 Half-Year Financial Report	13 August 2019
Berenberg and Goldman Sachs Eighth German Corporate Conference, Munich	23–25 September 2019
Q3 2019 Interim Statement	12 November 2019
European MidCap Event 2019, Madrid	19 November 2019

## 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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