hamborner REIT

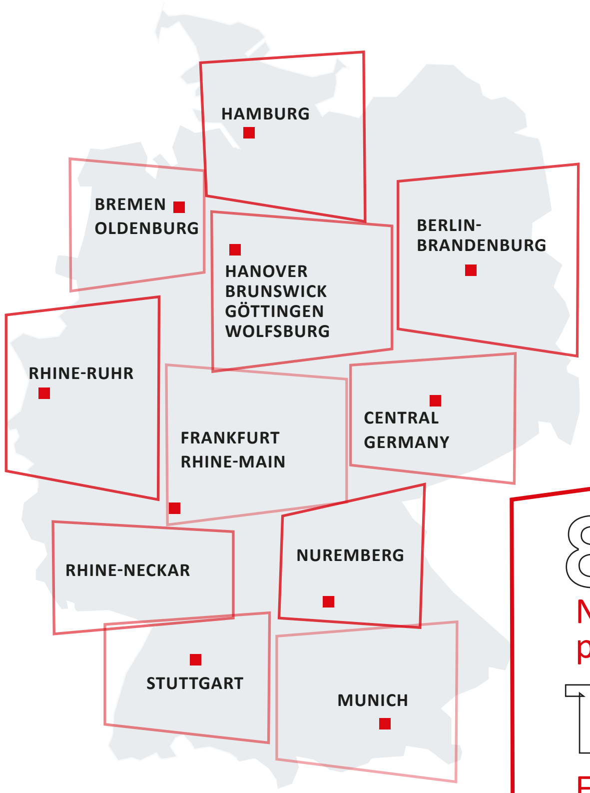
ZUKUNFT BRAUCHT SUBSTANZ

A good basis for MORE

Annual Report 2020

Profile

HAMBORNER REIT AG has positioned itself as an asset manager for profitable office and retail property at established locations in large and medium-sized German cities. Based on our many years of experience and advanced strategy, our goal is to continue driving our value-adding growth in the years to come.



WIDE INVESTMENT FOCUS – HIGHER FLEXIBILITY
As part of our portfolio expansion strategy, we will be focusing still more intensively on the metropolitan regions of Germany, which promise long-term growth both economically and demographically. This does not rule out investments at other selected locations with particularly good prospects.

80
Number of properties

1.62 € billion
Fair value of portfolio

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The business year 2020 gave an impressive demonstration of our earning power and the stability of our business model. We are building on our existing strengths and purposefully injecting new dynamism to promote further growth and serve the interests of our shareholders.

Key financial ratios

88.2 € million

Income from rents and leases

55.6 € million

Funds from operations

IN € THOUSAND		2020	2019	2018
From the income statement				
Income from rents and leases		88,193	85,165	83,402
Net rental income		79,097	76,355	73,553
Operating result		–900	33,328	32,832
Financial result		–15,443	–15,542	–15,016
EBITDA		78,132	69,945	69,262
EBDA		62,689	54,403	54,246
EBIT		6,180	33,423	34,416
Funds from operations (FFO)		55,609	54,308	52,662
Net profit for the year		–9,263	17,881	19,400
of which result from the sale of investment property		7,080	95	1,584
From the balance sheet				
Total assets		1,265,784	1,234,677	1,209,806
Non-current assets		1,200,826	1,223,990	1,200,651
Equity		474,234	513,562	532,426
Equity ratio	in %	37.5	41.6	44.0
REIT equity ratio	in %	54.5	57.3	56.4
Loan-to-value (LTV)	in %	44.5	42.4	42.5
HAMBORNER shares				
Number of shares outstanding		80,579,567	79,717,645	79,717,645
Basic = diluted earnings per share	in €	–0.12	0.22	0.24
Funds from operations (FFO) per share	in €	0.69	0.68	0.66
Stock price per share (Xetra)	in €			
Highest share price		10.62	9.82	10.08
Lowest share price		7.32	8.38	8.40
Year-end share price		9.01	9.76	8.41
Dividend per share	in €	0.47	0.47	0.46
Dividend yield in relation to the year-end share price	in %	5.2	4.8	5.5
Price / FFO ratio		13.1	14.3	12.7
Market capitalisation		726,022	778,044	670,425
The HAMBORNER portfolio				
Number of properties		80	79	78
Fair value of the property portfolio		1,624,785	1,598,090	1,517,260
Vacancy rate (including rent guarantees)	in %	1.8	2.0	1.3
Weighted remaining term of leases in years		6.3	6.6	6.2
The HAMBORNER portfolio				
Net Asset Value (NAV)		890,721	924,300	860,226
Net Asset Value per share	in €	11.05	11.59	10.79
EPRA Net Tangible Assets (NTA)		890,222	923,726	859,626
EPRA Net Tangible Assets per share	in €	11.05	11.59	10.79
Number of employees including Management Board		44	42	40

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Further information: Reference to supplementary content on our website · Reference to another page in the Annual Report · Video clip

Reliable

Interview with the Chairman of the Management Board

Niclas Karoff has been in charge of the company for over a year. In this time, he and his team have overcome challenges and set a course for the future.

Mr Karoff, there were certainly better times to start than the spring of 2020 …

Niclas Karoff: You could certainly say that. With the lockdown, a wide-scale switch to mobile working, temporary losses of rental income, our first ever withdrawal of an annual forecast, and the postponement of the annual general meeting … It was a challenging year, not just for me but for the whole team.

However, this kind of start makes it possible to form impressions of key aspects of the company at accelerated speed, like the resilience of the business model, the quality of the property portfolio, customer relations, performance, and team cohesion. Crisis situations also often yield insights and opportunities, and I believe we have made good use of these.

What were the most important insights you gained this year?

N. K.: Firstly, the coronavirus crisis is accelerating key social developments: the digitalisation process, changes in lifestyle and consumer habits, the growing flexibility of work models, and of course the inroads made by sustainability issues into almost all areas of life. These and other subjects will continue to dominate our sector in the years to come and are sure to change it permanently.

How is HAMBORNER adjusting to them?

N. K.: In my opinion, the life cycle of each property now has to be considered still more holistically. Regular opportunities for optimisation are having to contend with the problem of increasing complexity. In my view, this means that we at HAMBORNER have to stay flexible without losing sight of the foundations of the success we have enjoyed to date.

This is another area in which the coronavirus crisis has helped us: we have been able to intensify our dialogue with tenants still further, and each side is supporting the other. I believe that the numerous individual agreements we have concluded in connection with the pandemic are clear evidence of our success.

How do you rate the developments in the company's business during 2020?

N. K.: Overall, the business year was successful despite the extremely difficult circumstances. The key sales and income figures actually came out higher than we originally expected. Looking back on the developments last spring, I think this is a remarkably good result.

Our operating business has turned out to be remarkably resilient, even though we are functioning in crisis mode. We were helped by several factors: the risk diversification in our portfolio, the trust-based cooperation with our tenants, and our flexible handling of the new challenges that arose due to the pandemic.

VIDEO
Interview with Niclas Karoff (short version). To watch the video, scan the QR code or click on the image.

RONDO STEINHEIM, Hanau
Built in 2017, this retail park is noted for its unique architecture and modern shopping atmosphere.

Find out more

“Our opportunities are also an obligation.”

In retrospect, I would say that 2020 was a test of professional and personal stamina from which we emerged in remarkably good shape – also when compared with other companies on the market. However, we are still in the midst of a global crisis, the effects of which will pose additional challenges during the course of this year. It is important that we tackle these with equal commitment.

How have the plans changed to account for these developments?

N. K.: In a few ways: First, we continued developing our corporate strategy during the year. The resulting measures included sharpening the target profile for our property portfolio and further optimising the financing structure.

With regard to our investment strategy, we aim to add individual properties with enhanced value-creation potential to our portfolio – an approach which we describe as “manage to core”. This is an area in which the technical experience and years of market knowledge accumulated by our team can be optimally combined.

The intensified tenant dialogue resulting from the pandemic is also helping us align our internal processes still more successfully with the needs of both sides.

Will the adjusted strategy change the company’s risk structure?

N. K.: Our company is and will remain first and foremost an asset manager of high-quality office and retail property with a clear focus on stable income. I consider this HAMBORNER’s DNA.

Adding selected properties with a particularly attractive risk-return profile to the portfolio will create the conditions for additional income and further value-adding growth.

“Transparency gives us momentum.”

However, it will not change the security level of HAMBORNER’s overall profile. Ultimately, the aim is to make the best possible use of existing knowledge and resources in the interest of our shareholders – which is where this strategy has an important part to play.

How important is sustainability? What are you currently doing in this field?

N. K.: This topic is becoming increasingly important for us – first from personal conviction, and second because it is having an ever-growing influence on our value. Our sustainability profile is becoming an increasingly important factor in our shareholders’ decision-making processes, particularly for shareholders with an institutional background. However, we are also seeing a strong increase in awareness among our tenants and service partners.

One of our key measures over the last year has been to develop all aspects of our sustainability strategy. The results are described in detail in our current sustainability report.
I would sum it up as a transparent strategy focusing on specific fields of action and feasible measures.

You have set yourself the goal of increasing transparency at HAMBORNER still further. Why is this?

N. K.: Transparency strengthens trust. With trust there can be no lasting success, particularly as economic conditions are becoming increasingly complex. One example of this is the way in which we handle economic figures. In my view, there is more involved than merely providing the information to which our stakeholders are legitimately entitled. Transparency is an important tool for achieving specific corporate goals. This being the case, I believe that transparency is another part of HAMBORNER’s DNA.

Let us look forward to 2021. What operational plans do you have on the agenda?

N. K.: We will be parting with more inner-city retail properties as a step towards sharpening the focus of our portfolio. We are also working intensively on the three locations in our portfolio in which spaces were rented to “real” hypermarkets. Thanks to the extensive experience of our asset management, we have already been able to identify potential replacement tenants.

We also think it is extremely important that we continue providing particularly intensive support for our tenants during the pandemic. Aside from this, we are also concentrating on looking for suitable new acquisitions.

INGOLSTADT, Despag-Str. 3
The property is situated in an established office location in the north east of Ingolstadt, close to the city centre, and offers approx. 5,600 m² of modern office space.

Find out more

Nearby

Stress test passed

The pandemic of 2020 also posed considerable challenges for many HAMBORNER tenants. Reciprocal dialogue gave rise to solutions that helped both sides.

MARKT-KARREE, Lengerich
This retail centre is situated in a highly visible location in the Lengerich town centre and has direct links to the pedestrian zone.

Find out more

MEDICAL CENTRE, Regensburg
The medical centre provides comprehensive medical care under one roof, with reputable specialists in various areas of medicine and numerous providers of health-related services.

Find out more

NUOFFICE, Munich
This office property in the north of Munich underwent LEED certification and was awarded a "platinum" sustainability seal, the highest available.

Find out more

For Christoph Heitmann there is no question: the current coronavirus pandemic is one of the biggest challenges that HAMBORNER has faced in recent years. Like the Management Board and asset management team, the Head of Investor & Public Relations found that 2020 was a year of intensive communication – with shareholders, analysts, tenants, and also with the media.

"When the crisis began last spring, a number of shareholders initially fell prey to considerable uncertainty. And uncertainty was something they had hardly ever experienced before in connection with HAMBORNER. That meant we received a lot of queries," recalls Heitmann (38). The real estate company has indeed been a byword for stability and solid development for many years. Its focus on core properties, a healthy degree of diversification, streamlined cost structures and commitment to attractive dividends – all these are attributes that leave little room for uncertainty.

However, the coronavirus pandemic radically changed the interaction between businesses and markets practically overnight. In reality, parts of the economy shut down for months on end, many businesses closed, and a large part of the population began working from their own homes.

HAMBORNER countered this uncertainty with active communication and transparency: "Like everyone else on this market, we were initially only able to make rough guesses at what would come. However, we were convinced that our business model would turn out to be one of the most stable, even in a crisis. We communicated this conviction during numerous individual talks."

"Transparent, target-oriented communication is a key success factor, parti-cularly in times of crisis."

CHRISTOPH HEITMANN
Head of Investor & Public Relations

In hindsight, he was proven right. Following a brief decline during the lockdown in spring, the rate of incoming rental payments rapidly recovered and was already at pre-crisis levels during the second half of the year. This is reflected by the continuing year-on-year increase in rental and leasing income.

Such a result is by no means a matter of course, but rather the result of close, long-standing cooperation with tenants. It ensured that the tenant / landlord relationship survived intact and that the communication channels functioned impeccably. Christoph Heitmann: "The direct contact between our asset managers and tenants was immensely helpful. At the end of the day, this dialogue with almost all our tenants enabled us to find solutions that were in the interests of both parties. Some of these solutions were highly customised." Deferral or forbearance agreements were reached with numerous tenants, which resulted in many leasing agreemeents being extended. A fair solution was reached by the end of each round of negotiations.

For HAMBORNER, it was extremely important to find a compromise in every single case: "After all, every crisis comes to an end sooner or later, and positive cooperation can only continue in the long term if there is a sound relationship of trust."

A crisis is unpleasant and takes its toll, but something good always comes out of it. Christoph Heitmann: "Over the last year, we have become even better acquainted with the needs and circumstances of each of our tenants. This knowledge will be of use long after the pandemic is over."

A crisis also brings clarity: Developments in 2020 bore impressive testimony to the resilience of the company's business model even under extreme conditions. This forms a strong foundation for future tasks and continued growth.

T-DAMM-CENTER, Berlin
The former tram depot in the Tempelhof district was revitalised in 2015 and combines historic building substance with modern retail flair.

Find out more

Creation, not administration

All disciplines under one roof, outstanding teamwork and proximity to tenants and properties. These are the key strengths with which HAMBORNER is driving its success.

MÜNSTER, Martin-Luther-King-Weg 30 / 30a
The property is part of the "Deilmann Park", an established office location with good transport links that is situated right next to the well-known Friedenspark.

Find out more

“As lessors, we now have to work on our portfolio much more proactively.”

TORSTEN DE WENDT
Head of Asset Management

Analysing the markets and identifying potential. Providing support for tenants and creating value. Purchasing new properties, converting them if needed, and re-selling them successfully when the time is right. HAMBORNER's team of more than 40 experts does all this and more.

Torsten de Wendt is one of them. The legal expert is in charge of asset management and has been with HAMBORNER for about eight years, apart from a brief interruption. Not without reason did he find his way back to Duisburg: “Our expertise enables us to map the entire value chain of a property process. This makes us extremely effective and very fast compared to other companies.”

As a responsible manager, Torsten de Wendt has to keep many different areas in his sights. The most important of these are the properties themselves: “Our tenants' expectations of us are significantly more complex than they were just a few years ago. We have to be more flexible in terms of adapting the property if we are to lease it successfully.” This is why his team closely monitors the current leasing situation. Which issues are tenants facing at this time? How is their competitive environment developing? Which measures could be taken to bind tenants to the location? Attentive listening, tact and creativity regularly enable his team to initiate a large number of projects aimed at raising levels of tenant satisfaction.

The asset manager is also very familiar with the markets. Like his colleagues in the transaction team, he pays close attention to developments at micro- and macro-locations.

“A good rapport with everyone involved in the project is also vital to its successful implementation.”

HANS-BERND PRIOR
Head of Technology

"Nowadays, considerable flexibility is required even at the stage of designing floor plans."

AYSE SAYARER
Project Manager

"Most recently, there has been another significant improvement in the analytical possibilities opened up by innovative software programmes." However, an accurate estimate of a property's potential for appreciation can only be made with personal knowledge of the location. This means that site visits will continue to be part of the daily business of the relevant HAMBORNER staff.

The various departments work hand in hand to carry out the actual project work. Here an important role is played by the Technology department, led by Hans-Bernd Prior. Besides contributing to conversion projects, he and his team provide everyday technical support as part of HAMBORNER's comprehensive service package. Here he can draw not only on 35 years of market experience but also on his knowledge of human nature: "In my are of work, it's important to have a sound knowledge of numerous fields: Building technology. Construction engineering. Business. Law. My task during talks is not only to address the relevant topics but also to bring together the people involved."

Hans-Bernd Prior's key tasks also include technical inspections of the properties during the acquisition process and budget planning for the realisation of the tasks in hand. Here it is invariably important to make valid estimates of the costs incurred: "In the interest of the company's economic success, it's particularly important that my calculations are correct."

This too is only possible through positive, close communication with experts such as architects, lawyers and skilled tradespeople – and of course experts in areas such as building technology, structural engineering and fire safety. HAMBORNER's partner network has developed over many years and now covers the whole of Germany. This is a significant advantage for the company, particularly in times of crisis like the present. The availability of qualified tradespeople in particular is currently restricted. Hans-Bernd Prior: "We can't always find an existing contact who is able to help. However, we are usually able to get a recommendation through our network, which ultimately enables us to find a good solution."

Ayse Sayarer (39) is a project manager who joined HAMBORNER last year and is currently in the middle of her first major project. She is responsible for planning and managing new building measures and complex extension and maintenance measures carried out at portfolio properties. She has a degree in structural engineering and has accumulated many years of experience in wholesale and retail. That experience is now helping her with her current task: developing and implementing a concept for extensive re-letting programmes at several specialist retail locations.

These projects will continue gathering momentum during the coming months. They will give Ayse Sayarer, who comes from Düsseldorf, plenty of opportunity to learn new things while confronting her with numerous challenges – all in a day's work. However, this doesn't worry her – not only because she is optimally equipped for these tasks, but also because she knows that at HAMBORNER, she has an outstanding team by her side.

Responsible

New value drivers

The climate debate is keeping the real estate sector on its toes – and changing corporate parameters for good. HAMBORNER is ready.

NEU-ISENBURG, Siemensstr. 10a
The new office building has 4,500 m² of leasing space and received the top-ranking “platinum” award from the German Sustainable Building Council (DGNB) after undergoing a certification process.

Find out more

BONN, Soenneckenstr. 10–12
Completed in 2020, the property offers 6,200 m² of modern office space.

Find out more

"There is no company whose business model won't be profoundly affected by the transition to a net zero economy – one that emits no more carbon dioxide than it removes from the atmosphere." At the beginning of this year, BlackRock CEO Larry Fink's annual letter to numerous CEOs once again clarified what is currently one of the corporate world's central tasks: it must become more climate-friendly. His words carry weight. After all, he is speaking on behalf of $8.7 billion of customer money.

Larry Fink is not alone in his opinion. The importance that numerous institutional investors attach to sustainable investments has increased enormously. This is reflected by the constantly growing volume of capital being invested with attention to sustainability criteria. The time increasingly being spent on sustainability topics during investor talks also illustrates their growing importance in the investors' eyes. First among these is the companies' carbon footprint, i.e. the "environment" factor, alongside "social" and "governance". The three letters "ESG" have therefore long since found their way into the company's daily affairs. Sustainability is already rapidly gaining in importance among private investors: calculations by the research institute FNG, which specialises in sustainable investments, show that the volume of funds explicitly invested in sustainable assets in Germany during 2019 had doubled to €183.5 billion within just one year. This growth trend is sure to have continued during 2020.

More than one third of all CO_2 emissions are influenced by the real estate sector. This makes it clear that HAMBORNER too can make a significant contribution.

VIDEO
Niclas Karoff talks about sustainability at HAMBORNER. To watch the video, scan the QR code or click on the image.

AACHEN, Grüner Weg 110
Approx. €40 million was invested in this office property, which was acquired in 2020; it is situated in one of the city's prime locations.

Find out more

This is nothing new for HAMBORNER. After all, the company published its eighth sustainability report just last November. However, the company's sustainability policy underwent another thorough appraisal in 2020 and its ecological performance standards were defined in greater detail. That is why CEO Niclas Karoff says: "Investor and company expectations with regard to ESG integration have risen significantly, with good reason. We have taken this on board. We have adjusted our overall strategy and will continue driving the organisational expansion of our sustainability management system."

2020 accordingly saw relevant fields of action examined, priorities set, goals defined and measures determined in cooperation with an external consultant. In the future, a newly formed sustainability committee consisting of seven people will meet at regular intervals to ensure that the goals are kept in sight and the measures implemented on a day-to-day basis. Both members of the Management Board are also members of this committee.

The new goals and specific plan of action mean that HAMBORNER is on the right track. During 2020, a total of €5.5 million was invested in the modernisation of numerous portfolio properties. These measures were implemented in compliance with current energy standards using high-quality materials. In terms of energy, the bar has also been raised once again for new acquisitions. In 2020, the company acquired four properties with a total investment volume of more than €100 million. They include a new office building in Neu-Isenburg, which was awarded the "platinum" top ranking following a certification process performed by the German Sustainable Building Council (DGNB). Other new acquisitions, like those in Aachen and Bonn, are also in no way behind this award-winning property in terms of environmental sustainability.

The growing demand for sustainability is also increasing the importance of appropriate standards and certification. BREEAM, LEED, DGNB – both tenants and investors are likely to pay even more attention to these acronyms than they have done in the past.

In future, HAMBORNER will document these and other relevant aspects in greater detail in its progress reports. These are oriented on the internationally recognised sustainability reporting standards set by the Global Reporting Initiative (GRI), the Sustainability Best Practices Recommendations (sBPR) made by EPRA, the interest group representing the European public real estate companies, and the corresponding practical guideline issued by the German Property Federation (ZIA). Our voluntary commitment to the various standards with their countless criteria shows that HAMBORNER takes sustainability seriously.

Company

Letter to shareholders

Dear shareholders and readers,

Today we look back on an eventful yet successful year with the publication of our Annual Report. Much of 2020 was dominated by the impact felt from the global COVID-19 pandemic. The global community, including HAMBORNER, faced tough challenges as a result of the spread of the virus.

The far-reaching restrictions on public life and the associated impact on our tenants notwithstanding, our business model has continued to prove highly stable, and the company ended the 2020 financial year with renewed growth in revenue and earnings. Key developments at a glance:

- Income from rents and leases up by 3.6% and FFO by 2.4%
- Addition of four high-value office and retail properties in Neu-Isenburg, Bonn, Aachen and Dietzenbach – total investment of €101.4 million €101.4 million).
- Disposal of eleven high-street properties as part of portfolio optimisation

NICLAS KAROFF
Chief Executive Officer
of HAMBORNER REIT AG

HANS RICHARD SCHMITZ
Management Board
of HAMBORNER REIT AG

54.5%

REIT equity ratio

€0.47

Dividend proposal for the 2020 financial year

- Vacancy rate still extremely low at 1.8%
- Solid accounting structure with a REIT equity ratio of 54.5% and an LTV of 44.5%
- NAV per share of €11.05
- Dividend proposal at the previous year's level of €0.47 per share

The successful performance was once more built upon our diversified and profitable portfolio and the particular proximity to our tenants. The far-reaching restrictions on public life and the associated impact on individual tenant groups notwithstanding, our rent income showed a very positive trend over the course of the year. Despite a short-lived decline during the country-wide lockdown in the spring, rent income recovered rapidly, returning to pre-crisis levels in the second half of the year.

On the basis of a number of individual agreements, we were able to find fair and equitable solutions for tenants who had been adversely affected. This allowed us to keep the volume of both temporary rent reductions and deferrals at a very low level. At the same time, leases with these tenants were extended before the end of negotiations.

The global crisis notwithstanding, we feel that we remain very well positioned, and anticipate good results for the rest of the year.

We would like to take this opportunity to thank you, especially for keeping faith in us, for your work with our tenants and business partners, and also to wish for continuing health and success for all of us in 2021.

Duisburg, March 2021

Niclas Karoff

Hans Richard Schmitz

Report of the Supervisory Board

DR ANDREAS MATTNER
Chairman of the Supervisory Board
of HAMBORNER REIT AG

Dear readers,

Despite the considerable pressures of the COVID-19 pandemic, HAMBORNER REIT AG ended the 2020 financial year with an outstanding result.

CHANGES TO THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Supervisory Board appointed Mr Niclas Karoff as Chief Executive Officer at its meeting on 23 January 2020. Member of the Management Board, Dr Rüdiger Mrotzek, sadly passed away unexpectedly on 28 January 2020. At the scheduled election, employees confirmed into office their representative Ms Mechthilde Dordel, with Mr Klaus Hogeweg and Mr Johannes Weller elected as new members of the Supervisory Board. At the virtual Annual General Meeting on 8 October 2020, Ms Maria Teresa Dreo was elected to the company's Supervisory Board in place of the departing Ms Bärbel Schomberg at the proposal of the Supervisory Board based on a corresponding recommendation by the Nomination Committee. The Supervisory Board thanks Ms Schomberg for her tirelessly positive contribution to the Committee, which she has successfully led since 2018.

MONITORING OF MANAGEMENT AND COOPERATION WITH THE MANAGEMENT BOARD

In the 2020 reporting year, the Supervisory Board also regularly advised the Management Board with regard to company management, and monitored its work closely and continuously. Members of the Supervisory Board received detailed information on all key business transactions and forthcoming decisions. At all times, the Management Board fulfilled its duty to provide information, and reported comprehensively and in a timely manner, both in writing and verbally, on the strategic alignment of the company and all relevant aspects of business planning including financial, investment and personnel planning, risk management, and compliance.

Furthermore, at each meeting the Supervisory Board discussed the economic situation, business development, and the company's earnings and risk situation. The members of the Supervisory Board always had ample opportunity to scrutinise the reports and proposals for resolutions submitted by the Management Board in committees and Supervisory Board sessions, and to make their own suggestions.

There were six meetings of the Supervisory Board in the 2020 financial year, one of which was held as a physical meeting prior to the start of the COVID-19 pandemic. Another meeting took the form of a phone conference, while the other four were video conferences. For reasons of urgency, the Supervisory Board approved each of the following by information circular: a property purchase, the disposal of a property portfolio, further disinvestment, and a proposal to the Annual General Meeting to distribute a share dividend by utilising authorised capital.

The Supervisory Board also held three phone conferences with the Management Board to discuss in detail the impact of the COVID-19 pandemic on the company and the measures which needed to be taken.

Furthermore, the Chairman of the Supervisory Board was in regular contact with the Chairman of the Management Board in order to stay informed of key transactions, forthcoming decisions and current developments regarding the business situation.

MAIN ACTIVITIES OF THE FULL SUPERVISORY BOARD

The revenue, earnings and personnel development of the company, the financial position, letting activities, and the status of purchases and disposals were explained in detail by the Management Board during the meetings and then discussed by the members of the Supervisory Board. Furthermore, the Supervisory Board focused on a series of specific issues in meetings with the Management Board including, of course, the COVID-19 pandemic.

As previously mentioned, Mr Niclas Karoff was appointed as Chief Executive Officer of the Management Board at its meeting on 23 January 2020.

At the accounts meeting of 18 March 2020, held as a phone conference, the Supervisory Board approved the separate IFRS financial statements and the annual financial statements of HAMBORNER REIT AG under German commercial law as at 31 December 2019, following its own review and discussion of key aspects with the auditor, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The Supervisory Board endorsed the Management Board's proposal for the appropriation of profits. The Supervisory Board also adopted the agenda for the 2020 Annual General Meeting, which was scheduled at the time for 6 May 2020. Budgets were set and non-vested share commitments were again granted, and a management bonus to the Management Board was awarded in the context of performance-based remuneration.

The Supervisory Board's video conference meeting on 16 June 2020 discussed the company's future strategy with the Management Board.

A further video conference meeting on 29 July 2020 addressed the agenda of the now-postponed Annual General Meeting, and the conditional proposal tabled by the Management Board in light of the COVID-19 pandemic.

Following the Annual General Meeting, the constituent meeting of the Supervisory Board was held as a video conference on 8 October 2020. During this meeting, Mr Böge was elected Deputy Chairman and authorised signatory for the Chairman. The Executive Committee saw the re-election of Ms Dreo and confirmation of the other members in office. Mr Böge was also elected as Chairman of the Audit Committee, while Ms Kaufmann-Hocker, Mr Glessing, and Mr Weller were elected as members. At the Nomination Committee, Ms Dreo, Mr Glessing, Mr Graebner, and the authorised signatory as Committee Chairman were all elected.

The meeting on 11 November 2020 focused on the company's budget and medium-term planning for 2021 to 2025. The planned revenue and earnings trend was discussed in full with the Management Board. In the course of this meeting, the authorised signatory recused himself from any discussion regarding the potential disposal of a property portfolio to CINTHIA Real Estate, and any subsequent vote on the matter in the Supervisory Board. The reason for this was the fact that the investor is linked through its affiliation with the Otto Group to the parent company, which is also the holding company of the authorised signatory's employer (ECE). In addition, a disinvestment decision was taken with regard to a property, and the declaration of compliance with the German Corporate Governance Code in accordance with section 161 Stock Corporation Act (Aktiengesetz, "AktG") adopted.

REPORT BY THE COMMITTEES

Some of the work of the Supervisory Board is performed by committees. There were three committees once again in the 2020 financial year.

The Executive Committee met three times. The meeting of 17 January 2020 addressed the candidate selection for another member of the Management Board, and the process of drafting a proposal to the full Supervisory Board.

The meeting of 19 February 2020 debated and resolved Management Board matters, and prepared the resolution of the Supervisory Board on the dividend for the 2019 financial year.

The meeting of 18 March 2020 discussed the setting of parameters for variable remuneration of the Chairman of the Management Board.

The Nomination Committee met once in the 2020 financial year. The Committee discussed a candidate to succeed Ms Schomberg at its meeting of 17 January 2020.

The Audit Committee met four times in 2020 with the auditor in attendance on each occasion. It discussed the 2019 annual financial statements in detail, and the 2020 half-year and the quarterly interim reports were explained by the Management Board. The Audit Committee issued the audit mandate. In addition, the Committee discussed the results of an internal audit that was outsourced to a third-party audit firm and set out the audit issues for the current financial year. The Supervisory Board was informed comprehensively about the activities of the committees by the respective Chairman at the start of each meeting.

ATTENDANCE AT MEETINGS

ATTENDANCE OF SUPERVISORY BOARD MEMBERS IN SUPERVISORY BOARD AND COMMITTEE MEETINGS IN THE 2020 FINANCIAL YEAR

Name	Member since	SB total (6)	Audit Committee (4)	Executive Committee (3)	Nomination Committee (1)
Bärbel Schomberg (until 8 October 2020)	2011	4 / 4	–	3 / 3	1 / 1
Dr Andreas Mattner	2017	6 / 6	–	3 / 3	1 / 1
Claus-Matthias Böge	2015	6 / 6	4 / 4	3 / 3	–
Maria Teresa Dreo	8 October 2020	2 / 2	–	–	–
Rolf Glessing	2018	6 / 6	4 / 4	–	1 / 1
Ulrich Graebner	2019	6 / 6	–	3 / 3	1 / 1
Christel Kaufmann-Hocker	2010	6 / 6	4 / 4	–	–
Mechthilde Dordel	2010	6 / 6	–	–	–
Wolfgang Heidermann (until 8 October 2020)	2013	4 / 4	3 / 3	–	–
Klaus Hogeweg	8 October 2020	2 / 2	–	–	–
Dieter Rolke (until 8 October 2020)	2012	4 / 4	–	–	–
Johannes Weller	8 October 2020	2 / 2	1 / 1	–	–

CORPORATE GOVERNANCE AND THE DECLARATION OF COMPLIANCE

The Supervisory Board and the Management Board again intensively discussed the further development of internal corporate governance in the year under review. The Committee, together with the Management Board, reports on this in accordance with Principle 22 of the German Corporate Governance Code (hereinafter “Code”), in the corporate governance report for 2020. There were no conflicts of interest in terms of E.1 of the Code among its members, with the exception of the matter described above. The Supervisory Board and Management Board published an updated joint declaration of compliance with the Code in accordance with section 161 AktG in November 2020. This declaration of compliance can be accessed by the public on the company’s homepage at **www.hamborner.de/en** in the Corporate Governance section.

ADOPTION OF THE 2020 HGB ANNUAL FINANCIAL STATEMENTS (HGB) AND APPROVAL OF THE IFRS SEPARATE FINANCIAL STATEMENTS

On 17 March 2021, in the presence of the auditor, first in the Audit Committee and then in the meeting of the Supervisory Board, the Supervisory Board examined and discussed in detail the annual financial statements under German commercial law and the separate IFRS financial statements of the company in accordance with section 325(2a) of the German Commercial Code (Handelsgesetzbuch, “HGB”), together with the management report and the proposal for the appropriation of profits. In preparation, all members of the Supervisory Board received copies of the audit reports early. The certifying auditors reported at length on the audit results and were available to the Supervisory Board to answer supplementary questions and provide information in the discussion.

There were no objections to the HGB and IFRS financial statements presented, with the result that the Supervisory Board approved them at its meeting on 17 March 2021. The 2020 annual financial statements under German commercial law prepared by the Management Board were therefore approved. The Supervisory Board has endorsed the proposal of the Management Board for distribution of the unappropriated surplus.

UNQUALIFIED AUDIT OPINION

The annual financial statements of the company as at 31 December 2020 prepared by the Management Board in accordance with the rules of the German Commercial Code, the German Stock Corporation Act and the German REIT Act, plus the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), the management report, and the proposal for the appropriation of profits were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The Supervisory Board had commissioned the audit in accordance with the resolution of the Annual General Meeting of 8 October 2020. The auditor issued unqualified audit opinions for both sets of financial statements.

OUR THANKS

The Supervisory Board wishes to thank the Management Board and all employees and express its appreciation for their strong personal commitment and their work. Working together, they again achieved a very positive result in the past financial year as a result of their ongoing dedication, especially in view of the COVID-19 pandemic.

Duisburg, 17 March 2021

Supervisory Board

Dr Andreas Mattner
Chairman

Management Board and Supervisory Board

Management Board

NICLAS KAROFF, BERLIN
Chairman
Born 1971,
Member of the Management Board since 1 March 2020,
appointed until 29 February 2024
- Director for Corporate Strategy / Digitalisation, Portfolio Management, Risk Management / Data Protection, Transaction Management, Controlling, Investor Relations, Public Relations, Human Resources, Internal Audit

DR RÜDIGER MROTZEK, HILDEN
Born 1957,
Member of the Management Board from 8 March 2007
to 28 January 2020
- with responsibility for Finance / Accounting, Controlling, Taxes, Portfolio Management, Transaction Management, Human Resources, IT, Risk Management and Controlling, Investments

HANS RICHARD SCHMITZ, DUISBURG
Born 1956,
Member of the Management Board since 1 December 2008,
appointed until 31 December 2022
- with responsibility for Asset Management, Technology / Maintenance, Finance and Accounting, Taxes, Legal / Corporate Governance, Investor Relations, Project Management, IT, Insurance, Corporate Services, Investments

DR ECKART JOHN VON FREYEND, BAD HONNEF
Honorary Chairman of the Supervisory Board

Supervisory Board

BÄRBEL SCHOMBERG, KÖNIGSTEIN IM TAUNUS
(until 8 October 2020)
Chairwoman
Managing Partner at Schomberg & Co. Real Estate Consulting GmbH

DR ANDREAS MATTNER, HAMBURG
Chairman (from 8 October 2020)
Deputy Chairman (until 8 October 2020)
Managing Director of
ECE Office & Industries G.m.b.H.
Verwaltung ECE Office Traffic Industries G.m.b.H.
ECE Development & Consulting G.m.b.H.

CLAUS-MATTHIAS BÖGE, HAMBURG
Deputy Chairman (from 8 October 2020)
Managing Director of CMB Böge Vermögensverwaltung GmbH

MARIA TERESA DREO, VIENNA (from 8 October 2020)
Management Board Director of ARWAG Holding AG

ROLF GLESSING, ILLERKIRCHBERG
Managing Partner of Glessing Management
und Beratung GmbH

ULRICH GRAEBNER, BAD HOMBURG V. D. H.
Senior Partner at Cara Investment GmbH

CHRISTEL KAUFMANN-HOCKER, DÜSSELDORF
Independent management consultant

MECHTHILDE DORDEL, OBERHAUSEN *
Commercial employee of HAMBORNER REIT AG

WOLFGANG HEIDERMANN, RAESFELD *
(until 8 October 2020)
Technical employee of HAMBORNER REIT AG

KLAUS HOGEWEG, MÜLHEIM AN DER RUHR *
(from 8 October 2020)
Commercial employee of HAMBORNER REIT AG

DIETER ROLKE, OBERHAUSEN *
(until 8 October 2020)
Commercial employee of HAMBORNER REIT AG

JOHANNES WELLER, WILLICH *
(from 8 October 2020)
Commercial employee of HAMBORNER REIT AG

* Employee representative

Sustainability

The success of a company is not measured by its revenue and income alone. Profitable growth is possible in the long term only by accepting responsibility for the environment and society.

The transformation to a sustainability-based property industry is a long-term objective which we share with our competitors and our stakeholders. Our goal is to actively embrace this process and the growing trend towards integration of sustainability aspects on a company, property, and investment level, and to accept social and environmental responsibility as part of our remit to add value.

Our sustainability management system focuses on the material impact of our business model, while undertaking an in-depth review of strategic decisions and measures. Only by adopting a clear stance and maintaining our focus are we able to harness the dynamic transformation process taking place in our industry, thereby ensuring the sustainability and future viability of our business model.

Sustainability strategy

The overall strategy of HAMBORNER REIT AG is aimed at value-adding growth through continuous optimisation and yield-driven expansion of the property portfolio., The core element involves generating sustainable and long-term plannable rental income for distribution to our shareholders in the form of attractive dividends. Our strategy therefore takes into account all measures that contribute to generating appropriate and attractive distributions in the long term.

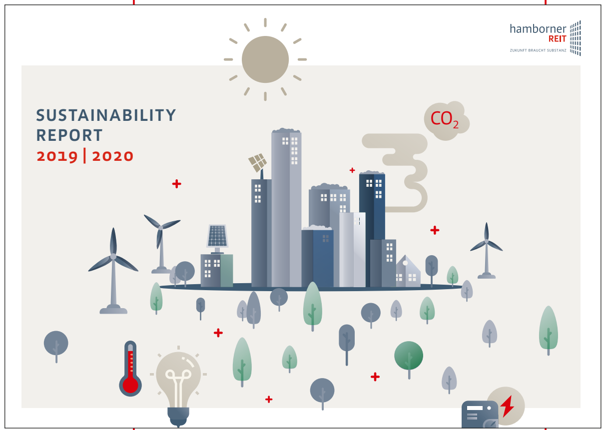
The growing demands of our stakeholders for sustainable business practices play an ever-greater role in this context. For this reason, we have incorporated criteria regardingthe above into our corporate strategy, and are committed to the continuous expansion of our sustainability management system.

Sustainability management

Key criteria for successful sustainability management, development and expansion include feasibility and the added value of the planned measures. In light of this, we set up an internal sustainability committee for the planning and control of sustainability activities in 2020. The committee brings together the Management Board and heads of the individual divisions.

Collaboration with company stakeholders lays the groundwork for the successful implementation of our sustainability management system. For this reason, we have developed a systematic stakeholder engagement programme to take interaction between the relevant stakeholders to the next level.

Using a variety of dialogue formats, we discuss sustainability issues with our stakeholders, identify key business-related aspects, and define strategic and organisational measures which are then gradually integrated into our processes.



Read the current 2019 / 2020 **SUSTAINABILITY REPORT** **here**.

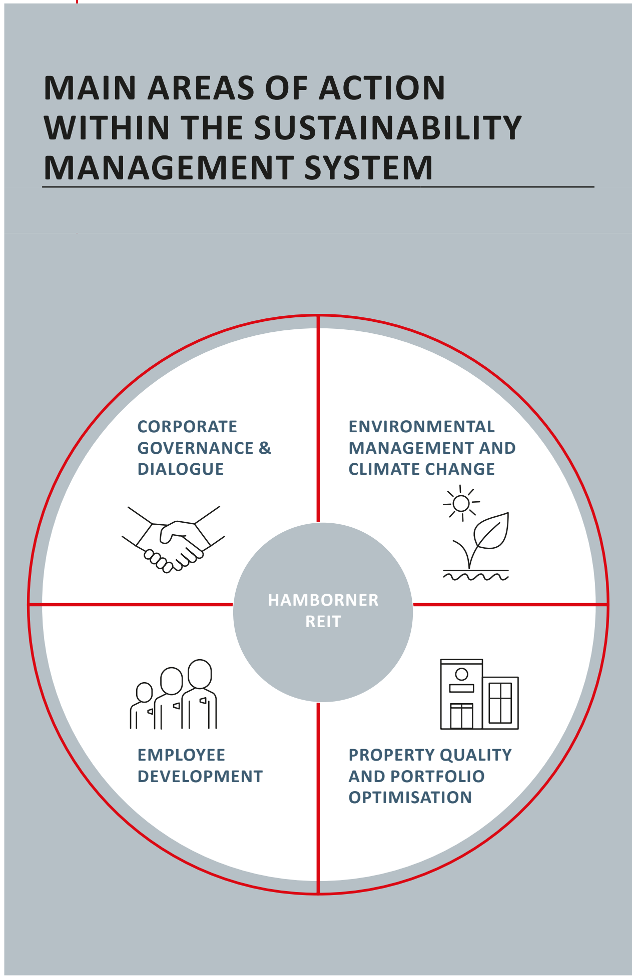
Key issues and areas of action

In defining business-related sustainability issues, we act strictly according to the principle of materiality, while following a policy of targeting the available resources and our own efforts on issues which have the greatest impact on society and the environment. These criteria help define the following core areas of action:

- Corporate governance & dialogue
- Environmental management and climate change
- Property quality and portfolio optimisation
- Employee development

Our strategic sustainability programme forms the basis of everything we do. It creates a route map for implementation of our sustainability strategy and defines specific measures for achieving our sustainability-related operating targets, which are directly linked to the core business.

The strategic sustainability programme and other relevant information can be found in the current sustainability report. This is available at **www.hamborner.de/en/hamborner-reit-ag/sustainability**.



HAMBORNER shares

GENERAL SITUATION ON THE STOCK MARKET

The stock market of 2020 will be remembered by investors as a turbulent and highly volatile year. The trend on national and international stock markets was shaped largely by the impact of the COVID-19 pandemic.

After ending 2020 at 13,249 points, the DAX achieved significant growth in the opening weeks of the year, and reached an historic high of 13,795 in the middle of February. As a result of the global spread of the COVID-19 virus and the ensuing economic and social restrictions, the leading share index fell sharply in the following weeks to a low of 8,256 in the middle of March.

Regardless of the far-reaching effects of the pandemic on numerous sectors, the global stock markets stood largely aloof and recovered quickly during the second quarter of 2020. Thanks to large-scale monetary and fiscal stimulus, the positive market trend continued in the second half of the year, and the DAX reached another all-time high of 13,903 at the end of December. The leading share index ended 2020 up by 3.5% at 13,719 points.

The indices that follow the DAX, the MDAX and the SDAX also reached interim highs over the course of 2020 and posted significant gains of 8.8% and 18.0% respectively.

The shares of European property companies failed to benefit from the positive sentiment on the markets in the second half of 2020. The FTSE EPRA / NAREIT Europe ex UK Index, which is published by the European Public Real Estate Association (EPRA) in Brussels, posted a loss of 9.3% in 2020.

HAMBORNER REIT AG SHARES

HAMBORNER shares are traded on the stock markets of Frankfurt am Main and Düsseldorf in addition to the Xetra electronic trading system. The shares are listed under securities identification number A3H233 (ISIN: DE000A3H2333). They meet the international transparency requirements of Deutsche Börse’s Prime Standard.

Conversion of the bearer shares into registered shares was approved by a large majority at the Annual General Meeting on 8 October 2020. This conversion took place in February 2021. Registered shares create far greater transparency regarding the current shareholder structure, and enable more effective communication with shareholders.

HAMBORNER engaged the ICF Bank AG based in Frankfurt am Main and private bank M. M. WARBURG from Hamburg as designated sponsors. They ensure that HAMBORNER shares can be traded at all times on the basis of ongoing bid and ask prices.

At 48.2 million, the trading volume of HAMBORNER shares was markedly above that of the previous year in the 2020 financial year (30.8 million), as the result of above-average volatility on the stock markets. The average trading volume rose accordingly to around 186 thousand shares per day (previous year: around 122 thousand).

+3.5%

DAX in 2020

+18.0%

SDAX in 2020

OVERVIEW OF HAMBORNER SHARES		2020	2019	2018
Issued capital	€ million	80.6	79.7	79.7
Market capitalisation*	€ million	726.0	778.0	670.4
Year-end share price	€	9.01	9.76	8.41
Highest share price	€	10.62	9.82	10.08
Lowest share price	€	7.32	8.38	8.40
Dividend per share	€	0.47**	0.47	0.46
Total dividend	€ million	37.9	37.5	36.7
Dividend yield*	%	5.2	4.8	5.5
Price / FFO ratio		13.1	14.3	12.7

* Basis: Xetra year-end share price
** Proposal to the 2021 Annual General Meeting

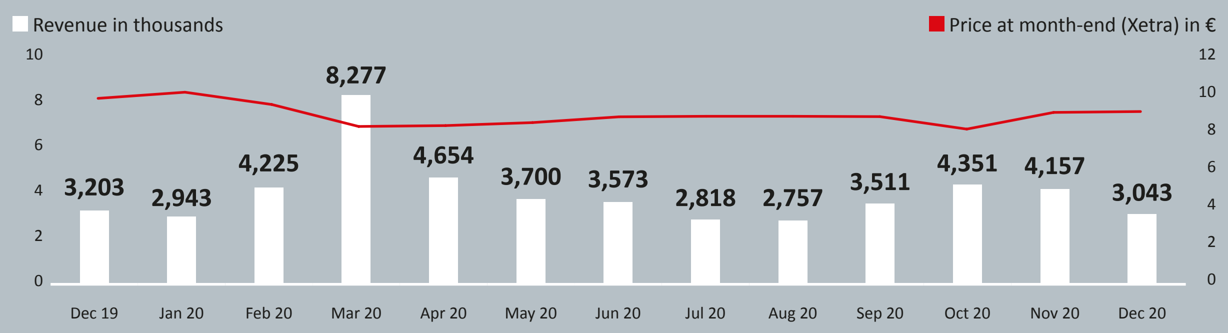
PRICE PERFORMANCE OF HAMBORNER SHARES

HAMBORNER shares were also unable to escape the turbulence on the stock markets and experienced volatility in 2020. After ending 2019 at €9.76, the price rose to €10.62 by the middle of February 2020. The shares subsequently fell sharply in line with the general trend, and recorded an annual low of €7.32 in mid-March.

The second quarter of the year saw the shares recovering at least part of their losses thanks to positive market sentiment. By 30 June 2020, the price was €8.71, putting it below the net asset value (NAV) which was €11.27 as the first half of the year came to a close.

HAMBORNER shares largely plateaued during the second half of the year, before recovering slightly by the end of the year to €9.01 as at 31 December 2020. This corresponds to a fall of 7.7% compared with the price at the end of 2019. Market capitalisation as at the end of 2020 was €726.0 million (previous year: €778.0 million).

PRICE TREND FOR 2020

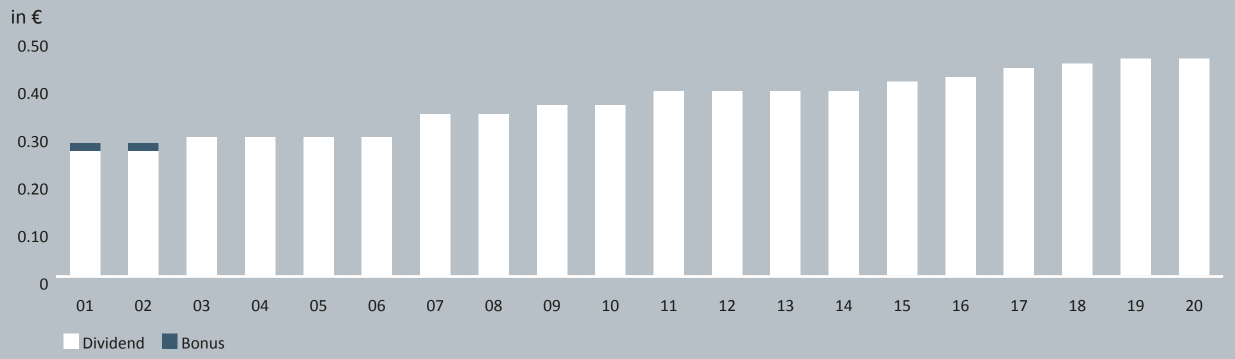


DIVIDEND TREND

A dividend distribution of €0.47 per share will be proposed to the Annual General Meeting on 29 April 2021 for the 2020 financial year. This would correspond to a dividend yield of 5.2% based on the share price at the end of 2020.

HAMBORNER has been known for many years for an attractive and dependable dividend policy. If the company's situation permits, we also intend to maintain high distribution ratios in future.

DIVIDEND TREND 2001 – 2020



5.2%

Dividend yield

€0.47

Dividend proposal to the 2021 Annual General Meeting

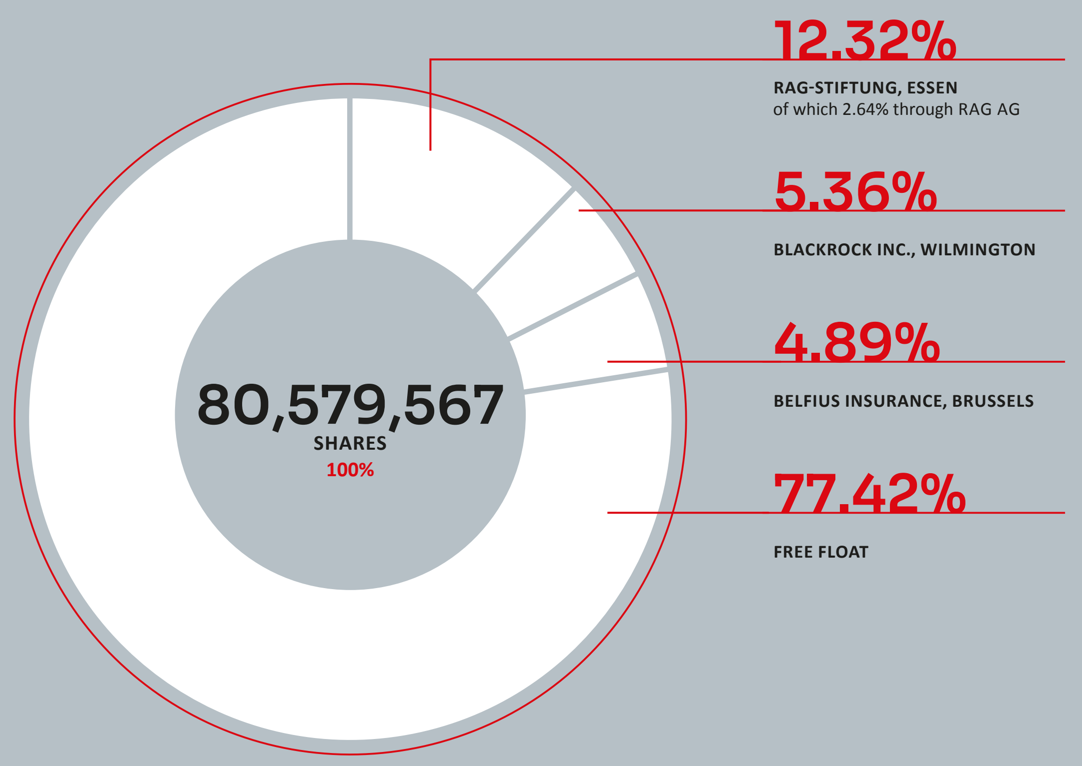
INVESTOR AND PUBLIC RELATIONS

Active, continuous and transparent communication with the capital market is a matter of high importance at HAMBORNER. In our investor relations work we regularly report on strategy, current business developments and our company's prospects for the future. Our goal is to give you, our investors, a reliable, transparent impression of our company, enable a fair company valuation, and build confidence in the company.

In 2020, we again held a series of mainly virtual roadshows in Germany and other European financial centres, and regularly took part in virtual capital market and specialist conferences at home and abroad. Investors were also able to speak directly with the Management Board during individual and group meetings. Several interested investors and analysts were also able to form a personal impression of our properties through individual property tours in 2020. Furthermore, the Management Board and the investor relations team reported to private investors on development of the company at special events, and answered questions in numerous personal talks and telephone calls.

Investors, analysts and other capital market participants were also provided with information on the company not only face-to-face but online too. Our homepage www.hamborner.de/en now offers clear access to current company data and publications at all times. Those interested can also use the contact form in the Investor Relations section to register for our newsletter and receive information on HAMBORNER REIT AG directly by email. Furthermore, we provide details of our publication dates and roadshow and conference planning in advance in our financial calendar.

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2020



Public relations work also remains an important element in our communications concept. We have continued our ongoing dialogue with the financial, industry and business press and the relevant associations. We report openly, promptly and reliably on our investments and the situation of the company in press releases and interviews. In doing so, we have observed a growing response in the media in recent years.

We look forward to continuing our investor relations activities and providing information on the performance of HAMBORNER REIT AG promptly, transparently, and comprehensively in 2021. We will also continue to seek a dialogue with our shareholders and are happy to receive your questions, requests and suggestions.

CONTACT FOR INVESTOR AND PUBLIC RELATIONS

Christoph Heitmann

Head of Investor & Public Relations
Tel.: +49 203 54405-32
Email: c.heitmann@hamborner.de
Web: www.hamborner.de/en/investor-relations

Transparent EPRA reporting

HAMBORNER REIT AG has been a member of EPRA since 2010. The European Public Real Estate Association is an organisation that represents the interests of the major European property companies to the public and supports the development and market presence of the European property corporations. As in previous years, HAMBORNER reports in line with the standards recommended by EPRA to ensure maximum transparency and comparability in determining key performance indicators.

This Annual Report is published by the company to set out the new key financial ratios of EPRA NRV (Net Reinstatement Value), EPRA NTA (Net Tangible Assets) and EPRA NDV (Net Disposal Value), and to provide a reconciliation statement for EPRA NAV. The current EPRA guidelines recommend the use of these new key financial ratios, which replace the current key financial ratios of EPRA NAV and EPRA NNNAV. Property companies, once overwhelmingly long–term passive portfolio holders, have in recent years developed into actively managed companies with higher transaction volumes and an extension of debt financing into capital markets from conventional bank loans. The key financial ratios have been redefined accordingly.

In addition, the company has set out capitalised investment expenses (EPRA CapEx measures) for the first time as part of the EPRA reporting process.

OVERVIEW OF EPRA KEY FINANCIAL RATIOS

OVERVIEW OF EPRA KEY FINANCIAL RATIOS IN € THOUSAND	31 Dec. 2020	31 Dec. 2019
EPRA NRV	1,007,261	1,041,600
EPRA NTA	890,222	923,726
EPRA NDV	852,276	894,892
EPRA earnings	55,609	54,308
EPRA net initial yield in %	4.6%	4.5%
EPRA ‘topped–up’ net initial yield in %	4.6%	4.5%
EPRA vacancy rate in %	1.9%	1.3%
EPRA cost ratio in % (including direct vacancy costs)	21.1%	19.2%
EPRA cost ratio in % (excluding direct vacancy costs)	20.6%	18.9%

EPRA NRV, EPRA NTA AND EPRA NDV

EPRA NRV describes a portfolio–holding property company which is not generally in the business of selling properties. Assets and liabilities which do not normally lead to long–term appreciation or depreciation, for example fair value adjustments to financial instruments, are not taken into account. The key financial ratio should reflect the value that would be required for the company to recover.

EPRA NTA focuses on determining the value of a property company’s tangible assets. This calculation assumes that property companies buy and sell properties, and that taxes must be deferred as a result. Intangible assets and market values of financial instruments must be adjusted.

Shareholders want to know the full extent of liabilities and the company value resulting from these if assets are sold and liabilities not held to maturity. EPRA NDV therefore incorporates financial instruments and other liabilities with their fair values less any taxes incurred.

31 Dec. 2020 in € thousand	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Shareholders' Equity	**474,234**	**474,234**	**474,234**
Diluted NAV*	**474,234**	**474,234**	**474,234**
Revaluation of investment property (using cost model according to IAS 40)	415,966	415,966	415,966
Diluted NAV at market value*	**890,200**	**890,200**	**890,200**
Market value of financial instruments	521	521	–
Intangible assets according to the IFRS balance sheet	–	–499	–
Fair value of fixed interest rate liabilities	–	–	–37,924
Land transfer tax / acquisition costs	116,540	0	–
NAV*	**1,007,261**	**890,222**	**852,276**
Number of shares (fully diluted)	80,580	80,580	80,580
NAV per share in €*	**12.50**	**11.05**	**10.58**

* NAV refers to new EPRA calculation methods for NRV, NTA, and NDV

31 DEC. 2019 IN € THOUSAND	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Shareholders' Equity	**513,562**	**513,562**	**513,562**
Diluted NAV*	**513,562**	**513,562**	**513,562**
Revaluation of investment property (using cost model according to IAS 40)	409,628	409,628	409,628
Diluted NAV at market value*	**923,190**	**923,190**	**923,190**
Market value of financial instruments	1,110	1,110	–
Intangible assets according to the IFRS balance sheet	–	–574	–
Fair value of fixed interest rate liabilities	–	–	–28,298
Land transfer tax / acquisition costs	117,270	0	–
NAV*	**1,041,570**	**923,726**	**894,892**
Number of shares (fully diluted)	79,718	79,718	79,718
NAV per share in €*	**13.07**	**11.59**	**11.23**

* NAV refers to new EPRA calculation methods for NRV, NTA, and NDV

RECONCILIATION STATEMENT IN € THOUSAND	2020	2019
EPRA NAV*	**890,721**	**924,300**
Land transfer tax / acquisition costs	116,540	117,270
ERPA NRV	**1,007,261**	**1,041,570**
Intangible assets according to the IFRS balance sheet	–499	–574
Land transfer tax / acquisition costs	–116,540	–117,270
EPRA NTA	**890,222**	**923,726**
Intangible assets according to the IFRS balance sheet	499	574
Fair value of fixed interest rate liabilities	–37,924	–28,298
Market value of financial instruments	–521	–1,110
EPRA NDV (= EPRA NNNAV*)	**852,276**	**894,892**

* EPRA NAV / NNNAV refers to obsolete calculation methods

EPRA EARNINGS

The EPRA earnings indicator shows a property company's ability to make distributions from its sustainable operating income by adjusting net income for any measurement effects or the result of disposal activities. This indicator is therefore similar to the funds from operations (FFO) figure communicated by the company (FFO, see page 38 et seq.).

	EPRA EARNINGS IN € THOUSAND	2020	2019
	Earnings per IFRS	**–9,263**	**17,881**
+	Changes in value of investment property*	71,952	36,522
–	Profit or losses on disposal of investment properties	–7,080	–95
	EPRA earnings = FFO	**55,609**	**54,308**
	EPRA earnings per share in € = FFO per share in €	**0.69**	**0.68**

* Depreciation, impairment losses and reversals of impairment losses on property are recognised here on account of the recognition of property at the depreciated cost.

EPRA NET INITIAL YIELD

EPRA net initial yield is calculated on the basis of annualised rental income as at the reporting date, less property costs that cannot be reallocated to tenants, and divided by the fair value of the portfolio including incidental costs of acquisition. 'Topped–up' net initial yield also takes into account adjustments for rental incentives, such as rent–free periods.

EPRA NET INITIAL YIELD IN € THOUSAND	31 Dec. 2020	31 Dec. 2019
Fair value of the property portfolio (net)	1,584,260	1,598,090
+ Incidental costs of acquisition	116,540	117,270
+ Fair value of the properties held for sale*	40,525	0
Fair value of the property portfolio (gross)	**1,741,325**	**1,715,360**
Annualised rental income	88,708	85,559
– Non–transferable property costs	–9,483	–9,078
Annualised net rental income	**79,225**	**76,481**
+ Adjustments for rental incentives	–29	–106
Topped–up annualised rental income	**79,196**	**76,375**
Net initial yield in %	**4.6%**	**4.5%**
Topped–up net initial yield in %	**4.6%**	**4.5%**

* As the net fair value corresponds to the gross fair value, no incidental costs of acquisition are considered here.

EPRA VACANCY RATE

The EPRA vacancy rate is calculated using the ratio of market standard annualised rent for vacant space to market standard rents for the portfolio as a whole as at the reporting date.

EPRA VACANCY RATE IN € THOUSAND	31 Dec. 2020	31 Dec. 2019
Annualised standard market rent for vacant space	1,703	1,159
Annualised standard market rent for portfolio as a whole	90,411	87,117
Vacancy rate in %	1.9%	1.3%

EPRA COST RATIO

The EPRA cost ratio is intended to allow comparisons of the relevant operating costs and administrative costs of listed property companies. The relevant costs include all expenses from the IFRS financial statements (not including depreciation, interest, or taxes) for the management of the property portfolio that cannot be reallocated or passed on. The relevant costs calculated in this way are then compared to the company's adjusted income from rents and leases.

EPRA COST RATIO IN € THOUSAND	31 Dec. 2020	31 DEC. 2019
Administrative / operating expenses per IFRS income statement	87,303	50,878
+ Service charge costs less income from incidental costs passed on to tenants	3,532	2,347
– Other operating income from costs passed on to third parties / reimbursed expenses	–360	–398
– Investment property depreciation	–71,952	–36,522
EPRA costs (including direct vacancy costs)	**18,523**	**16,305**
– Direct vacancy costs	–399	–255
EPRA costs (excluding direct vacancy costs)	18,124	16,050
Gross rental income less ground rent costs	**87,967**	**84,939**
EPRA cost ratio in % (including direct vacancy costs)	**21.1%**	**19.2%**
EPRA cost ratio in % (excluding direct vacancy costs)	**20.6%**	**18.9%**

In the reporting year, as in the previous year, no costs were capitalised in connection with the administration of the property portfolio. General contractors are usually commissioned for the planning and performance of major modernisation work eligible for capitalisation. To the extent that the company's own employees render key services in connection with these measures, the corresponding personnel expenses are capitalised.

EPRA CAPEX MEASURES

Investment expenses (CapEx) are subdivided into categories to facilitate disclosure.

EPRA CAPEX MEASURES IN € THOUSAND	2020	2019
Acquisitions	**96,400**	**32,423**
Investment property		
Creation of additional rental space	22	720
Without creation of additional rental space	401	1,561
Maintenance measures relating to new acquisitions	558	944
Total (Investment property)	**982**	**3,225**
Total CapEx	**97,382**	**35,648**
Reconciliation of accrual–based allocation to expenses	–16,519	15,080
TOTAL CAPEX AFTER OUTFLOWS	**80,863**	**50,728**

The rise in acquisitions of €32.4 million to €96.4 million is essentially attributable to newly acquired properties in Aachen, Bonn, Neu–Isenburg, and Dietzenbach in the 2020 financial year. The properties in Bamberg and Lengerich transferred to HAMBORNER ownership in 2019.

Investment properties incurred total investment costs of €982 thousand (previous year: €3,225 thousand) in the 2020 financial year. Additional rental space for a catering area was created in the Lübeck property, generating expenses of €22 thousand (previous year: €720 thousand) in 2020.

Investment expenses for existing rental space of current tenants or new lets of €401 thousand (previous year: €1,561 thousand) were paid in 2020. In 2020, €340 thousand (previous year: €801 thousand) of this was used for the conversion of space rented by EDEKA in the Karlsruhe retail property as part of a lease extended until 31 December 2037.

If defects to the object of purchase are found in the course of due diligence, and these are not remedied by the seller, the purchase price is normally reduced on acquisition. Expenses of €558 thousand (previous year: €944 thousand) were paid in the 2020 financial year to remedy these defects after transfer of ownership. €149 thousand of this was incurred on the property in Ostenhellweg, Dortmund, and €154 thousand on the property in Siegen in 2020. An amount of €548 thousand was paid for renovation of the roof area at the property in Mannheim in 2019.

Total CapEx measures in 2020 came to €97.4 million (previous year: €35.6 million), which led in turn to outflows of €80.9 million (previous year: €50.7 million). The difference mainly results from the advance payment of €16.1 million made in 2019 for acquisition of the property in Neu-Isenburg, which transferred to HAMBORNER ownership in 2020.

Management Report

Basic information on the company

Positioning and strategy

OPERATING ACTIVITIES

HAMBORNER REIT AG is a stock corporation listed on the SDAX. It operates exclusively in the property sector and has positioned itself as an asset manager of commercial properties. The company has a diversified property portfolio that essentially consists of modern office properties in established locations, as well as retail properties focusing on local shops in city centre locations, neighbourhood centres, and high-footfall suburban locations in large and medium-sized cities in Germany.

HAMBORNER REIT AG is an industry leader thanks to its many years of experience in the property and capital market, an attractive dividend policy, and its lean and transparent corporate structure. The company is a real estate investment trust (REIT) and benefits on a corporate level from its exemption from corporation and trade tax.

STRATEGIC ALIGNMENT

Expansion of the existing portfolio

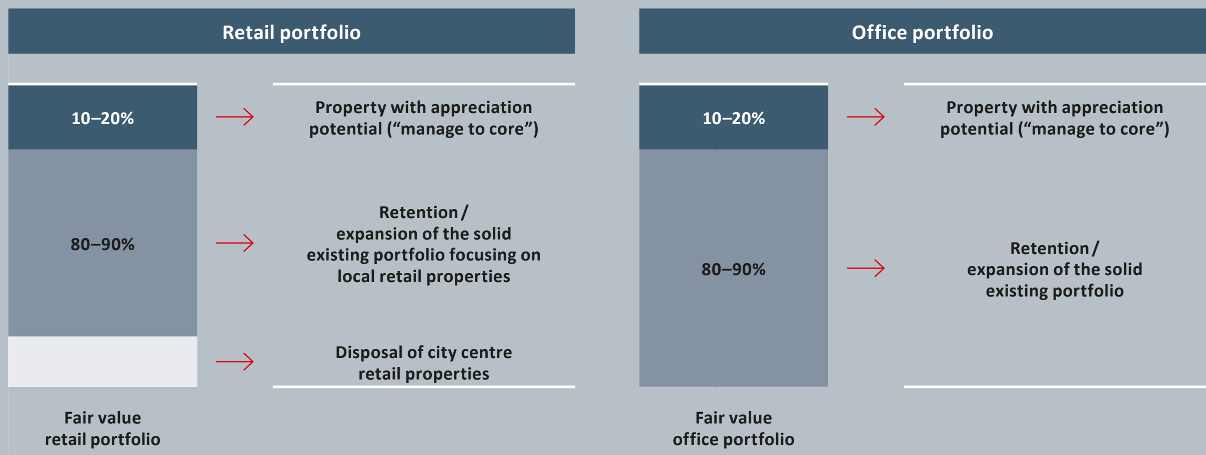
Along with the efficient management and development of the properties currently held, the corporate strategy at HAMBORNER REIT AG targets yield-driven expansion of the existing commercial property portfolio.

The company pursues an active portfolio strategy based on a “two-pillar model” and looks to invest in office and retail properties with an eye to regional diversification. Its objective is to safeguard profitability of the property portfolio in the long term by acquiring properties with an attractive yield-risk profile.

With regard to the retail portfolio structure, the company aims to keep the focus firmly on food shops and local retail properties, as this type of property creates a foundation for steady, long-term plannable rental income.

Investment therefore targets the acquisition of core properties in office and retail sectors defined by high-quality locations and buildings, tenants with good credit standing, and long-term letting.

“TWO PILLAR” PORTFOLIO STRUCTURE OF HAMBORNER REIT AG



Besides expanding the existing stable core portfolio, the acquisition strategy foresees investment in “manage to core” properties which offer additional appreciation potential, specifically properties attracting greater leasing demand and those requiring redevelopment or repositioning. The company seeks to identify and develop existing appreciation potential based on the expertise at its disposal. In order to ensure that the overall portfolio maintains its structure, the company has set a target quota of around 10–20% of the total portfolio volume for properties classified as “manage to core”.

As a rule, the retail property investment volume should be between €10 and €100 million with respect to targets for future investments. In the office sector, the company has set an acquisition volume target of between €20 and €100 million, though if the investment opportunity is sufficiently attractive, the company will also consider portfolio acquisitions in the above-mentioned property segments.

Geographical focus

As part of its investment activity, the company concentrates on large and medium-sized cities in German metropolitan regions that offer good growth prospects based on economic and demographic factors. Metropolitan regions in Germany contribute the lion’s share of national GDP, and enjoy the benefits of an outstanding public and private infrastructure. Not only do they cover major cities and urban centres, but also parts of the highly prosperous hinterland which is home to some exciting investment opportunities in the food retail sector. By contrast, the company focuses primarily on established office locations within the core cities of the metropolitan regions with regard to expanding the office portfolio.

This broad regional focus on metropolitan regions gives the company the flexibility it needs when selecting properties and continuing its steady growth.

Portfolio optimisation

In addition to yield-driven expansion of the portfolio, the HAMBORNER REIT AG strategy sets out to continuously optimise the existing portfolio. The company’s objective is to identify existing value-added potential within the portfolio, to develop it through targeted investment, and so to enhance the quality and profitability of the complete portfolio.

As part of its continuous portfolio optimisation process, the company will continue to divest itself of individual properties. To aid this process, all existing properties are reviewed through regular analyses focusing on their yield-risk profile and future prospects; potential properties for sale are then identified.

The current portfolio strategy plans a gradual disposal of city centre retail properties in particular, not least due to structural changes in the retail sector.

Financing strategy

The HAMBORNER REIT AG financing strategy pursues the goal of ensuring sustainable growth and company stability.

The company looks to create a sustainable and solid financing structure with a defensive loan-to-value profile (LTV) and high equity ratio to provide sufficient, optimised liquidity at all times, coupled with a balanced structure and debt maturity.

It also plans to finance the future expansion of its property portfolio with a balanced mix of equity and debt capital, while striving to maintain a REIT equity ratio above the legally required minimum of 45%.

Company financial controlling

FINANCIAL CONTROLLING

The company’s financial controlling system is geared towards contributing to the achievement of its goals. It extends from standardised investment analyses for individual properties to integrated budget and medium-term planning at company level (earnings, assets and cash flow planning). Monthly controlling reports provide a timely indication of any deviations from planning; corresponding variance analyses are used to devise alternative courses of action.

Our governance at company level is based on the performance indicators calculated using IFRS figures for funds from operations (FFO) and net asset value (NAV) per share. In particular, key operating value drivers and factors influencing development of FFO include rental income, the vacancy rate, personnel expenses, maintenance and interest expenses. Improvements in efficiency due to growth are expressed by the operating cost ratio, i.e. the ratio of administrative and personnel expenses to rental income. Furthermore, the market value of the property portfolio and other factors have a significant impact on the NAV per share. Controlling reports and scorecards ensure internal transparency of key ratio performance over the year. The short-term remuneration of the Management Board is also based in part on FFO per share (please see also the comments in the remuneration report). Calculation of the FFO and NAV figures is shown in the economic report.

PERFORMANCE INDICATORS

Funds from operations

Funds from operations (FFO) is a financial ratio calculated on the basis of the IFRS financial statements and an indicator of the company's long-term performance. It is used in value-oriented corporate management to show the funds generated that are available for investments and dividend distributions to shareholders. Adjusting FFO for maintenance and modernisation expenses capitalised and not recognised as an expense in the reporting year results in adjusted funds from operations (AFFO).

Net asset value per share

Net asset value (NAV) per share is the benchmark for the asset strength of an enterprise and is a key indicator for HAMBORNER as part of value-oriented company management, including as compared to other companies. The goal is to increase NAV per share through value-adding measures.

Portfolio

The property portfolio comprised 80 properties as at the end of the reporting year. The properties are predominantly in large and medium-sized cities at 60 locations in Germany, and have a total usable area of 641,181 m², almost all of which is used commercially. More detailed information on the year of purchase, location, size and type of use and the fair value of all properties can be found in the list of properties on page 115 et seqq. of the Annual Report.

The portfolio and key financial ratios are presented according to property use as follows:

KEY PORTFOLIO FINANCIAL RATIOS	RETAIL	OFFICE	TOTAL
Property value (€ million)	939.8	685.0	1,624.8
Number of properties	54	26	80
Leasable space (thousand m²)	433.4	207.8	641.2
Annualised rent (€ million)	55.8	32.9	88.7
Annualised rent yield (%)	5.9	4.8	5.5
EPRA vacancy rate (%)	2.2	1.3	1.9
Weighted remaining lease term (WALT) in years	7.1	5.0	6.3

Successful new investment

Four new investments were made in the 2020 financial year in line with the company strategy. Excluding incidental costs of acquisition, the investment volume came to €94.4 million (previous year: €29.2 million). The fair value of these properties came to €101.1 million as at 31 December 2020, and was therefore €6.7 million above the purchase prices. Specifically, ownership of the following properties was transferred to us in the reporting year:

CITY	ADDRESS	PROPERTY USE	AREA IN M²	RENTAL INCOME P. A. IN € THOUSAND	PURCHASE PRICE IN € MILLION
Aachen	Gut-Dämme-Str. / Grüner Weg	Office	8,323	1,964	37.4
Bonn	Soenneckenstr. 10, 12	Office	6,500	1,428	27.0
Dietzenbach	Masayaplatz 3	Retail	5,053	763	13.7
Neu-Isenburg	Siemensstr. 10a	Office	4,542	890	16.3
TOTAL			**24,418**	**5,045**	**94.4**

Portfolio disposals

Just as the company divested itself in previous years of various properties which were no longer in line with its strategy, it was able to further optimise its portfolio in 2020 with the disposal of three city centre retail properties.

CITY	ADDRESS	PROPERTY USE	CARRYING AMOUNTS IN € THOUSAND	PURCHASE PRICE IN € THOUSAND	RENTAL INCOME P. A. IN € THOUSAND
Oldenburg	Achternstr. 47 / 48	Retail	2,460	4,600	263
Osnabrück	Grosse Str. 82 / 83	Retail	3,118	5,900	338
Augsburg	Bahnhofstr. 2	Retail	5,151	8,100	519
TOTAL			**10,729**	**18,600**	**1,120**

Furthermore, the company concluded agreements at the end of the year on the sale of eight more city centre retail properties in Frankfurt, Kaiserslautern, Krefeld, Koblenz, Lüdenscheid, Oberhausen, Rheine and Wiesbaden. Ownership of these properties had not yet been transferred as at the end of the financial year. Purchase prices totalled €40.5 million, €18.9 million above the carrying amounts reported in the statement of financial position under the "Non-current assets held for sale" item.

In accordance with its strategy, the company sold around one third of its city centre retail properties held at the end of the previous year in 2020.

The sale of these properties should also continue throughout 2021, depending on market trends.

Tenant structure

The foundation of our successful performance in 2020 was laid with a combination of a high-quality and diversified portfolio and a solid tenant structure, characterised by the long-term retention of tenants with a good reputation and excellent credit standing. The following table provides an overview of the company's ten biggest tenants:

TOP 10 TENANTS	RENTAL INCOME IN % *
EDEKA Group	11.6
Kaufland Group	5.4
REWE Group	5.3
Real hypermarkets	5.2
OBI DIY stores	4.9
German Federal Employment Agency / Job centres	3.1
BARMER Insurance	2.3
NETCOLOGNE telecommunications company	2.0
GLOBUS retail stores	1.9
ALDI Group	1.5
TOTAL	**43.2**

* Share of annualised rental income (including rent guarantees)

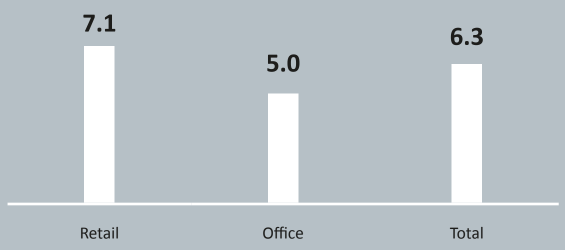
A glance at the tenant structure shows that a significant part of rental income is generated with companies which are largely insensitive to economic trends. Prominent in this category are food retailers who contributed around one third of the company's rental income in the 2020 financial year.

Lease terms remain long term and balanced.

Remaining terms on leases are shown below according to property use and are weighted by rental income:

WEIGHTED REMAINING LEASE TERMS

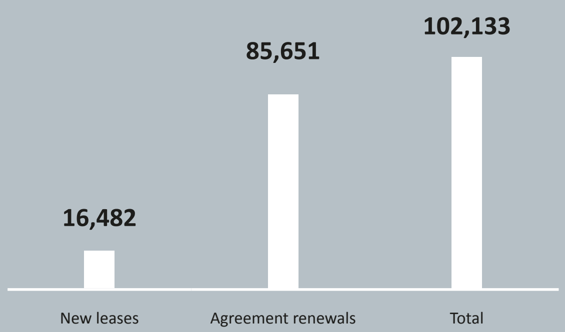
(As at: 31 December 2020; in years)



The company was able to post a positive leasing performance in the 2020 financial year:

LEASING PERFORMANCE

(2020 financial year; in m²)



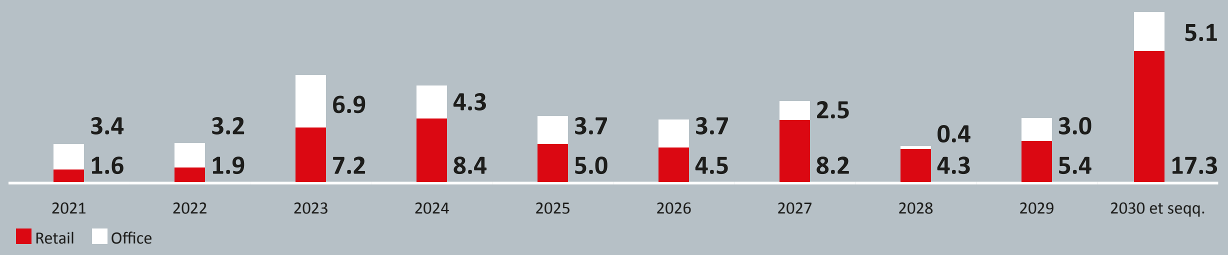
New leases concern an area of around 4,600 m² relating to a newly acquired office property in Aachen, Gut-Dämme-Str. / Grüner Weg, initially leased to AOK, who have concluded a ten-year lease agreement. Further to this, around 1,200 m² has been leased in a mainly vacant property in Mosbach for use as a vaccination centre in the fight against COVID-19.

Lease renewals relate to contract amendments as well as exercising of options. With regard to rental space, the tenant retention rate was around 84% – slightly above the previous year's figure.

Over the next few years, the company may also be faced with a serious cluster risk in relation to pending re-letting. Expiring leases affecting rental income are scheduled to end as follows in the next few years:

SHARE OF EXPIRING LEASES

(As at: 31 December 2020; in % of annual rental income)



Economic report

Economic environment

MACROECONOMIC TREND

As a result of the COVID-19 pandemic, the German economy fell into a deep recession in the reporting year. Capacity in vast areas of the economy was limited by the first official lockdown in March and April as well as the partial lockdown in November, and was further constrained by stricter measures and lockdown extensions throughout the year. Following a fall of 9.8% in the second quarter, GDP began to recover after restrictions were lifted. Gross domestic product fell by 5.0% overall in 2020.

Despite the partial lockdowns, the job market felt little effect, although the number of people on short-time work in November and December rose once more after falling previously. Unemployment rose year-on-year by 480,000, the rate climbing to 5.9% at the end of 2020 (December 2019: 4.9%). According to the German Federal Statistical Office, consumer prices rose by 0.5% on average in 2020. The temporary VAT cut in the second half of 2020, much of which was passed on to consumers, had a dampening effect on consumer prices overall, though a more varied impact was seen in some goods categories.

PROPERTY MARKET TRENDS

Retail space market

According to estimates by the Federal Statistical Office, retail companies in Germany saw an increase in sales of between 3.9% and 4.3% in real (adjusted) terms and nominally (non-adjusted) of between 5.1% and 5.5% in 2020 than in 2019. These estimates take account of the lockdown in the second half of December and monthly retail sales for January to November, 2020. Sales experienced above-average growth in the “Online and Mail Order” segment (+23.4% in real terms). Food retailers saw a real increase of 5.1%. Textiles, clothing, footwear and leather goods sales by stationary retailers declined by 21.5% in real terms.

Even though retail sales rose in Germany in 2020, the gap between individual segments continued to widen. There is little doubt that online and mail order retailers have emerged strongest from the COVID-19 pandemic, while the main loser has been the core sector in German city centres, namely clothing and shoe retailers. As a result, individual companies have undergone restructuring or have filed for insolvency. However, the first signs of this trend were already appearing before the onset of the crisis in March 2020. The uncertainty caused by the spring lockdown and the current restrictions on public life, distancing rules, and mask mandates, not forgetting the precarious economic prospects, led to a palpable reluctance on the part of consumers to spend, and caused retailers to put expansion plans on hold. Short-time working and a sharp increase in the number of people working from home have defined shopping habits, hitting stationary retailers particularly hard. The trend seen over the last one to two years towards more flexible leases – shorter fixed terms, revenue-based rents, right of termination without notice, etc. – continues to gain traction. Many companies have begun to optimise their “click & collect” services, to analyse existing store networks in more detail, and where feasible, to focus on new shop formats with optimised space. Drive-in options are also being explored; some have already been trialled in France, the UK, and the USA. Falling tenant demand puts pressure on rents, primarily for large shop space of 1,000 m² and above, and multi-storey structures, in many cases resulting in percentage discounts well into double figures.

Retailers that predominantly serve periodic requirements (food, personal and household goods, etc.) have so far proved largely resistant to online incursion, with stable rents and rent revenues. According to studies by various market research companies, so far only around 1% to 2% of food purchases are made online. The retail lease market steadied somewhat in the third quarter of 2020 following a slump in the middle of the year.

HAMBORNER’s property portfolio was again evaluated by a third-party expert to determine the properties’ market values as at 31 December 2020. Jones Lang LaSalle (JLL) was commissioned to calculate the market value of the property portfolio and to document this in an expert opinion. The portfolio was measured on the basis of the generally recognised International Valuation Standards (IVS) and the guidelines of the Royal Institution of Chartered Surveyors (RICS).

According to JLL, take-up of 370,000 to 380,000 m² is expected for the entire year. This represents a fall of 25% compared with the previous year. According to JLL, the 2020 pandemic has not yet impacted prime rents in major cities, as these have remained stable. However, JLL anticipates a decline of around 5% here for 2021.

Office space market

The economic impact of the COVID-19 pandemic and the uncertainty over when and how the economy will recover have left their mark on the German office market. According to JLL, the decline in office take-up in the "Big 7" (Berlin, Düsseldorf, Frankfurt, Hamburg, Munich, Cologne, and Stuttgart) in 2020 exceeded 33% and ended with a total space of 2.67 million m². A decline in take-up could be seen in all seven cities, from –25% in Munich to –55% in Stuttgart. The undisputed leader was Berlin with a take-up of around 745,000 m².

As the economy fell into recession, relocation plans were initially put on ice and lease renewals were encouraged in existing properties. This primarily affected large-scale leases from 10,000 m² upwards; reticence and weak demand were particularly noticeable in this category. Thirty-two large-scale agreements covering a total area of 656,000 m² were concluded across all "Big 7" cities in 2020. This represents a fall of 43% in the number of leases compared with 2019.

Vacant space in most cities increased in the course of 2020. According to JLL, the average office vacancy rate in the "Big 7" cities was 3.7% (2019: 3.0%) as at year-end. This was however still well below the long-term average. In contrast to take-up, markets were uneven with regard to vacancy rates. While vacant space rose year-on-year by 23% across all "Big 7" cities, Stuttgart recorded a further decline, and the figure in Hamburg remained static. However, vacant space increased at above-average rates of more than 50% in Berlin and Munich, though even here vacancy rates remained low at 2.8% and 3.5%.

Office completions grew markedly in 2020, though not as strongly as expected overall, with around 1.5 million m² completed by the end of the year according to JLL. This represents an increase of 29% compared with the previous year. Berlin saw the biggest rise with around 490,000 m² of new space on the market, more than double the same figure in 2019. The new space in all cities continued to benefit from strong letting years. This is evident from pre-letting rates, as only 232,000 m² remained unlet with an 84% occupancy rate across all "Big 7" cities at the time of completion.

The JLL prime rent index was 222.4 at the end of 2020, representing a rise of 2.0% year-on-year. If we look at the "Big 7", Stuttgart posted an increase of 4.1% and Hamburg 6.9%, the largest rises compared with twelve months ago. Even in Berlin, which saw an increase in both vacant space and completions, prime rents grew by 2.7%. According to JLL however, this effectively showed a slight decline, i.e. after deduction of incentives granted by the owner.

The German office letting market has reached a turning point. The first indications of how this will pan out may be evident during 2021 if managers take steps to implement hybrid work models. Results may vary quite widely according to sector and company, as an increase in employees working from home does not necessarily reduce the space required in office buildings. High-quality office equipment and workplace wellness features are of growing significance, and should at least stabilise prices for office properties.

German property investment market

According to JLL, the total transaction volume of around €81.6 billion (including residential) at the end of 2020 was only around 11% below the previous year's figure. The transaction volume from October to December came to €23.2 billion in total, more than 28% of net income but well below that of the fourth quarter of the previous year or the first quarter of 2020, during which the COVID-19 pandemic was not a factor. In 2020, more than 1,700 recorded single and portfolio transactions generated more agreements than in 2019. The average invested volume was virtually unchanged at around €48 million per transaction. The JLL analysis also showed however that it was mainly large transactions in the hundreds-of-millions-of-euros range that fell significantly, by 35% with regard to number and volume owing to less availability in this segment rather than a lack of interest from buyers. Particular attention was paid to portfolios, with around €37.6 billion invested in block sales and takeovers, a 7% increase on 2019.

JLL reported that much of the invested capital, €25.2 billion (31%), flowed into the residential asset class following the largest transaction of the year, the 90% acquisition of residential property group Adler by Ado completed in the first quarter of 2020. Office properties lagged slightly behind residential property with a share of 30% (€24.5 billion). More than €8.7 billion was invested in logistics properties in 2020, increasing the share of this asset class to around 11% and exceeding the previous year's volume of €2 billion. With a share of more than 10% and investment of €8.5 billion, mixed use properties and portfolios were increasingly attractive to investors. They meet investors' demand for differentiation and reflect employment, residential, and shopping trends under a single roof or within a single development. Transaction volumes for retail properties reached around €10.4 billion in 2020, a decline of just 5% compared with the previous year. €5.7 billion of this related overwhelmingly to specialist stores, retail centres or supermarkets, and discounters.

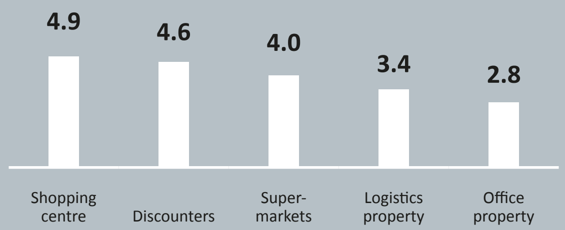
According to JLL, the transaction volume in the "Big 7" cities overall was around €40 billion, a 49% share of the transaction volume in Germany as a whole, which reflected a 25% decline year-on-year. The only city of the seven to record an increase was Hamburg. Around €5.6 billion was invested in the Hanseatic city, 24% more than in 2019. The decline in all the other cities ranged between 18% in Düsseldorf and 57% in Stuttgart.

JLL revealed a slight upward trend in net initial yields for city centre commercial properties. Overall yield in the "Big 7" is now 2.91%, and therefore seven basis points higher than one year ago. Prime yields for shopping centres rose during 2020 by 35 basis points to 4.85%. For discounters however, the yields continued to fall to the current figure of 4.60%, another 20 basis points lower compared with the third quarter. Higher priced still were supermarkets, with prime yields unchanged at 4.00%. In the office sector, the average prime yield at year-end was 2.80% and therefore 12 basis points lower than at the end of 2019. In all "Big 7" cities except Berlin, the figures fell slightly once more in the past year, and therefore mirrored strong investor demand for fully leased core properties.

Together with long-term low interest rates, the persistent pressure on capital remained the driver of property investment. Alongside this, many institutional investors continued to increase their property investments, and generated additional demand as a result.

NET INITIAL YIELD AT END OF 2020 *

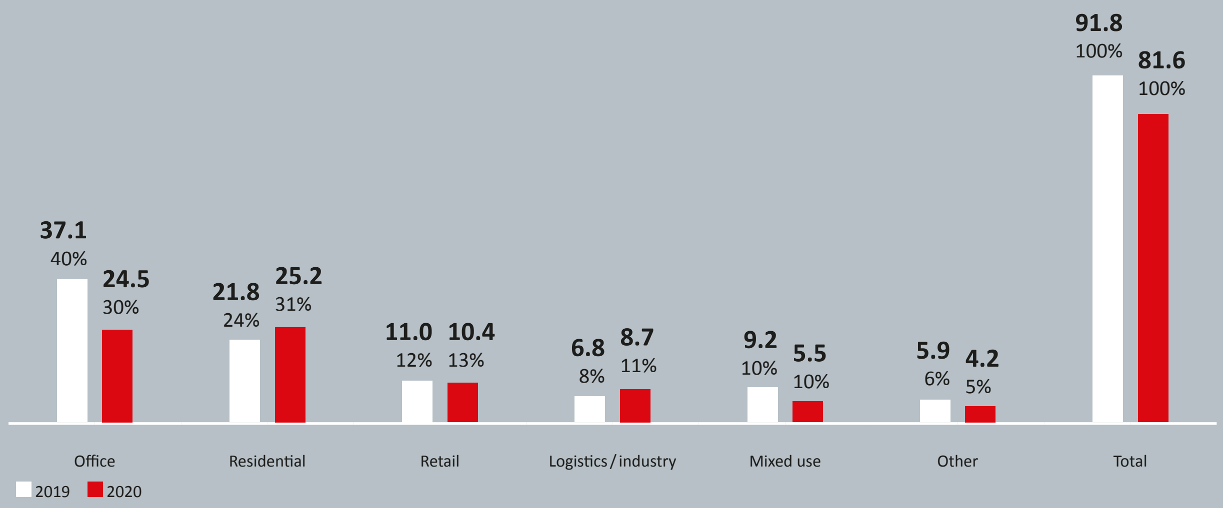
(in %)



* average of all "Big 7" cities (Berlin, Düsseldorf, Frankfurt, Hamburg, Munich, Cologne, and Stuttgart)

TRANSACTION VOLUME ACCORDING TO MAIN USAGE TYPE

(Total) transaction volume in Germany; in € / in % of annual volume



Overall assessment of the Management Board

The 2020 financial year was dominated by the COVID-19 pandemic. As a consequence of the official lockdown measures, many tenants temporarily ceased rent payments, especially those in badly hit retail sectors. By way of support, rent deferral or reduction agreements were concluded with a series of affected tenants. These subsequently had an effect on the HAMBORNER results of operations. Nevertheless, the results of operations represented an improvement of 2.4% in the operating result (FFO) in 2020 compared with the previous year.

Net assets and financial position remain comfortable. The concentration of business activities on commercial properties, the elimination of properties no longer consistent with the company's strategy from the portfolio, and the reinvestment of funds in attractive retail and office property ensure sustainable and stable cash flows. The conservative accounting for property at cost is also beneficial. The effect on earnings of impairment losses and their reversal is essentially much lower than when accounting at fair value, which makes the company's results less volatile overall. Even so, reported impairment losses of €34.7 million also had to be recognised in the reporting year, due to a fall in fair value of individual properties following their evaluation as at 31 December 2020.

Furthermore, including the loans not yet utilised, the company's available cash funds and low net debt are also proof of its continued solid financial position.

KEY FINANCIAL CONTROLLING RATIOS	2020		2019	TARGET ACHIEVEMENT
	TARGET	ACTUAL	ACTUAL	
FFO	Previous year's level	€55.6 million	€54.3 million	↑
Rents and leases	+3%	€88.2 million	€85.2 million	→
NAV per share	slight rise	€11.05	€11.59	↓

The targets and forecasts for the financial year were met or slightly exceeded with regard to operating result (FFO) and income from rents and leases based on the previous year's forecast.

With respect to net asset value (NAV), the NAV per share did not rise as expected at the start of the year, but fell by 4.7% from 11.59% to 11.05% following a necessary devaluation of part of the property portfolio as a result of the COVID-19 pandemic.

Detailed notes and a deviation analysis of the FFO and NAV performance indicators for forecasting purposes can be found in the "Results of Operations" section.

Overall, the Management Board feels that the economic position of the company is good at the time of the preparation of the management report, and based on current expectations assumes that future performance will remain positive overall, even in view of the uncertainties for the 2021 financial year set out in the forecast report.

Results of operations, net asset situation and financial position (IFRS)

RESULTS OF OPERATIONS (IFRS)

Income from rents and leases amounted to €88.2 million in the reporting year, and therefore increased by €3.0 million or 3.6% as against 2019 due in particular to new investments.

On a like-for-like basis – i.e. comparing the properties held in the portfolio throughout 2019 and 2020 – income from rents and leases declined by 0.6%, slightly below the previous year's level overall at €83.0 million. A like-for-like rise of 0.9% was achieved with respect to office properties. In contrast, rents for retail properties fell by 1.4%, mainly a result of a rise in vacant space and lease renewals at lower rents for city centre retail properties.

Uncollectable receivables and individual value adjustments, due in particular to the COVID-19 pandemic, amount to around €1.6 million (previous year: €0.1 million) in the reporting year.

The economic vacancy rate remains at any extremely low level at 1.8%, (previous year: 2.0%) if agreed rent guarantees are taken into account. Not including rent guarantees, the vacancy rate was 3.1% (previous year: 2.1%).

+3.6%

Income from rents and leases

Total maintenance expenses amounted to around €4.6 million in the financial year (previous year: €5.5 million). There were also measures eligible for capitalisation of around €1.0 million (previous year: €3.2 million).

As in the past, extensive work was done on individual projects in the 2020 financial year as part of planned maintenance on roofs, façades and building services facilities to enhance the energy efficiency of the properties in question and thereby guarantee their long-term letting prospects. Another key part of the work is coordination of tenant extensions and conversions in the wake of new and follow-on leases.

Most of the major renovation and conversion work took place at the following locations in 2020:

The company's largest single project in the 2020 reporting year concerned the retail property in Karlsruhe. Extensive maintenance work was carried out in 2020 following renewal of the lease by the tenant, Edeka, to 31 December 2037. The investment expense incurred amounted to €1.5 million, of which costs of around €0.3 million were eligible for capitalisation.

The company carried out more work at the office location in Erlangen, while leasing vacant space there of around 675 m² to a software company. It also succeeded in retaining the long-term sub-tenant, the University of Erlangen-Nuremberg represented by the Free State of Bavaria, until 31 December 2025. Investment for both tenant extensions was around €0.3 million.

Further major investment was made by the company in the form of scheduled maintenance at the property in Siegen. The costs for renovating the cooling system eligible for capitalisation came to around €0.2 million in the reporting year.

As a result of a rise in income from rents and leases in particular, **net rental income** increased by 3.6% and amounted to €79.1 million (previous year: €76.4 million).

Operating **result** was €–900 thousand (previous year: €33.3 million). The decrease is primarily due to impairment losses of €34.7 million, which were required following devaluation of part of the existing property portfolio. **Administrative and personnel expenses** were €6.9 million in total (previous year: €6.4 million) a rise of €0.5 million or 8.1% on the previous year. The operating cost ratio, i.e. administrative and personnel expenses to income from rents and leases, therefore rose slightly as against the previous year to 7.8% (previous year: 7.5%). **Depreciation and amortisation** was up €35.4 million year-on-year, mainly owing to impairment losses recognised in the reporting year. The properties are recognised at amortised cost and therefore report depreciation, which amounted to €37.2 million in the reporting year as against €35.0 million in the previous year. Furthermore, there were total impairment losses of €34.7 million (previous year: €1.6 million) on twelve properties in the reporting year. These impairment losses relate in particular to retail properties in city centre locations which have borne the brunt of the COVID-19 pandemic.

The company's result from the disposal of property was €7.1 million (previous year: €0.1 million). Details of this can be found on **pages 50 and 91**.

Earnings before interest and taxes (EBIT) fell by €27.2 million from €33.4 million to €6.2 million in the previous year.

The **financial result** in the reporting year was €–15.4 million compared with €–15.5 million in the previous year, and relates exclusively to interest expenses. Interest expenses from loans of €–14.7 million included in this figure rose by €0.1 million compared to the previous year (€–14.6 million), and the borrowing of new loans caused interest expenses to rise by €0.9 million. By contrast, scheduled repayments and the refinancing of loans on better terms following the expiry of fixed-rate interest agreements caused interest expenses to decline by €0.8 million.

After deducting the financial result from EBIT, the **net loss for the year** amounted to €9.3 million (previous year: net profit for the year of €17.9 million).

Funds from operations (FFO)

In 2020, an FFO of €55.6 million (previous year: €54.3 million) was generated as a key control parameter of results of operations. This corresponds to an FFO per share of €0.69 (previous year: €0.68). FFO rose by 2.4% as against the previous year, even though it had initially been forecast in the 2019 Annual Report to remain at the previous year's level. Owing to existing uncertainty in relation to the COVID-19 pandemic, the FFO forecast was adjusted in July 2020 from €52 million to €54 million. The figure was slightly higher than forecast. The main factor was the reduction in maintenance costs, as planned work has been postponed until 2021 due to the COVID-19 pandemic, and expenses for tenant conversions were lower than expected at the start of the year. These reduced expenses were partly offset by the effects on income arising from the COVID-19 pandemic in the form of defaults and agreements to grant rent reductions and deferrals concluded with tenants badly impacted by the pandemic. Details of FFO performance are set out below:

€0.69

FFO per share

FUNDS FROM OPERATIONS IN € THOUSAND		2020	2019
	Net rental income	79,097	76,355
–	Administrative expenses	–1,477	–1,408
–	Personnel expenses	–5,417	–4,968
+	Other operating income	1,742	1,374
–	Other operating expenses	–2,893	–1,503
–	Interest expenses	–15,443	–15,542
	FFO	**55,609**	**54,308**
–	Capitalised expenditure (CapEx)	–982	–3,225
	AFFO	**54,627**	**51,083**
	FFO per share in € *	**0.69**	**0.68**
	AFFO per share in € *	**0.68**	**0.64**

* based on the number of shares at the end of the respective reporting period

NET ASSETS IN ACCORDANCE WITH IFRS

Total assets of the company rose as at 31 December 2020 by €31.1 million to €1,265.8 million (previous year: €1,234.7 million). Around 96% of assets are accounted for by properties. Property assets recognised at amortised cost had a carrying amount of €1,195.5 million as at 31 December 2020 (previous year: €1,202.7 million) and break down as follows:

REPORTED PROPERTY ASSETS IN € THOUSAND	31 Dec. 2020	31 Dec. 2019
Investment property		
Developed property assets	1,187,384	1,188,700
Incidental costs of pending acquisitions	36	4,948
Undeveloped land holdings	223	224
Right-of-use assets for leasehold properties	7,825	8,862
Total reported property assets	**1,195,468**	**1,202,734**
Properties held for sale		
Developed property assets	21,673	0
	21,673	**0**
TOTAL REPORTED PROPERTY ASSETS	**1,217,141**	**1,202,734**

Unless stated otherwise, HAMBORNER uses the term "property portfolio" below to refer to developed property assets reported under "Investment property" and "Non-current assets held for sale" in the statement of financial position.

Details of acquisitions and disposals of properties in the reporting year are set out on page 38 of the Annual Report.

Alongside properties, the key item on the assets side is cash and cash equivalents (€40.5 million). Around 37% of the liabilities side of the statement of financial position is reported as equity (€474.2 million), with around 60% attributed to financial liabilities (€758.9 million). These items are presented in detail in the company's financial position.

Net asset value (NAV)

Taking hidden property reserves into account, NAV is calculated as a key control parameter of the net assets.

NET ASSET VALUE IN € THOUSAND	31 Dec. 2020	31 Dec. 2019
Reported non-current assets	1,200,826	1,223,990
+ Reported current assets	64,958	10,687
– Non-current liabilities and provisions *	–685,431	–638,662
– Current liabilities	–105,598	–81,343
Reported NAV	**474,755**	**514,672**
+ Hidden reserves in “Investment property”	397,114	409,628
+ Hidden reserves in “Non-current assets held for sale”	18,852	0
NAV	**890,721**	**924,300**
NAV per share in €	**11.05**	**11.59**

* not including derivative financial instruments

The fall in absolute NAV of €33.6 million to €890.7 million results primarily from depreciation of the property portfolio which was recognised due to the COVID-19 pandemic. At €11.05, NAV per share is 4.7% lower compared to the previous year (€11.59) due to a slight increase in share numbers. The forecast in the previous year’s Annual Report projected a slightly higher NAV per share assuming that the value of the existing portfolio remained stable. Since the 2020 half-year result, the company has worked on the assumption of a single-digit percentage fall in NAV, taking into account the measurement effects of the COVID-19 pandemic. This fall has already happened.

Hidden property reserves result from the difference between the properties’ market values and the reported book values. The company’s property portfolio was again valued by a third-party expert to determine the properties’ market values as at 31 December 2020. As in previous years, JLL was commissioned to determine the market value of the property portfolio and to document this in an expert opinion. The portfolio was measured on the basis of the generally recognised International Valuation Standards (IVS) and the guidelines of the Royal Institution of Chartered Surveyors (RICS).

These state that market value “is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

The above definition is the same as that of the “fair value model” as found in the International Financial Reporting Standards under IAS 40 in conjunction with IFRS 13. The measurement was performed on the basis of a discounted cash flow (DCF) method. In the DCF method, the forecast cash flows were calculated for a standard analysis period of ten years – 2021 to 2030. A capitalised residual value is forecast on the basis of the respective long-term net proceeds for the end of the ten-year planning horizon. The market value of a property is derived from the sum of the discounted cash flows of the overall planning period plus the residual value also discounted to the measurement date.

When calculating cash flows, rental income was always reduced by the property-specific costs that cannot be allocated to tenants. In addition, the expected expenses for maintenance or modernisation and the expected administrative expenses were deducted. Rent increases based on indexation were taken into account in specific cases for long-term contracts. Rent forecasts were prepared if rental agreements were terminated within the period of analysis. They were discounted to the measurement date to calculate the present value of future cash flows. The discount rates range between 4.15% and 13.00% and take into account the respective risks specific to the property. These trended as follows:

DISCOUNT RATES IN %	2020	2019
Retail	4.80–13.00	3.90–9.00
Office	4.15–6.85	4.25–6.75

No assumptions and expectations regarding the future trend of market rents are taken into account, as the fair value definition is based on the measurement date principle. The COVID-19 pandemic-related market rent effects occurring as at the end of the reporting period are factored into the fair value measurement. Any scenarios by which market rent and transaction prices recover again in future, especially regarding properties in city centre locations, or fall even further due to stricter lockdown measures, are not considered in the measurement. The forward-looking assumptions and estimates are based on the conditions prevailing at the valuation date. Existing uncertainty regarding future cash flows is factored into the discount rates by risk adjustment.

The fair values calculated by JLL are shown separately for each property in the list of properties from page 115 et seqq. of the Annual Report. Also shown separately are rental income as the key factor in determining net cash flows, the discount rates and capitalisation rates. The total market value of the property portfolio calculated was €1,624.8 million, an increase of €26.7 million on the previous year’s portfolio value. The difference is due to additions to fair value from

€11.05

NAV per share

acquisitions and investments in existing properties (costs subsequently added) of €101.1 million, fair value disposals of €19.3 million due to sales, and a year-on-year decrease in fair value of the existing portfolio of €–55.1 million following re-measurement. This corresponds to a “like for like” decline of 3.5% in the portfolio’s value which is attributable to a fall of €77.8 million in the fair value of the commercial properties, which have been severely impacted by the COVID-19 pandemic. The fall compares with a rise of €22.7 million in fair values of office properties.

Properties are recognised conservatively at amortised cost, and not at their higher fair values. Therefore, the company also recognises depreciation on properties, with the result that both positive and negative changes in value are recognised in hidden reserves but do not necessarily affect earnings. Nevertheless, impairment losses of €34.7 million on the carrying values of twelve properties had to be recognised in the reporting year due to the described fall in fair value.

FINANCIAL POSITION (IFRS)

STATEMENT OF CASH FLOWS (ABRIDGED) IN € THOUSAND	2020	2019
Cash flow from operating activities	**69,448**	**68,259**
Cash flow from investing activities	**–61,169**	**–54,035**
Cash flow from financing activities	**18,960**	**–9,458**
Cash-effective changes to cash funds	**27,239**	**4,766**
Cash funds on 1 January	**8,358**	**3,592**
Cash and cash equivalents (with a remaining term of up to three months)	8,358	3,592
Restricted cash and cash equivalents	0	4,191
Cash and cash equivalents on 1 January	**8,358**	**7,783**
Cash funds on 31 December	**35,597**	**8,358**
Cash and cash equivalents (with a remaining term of up to three months)	35,597	8,358
Restricted cash and cash equivalents	4,925	0
Cash and cash equivalents on 31 December	**40,522**	**8,358**

The company’s financial situation is very comfortable. **Cash and cash equivalents** were €40.5 million as at the end of the reporting period, up from €8.4 million as at 31 December 2019. The proceeds from the financial year were mainly a result of operating activities (€69.4 million; previous year: €68.3 million), acceptance of loans (€141.4 million), and proceeds from the sale of properties (€18.7 million). Payments essentially relate to investments in the property portfolio (€79.9 million), dividend payments for the 2019 financial year (€37.5 million), and interest and principal payments (€85.8 million).

In particular, the funding requirements for the 2021 financial year are secured by the forecast proceeds from operating activities. The company also has unutilised loans of €11.6 million at its disposal as at 31 December 2020.

The financial structure of the company is still extremely solid. On the liabilities side of the statement of financial position, **equity** amounted to €474.2 million from €513.6 million in the previous year. The company therefore has an accounting equity ratio of 37.5% (previous year: 41.6%). **Financial liabilities and derivative financial instruments** amount to €759.4 million, up €69.9 million on the previous year’s figure (€689.5 million). The rise is due in particular to the loans of €81.4 million borrowed in the reporting year for pro rata debt financing of property acquisitions, with a further €60.0 million resulting from costs involved in the refinancing of loans. The new borrowing was offset by scheduled repayments of €21.1 million in the reporting year, and the repayment of refinanced loans of €49.8 million. After deducting cash and cash equivalents from financial liabilities (less restricted cash of €4.9 million), net financial debt amounted to €723.3 million (previous year: €680.0 million). Comparing net inancial liabilities to portfolio fair value, the company has an LTV ratio of 44.5% (previous year: 42.4%).

The interest rate trend is highly significant to the company in terms of its financial position. In order not to be subject to short-term interest rate risks, HAMBORNER has arranged, as far as possible, fixed long-term conditions for the financing of investments. Interest swap agreements are in place to fully hedge against interest rate fluctuations on our floating rate loans secured by property liens (nominal value: €15.2 million). Part of the unsecured promissory note loans with a volume of €41.0 million are also financed at floating rates. Given the short five-year term of these loans, it was decided after weighing the risks and opportunities not to use interest rate hedges.

The average interest rate of the loans, including loans concluded but not yet utilised, was 1.8% as at the end of the reporting period (previous year: 2.0%). Taking into account the refinancing already agreed, and that still to come, of existing loans with much higher interest rates than the current level, average interest rates are expected to decline further. The average remaining term of loans, including loans concluded but not yet utilised, was 5.0 years as at the end of the eporting period (previous year: 5.5 years).

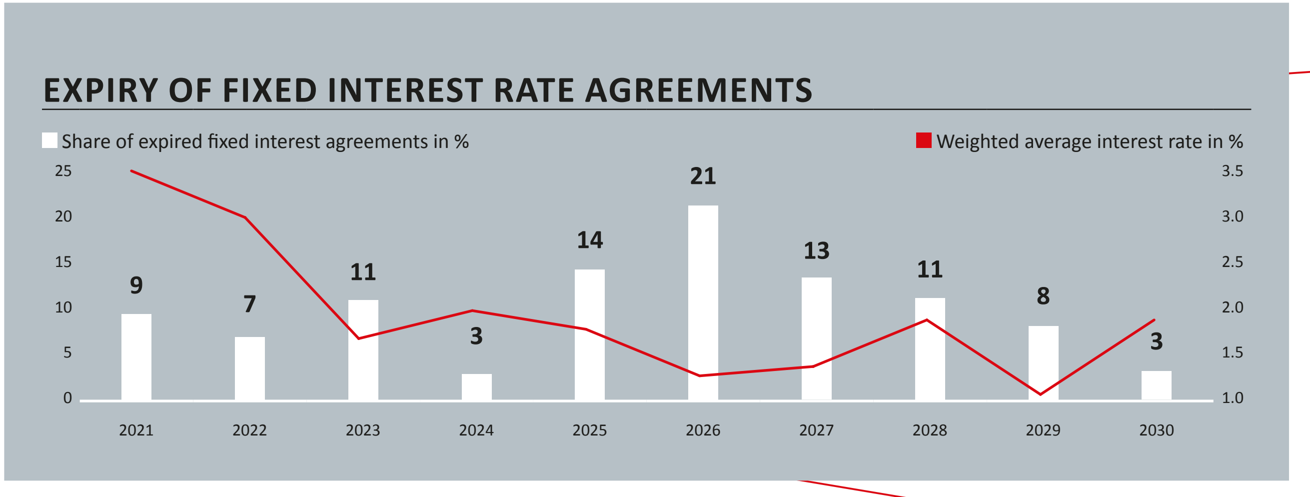
The very solid and comfortable financing structure of the company is shown by the maturity analysis below, which presents the annual refinancing requirements for expiring loans in relation to the total portfolio of loans borrowed as at the end of the reporting period.

Obligation to comply with certain financial covenants

In connection with the €75.0 million promissory note loan of 2018, the company has given the creditors assurances that it will comply with the following conditions at the end of each financial year during the term of the loan:

- a ratio of net financial liabilities to the fair value of the property portfolio of not more than 60;
- EBITDA to net interest income of at least 1.8.

Non-compliance with these conditions would entitle the creditors to cancel the loan agreement.



Financial information (HGB)

GENERAL INFORMATION

The company prepares a financial statement both in accordance with the regulations of the German Commercial Code (HGB) and a financial statement in accordance with International Financial Reporting Standard (IFRS) regulations as applicable in the European Union. The management of the company is based on values calculated in accordance with IFRS.

The main differences in HGB and IFRS figures relate in particular to the measurement of property, the recognition of costs subsequently added to property assets, pension provisions, the measurement of provisions for mining damage, accounting for derivative financial instruments and the treatment of the costs of the capital increases, and to the classification and reporting. The main differences between the items of the statement of financial position and the income statement described in detail in the result of operations, net asset situation and financial position (IFRS) and in the HGB annual financial statements are as follows:

- **Property and building maintenance:** The differing capitalisation criteria in connection with maintenance and modernisation activities resulted in maintenance expenses being €0.6 million higher in the HGB financial statements in the reporting year. The same expense was capitalised under investment property in accordance with IFRS provisions.

- **Other operating / administrative expenses:** Administrative expenses (€1.5 million) reported as a separate item in the IFRS separate financial statement in the income statement are included under other operating expenses in the HGB annual financial statements. By contrast to the IFRS financial statements, HGB does not separate administrative expenses and other operating expenses.

- **Other operating expenses and income from the disposal of non-current assets / Result from the disposal of property:** A gain on disposal of €7.1 million from the disposal of property is reported in the IFRS financial statements. Costs of €0.9 million relating to the disposal of property are included in the result. These mainly refer to agents' fees for properties after signature of the purchase agreement. These costs are reported under other operating expenses in the HGB financial statements. Income from the disposal of non-current assets is therefore €8.0 million as part of other operating income.

- **Impairment losses:** Impairment losses of €34.7 million included in depreciation and amortisation in accordance with IFRS relate to twelve properties. In contrast, separate depreciation of €32.1 million only had to be recognised for nine properties as required by HGB.

- **Land and land rights / reported property assets:** The carrying amount of properties in the HGB annual financial statements is €1,210.4 million, and is therefore €14.9 million lower than the carrying amount of investment property in the IFRS financial statements. The difference of €21.7 million in the IFRS financial statements relates to properties which had to be reclassified to non-current assets held for sale. However, leasehold right-of-use assets are included under the IFRS investment property item as required by IFRS. These must not be reported in the HGB financial statement. The right-of-use assets figure reported in the IFRS financial statement under properties amounts to €7.8 million as at 31 December 2020. In addition, €2.6 million relates to the company's administrative building in Duisburg. The capitalised costs of the administrative building are not assigned to property assets under IFRS, but rather to (other) property, plant and equipment. Under HGB, they are reported with the rental property under land and land rights. Furthermore, impairment losses in the reporting year described above and the impairment losses from previous years resulted in a higher IFRS carrying amount of €1.5 million on account of differing provisions and capitalisation requirements.

- **Equity:** The HGB equity was €473.6 million as at the end of the reporting period, €0.6 million lower than the amount recognised under IFRS. The difference results firstly from various accounting differences in the reporting year and previous years. Secondly, it results from cumulative actuarial gains and losses on pension provisions and measurement effects of derivative financial instruments of €4.8 million within the revenue reserve reported in the IFRS financial statements. Derivatives are not recognised in equity as required by HGB. Accordingly, the reported HGB equity ratio of 37.3% is 0.2 percentage points higher than the reported IFRS equity ratio.

- **Liabilities to banks / financial liabilities and derivative financial instruments:** Liabilities to banks in the HGB annual financial statements amount to €760.1 million. However, financial liabilities and derivative financial instruments of €759.4 million are reported as required by IFRS. The difference of €1.1 million relates to recognition of financial liabilities including transaction costs and the associated subsequent measurement using the effective interest method in the IFRS financial statements. This is offset by reporting of derivative financial instrument market values of €0.6 million in the IFRS financial statements. These are not reported in the HGB financial statements if they form a hedge with a hedged item (loan).

Given the detailed presentation and analysis of the results of operations, net asset situation and financial position in accordance with IFRS, which also applies to the results of operations, net asset situation and financial position under HGB, taking into account the deviations explained above, the HGB presentation is shown in condensed form below:

RESULTS OF OPERATIONS (HGB)

Income from property management amounted to €102.3 million in the reporting year (previous year: €99.2 million). **Property management expenses** of €24.4 million (previous year: €24.7 million) were incurred. The increase in income is essentially due to the changes to the property portfolio as a result of investments in the reporting year and the previous year. **Depreciation and amortisation** is €69.1 million, €31.9 million higher than the previous year (€37.2 million). The rise was mainly due to impairment losses on property of €32.1 million (previous year: €2.7 million) recognised in the reporting year. Due primarily to the carrying amounts from the sale of properties reported in the year under review, **other operating income** increased by €8.7 million as against the previous year to €10.1 million (previous year: €1.4 million). This reduced the **operating result** by €23.1 million as against the previous year to €7.5 million (previous year: €30.6 million).

Despite the utilisation of new loans, the **financial result** improved by a net amount of €0.1 million to €–15.1 million (previous year: €–15.2 million), essentially as a result of interest savings on account of refinancing at better rates. The company closed the 2020 financial year with a **net loss** of €7.6 million (previous year: net profit of €15.4 million).

After **withdrawals from capital reserves** (€45.5 million) are taken into account, the **net retained profit** was €37.9 million (previous year: €37.5 million).

NET ASSETS AND FINANCIAL POSITION (HGB)

The **total assets** of the company increased by €33.9 million as against the previous year to €1,256.4 million as a result of investments in the reporting year. Despite property acquisitions, reported **non-current assets** were €1,211.2 million, only €1.0 million above the previous year's figure (€1,210.3 million) due to impairment losses. **Current assets** including prepaid expenses increased by €32.9 million to €45.2 million. Equity fell to €473.7 million from €512.0 million in the previous year. **Liabilities to banks** rose by a net amount of €70.5 million to €760.1 million. Equity and medium- and long-term debt capital, including the loans not yet utilised (€11.6 million) and the refinancing of expiring loans concluded for next year (€75.0 million) cover non-current assets in full.

For details of the financial position, we refer you to the comments on the IFRS financial position.

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The basis of the dividend distribution is net retained profits under German commercial law (HGB). The net loss for the reporting year calculated in accordance with the HGB was €7,636 thousand. After a withdrawal from other retained earnings of €45,508 thousand is taken into account, the net retained profits amounted to €37,872 thousand.

The Management Board proposes using the net retained profits for the 2020 financial year of €37,872 thousand to distribute a dividend of €0.47 per share.

Further legal disclosures

Disclosures in accordance with section 289a (1) HGB

Composition of issued capital

As at 31 December 2020, the issued capital of the company amounted to €80,579,567 and was fully paid up. The share capital is divided into 80,579,567 no-par-value registered shares, each at a nominal value of €1 per share. The company is authorised to issue global certificates for shares. Shareholders are not entitled to certificates for their shares.

Each share grants one vote at the Annual General Meeting, whereby the rights of shares held by persons subject to disclosure requirements or that are assigned to such persons in accordance with section 34 of the German Securities Trading Act (WpHG) do not apply in the period in which the disclosure requirements of section 33(1) or (2) WpHG are not met. In accordance with section 44 paragraph 1 (2) WpHG, this does not apply to rights in accordance with section 58(4) AktG and section 271 AktG if disclosure was not deliberately forgone and this has been rectified. Please refer to the German Stock Corporation Act for information on the rights and obligations of shareholders, including in particular the right to participate in the Annual General Meeting (section 118(1) AktG), the right to information (section 131 AktG), voting rights (section 133 et seqq. AktG) and the right to participate in profits (section 58(4) AktG). We also refer you to the currently valid provisions of the "Act to Mitigate the Consequences of the COVID-19 Pandemic under Civil, Insolvency and Criminal Procedure Law".

Restrictions relating to voting rights or the transfer of shares

The shares issued by HAMBORNER are not subject to any restrictions in this respect.

Capital holdings exceeding 10% of voting rights

Information on disclosures regarding the existence of holdings exceeding 10% of voting rights can be found in the notes to the financial statements under "Other information and required disclosures".

Shares with special rights bestowing control

No shares issued by the company bestow any such special rights.

Nature of voting rights control if employees hold interests in capital and do not exercise their control rights directly

HAMBORNER does not have an employee share programme. If employees have purchased HAMBORNER shares, they exercise their associated rights directly in accordance with the statutory requirements and the provisions of the Articles of Association.

Statutory regulations and provisions of the Articles of Association for the appointment and dismissal of members of the Management Board and the amendment of the Articles of Association

In accordance with section 84 (1) AktG, members of the Management Board are appointed by the Supervisory Board for a maximum of five years. A repeat appointment or extension of the term of office is permitted for a maximum of five years in each case. In accordance with Article 7(1) of the Articles of Association, the Management Board of the company consists of several members, the number of which is determined by the Supervisory Board. The Supervisory Board can also appoint one member as Chair of the Management Board in accordance with section 84(2) AktG. Furthermore, it can revoke the appointment of a member of the Management Board and the appointment as its Chair in accordance with section 84(3) AktG. If a necessary member of the Management Board is lacking, the court must appoint this member in urgent cases at the request of a party involved in accordance with section 85 AktG.

Any amendment to the Articles of Association requires a resolution of the Annual General Meeting in accordance with section 179 AktG. The Annual General Meeting can delegate to the Supervisory Board the authority to make amendments that relate only to the wording (section 179 paragraph 1(2) AktG). This authority has been transferred to the Supervisory Board in accordance with Article 12(3) of the Articles of Association of the company. An amendment to the Articles of Association requires a qualified majority resolution by the Annual General Meeting comprising at least three-quarters of the share capital represented in the vote (section 179 paragraph 2(1) AktG). In accordance with section 179(2) AktG, the Articles of Association can stipulate other capital majorities and additional requirements.

Authority of the Management Board to issue shares

Article 3 of the Articles of Association contains information on the share capital of the company. To allow the company the opportunity to react to market events while safeguarding the share price and, in particular, to allow it to react to capital market requirements and acquisitions flexibly, at short notice and in a manner consistent with market and industry practices, the Annual General Meeting on 10 May 2017 authorised the Management Board:

a) to increase the share capital of the company, with the approval of the Supervisory Board, on one or several occasions by up to a total of €7,971,764 by issuing new registered shares against cash and non-cash contributions (Authorised Capital I) until 9 May 2022 and, with the approval of the Supervisory Board, to remove shareholders' statutory pre-emption rights in certain cases. This authority was partly exercised in November 2020 with the issuing of 861,922 new shares against contribution in kind in the course of distributing dividends. Authorised Capital I therefore remains at €7,109,842 as at 31 December 2020.

b) to increase the share capital of the company, with the approval of the Supervisory Board, on one or several occasions by up to a total of €31,887,058 by issuing new registered shares against cash contributions (Authorised Capital II) until 9 May 2022.

Furthermore, at the Annual General Meeting on 26 April 2018, the Management Board was authorised, with the approval of the Supervisory Board, to issue bearer or registered warrant and convertible bonds ("bonds"), dated or undated, up to a total of €450,000,000 until 25 April 2023, and to grant the bearers or creditors ("bearers") of bonds conversion rights to new registered shares of the company with a total pro rata amount of share capital of up to €31,887,058 in accordance with the more detailed conditions of the warrant or convertible bonds ("bond conditions").

When issuing warrant or convertible bonds to contingently increase the share capital of the company by up to €31,887,058, divided into up to 31,887,058 registered shares (Contingent Capital) and, with the approval of the Supervisory Board, the Management Board can remove shareholders' statutory pre-emption rights in certain cases for a partial amount.

Authority of the Management Board to buy back shares

In future and at short notice, it may be expedient for the company to buy back its own shares to afford it greater flexibility of action.

The Management Board was therefore authorised by the Annual General Meeting on 28 April 2016 to acquire shares of the company until 27 April 2021. The authorisation is limited to the acquisition of shares accounting for not more than 10% in total of the lower of share capital at the time of the resolution by the Annual General Meeting on this authorisation or at the time that this authorisation is exercised. The authorisation can be exercised in full or in part, and in the latter case on several occasions. The authorisation cannot be used by the company for the purposes of trading in its own shares.

At the discretion of the Management Board, the shares will be acquired on the stock exchange by way of a public offering to all shareholders of the company or by way of a public invitation to all shareholders of the company to submit offers for sale.

Significant arrangements of the company subject to a change of control following a takeover bid and their repercussions

In the event of a change of control following a takeover bid, the lenders are entitled to demand early repayment of the promissory note loan together with the interest incurred up to the date of early repayment.

Agreements by the company with the Management Board or employees for compensation in the event of a change of control

Compensation agreements between the company and the Management Board for the event of a change of control are described in the remuneration report from page 54 et seqq. of the management report. There are no other compensation agreements with employees of the company.

Corporate governance declaration

HAMBORNER REIT AG has presented the key elements of its corporate governance structures in its corporate governance declaration: The declaration of compliance of the Management Board and Supervisory Board, key corporate management practices exceeding legal requirements, the operating procedures of the Management Board and the Supervisory Board, and the composition and operating procedures of their committees.

The corporate governance declaration can be found online at www.hamborner.de/en under HAMBORNER REIT AG / Corporate Governance / Declaration on the Company Managament.

Remuneration report

The following remuneration report explains the basic principles of the remuneration system for members of the Management Board and Supervisory Board of HAMBORNER REIT AG, and describes the remuneration level and structure for officers for the 2020 financial year. The report is prepared in accordance with the requirements of the German Commercial Code (Handelsgesetzbuch, “HGB”) and International Financial Reporting Standards (IFRS), as well as the German Accounting Standards (DRS 17). Additional disclosures are once again made to improve transparency.

For the Management Board and Supervisory Board of HAMBORNER, the principles of transparent corporate governance are essential in promoting and strengthening the confidence of national and international investors and customers, employees and the public at large in the management and monitoring of the company. Remuneration systems and the remuneration report take account of the basic principles, recommendations, and suggestions of the German Corporate Governance Code (DCGK).

I. Remuneration of the Supervisory Board in the 2020 financial year

1. BASIC PRINCIPLES

The remuneration system for the Management Board makes a vital contribution to implementation of the corporate strategy, which is designed to increase the company’s value in the long-term and short-term while offering attractive annual dividends. The variable remuneration concept, which uses the HAMBORNER central key control parameters as performance criteria, is predominantly share-based and is structured according to a multi-year measurement principle. The Supervisory Board also uses ESG goals (environment, social, governance) to implement the sustainability strategy in the remuneration system as part of short-term variable remuneration, and therefore ensures that the Management Board considers key aspects of the corporate strategy, namely sustainable and profitable growth in tandem with increasingly important sustainability and climate change policies.

At the same time, the Management Board members are properly compensated based on performance and their area of work and responsibility. The goal is both to appropriately reward special achievements and meaningfully cut remuneration as a result of failure to achieve targets.

The following sets out guidelines regarding remuneration of the Management Board at HAMBORNER:

GUIDELINES ON MANAGEMENT BOARD REMUNERATION	
Promotion of the corporate strategy	— Performance criteria based on key control parameters, which are aligned with the targeted company performance
Performance-based pay (“Pay for Performance”)	— Payment of variable remuneration depends on the achievement of suitably ambitious targets — If targets are missed by a substantial margin, variable remuneration will not be paid
Focus on sustainable and long-term growth	— Focus on achieving long-term financial goals and consideration of ESG goals to enhance sustainable and long-term growth at HAMBORNER
Appropriateness of remuneration	— Remuneration commensurate with the work and performance of the Management Board member and the economic and financial position and performance of HAMBORNER
Alignment of interests	— Remuneration structure taking proper account of shareholders’ interests and those of other stakeholders — Much of the variable remuneration is linked to the performance of HAMBORNER shares — Obligation to buy and hold HAMBORNER shares
Transparent structure	— Remuneration system structure clearly set out and transparent to shareholders and other stakeholders — Transparent reporting of remuneration and objectives

1.1 Remuneration systems used in the financial year

Management Board members are remunerated in line with the applicable remuneration system. The remuneration system for Mr Karoff was defined on 30 January 2020. This remuneration system will be presented for approval to the Annual General Meeting of 29 April 2021, and if approved, will form the basis of all new service agreements to be concluded or renewed (“2020 Remuneration System”).

For Mr Schmitz, the remuneration system approved by a large majority (89.5%) at the Annual General Meeting of 10 May 2017 (“2017 Remuneration System”), on which the last renewal of his Management Board agreement in 2017 was based, still applies in accordance with the DCGK and section 26j Introductory Act to the Stock Corporation Act (Einführungsgesetz zum Aktiengesetz, “EGAktG”) until the end of his appointment on 31 December 2022. Mr Schmitz is expected to retire on 31 December 2022. The 2017 remuneration system also applies to Board member Dr Mrotzek who passed away on 28 January 2020.

1.2. Definition and review of the remuneration system, including definition of specific total remuneration targets, appropriateness of Management Board remuneration

At the suggestion of the Executive Committee, the Supervisory Board approved a clearly structured remuneration system for the Management Board in accordance with section 87a (1) German Stock Corporation Act (Aktiengesetz, “AktG”), and will present this to the Annual General Meeting for approval in accordance with section 120a (1) AktG. The remuneration system is reviewed by the Supervisory Board on a regular basis. The Executive Committee provides support for preparation of the review.

To define the specific total remuneration target for each member of the Management Board, the Supervisory Board looks to create a reasonable balance between performance and duties of the relevant Management Board member, and ensures that the level of remuneration is commensurate with the company’s financial position, success, and future prospects. Remuneration of Management Board members should not exceed the usual remuneration without good reason. The long-term, sustainable growth of the company should also be considered.

In order to check appropriateness, a market comparison is performed using figures from similar companies (horizontal analysis). The Supervisory Board may carry out a comparison between two suitable groups of companies while taking country, size, and sector into account. This is usually done by comparing the remuneration of the HAMBORNER Management Board with the remuneration of Management Boards of SDAX companies, as HAMBORNER is listed on the SDAX. However, the Supervisory Board can also use a national group of competitors of listed property companies for the horizontal analysis.

The Supervisory Board used SDAX companies as a comparison group when performing the last horizontal analysis.

A vertical comparison of internal remuneration ratios between Management Board members and senior management, as well as the workforce, is performed showing remuneration trends over time. The Supervisory Board currently defines senior management as department managers. The workforce comprises all HAMBORNER employees excluding Management Board members and department managers.

2. OVERVIEW OF THE REMUNERATION SYSTEM

The HAMBORNER remuneration system consists of fixed and variable elements.

Fixed remuneration includes fixed remuneration and benefits such as company pension benefits.

Variable elements include short-term variable remuneration (short-term incentive; STI) and long-term variable remuneration (long-term incentive; LTI).

The following provides an overview of remuneration elements for the 2020 financial year:

ELEMENT		DESCRIPTION	
		2020 remuneration system	**2017 remuneration system**
Fixed remuneration elements	Fixed remuneration	— Fixed remuneration paid in twelve identical portions	
	Benefits	— Essentially, provision of a company car for business and private use, insurance contributions, directors' and officers' liability insurance	
	Pension contributions and self-provision payment	— Annual amount to be used at recipient's discretion	— Employer-funded defined contribution pension by way of reinsured provident fund.
Variable remuneration elements	Short-term variable remuneration (STI)	— Target bonus — Performance criteria: — 60% funds from operations (FFO) per share — 40% occupancy rate — Criteria-based adjustment factor (modifier) ranging from 0.8 to 1.2 and consisting of ESG goals (environment, social, governance), individual and / or collective goals	
		— Limit / cap: 150% of the target amount. — Payment: After the financial year	— Limit / cap: 240% of the target amount — Payment: After the financial year
	Long-term variable remuneration (LTI)	— Performance share plan — Performance criteria: — 50% relative total shareholder return (TSR) vs. EPRA / NAREIT Europe ex UK Index — 50% performance of net asset value (NAV) per share — Performance period: Four years — Target achievement: 0–150% — Limit / cap: 200% of the target amount — Payment: After the four-year performance period	— Virtual share commitments — Target amount can be adjusted by +/–20% — 50% LTI 1: — Absolute FFO, FFO per share, "like for like" portfolio performance over the last three years — 50% LTI 2: — Relative share price performance vs. EPRA / NAREIT Europe ex UK Index — Performance period: Three years — Target achievement: Each 0–200% — Share price performance limit: 200% of the price on the commitment date — Limit / cap: 480% of the target amount — Payment: After the three-year performance period
Other central design elements	Shareholding requirements	— Obligation to buy and hold HAMBORNER shares amounting to 200% of gross basic salary — Build-up phase: Four years — Requirement to hold shares for up to two years after the end of the Management Board term	— Obligation to buy and hold HAMBORNER shares amounting to 200% of gross basic salary — Build-up phase: Four years
	Malus & clawback	— Option to partially or fully reduce or claw back variable remuneration	–
	Maximum remuneration for 2020	— Chair of the Management Board: €1,100,000	–
	Severance cap	— Payments relating to early termination of the appointment may be no higher than the value of two years' total remuneration, and may not be paid beyond the remaining term of the relevant service agreement	
	Change of control	–	— Severance pay amounting to no more than 300% of the total annual remuneration

3. REMUNERATION ELEMENTS IN DETAIL

3.1. Fixed remuneration elements

3.1.1. Fixed remuneration

Fixed remuneration is a fixed payment which is based on the responsibilities and experience of the respective Management Board member, and is paid in twelve monthly instalments. Annual fixed remuneration for Mr Karoff is €350 thousand. As he joined the Management Board during the year on 1 March 2020, Mr Karoff received a pro rata temporis amount of €292 thousand in the 2020 financial year. Annual fixed remuneration for Mr Schmitz is €300 thousand.

3.1.2. Benefits

Members of the Management Board receive benefits in the form of non-cash and other benefits. Essentially, this involves the provision of an appropriate company car for business and private use, accident insurance, as well as pension, health insurance, and nursing insurance. In addition, the company doubled the household maintenance allowance for Mr Karoff for six months and met the costs of his weekly journeys home. HAMBORNER also took out directors and officers liability insurance for Management Board members with reasonable excess payments. In the 2020 financial year, benefits for Mr Karoff came to €29 thousand, and €23 thousand for Mr Schmitz.

3.1.3. Pension contributions and self-provision payment

According to the 2020 remuneration system, HAMBORNER provided Management Board members with an annual cash amount (self-provision payment) for the duration of the service agreement to fund a pension. This amount can be used at the Management Board members' discretion. The amount for Mr Karoff was €40 thousand p.a. As he joined the Management Board during the year on 1 March 2020, Mr Karoff received a pro rata temporis amount of €33 thousand in the 2020 financial year. A company pension is not granted.

According to the 2017 remuneration system, Management Board members receive a company pension in the form of an employer-funded defined contribution pension by way of reinsured provident fund. This commitment is valid for the duration of the service agreement with an annual contribution of €30 thousand.

3.2. Variable remuneration elements

3.2.1. Short-term variable remuneration (STI)

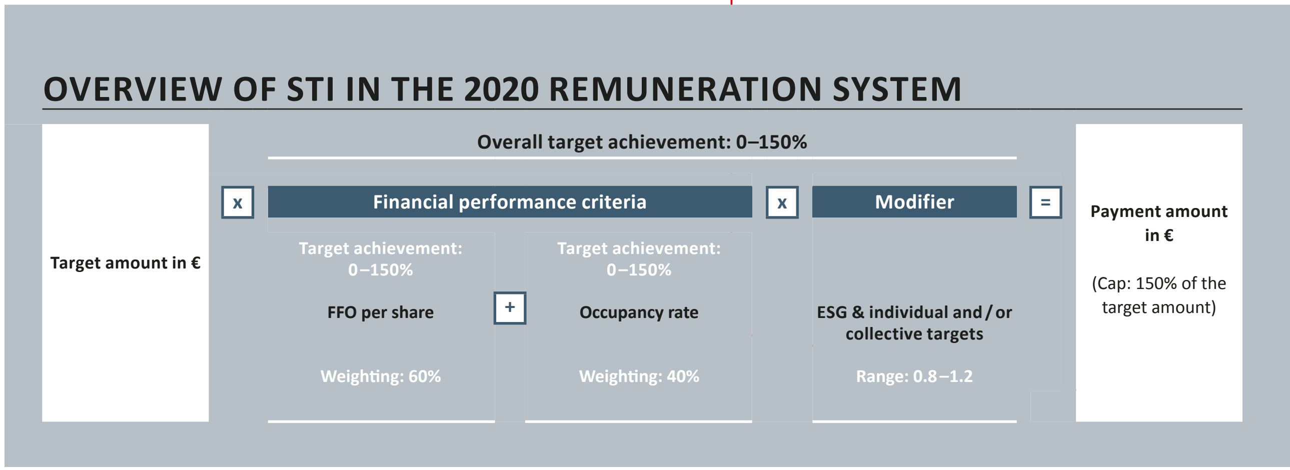
Short-term variable remuneration (STI) provides an incentive for operational implementation of the corporate strategic within a specific financial year. The STI target amount for Mr Karoff was set at €170 thousand p.a. following his appointment. As he joined the Management Board during the year, the STI target amount for Mr Karoff in the 2020 financial year was €141.7 thousand. The STI target amount for Mr Schmitz is €125 thousand.

The STI in the 2020 and 2017 remuneration systems only differs for the 2020 financial year with regard to the target achievement curves relating to financial performance criteria and potential maximum payment. Alongside financial performance criteria, the Supervisory Board does not implement financial performance criteria which is considered when calculating the payment using a criteria-based adjustment factor (modifier).

The STI is calculated by multiplying the target amount in Euros by the overall target achievement. The overall target achievement is in turn calculated from the two financial criteria of funds from operations (FFO) per share (60% weighting), and occupancy rate (40% weighting). The targets achieved within these criteria are added according to the weighting, and multiplied by the defined modifier (range 0.8 – 1.2). The target achievement range for the financial performance criteria and overall target achievement in the 2020 remuneration system is 0 to 150%. Management Board members may potentially fail to achieve any STI, while the maximum payment is limited to 150% of the target amount.

In the event of exceptional circumstances or developments (for example, sale of a company, merger with another company, or material changes to accounting and measurement methods) which mean that the STI payment would be higher or lower than it would have been without this exceptional circumstance, the Supervisory Board shall be entitled to reduce or increase the amount at its own discretion.

The STI in the 2020 remuneration system is set out as follows in the overview:



In contrast, the target achievement for financial performance criteria in the 2017 remuneration system has a range of 0 to 200%, where the maximum total payment is limited to 240%.

Funds from operations (FFO) per share

The FFO represents a key performance indicator to assess operating performance and is used by HAMBORNER as an important control parameter; for example, the HAMBORNER strategy bases corporate governance on this key indicator. FFO is used in value-oriented corporate management to show the funds generated that are available for investments, repayments and dividend distributions to shareholders in particular.

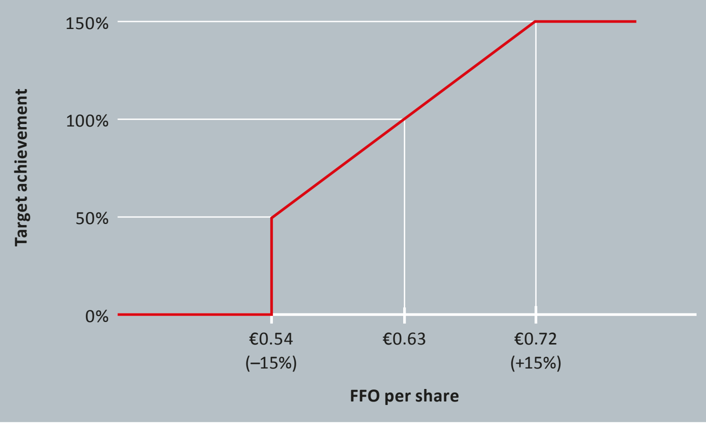
At the start of the 2020 financial year, the Supervisory Board set a target value of €0.63 for FFO per share based on the budget. Target achievement is 100% when the set target for FFO per share is achieved.

If the actual number of shares is not within budget at year-end, the number of shares from the budget is still used to calculate the target achievement for FFO per share.

A lower threshold of €0.54 (–15% deviation from target) and an upper threshold of €0.72 (+15% deviation from target) was set for FFO per share in the 2020 remuneration system. If FFO per share falls short of the lower threshold, target achievement is 0%. If the lower threshold is reached, target achievement is 50%. If the upper threshold is reached or exceeded, target achievement is 150%. A rise in FFO per share above the upper threshold does not mean that the target achievement is increased. Target achievement between the set thresholds and the target value is determined by linear interpolation.

The FFO per share achieved in accordance with the above-mentioned set targets was €0.63 in the 2020 financial year, resulting in a target achievement of 100% in the 2020 remuneration system. The following figure provides an overview of the target achievement for the FFO per-share performance criteria in the 2020 remuneration system in the 2020 financial year:

TARGET ACHIEVEMENT FOR FFO PER SHARE IN THE 2020 REMUNERATION SYSTEM IN THE 2020 FINANCIAL YEAR



Target	€0.63
Actual	€0.63
Deviation in %	0%
Target achievement	**100%**

Deviating from this, a lower threshold of €0.32 (–50% deviation from target) and an upper threshold of €0.95 (+50% deviation from target) was set for FFO per share in the 2017 remuneration system. As in the 2020 remuneration system, this results in a target achievement of 100%.

Occupancy rate

The occupancy rate specifies the share of leased units or vacant space in properties within the company portfolio. HAMBORNER calculates a period-based vacancy rate here as target rent for the vacant space in relation to total target rent. In an additional calculation for economic vacancy rate, the rental losses for vacancies are adjusted for contractual rent guarantee claims.

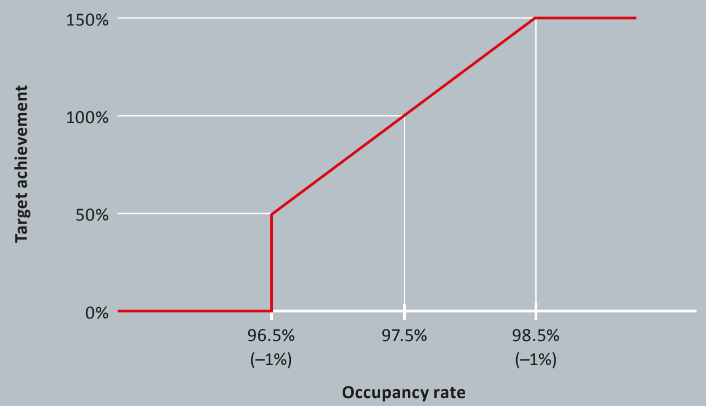
HAMBORNER has generated stable rental income in recent years with a regionally diversified portfolio and a high occupancy rate by market standards. Implementing occupancy rate in the STI should provide an incentive to maintain the occupancy rate at a high level.

At the start of the 2020 financial year, the Supervisory Board set a target of 97.5% for occupancy rate based on the budget. A lower threshold of 96.5% (–1% deviation from target) and an upper threshold of 98.5% (+1% deviation from target) was also set for FFO per share. Target achievement is 100% when the set target is achieved. If the achieved occupancy rate falls short of the lower threshold, target achievement is 0%. If the lower threshold is reached, target achievement in the 2020 remuneration system is 50%. If the upper threshold is reached or exceeded, target achievement in the 2020 remuneration system is 150%. A rise in occupancy rate above the upper threshold does not mean that the target achievement is increased further. Target achievement between the set thresholds and the target value is determined by linear interpolation.

The achieved occupancy rate in the 2020 financial year is 98.21%, resulting in a target achievement of 135.5% in the 2020 remuneration system.

The following figure provides an overview of the target achievement for the occupancy rate performance criteria in the 2020 remuneration system in the 2020 financial year:

TARGET ACHIEVEMENT FOR THE OCCUPANCY RATE PERFORMANCE CRITERIA IN THE 2020 REMUNERATION SYSTEM IN THE 2020 FINANCIAL YEAR



Target	97.5%
Actual	98.21%
Deviation in % points	+0.71%
Target achievement	**135.5%**

The wider potential target achievement range (0–200%) in the 2017 remuneration system results in a target achievement of 171% based on an achieved occupancy rate of 98.21%.

Criteria-based adjustment factor (modifier)
The criteria-based adjustment factor (modifier) allows the Supervisory Board to assess the individual and collective performance of the Management Board and achievement of ESG goals (environment, social, governance), in addition to target achievement in the financial performance criteria of FFO per share and occupancy rate. Assessment criteria are set by the Supervisory Board at the start of each financial year. They are defined in line with the company strategy, and may include strategic projects as well as operating measures. The modifier ranges between 0.8 to 1.2.

For the 2020 financial year, the Supervisory Board set the following criteria for Mr Karoff: development of the portfolio strategy, investor relations work, and development of a holistic ESG concept.

For Mr Schmitz, the Supervisory Board also set criteria for assessing the modifier. These included successful management of his new division, integration of the new Management Board members, and conceptual work in the Asset Management division.

Following the end of the financial year, the Executive Committee and Supervisory Board addressed and discussed the previously defined criteria and their achievement in detail. A decision was taken on criteria achievement, following a detailed presentation and evaluation of the Management Board members' performance based on the criteria. As a result, the Supervisory Board set the modifier for Mr Karoff to 1.2 and to 1.15 for Mr Schmitz.

Overall target achievement and payment for the 2020 financial year

The overall target achievement resulting from FFO per share, occupancy rate, and modifier, and the calculated payments are summarised in the following table:

MEMBERS OF THE MANAGEMENT BOARD	TARGET AMOUNT	TARGET ACHIEVEMENT FOR FFO PER SHARE	TARGET ACHIEVEMENT FOR OCCUPANCY RATE	MODIFIER	OVERALL TARGET ACHIEVEMENT	PAYMENT
Niclas Karoff	€141.7 thousand	100% (Weighting: 60%)	135.5% (Weighting: 40%)	1.2	137%	€194.1 thousand

MEMBERS OF THE MANAGEMENT BOARD	TARGET AMOUNT	TARGET ACHIEVEMENT FOR FFO PER SHARE	TARGET ACHIEVEMENT FOR OCCUPANCY RATE	MODIFIER	OVERALL TARGET ACHIEVEMENT	PAYMENT
Hans Richard Schmitz	€125 thousand	100% (Weighting: 60%)	171% (Weighting: 40%)	1.15	147.7%	€184.6 thousand

Dr Mrotzek was paid €10.4 thousand – i.e. 1 / 12 of his target – for the 2020 financial year.

3.2.2. Long-term variable remuneration (LTI)

The second results-based remuneration element is long-term variable remuneration (LTI). It is used to encourage sustainable and long-term growth and makes up the majority of the variable remuneration. The LTI target amount for Mr Karoff was set at €200 thousand p.a. As he joined the Management Board during the year, the LTI target amount for Mr Karoff in the 2020 financial year was €166.7 thousand. The LTI target amount for Mr Schmitz is €150 thousand.

3.2.2.1. Performance share plan

The LTI in the 2020 remuneration system is structured as a performance share plan with a performance period of four years, and is therefore designed to be a long-term incentive. Management Board members participate directly in the HAMBORNER share price through the use of virtual performance shares. This helps to further align the interests of the Management Board and shareholders.

The number of contingent virtual performance shares for the annual tranches is set at the beginning of each financial year. For conversion into contingent virtual performance shares, the target amount is divided by the arithmetic mean of the closing prices of HAMBORNER's shares on the last 20 trading days before the start of the performance period. The performance period begins on 1 January of the respective financial year and closes at the end of the third financial year after allotment.

The main performance criteria are net asset value (NAV) performance per share and the relative total shareholder return (TSR), both of which are weighted at 50%. The TSR is calculated as the share price performance plus notionally reinvested dividends during the performance period. To calculate target achievement, the TSR performance of HAMBORNER's shares is compared against the TSR performance of the EPRA / NAREIT Europe ex UK (total return) over the four-year performance period. The performance criteria permit target achievement at any figure between 0% and 150%.

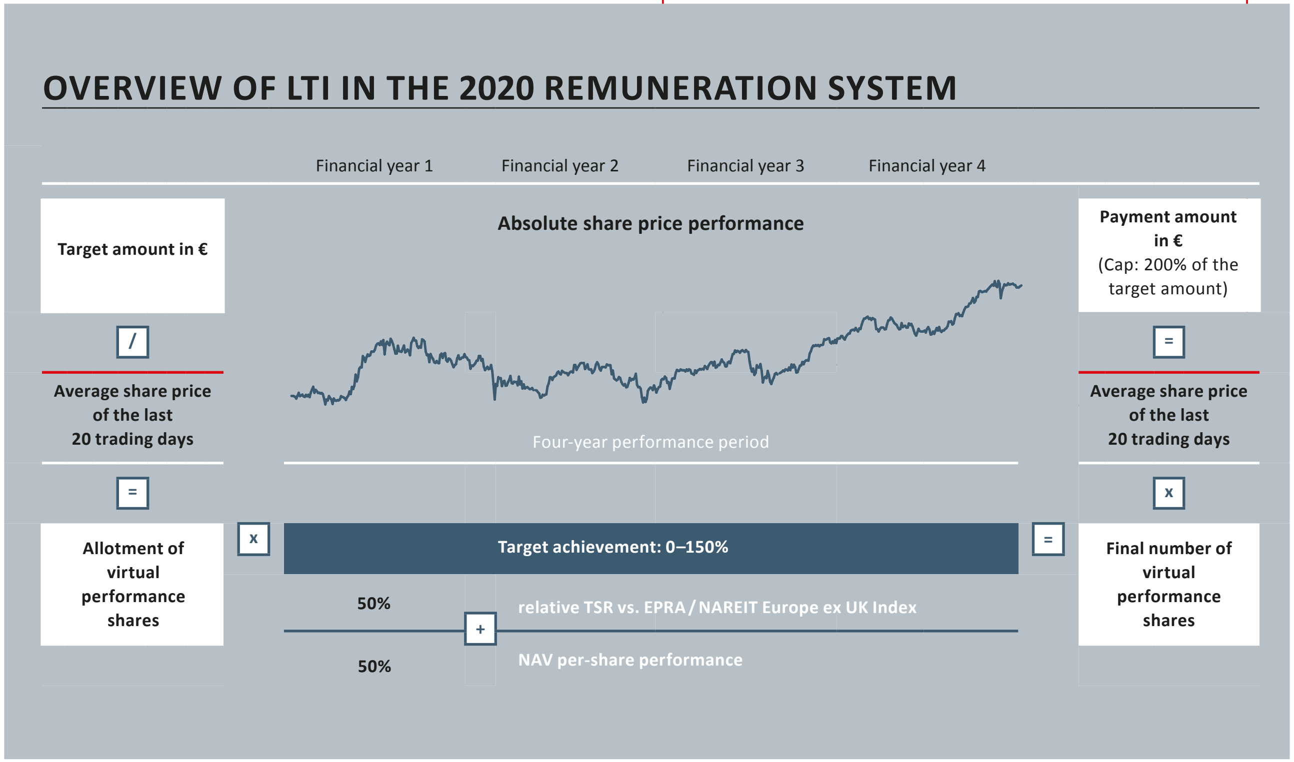
The targets for NAV per-share performance and relative TSR, including the respective corridors, are set by the Supervisory Board at the beginning of each performance period. If target achievement falls short of the lower threshold, target achievement is 0%. If the upper threshold is reached or exceeded, target achievement is 150%. The virtual performance shares, which are initially granted contingently, have a term of four years counting from the start of the performance period. The virtual performance shares are paid out in cash on maturity.

The payment amount is calculated as the final total number of virtual performance shares as determined by target achievement, multiplied by the arithmetic mean of the closing prices of HAMBORNER's shares on the last 20 trading days before the end of the performance period.

The maximum payment is capped at 200% of the target amount for each tranche.

In the event of exceptional circumstances or developments (for example, sale of a company, merger with another company, or material changes to accounting and measurement methods) which mean that the LTI payment would be higher or lower than it would have been without this exceptional circumstance, the Supervisory Board shall be entitled to reduce or increase the amount at its own discretion. This also applies if capital measures (e.g. capital increase with pre-emption rights, spin-off, scrip dividends, [reverse] splits) are implemented during the performance period.

An overview of the LTI is provided as follows:



Relative total shareholder return
Relative TSR is used as an external performance criteria aligned with the capital market, and is given a 50% weighting. The performance criteria takes account of TSR performance during the performance period measured against a comparison group defined by the Supervisory Board, and helps align the interests of Management Board and shareholders. Using a comparison of relevant competitors provides the Management Board with an incentive to outperform the comparison group over the long term.

The Supervisory Board selected EPRA / NAREIT Europe ex UK Index as the relevant comparison group. This index comprises various European companies in the property sector (including REITs). HAMBORNER is also part of the EPRA / NAREIT Europe ex UK Index.

To calculate the TSRs of HAMBORNER shares and the EPRA / NAREIT Europe ex UK Index during the performance period, we determine the arithmetic mean of the closing prices over the last 20 trading days prior to the start of the performance period and over the last 20 trading days before the end of the performance period (including notionally reinvested gross dividends during the performance period) and compare them. The relative TSR reflects the difference between the calculated HAMBORNER TSR and the EPRA / NAREIT Europe ex UK Index TSR.

The target for relative TSR, and target corridor with upper and lower threshold, are set by the Supervisory Board at the beginning of each performance period and published in the remuneration report at the end of the relevant performance period.

Performance of net asset value (NAV) per share
Performance of NAV per share is used as an internal performance criteria in the performance share plan, and is given a 50% weighting. Performance criteria is based on performance of NAV per share according to the HAMBORNER financial statements. Net asset value or net assets reflects the economic equity of HAMBORNER. It is determined by the fair values of the company's assets – essentially the value of properties – net of the borrowed capital.

NAV per share is the main benchmark for the asset strength of HAMBORNER and is a key indicator for HAMBORNER as part of value-oriented company management. HAMBORNER's goal is to increase the long-term NAV per share through value-adding measures.

The target for performance of NAV per share, and target corridor with upper and lower threshold, are set by the Supervisory Board at the beginning of each performance period and published in the remuneration report at the end of the relevant performance period.

3.2.2.2. Virtual share commitments

Virtual non-vested share commitments are allotted according to the 2017 remuneration system. The Supervisory Board can adjust the LTI target amount by up to 20% in either direction based on the personal performance of the member of the Management Board. The maximum payment is capped at 480% of the target amount.

Half of the set target amount (LTI 1) is linked to performance of absolute FFO and FFO per share and to the like-for-like development in the value of the portfolio over the past three years prior to allotment. The Supervisory Board determines the level of target achievement; this may vary between 0% and 200% (cap). The target achievement determines the actual cash value of the commitment and the resulting number of virtual share commitments.

For the other half of the set target amount (LTI 2), the Supervisory Board will initially allot a number of virtual share commitments equivalent to the cash value of half of the target amount on the commitment date. The Supervisory Board also determines a target system (target value for 100% and target corridor) for HAMBORNER share price performance relative to the EPRA / NAREIT Europe ex UK Index. After the end of the retention period, the Supervisory Board determines the relative performance of HAMBORNER shares as against the index. This results in a level of target achievement that may vary between 0% and 200% (cap). If the target achievement exceeds 100%, the number of virtual share commitments is increased in proportion to the extent by which targets are exceeded. If the target achievement is less than 100%, a number of virtual share commitments corresponding to the shortfall will be forfeited. The value in excess of the cap will be disregarded if the closing price at the settlement date amounts to more than 200% (cap) of the closing price on the respective commitment date. The retention period ends after the second trading day following publication of the results for the third year after the commitment is entered into. The equivalent value of virtual share commitments is paid in cash after the end of the retention period.

3.2.2.3. Information regarding allotment of the LTI tranche for 2020

The LTI tranche for 2020 was allotted to Management Board members at the start of the 2020 financial year. An overview of individual targets, allotment price, and the number of allotted virtual performance shares or virtual share commitments is shown in the following table:

MEMBERS OF THE MANAGEMENT BOARD	APPLICABLE REMUNERATION SYSTEM	TARGET AMOUNT	ALLOTMENT PRICE	NUMBER OF ALLOTTED VIRTUAL PERFORMANCE SHARES / VIRTUAL SHARE COMMITMENTS	
Niclas Karoff	2020 remuneration system	€166.7 thousand	€9.66		17,253
					LTI 1: 10,027
Hans Richard Schmitz	2017 remuneration system	€150.0 thousand	€7.48	20,054	LTI 2: 10,027

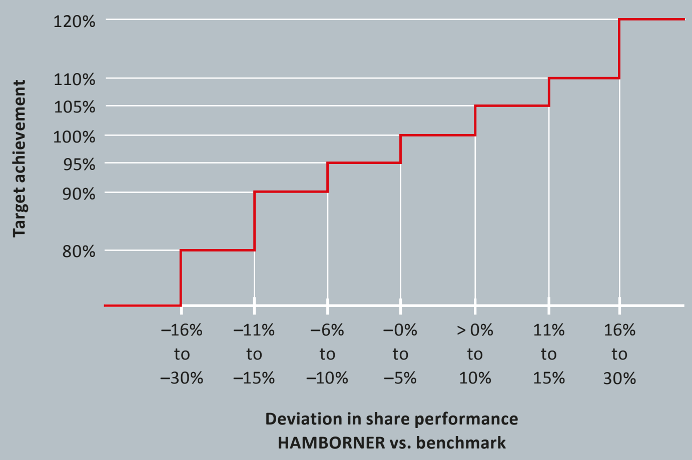
3.2.2.4. Target achievement and payment of the LTI tranche for 2017

The LTI tranche for 2017 was paid in the 2020 financial year after the end of the three-year performance period.

Half of the target amount (LTI 1) was dependent on performance of absolute FFO and FFO per share and like-for-like growth in the portfolio's value over the three years prior to allotment. Absolute FFO rose by 47.4%, while FFO per share fell by 16.7%; the number of shares increased by around 75% within the period. The portfolio's like-for-like value rose by 11.0%. Based on this positive overall performance, the Supervisory Board set a target of 100% for LTI 1 in the 2017 LTI tranche, which determined the commitment's actual monetary value and the resulting number of share commitments.

The Supervisory Board allotted a number of share commitments to the other half of the target amount, with the final number calculated according to target achievement at the end of the performance period. Target achievement in LTI 2 was linked to how the HAMBORNER share price performed relative to the EPRA / NAREIT Europe ex UK Index. Prior to the start of the performance period, the Supervisory Board defined the target achievement curve shown in the overview below to measure relative share performance. HAMBORNER shares achieved double-digit growth over the performance period. Despite this positive outcome, the performance of the EPRA / NAREIT Europe ex UK Index was not bettered, and so the target achievement was 80%.

TARGET ACHIEVEMENT CURVE FOR RELATIVE SHARE PERFORMANCE (LTI 2) – 2017 LTI TRANCHE



HAMBORNER initial value	€9.19	Benchmark initial value	2,733
HAMBORNER end value	€10.39	Benchmark end value	3,560
Change	13.1%	Change	30.3%
HAMBORNER deviation from benchmark		**−17.2%**	
Target achievement		**80%**	

Based on the targets set in LTI 1 and LTI 2, Mr Schmitz receives the following payment from the 2017 LTI tranche:

MEMBERS OF THE MANAGEMENT BOARD		TARGET AMOUNT	PRO RATA TARGET AMOUNT	ALLOT-MENT PRICE	NUMBER OF ALLOTTED VIRTUAL SHARE COMMITMENTS	TARGET ACHIEVEMENT	CLOSING PRICE	PARTIAL PAYMENT	PAYMENT
LTI 1	Hans Richard Schmitz	€130 thousand	€65 thousand	€9.19	7,073	100%	€10.39	€73.5 thousand	€132.3 thousand
LTI 2			€65 thousand		7,073	80%		€58.8 thousand	

3.2.2.5. Further information on share-based remuneration

Further information on share-based remuneration in the 2020 financial year can be found in the following table:

SHARE-BASED REMUNERATION IN € THOUSAND	2020			2019		
	Value of virtual shares on allotment	Quantity on allotment	Expenses	Value of virtual shares on allotment	Quantity on allotment	Expenses
Niclas Karoff	167	17,253	81	–	–	–
Hans Richard Schmitz	150	20,054	149	150.0	16,216	187
Dr Rüdiger Mrotzek	0	0	15	150.0	16,216	187
TOTAL	**317**	**37,307**	**245**	**300.0**	**32,432**	**374**

3.3. Shareholding requirement (share ownership guidelines)

Shareholding requirements (share ownership guidelines) for Management Board members are set to further reconcile the interests of the Management Board and shareholders. Shareholding requirements are another key element which helps align the remuneration system with long-term and sustainable growth at HAMBORNER.

They require each Management Board member to hold a substantial number of HAMBORNER shares for the duration of their appointment. In the 2020 remuneration system, Management Board members are also required to retain the shares held for two years after the end of their appointment.

The requirement for all Management Board members is 200% of gross fixed remuneration.

The shares held to meet the shareholding requirement must be built up within four calendar years in the 2020 remuneration system. Mr Karoff must meet the shareholding requirement by 31 December 2023. In order to do so, he needs to acquire 25% of the set minimum number of shares held. Mr Karoff met this requirement in the 2020 financial year. Mr Schmitz met the full shareholding requirement at the end of 2015:

MEMBERS OF THE MANAGEMENT BOARD	AMOUNT TO BE HELD IN % OF GROSS FIXED REMUNERATION	NUMBER OF SHARES HELD AS AT 31 DECEMBER 2020	END OF THE BUILD-UP PHASE
Niclas Karoff	200%	20,193	31 Dec. 2023
Hans Richard Schmitz	200%	80,000	Already met

3.4. Malus and clawback rules

According to the 2020 remuneration system, the Supervisory Board has the option of reducing or retaining unpaid variable remuneration elements (compliance malus) or demanding the return of paid variable remuneration elements (compliance clawback) in the event of a material breach by Management Board members of statutory requirements, their service requirements, the company's internal code of conduct, or the HAMBORNER compliance guidelines.

In addition, the Supervisory Board must have the option of correcting the calculation of variable remuneration elements based on incorrect data – for example, incorrect consolidated financial statements – when these elements are calculated or paid, or of demanding the return of variable remuneration elements which have already been paid (performance clawback).

No variable remuneration elements were returned or reduced in the 2020 financial year.

3.5. Maximum remuneration

In accordance with section 87a paragraph 1 (2) (1) AktG, the Supervisory Board defined a maximum payment for Management Board members in the 2020 remuneration system, which limits the maximum payment of all remuneration components for a financial year. As Chair of the Management Board, the maximum remuneration for Mr Karoff was €1,100 thousand in the 2020 financial year. Compliance with the set maximum remuneration can only be assessed after the end of the 2020 LTI tranche.

4. LEGAL TRANSACTIONS RELATING TO REMUNERATION

4.1 Commitments at the end of the Management Board term

Under the 2020 remuneration system, in the event of the Supervisory Board revoking the appointment of a member of the Management Board, the member of the Management Board will receive the present value (basis: 2%) of the gross fixed annual salary, the STI and LTI, that would have arisen by the regular end of his contract as compensation for early termination; severance pay cannot exceed twice the gross annual fixed remuneration, the STI and LTI, assuming 100% target achievement (severance cap).

Under the 2017 remuneration system, in the event of the Supervisory Board revoking the appointment of a member of the Management Board, the member of the Management Board will receive the present value (basis: 2%) of his gross fixed annual salary that would have arisen by the regular end of his contract as compensation for early termination, whereby compensation cannot exceed the value of total annual remuneration including benefits for two years, assuming 100% attainment of targets (severance cap).

Severance shall not be owed if the service agreement has been terminated without notice or if the conditions for termination of the service agreement without notice existed on the date on which the appointment was revoked.

Furthermore, the member of the Management Board will receive a pro rata temporis STI to be determined at the discretion of the Supervisory Board until the date of dismissal.

Under the 2020 remuneration system, the LTI is calculated and paid in accordance with the originally agreed measurement principles (performance criteria, performance period, etc.) and maturity dates,

while under the 2017 remuneration system, if the Management Board member still has virtual share commitments subject to the retention period as at the time of his departure, they will expire at the end of the second trading day after publication of the results for the past financial year. The company will settle the commitment in cash at this point.

The 2020 remuneration system stipulates that if a Management Board member dies during the term of their service agreement, the fixed remuneration shall be paid to surviving dependents for the month in which the member died and for the six months following this month, but not beyond the scheduled end of the agreement. The STI is paid immediately in the event of permanent incapacity for work or death of the Management Board member. The payment in this case matches the target amount. All allotted virtual performance shares, which have not yet completed the performance period, are paid immediately in the LTI in the event of permanent incapacity for work or death of the Management Board member. The payment matches the cumulative target amount of all outstanding tranches; for the financial year in which the service agreement ends, the target amount is reduced by 1/12 for each month in which the service agreement has not been in place in this financial year. Payment is made no later than two months after the end of the service agreement.

The 2017 remuneration system stipulates that if a Management Board member dies during the term of their service agreement, the fixed remuneration shall be paid to surviving dependents for the month in which the member died and for the six months following this month. Share-based remuneration components committed in the past remain unaffected. Any retention periods end on the last trading day of the month in which the member dies. At this point, HAMBORNER will settle the commitment in cash based on the closing price on this date.

Virtual share commitments from 2017, 2018, and 2019 (LTI 2017 to LTI 2019) to be paid out in 2020 following the death of Dr Mrotzek, resulted in a payment of €448 thousand at a share price on payment of €10.11.

4.2. Change of Control

According to the 2020 remuneration system, there are no rules in place for a change of control.

However, the 2017 remuneration system states that in the event of a change of control – i.e. if one or more shareholders acting in concert acquire 30% or more voting rights in HAMBORNER or HAMBORNER becomes a dependent company by concluding a company agreement within the meaning of section 291 AktG – the Management Board member has the right to terminate his service agreement if the change of control would mean a significant change to his position, such as through a change in the company's strategy or a change to his activities.

In exercising this right of termination, the member has a claim to compensation in the amount of the total annual remuneration to the end of his original service agreement, but not exceeding total remuneration for three years. Share-based remuneration components committed in the past remain unaffected. Any retention periods end on the day of departure. The company will settle the commitment in cash at this point.

No claim to compensation exists if the Management Board member receives benefits from third parties in connection with the change of control. There is also no right to termination if the change of control occurs within twelve months of his retirement.

4.3. Loans to Management Board members

In the 2020 financial year, HAMBORNER granted no advances or loans to Management Board members. Neither were there any loans or advances to Management Board members from previous years.

4.4. Remuneration from third parties with regard to Management Board work

No members of the Management Board received benefits or corresponding commitments from third parties in the past financial year for their work as members of the Management Board.

5. INDIVIDUAL DISCLOSURE OF MANAGEMENT BOARD REMUNERATION

In accordance with 4.2.5 Annex Tables 1 and 2 DCGK as amended on 7 February 2017 (DCGK 2017), the following table sets out the “Granted Benefits” provided by HAMBORNER in terms of DCGK 2017. Although the basic recommendation for disclosure of these tables no longer applies in the new version of the DCGK, the Management Board and Supervisory Board decided to maintain the level of transparency achieved to date, and to continue using the reference tables.

Remuneration of active Management Board members in the financial year consisted of the following for the 2020 financial year in terms of the “Granted Benefits” reference table in DCGK 2017.

GRANTED BENEFITS	NICLAS KAROFF				HANS RICHARD SCHMITZ				DR RÜDIGER MROTZEK			
	Chair of the Management Board since 1 March 2020				Management Board member since 1 December 2008				Management Board member until 28 January 2020			
in € thousand	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)	2019
Fixed remuneration	292	292	292	–	300	300	300	276	52 *	52 *	52 *	276
Benefits	29	29	29	–	23	23	23	22	3	3	3	32
Total	321	321	321	–	323	323	323	298	55	55	55	308
Short-term variable remuneration	142	0	255	–	125	0	300	125	10	0	23	125
Long-term variable remuneration	167	0	333	–	150	0	720	150	0	0	0	150
LTI 1 (2019) Plan ending 2021	–	–	–	–	–	–	–	75	–	–	–	75
LTI 2 (2019) Plan ending 2022	–	–	–	–	–	–	–	75	–	–	–	75
LTI 1 (2020) Plan ending 2023	–	–	–	–	75	0	360	–	–	–	–	–
LTI 2 (2020) Plan ending 2023	–	–	–	–	75	0	360	–	–	–	–	–
LTI (performance share plan) (2020) Plan ending 2023	167	0	333	–	–	–	–	–	–	–	–	–
Total	630	321	909	–	598	323	1,343	573	65	55	78	583
Pension expenses and self-provision payment	33	33	33	–	30	30	30	30	2	2	2	30
Total remuneration under DCGK	663	354	942	–	628	353	1,373	603	67	57	80	613
Performance-based adjustment of the one-year variable remuneration	52	0	0	–	60	0	0	71	0	0	0	71
TOTAL REMUNERATION	**715**	**354**	**942**	**–**	**688**	**353**	**1,373**	**674**	**67**	**57**	**80**	**684**

* including leave compensation

The table below, which largely corresponds to the "Allocation" reference table of DCGK 2017, shows the fixed and variable remuneration allocated for the 2020 financial year, including their relative shares.

ALLOCATED REMUNERATION	NICLAS KAROFF				HANS RICHARD SCHMITZ				DR RÜDIGER MROTZEK			
	Chair of the Management Board since 1 March 2020				Management Board member since 1 December 2008				Management Board member until 28 January 2020			
in € thousand	2020	2020 (in %)	2019	2019 (in %)	2020	2020 (in %)	2019	2019 (in %)	2020	2020 (in %)	2019	2019 (in %)
Fixed remuneration	292	53.3	–	–	300	44.8	276	43.5	52 *	10.1	276	42.8
Benefits	29	5.3	–	–	23	3.4	22	3.5	3	0.6	32	5.0
Total	321	58.6	–	–	323	48.2	298	47.0	55	10.7	308	47.8
Short-term variable remuneration	194	35.4	–	–	185	27.6	196	30.9	10	1.9	196	30.4
Long-term variable remuneration	–	–	–	–	132	19.7	111	17.5	448	87.0	111	17.2
Total	515	94.0	–	–	640	95.5	605	95.3	513	99.6	615	95.3
Pension expenses and self-provision payment	33	6.0	–	–	30	4.5	30	4.7	2	0.4	30	4.7
TOTAL REMUNERATION	**548**	**100.0**	–	–	**670**	**100.0**	**635**	**100.0**	**515**	**100.0**	**645**	**100.0**

* including leave compensation

6. REMUNERATION OF FORMER MEMBERS OF THE MANAGEMENT BOARD

Total remuneration for former members of the company's Management Board and their surviving dependents amounted to €372 thousand in the 2020 financial year. Pension provisions recognised for this group of people amount to €3,352 thousand in accordance with IFRS (HGB: €2,711 thousand).

II. Remuneration of the Supervisory Board in the 2020 financial year

1. SUPERVISORY BOARD REMUNERATION SYSTEM

Remuneration of the Supervisory Board is regulated in Article 13 of the Articles of Association. In order to ensure that the Supervisory Board can exercise its monitoring and advisory function independently, members are paid by fixed remuneration only. As remuneration does not depend on the short-term results of HAMBORNER, the Supervisory Board can target its work at HAMBORNER's long-term development.

The additional hours worked by the Chair and Deputy Chair, as well as the chairs and members of committees, are taken into account in the Supervisory Board's remuneration.

The fixed remuneration is paid after the end of the financial year and is €22,500 p.a. The Chair receives double this remuneration (€45,000), and the Deputy Chair three quarters of this amount (€33,750).

Besides this, Supervisory Board members receive the following additional remuneration for work in Supervisory Board committees: annual remuneration of €5,000 for work on the Executive Committee or Audit Committee. The committee chair receives double the additional remuneration (€10,000) to take full account of the extra work involved. If the Nomination Committee meets in a financial year, its members receive additional annual remuneration of €2,500. The committee chair receives double this additional remuneration (€5,000).

Members of the Supervisory Board who have been on the Supervisory Board or the relevant committee for only part of the financial year receive their remuneration pro rata temporis.

In addition, each Supervisory Board member receives a meeting allowance of €500 each time they attend a meeting in person, over the phone, or via video conferencing or similar link.

HAMBORNER decided to provide Supervisory Board members with liability insurance which covers statutory liability arising from their work on the Supervisory Board.

2. REMUNERATION OF SUPERVISORY BOARD MEMBERS FOR THE 2020 FINANCIAL YEAR

Remuneration of Supervisory Board members for the 2020 financial year is €326.0 thousand in total (previous year: €320.8 thousand) and is reported individually in the following table:

SUPERVISORY BOARD REMUNERATION	2020							2019						
in € thousand	Fixed remuneration	(in %)	Committee remuneration	(in %)	Meeting allowances	(in %)	Total	Fixed remuneration	(in %)	Committee remuneration	(in %)	Meeting allowances	(in %)	Total
Dr Andreas Mattner	36.4	74.9	9.2	18.9	3.0	6.2	48.6	33.8	77.2	7.5	17.1	2.5	5.7	43.8
Bärbel Schomberg	34.7	72.0	11.5	23.9	2.0	4.1	48.2	45	72.0	15.0	24.0	2.5	4.0	62.5
Claus-Matthias Böge	25.1	58.2	15	34.8	3.0	7.0	43.1	22.5	56.3	15.0	37.5	2.5	6.3	40.0
Mechthilde Dordel	22.5	88.2	0.0	0.0	3.0	11.8	25.5	22.5	90.0	0.0	0.0	2.5	10.0	25.0
Maria Teresa Dreo	5.2	65.0	1.8	22.5	1.0	12.5	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rolf Glessing	22.5	68.2	7.5	22.7	3.0	9.1	33.0	22.5	69.2	7.5	23.1	2.5	7.7	32.5
Ulrich Graebner	22.5	68.2	7.5	22.7	3.0	9.1	33.0	14.7	69.7	4.9	23.2	1.5	7.1	21.1
Wolfgang Heidermann	17.3	74.6	3.9	16.8	2.0	8.6	23.2	22.5	75.0	5.0	16.7	2.5	8.3	30.0
Klaus Hogeweg	5.2	83.9	0.0	0.0	1.0	16.1	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Christel Kaufmann-Hocker	22.5	73.8	5.0	16.4	3.0	9.8	30.5	22.5	75.0	5.0	16.7	2.5	8.3	30.0
Dr Helmut Linssen	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.8	71.6	2.6	23.9	0.5	4.6	10.9
Dieter Rolke	17.3	89.6	0.0	0.0	2.0	10.4	19.3	22.5	90.0	0.0	0.0	2.5	10.0	25.0
Johannes Weller	5.2	70.3	1.2	16.2	1.0	13.5	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	236.4	72.5	62.6	19.2	27.0	8.3	326.0	236.3	73.7	62.5	19.5	22	6.9	320.8

In addition and in accordance with Article 13(3) of the Articles of Association, the company reimburses the members of the Supervisory Board for expenses incurred in the execution of their office, including VAT due on remuneration and reimbursement of expenses.

As in the previous year, the members of the Supervisory Board received no further remuneration or benefits beyond this in the reporting year for services provided personally, including in particular consulting or mediation services. The members of the Supervisory Board received no loans or advances from the company.

III. Comparative remuneration of Management Board members and Supervisory Board members, including the rest of the workforce, and the company's growth in earnings

The following table compares the remuneration growth of Management Board and Supervisory Board members, as well as the rest of the workforce and the HAMBORNER growth in earnings. In future annual reports, this table will be extended year by year up to an analysis period of five years. The Management Board member remuneration shown in the table reflects the actually allocated amounts in the financial year (see "Allocated remuneration" table). All HAMBORNER employees on a full-time equivalent basis, except for Management Board members, are incorporated into the table showing average employee remuneration and changes to this remuneration. The HAMBORNER-central key financial ratio of funds from operations (FFO) has been selected to illustrate the growth in earnings.

IN € THOUSAND	2020	2019	CHANGE IN %
Member of the Management Board			
Niclas Karoff	548	–	–
Dr Rüdiger Mrotzek	515	645	-20.2
Hans Richard Schmitz	670	635	5.5
Members of the Supervisory Board *			
Dr Andreas Mattner	48.6	43.8	11.0
Bärbel Schomberg	48.2	62.5	-22.9
Claus-Matthias Böge	43.1	40.0	7.8
Mechthilde Dordel	25.5	25.0	2.0
Maria Teresa Dreo	8.0	–	–
Rolf Glessing	33.0	32.5	1.5
Ulrich Graebner	33.0	21.1	56.4
Wolfgang Heidermann	23.2	30.0	-22.7
Klaus Hogeweg	6.2	–	–
Christel Kaufmann-Hocker	30.5	30.0	1.7
Dr Helmut Linssen	–	10.9	–
Dieter Rolke	19.3	25.0	-22.8
Johannes Weller	7.4	–	–
Average	**36.2**	**35.6**	**1.6**
Employees			
Average total workforce	85.6	82.0	4.5
Growth in earnings			
Funds from operations (FFO)	55,609	54,308	2.4

* including meeting allowances

Opportunities and risks

Opportunities and risk management

PRINCIPLES OF OUR RISK POLICY

As a property company operating across Germany, HAMBORNER is exposed to a variety of risks that can negatively influence the net assets, financial position and results of operations of the company. To reduce risks, HAMBORNER has always tailored its business policy to avoid business areas with particularly high risk potential. In this respect, as in the past, HAMBORNER did not participate in highly speculative financial transactions in 2020. We take appropriate, manageable and controllable risks if the rewards offsetting them can be expected to produce adequate value appreciation.

Risk management

In order to limit risk, HAMBORNER has implemented a risk management system for the timely identification and handling of risks that could affect the economic position of the company. The scope and structure have been set up to meet the system's objectives. Modifications and enhancements are put in place to reflect changing circumstances. Opportunities that may arise are not taken into account in this management system. The early risk detection system is examined by the auditor as part of the audit of annual financial statements in accordance with section 317 (4) HGB.

The company's internal risk management system is integrated into operational procedures – particularly planning and controlling processes – and spans several levels. This is described in more detail in a company policy. In this context, the risk inventory is of central importance. Based on business operations and the activities they involve, the risk inventory tracks the potential risks to which the company is exposed.

These potential risks are divided into the following categories:

- Strategic risks
- Operational risks
- Compliance risks
- Financial risks

In turn, the possible characteristics of individual risk categories are assessed in terms of their risk impact (e.g. loss of assets, decreased income, higher expenses), their estimated probability, a potential threat to the company as a going concern, possible counter-strategies, leading indicators in place, and options for obtaining information. The assessment is carried out by the responsible departments. The internal risk report compiled during the year includes a quarterly assessment and review of risks for completeness; this is based on the approved plan. The possible impacts of identified risks on the net asset and results of operations of the company are examined in scenario analyses.

PRESENTATION OF RISK AREAS

Risks that could have a substantial impact on the net assets, financial position, and results of operations of the company are described below. In principle, the risk areas to which HAMBORNER is exposed can be divided into general market risks, operational risks, financial risks and other risks specific to HAMBORNER.

RISK CATEGORIES AND THEIR ASSESSMENT

The current HAMBORNER risk assessment has been influenced to a large degree by the COVID-19 pandemic and its impact on the national and global economy. Details of risk categories and how the company deals with them are set out in the following bullet points.

STRATEGIC RISKS

National market environment risks

The national market environment in 2020 was largely defined by the COVID-19 pandemic. In order to stem the spread of the pandemic, far-reaching restrictions on economic activity were imposed in March, effecting vast numbers of companies and the self-employed. Following a fall in infections in the middle of the year, restrictions were relaxed and the economy began to recover. This recovery ground to a halt in November, as another lockdown was imposed due to a steep rise in infections.

The impact of the pandemic led to a fall in GDP of 5.0% compared with 2019, and current forecasts for 2021 diverge due to considerable uncertainty as to how the pandemic will play out. The OECD, for example, forecast growth of just 2.8% for Germany, while German institutes see a slightly more positive picture, with the German Institute for Economic Research recently projecting growth of 3.5%.

The negative economic trend and new lockdown measures since November 2020 have had an adverse impact on HAMBORNER, the extent of which is not yet fully evident. Moreover, the pandemic is accelerating growth in online retail, a trend magnified by increasing pressure on stationary retail and the growing risk of insolvency. On top of this, we should expect office work patterns to change permanently – for example, through increased use of mobile operations – as a result of the current pandemic. Both issues may lead to a permanent fall in demand for office and retail space.

Because of this, write-downs on receivables were planned at a similar level to 2020, and an expected rise in vacancy rates factored in planning.

Even so, the risk is considered “moderate” thanks to HAMBORNER’s diversified tenant mix which includes a high proportion of “systemically important” tenants.

Global market environment risks

Due to the global COVID-19 pandemic covered in detail above, the industrialised members of the OECD expect a year-on-year decline of 4.2% in the global economy for 2020, with the anticipated recovery beginning in 2021. Recovery is expected to gather pace from the third quarter of 2021. For 2021, the OECD forecasts growth of 4.2% compared with 2020, which is lower than its forecast of 5% made in September. Its most recent forecast for 2022 (as at 1 December 2020) projects economic growth of 3.7%. Similar to national market environment risk, the risk based on the HAMBORNER business model is considered “moderate”.

Risks from changes to the regulatory environment

This risk category covers risks arising from potential legal changes, relating to key regulatory requirements and the company’s legal structure. Risk of non-compliance with the amended accounting requirements of HGB and IFRS also falls into this category.

Employees familiar with these issues undergo training on a regular basis to minimise the risk of non-compliance with accounting requirements. Auditing firms may be engaged to provide advice if there are complex changes to requirements. In addition, an annual company audit is performed by means of an internal audit outsourced to an auditing firm. According to the current legal position, no material changes to jurisprudence are expected and the risk is considered “low”.

Organisational structure risks

This risk relates to inefficient organisational structures which could lead in the long run to increased expenditure and lower income for HAMBORNER. In order to meet the growing demands of the market and prevent inefficiency, responsibilities were restructured in 2020. This mainly affected portfolio and risk management matters, as well as financial controlling.

Managers also meet regularly with the Management Board. Potential inefficiencies and problems are quickly identified through detailed conversations and meetings with the responsible people. HAMBORNER therefore considers the risk to be “low”. The low cost ratio for 2020 supports this view, as does the operating cost ratio which rose just marginally from 7.5% to 7.8% in 2020, despite the difficult business environment.

OPERATIONAL RISKS

Letting risks

Letting risk is closely linked to property usage type, so this is the factor on which the letting risk analysis is based.

During the first lockdown in spring, many retail tenants, with the exception of food retailers, were already reporting a steep decline in sales, which led in turn to an increased letting risk. This risk increased sharply once again as a result of the second lockdown.

Depending on the severity and duration of the second lockdown’s economic impact, new and follow-up leases will become significantly more challenging in some areas (e.g. clothing retailers, restaurant trade). Marketing periods have already lengthened on average from

12 to 24 months. Even before the crisis, the clothing sector in particular was coming under intense pressure from online sales, and was vulnerable to high operating costs due to the massive online expansion of recent years. To compound the situation, losses incurred as a result will combine with a fall in income from the start / middle of December 2020 due to the second lockdown.

In some locations, the letting market has come to a virtual standstill, and is considered very weak in general, to the extent that market players in the affected locations do not expect to let any significant new retail space in the next two to three years.

A further risk is posed by developments in supreme court case law. According to this, the use of different clauses at the same time may create the conditions for a contract breach. If this is not remedied, the risk is that the tenant could be able terminate an agreement without notice or assert other claims. This affects a handful of leases in just a few locations.

In a move to combat the increasing risk in city centre retail properties, the company has started to gradually dispose of 21 relevant properties in the portfolio. Purchase agreements were concluded for eleven properties in 2020. In view of the growing dynamism on transaction markets, and continuing intense marketing activity, the company is confident of completing more sales in the next few months to further reduce the proportion of city centre retail properties in the portfolio as a whole.

The letting risk for the retail usage category is considered high overall.

With respect to office properties, however, the situation appears less critical. Office tenants have been far less affected by the pandemic and the official lockdown measures, so the letting risk here is judged low to moderate. In spite of this, an increase in mobile working and changes to the associated usage or economic turmoil may well lead to falling demand for space in the next few years.

The letting risk for the entire portfolio stock is considered “moderate” overall. The average vacancy rate including rent guarantees remained at a comparatively very low level of 1.8% in the 2020 financial year (previous year: 2.0%).

Risks of rental losses

The COVID-19 pandemic has put the risk of rental losses into sharp focus. The German act to mitigate the consequences of the coronavirus pandemic in civil, insolvency and criminal procedural law of 27 March 2020 had given tenants the option of suspending rental payments for a limited period, without the threat of penalties from the lessor due to default in payment. An option was also provided for rent obligations to be deferred until a later date. Many tenants made use of this during the period of the first “hard lockdown” (23 March 2020 to 19 April 2020).

The federal government made the statutory presumption in its decision of 13 December 2020 that restrictions on use due to the COVID-19 pandemic may represent a profound change in the basis of contract within commercial leases. A law to this effect was passed on 17 December 2020 by amendment of Article 240 section 7 Introductory Act to the German Civil Code (Einführungsgesetz zum Bürgerlichen Gesetzbuch, “EGBGB”) (presumption of frustration of the basis of contract in tenancy and lease agreements).

Among the various other consequences, this legal position may lead to loss of part of the rent.

For the organisation, the consequences of the second lockdown and the new legal position mean that the number of employees utilised to handle tenants’ requests, and those involved in negotiations to protect the company’s interests and address the relevant legal issues, will remain high.

Depending on the duration and extent of the COVID-19 pandemic, it is probable that many of these tenants will not be able to honour their payment obligations due to insolvency.

In order to mitigate the risk of rental losses, the company has concluded rent deferral and reduction agreements with badly affected tenants from the start of the pandemic. In return, many tenants have renewed their leases. There is a strong probability however that this will significantly reduce the tenant’s room for negotiation, in addition to the fact that lease renewals are only worthwhile if the tenant is and remains financially viable.

Uncollectible receivables and individual value adjustments amounted to €1,556 thousand in the 2020 financial year (previous year: €98 thousand). There is a high risk that many of the current receivables will have to be written down. However, there is no substantial risk to HAMBORNER as it holds a broadly diversified portfolio. Write-downs posted for the 2020 financial year affect just 1.76% of the income from rents and leases. Overall, the risk is considered “moderate” due to the highly uncertain outlook for economic growth at present.

Maintenance risk

Properties which are held as long-term investments carry a growing risk of higher maintenance expenses due to their age. Owing to the pandemic, requirements regarding the condition of, for example, office properties, may also change as preparation for future pandemics. These may mean substantial conversion costs for HAMBORNER if new lease agreements are to be concluded. In order to counter this risk, increasing numbers of maintenance-intensive properties are being sold in the short and medium term. A detailed schedule is also being worked out on a property level as part of corporate planning. Based on this and regular reporting, the risk is considered “low”.

Risks from property transactions

Risks from property transactions arise firstly in investments, and secondly in disinvestments. For example, when investing, the wrong decision may be made when acquiring a property. Risks and obligations relating to properties in the due diligence phase may therefore be overlooked, which may lead to unplanned expenses or lower income for the company. In order to reduce these risks, calculations on the basis of various scenarios are created with the help of an investment model. The due diligence process is also designed to involve different departments, and external service providers can be engaged if necessary (solicitors, experts, etc.).

The potential risk from property acquisitions is therefore considered "low".

Risks also lie in disinvestment. A breach of warranty obligations may arise from guarantees provided in purchase agreements. To avoid these risks, a detailed sales plan is being drawn up in close collaboration with portfolio management. As with the acquisitions process, the sales process is organised on an interdepartmental basis. Taking this intensive collaboration between departments as a basis, substantial risks arising from property transactions are considered "low".

Risks from special projects: "Real locations"

In the middle of February 2020, Metro AG sold combined trading activities in Real to the Russian investor SCP Group. The Group then began to restructure the organisation. In relation to this restructuring, the new owner intends to transfer or sell many of the business activities originally allocated to 279 Real stores to other market players by 2022. Real is the tenant at the HAMBORNER locations in Celle, Gießen, and Mannheim. At present, it is unclear whether Real or a future / subtenant will meet the lease agreement obligations up to the scheduled end of the agreement. HAMBORNER is currently in negotiations with Real and potential future tenants. This is expected to have financial implications based on scenario calculation, though we cannot say with any great certainty at present as to what conversion costs may be required in the various future tenant scenarios. The risk is therefore classified as "high".

IT risks

Increasing digitalisation in the property sector means that IT risks need to be looked at separately; cyber attacks could disable the IT infrastructure, for example, or sensitive company data could be stolen. Malicious code hidden in emails could cause major losses for the company. Moreover, hardware failures may lead to companies having to temporarily suspend operations. HAMBORNER has a number of measures in place to reduce these risks, including an updated security suite and a firewall, while employees, managers, and the Management Board are made aware of IT risks during awareness and product training. Hardware failures can be substantially reduced through regular monitoring. Against the background of numerous security measures, the limitation of operating capability due to IT risks is considered "low".

HR risks

Well-trained employees are central to the company's success. Increasing demands, due to the COVID-19 pandemic for example, may place an excessive burden on individual employees or entire departments, which may in turn result in staff shortages or rising staff turnover. These scenarios mean increased recruitment costs and a loss of valuable expertise. In addition, there is a risk that properly qualified specialists may not be recruited in time. This risk can be prevented by measures such as holding regular management and department meetings. Employee surveys were conducted during the 2020 financial year. The risk is therefore considered "low".

FINANCIAL RISKS

Valuation risks

Property valuation is currently influenced heavily by the COVID-19 pandemic. From a HAMBORNER point of view, city centre retail properties and larger commercial properties housing a high proportion of businesses badly affected by the pandemic are particularly exposed to an increased valuation risk. Stationary retail, already weakened by online competition, has been severely hit by the distancing restrictions and lockdowns on account of the COVID-19 pandemic. The consequences of this are that market rents and investor interest in non-local retail properties are in decline.

Measurement of the property portfolio in the 2020 financial year took full account of the changed circumstances, and net fair values of property already held in the portfolio as at 31 December 2019 fell by €55.1 million or 3.5%.

However, further distortion of the corporate landscape, due to a slower economic recovery and further cases of COVID-19, exacerbated by the strict distancing regulations and mandatory lockdown measures currently in place for some sectors, cannot be ruled out. The higher discount and capitalisation rate approach coupled with changing assumptions for market rents, vacancy periods and lease terms, could also affect property values. This applies especially to fair values of retail properties in city centre locations, and to commercial properties housing a large proportion of tenants from sectors that have been adversely affected by the pandemic. In the portfolio as a whole, the risk is partly offset by rising market values for office properties. As a result, we can state that no risks to the continuation of the company as a going concern are evident at present. The risk is therefore classified as “moderate”.

Tax risks

Tax risks mainly arise when the exemption from corporation tax and trade tax ends, possibly leading to loss of REIT status. In addition, risks may lie in amendments to the REIT Act. Other risks currently exist in changes to tax law affecting VAT, land transfer tax, and land tax. The basis for calculated land tax will change from 2025, though the change should not impact the amount of tax paid by companies. HAMBORNER cannot rule out however that expenses may increase if the lease does not allow costs to be charged to tenants. Thanks to continuous monitoring, the risk is therefore considered “low”.

Liquidity risk

Liquidity risk is usually expressed as liquidity shortfall, for example, due to a lack of coordination between individual departments. In order to minimise this risk, the liquidity performance for the next twelve months is communicated to all managers and the Management Board as part of internal reporting. Moving forward, the liquidity level will be monitored daily by the Finance and Accounting department. Additional lines of credit amounting to €12 million were agreed in 2020 to help safeguard the company’s liquidity. Monthly reports and regular communication between managers mean that the risk here is considered “low”.

Loan agreement default risk

Covenants are in place, in particular for the promissory note loan of €75.0 million issued in 2018, and two loans of €10 million. Therefore, the ratio of net financial liabilities to the fair value of the property portfolio may not exceed 60% (LTV). EBITDA to net interest income must also be at least 1.8. If contractual obligations are breached, the creditor is entitled to terminate the loan agreement, and the company would be obliged to promptly repay the loan.

The LTV as at 31 December 2020 is 44.5%, well below the maximum figure of 60%. EBITDA to net interest income also lies well above the required 1.8. The risk is therefore currently considered “low”.

Financing risks

Financing risks relate primarily to the risk of rising interest rates (interest rate change risk). This may lead to rising interest payments on variable and fixed interest loans when they are borrowed or the term is extended. Refinancing agreements were concluded before the end of the term in order to take advantage of the favourable financing environment at present. The loan portfolio includes a variable interest loan which is guaranteed by an interest rate swap. Tranches of the promissory note loan are also borrowed at variable interest rates, though no derivative transactions are concluded here by way of interest rate hedges.

Early repayment penalties may be due if encumbered properties are sold, may be substantial depending on the encumbrance, and could swallow up part of the sales proceeds. For this reason, we are in discussions with banks about ways of rescheduling debt to other portfolio properties. This is designed to limit or avoid early repayment penalties.

The financing risk is considered “low” in the short to medium term. The average remaining term of the loans is 5.0 years, based on the end of the reporting period as at 31 December 2020. Moreover, the refinance interest rate has continued to fall. Loans expiring in 2020 were refinanced at an average rate of 1.8%, and those expiring in 2021 at 1.1%. Larger refinancing volumes (> 10% of the total financing) will only come up again in 2023.

Subsidence risks

Potential risks are posed by our former mining activities, e.g. subsidence damage or shaft stabilisation, on account of the possible future discontinuation of large-scale dewatering activities in the Ruhr area. The associated economic risk was assessed by an expert in 2005. The provisions relating to mining currently amount to €2.8 million in accordance with IFRS (HGB: €2.7 million). Any financing risks beyond this are considered “low”.

Other risks

In addition to the general market risks, operational and financial risks, there is also a risk of HAMBORNER losing its REIT status coupled with risks from legal disputes. While the company cannot rule out these other risks at HAMBORNER, they are considered unlikely or of little economic relevance both now and in the future.

Report on opportunities

The COVID-19 pandemic has not only created risk for companies, but also the opportunity for companies to look again at the economic sustainability of business models and organisational structures.

HAMBORNER therefore went ahead with portfolio streamlining during 2020, with purchase agreements for eleven properties in city centre locations which were no longer in line with the company's strategy, having been signed as at the end of the reporting period on 31 December 2020. This released funds to gradually acquire economically sustainable properties.

Further opportunities for the company arose thanks to persistently low interest rates. Assumption of a slight interest rate rise, though still at a low level, created a window of opportunity to finance acquisitions at favourable terms.

Overall assessment of the risk situation

The risk and opportunity situation at HAMBORNER in the financial year was heavily influenced by the COVID-19 pandemic. Despite the difficult economic environment, the HAMBORNER business model has proved stable, evidence of which can be seen in the FFO rise of 2.4% in 2020 compared with 2019.

According to our assessment of overall risk, there are currently no risks to HAMBORNER as a going concern or that could significantly impair its net asset situation, financial position or results of operations. The company is confident that it can continue to take advantage of the opportunities and challenges that arise in future, without having to take unreasonable risks.

Forecast report

Company strategy

HAMBORNER is a nationwide commercial real estate company and will remain so in future as well. On conversion into a REIT, the requirements arising from the German REIT Act have applied since the start of 2010. These relate in particular to the object of the company and compliance with the requirements in terms of company law and capita; the latter includes a minimum equity ratio of 45% on a fair value basis. Due to its excellent capital resources, the company is ideally positioned against its competitors, and well set for continued growth. It intends to utilise the market opportunities on offer.

The strategy is geared to the medium to long term. The company will also maintain a sound financing structure in future and finance investments with an appropriate use of borrowed funds, while taking into account the equity ratio to be maintained at company level. Parallel to the expansion of the portfolio, the optimisation of the portfolio through disposals of properties no longer consistent with strategy will be an ongoing task.

Expected market trend

MACROECONOMIC ENVIRONMENT

In relation to economic output for 2021, experts forecast growth, despite the continued second lockdown, as 2020 was an exceptionally weak year due to the COVID-19 lockdown. Current forecasts range between a rise of 2.8–5.0%, though experts believe that the German economy will only return to the levels seen before the pandemic in 2022. In contrast with the first lockdown, the second has left industry largely unscathed, and it therefore remains on course to grow.

However, the stricter extended lockdown in place since December 2020 has hit stationary retailers and certain service industries particularly badly, though online and mail order sales have continued their upward climb.

The Bundesbank expects the economy to slowly recover from spring 2021 onwards after a relaxation of lockdown measures, and that this growth will stem largely from consumer spending. A rise of 4.5% is expected for 2022, assuming swift vaccination of large sections of the population and sustained containment of the pandemic.

The impact of the pandemic on business insolvency, especially that of small to medium-sized businesses in industries hit by lockdown measures, remains uncertain. The Federal Government supports these companies with comprehensive stimulus packages, but suspension of the insolvency application obligation means it is still unclear what the long-term effects of the pandemic will be on companies. Experts forecast a high number of business insolvencies for 2021. As a result, the European Banking Authority is warning against increasing risks to bank balance sheets.

According to forecasts by the Leibniz Institute for Economic Research (RWI), the unemployment rate will be 5.9% in 2021, and 5.4% in 2022, while the Institute for the World Economy (IfW) forecasts 6.1% for 2021 and 5.5% for 2022.

INDUSTRY ENVIRONMENT

Letting market

JLL anticipates that take-up in the seven main office markets will increase by around 10% in 2021 compared to 2020, and that the vacancy rate will rise by 4.5% on average. The aggregate growth in prime rents for the Big 7 in 2020 is set to be 1.5%,

while the company anticipates stable letting rates and rents overall for large-scale retail properties. HAMBORNER also forecasts further decreases in rent revenues on average in pedestrianised zones in the next few years, with occasional significant outliers in either direction. There is rising demand for small spaces, and sales space requirements are on the decline. The trend of recent years is likely to continue. Stationary food outlets, household and personal goods stores, and catering businesses should enjoy steady growth, while the non-food sector (especially textiles) will come under pressure with sales expected to plunge. Locations in major cities will be in growing demand. Online retail may continue to gain market share in some product categories.

Trends in the office and retail letting markets in 2021 will depend heavily on how quickly normality can return following the COVID-19 pandemic.

Investment market

Despite the current uncertainty due to the COVID-19 pandemic, demand for property will likely remain high in 2021 as well. According to CBRE, 2021 may see greater investment appetite among national and international investors; CBRE expects a transaction volume of at least €70 billion for 2021.

The company expects prime yields for office and large-scale retail properties to track sideways in 2021. For city centre retail properties and shopping centres, HAMBORNER sees a further increase in yield, which may be more pronounced the longer that stationary and non-essential retailers remain closed.

Expected company trend

CENTRAL KEY CONTROL INDICATORS	2020	2021 Plan
FFO	€55.6 million	€45 million to €50 million
Rents and leases	€88.2 million	€82 million to €86 million
NAV per share	€11.05	virtually unchanged

The current 2021 financial year is essentially influenced by existing uncertainties which can be traced, in large part, to one-off effects expected to occur during the year.

Based on these uncertainties, the operating result in the 2021 financial year is expected to be between €45 and €50 million. The main factor influencing FFO, HAMBORNER's central control parameter, is still rental income, which will be between €82 and €86 million in 2021 compared with the previous year according to the company's current forecasts.

Uncertainties arise from the potential impact of the COVID-19 pandemic on the company's revenue and results. Based on present trends relating to the pandemic and the associated national lockdown since December 2020, the Management Board currently assumes that although the portfolio remains stable overall, some tenants badly hit by the lockdown measures will have to limit or suspend their rent payments. The duration and extent of the restrictions coupled with potentially insolvent tenants is likely to have a negative impact on the company's revenue and results of operations.

A further influencing factor results from the current portfolio optimisation which should also gather pace in the 2021 financial year, as the company's strategy focuses on the gradual and ongoing disposal of city centre retail properties. After eleven properties were successfully sold in the course of several transactions in the second half of 2020, the company intends to continue its marketing activities in this regard during 2021. A temporary decline in rental income is anticipated depending on how property sales progress and at what point sales proceeds are reinvested. In addition, some of the scheduled property sales are expected to incur one-off expenses to repay loans whose exact amount cannot be reliably estimated at present. At the same time, the company seeks to schedule the planned acquisitions and sales over the year with regard to potential effects on revenue and earnings.

Besides this, the company is proactively addressing an alternative use for the rental space currently used by hypermarket group Real, in light of their announced restructuring plans. Due to the high quality of the three locations in the portfolio with space rented by Real, as well as the expertise of internal asset management, the company has already been able to identify potential future tenants, and to engage them in early discussions on possibly renting this space in future. Investment to ensure that the properties remain attractive and to develop any potential identified in the course of re-letting is likely to require expenditure in the current year at a level that is hard to gauge at present. Depending on the outcome of negotiations, a corresponding effect on earnings is expected in the current financial year.

The vacancy rate including rent guarantees was extremely low in 2020 at 1.8%. The company also anticipates a high occupancy rate in 2021, but a slight rise in vacancy rates due to the existing general economy uncertainty resulting from the COVID-19 pandemic.

In terms of cash expenses, personnel expenses are forecast to return to the previous year’s level in 2021. With regard to maintenance expenses, the company assumes a much higher amount than in previous years on account of the expenses relating to the Real rental space which are ineligible for capitalisation.

HAMBORNER’s REIT status, the structure of its property portfolio, and its financial strength have also left it in a good competitive position. This does not preclude further volatility of property prices and therefore an impact on the valuation of portfolio properties and consequently on net asset value (NAV).

On the basis of earnings forecasts, the company assumes that an attractive dividend distribution will also be possible for 2021 based on the expected outcomes for FFO and NAV. This assumes that HAMBORNER is spared from major, unforeseeable reductions in earnings. Assuming both this and a further steady rise in the value of the like-for-like property portfolio, the company anticipates that the NAV per share for 2021 will remain at around the previous year’s level.

Duisburg, 2 March 2021

The Management Board

Niclas Karoff

Hans Richard Schmitz

Separate Financial Statements

SEPARATE FINANCIAL STATEMENTS (IFRS)

Income statement

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

IN € THOUSAND	NOTES	31 Dec. 2020	31 DEC. 2019
Income from rents and leases		88,193	85,165
Income from incidental costs passed on to tenants		14,145	14,140
Real estate operating expenses		–18,605	–17,419
Property and building maintenance		–4,636	–5,531
Net rental income	(1)	**79,097**	**76,355**
Administrative expenses	(2)	–1,477	–1,408
Personnel expenses	(3)	–5,417	–4,968
Depreciation and amortisation of intangible assets, property, plant and equipment and investment property	(4)	–71,952	–36,522
Other operating income	(5)	1,742	1,374
Other operating expenses	(6)	–2,893	–1,503
		–79,997	**–43,027**
Operating result		**–900**	**33,328**
Result from the sale of investment property	(7)	7,080	95
Earnings before interest and taxes (EBIT)		**6,180**	**33,423**
Interest expenses		–15,443	–15,542
Financial result	(8)	**–15,443**	**–15,542**
Net profit for the period		**–9,263**	**17,881**
Earnings per share (€)	(9)	–0.12	0.22

Statement of comprehensive income

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

IN € THOUSAND	NOTES	31 Dec. 2020	31 Dec. 2019
Net profit for the period as per income statement		**–9,263**	**17,881**
Items reclassified to profit or loss in future if certain conditions are met:			
Unrealised gains / losses (–) on the re-measurement of derivative financial instruments	(16)	588	532
Items not reclassified to profit or loss in future:			
Actuarial gains / losses (–) on defined pension obligations	(18)	403	–607
Other comprehensive income		**991**	**–75**
TOTAL COMPREHENSIVE INCOME		**–8,272**	**17,806**

Statement of financial position – Assets

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

IN € THOUSAND	NOTES	31 Dec. 2020	31 DEC. 2019
Non-current assets			
Intangible assets	(10)	499	574
Property, plant and equipment	(10)	3,066	3,057
Investment property	(11)	1,195,468	1,202,734
Advance payments on investment property	(11)	0	16,102
Financial assets	(12)	1,490	1,238
Other assets	(13)	303	285
		1,200,826	**1,223,990**
Current assets			
Trade receivables and other assets	(13)	2,763	2,329
Cash and cash equivalents	(14)	40,522	8,358
Non-current assets held for sale	(15)	21,673	0
		64,958	**10,687**
TOTAL ASSETS		**1,265,784**	**1,234,677**

Statement of financial position – Liabilities

IN € THOUSAND	NOTES	31 Dec. 2020	31 Dec. 2019
Equity	(16)		
Issued capital		80,580	79,718
Capital reserves		340,508	380,467
Retained earnings		53,146	53,377
		474,234	**513,562**
Non-current liabilities and provisions			
Financial liabilities	(17)	667,075	618,588
Derivative financial instruments	(17)	0	1,110
Trade payables and other liabilities	(18)	9,282	10,089
Pension provisions	(19)	5,909	6,625
Other provisions	(20)	3,165	3,360
		685,431	**639,772**
Current liabilities and provisions			
Financial liabilities	(17)	91,841	69,776
Derivative financial instruments	(17)	521	0
Trade payables and other liabilities	(18)	12,182	10,111
Other provisions	(20)	1,575	1,456
		106,119	**81,343**
TOTAL EQUITY, LIABILITIES AND PROVISIONS		**1,265,784**	**1,234,677**

Statement of cash flows

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

IN € THOUSAND	NOTES	2020	2019
Cash flow from operating activities	(24)		
Net profit for the period		–9,263	17,881
Financial result		15,040	15,010 *
Depreciation and amortisation (+) / reversals (–)		71,952	36,522
Change in provisions		–389	–68 *
Gains (–) / losses (+) (net) on the disposal of property, plant and equipment and investment property		–7,946	–99
Change in receivables and other assets not attributable to investing or financing activities		–452	–1,043
Change in liabilities not attributable to investing or financing activities		506	56 *
		69,448	**68,259**
Cash flow from investing activities	(25)		
Investments in intangible assets, property, plant and equipment and investment property		–79,862	–55,638
Proceeds from disposals of property, plant and equipment and investment property		18,693	1,600
Proceeds from disposals of financial assets		0	3
		–61,169	**–54,035**
Cash flow from financing activities	(26)		
Dividends paid		–37,467	–36,670
Proceeds from borrowings of financial liabilities		141,412	60,636
Repayments of borrowing		–70,920	–22,216
Proceeds from increases in capital		6,770	0
Payments for costs from increases in capital		–359	0
Payments (–) / proceeds (+) for cash collateral for financial liabilities		–4,925	4,191
Cash flow from lease liabilities		–685	–699
Interest payments		–14,866	–14,700
		18,960	**–9,458**
Cash-effective changes to cash funds		**27,239**	**4,766**
Cash funds on 1 January		**8,358**	**3,592**
Cash and cash equivalents (with a remaining term of up to three months)		8,358	3,592
Restricted cash and cash equivalents		0	4,191
Cash and cash equivalents on 1 January		**8,358**	**7,783**
Cash funds on 31 December		**35,597**	**8,358**
Cash and cash equivalents (with a remaining term of up to three months)		35,597	8,358
Restricted cash and cash equivalents		4,925	0
Cash and cash equivalents on 31 December		**40,522**	**8,358**

* Previous year adjusted

Statement of changes in equity

IN € THOUSAND	ISSUED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS			EQUITY TOTAL
			Cash flow hedge reserve	IAS 19 Reserve Pension provisions	Other retained earnings	
As at 1 January 2019	**79,718**	**391,194**	**–1,642**	**–4,024**	**67,180**	**532,426**
Dividend paid for 2018 (€0.46 per share)					–36,670	–36,670
Withdrawal from capital reserves		–10,727			10,727	
Net profit for the period 1 Jan. to 31 Dec. 2019					17,881	17,881
Other comprehensive income 1 Jan. to 31 Dec. 2019			532	–607		–75
Total comprehensive income 1 Jan. to 31 Dec. 2019			**532**	**–607**	**17,881**	**17,806**
As at 31 December 2019	**79,718**	**380,467**	**–1,110**	**–4,631**	**59,118**	**513,562**
Dividend paid for 2019 (€0.47 per share)					–37,467	–37,467
Increases in capital	862	5,908				6,770
Costs from increases in capital		–359				–359
Withdrawal from capital reserves		–45,508			45,508	
Net profit for the period 1 January to 31 December 2020					–9,263	–9,263
Other comprehensive income 1 January to 31 December 2020			588	403		991
Total comprehensive income 1 January to 31 December 2020			**588**	**403**	**–9,263**	**–8,272**
As at 31 December 2020	**80,580**	**340,508**	**–522**	**–4,228**	**57,896**	**474,234**

Notes

General information on preparation of financial statements

HAMBORNER REIT AG is a listed corporation (SCN A3H233) headquartered in Duisburg, Germany. It is entered in the Commercial Register of Duisburg District Court under HRB 4. Since its transformation into a REIT, it has also been subject to the provisions of the German Act on German Real Estate Stock Corporations with Listed Shares (REITG – German REIT Act).

HAMBORNER REIT AG acquires ownership or easement rights for German and foreign immovable property within the meaning of section 3 of the German REIT Act (REIT-Gesetz, “REITG”) for use, management or disposal, with the exception of residential properties in Germany. It can also acquire, hold, manage and dispose of equity investments in partnerships and corporations within the meaning of section 3 REITG. As a REIT, HAMBORNER is exempt from both corporation tax and trade tax.

As a listed REIT stock corporation, HAMBORNER REIT AG prepares and publishes separate financial statements within the meaning of section 325 (2a) HGB in accordance with the provisions of the International Financial Reporting Standards (IFRS).

The separate financial statements as at 31 December 2020 were prepared in accordance with IFRS as applicable in the European Union at the end of the reporting period and the additional provisions of commercial law in accordance with section 325 (2a) HGB. IFRS include the IFRS issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All the standards and interpretations issued by the IASB and effective at the time of the preparation of the financial statements have been applied to the extent that they have been endorsed by the EU. The separate financial statements of the company therefore comply with the IFRS.

The financial statements were prepared in Euros (€). All amounts are shown in thousands of Euros (€ thousand) unless stated otherwise. Minor rounding differences can occur in totals and percentages.

The Management Board prepared the separate financial statements as at 31 December 2020 and the management report for 2020 on 2 March 2021 and approved them for submission to the Supervisory Board.

The separate financial statements prepared as required by the IFRS in accordance with section 325 (2a) HGB and the HGB annual financial statements have been submitted to the operator of the Federal Gazette. The IFRS financial statements will then be published there. The financial statements are available for download online at **www.hamborner.de/en**. They can also be requested from HAMBORNER REIT AG, Goethestrasse 45, 47166 Duisburg, Germany.

Accounting policies

These separate financial statements as at 31 December 2020 are based on the same accounting policies as the separate financial statements for the previous year. The statement of financial position as at 31 December 2020 is structured by maturity in accordance with IAS 1.60. Items that have been summarised in the statement of financial position and the income statement are explained in the notes.

REVISED OR NEW STANDARDS OR INTERPRETATIONS AND THE RESULTING CHANGES IN ACCOUNTING POLICIES

As against the separate financial statements as at 31 December 2019, the following standards and interpretations have been amended or were effective for the first time as a result of their endorsement in EU law or their becoming effective:

STANDARD / INTERPRETATION	NAME	NATURE OF AMENDMENT
Various	Updating References to the Conceptual Framework	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRS 20, IFRIC 22 and SIC-32
IFRS 3	Business Combinations	Clarification for assessing whether a business or merely a group of assets was acquired
IAS 1 and 8	Presentation of Financial Statements / Accounting Policies	Definition of material
IFRS 7 / IFRS 9 / IAS 39	Various	Effect of the Interest Rate Benchmark Reform (IBOR reform) on certain hedge accounting requirements

The new or revised standards and interpretations had no material influence on HAMBORNER'S financial statements.

The following standards and interpretations already passed, amended or issued by the IASB were not yet effective for the 2020 financial year. The option to apply standards and interpretations early was not exercised.

STANDARD / INTERPRETATION	NAME	NATURE OF AMENDMENT	EFFECTIVE DATE	EXPECTED MATERIAL EFFECT
IFRS 3	Business Combinations	Change to state that the standard now relates to the 2018 conceptual framework; minor amendments	1 January 2022	None
IFRS 4	Insurance Contracts	Exemption from application of IFRS 9 moved to 1 January 2023	1 January 2021	None
IFRS 16	Leases	Exemption for lessees from assessing whether COVID-19-related rent concessions are lease modifications	1 June 2020	None
IFRS 17	Insurance Contracts	The standard governs accounting for insurance contracts and replaces the previous transitional standard IFRS 4	1 January 2023	None
IAS 1	Presentation of Financial Statements	Clarification of criteria for classification of liabilities as current or non-current	1 January 2023	None
IAS 16	Property, Plant and Equipment	Amendment stating that proceeds from a plant's production may not be offset against costs of bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended	1 January 2022	None
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Clarification of the definition of "cost of fulfilling a contract"	1 January 2022	None
IFRS 9 / IFRS 4 / IFRS 7 / IFRS 16 / IAS 39	Various	Effect of the Interest Rate Benchmark Reform (IBOR reform) – phase 2	1 January 2021	None
Various	Annual Improvements to IFRS Standards 2018–2020	Amendments essentially relate to IFRS 1, IFRS 9, IFRS 16, IAS 41	1 January 2022	None

SEGMENT REPORTING

Segment reporting in accordance with IFRS 8 is based on the management approach and is therefore consistent with the management and reporting system used in the company for its segments. HAMBORNER operates in one business segment and one geographical segment only, and generates its revenue and holds its assets exclusively in Germany. Therefore, as in previous years, it did not prepare a segment report. Internal reporting is also based on the IFRS accounting figures.

With the EDEKA Group, HAMBORNER achieved a share of 11.6% (previous year: 11.9%) or €10.2 million (previous year: €10.1 million) in the 2020 financial year, more than 10% of its rental income.

ASSUMPTIONS AND ESTIMATES

In preparing the financial statements, assumptions have been made and estimates used that affect the reporting and amount of the recognised assets, liabilities, income and expenses. These assumptions and estimates essentially relate to the determination of useful life, the fair value of land, buildings and receivables and their impairment, the calculation of the fair value of financial instruments and the recognition and measurement of provisions. The carrying amounts of the items concerned can be found in the statement of financial position and the notes. Actual values may deviate from the assumptions and estimates made in individual cases. Changes are taken into account when new information is available.

Calculation of the fair value of the investment property to be disclosed in the notes in accordance with IAS 40 is essentially subject to a series of forward-looking assumptions and estimates.

Key measurement parameters include achievable rents in the analysis period, as well as discounting and capitalisation rates. Achievable rents result firstly from existing leases, and from market rents for vacant space and assumed renewal of leases. Market rents reflect the existing rent potential at the relevant locations as at the end of the reporting period. In measuring market rents, the existing comparative rents at the location and those based on current demand for space are recorded. Forward-looking assumptions and expectations relating to a potential market rent trend at the relevant locations are not factored into the measurement. Discounting and capitalisation rates result mainly from the acquisition factors observed on the market as at the end of the reporting period, depending on the type and location of the relevant properties. This takes into account the current price level of comparative transactions, adjusted if necessary by property-specific risk additions or deductions. No assumptions and expectations regarding the future trend of transaction prices are taken into account, as the fair value definition is based on the measurement date principle. The COVID-19-related market rent effects occurring as at the end of the reporting period are therefore factored into the fair value measurement. Any scenarios by which market rent and transaction prices recover again in future, especially regarding properties in city centre locations, or fall even further due to stricter lockdown measures, are not considered in the measurement.

However, forward-looking assumptions and estimates in the measurement refer mainly to parameters such as inflation (assumption for 2021: 1.7%, 2022: 1.6%; 2023; 1.8%: 2024 et seqq.: 2.0%), marketing periods of vacancies or expiring leases, as well as potential exercising of options / renewal of leases. The latter assumption is made with the corresponding expectations, depending on the location, rental space, and existing tenant. The forward-looking assumptions and estimates are based on the conditions prevailing at the valuation date. Existing uncertainty regarding future cash flows is factored into the discount rates by risk adjustment.

INTANGIBLE ASSETS

Intangible assets are measured at cost minus straight-line amortisation. Amortisation is recognised in line with the economic useful life, which is between three and eight years in principle. In the case of tender for a naming right, the useful life is 33 years.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less straight-line depreciation. The company's administrative building in Duisburg, including operating and office equipment, are reported by HAMBORNER under property, plant and equipment. Depreciation for the administrative building is based on a total useful life of 33 years. Operating and office equipment has an average useful life of between three and 15 years.

The company reports results of disposals of property, plant and equipment under "Other operating income" (gains) or "Other operating expenses" (losses).

INVESTMENT PROPERTY

Investment property is measured at amortised cost minus straight-line depreciation in accordance with the option under IAS 40(30) in conjunction with (56). All land, buildings and parts of buildings already developed and under development held to generate future rental income or gains from appreciation and / or with an undetermined use are classified as investment property. They are not intended for HAMBORNER's own administrative purposes or for short-term trading in the context of ordinary business activities. Depreciation is recognised on a straight-line basis over the economic life. The property portfolio is depreciated over periods of between 33 and 50 years. Since 2007, a useful life of 33 years has been assumed when a property is acquired. If this principle is contradicted by the actual circumstances (e.g. on account of age, quality, options for use of the building), the useful life is estimated differently. The remaining useful life is also reviewed in the context of major modernisation work. Properties added to the portfolio prior to 2007 are depreciated over a useful life of 40 or 50 years. The results from sale of the investment property are shown separately in the income statement.

To calculate the fair value disclosed in the notes in accordance with IAS 40, the company had its developed property portfolio valued by an independent expert at the end of 2020. The market values of property were calculated in line with internationally recognised standards using the discounted cash flow (DCF) method (level 3 of the measurement hierarchy in accordance with IFRS 13). Under this method, the market value of a property is calculated as the total of the discounted cash flows for the entire planning period, usually ten years (2021 to 2030), plus the residual value of the property calculated on the basis of its long-term free cash flow less costs to sell, also discounted to the measurement date. Capitalisation rates of between 3.60% and 7.20% (previous year: 3.50% and 7.35%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 4.15% and 13.00% (previous year: 3.90% and 9.00%). For further information, the company refers you to the “Net assets” section in the management report.

We used the respective carrying amounts for the fair values of the cost of acquisition for properties not yet transferred to the company and for leaseholds reported under right-of-use assets.

The fair value of the undeveloped land holdings was calculated by the company using the market-based approach in accordance with level 2. The standard land values calculated in expert reports for similar properties and areas are used, and risk deductions are charged in line with the particular characteristics of the properties. On average, the fair value of undeveloped land was €2.69 per m² at the end of 2020 (previous year: €2.68 per m²).

IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES ON INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

The recoverability of the carrying amounts of all intangible assets, property, plant and equipment and investment property is reviewed regularly. In addition, the carrying amounts are reviewed if events or changes in circumstances indicate that it may no longer be possible to recover the recognised carrying amount. If the recoverable amount of these assets is less than the carrying amount at the end of the reporting period, this is shown by the recognition of impairment losses.

The recoverable amount is determined using the fair value as calculated by an expert before the deduction of transaction costs of a notional acquisition (gross capital value) as the value in use within the meaning of IAS 36.30. If the reasons for impairment losses recognised in previous years no longer exist, they are reversed up to the amortised carrying amounts of the respective assets. Impairment losses are reported under “Amortisation of intangible assets, depreciation of property, plant and equipment and investment property”. Reversals of impairment losses are recognised in “Other operating income”.

LEASES

HAMBORNER operates as a lessor of investment property. Payments received for these leases are recognised as revenue in the income statement over the term of the lease.

HAMBORNER is a lessee as defined by IFRS 16 for three leaseholds and, to a lesser extent, for items of operating and office equipment. Discounted future financial liabilities from leases must be recognised as lease liabilities. These are reduced over time as lease instalments are paid. Lease liabilities are reported under current and non-current trade payables and other liabilities. At the same time, a right of use to the respective leased asset must be recognised. The right-of-use assets are reported in the statement of financial position item in which the underlying asset would be reported. Accordingly, the right-of-use assets for leaseholds are reported as investment property and the right-of-use assets for operating and office equipment under property, plant and equipment. Right-of-use assets are amortised over the term of the lease.

Lease payment amounts may change in future if contractually stipulated maximum or minimum parameters are exceeded or not reached in future. These parameters are based on standard land values and rental income on buildings constructed on the leasehold property, and on indices.

TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables are initially measured at the transaction price. All other financial assets are initially measured at fair value less any transaction costs.

Depending on the classification of the financial assets, subsequent measurement is at amortised cost, at fair value in equity or at fair value as income or expenses. All financial assets are classified as at amortised cost at HAMBORNER.

Trade receivables mainly refer to rent receivables. In accordance with IFRS 9, impairment must be recognised for expected credit losses on trade receivables at amortised cost using the expected credit loss model.

In the case of trade receivables, if there is objective evidence in individual cases for impairment of the receivable (e.g. due to [the threat of] insolvency), proper account must be taken of identifiable risks through the use of write-downs while allowing for existing security deposits (level 3). As soon as it becomes evident that a receivable cannot be collected and can no longer be settled, it is de-recognised. A receivable is assumed uncollectable in the case of actual inability to pay or if the debtor has filed for insolvency.

Trade receivables reported as at 31 December 2020 in the reporting year were markedly affected by the official lockdown measures as a result of the COVID-19 pandemic. Even where there is no objective evidence such as the tenant's credit standing, these receivables run a significantly increased risk of default from a company perspective. This increased risk of default for rent receivables of more than €5 thousand was factored into an individual analysis of the relevant rent receivables by estimating the level and probability of default in the form of write-downs. Measurement of the default amount and probability of occurrence depended in particular upon the extent to which individual tenants were affected by lockdown measures, the sector to which the tenant belongs, whether requests have been made to reduce rents or whether tenants have filed for insolvency, and the tenant's credit standing. Write-down amounts for rent receivables of less than €5 thousand were calculated by clustering receivables according to the tenant's sector, using fixed carrying amounts relating to the expected default (as % of the receivable) and probability of default.

Alongside the aforementioned write-downs of the outstanding trade receivables as at the end of the reporting period, a number of agreements concerning retrospective write-offs in relation to the COVID-19 pandemic were concluded with tenants, mainly in the second half of the financial year. The agreements related almost exclusively to defaults from April to June as a consequence of the measures imposed during the first lockdown. The write-offs were treated in accordance with IFRS 9, as they involved a retrospective write-off rather than a change in (future) scope of the lease in terms of IFRS 16. Depreciation of these receivables was recognised in other operating expenses.

Non-current financial assets refer to tenants' cash deposits held in bank accounts. A write-down based on the expected credit loss model was not recognised, as defaults are not anticipated due to the excellent credit standing of the banks at which cash and cash equivalents are held.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise call money with an initial remaining term of less than three months.

As financial assets, cash and cash equivalents are measured at fair value on initial recognition and subsequently at amortised cost. Subsequent measurement is at amortised cost. A write-down based on the expected credit loss model was not recognised, as defaults are not anticipated due to the excellent credit standing of the banks at which cash and cash equivalents are held.

NON-CURRENT ASSETS HELD FOR SALE

With the decision of the relevant committees to dispose of the property, it was reclassified in accordance with IFRS 5 as non-current assets held for sale. Non-current assets are classified as held for sale if a sale is highly likely in the next twelve months. The assets classified as held for sale are carried at the lower of carrying amount and fair value minus costs to sell. Depreciation is no longer recognised from the time of reclassification.

PROVISIONS

Provisions are classified as non-current or current in line with the maturity structure required under IFRS and reported accordingly.

PENSION PROVISIONS

Pension provisions are calculated using the projected unit credit method, taking into account future adjustments in salaries and pensions. They are calculated using the biometric data of the 2018 G Heubeck mortality tables.

The following parameters were applied:

PARAMETER P. A. IN %	2020	2019
Interest rate	0.86	0.93
Pension trend	2.00	2.00
Inflation	2.00	2.00

Sensitivity analyses, which are shown under note 19, were performed to show the sensitivity of the parameters used that are considered significant. These sensitivity analyses should not be considered representative for the actual change in defined benefit pension obligations. It is thought unlikely that the deviations from assumptions will occur in isolation as the assumptions are related in some cases.

Actuarial gains and losses from experience adjustments and changes in assumptions are recognised in revenue reserves in equity in the year in which they arise. The interest expenses included in pension expenses is reported in interest expenses.

Expenses for defined contribution plans are recognised as an expense and reported in personnel expenses.

OTHER PROVISIONS

Current provisions are recognised in the amount of expected utilisation (best estimate) without discounting and take into account all obligations identifiable at the end of the reporting period based on transactions or past events for which the amount or timing is uncertain. This includes only third-party obligations for which an outflow of assets is likely.

Provisions for obligations that will not result in a reduction of assets in the subsequent year are recognised in the amount of the present value of the forecast outflow of assets.

Long-term, share-based Management Board remuneration is measured with the fair value of the liability as at the end of each reporting period and on the settlement date. All changes in fair value are recognised in profit or loss.

FINANCIAL LIABILITIES

Liabilities are measured at fair value taking into account transaction costs on first-time recognition. Subsequent measurement is at amortised cost using the effective interest method. Liabilities are classified as non-current if the agreements provide for repayment after twelve months.

DERIVATIVE FINANCIAL INSTRUMENTS (HEDGING INSTRUMENTS)

HAMBORNER uses derivative financial instruments in the form of interest rate swaps to manage risks from interest rate fluctuations.

Derivative financial instruments are recognised for the first time on the trade date. For cash flow hedges used to hedge risks affecting the amount or timing of future cash flows, any changes in market value are recognised in revenue reserves in equity and hedge effectiveness is documented. At the same time, the profit or loss from the effective portion of the hedging instrument determined is recognised in other comprehensive income. The effectiveness of the cash flow hedge is determined by the dollar-offset method. In these cases this resulted in the recognition of the changes in carrying amounts in full in equity. Asset and liability derivative financial instruments are reported in separate items of the statement of financial position.

The market values calculated by banks at the end of the respective reporting period including the risk of default result from discounting the expected future cash flows over the residual term of the contracts on the basis of current market interest rates or yield curves. Derivatives are measured according to level 2. This means that the measurement models use factors observed directly (i.e. as prices) or indirectly (i.e. derived from prices) on active markets.

The fair value of the derivative financial instruments designated as hedging instruments is reported in full as a non-current asset or liability if the remaining term of the hedged item is longer than twelve months after the end of the reporting period, and as a current asset or liability if the remaining term is shorter.

REVENUE FROM CONTRACTS WITH CUSTOMERS

At HAMBORNER, income from ordinary activities as defined by IFRS 15 is essentially generated from rents and leases and from service costs charged to tenants.

Income from rents and leases is not affected by IFRS 15 as it falls within the scope of IFRS 16 for accounting for leases.

For income from service costs charged to tenants, the pro rata income from service charges for land tax and insurance expenses is also unaffected by IFRS 15 as it does not represent an independent performance obligation with a distinct benefit for the tenant. In this regard, this income also represents consideration in connection with property letting, and therefore also falls within the scope of IFRS 16. The other service costs charged to tenants reported under this item are independent performance obligations and are therefore not lease components. This revenue must therefore be accounted for as required by IFRS 15. HAMBORNER is the principal in these contracts, and so the consideration, i.e. prepayments of service costs and excess charges, must be reported as revenue.

RECOGNITION OF EXPENSES AND REVENUE

The recognition of revenue and other operating income is based on when services are rendered or, for sales transactions, when substantially all the risks and rewards of ownership have been transferred to the buyer.

Operating expenses are recognised when services are utilised or when they are incurred.

Notes to the income statement

(1) NET RENTAL INCOME

Net rental income breaks down as follows:

IN € THOUSAND	2020	2019
Income from rents and leases	88,193	85,165
Income from incidental costs passed on to tenants	14,145	14,140
Real estate operating expenses	–18,605	–17,419
Property and building maintenance	–4,636	–5,531
NET RENTAL INCOME	**79,097**	**76,355**

Income from rents and leases for properties recognised in accordance with IAS 40 increased by €3,028 thousand to €88,193 thousand in the reporting year. The change was due to rent increases following property additions in the reporting year and the previous year (€4,010 thousand), rent losses as a result of property disposals (€–145 thousand) and reductions in rents (like-for-like) of €525 thousand.

Income from passed-on incidental costs to tenants mainly includes advances on billable heating and operating costs in addition to fractional amounts on heating and operating costs billed in the financial year. This income increased by €5 thousand in the reporting year. €599 thousand of the increase in income from incidental costs charged to tenants was due to the change in the investment property portfolio. The income from reallocating incidental costs to tenants for the other properties in the portfolio increased by a total of €594 thousand.

The expenses for property and building maintenance amounted to €4,636 thousand compared to €5,531 thousand in the previous year. €2,705 thousand of these expenses relate to unplanned and ongoing maintenance, €910 thousand to planned maintenance and €1,021 thousand to leasehold improvements.

Most of the real estate operating expenses can be passed on to the tenants under the terms of their rental agreements.

IN € THOUSAND	2020	2019
Real estate operating expenses		
Energy, water, etc.	6,569	6,128
Property management / centre management / caretaker services	5,719	4,736
Land taxes	3,147	3,093
Other property charges	1,398	1,544
Advertising costs	681	828
Insurance premiums	844	694
Miscellaneous	247	396
TOTAL	**18,605**	**17,419**

The direct operating expenses for the leased property were €23,241 thousand in the reporting year (previous year: €22,950 thousand). With the exception of temporary, partial vacancies in individual properties, the entire inventory was let at the end of the reporting period.

(2) ADMINISTRATIVE EXPENSES

The item includes the costs for the Annual General Meeting, the Supervisory Board and the auditor as stipulated in the Articles of Association and actual costs of administration.

As in the previous year, the fees for auditors included in administrative expenses (€105 thousand; previous year: €123 thousand) relate exclusively to audits of financial statements.

(3) PERSONNEL EXPENSES

Personnel expenses were up year-on-year at €5,417 thousand (previous year: €4,968 thousand). The rise is a result of a slight increase in headcount but more specifically of the changes to the Management Board.

IN € THOUSAND	2020	2019
Wages and salaries	4,842	4,413
Social security contributions and related expenses	489	478
Retirement benefit expenses / pension expenses	86	77
TOTAL	**5,417**	**4,968**

(4) DEPRECIATION AND AMORTISATION OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Depreciation and amortisation was up €35,430 thousand on the previous year at €71,952 thousand. €71,581 thousand of this increase relates to investment property (previous year: €36,223 thousand). This includes depreciation of €36,912 thousand (previous year: €34,667 thousand), and impairment losses of €34,669 thousand (previous year: €1,555 thousand) on twelve properties. These relate to retail properties and retail parks with a high proportion of tenants in sectors badly affected by the COVID-19 pandemic. Consequently, the fair value based on the external measurement as at 31 December 2020 fell in seven of these properties due to a drop in market rents and a sharp fall in investor demand for this type of property.

PROPERTY	2020	31 Dec. 2020			31 DEC. 2019	
	Impairment losses	Achievable amount (gross capital value)	Discounting rate	Capitalisation rate	Discounting rate	Capitalisation rate
Lübeck, Königstr. 84–96	11,923	37,460	7.40	6.00	6.00	5.35
Gießen, Gottlieb-Daimler-Str. 27	9,876	19,910	6.50	4.85	6.60	5.75
Mosbach, Hauptstr. 96	2,772	1,330	13.00	7.20	9.00	6.25
Lemgo, Mittelstr. 24–28	2,084	3,300	8.00	6.50	6.50	5.50
Siegen, Bahnhofstr. 8	548	11,480	7.10	6.20	6.15	5.50
Herford, Bäckerstr. 24–28	390	2,900	7.35	6.35	6.60	5.85
Gütersloh, Berliner Str. 29–31	68	2,170	7.50	6.35	6.75	5.65

The remaining properties relate to five properties in Kaiserslautern, Koblenz, Krefeld, Oberhausen and Rheine, which had to be reclassified as assets held for sale. Depreciation and amortisation on the purchase prices agreed in the purchase agreement was recognised at fair value in the amount of €7,008 thousand.

The item also includes depreciation and amortisation of right-of-use assets of €437 thousand in terms of IFRS 16. €383 thousand of this relates to right-of-use assets reported under investment property and €54 thousand to property, plant and equipment. An impairment loss of €65 thousand on a naming right purchased in connection with the property in Lübeck was also recognised.

(5) OTHER OPERATING INCOME

Other operating income breaks down as follows:

IN € THOUSAND	2020	2019
Compensation and reimbursement	1,023	411
Charges passed on to tenants and leaseholders	360	302
Reversal of provisions and accruals	296	315
Income from receivables previously written down	63	279
Miscellaneous	0	67
TOTAL	**1,742**	**1,374**

The income from compensation and reimbursement relates essentially to contractually agreed compensation due to the delays in transferring ownership of the properties in Aachen and Bonn (€764 thousand) in the reporting year.

(6) OTHER OPERATING EXPENSES

Other operating expenses increased by €1,390 thousand to €2,893 thousand. The item includes write-downs and depreciation / amortisation on trade receivables of €1,556 thousand in the reporting year, (previous year: €178 thousand) with €654 thousand (previous year: €392 thousand) legal and consultancy costs, and €441 thousand (previous year: €332 thousand) costs for investor relations and public relations.

Depreciation and amortisation of trade receivables (€606 thousand) relate to retrospective write-offs of €590 thousand following the conclusion of agreements with tenants due to COVID-19.

(7) RESULT FROM THE DISPOSAL OF PROPERTY

The company generated net income from the disposal of property of €7,080 thousand in the reporting year after €95 thousand in the previous year. The result in the reporting year was generated by the disposal of properties in Augsburg, Oldenburg, and Osnabrück. A smaller area of the undeveloped land held was also sold.

(8) FINANCIAL RESULT

The financial result includes interest expenses only in the reporting year and in the previous year.

Interest expenses fell by €99 thousand to €15,443 thousand and refer to €14,930 (previous year: €14,828 thousand) of financial liabilities. At €14,654 thousand (previous year: €14,576 thousand) these refer overwhelmingly to interest on property financing.

Interest expenses from interest rate hedges came to €615 thousand (previous year: €618 thousand) and correspond to payments made quarterly on the basis of agreed interest rates.

As in the previous year, there were no offsetting incoming cash flows from swap agreements on account of the persistently negative three-month EURIBOR. For further details and information on interest rate hedges, please refer to the disclosures under note (16).

Interest expenses in connection with the measurement of lease liabilities amounted to €386 thousand (previous year: €433 thousand)

(9) EARNINGS PER SHARE

Net profit for the period was €–9,263 thousand, €27,144 thousand below the previous year's figure. Reasons for this fall include impairment losses on property in the result which represent negative net earnings of €33,114 thousand.

Earnings per share amount to €–0.12 and are calculated in accordance with IAS 33. Therefore, earnings per share are determined by dividing the net profit for the period attributable to the shareholders by the weighted average number of shares in the financial year.

Earnings per share are not diluted by, for example, stock options or convertible bonds as HAMBORNER has no such programmes. The basic and diluted earnings per share are therefore the same.

	2020	2019
Weighted average number of shares outstanding in thousands	79,852	79,718
Net profit / Net profit for the period in € thousand	–9,263	17,881
Earnings per share in €	-0.12	0.22

Notes to the statement of financial position

STATEMENT OF CHANGES IN NON-CURRENT ASSETS

IN € THOUSAND	EXPLANATION OF NOTES	COST					WRITE-DOWNS				CARRYING AMOUNTS	
		As at 1 Jan. 2020	Additions	Disposals	Reclassification	As at 31 Dec. 2020	As at 1 Jan. 2020	Additions (depreciation and amortisation for the financial year)	Disposals	As at 31 Dec. 2020	As at 31 Dec. 2019	As at 31 Dec. 2020
Intangible assets	(10)	895	74	0	0	969	321	149	0	470	574	499
Property, plant and equipment	(10)	4,266	237	72	0	4,431	1,209	222	66	1,365	3,057	3,066
Investment property	(11)	1,426,157	80,626	60,844	16,102	1,462,041	223,423	71,581	28,431	266,573	1,202,734	1,195,468
Advance payments on investment property	(11)	16,102	0	0	–16,102	0	0	0	0	0	16,102	0
TOTAL		**1,447,420**	**80,937**	**60,916**	**0**	**1,467,441**	**224,953**	**71,952**	**28,497**	**268,408**	**1,222,467**	**1,199,033**

IN € THOUSAND	EXPLANATION OF NOTES	COST					WRITE-DOWNS				CARRYING AMOUNTS	
		As at 1 Jan. 2019	Additions	Disposals	Reclassification	As at 31 Dec. 2019	As at 1 Jan. 2019	Additions (depreciation and amortisation for the financial year)	Disposals	As at 31 Dec. 2019	As at 31 Dec. 2018	As at 31 Dec. 2019
Intangible assets	(10)	841	54	0	0	895	241	80	0	321	600	574
Property, plant and equipment	(10)	4,102	174	10	0	4,266	999	220	10	1,209	3,103	3,057
Investment property	(11)	1,383,502	44,885	2,230	0	1,426,157	187,930	36,222	729	223,423	1,195,572	1,202,734
Advance payments on investment property	(11)	0	16,102	0	0	16,102	0	0	0	0	0	16,102
TOTAL		**1,388,445**	**61,215**	**2,240**	**0**	**1,447,420**	**189,170**	**36,522**	**739**	**224,953**	**1,199,275**	**1,222,467**

(10) INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

At €319 thousand, intangible assets essentially refer to a naming right purchased in connection with the property in Lübeck. Furthermore, this item also reports acquired rights of use for system and application software for the company's IT system.

The carrying amount of the company's administrative building in Duisburg reported under property, plant and equipment was €2,575 thousand (previous year: €2,679 thousand) as at the financial statement date.

Right-of-use assets relating to a leased operating and office equipment asset reported under property, plant and equipment, performed as follows:

IN € THOUSAND	2020	2019
As at 1 January	**76**	**0**
+ Addition on adoption of IFRS 16	0	78
+/– Additions / disposals	141	49
– Depreciation and amortisation	–54	–51
AS AT 31 DECEMBER	**163**	**76**

(11) ADVANCE PAYMENTS ON INVESTMENT PROPERTY

Investment property performed as follows in the reporting year:

IN € THOUSAND	2020	2019
As at 1 January	**1,202,734**	**1,195,572**
+ Additions due to acquisition	96,365	30,890
+ Additions to incidental costs of pending acquisitions	35	1,533
+ Additions due to costs subsequently added	982	3,225
	97,382	**35,648**
– Disposals due to sales	–10,740	–1,501
– Disposals due to reclassifications in accordance with IFRS 5	–21,673	0
	–32,413	**–1,501**
– Depreciation for the financial year	–36,529	–34,292
– Impairment losses for the financial year	–34,669	–1,555
	–71,198	**–35,847**
+/– Change in measurement of right-of-use assets	–1,037	8,862
AS AT 31 DECEMBER	1,195,468	1,202,734

The carrying amount of right-of-use assets as defined by IFRS 16 performed as follows in the reporting year:

IN € THOUSAND	2020	2019
As at 1 January	**8,862**	**0**
+ Addition on adoption of IFRS 16	0	9,237
+/– Addition / re-measurement	–654	0
– Depreciation and amortisation	–383	–375
AS AT 31 DECEMBER	**7,825**	**8,862**

Re-measurement of the right-of-use asset for the leasehold in Gütersloh produced a fall of €654 thousand in the carrying amount. The asset was re-measured due to a long-term drop in rents at the property. The change in rents at the property leads to an adjustment of future ground rent costs similar to an index adjustment, if the contractually defined maximum or minimum reference parameters are exceeded or not reached.

Taking into account the additions and disposals in the reporting year, the fair value of the investment property was €1,592,581 thousand as at 31 December 2020 (previous year: €1,612,362 thousand).

The fair value of investment property breaks down as follows:

IN € THOUSAND	2020	2019
Developed property portfolio	1,584,260	1,598,090
Incidental costs of pending acquisitions	35	4,948
Undeveloped land holdings	461	461
Right-of-use assets for leases	7,825	8,862
TOTAL	**1,592,581**	**1,612,361**

Advance payments in the previous year relate to a contractually agreed purchase price payment for a property in Neu-Isenburg, ownership of which transferred to the company on 1 January 2020.

(12) FINANCIAL ASSETS

At €1,490 thousand (previous year: €1,238 thousand) financial assets relate to cash security deposits by tenants.

(13) TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables and other current assets break down as follows:

IN € THOUSAND	2020	2019
Trade receivables		
Rent in arrears and billed incidental costs	2,788	1,489
Write-downs on trade receivables	–1,026	–105
Deferred receivables from future incidental cost invoices (contract assets)	347	473
Miscellaneous	26	83
	2,135	**1,940**
Other assets		
Financial assets	512	194
Miscellaneous	116	195
	628	**389**
TOTAL	**2,763**	**2,329**

Trade receivables increased, due in particular to defaults caused by the COVID-19 pandemic. In the course of the reporting year, receivables of €590 thousand were issued retrospectively to tenants as agreed for the period of the first lockdown in spring 2020. Furthermore, write-downs were recognised in the amount of the expected losses of €1,026 thousand as at the end of the reporting period as part of a valuation of the remaining receivables. €683 thousand of this can be attributed to outstanding receivables which are linked to the official lockdown measures taken in the wake of COVID-19.

Write-downs on trade receivables performed as follows:

IN € THOUSAND	2020	2019
As at 1 January	**105.0**	**184.0**
Addition	812.0	66.0
Re-measurement	109.0	–145.0
As at 31 December	**1,026.0**	**105.0**

Maturities of trade receivables as at 31 December 2020 are as follows:

MATURITY OF TRADE RECEIVABLES IN € THOUSAND						
					overdue	not due
		< 30 days	> 30 days	> 60 days	> 90 days	
Gross receivable	2,788	398	216	115	1,411	648
Write-down	–1,026	–73	–77	–69	–717	–90
Net receivable	1,762	325	139	46	694	558

(14) CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

IN € THOUSAND	2020	2019
Bank balances	40,518	8,353
Cash balances	4	5
TOTAL	40,522	8,358

€96 thousand (previous year: €97 thousand) of bank balances was invested in current accounts or fixed-term deposits.

With regard to bank balances, an amount of €4,925 thousand was credited to a restricted bank account, which was pledged to replace collateral in the form of property liens for a loan from the financing bank. The original collateral in the form of property liens was raised for the property in Augsburg sold in 2020.

(15) NON-CURRENT ASSETS HELD FOR SALE

The "Non-current assets held for sale" item relates to eight properties in Frankfurt, Kaiserslautern, Koblenz, Krefeld, Lüdenscheid, Oberhausen, Rheine, and Wiesbaden, for which the relevant purchase agreements were concluded in 2020, and the transfer of benefits and encumbrances completed in 2021. The fair value of these assets is €40,525 thousand, and corresponds to the contractually agreed sale price.

(16) EQUITY

The performance of equity from 1 January 2019 to 31 December 2020 is shown in the statement of changes in equity. As at 31 December 2020, the issued capital of the company amounted to €80,580 thousand (previous year: €79,718 thousand) and is divided into 80,580 thousand (previous year: 79,718 thousand) no-par-value bearer shares. The nominal value of each share is €1. Conversion of the bearer shares into registered shares which was approved by the Annual General Meeting on 8 October 2020, was completed on 8 February 2021.

By way of resolutions of the Annual General Meeting on 10 May 2017, the Management Board was authorised until 9 May 2022, with the approval of the Supervisory Board, to increase the share capital of the company by up to €7,972 thousand (Authorised Capital I). At the same time, the existing Authorised Capital II of €6,200 thousand was revoked.

Furthermore, by way of resolutions of the Annual General Meeting of 10 May 2017, the Management Board was authorised until 9 May 2022, with the approval of the Supervisory Board, to increase the share capital of the company by up to €31,887 thousand (Authorised Capital II). At the same time, the existing Authorised Capital II of €7,086 thousand was revoked.

By resolution of the Management Board with the approval of the Supervisory Board, the share capital from Authorised Capital I entered into the Commercial Register on 5 November 2020 was increased by issuing 861,922 new shares against cash contributions. The shareholders subscribed to the new shares at a subscription ratio of seven to two, meaning that issued capital rose from €79,718 thousand to €80,580 thousand. The following authorised capital is therefore still available as at 31 December 2020:

€7,110 thousand (Authorised Capital I)

€31,887 thousand (Authorised Capital II)

Furthermore, on 26 April 2018, the Management Board was authorised, with the approval of the Supervisory Board, to issue bearer or registered warrant and convertible bonds ("bonds"), dated or undated, up to a total of €450,000 thousand until 25 April 2023, and to grant the bearers or creditors ("bearers") of bonds conversion rights to new registered shares of the company with a total pro rata amount of share capital of up to €31,887 thousand in accordance with the more specific conditions of the warrant or convertible bonds ("bond conditions").

When issuing warrant or convertible bonds, the Management Board is authorised to contingently increase the share capital of the company by up to €31,887 thousand, divided into up to 31,887 thousand registered shares (Contingent Capital).

With the approval of the Supervisory Board, the Management Board can remove shareholders' statutory pre-emption rights in certain cases for a partial amount. The above authorisations had not been utilised by the end of the reporting period.

By way of the resolutions of the Annual General Meeting on 28 April 2016, the Management Board was also authorised to acquire its own shares in the company. The authorisation is limited to the acquisition of shares accounting for not more than 10% in total of the lower of share capital at the time of the resolution by the Annual General Meeting on this authorisation or at the time that this authorisation is exercised. The authorisation is therefore limited to 6,200 thousand shares and is valid until 27 April 2021. The Management Board has not yet utilised this authorisation.

Including the HGB withdrawal of €45,508 thousand from capital reserves (previous year: €10,727 thousand) and additions arising from the capital increase in the reporting year (€5,549 thousand), the capital reserve comes to €340,508 thousand (previous year: €380,467 thousand). This includes amounts which exceed the nominal value when issuing new shares as part of capital increases. Capital increase costs are deducted here.

Revenue reserves were €53,146 thousand as at 31 December 2020 (previous year: €53,377 thousand). Distribution of a dividend of €37,872 thousand for the 2020 financial year will be proposed at the Annual General Meeting. This corresponds to a dividend of €0.47 per share. The dividend proposal is based on net retained profits for the company under German commercial law of the same amount.

The "Reserve for IAS 19 pension provisions" included in revenue reserves of €–4,228 thousand (previous year: €–4,631 thousand relates to cumulative actuarial losses from defined benefit pension commitments. The cumulative profits and losses from hedging instruments which have been judged effective (cash flow hedges) are reported in the reserve for cash flow hedges of €–522 thousand (previous year: €–1,110 thousand).

The objectives of capital management are to ensure the continuation of the company as a going concern, generate an adequate return on equity, and remain solvent.

A key performance indicator for this is the equity ratio, which is also recognised by investors, analysts and banks.

IN € THOUSAND	2020	2019	CHANGE
Equity	474,234	513,562	–7.7%
Total assets	1,265,784	1,234,677	+2.5%
Reported equity ratio in %	**37.5**	**41.6**	**–4.1%**

In addition, the company is required to comply with the equity coverage ratio of at least 45% codified in accordance with section 15 REITG in order to maintain its status as a real estate investment trust (REIT). Compliance with the REIT equity ratio is therefore subject to ongoing monitoring. The key financial ratio was 54.5% as at 31 December 2020 (previous year: 57.3%).

A key figure in connection with solvency is the loan-to-value (LTV) ratio. This ratio is defined as net financial liabilities to the calculated value of the properties. The key financial ratio was 44.5% as at 31 December 2020 (previous year: 42.4%).

The framework for the management of the capital structure, for example by capital increases, is defined by the provisions of company law.

The capital management targets were achieved in the financial year.

(17) FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Financial liabilities increased by a net amount of €70,552 thousand to €758,916 thousand as a result of further borrowing for property financing. The market value of the derivative financial instrument rose by €588 thousand to €–521 thousand, essentially as a result of the remaining term having been shortened by one year. The property loans in place are based on both long-term fixed-rate interest agreements and on an interest rate agreement based on EURIBOR. The interest rate risk of property finance secured by property liens with floating interest rates was eliminated in full by completion of an interest rate swap. Under this swap agreement, HAMBORNER receives the EURIBOR and pays a constant fixed rate of interest over the entire term of the swap. By contrast, for the portion of the unsecured promissory note loans with a volume of €41.0 million financed at floating rate and with an initial term of five years, after weighing the risks and opportunities it was decided not to use interest rate hedges as the term is considered manageable.

The nominal hedge volume of the interest rate swaps was €15.2 million at the end of the reporting period. The derivative matures in 2021 in line with the term of the underlying credit transaction. The change in the market values of interest rate derivatives recognised in equity of €0.6 million resulted in a rise in the cash flow hedge reserve to €–0.6 million. There are no further derivative financial instruments other than the interest rate swaps shown above.

			31 Dec. 2020		31 DEC. 2019	
Consecutive no.	Type	Maturity	Nominal value in € thousand	Fair value in € thousand	Nominal value in € thousand	Fair value in € thousand
1	Interest rate swap	November 2021	15,193	–521	15,533	–1,110
TOTAL			**15,193**	**–521**	**15,533**	**–1,110**

Financial liabilities and derivative financial instruments break down by maturity as follows:

IN € THOUSAND	31 Dec. 2020			31 DEC. 2019		
	Current	Non-current		Current	Non-current	
	Less than 1 year	2 to 5 years	More than 5 years	Less than 1 year	2 to 5 years	More than 5 years
Financial liabilities	91,841	313,685	353,390	69,776	262,918	355,670
Derivative financial instruments	521	0	0	0	1,110	0
TOTAL	**92,362**	**313,685**	**353,390**	**69,776**	**264,028**	**355,670**

The table below shows the contractually agreed payments for interest and the repayment of financial liabilities and derivative financial instruments. Interest payments on floating-rate loans are calculated uniformly using the last interest rate set before the end of the reporting period.

IN € THOUSAND	31 Dec. 2020			31 DEC. 2019		
	Less than 1 year	2 to 5 years	More than 5 years	Less than 1 year	2 to 5 years	More than 5 years
Financial liabilities	103,315	357,086	363,383	81,817	295,516	366,526
Derivative financial instruments	804	0	0	613	502	0
TOTAL	**104,119**	**357,086**	**363,383**	**82,430**	**296,018**	**366,526**

With the exception of the unsecured promissory note loan of €75.0 million and two other loans of €10.0 million, all loans are secured by investment property. Land charges of €794.1 million were chargeable to the company for the financial liabilities reported as at 31 December 2020. In addition, the rent receivables on the collateralised properties have usually been assigned to the lending banks by way of undisclosed assignment. The non-current property loans bear interest at rates of between 0.91% and 4.26% (average interest rate: 1.84%). In line with loan agreements, repayments are made monthly or quarterly.

Fair value of financial assets and liabilities measured at amortised cost

Except for financial liabilities, the carrying amounts of the financial assets and liabilities in the statement of financial position constitute a reliable approximation of the fair value due partly to the short terms.

The fair values of financial liabilities are equal to the present values of the payments associated with the liabilities, taking into account the current matched-term interest rate parameters at the end of the reporting period (level 2).

IN € THOUSAND	31 Dec. 2020		31 DEC. 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	758,916	796,840	688,364	716,662

(18) TRADE PAYABLES AND OTHER LIABILITIES

IN € THOUSAND	2020	2019
Financial liabilities		
Trade payables	3,754	3,721
Other purchase price retention	4,111	2,381
Security deposits	1,490	1,396
Security retainers from the purchase price for rent guarantees	627	771
Supervisory Board remuneration	326	321
Public auditor's fee	102	122
Miscellaneous	263	301
	10,673	**9,013**
Other liabilities		
Lease liabilities (IFRS 16)	8,285	9,098
Rental and leasing advances (contract liabilities)	856	682
Land transfer tax liabilities	661	4
VAT liabilities	537	866
Miscellaneous	301	358
Deferred investment subsidies	106	155
Land tax obligations	45	24
	10,791	**11,187**
TOTAL	**21,464**	**20,200**

€12,182 thousand of the trade payables and other liabilities (previous year: €10,111 thousand) are due within a year.

The non-current financial liabilities (€1,545 thousand; previous year: €1,461 thousand) have a remaining term of less than five years.

Lease liabilities mature as follows:

IN € THOUSAND	31 Dec. 2020	31 DEC. 2019
Up to one year	667	688
Between two and five years	2,543	3,276
More than five years	11,878	13,220
TOTAL	**15,088**	**17,184**

(Future) ground rent costs fell in the reporting year due to a long-term fall in rents at the property in Gütersloh. The related lease liabilities were therefore re-measured in accordance with IFRS 16, resulting in a reduction of €654 thousand.

(19) PENSION PROVISIONS

There are pension scheme commitments for former employees and their surviving dependents. These are defined benefit commitments within the meaning of IAS 19. Provisions are measured using the projected unit credit method. In addition to the pensions and vested claims known at the end of the reporting period, the projected unit credit method also takes into account forecast increases in pensions and assumed inflation.

In relation to defined benefit pension plans, the company is exposed to general actuarial risks such as longevity and interest rate risks. In particular, the risks affect the allocation to pension provisions at HAMBORNER and therefore the net asset situation of the company. In order to quantify these risks and present them appropriately in the statement of financial position, HAMBORNER had the provision measured by an independent expert, taking into account the sensitivities of actuarial parameters.

HAMBORNER is able to pay the monthly pension payments to recipients or their surviving dependents from its operating activities (internal financing). The company's liquidity management monitors that it is able to meet payment obligations at all times.

As at 31 December 2020, the pension obligations are distributed among four recipients and three surviving dependents. The number of surviving dependents has decreased by one since the previous year.

The weighted average term of defined benefit obligations was around 12.0 years as at the end of the reporting period (previous year: around 11.0 years).

Pension provisions performed as follows:

IN € THOUSAND	2020	2019
Carrying amount 1 January (= present value 1 January)	6,625	6,352
Interest expenses	60	112
Actuarial gains (–) / losses recognised for the current year	–403	607
(due to change in demographic assumptions)	–	–
(due to change in financial assumptions)	(+49)	(+646)
(due to experience adjustments)	(–452)	(–39)
Pension payments	–373	–446
TOTAL	**5,909**	**6,625**

The changes in the main actuarial assumptions would have had the following effects on the present value of pension obligations:

CHANGE IN PENSION PROVISIONS IN € THOUSAND	DECREASE	INCREASE
Discounting rate (–0.5% / +0.5%) (previous year)	372 (372)	–337 (–412)
Pension trend (+0.25% / –0.25%) (previous year)	158 (198)	–151 (–207)
Deviation in mortality from standard (–7.5% / +7.5%) (previous year)	215 (246)	–194 (–221)

The sensitivity calculations are based on the average term of the pension obligation calculated as at 31 December 2020. The calculations were performed in isolation for the actuarial parameters classified as significant in order to show the effects on the present value of pension obligations separately.

Pension payments from defined benefit commitments of €347 thousand are expected in the 2021 financial year.

HAMBORNER paid contributions of €254 thousand (previous year: €248 thousand) to statutory pension insurance, which are deemed a defined contribution pension scheme, in the reporting year. In addition, the company paid direct insurance premiums of €5 thousand (previous year: €5 thousand) and premiums for employer-funded commitments of €32 thousand (previous year: €60 thousand). The company has no obligations other than its payment obligations under defined contribution schemes. The expenses are recognised in personnel expenses.

(20) OTHER PROVISIONS

Other provisions break down as follows:

IN € THOUSAND	1 JAN. 2020	UTILISATION	REVERSALS	ADDITIONS	31 DEC. 2020	OF WHICH NON-CURRENT	OF WHICH CURRENT
Provisions for							
Mining damage	2,749	0	0	28	2,777	2,777	0
Employee bonuses	421	421	0	490	490	0	490
Management Board bonuses (STI)	390	390	0	388	388	0	388
Management Board bonuses (LTI)	860	580	0	250	530	388	142
Reimbursements from uninvoiced operating costs	272	216	56	123	123	0	123
Risk of rent reduction due to COVID-19	0	0	0	311	311	0	311
Miscellaneous	124	95	29	121	121	0	121
TOTAL	**4,816**	**1,702**	**85**	**1,711**	**4,740**	**3,165**	**1,575**

The provision for employee bonus obligations assumes that the expected bonuses for 2020 will be €69 thousand higher than in the previous year and amount to €490 thousand. In addition, there were provisions for Management Board bonuses from long-term share-based remuneration (LTI) of €530 thousand (previous year: (previous year: €860 thousand), €142 thousand of which was paid out in 2021 on the basis of the value of shares as at the end of the reporting period, and for short-term remuneration (STI) of €388 thousand (previous year: €390 thousand). The terms of the long-term share-based remuneration as at the financial statement date remained two months, 14 months, 26 months, and 39 months.

The provisions for mining damage relate to the potential risks from former mining activities. Please see the more detailed information in the risk report, which is a component of the management report. Provisions relating to mining activities are non-current provisions measured at their probable settlement amount at the end of the reporting period. Depending on their respective remaining term (between seven and 14 years; previous year: between eight and 15 years), interest rates of between 0.7% and 1.3% (previous year: between 0.8% and 1.5%) were assumed for discounting. Due to interest effects (term-based adjustment: €–21 thousand; interest rate change: €–36 thousand) and inflation-based adjustments (€+29 thousand), the provision increased by €28 thousand overall to €2,777 thousand as at 31 December 2020.

(21) ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

In the separate financial statements, financial instruments are classified in line with the classification used for the statement of financial position. The following table shows the reconciliation of the items of the statement of financial position to classes formed by the company in accordance with the minimum requirements of IFRS 7.

31 Dec. 2020	CARRYING AMOUNT	MEASUREMENT IN ACCORDANCE WITH IFRS 9		NON-FINANCIAL ASSETS / LIABILITIES
in € thousand		At amortised cost	Fair value as a hedging instrument for designated derivatives	
Assets				
Financial assets	1,490	1,490		
Current trade receivables and other assets	2,763	2,648		115
Cash and cash equivalents	40,522	40,522		
	44,775	**44,660**	**0**	**115**
Liabilities				
Non-current financial liabilities	667,075	667,075		
Non-current trade payables and other liabilities	9,282	1,545		7,737
Current financial liabilities	91,841	91,841		
Current derivative financial instruments	521		521	
Current trade payables and other liabilities	12,182	9,091		3,091
	780,901	**769,552**	**521**	**10,828**

31 DEC. 2019	CARRYING AMOUNT	MEASUREMENT IN ACCORDANCE WITH IFRS 9		NON-FINANCIAL ASSETS / LIABILITIES
in € thousand		At amortised cost	Fair value as a hedging instrument for designated derivatives	
Assets				
Financial assets	1,238	1,238		
Current trade receivables and other assets	2,329	2,134		195
Cash and cash equivalents	8,358	8,358		
	11,925	**11,730**	**0**	**195**
Liabilities				
Non-current financial liabilities	618,588	618,588		
Non-current derivative financial instruments	1,110		1,110	
Non-current trade payables and other liabilities	10,089	1,461		8,628
Current financial liabilities	69,776	69,776		
Current trade payables and other liabilities	10,111	7,552		2,559
	709,674	**697,377**	**1,110**	**11,187**

HAMBORNER is exposed to various risks, including financial risks, on account of its business activities. The risk report, which is part of the management report, includes further details on financial risks and their management.

Derivative financial instruments in the form of interest rate swaps are used to manage interest rate risks on floating-rate loans. The risks resulting in connection with the use of these financial instruments are subject to risk management and control.

The risks resulting from financial instruments relate to credit, liquidity and market risks. There are credit risks in the form of risks of default on financial assets. The maximum value of this risk is the carrying amount of the financial assets. For derivatives, this is the total of all the positive fair values and, for primary financial instruments, the total of the carrying amounts. If risks of default exist, they are taken into account by means of write-downs.

Liquidity risks constitute refinancing risks and thus risks of a fulfilment of existing obligations to pay when due. The strategy and the results of the planning process are taken as a basis for the early identification of the future liquidity situation. The expected liquidity requirements are scheduled in medium-term planning, which covers a period of five years.

Liquidity requirements are calculated using daily and monthly forecasts.

Sensitivity analyses are required for the presentation of market risks in accordance with IFRS 7. The effects on earnings and equity are shown by way of hypothetical changes in risk variables based on past data. Interest rate risks in particular are relevant for HAMBORNER in this regard.

Interest rate risks result from changes in the market interest rate. HAMBORNER limits such risks by using interest rate swaps. Sensitivity analyses, which show the effects of changes of market interest rate levels on interest payments, interest expenses, interest income and equity, are performed in line with IFRS 7. The following premises apply:

Interest rate risks regarding primary financial instruments with a fixed interest rate are reported only if they are measured at fair value. In the case of financial instruments measured at amortised cost, changes in interest rates have no effect on accounting. For financial liabilities with floating interest rates, interest rate risks directly affect profit and loss if these risks are not hedged by suitable financial instruments. HAMBORNER has agreed floating interest rates for two sub-tranches (€41.0 million) of the promissory note loan for which no interest rate swaps have been concluded. At the current interest rate level, a reduction in the interest rate would not result in any change in profit or loss as the interest rate is capped at at least 1.2%. Given an increase of 1.0% in the base interest rate, the interest expense would rise by €197 thousand per year based on the current interest rate level. For cash flow hedges used to hedge fluctuations due to interest rates, changes in market interest rates can affect the cash flow hedge reserve in equity. Therefore, these financial instruments are taken into account in the sensitivity analysis. In the sensitivity analysis, the indicative measurement was calculated based on the market value, while taking into account accrued interest.

CHANGE IN EQUITY IN € THOUSAND	2020	2019
Interest rate +1%	91	249
Interest rate –1%	–93	–259

(22) CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS

There are no significant contingent liabilities or other financial obligations as at the end of the reporting period.

(23) LEASES

HAMBORNER as a lessor

All rental agreements that HAMBORNER has concluded with its tenants are classified as operating leases under IFRS as all the risks and rewards of ownership remain with the company.

Investment property with a carrying amount of €1,209.3 million (previous year: €1,188.9 million) was let under operating leases as at 31 December 2020.

The leases, which are essentially for office and retail space, are usually concluded for terms of between three and fifteen years. Around 94% of the commercial leases contain indexation clauses that peg rents to performance of the consumer price index. Rent deposits are usually agreed. The full reallocation of incidental costs is intended.

HAMBORNER will receive the following contractually guaranteed rent payments from its current commercial leases:

IN € THOUSAND	31 Dec. 2020	31 Dec. 2019
in 1st year	83,066	83,201
in 2nd year	78,237	76,349
in 3rd year	70,099	69,463
in 4th year	60,156	61,067
in 5th year	51,040	52,555
after 6th year	196,714	210,759
TOTAL	**539,311**	**553,394**

The lease payments include rental income until the end of the agreed lease or until the tenant's earliest possible termination date, regardless of whether termination or non-utilisation of an option to renew is actually expected.

There were contingent rent payments of only an insignificant amount in the reporting period.

HAMBORNER as a lessee

Quantitative information on leases in which HAMBORNER is a lessee can be found in the disclosures on the respective items of the statement of financial position and the income statement.

For the two leaseholds in Solingen and Gütersloh, the existing renewal options were taken into account in the measurement of the lease liability as HAMBORNER has a strong financial incentive to exercise the options on the basis of the contractual regulations.

For the leasehold in Freiburg, only a renewal option of ten years until 30 June 2034 was taken into account in the measurement of the lease liability. Given the long-term lease in place, there is a financial incentive that makes it highly probable that the lease will be renewed. There are also two other options for ten years each that have not been taken into account. As HAMBORNER receives compensation from the leasehold owner in the amount of the market value of the building on it in the event of the lease being terminated, based on the assessment of the market situation as at the time of the first renewal option expiring, it is not currently reasonably certain that there will be a financial incentive to renew the lease. The ground rent for the property payable annually currently comes to €291 thousand per year.

There are no material leases that have been signed but that have not yet commenced.

Notes on the statement of cash flows

The statement of cash flows shows the performance of cash flows broken down as cash generated by and used in operating, investing and financing activities.

The cash funds comprise bank deposits and cash balances with an initial remaining term of less than three months. The difference of €4.9 million between cash funds as at 31 December 2020 and the statement of financial position item "Cash and cash equivalents" results from a pledged bank account within this statement of financial position item (cf. (14)). Cash funds were €35.6 million as at the end of the reporting period compared with €8.4 million in the previous year.

The statement of cash flows was prepared in accordance with the provisions of IAS 7. Exchange rate fluctuations have no effect at HAMBORNER.

(24) CASH FLOW FROM OPERATING ACTIVITIES

The cash flow from operating activities was €69.4 million after €68.3 million in the previous year. The increase is largely due to higher rental income as a result of new investments. The reported financial result deviates from the financial result in the income statement, as only the financial result relating to financing activity is reported in the statement of cash flows. Interest rate effects relating to operating activity, for example for compounding and discounting of provisions, are not included.

Operating cash flow per share performed as follows:

		2020	2019
Number of shares outstanding at the end of the period	In thousands	80,580	79,718
Operating cash flow	€ thousand	69,448	68,260
Operating cash flow per share	€	0.86	0.86

(25) CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities resulted in a total cash outflow of €61.2 million (previous year: €54.0 million) essentially due to acquisitions in the financial year (€79.9 million). Investments are offset by cash flows from the disposal of properties of €18.7 million.

The payments for investments in intangible assets, property, plant and equipment and investment property do not correspond to the additions shown in the statement of changes in non-current assets. This is mainly due to the retention of purchase price and payments for the land transfer tax that are not yet due as at the end of the reporting period.

(26) CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities comes to €19.0 million (previous year: €9.5 million). Cash receipts from loans borrowed in the amount of €141.4 million and from increases in capital (€6.4 million) are essentially offset by payments for the dividend for 2019 (€37.5 million) and interest and principal payments (€70.9 million) on the loans borrowed for the pro rata financing of properties.

The company also has total funds not yet utilised of €11.6 million at its disposal from concluded loan agreements. These funds can be accessed at short notice.

The change in current and non-current liabilities from financing activities (financial liabilities) is as follows:

IN € THOUSAND	2020	2019
As at 1 January	**688,364**	**649,820**
Addition due to acceptance of new loans	141,412	60,636
Disposal due to repayment of loans	−70,920	−22,216
Change in short-term transaction costs	33	−24
Change in deferred transaction costs	27	148
AS AT 31 DECEMBER	**758,916**	**688,364**

Cash flow from lease liabilities comprises interest payments of €386 thousand (previous year: €433 thousand) and principal payments of €299 thousand (previous year: €266 thousand).

Other notes and mandatory disclosures

EVENTS AFTER THE END OF THE REPORTING PERIOD

Agreements regarding the sale of two city centre retail properties in Bad Homburg were signed on 9 February 2021. The purchase prices came to €27.1 million in total due to annualised rents of €1.5 million. A carrying amount of around €7.5 million results from the sales. Ownership is expected to transfer in the second quarter of the current financial year.

Following receipt of purchase price payments of €27.7 million in total, ownership of the properties in Kaiserslautern, Koblenz, Krefeld, Lüdenscheid, Rheine, and Wiesbaden transferred on 1 March 2021.

Agreements regarding the sale of the properties were concluded at the end of 2020. The carrying amount from sales is €7.5 million. The annualised rental income of these properties came to around €2.4 million.

EMPLOYEES

The average number of employees over the year (not including the Management Board) was as follows:

	31 Dec. 2020	31 DEC. 2019
Commercial property management	14	14
Technical property management	8	6
Administration	18	17
TOTAL	**40**	**37**

CORPORATE GOVERNANCE

In November 2020, the Management Board and Supervisory Board issued an updated declaration of compliance and published it online at www.hamborner.de/en under HAMBORNER REIT AG / Corporate Governance / Declaration on the Company Management.

NOTIFICATION OF THE EXISTENCE OF AN EQUITY INVESTMENT

In order to maintain REIT status, investors are not permitted to directly hold 10% or more of shares or shares to such an extent that they hold 10% or more of voting rights under section 11 (4) REITG. As at the end of the reporting period on 31 December 2020, the company was not aware of any shareholders with a direct shareholding of more than 10% of share capital.

In accordance with section 160 paragraph 1 (8) AktG, the existence of equity investments reported to the company in accordance with section 33(1) or (2) of the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") must be disclosed.

The following table shows the reportable equity investments of which the company was notified by 2 March 2020. The information was taken from the most recent notification from a reporting entity received by the company. All publications by the company on notifications of equity investments in the reporting year and also until 2 March 2020 can be found on the HAMBORNER REIT AG website under Investor Relations / Notifications. Please note that the percentage and voting right information for equity investments could now be out of date on account of non-reportable acquisitions or sales of shares.

There was an indirect equity investment in the capital of the company indirectly amounting to or exceeding 10% of the voting rights as at 31 December 2020. This was held by the RAG Foundation, Essen.

VOTING RIGHT NOTIFICATIONS

No.	Reporting entity	Voting rights in accordance with sections 33, 34 WpHG (new)	Voting rights linked to instruments in accordance with section 38 (1) WpHG	Share of voting rights (new) in %	Threshold affected	Date on which threshold is affected	Attribution of voting rights in accordance with section 34 WpHG
1	RAG Foundation Essen, Germany	9,926,280		12.45	Rise above 10%	27 Sept. 2016	yes: 2.67%
2	Kingdom of Belgium, Brussels, Belgium	3,944,369		4.95	Drop below 5%	17 Feb. 2017	yes: 4.95%
3	BlackRock, Inc., Wilmington, DE, USA	3,991,934	155,387	5.20	Rise above 5%	19 Jan. 2018	yes: 5.01%

RELATED PARTY DISCLOSURES FOR THE 2020 FINANCIAL YEAR

The only related parties of HAMBORNER within the meaning of IAS 24 are the members of the Management Board, the Supervisory Board, and their close family members. There were no reportable transactions with related parties in the 2020 financial year.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The remuneration paid to persons in key positions within the company that is reportable under IAS 24 refers to remuneration of the active Management Board and the Supervisory Board.

Total remuneration for members of the Management Board amounted to €1,470 thousand in the financial year (previous year: €1,358 thousand). Along with current remuneration of €1,153 thousand (previous year: €1,058 thousand), remuneration of €317 thousand (previous year: €300 thousand) relates to long-term share-based remuneration (LTI).

The LTI of **Mr Karoff** relates to virtual share commitments which are paid to the Management Board after the end of the respective performance period, and with the payroll run following the company's Supervisory Board meeting at which the annual financial statements for the third financial year following the granting year are approved.

The amount of the payment is calculated as the number of share commitments granted multiplied by the average closing prices of HAMBORNER shares on the Xetra trading system, over the last 20 trading days prior to the end of the performance period.

The number of share commitments granted increases or falls depending on how many of the defined performance targets have been achieved. Performance targets include growth in net asset value and relative total shareholder return, and carry a 50% weighting. The calculated payment is limited to 200% of the target amount.

The fair value per vested share commitment as at the end of the reporting period is therefore essentially the arithmetical mean of the HAMBORNER shares over the last 20 trading days of the financial year (€8.96).

The LTI of **Mr Schmitz** consists of virtual share commitments to be paid to the Management Board as per the commitment, in cash after a retention period at the end of the second trading day following publication of results for the third year. The amount of the payment is calculated as the number of share commitments granted multiplied by the closing price of HAMBORNER shares on the Xetra trading system as at the end of the retention period. Any increase in the price of HAMBORNER shares of more than 200% (cap) compared to the closing price on the respective commitment date is disregarded.

Furthermore, for half of the share commitments, the payment can be increased or reduced based on the relative performance of HAMBORNER shares compared to the EPRA / NAREIT Europe ex UK Index and according to a target system stipulated by the Supervisory Board.

The fair value per vested share commitment as at the end of the reporting period is therefore essentially the closing price of the company shares on the last trading day of the financial year (€9.01; previous year: €9.76).

On the basis of the share commitments granted in 2020 and measurement effects, expenses of €251 thousand (previous year: €373 thousand) were recognised for share-based remuneration in the reporting year.

The number of virtual share commitments granted and still outstanding on 31 December 2020, and the closing price of HAMBORNER shares on the respective commitment date, are presented below:

NUMBER OF VIRTUAL SHARE COMMITMENTS GRANTED TO MR KAROFF

	Share reference price on granting date	Payment	Number
LTI 2020	€9.66	2024	17,253

NUMBER OF VIRTUAL SHARE COMMITMENTS GRANTED TO MR SCHMITZ

	Share price at grant date	End of retention period	Number
LTI 2018	€9.30	2021	16,130
LTI 2019	€9.25	2022	16,216
LTI 2020	€7.48	2023	20,054

Virtual share commitments developed as follows:

	2020	2019
As at 1 January	**92,984**	**88,212**
Addition of virtual share commitments granted	37,307	32,432
Disposal of virtual share commitments paid out	–60,638	–27,660
AS AT 31 DECEMBER	**69,653**	**92,984**

The virtual share commitments from 2017 (LTI 2017) which are due to Mr Schmitz in 2020, resulted in a payment of €132 thousand at a share price on payment of €10.39.

The virtual share commitments from 2017, 2018, and 2019 (LTI 2017 to LTI 2019) to be paid out in 2020 following the death of Dr Mrotzek, resulted in a payment of €448 thousand at a share price on payment of €10.11.

The members of the Supervisory Board receive fixed annual remuneration. The amount depends on function and membership of the relevant committees. In addition, each member of the Supervisory Board receives a fee of €0.5 thousand to attend meetings.

The remuneration of the Supervisory Board for the financial year was €326 thousand (previous year: €321 thousand).

The remuneration of the Management Board and the Supervisory Board and the principles of the remuneration system are presented in detail in the remuneration report, which is a component of the management report.

The pension provisions recognised for former Management Board members and their surviving dependents amount to €3,352 thousand as at the financial statement date. Post-employment benefits under these pension commitments (€232 thousand) and other benefits to surviving dependents (€140 thousand) amounted to €372 thousand in the reporting year.

Executive bodies of the company and their mandates

Dr Eckart John von Freyend, Bad Honnef
Honorary Chairman of the Supervisory Board

SUPERVISORY BOARD

Bärbel Schomberg, Königstein im Taunus (until 8 October 2020)
Chairwoman
Managing Partner at Schomberg & Co.
Real Estate Consulting GmbH
External mandates:
DeWert Deutsche Wertinvestment GmbH *

Dr Andreas Mattner, Hamburg
Chairman (from 8 October 2020)
Deputy Chairman (from 8 October 2020)
Managing Director
ECE Office & Industries G. m.b.H.
Verwaltung ECE Office Traffic Industries G. m.b.H.
ECE Development & Consulting G.m.b.H.
External mandates:
EUREF AG 1 (Deputy Chairman)

Claus-Matthias Böge, Hamburg
Deputy Chairman (from 8 October 2020)
Managing Director of CMB Böge
Vermögensverwaltung GmbH
External mandates:
Bijou Brigitte modische Accessoires AG *

Maria Teresa Dreo, Vienna (from 8 October 2020)
Management Board Director of ARWAG Holding AG
External mandates:
None

Rolf Glessing, Illerkirchberg
Managing Partner of
Glessing Management und Beratung GmbH
External mandates:
FCF Fox Corporate Finance GmbH **
Wohninvest Holding GmbH ** (until 31 August 2020)

Ulrich Graebner, Bad Homburg v.d.H.
Senior Partner at Cara Investment GmbH
External mandates:
Gepaco S. A. 2

Christel Kaufmann-Hocker, Düsseldorf
Independent management consultant
External mandates:
Stiftung Mercator GmbH ** (until 30 June 2020)

Mechthilde Dordel 3, Oberhausen
Commercial employee of HAMBORNER REIT AG

Wolfgang Heidermann *,** Raesfeld (until 8 October 2020)
Technical employee of HAMBORNER REIT AG

Klaus Hogeweg *,** Mülheim an der Ruhr (from 8 October 2020)
Commercial employee of HAMBORNER REIT AG

Dieter Rolke *,** Oberhausen (until 8 October 2020)
Commercial employee of HAMBORNER REIT AG

Johannes Weller *,** Willich (from 8 October 2020)
Commercial employee of HAMBORNER REIT AG

* Membership of other statutory Supervisory Boards
** Member of similar regulatory bodies at home and abroad
*** Employee representative on the Supervisory Board

COMMITTEES OF THE SUPERVISORY BOARD

Executive Committee
Bärbel Schomberg (Chairwoman) (until 8 October 2020)
Dr Andreas Mattner (Chairman from 8 October 2020)
Claus-Matthias Böge
Maria Teresa Dreo (from 8 October 2020)
Ulrich Graebner

Audit Committee
Claus-Matthias Böge (Chairman)
Rolf Glessing
Wolfgang Heidermann (until 8 October 2020)
Christel Kaufmann-Hocker
Johannes Weller (from 8 October 2020)

Nomination Committee
Bärbel Schomberg (Chairwoman) (until 8 October 2020)
Dr Andreas Mattner (Chairman from 8 October 2020)
Maria Teresa Dreo (from 8 October 2020)
Rolf Glessing
Ulrich Graebner

MANAGEMENT BOARD

Niclas Karoff, Berlin (from 1 March 2020)
(Chairman)
Director of Corporate Strategy / Digitisation, Portfolio Management, Risk Management / Data Protection, Transaction Management, Controlling, Investor Relations, Public Relations, Human Resources, Internal Audit

Dr Rüdiger Mrotzek, Hilden (until 28 January 2020)
Director of Finance / Accounting, Controlling, Taxes, Portfolio Management, Transaction Management, HR, IT, Risk Management and Controlling, Investments

Hans Richard Schmitz, Duisburg
Until 29 February 2020, Director of Asset Management, Technology / Maintenance, Legal, Investor Relations / Public Relations, Corporate Governance, Insurance, Corporate Services

From 1 March 2020, Director of Asset Management, Maintenance / Technology, Finance and Accounting, Taxes, Legal / Corporate Governance, Investor Relations, Project Management, IT, Insurance, Corporate Services, Investments

Duisburg, 2 March 2021

The Management Board

Niclas Karoff Hans Richard Schmitz

Further Information

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the separate financial statements give a true and fair view of the net asset situation, financial position and result of operations of the company, and the management report of the company includes a fair review of development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Duisburg, 2 March 2021

The Management Board

Niclas Karoff Hans Richard Schmitz

Independent audit opinion

To HAMBORNER REIT AG, Duisburg

Report on the audit of the Separate Financial Statements and the Management Report

AUDIT OPINIONS

We have audited the separate financial statements of HAMBORNER REIT AG, Duisburg – consisting of the statement of financial position as at 31 December 2020 and the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the financial year from 1 January to 31 December 2020, in addition to the notes to the financial statements, including a summary of the key accounting policies. We also audited the management report of HAMBORNER REIT AG, Duisburg, for the financial year from 1 January to 31 December 2020. As per the German statutory provisions, we did not audit the content of the corporate governance declaration in accordance with section 289f HGB including the further corporate governance reporting included therein.

In our opinion, based on the findings of our audit:

- The attached separate financial statements, in all material respects, comply with the International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law in accordance with section 325 (2a) HGB, and give a true and fair view of the net assets and financial position of the company in accordance with these requirements as at 31 December 2020 and its results of operations for the financial year from 1 January to 31 December 2020; and

- as a whole, the attached management report fairly presents the position of the company. In all material respects, this management report is consistent with the separate financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Our audit opinion on the management report does not extend to the content of the corporate governance declaration referred to above, including the further corporate governance reporting included therein, to which reference is made in the management report.

In accordance with section 322 paragraph 3 (1) HGB, we declare that our audit has not led to any objections concerning the compliance of the separate financial statements or the management report.

BASIS FOR AUDIT OPINIONS

We conducted our audit in accordance with section 317 HGB, the EU Audit Regulation (No. 537/2014) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – German Institute of Public Auditors). Our responsibility under these provisions and policies is described further in the section of our audit report entitled “Auditor’s responsibility for the audit of the separate financial statements and the management report”. We are independent from the company in accordance with the commercial and professional regulations of European and German law and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10(2)(f) of the EU Audit Regulation, we declare that we have not performed any prohibited non-audit services as defined by Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the separate financial statements and the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Key audit matters are those that, based on our professional judgement, were most significant in our audit of the separate financial statements for the financial year 1 January to 31 December 2020. These matters were taken into account in the context of our audit of the separate financial statements as a whole and in the formation of our audit opinion; we have not issued a separate opinion on these issues.

The following section describes the measurement of investment property at attributable fair value, which we consider to be a key audit matter.

Our presentation of this key audit matter is structured as follows:

a) description (including reference to corresponding disclosures in the separate financial statements and the management report)

b) audit procedure

Measurement of investment property at attributable fair value

a) properties in the amount of €1,195.5 million (94.4% of total assets) are reported in the balance sheet item "Investment property". For the purpose of accounting, HAMBORNER REIT AG measures investment property at amortised cost in accordance with the option provided by IAS 40.30 in conjunction with IAS 0.56. In accordance with IAS 40, the fair values of properties must be disclosed in the notes to the financial statements in line with IFRS 13. The fair values of properties are also used to calculate the performance indicators of net asset value (NAV) and NAV per share presented in the management report.

HAMBORNER REIT AG has the fair values of properties calculated by an independent external expert and the results of this evaluation checked for plausibility by its own personnel. The measurement of investment property at fair value is based to a large extent on estimates and assumptions by the external expert. Estimated values entail an increased risk of misstatement in the financial statements. The estimates subject to judgement of measurement parameters, such as market rent and the discount and capitalisation rates, have a direct and often significant effect on the fair value disclosures in the notes to the financial statements and on the presentation of the development in the value of the company's property portfolio in the management report. They influence the fair values of the investment property and thus the company's NAV per share, one of its key financial performance indicators. They therefore play a crucial part in fairly presenting the position of the company. Furthermore, the fair values calculated are fundamental for the writing down of investment property to the lower fair value prior to the deduction of the transaction costs of a notional acquisition (gross capital value). Given the above, we consider this to be a key audit matter.

The information provided by the company's officers about the evaluation of these properties and the associated judgements or estimation uncertainty can be found under "Accounting policies" in the notes to the financial statements. The disclosures on NAV and NAV per share are presented on page 47 of the management report.

b) We assessed the appropriateness of the measurement methods and the measurement results. In our audit, we examined the appropriateness of the structural and procedural organisation and the effectiveness of the controls implemented at HAMBORNER REIT AG. This relates in particular to the independent verification process for market rent, the discounting and capitalisation rates, reporting processes, and the related controls.

We consulted internal real estate consulting specialists in our fair value measurement audit. With their support, we assessed the measurement models in addition to the parameters used in the measurement process and the measurement results for randomly selected properties. We also participated in inspections of individual properties by the external expert.

Furthermore, we took steps to be assured of the competence, capability and objectivity of the independent external expert engaged by HAMBORNER REIT AG and assessed whether the measurement method applied in the expert opinion was consistent with IAS 40 in conjunction with IFRS 13.

OTHER INFORMATION

The company's officers and respectively the Supervisory Board are responsible for other information. Other information comprises:

- Report of the Supervisory Board,
- corporate governance declaration in accordance with Section 289f HGB including the further corporate governance reporting included therein, to which reference is made in the management report,
- the responsibility statement on the separate financial statements and the management report in accordance with section 264 paragraph 2 (3) and section 289 paragraph 1 (5) HGB; and
- all other parts of the Annual Report,
- but not the separate financial statements, not the content-reviewed information in the management report, not the Management Board's declaration of compliance with the requirements of sections 11 to 15 of the German REIT Act and the composition of income in terms of income subject to and not subject to income tax in accordance with section 19(3) in conjunction with section 19a of the REIT Act and not our associated audit opinion.

The Supervisory Board is responsible for the report from the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the statement in accordance with Section 161 AktG on the German Corporate Governance Code including further reporting on corporate governance, which is a component of the statement on corporate management and to which reference is made in the management report. In other respects, the legal representatives are responsible for other information.

Our audit opinions on the separate financial statements and the management report do not extend to the other information, and accordingly we do not offer any audit opinion or any other form of audit conclusion on it.

In connection with our audit, we have a responsibility to read the other information stated above and to assess whether the other information:

- contains material inconsistencies compared to the separate financial statements, the content-reviewed information in the management report, or our findings from the audit, or

- is otherwise materially misrepresented.

RESPONSIBILITY OF THE COMPANY'S OFFICERS AND THE SUPERVISORY BOARD FOR THE SEPARATE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The company's officers are responsible for the preparation of the separate financial statements that, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with section 325 (2a) HGB, and that the separate financial statements give a true and fair view of the net assets, financial position and results of operations of the company. Furthermore, the company's officers are responsible for the internal controls that they have deemed necessary to enable the preparation of separate financial statements that are free from – intentional or unintentional – material misstatement.

In preparing the separate financial statements, the company's officers are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing matters in connection with the company's ability to continue as a going concern, if relevant. Furthermore, they are responsible for the accounting on the basis of the going concern principle, unless there is the intention to liquidate the company or discontinue operations, or there is no realistic alternative.

Moreover, the company's officers are responsible for the preparation of the management report that, on the whole, provides a suitable view of the company's position and, in all material respects, is consistent with the separate financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Also, the company's officers are responsible for the precautions and measures (systems) that they deem necessary to enable the preparation of a management report in accordance with German legal requirements to provide sufficient suitable evidence for the statements in the management report.

The Supervisory Board is responsible for monitoring the company's accounting process for the preparation of the separate financial statements and the management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objective is to obtain reasonable assurance as to whether the separate financial statements as a whole are free from material – intentional or unintentional – misstatement and whether the management report as a whole provides a suitable view of the company's position and, in all material respects, is consistent with the separate financial statements, audit findings and German legal requirements, and accurately presents the risks and opportunities of future development, and to issue an audit report containing our audit opinions on the separate financial statements and the management report.

Reasonable assurance is a high degree of assurance, but not a guarantee that an audit performed in accordance with section 317 HGB, the EU Audit Regulation and the German generally accepted standards for the audit of financial statements promulgated by the IDW will always reveal a material misstatement. Misstatements can result from violations or inaccuracies, and are considered material if they could reasonably be expected, individually or collectively, to influence the economic decisions that users make on the basis of these separate financial statements and the management report.

We exercise due discretion and maintain a critical approach during our audit. Furthermore:

- We identify and assess the risks of – intentional or unintentional – material misstatements in the separate financial statements and the management report, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements are not detected is greater for violations than for inaccuracies, as violations can include fraud, falsification, intentional omissions, misrepresentation or the invalidation of internal controls.

- We gain an understanding of the internal control system relevant to the audit of the separate financial statements and of the systems relevant to the audit of the management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the objective of expressing an opinion on the effectiveness of these systems of the company;

- We assess the appropriateness of the accounting policies applied by the company's officers and the reasonableness of the estimates and related disclosures by the company's officers.

- We draw conclusions about the appropriateness of the going concern principle applied by the company's officers and, on the basis of the audit evidence obtained, whether there is material uncertainty about events or circumstances that can give rise to significant doubts about the company's ability to continue as a going concern. If we come to the conclusion that material uncertainty exists, we are required to refer to the relevant disclosures in the separate financial statements and the management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances can lead to the company being unable to continue its business activities.

- We assess the overall presentation, structure and content of the separate financial statements, including the notes, and whether the separate financial statements present the underlying transactions and events in such a way that the separate financial statements, in accordance with the IFRS as adopted by the EU, and the additional requirements of German commercial law in accordance with section 325 (2a) HGB, give a true and fair view of the net assets, financial position and results of operations of the company;

- We assess that the management report is consistent with the separate financial statements and the law, and the view of the position of the company that it provides;

- We perform audit procedures on the forward-looking statements made in the management report by the company's officers. In particular, on the basis of sufficient and suitable audit evidence, we analyse the significant assumptions on which the forward-looking statements are based, and assess whether the forward-looking statements have been properly derived from these assumptions. We do not issue a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a considerable yet unavoidable risk that future events will deviate materially from the forward-looking statements.

Among other things, we discuss with those responsible for overseeing the audit the planned scope and scheduling of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We declare to those responsible for overseeing the audit that we have complied with the relevant independence requirements and discuss with them all relationships and other issues that can reasonably be assumed to affect our independence, and the precautions taken against this.

Of the issues we discussed with those responsible for overseeing the audit, we determine which issues were most significant in the audit of the separate financial statements for the current reporting period and that are therefore the key audit issues. We describe these issues in our audit opinion, unless the public disclosure of such issues is prevented by law or other legal provisions.

Other statutory and legal requirements

OTHER DISCLOSURES IN ACCORDANCE WITH ARTICLE 10 OF THE EU AUDIT REGULATION

We were chosen as the auditor of the separate financial statements by the Annual General Meeting on 08 October 2020. We were engaged by the Supervisory Board on 15 October 2020. We have served as the auditor of HAMBORNER REIT AG, Duisburg, without interruption since the 2008 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee in accordance with Article 11 of the EU Audit Regulation (audit report).

RESPONSIBLE GERMAN PUBLIC AUDITOR

The public auditor responsible for the audit is Prof Dr Holger Reichmann.

Düsseldorf, 2 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Prof Dr Holger Reichmann)	(Thomas Neu)
German Public Auditor	German Public Auditor

REIT information

As a REIT company, HAMBORNER has been exempt from German corporation and trade tax since 1 January 2010. In order to maintain this status, the regulations of the German REIT Act (REIT-Gesetz, "REITG") must be complied with and a declaration to this effect issued by the Management Board.

In connection with the annual financial statements in accordance with section 264 HGB and our separate IFRS financial statements in accordance with section 325 (2a) HGB, the Management Board issues the following declaration of compliance with the requirements of sections 11 to 15 REITG and the calculation of the composition of income in terms of income subject to and not subject to income tax for the purposes of section 19 (3) and section 19a REITG as at 31 December 2020:

SECTION 11 OF THE GERMAN REIT ACT: FREE FLOAT

In accordance with section 11 (1) REITG, a REIT company must maintain at least 15% of its shares in free float on a sustained basis. As at 31 December 2020, HAMBORNER REIT AG's free float according to the notifications of voting rights that we have received was 77.4%. We notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of this by way of a letter dated 12 January 2021.

In accordance with section 11 (4) REITG, shareholders are not permitted to directly hold 10% or more of shares, or enough shares that they hold 10% or more of voting rights. On the basis of voting right notifications received from shareholders in accordance with section 33 (1) and section 40 (1) and (2) WpHG, according to our knowledge no shareholder directly holds 10% or more of shares, nor do they hold 10% or more of voting rights.

SECTION 12 OF THE GERMAN REIT ACT: ASSET AND INCOME REQUIREMENTS

In accordance with section 12 (2) REITG, at least 75% of the total assets of the company (i.e. total assets minus the deductions for the distribution obligation within the meaning of section 13 (1) REITG and reserves within the meaning of section 13 (3) REITG) must consist of immovable assets. In accordance with section 12 (1) REITG, immovable investment property must be measured at fair value within the meaning of IAS 40.

As at the end of the 2020 financial year, 96.6% of the company's total assets were immovable assets.

In accordance with section 12 (3) REITG, at least 75% of revenue and other income must derive from immovable assets from renting and leasing, including activities connected to real estate or to the disposal of immovable assets.

This requirement was met in full in the reporting year.

SECTION 13 OF THE GERMAN REIT ACT: DISTRIBUTION TO INVESTORS

In accordance with section 13 (1) REITG, HAMBORNER is required to distribute to its shareholders by the end of the subsequent financial year at least 90% of its HGB net profit for the year, reduced or increased by the allocation to or reversal of the reserve for gains on the disposal on immovable assets in accordance with section 13 (3) REITG and also reduced by any loss carry-forward from the previous year.

Provided that the Annual General Meeting approves the dividend proposal, the company will distribute a dividend to its shareholders amounting to €37.9 million.

SECTION 14 OF THE GERMAN REIT ACT: EXCLUSION OF REAL ESTATE TRADING

According to this regulation, a REIT company cannot conduct trade with its immovable assets if the income from these assets constitutes more than half of the value of the average portfolio of immovable assets within the last five years as a REIT company.

The company has sold approximately 4.8% of its average portfolio of immovable assets within the last five years.

SECTION 15 OF THE GERMAN REIT ACT: MINIMUM EQUITY

The equity of a REIT company calculated in accordance with section 12 (1) REITG must not fall below 45% of the fair value of its immovable assets.

The corresponding value at HAMBORNER was 54.5% as at 31 December 2020.

SECTION 19 OF THE GERMAN REIT ACT: COMPOSITION OF INCOME IN TERMS OF INCOME SUBJECT TO AND NOT SUBJECT TO INCOME TAX

Under this regulation, the partial income rule in accordance with section 3(40) of the German Income Tax Act and the resulting 95% tax exemption in accordance with section 8b of the German Corporation Tax Act do not apply to the distributions of a REIT company. However, these tax exemptions are granted if the REIT company distributes profits subject to tax at the level of the REIT company.

Subject to the approval of the Annual General Meeting, HAMBORNER will distribute a dividend of €37.9 million, which is not subject to taxation.

HAMBORNER holds no shares in REIT service companies, with the result that the relevant asset and income requirements do not apply.

Duisburg, 2 March 2021

The Management Board

List of properties (as at 31 December 2020)

YEAR OF ACQUISITION	PROPERTY		BUILDING USE	PROPERTY SIZE IN M²	USABLE AREA IN M²	RENT IN 2020 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE IN €*	DISCOUNTING RATE IN %	CAPITALISATION RATE IN %	OTHER COMMENTS
1976	Solingen	Friedenstr. 64	RETAIL	27,344	7,933	1,447,356	167	21,200,000	5.75	5.25	Leasehold property
1981	Cologne	Von-Bodelschwingh-Str. 6	RETAIL	7,890	3,050	435,402	132	8,480,000	5.10	4.40	
1983	Wiesbaden	Kirchgasse 21	RETAIL	461	1,203	648,413	30	10,150,000 **	–	–	
1984	Frankfurt am Main	Steinweg 8	RETAIL	167	594	402,813	71	12,400,000 **	–	–	
1986	Frankfurt am Main	Königsteiner Str. 69a, 73–77	RETAIL	6,203	2,639	348,702	34	6,320,000	5.40	4.65	
1987	Oberhausen	Marktstr. 69	RETAIL	358	523	33,792	12	450,000 **	–	–	
1987	Lüdenscheid	Wilhelmstr. 9	RETAIL	136	499	33,600	42	335,000 **	–	–	
1988	Dortmund	Westfalendamm 84–86	OFFICE	1,674	2,684	221,244	108	3,820,000	6.15	5.40	
1991	Dortmund	Königswall 36	OFFICE	1,344	2,990	388,139	64	7,010,000	5.50	4.85	
1999	Kaiserslautern	Fackelstr. 12–14, Jägerstr. 15	RETAIL	853	1,444	236,806	30	2,755,000 **	–	–	
2000	Gütersloh	Berliner Str. 29–31	RETAIL	633	1,305	279,766	41	1,990,000	7.50	6.35	Leasehold property
2001	Hamburg	An der Alster 6	OFFICE	401	1,323	257,538	36	6,070,000	4.90	4.35	
2006	Krefeld	Hochstr. 123–131	RETAIL	1,164	3,668	497,442	37	5,935,000 **	–	–	
2007	Münster	Johann-Krane-Weg 21–27	OFFICE	10,787	9,540	1,242,839	17	22,440,000	5.95	5.20	
2007	Neuwied	Allensteiner Str. 61 / 61a	RETAIL	8,188	3,501	408,305	67	4,930,000	8.00	6.50	
2007	Freital	Wilsdruffer Str. 52	RETAIL	15,555	7,940	783,647	34	11,070,000	7.10	5.90	
2007	Geldern	Bahnhofstr. 8	RETAIL	12,391	8,749	779,194	138	11,850,000	5.10	4.60	
2007	Lüneburg	Am Alten Eisenwerk 2	RETAIL	13,319	4,611	455,031	58	7,560,000	6.20	5.40	
2007	Meppen	Am Neuen Markt 1	RETAIL	13,111	10,205	958,561	162	15,880,000	5.15	4.60	
2007	Mosbach	Hauptstr. 96	RETAIL	5,565	6,493	90,531	24	1,240,000	13.00	7.20	
2007	Villingen-Schwenningen	Auf der Steig 10	RETAIL	20,943	7,270	250,000	60	2,530,000	6.65	6.00	
2008	Rheine	Emsstr. 10–12	RETAIL	909	2,308	266,547	19	2,500,000 **	–	–	
2008	Bremen	Hermann-Köhl-Str. 3	OFFICE	9,994	7,154	623,444	15	10,090,000	6.85	6.00	
2008	Osnabrück	Sutthauser Str. 285–287	OFFICE	3,701	3,831	477,010	27	7,900,000	6.60	5.85	
2008	Bremen	Linzer Str. 7–9a	OFFICE	9,276	10,269	1,336,373	33	19,590,000	6.35	5.75	
2008	Herford	Bäckerstr. 24–28	RETAIL	1,054	2,612	232,516	50	2,660,000	7.35	6.35	
2008	Freiburg	Robert-Bunsen-Str. 9a	RETAIL	26,926	9,253	1,147,453	102	13,860,000	5.90	5.25	Leasehold property
2009	Münster	Martin-Luther-King-Weg 18–28	OFFICE	17,379	13,792	1,780,305	42	30,900,000	6.00	5.20	
2009	Hamburg	Fuhlsbüttler Str. 107–109	RETAIL	1,494	3,080	436,669	71	10,020,000	5.85	4.85	
2010	Erlangen	Wetterkreuz 15	OFFICE	6,256	7,240	1,168,873	59	19,400,000	6.25	5.50	
2010	Hilden	Westring 5	RETAIL	29,663	10,845	926,555	39	12,570,000	6.75	5.90	

YEAR OF ACQUISITION	PROPERTY		BUILDING USE	PROPERTY SIZE IN M²	USABLE AREA IN M²	RENT IN 2020 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE IN €*	DISCOUNTING RATE IN %	CAPITALISATION RATE IN %	OTHER COMMENTS
2010	Stuttgart	Stammheimer Str. 10	RETAIL	6,853	6,363	1,200,000	90	20,530,000	5.10	4.40	
2010	Ingolstadt	Despag-Str. 3	OFFICE	7,050	5,362	819,257	34	15,180,000	5.90	5.20	
2010	Lemgo	Mittelstr. 24–28	RETAIL	2,449	4,759	411,811	31	3,040,000	8.00	6.50	
2011	Bad Homburg	Louisenstr. 53–57	OFFICE	1,847	3,169	831,091	46	14,500,000	6.00	5.10	
2011	Leipzig	Brandenburger Str. 21	RETAIL	33,916	11,139	889,528	46	14,400,000	6.00	5.40	
2011	Regensburg	Hildegard-von-Bingen-Str. 1	OFFICE	3,622	8,945	1,525,145	47	29,770,000	5.70	4.75	
2011	Langenfeld	Solinger Str. 5–11	RETAIL	4,419	6,216	1,189,863	43	14,830,000	7.10	6.10	
2011	Erlangen	Allee am Röthelheimpark 11–15	OFFICE	10,710	11,639	1,964,280	41	36,090,000	5.70	5.00	
2011	Offenburg	Hauptstr. 72 / 74	RETAIL	1,162	5,150	557,944	50	8,260,000	6.00	5.35	
2011	Freiburg	Lörracher Str. 8	RETAIL	8,511	4,127	860,000	106	17,020,000	5.00	4.50	
2012	Aachen	Debyestr. / Trierer Str.	RETAIL	36,177	11,431	1,236,000	75	19,590,000	6.30	5.55	
2012	Tübingen	Eugenstr. 72–74	RETAIL	16,035	13,000	1,695,322	108	30,640,000	5.75	5.15	
2012	Karlsruhe	Mendelssohnplatz 1 / Rüppurrer Str. 1	RETAIL	10,839	15,152	2,634,939	168	52,830,000	5.15	4.40	
2013	Munich	Domagkstr. 10	OFFICE	5,553	12,257	2,519,664	45	78,950,000	4.25	3.75	
2013	Berlin	Torgauer Str. 12–15	OFFICE	3,100	12,642	2,399,619	43	70,840,000	4.15	3.60	
2013	Bayreuth	Spinnereistr. 5a, 5b, 6–8	OFFICE	8,297	9,036	1,293,022	53	21,150,000	6.25	5.30	
2013	Hamburg	Kurt-A.-Körber-Chaussee 9	RETAIL	20,330	10,408	1,248,272	95	18,900,000	6.10	5.40	
2014	Bad Homburg	Louisenstr. 66	OFFICE	1,447	3,277	622,625	83	10,480,000	6.10	5.30	
2014	Koblenz	Löhrstr. 40	RETAIL	1,386	3,343	709,651	26	6,000,000 **	–	–	
2014	Siegen	Bahnhofstr. 8	RETAIL	1,419	7,112	921,678	87	10,530,000	7.10	6.20	
2015	Aachen	Gut-Dämme-Str. 14 / Krefelder Str. 216	OFFICE	3,968	10,059	1,720,509	108	32,840,000	5.50	5.00	
2015	Celle	An der Hasenbahn 3	RETAIL	56,699	25,772	2,337,562	94	38,320,000	5.10	4.20	
2015	Gießen	Gottlieb-Daimler-Str. 27	RETAIL	46,467	18,013	2,360,554	43	18,440,000	6.50	4.85	
2015	Fürth	Gabelsbergerstr. 1	RETAIL	7,273	11,507	1,722,175	96	26,480,000	5.90	5.10	
2015	Berlin	Tempelhofer Damm 198–200	RETAIL	6,444	6,290	1,277,570	85	28,210,000	4.90	4.25	
2015	Neu-Isenburg	Schleussnerstr. 100–102	RETAIL	9,080	4,249	805,039	123	15,780,000	5.20	4.60	
2016	Lübeck	Königstr. 84–96	RETAIL	4,412	13,513	2,505,683	57	34,530,000	7.40	6.00	
2016	Ditzingen	Dieselstr. 18	RETAIL	22,095	10,036	1,008,910	183	15,530,000	7.10	6.40	
2016	Mannheim	Spreewaldallee 44–50	RETAIL	103,386	28,381	4,128,679	55	74,630,000	5.50	4.40	
2016	Münster	Martin-Luther-King-Weg 30 / 30a	OFFICE	4,986	3,317	438,802	59	8,120,000	5.75	5.00	
2016	Dortmund	Ostenhellweg 32–34	RETAIL	2,908	8,848	1,654,723	56	29,470,000	5.80	5.00	
2017	Cologne	Am Coloneum 9 / Adolf-Grimme-Allee 3	OFFICE	15,461	26,499	2,861,234	49	76,500,000	4.75	4.20	
2017	Hallstadt	Michelinstr. 142	RETAIL	41,829	21,711	2,515,769	58	44,500,000	5.50	4.50	

YEAR OF ACQUISITION	PROPERTY		BUILDING USE	PROPERTY SIZE IN M²	USABLE AREA IN M²	RENT IN 2020 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE IN €*	DISCOUNTING RATE IN %	CAPITALISATION RATE IN %	OTHER COMMENTS
2017	Berlin	Märkische Allee 166–172	RETAIL	17,264	6,535	914,846	63	19,100,000	4.80	4.10	
2017	Ratingen	Balcke-Dürr-Allee 7	OFFICE	4,476	10,508	1,939,801	53	36,900,000	5.40	4.85	
2017	Hanau	Otto-Hahn-Str. 18	RETAIL	37,527	14,158	2,038,401	141	42,350,000	5.00	4.30	
2017	Kiel	Kaistr. 90	OFFICE	2,049	6,738	1,267,396	70	23,420,000	6.00	5.00	
2017	Passau	Steinbachstr. 60–62	RETAIL	7,002	4,475	874,161	104	15,760,000	5.60	4.75	
2018	Bonn	Basketsring 3	RETAIL	10,823	4,934	758,159	84	14,870,000	5.05	4.45	
2018	Düsseldorf	Harffstr. 53	RETAIL	10,360	5,343	552,000	84	11,050,000	5.05	4.35	
2018	Cologne	Unter Linden 280–286	RETAIL	21,873	6,533	1,050,850	66	21,780,000	4.85	4.10	
2018	Darmstadt	Leydhecker Str. 16	RETAIL	35,460	19,108	2,349,376	60	44,920,000	5.90	4.75	
2018	Berlin	Landsberger Allee 360–362	RETAIL	37,968	16,390	1,708,000	114	32,350,000	5.35	4.95	
2019	Bamberg	Starkenfeldstr. 21	OFFICE	6,781	6,160	836,752	78	16,100,000	5.65	5.00	
2019	Lengerich	Alwin-Klein-Str. 1	RETAIL	9,436	4,611	732,954	146	14,300,000	4.95	4.50	
2020	Neu-Isenburg	Siemensstr. 10a	OFFICE	3,604	4,542	763,346	107	17,100,000	5.65	5.00	
2020	Bonn	Soenneckenstr. 10, 12	OFFICE	6,953	6,500	1,255,378 ***	135	28,900,000	5.10	4.50	
2020	Aachen	Gut-Dämme-Str. / Grüner Weg	OFFICE	8,383	8,323	943,466 ***	125	40,900,000	5.30	4.60	
2020	Dietzenbach	Masayaplatz 3	RETAIL	14,667	5,053	20,505 ***	71	14,200,000	5.00	4.30	
				999,895	**641,181**	**87,467,177**		**1,624,785,000**			

* according to JLL valuation as at 31 December 2020
** contractually agreed purchase price, as held for sale
*** Pro rata temporis rents from transfer of ownership

Glossary

AktG German Stock Corporation Act

GDP, GROSS DOMESTIC PRODUCT Indicator of the economic performance of an economy, i.e. the combined value of all goods and services generated by a country within a specific period.

BREEAM The Building Research Establishment Environmental Assessment Method is an assessment model originally created in the United Kingdom, which accounts for environmental and socio-cultural considerations of sustainable buildings.

CAPEX The abbreviation stands for “capital expenditure” and refers to investment expenses eligible for capitalisation on long-term assets.

CASH FLOW Net amount of cash inflows and outflows in a period.

COMPLIANCE Term indicating adherence by companies to laws and regulations as well as voluntary codes. The entirety of the principles and measures employed by a company in compliance with certain regulations and therefore to avoid violations in a company is referred to as the compliance management system.

CORE PROPERTY Description of a property featuring a high-quality location and building, tenants with good credit standing, and long-term leasing.

CORPORATE GOVERNANCE Principles of responsible company management and control geared to the long-term creation of added value.

DAX The most important German share index established by Deutsche Börse AG. It shows the trend of the 30 largest (40 largest from September 2021) German stock corporations in terms of market capitalisation and stock exchange turnover.

DCF METHOD Discounted cash flow method – method used to determine value, including the fair value of real estate. It is based on the financial concept of discounting cash flows to determine the capital value.

DCGK German Corporate Governance Code – a set of regulations devised for listed companies by the Government Commission of the Federal Republic of Germany, intended to promote good and responsible corporate governance.

DERIVATIVE A financial instrument whose value is predominantly derived from the price, price fluctuations and price expectations of an underlying asset, such as shares, interest-bearing securities or foreign currencies; often used as a hedging instrument.

DESIGNATED SPONSOR Specialist financial service provider that counteracts temporary imbalances between supply and demand in individual shares in the Xetra electronic trading system. The fungibility of a share is designed to be improved through placing bid and ask limits.

DGNB The German Sustainable Building Council is a non-profit organisation whose purpose is to transform the construction and property market so that quality is seen as synonymous with responsibility and sustainability.

DISCOUNTING RATE The discounting rate is the return that investors expect when providing capital, taking into account the specific investment risk. It consists of a risk-free interest rate plus a market-specific and property-specific risk. The future cash flows of the respective analysis period are discounted to the measurement date using the discounting rate.

EBIT Earnings before interest and taxes (income taxes only).

EBITDA Earnings before interest, taxes, depreciation and amortisation (income taxes only).

EPRA European Public Real Estate Association. It represents financial analysts, investors, auditors and consultants in addition to companies.

EPRA COST RATIO The cost ratio developed by EPRA measures the cost / income structure of property companies and is designed to make them comparable on the basis of a standard definition. This is the ratio of all operating costs (possibly adjusted for individual components) incurred in the management and operation of the property to its rental and letting income.

EPRA VACANCY RATE The EPRA vacancy rate is calculated using the annualised market rent for vacant space at standard market rents for the portfolio as a whole as at the end of the reporting period.

EPRA NDV The EPRA Net Disposal Value shows the full extent of liabilities and the company value resulting from these if assets are sold and liabilities not held to maturity. EPRA NDV therefore incorporates financial instruments and other liabilities with their fair values less any taxes incurred.

EPRA NET INITIAL YIELD The net initial yield is an indicator calculated according to EPRA standards that reflects the yield on the property portfolio. It is calculated by dividing annualised rental income as at the end of the reporting period less non-transferable costs by the fair value of the investment property portfolio including incidental costs of acquisition.

EPRA NTA EPRA NTA focuses on determining the value of a property company's tangible assets. This calculation assumes that property companies buy and sell properties, and that taxes must be deferred as a result. Intangible assets and market values of financial instruments must be adjusted.

EPRA NRV EPRA Net Reinstatement Value describes a portfolio-holding property company which is not generally in the business of selling properties. Assets and liabilities which do not normally lead to long-term appreciation or depreciation, for example, fair value adjustments to financial instruments, are not taken into account. The key financial ratio should reflect the value that would be required for the company to recover.

ESG This stands for Environment, Social, Governance and is primarily used in the finance sector, although it is has recently found its way into a number of industries. ESG criteria play an increasingly important role in relation to sustainable investment, and are therefore a growing aspect of sustainable management.

FAIR VALUE Fair value or market value – the value at which knowledgeable and willing parties would be prepared to exchange an asset at normal market conditions or to settle a liability.

FFO / AFFO Funds from operations / adjusted funds from operations; key performance indicator for operating business and also a key control parameter of the company. FFO is used in value-oriented corporate management to show the funds generated that are available for investments, repayments and dividend distributions to shareholders in particular. Adjusted for maintenance expenditure in the financial year not recognised as an expense, this figure is known as AFFO.

GRI The Global Reporting Initiative develops globally recognised standards for sustainability reporting with input from a wide range of stakeholders, and updates these standards on an ongoing basis. The GRI is a partner of the United Nations Environment Programme.

HGB German Commercial Code.

IFRS International Financial Reporting Standards – International accounting regulations issued by the International Accounting Standards Board (IASB). These must be applied by listed companies and groups and are intended to facilitate better comparability in the international environment.

INVESTMENT PROPERTIES All undeveloped and developed properties plus buildings and parts of buildings held to generate future rental income or profits from appreciation in value in respect of third parties or for an as-yet-undefined use. They are not intended for administrative purposes or for short-term trading in the context of ordinary business activities.

STATEMENT OF CASH FLOWS The statement of cash flows transparently shows a company's cash flows. Transactions affecting cash are classified according to operating, investing and financing activities.

CAPITALISATION RATE The capitalisation rate is used to capitalise the long-term recoverable net return on an investment in perpetuity. This rate reflects growth (e.g. rent growth or inflation) and represents an appropriate market return for the property.

LEED Leadership in Energy and Environmental Design – a standard developed in the United States of America for the development and planning of eco-friendly buildings.

VACANCY RATE The company calculates its vacancy rate as target rent for the vacant space as a proportion of total target rent. In calculating the economic vacancy rate, the rental losses for vacancies are adjusted for contractual rent guarantee claims.

LIKE-FOR-LIKE APPROACH Wide variations may arise in portfolio key financial ratios compared with the previous period; this is due to portfolio changes within an analysis period following acquisitions and disposals. To calculate like-for-like key financial ratios, the portfolio changes are taken into account, and adjusted for acquisitions and disposals with the analysis periods. Like-for-like key financial ratios provide additional valuable information and improve transparency within the property portfolio performance analysis.

LOAN TO VALUE (LTV) Represents the financial liabilities of the company as a proportion of the fair value of its investment property portfolio, taking into account cash and cash equivalents.

MANAGE TO CORE Description of an investment approach which is normally marked by significant modernisation and letting requirements, sometimes in combination with a repositioning requirement; this may create additional potential for price appreciation depending on the implementation of measures and on market trends.

MARKET CAPITALISATION Market value of a stock corporation. Current share price multiplied by the number of shares.

NET ASSET VALUE (NAV) The net asset value reflects the economic equity of the company. It is determined by the fair values of the company's assets – essentially the value of properties – net of the borrowed capital.

OPERATING COST RATIO The operating cost ratio is the ratio of administrative and personnel expenses to income from rents and leases.

PERFORMANCE SHARES Performance shares are (virtual) shares granted to the Management Board as long-term variable remuneration, the number of which is calculated on the basis of defined performance targets after the end of the performance period.

PRIME STANDARD Market segment of Deutsche Börse AG for stock corporations that satisfy particularly high international transparency standards.

REIT Acronym for Real Estate Investment Trust. Listed company that invests solely in property. Facilitates indirect investment in properties for investors through the purchase of shares. The majority of its profit is distributed, and taxation occurs at investor level only (tax transparency).

REIT EQUITY RATIO Corresponds to the equity coverage ratio in accordance with section 15 in conjunction with section 12 paragraph 1(2) of the German REIT Act, i.e. the ratio of equity (on a fair value basis) to the fair value of immovable assets. The equity on fair value basis is calculated from the total reported equity and hidden reserves. Immovable assets at HAMBORNER comprise the property portfolio of the company and undeveloped land, predominantly agricultural land and forests.

RISK MANAGEMENT Systematic process intended to identify and assess potential risks in a company at an early stage, introducing necessary preventive measures where appropriate.

SDAX Small-cap index – German share index that, as a small-cap index, includes the 70 most important equities after the DAX and MDAX. The "s" for "small cap" refers to smaller companies with low market capitalisation and stock exchange turnover.

STAKEHOLDER The term describes (relevant) stakeholders of a company, i.e. any people, groups, or institutions directly or indirectly affected by the activities of a company.

TRIPLE NET ASSET VALUE (NNNAV) This key financial ratio represents the net asset value of a property company, taking account of the current market values of assets and liabilities. The ratio is calculated by the net asset value less deferred taxes for hidden reserves and the difference between market value and the debt's carrying amount.

WPHG Wertpapierhandelsgesetz (German Securities Trading Act).

ZIA Zentrale Immobilien Ausschuss (Central Real Estate Committee) is the main trade association for the German property industry. It represents and promotes the interests of its members through wide-ranging public partnerships, policy initiatives, and administrative projects. The association supports the industry in addressing sustainability issues, for example through publication of practical guidelines on social responsibility in the German property industry.

DISCLAIMER

This report contains forward-looking statements, for example, on general economic developments in Germany, the future situation of the property industry and the company's own forecast business performance. These statements are based on current assumptions and estimates by the Management Board, which were made diligently on the basis of all information available at the respective time. If the assumptions on which statements and forecasts are based are not accurate, the actual results may differ from those currently anticipated.

FINANCIAL CALENDAR 2020 / 2021

22 / 03 / 2021	2020 Annual Report
27 / 04 / 2021	Interim statement, 31 March 2021
29 / 04 / 2021	2021 Annual General Meeting
29 / 07 / 2021	Half-year financial report 30 June 2021
09 / 11 / 2021	Interim statement, 30 September 2021
08 / 02 / 2022	Provisional figures for the 2021 financial year
17 / 03 / 2022	2021 Annual Report
26 / 04 / 2022	Interim statement, 31 March 2022
28 / 04 / 2022	2022 Annual General Meeting

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HAMBORNER REIT AG
Goethestraße 45
47166 Duisburg, Germany
Tel.: +49 203 54405-0
Fax: +49 203 54405-49
info@hamborner.de
www.hamborner.de/en

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HAMBORNER REIT AG
Markus Altmann
Olivier Hess
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