hamborner REIT

ZUKUNFT BRAUCHT SUBSTANZ

10 YEARS ON

ANNUAL REPORT 2019

KEY FIGURES AT A GLANCE (IFRS)

€ thousand		2019	2018	2017
FROM THE INCOME STATEMENT				
Income from rents and leases		85,165	83,402	74,085
Net rental income		76,355	73,553	65,357
Operating result		33,328	32,832	29,362
Financial result		–15,542	–15,016	–14,855
EBITDA		69,945	69,262	62,764
EBDA		54,403	54,246	47,909
EBIT		33,423	34,416	32,538
Funds from operations (FFO)		54,308	52,662	44,733
Net profit for the year		17,881	19,400	17,683
– thereof result from the sale of investment property		95	1,584	3,176
FROM THE STATEMENT OF FINANCIAL POSITION				
Total assets		1,234,677	1,209,806	1,173,503
Non-current assets		1,223,990	1,200,651	1,114,033
Equity		513,562	532,426	548,159
Equity ratio	in %	41.6	44.0	46.7
REIT equity ratio	in %	57.3	56.4	59.0
Loan-to-value (LTV)	in %	42.4	42.5	39.6
ON HAMBORNER SHARES				
Number of shares outstanding		79,717,645	79,717,645	79,717,645
Basic = diluted earnings per share	in €	0.22	0.24	0.22
Funds from operations (FFO) per share	in €	0.68	0.66	0.56
Stock price per share (Xetra)	in €			
Highest share price		9.82	10.08	9.94
Lowest share price		8.38	8.40	8.77
Year-end share price		9.76	8.41	9.90
Dividend per share	in €	0.47	0.46	0.45
Dividend yield in relation to the year-end share price	in %	4.8	5.5	4.5
Price/FFO ratio		14.3	12.7	17.6
Market capitalisation		778,044	670,425	789,205
THE HAMBORNER PORTFOLIO				
Number of properties		79	78	74
Fair value of property portfolio		1,598,090	1,517,260	1,362,600
Vacancy rate (including rent guarantees)	in %	2.0	1.3	1.4
Weighted remaining term of leases in years		6.6	6.2	6.6
OTHER DATA				
Net asset value (NAV)		924,300	860,226	808,944
Net asset value per share	in €	11.59	10.79	10.15
Number of employees including Management Board		42	40	37

10 YEARS ON

HAMBORNER's tenth year as a REIT was another record year. The successes of today and the potential of tomorrow are the result of the systematic implementation of our strategy over the past ten years. Here we take a look back on a decision that became a turning point in our history and the exemplary performance that followed!

DR RÜDIGER MROTZEK

*14 NOVEMBER 1957 †28 JANUARY 2020

HAMBORNER REIT AG mourns
Management Board member Dr Rüdiger Mrotzek

We were deeply saddened to learn of the passing of the long-serving member of our Management Board, Dr Rüdiger Mrotzek, who died suddenly and unexpectedly at the age of 62 on 28 January 2020.

Dr Mrotzek was a member of our Management Board for 13 years and made substantial contributions to the successful development of our company.

In Dr Mrotzek we are losing an esteemed colleague who worked tirelessly in all the interests of the company and its employees throughout these years.

We will keep fond memories of Dr Mrotzek. Our heartfelt sympathies go to his family and all those close to him.

In silent mourning,

The Supervisory Board, the Management Board
and the staff of HAMBORNER REIT AG

Ten
years of REIT.
Looking
back on a
decision.

P. 08

Initial phase properties: retail, office and commercial properties.

P. 06

On the decision to become a REIT. The last ten years in review.

HAMBORNER
today.
Strategy
and action.

P. 10

Continuity and good sense: HAMBORNER REIT AG's strategic line.

P. 12

The current strategy: high-quality office and local supply properties at vibrant locations.

Ten More
Years?
The prospects.

P. 14

The property industry shapes the future: A focus on the major trends in the sector.

CONTENTS

TO OUR SHAREHOLDERS

20 Letter to Shareholders
22 Report of the Supervisory Board
27 Management Board and Supervisory Board
28 Corporate Governance
  28 Corporate Governance Report
  34 Remuneration Report *
42 Sustainability at HAMBORNER
45 HAMBORNER shares
49 Transparent EPRA reporting
* also part of the Management Report

MANAGEMENT REPORT

54 Basic Information on the Company
57 Economic Report
79 Report on Risks and Opportunities
85 Forecast Report
88 Report on Additional Information under Company Law (Section 289a(1) HGB)
91 Corporate Governance Declaration in Accordance with Section 289f HGB
91 Remuneration of the Management Board and the Supervisory Board

SEPARATE FINANCIAL STATEMENTS (IFRS)

94 Income Statement
95 Statement of Comprehensive Income
96 Statement of Financial Position
98 Statement of Cash Flows
99 Statement of Changes in Equity
100 Statement of Changes in Non-Current Assets *
102 Notes
128 Responsibility Statement
129 Independent Audit Opinion
* also part of the Notes

ADDITIONAL INFORMATION

138 REIT Information
140 Important Terms and Abbreviations
142 Disclaimer / Credits
143 Financial Calendar 2020 / 2021

Ten Years of REIT. Looking back on a decision.

While REITs are the dominant vehicle for indirect property investments in many countries, the big breakthrough after the enactment of the REIT Act in 2007 failed to materialise in Germany. The German REIT index consists of just four companies. HAMBORNER is the second biggest. For member of the Management Board Hans Richard Schmitz, the transformation into the legal form of a REIT was the best of all possible options.

Member of the Management Board Hans Richard Schmitz speaking with real estate journalist Miriam Beul

HAMBORNER – named after a part of the city of Duisburg – has had an eventful history: founded as a mining company in 1953, it went on to become an asset manager in the 1970s, launched a special securities fund in the 1990s and then underwent a change of strategy in 2007.

What was your experience of the dawn of a new age for the company?

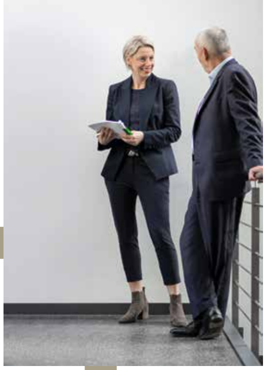
After the Thyssen family stepped back as the major shareholder, a reorganisation was both necessary and logical. Naturally, this change in strategy, and all the consequences it has entailed, marked a key turning point, as the decision to become a REIT meant that HAMBORNER first had to become capable of operating on the capital market. This included a laser focus on its core property business, the sale of investments and the end of the special securities fund.

What was the sector's attitude towards the REIT principle?

At the time, the feeling about the new vehicle was euphoric. The launch of REITs was supposed to create an investment vehicle that would allow a broad range of investors to invest in property and at the same time establish links between the capital market and the property industry. In other words, the security of property crossed with the fungibility of shares – that was new and sounded exciting. But now we all know that Germans on the whole – unlike Americans, for example – tend to be risk-averse investors. Being a shareholder is sadly not something that Germans take for granted.

That also means that investors weren't tempted by the clear opportunities?

Yes. The wave of new companies that experts forecast at the time simply didn't happen. And this was in spite of the fact that a whole series of companies had already achieved pre-REIT status. To put it very loosely, the idea of REITs started off as a tiger and ended up as a rug – but that's a good thing for us. We are proud of the fact that today we are Germany's second-biggest REIT and listed in the SDAX. It means we have little competition.



What exactly is a REIT?

REIT is short for "real estate investment trust". It describes a public company whose assets consist almost exclusively of properties. A REIT's income is generated from both the sale and rental or leasing of land and properties. Unlike real estate companies, a REIT is exempt from corporation and trade tax at company level. It offers its shareholders a mandatory distribution ratio of at least 90% of its net profit for the year as calculated in accordance with German GAAP.

German REITs started off as a tiger and ended up as a rug.

Despite being relatively unknown, Hans Richard Schmitz is a firm believer in the REIT as a legal form

So you feel that people have underestimated the vehicle?

Absolutely. Take, for instance, the big benefit of fungibility. Unlike open-ended property funds, REITs are equities that can be traded on the market at any time – without holding periods and without offering or sales premiums. Investors just pay the normal trading fees. Full transparency is another advantage. As a shareholder, you can see how your shares are performing every day. You can't do that with units in a fund. And then there's the distribution obligation. The rule for REITs is that at least 90% of their German GAAP profits have to be paid out to shareholders. There are no such minimum payments for pure-play property equities or funds. For our investors, high distribution quotas translate into steady dividends that can be easily planned.

And the development of the portfolio since then has been fantastic. You've been working really hard …

At the time of the reorganisation in early 2007, we had a property portfolio worth around €190 million. Now, twelve years and five capital increases later, we're up to €1.6 billion. This is the kind of performance that speaks for itself!

You laid the foundation for this good performance in the first few years. Other than the decision to become a REIT, what have the key milestones been along the way?

There can be no doubt that the unswerving support from our majority shareholder at the time of the transition process was a key factor. This was in the direct aftermath of the financial and economic crisis, so it wasn't something that could be taken for granted. To my mind, key milestones included the disposal of the investments unsuitable for a REIT, the end of the special securities fund and the focus on core property business that this entailed. By acquiring our first large-scale retail properties, in particular the "Kaufland portfolio" in 2007, we set the course for the company's direction today. The new strategy was for continuous growth in the asset classes of office, large-scale retail and high street properties coupled with regional diversification.

TEN IS THE BASIS OF THE **DECIMAL SYSTEM.** THIS GOES BACK TO THE NUMBER OF **HUMAN FINGERS.**

FOCUS ON PROFITABLE

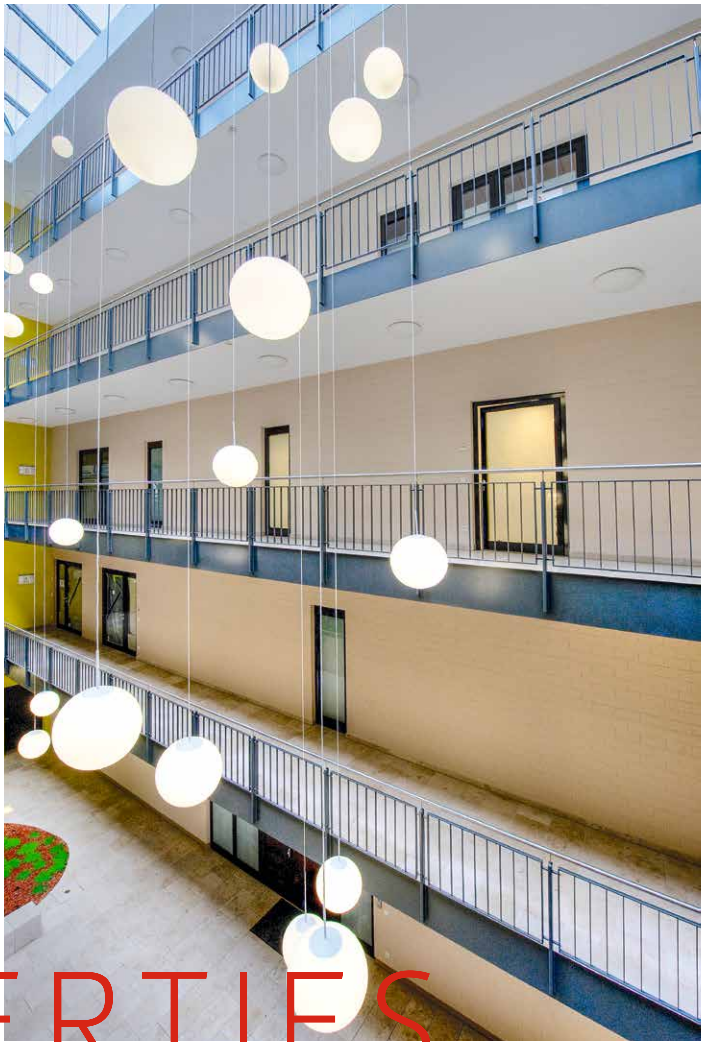
Value-adding growth and increased profitability through the acquisition of retail and office properties in high-growth regions

The modern EDEKA Center in Stuttgart's Zuffenhausen district benefits from its central location and ranging, high-growth catchment area.

CITY	STUTTGART
ASSET	RETAIL
LOCATION	NEIGHBOURHOOD
ACQUISITION	2010
AREA	CA. 6,400 M²
TENANT	EDEKA

The office property lies around 3 km to the south of the centre of Münster in the established and excellently connected Loddenheide business park.

CITY	MÜNSTER
ASSET	OFFICE PROPERTY
LOCATION	BUSINESS PARK
ACQUISITION	2009
AREA	CA. 13,800 M²
TENANT	BUNDESAGENTUR FÜR ARBEIT



The medical centre in Regensburg acquired in 2010 offers comprehensive one-stop medical care: renowned physicians from various fields and a number of providers for all aspects of healthcare.

CITY	REGENSBURG
ASSET	MEDICAL CENTRE
LOCATION	NEIGHBOURHOOD
ACQUISITION	2011
AREA	CA. 9,000 M²
TENANTS	VARIOUS MEDICAL PRACTICES

PROPERTIES

The large-scale retail property in the middle of Meppen, Lower Saxony, was part of the “Kaufland portfolio” acquired in 2007.

CITY	MEPPEN
ASSET	RETAIL
LOCATION	CITY CENTRE
ACQUISITION	2007
AREA	CA. 10,200 M²
TENANT	KAUFLAND

YOU CAN **COUNT** THIS ON TEN **FINGERS.**

INTERVIEW

HAMBORNER today. Strategy and action.

The property market has changed dramatically in the past ten years. But even in times of change, HAMBORNER REIT seems to have a good feeling for the right investment. What strategy is its success built on? Which factors influence its business beyond that? Member of the Management Board Hans Richard Schmitz sets out the strategic line.

From 190 million to 1.6 billion euros in twelve years – what's the recipe for your success?

We have always stayed true to our line and invested in high-quality office and retail properties. Over time, we have adapted our investment strategy to changing market conditions. Today we invest more in office and retail properties with a focus on local shops. Nonetheless, there's still a kind of common theme that's no doubt part of our success.

Unlike many other institutional property investors, you don't shy away from B cities. What are the advantages?

We have nothing against A cities. We also have properties in Berlin, Hamburg, Stuttgart, Frankfurt, Düsseldorf and Munich. But then we have them in Aachen, Freiburg, Münster, Regensburg and Ingolstadt as well. Our focus is on cities with positive demographic trends, high centrality, strong purchasing power and good prospects for the future. We consider university towns in particular to be a very exciting supplement to investments in the top seven cities. Our properties generate stable returns that can be planned in the long term on these generally smaller markets.

Hans Richard Schmitz,
Member of the
Management Board of
HAMBORNER REIT AG

Hans Richard Schmitz and
Miriam Beul in the
revamped foyer of the
company's head office in
Duisburg-Hamborn

But you do have regional preferences: 27 of your 79 investment properties are located in North Rhine-Westphalia ...

We have very deliberately grown beyond the borders of our home market of North Rhine-Westphalia over time, and now we have strong regional diversification with a focus on the west, southwest and south of Germany. 26% of the portfolio is indeed located in North Rhine-Westphalia, but Bavaria and Baden-Württemberg take second and third place with a share of around a third of the portfolio volume.

And as for types of use? What are your dream properties?

We consider buying office properties only if they were built after 2010 or have been completely renovated, and are located in cities with a catchment area of more than 100,000 residents. And even then, we pay close attention to the sustainability and energy efficiency of the buildings. As for commercial properties, we have a keen interest in large-area formats with food retailers as their anchor tenant.

Property investors with a retail focus have long scorned large-area local shops. Has HAMBORNER's early attention to this size class made it a winner?

In a manner of speaking, yes, because we turned our attention to local large-scale retail properties early on. EDEKA, Kaufland and REWE are our three most important tenants. And one property occurs to me that has been a source of joy to us for more than 40 years – our Kaufland in Solingen, which used to be a WalMart. It is the longest-lasting property in our portfolio.

And do you have an ideal for your office properties as well?

I would call our property on EUREF Campus in Berlin one of the trophies in our office display case. We bought it back before the flagship energy area in the heart of Berlin that it is today was even standing. And that was a pioneering decision that we have never regretted.

And the trend in your HR development is positive as well – wouldn't you agree that that's quite a feat in times of a skills shortage?

We are delighted by the growth of our workforce, as is evidenced in the form of a state-of-the-art extension at our headquarters in Hamborn. Our team has doubled in size from 20 to 40 employees over the past ten years. At the same time, we have steadily increased our efficiency, which is reflected in our significantly lower staff and administrative costs ratio.

But you still have room for even more employees. So what are your goals for the years ahead?

To keep on growing! Especially when it comes to our portfolio. But we're working on it. Naturally, these are tumultuous times and forecasts are difficult. So we are focusing on telling real trends apart from passing fancies. That's the only way to make forward-looking and sustainable investment decisions.

The Aachen job centre on the periphery of central Aachen was built in 2015 according to the very latest standards and has a gold certification from the German Sustainable Building Council (DGNB).

CITY	AACHEN
ASSET	OFFICE PROPERTY
LOCATION	NEIGHBOURHOOD
ACQUISITION	2015
AREA	CA. 10,000 M²
TENANT	BUNDESAGENTUR FÜR ARBEIT

INVESTMENTS IN THE

The focus on high-quality office and local supply properties at busy locations guarantees sustainable rental income and steady dividend distributions.

The office property was the first new building on the EUREF business campus in Berlin's Schöneberg district. The location has since positioned itself as a centre for innovation and future projects unique in Europe.

CITY	BERLIN
ASSET	OFFICE PROPERTY
LOCATION	NEIGHBOURHOOD
ACQUISITION	2013
AREA	CA. 12,700 M²
TENANT	SCHNEIDER ELECTRIC

The "Rondo Steinheim" retail park built in Hanau in 2017 is defined by its unique architecture and modern shopping ambience.

CITY	HANAU
ASSET	RETAIL CENTRE
LOCATION	BUSINESS PARK
ACQUISITION	2017
AREA	CA. 12,600 M²
TENANTS	REWE ALDI DM ACTION DEICHMANN

FUTURE

"NuOffice" in the north of Munich was awarded a platinum sustainability certificate – the highest level that can be achieved – by the US Green Building Council after its completion in 2012.

CITY	MUNICH
ASSET	OFFICE PROPERTY
LOCATION	NEIGHBOURHOOD
ACQUISITION	2013
AREA	CA. 11,000 M²
TENANTS	ARMANI ESTEÉ LAUDER

IN FOOT-BALL, **NUMBER 10** IS THE SHIRT WORN BY THE **PLAYMAKER.**

10

Ten More Years? The prospects.

The world is changing rapidly. Regardless of this, the property industry is being characterised by long-term decisions. If you buy or build buildings today, you have a hand in shaping the world yet to come. Our plan is to continue our growth in the next ten years. This will succeed only if we consider the major trends that influence our sector.

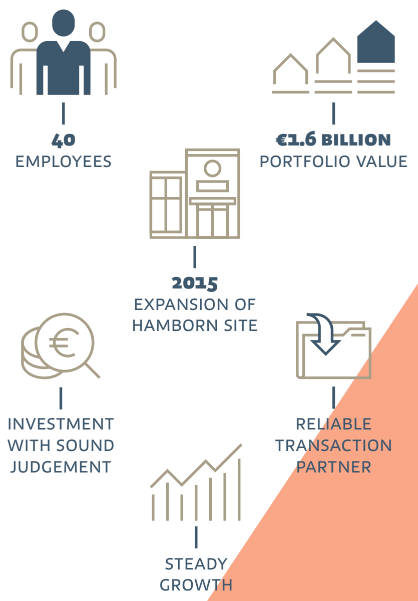
2008 / 2009
In the time that followed, the company continued towards its goal of becoming a REIT, discontinuing all activities that were incompatible with REIT status and its REIT strategy.

June 2009
The amendments to the Articles of Association for transformation into a REIT stock corporation were agreed.

December 2009
Merger between Hambornberg Immobilien- und Verwaltungs-GmbH and HAMBORNER AG.

January 2010
The company's new name – HAMBORNER REIT AG – was entered in the commercial register on 18 February 2010. The company achieved REIT status, retroactively as at 1 January 2010.

HAMBORNER today



MEGATRENDS IN THE PROPERTY INDUSTRY

Urbanisation

Around the world, more and more people are living in cities. More than 70% of Germany's population is also drawn to the cities and metropolitan regions in its search for work, good local shops and an urban lifestyle. This is influencing the importance and price development of properties and land in urban areas.

Digitisation

Digitisation not only has a substantial impact on companies in the property industry, but is also becoming increasingly important for the properties themselves. Equipped with intelligent settings, sensor technology and connectivity, buildings are becoming part of the digital world.

Sustainability

The three aspects of sustainability are economic, ecological and social issues. These dimensions are closely interwoven throughout the entire life cycle of a building, making them vital to the property industry.

Climate change

Buildings account for roughly 40% of energy consumption and 15% of CO_2 emissions in Germany. The German government is seeking to make the building stock virtually climate-neutral by 2050.

Mobility

Properties that can be easily reached, and that will still be accessible under new traffic concepts, have a future. Public transport between office buildings and commercial centres is becoming more and more important.

March 2012
HAMBORNER REIT AG's shares were admitted to the FTSE EPRA / NAREIT Developed Europe Index as at 19 March 2012.

TIMELINE CONTINUES ON P. 16

March 2011
HSH Real Estate sells around 12 million HAMBORNER shares, bringing its tenure as a major shareholder to an end.

.----

IS
MORSE CODE
FOR **10**

ATTRACTIVE CITY LOCATIONS

We have been witnessing the influx of people into cities for many years. We have designed our portfolio to invest not just in A cities, but also in B cities with good prospects for the future. Properties in vibrant regional centres and university towns are proving to be a highly profitable enrichment to our portfolio. We will continue to pursue this strategy moving ahead. We will also keep a close eye on location: We are looking for properties in up-and-coming urban areas. The principle of retail parks with strong food retailers as anchor tenants is now a proven concept. Here, too, public transport connectivity is becoming an ever more important selection criterion. When planning new investments, we make sure that our properties have good transport connections and can be easily reached by bus and train as well. We are also providing more bicycle racks and are looking at concepts to improve the availability of electric charging points in parking areas.

Modern and sustainable buildings

Climate change became a central item on political, economic and social agendas in 2019. With its large share of energy consumption, the property industry can make a significant contribution towards reducing greenhouse gases. Here, too, we are continuing to pursue our strategy of buying predominantly new or fully renovated properties with high benchmarks for the environmental sustainability of construction materials, thermal insulation, energy and water consumption and building services. Some of our properties have already been certified by the German Sustainable Building Council (DGNB) or the US Green Building Council (LEED), and we are striving to increase our share of certified buildings in the coming years. Buildings constructed using sustainable technologies and energetically sustainable methods are more economical in the long term thanks to lower services costs, and are especially appealing to tenants.

Attractive employer

We want to continue growing and creating sustainable value added – which allows us to honour the trust shown in us by our shareholders. This is built on the dedication, expertise and loyalty of our currently 40 employees. We understand how important the work of each individual is to our success. We maintain fair working relationships in order to uphold and promote a good work environment. We offer flexible hours and modern workplaces. We are family-friendly, and we facilitate continuing professional development and prospects for personal advancement. This way we achieve a level of appeal as an employer that makes us interesting to qualified junior staff even in times of a skills shortage.

2015
HAMBORNER issues 16,509,280 new shares in total in 2015, generating net issue proceeds of around €143 million.

September 2016
HAMBORNER issues 17.7 million new shares, generating net issue proceeds of around €162 million.

December 2016
The value of HAMBORNER's property portfolio rises above €1 billion for the first time as at 31 December 2016.

December 2018
The market value of the HAMBORNER portfolio exceeds €1.5 billion.

2007

Introduction of the REIT Act in Germany. It combines the security of properties with the fungibility of shares.

04

As of today, the REIT index in Germany consists of just four companies.

REIT

REITs distribute at least 90% of their profits to shareholders.

226

REITs are originally an investment form from the US. The number of listed REITs in the US peaked at 226 in 1994.

10 years in a row is how long property prices have been rising.

2020

93% of investors are predicting an attractive market environment for the current year of 2020.

January 2020

The Supervisory Board of the company resolves to appoint Mr Niclas Karoff at the company's Chief Executive Officer effective 1 March 2020.

10 STANDS AS A **SYMBOL** OF **EARTHLY PERFECTION**

TO OUR

SHAREHOLDERS

20 Letter to Shareholders
22 Report of the Supervisory Board
27 Management Board and Supervisory Board
28 Corporate Governance
28 Corporate Governance Report
34 Remuneration Report *
42 Sustainability at HAMBORNER
45 HAMBORNER shares
49 Transparent EPRA reporting

** also part of the Management Report*


NICLAS KAROFF
CHIEF EXECUTIVE OFFICER OF
HAMBORNER REIT AG
HANS RICHARD SCHMITZ
MEMBER OF THE MANAGEMENT
BOARD OF HAMBORNER REIT AG

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

2019 was another very good year for the property industry. The property markets have benefited from the positive influence of consistently low interest rates and the search for viable investment options. A new record was set on the investment market for commercial properties with a transaction volume of around €70 billion. This once again clearly demonstrates the consistently high level of interest in German commercial properties.

HAMBORNER REIT AG has enjoyed a similarly successful financial year and today publishes its annual report. Our business activities again focused on the expansion and active optimisation of our property portfolio. Despite the continued high demand on the market for commercial property, we were able to add two more modern and high-quality properties to our portfolio. At the same time, the opportunities afforded by the positive market environment were seized on and portfolio optimisation was further advanced with the sale of a smaller property no longer consistent with strategy. As a result of the growth in our portfolio and a further increase in the market value of our properties, the fair value of our portfolio rose to around €1.6 billion.

The positive business performance is also reflected in the development of our key performance indicators. The increased value of the portfolio led to significant growth in NAV of 7.3% to €924.3 million. This corresponds to NAV per share of €11.59. Income from rents and leases climbed by 2.1% to €85.2 million and FFO, the key operating performance indicator, was up by 3.1% year-on-year at €54.3 million. Accordingly, FFO per share climbed to €0.68, topping the previous record from 2018 by a further two cents. Our forecasts were therefore met in full, and even surpassed for FFO. The company's financial position remains comfortable. The REIT equity ratio of 57.3% is well in excess of the 45% required under the German REIT Act.

Despite the forecast difficult economic conditions, we have every confidence for the rest of the year. The addition of three newly built office properties over the course of the first quarter and the budget still available for acquisitions of €130 to €150 million has already created the foundation for future revenue and earnings growth.

At this point we would again like to thank all our investors for their confidence and, of course, our tenants and business partners for the outstanding cooperation. We hope that you will accompany us on our journey ahead as well.

Niclas Karoff | Hans Richard Schmitz

BÄRBEL SCHOMBERG
CHAIRWOMAN OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

LADIES AND GENTLEMEN,

Once again, HAMBORNER REIT AG ended the 2019 financial year with an outstanding result. In turn, our shareholders are set to share in this gratifying result as we prepare to increase our dividend distribution once again.

Changes in the Supervisory Board and Management Board

At the Annual General Meeting on 7 May 2019, at the proposal of the Supervisory Board based on a corresponding recommendation by the Nomination Committee, Mr Ulrich Graebner was elected to the company's Supervisory Board in the place of Dr Helmut Linssen. The Supervisory Board appointed Mr Niclas Karoff as the Chief Executive Officer at its meeting on 23 January 2020. The member of the Management Board Dr Rüdiger Mrotzek died unexpectedly on 28 January 2020. We will keep fond memories of Dr Mrotzek, who steered the company's fortunes for more than ten years.

Monitoring management and cooperation with the Management Board

In the 2019 reporting year, the Supervisory Board also regularly advised the Management Board and monitored its work intensively and continuously. In doing so, we received detailed information on all significant business transactions and forthcoming decisions. The Management Board at all times fulfilled its duty to provide information, and reported comprehensively and in a timely manner, both in writing and verbally, on the strategic direction of the company and all relevant aspects of business planning including financial, investment and personnel planning. 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 five meetings of the Supervisory Board in the 2019 financial year, one of which was held as a conference call. We also passed two urgent investment resolutions, two resolutions concerning the company's financing and one resolution on a consulting mandate outside meetings. Furthermore, in my capacity as the Chairwoman of the Supervisory Board, I was in regular contact with the Management Board in order to remain informed of key transactions, forthcoming decisions and the current developments in the business situation.

Main activities of the 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 in all meetings and then discussed together. Furthermore, we intensively discussed various specific issues with the Management Board in our meetings.

At the accounts meeting of 20 March 2019, 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 2018, following its own review and discussion of significant aspects with the auditor Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. We endorsed the Management Board's proposal for the appropriation of profits. We also adopted the agenda for the 2019 Annual General Meeting. The Management Board was again granted non-vested share commitments and a bonus in the context of performance-based remuneration.

There was a meeting of the Supervisory Board after the Annual General Meeting on 7 May 2019, at which Mr Graebner was elected as a new member of the Executive Committee and the Nomination Committee.

The Supervisory Board discussed the company's high street retail investments at its meeting held as a conference call on 7 August 2019. It agreed with the Management Board to no longer consider the high street sector as a focal point for investments and therefore as a separate asset class.

The meeting on 3 September 2019 addressed the status report of the Management Board on the development of the investments in the 2011 financial year. The Supervisory Board also approved the acquisition of the local supply property in Lengerich.

The planning meeting on 12 November 2019 focused on the company's budget and medium-term planning for 2020 to 2024. The planned revenue and earnings trend was discussed extensively with the Management Board. The declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG was also adopted.

Report by the committees

Some of the work of the Supervisory Board is performed by committees. There were three committees again in the 2019 financial year. The Executive Committee met three times. The meeting on 29 January 2019 debated and resolved Management Board matters and prepared the resolution of the Supervisory Board on the dividend for the 2018 financial year. The meetings on 12 and 28 November 2019 discussed the strategic succession planning for the members of the Management Board due to retire in the near future.

The Nomination Committee met twice in the 2019 financial year. The Committee discussed a successor for Dr Linssen at its meeting on 19 March 2019. The central point of the meeting on 12 November 2019 was the forthcoming elections for the Supervisory Board as a whole at the 2020 Annual General Meeting.

The Audit Committee met four times in the 2019 financial year with the auditor in attendance on each occasion. It discussed the 2018 annual financial statements in detail and the 2019 quarterly and half-year 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 stipulated the audit issues for the next audit. 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 by Supervisory Board members at Supervisory Board and committee meetings in the 2019 financial year

Name	Member since	Supervisory Board as a whole (5)	Meetings of the Audit Committee (4)	Meetings of the Executive Committee (3)	Meetings of the Nomination Committee (2)
Bärbel Schomberg	2011	5 / 5	–	3 / 3	2 / 2
Dr Andreas Mattner	2017	5 / 5	–	3 / 3	2 / 2
Claus-Matthias Böge	2015	5 / 5	4 / 4	3 / 3	–
Rolf Glessing	2018	5 / 5	4 / 4	–	2 / 2
Ulrich Graebner	7 May 2019	3 / 4	–	2 / 2	1 / 1
Christel Kaufmann-Hocker	2010	5 / 5	4 / 4	–	–
Dr Helmut Linssen (until 7 May 2019)	2015	1 / 1	–	1 / 1	1 / 1
Mechthilde Dordel	2010	5 / 5	–	–	–
Wolfgang Heidermann	2013	5 / 5	4 / 4	–	–
Dieter Rolke	2012	5 / 5	–	–	–

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. We report on this, together with the Management Board, in the corporate governance report for 2019 in accordance with item 3.10 of the German Corporate Governance Code (Code). There were no conflicts of interest within the meaning of item 5.5.3 of the Code among our members. A declaration of independence in accordance with item 7.2.1 of the Code was obtained from the auditor.

The Supervisory Board and the Management Board published an updated declaration of compliance with the Code in accordance with section 161 AktG in November 2019. This declaration of compliance can be accessed by the public on the company's homepage at www.hamborner.de in the section Investor Relations / Corporate Governance.

Adoption of the 2019 HGB annual financial statements (HGB) and approval of the IFRS separate financial statements

On 18 March 2020, 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, 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 18 March 2020. The 2019 annual financial statements under German commercial law prepared by the Management Board were thus adopted. The Supervisory Board has endorsed the proposal of the Management Board for the distribution of the unappropriated surplus.

Unqualified audit opinion

The annual financial statements of the company as at 31 December 2019 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 line with the resolution of the Annual General Meeting of 7 May 2019. 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. Together, they again achieved a very positive result in the past financial year as a result of their ongoing dedication.

Duisburg, 18 March 2020

The Supervisory Board

Bärbel Schomberg
Chairwoman

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 / Digitisation, 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,
Director for Finance / Accounting, Controlling, Taxes, Portfolio Management, Transaction Management, HR, 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,
Director for Asset Management, Maintenance / Technology, Finance and Accounting, Taxes, Legal / Corporate Governance, Investor Relations, Insurance, IT, Corporate Services, Investments

SUPERVISORY BOARD

Dr Eckart John von Freyend, Bad Honnef
– Honorary Chairman –

Bärbel Schomberg, Königstein im Taunus
– Chairwoman –
Managing Partner at Schomberg & Co. Real Estate Consulting GmbH

Dr Andreas Mattner, Hamburg
– Deputy Chairman –
Managing Director of ECE Projektmanagement G.m.b.H.

Claus-Matthias Böge, Hamburg
Managing Director of CMB Böge Vermögensverwaltung GmbH

Rolf Glessing, Illerkirchberg
Managing Partner of Glessing Management und Beratung GmbH

Ulrich Graebner (since 7 May 2019)
Managing Director of Houlihan Lokey GmbH

Christel Kaufmann-Hocker, Düsseldorf
Independent management consultant

Dr Helmut Linssen, Issum (until 7 May 2019)
Member of the Management Board of RAG (until 1 April 2019)

Mechthilde Dordel, Oberhausen *
Commercial employee of HAMBORNER REIT AG

Wolfgang Heidermann, Raesfeld *
Technical employee of HAMBORNER REIT AG

Dieter Rolke, Oberhausen *
Commercial employee of HAMBORNER REIT AG

* Employee representative

CORPORATE GOVERNANCE

The term corporate governance means a responsible approach to company management and control geared towards the creation of sustainable value added. Key aspects of good corporate governance include efficient cooperation between the Management Board and the Supervisory Board, respecting shareholder interests and transparent corporate communications.

In this section, in line with the recommendations of item 3.10 of the German Corporate Governance Code (Code) as amended on 7 February 2017, the Management Board and the Supervisory Board have reported on the adoption of corporate governance guidelines at HAMBORNER.

CORPORATE GOVERNANCE REPORT

Compliance and the implementation of good corporate governance are matters of high importance at HAMBORNER. Using a number of information and communications channels, our shareholders, all other capital market participants, financial market analysts, press and media representatives and employees are informed regularly and comprehensively about the position of the company in a timely manner.

Further information and the corporate governance declaration can be found on our homepage www.hamborner.de under Corporate Governance.

In particular, this is done through the annual report, the half-year financial report and the regular quarterly reports. We also publish ad hoc disclosures, reports on changes in voting rights and directors' dealings notifications in line with the requirements of capital market law. Furthermore, we publish press releases on current issues concerning the company and regularly take part in financial market events or visit our investors in roadshows. We primarily use the Internet to disseminate significant information and post all important documents on our website in a timely manner.

Our annual, half-yearly and quarterly reports, together with detailed explanations of the corresponding months under review, can also be viewed and downloaded from the Investor Relations section of our homepage from the time of their publication. In addition, we make other information on the company and information published by it available here to all interested parties, including notifications in accordance with the German Securities Trading Act and the German Securities Prospectus Act, press releases and up-to-date company presentations. Our financial calendar shows the publication dates of financial reports and the date of the Annual General Meeting and dividend payment. We also publish information on our planned roadshows and participation in conferences here.

German Corporate Governance Code

Since the German Corporate Governance Code became effective in 2002, the Management Board and Supervisory Board of HAMBORNER REIT AG have regularly discussed its recommendations and suggestions and – as far as possible and necessary – implemented them in a timely manner. Our goal here is to ensure good, responsible, transparent and sustainable corporate development in the interests of all stakeholders.

The Corporate Governance Code and its implementation were discussed at the Supervisory Board meeting on 12 November 2019. This meeting also discussed current developments in the field of corporate governance and approved the declaration of compliance for the 2019 financial year.

On 6 November 2018, the Government Commission on the German Corporate Governance Code presented a fundamentally revised draft of the Code intended to streamline and restructure its regulations with the aim of further increasing the Code's relevance and its acceptance among companies and investors. Following a consultation process, the revised Code was resolved by the Government Commission on 16 December 2019 and sent to the Federal Ministry of Justice for review. Before the new version of the Code becomes effective, the Management Board and the Supervisory Board will intensively address the changes and the necessary resulting adjustments at HAMBORNER.

Composition of the Supervisory Board

This profile stipulates that the Supervisory Board of HAMBORNER REIT AG must be composed in such a way that its members as a whole have the knowledge, skills and professional experience necessary to perform their supervisory duties properly. The Supervisory Board as a whole should cover all areas relevant to HAMBORNER's business activities. This includes specific knowledge of the property industry, knowledge of accounting, auditing, controlling, financing, capital markets, risk management, technology / digitisation, legal issues, compliance and corporate governance. Individual members can complement each other's areas of specialisation.

The current composition of the Supervisory Board fulfils all the defined goals. The members of the Supervisory Board have the necessary professional and personal qualifications and, as a whole, satisfy the skills profile in full. In particular, the expertise in the field of accounting and auditing required by section 100(5) AktG is fully assured by the members of the Supervisory Board Claus-Matthias Böge and Rolf Glessing. Moving ahead as well, the relevant legal provisions and the objectives formulated for the composition of the Supervisory Board will be used as the basis for nominations to the Annual General Meeting, and it will continue to seek to satisfy the skills profile for the body as a whole.

According to a further recommendation of the Corporate Governance Code, the Supervisory Board should, in its opinion, have an appropriate number of independent members. Within the meaning of the Code, a supervisory board member is not considered independent in particular if he / she has personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter that can give rise to a substantial and not merely temporary conflict of interests.

Taking into account the current composition of the Supervisory Board, all the shareholder representative members, namely Bärbel Schomberg, Dr Andreas Mattner, Claus-Matthias Böge, Rolf Glessing, Ulrich Graebner and Christel Kaufmann-Hocker, are considered independent. A majority independence of the Supervisory Board will also be maintained in future.

Back in 2015, the Supervisory Board of HAMBORNER REIT AG implemented the recommendations of the Code with regard to the length of service on the Supervisory Board and defined a standard limit specific to the company. Furthermore, a target for the gender quota for the Supervisory Board of the company was set at 30%. The Supervisory Board currently consists of three women and six men, and thus already meets the defined target in full.

Gender quota for the Management Board and following management levels

The Supervisory Board has also set a target for the gender quota of the Management Board of 30% to be met by 30 June 2022. The gender quota is not yet met at the current time.

The Management Board has also addressed the stipulations of the law on the non-discriminatory participation of women and men in management positions and has set a gender quota target of 20% each for the two management levels below the Management Board, though this has also not yet been met. The deadline for achieving this target is still 30 June 2022.

Compliance management system

The Corporate Governance Code explicitly highlights the legal obligation of the Management Board to establish an appropriate compliance management system in line with the risk situation. Furthermore, the Code recommends disclosing the main principles of this system, thereby making it transparent to the public.

The Management Board of HAMBORNER REIT AG is fully committed to compliance and has developed a comprehensive compliance management system to ensure that HAMBORNER's business activities are always in compliance with the law and its internal policies and regulations. At the same time, responsible conduct is to be permanently established in the way that employees think and act. The compliance management system is based on three pillars: prevention, information and response.

In particular, the preventive measures include the regular training of all employees and a detailed compliance policy that applies to both the Management Board and all employees, regardless of their level in the hierarchy. The policy clarifies legal provisions, defines internal principles of conduct and serves as a guideline. It is intended to protect employees against legal violations and breaches of contractual obligations, help to avoid conflicts between business and private interests and to protect the company against material losses and reputational damage.

A further fundamental component of all efforts to ensure legally compliant conduct and to avert damage to the company is that information about possible misconduct reaches the Management Board and the Supervisory Board. For this reason, the Management Board has implemented the recommendation of the Corporate Governance Code and developed a whistleblower system that enables the reporting of compliance violations. The whistleblower system is the second pillar of the compliance management system at HAMBORNER REIT AG.

The company has appointed the lawyer Dr Thomas Stohlmeier as an external ombudsman to serve as a neutral contact for employees and business partners in the event of compliance violations. The ombudsman can be reached via HAMBORNER REIT AG's electronic whistleblower system and receives information on possible misconduct or legal violations within the company's sphere of influence. The system can be reached via the HAMBORNER homepage and guarantees the anonymity of the whistleblower throughout the entire process if so desired.

The third pillar of the compliance management system is an immediate response and clear consequences in the event of misconduct. Disciplinary measures will be taken following the full investigation of a compliance violation by the ombudsman. The measures are clearly defined in the compliance policy. They take into account the respective legal situation and are based on the severity of the violation and the damage done to the company.

Declaration of compliance

The Management Board and the Supervisory Board issued the following declaration of compliance in accordance with section 161 AktG in November 2019. This states that the company has complied with the respective recommendations of the German Corporate Governance Code in effect in the reporting year with minor exceptions. Please see the comments on the deviations from the recommendations of the Code in the text of the declaration of compliance:

Current declaration of compliance from November 2019
Declaration of the Management Board and Supervisory Board
of HAMBORNER REIT AG
on the recommendations of the
Government Commission for the German Corporate Governance Code
in accordance with section 161 AktG

"The Management Board and the Supervisory Board of HAMBORNER REIT AG declare that HAMBORNER REIT AG has complied with the recommendations of the Government Commission for the German Corporate Governance Code (Code) as amended on 7 February 2017, with the exception of the recommendation in item 4.2.1 sentence 1, since issuing its last declaration of compliance in December 2018, and will continue to do so in future."

Explanation: Item 4.2.1 sentence 1 of the Code recommends that the Management Board should have a chairman or spokesperson. A chairman or spokesperson has not and will not be appointed as the Management Board consists of just two people.

The Management Board and the Supervisory Board will publish the next declaration of compliance in November 2020.

Duisburg, November 2019

The Management Board   The Supervisory Board

Both the current declaration of compliance and all declarations for previous years can be accessed on our website at www.hamborner.de in the section Investor Relations / Corporate Governance.

Cooperation between the Management Board and the Supervisory Board

The Management Board and Supervisory Board work together closely for the good of the company. The Management Board informs the Supervisory Board regularly, promptly and comprehensively about the business and risk situation and answers all relevant questions on company planning. The strategic orientation and ongoing development of the company are discussed jointly between the Supervisory Board and the Management Board. In accordance with the Rules of Procedure and the company's Articles of Association, key Management Board decisions require the approval of the Supervisory Board.

No consultancy or other service or work agreements were concluded between the company and individual members of the Supervisory Board in the 2019 financial year. There were no potential or actual conflicts of interests on the part of members of the Management Board and the Supervisory Board that would have required immediate disclosure to the Supervisory Board in the reporting period.

Details of the cooperation and sharing of information between the Management Board and the Supervisory Board can be found on our website as part of the corporate governance declaration.

Directors' dealings

In accordance with Article 19 of the Market Abuse Regulation, the members of the Management Board and the Supervisory Board, and persons closely related to them, are required to report transactions in financial instruments of the company as soon as the total transactions by one person amount to or exceed €20,000 within one calendar year. The company was notified of the following transactions in the 2019 financial year:

Date of transaction	Person subject to disclosure requirements	Function	Financial instrument	Price	Total volume	Type of transaction
15 May 2019	Claus-Matthias Böge	Supervisory Board	Shares	€9.0570	€9,057	Purchase

All notifications can be viewed at all times on our website www.hamborner.de under Investor Relations / Notifications with the filter Directors' Dealings.

In accordance with the provisions of Article 19(5) of the Market Abuse Regulation, the company keeps a list of all persons who perform management duties and persons closely related to them.

Individual members of the Management Board and the Supervisory Board of the company neither directly nor indirectly hold more than 1% of the shares issued by the company. There were therefore no reportable holdings in accordance with item 6.2 of the German Corporate Governance Code as at 31 December 2019.

In compliance with the requirements of Article 18 of the Market Abuse Regulations, a list of insiders including all relevant people with access to inside information is kept at the company.

The mandates of members of the Management Board and the Supervisory Board are shown in the notes on the IFRS financial statements on pages 126 / 127 and related party information can be found on page 125.

Risk management and Internal Audit

Good corporate governance also includes the responsible handling of risks by the company. Systematic risk management within the framework of our value-oriented corporate governance ensures that risks are recognised and assessed early on and that risk positions are optimised. The company's risk detection system is also subject to review by the auditor. It is developed on an ongoing basis and adapted in line with changing economic conditions. Please see the risk report for details of risk management and the current risk position.

Furthermore, key business processes were submitted to an internal audit in the financial year under review. This audit was conducted by a third-party firm.

The auditor Deloitte

The auditor proposed for election for the 2019 financial year at the Annual General Meeting, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, submitted its declaration of independence in accordance with item 7.2.1 of the German Corporate Governance Code in a letter dated 20 March 2019. It was agreed with the auditor that the Chairman of the Audit Committee should be informed immediately of any grounds for exclusion or a lack of impartiality arising during the audit if these are not immediately rectified. Furthermore, it was agreed that the Chairwoman of the Supervisory Board and the Chairman of the Audit Committee should be informed immediately if specific findings or incidents arise in performing the audit of the financial statements that could be of significance for the proper performance of the duties of the Supervisory Board. This includes the discovery of facts containing inaccuracies in the declarations on the Code issued by the Management Board and the Supervisory Board.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, has been HAMBORNER REIT AG's auditor since the 2008 financial year. Since the 2015 financial year, the responsible audit partners involved in the audit have been Mr Neu and Mr Künemann, who is also the responsible auditor.

The auditor is appointed for one year only. At the recommendation of the Supervisory Board, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, was appointed as the auditor for the twelfth time at the 2019 Annual General Meeting.

REMUNERATION REPORT

(also part of the Management Report)

The principles of transparent corporate governance are intended to promote and strengthen the confidence of national and international investors and customers, employees and the public at large in the management and monitoring of listed companies. To this end, the German Corporate Governance Code stipulates the disclosure of the remuneration granted to members of the Management Board and members of the Supervisory Board.

Remuneration of the members of the Management Board

Management Board remuneration consists of fixed remuneration and short-term and long-term variable remuneration.

The system of Management Board remuneration is geared in particular to providing incentives for successful management of the company designed to create sustainable value added. The remuneration system motivates the members of the Management Board to dedicate themselves to and for the company in the long term.

A further aim is that remuneration is consistent with the size and economic situation, success and future prospects of the company. On the one hand, special achievements should be rewarded appropriately, while on the other the failure to achieve targets should result in a tangible reduction in remuneration.

In order to gear the remuneration of the members of the Management Board towards the goal of sustainable value added, some of their pay is granted as long-term, share-based remuneration after a retention period.

More than 50% of variable remuneration is set on the basis of multi-year target parameters. The remuneration of members of the Management Board is also closely linked to the interests of shareholders in an attractive long-term investment, in that half of long-term share-based remuneration is pegged to the price performance of HAMBORNER shares relative to the EPRA / NAREIT Europe ex UK Index over several years.

In calculating the attainment of goals for variable remuneration components, adjustments are narrowly limited to extraordinary, previously unknown issues.

The system and amount of Management Board remuneration are set and regularly reviewed by the Supervisory Board as a whole at the proposal of the Executive Committee of the Supervisory Board. The remuneration system for Dr Mrotzek and Mr Schmitz was last reviewed on 9 March 2017 in conjunction with the renewal of their Management Board contracts for a further five years. Minor adjustments were made. The system was approved by a large majority at the Annual General Meeting on 10 May 2017. The remuneration system for Mr Karoff was decided on 30 January 2020.

The remuneration systems for the members of the Management Board in office consist of the following components, whereby the remuneration system for the member of the Management Board Dr Mrotzek who passed away on 28 January 2020 was the same as that of Mr Schmitz:

Fixed remuneration

Fixed remuneration amounts to €350 thousand for Mr Karoff and €276 thousand for Mr Schmitz, and is paid in twelve equal instalments. The amount of fixed remuneration for Mr Schmitz is reviewed by the Supervisory Board every two years.

Short-term variable remuneration (STI)

Mr Karoff

The target amount for annual short-term variable remuneration (STI) on 100% achievement is €170 thousand. The main financial performance targets are funds from operations per share (FFO per share), which is weighted at 60%, and HAMBORNER REIT AG's occupancy rate, which is weighted at 40%. The Supervisory Board will set a corridor for each target at the beginning of each financial year. If target achievement falls short of the respective lower boundary, target achievement is deemed 0%. If the upper boundary is reached or exceeded, target achievement is deemed 150%.

In addition to the financial targets, the Supervisory Board can – at its own discretion – assess the performance of the Management Board and the achievement of sustainability targets (ESG targets) on the basis of criteria, and apply a criteria-based modifier to the STI that can range from 0.8 to 1.2.

The amount of the STI is capped at 150% of the target amount.

Mr Schmitz

In the event of 100% attainment of targets, the short-term variable remuneration will amount to €125 thousand, dependent on the achievement of the FFO per share stipulated in the budget and personal targets. The bonus will not be paid if targets are missed by more than 50%. The bonus is capped at 200% of the regular amount, i.e. a maximum of €250 thousand. Furthermore, the Supervisory Board can adjust the bonus for target achievement by up to 20% in either direction in light of the personal performance by the member of the Management Board.

Long-term share-based remuneration (LTI)

Mr Karoff

Mr Karoff is granted virtual performance shares in annual tranches as a long-term remuneration component (LTI). The annual target amount on 100% achievement is €200 thousand.

The number of contingent performance shares for the annual tranches is set at the beginning of each financial year. For conversion into contingent 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.

The main performance targets are NAV per share and the relative total shareholder return (TSR), both of which are weighted at 50%. The TSR is calculated as the share price development 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 targets for NAV per share and relative TSR, and the respective corridors, are set by the Supervisory Board at the beginning of each performance period. If target achievement falls short of the respective lower boundary, target achievement is deemed 0%. If the upper boundary is reached or exceeded, target achievement is deemed 150%.

The performance shares, which are initially granted contingently, have a term of four years counting from the start of the performance period. The performance shares are paid out in cash on maturity. The payment amount is calculated as the final total number of 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.

Mr Schmitz

Non-vested share commitments are granted. The annual target amount for individual Management Board members on 100% achievement is €150 thousand. The Supervisory Board can adjust this target amount by up to 20% in either direction based on the personal performance by the member of the Management Board.

Half of the set target amount (LTI 1) is linked to development in absolute FFO and FFO per share and to the like-for-like development in the value of the portfolio over the past three years. The Supervisory Board determines the degree of target attainment, which can vary between 0% and 200% (cap). The attainment of goals determines the actual cash value of the commitment and the resulting number of share commitments.

For the other half of the set target amount (LTI 2), the Supervisory Board will initially grant a number of 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 the performance in the price of HAMBORNER shares 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 degree of target attainment that can vary between 0% and 200% (cap). If targets are achieved by more than 100%, the number of share commitments is increased in proportion to the extent by which targets are exceeded. In the event of targets being achieved by less than 100%, a number of share commitments corresponding to the shortfall will be forfeit.

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.

Mr Schmitz receives the equivalent value of his share commitments in cash after the retention period, which ends in the third year after the commitment is entered into.

Obligation to hold shares in the company

Each member of the Management Board is required to hold 200% of his fixed remuneration in shares of the company while serving as a member of the Management Board. This is determined as the average value of fixed remuneration for the last four years. This must be documented annually. ***Mr Schmitz*** already fulfilled this obligation at the end of 2015. ***Mr Karoff*** must gradually fulfil this obligation by 31 December 2023.

Pension

For the duration of his contract, HAMBORNER will provide ***Mr Karoff*** with an annual contribution of €40 thousand to finance a pension. Mr Karoff can decide how to use this at his own discretion.

Mr Schmitz receives 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 amount of €30 thousand.

Maximum remuneration

Mr Karoff's maximum remuneration including all remuneration components is set at €1,100 thousand.

Termination benefits for the Management Board

Members of the Management Board are appointed for a maximum of five years. 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 remuneration including benefits for two years, assuming 100% attainment of targets (severance cap). The regulation on the amount of the severance cap notwithstanding, the amount of compensation for ***Mr Karoff*** is calculated taking into account the STI and the LTI in addition to his gross fixed annual salary.

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

Also, for ***Mr Schmitz:*** If Mr Schmitz still has share commitments subject to the retention period as at the time of his departure, they 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 time.

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 REIT AG or HAMBORNER becomes a dependent company by concluding a company agreement within the meaning of section 291 AktG – Mr Schmitz has the right to terminate his employment agreement if the change of control would mean a significant change to his position, such as through a change in the strategy of the company or a change in his activities.

In exercising this right of termination, Mr Schmitz has a claim to compensation in the amount of the total annual remuneration to the end of his original service agreement, not to exceed total remuneration for three years. The 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 time.

There is no claim to compensation if Mr Schmitz 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.

The remuneration granted to active members of the Management Board on the basis of existing service agreements for the 2019 financial year broke down as follows:

	Dr Rüdiger Mrotzek				Hans Richard Schmitz			
€ thousand	**2019**	**2019 (min.)**	**2019 (max.)**	**2018**	**2019**	**2019 (min.)**	**2019 (max.)**	**2018**
Fixed remuneration	276	276	276	269	276	276	276	276
Benefits	32	32	32	32	22	22	22	21
Total	**308**	**308**	**308**	**301**	**298**	**298**	**298**	**297**
Short-term variable remuneration	***125**	**0**	**300**	***125**	***125**	**0**	**300**	***125**
Long-term variable remuneration	**150**	**0**	**720**	**150**	**150**	**0**	**720**	**150**
LTI 1 (2018) Plan ending 2021	–	–	–	75	–	–	–	75
LTI 2 (2018) Plan ending 2021	–	–	–	75	–	–	–	75
LTI 1 (2019) Plan ending 2022	75	0	360	–	75	0	360	–
LTI 2 (2019) Plan ending 2022	75	0	360	–	75	0	360	–
Total	**583**	**308**	**1,328**	**576**	**573**	**298**	**1,318**	**572**
Pension cost	30	30	30	30	30	30	30	30
Total remuneration under GCGC	**613**	**338**	**1,358**	**606**	**603**	**328**	**1,348**	**602**
Performance-based adjustment of the short-term variable remuneration	71	0	0	70	71	0	0	70
Total remuneration	**684**	**338**	**1,358**	**676**	**674**	**328**	**1,348**	**672**

* based on 100% attainment of goals

16,216 virtual share commitments were approved for the Management Board for the 2019 financial year. They are subject to a retention period. Their fair value as at the grant date was €150 thousand.

The table below shows the remuneration allocated for the 2019 financial year:

	Dr Rüdiger Mrotzek		Hans Richard Schmitz	
€ thousand	**2019**	**2018**	**2019**	**2018**
Fixed remuneration	276	269	276	276
Benefits	32	32	22	21
Total	**308**	**301**	**298**	**297**
Short-term variable remuneration	196	195	196	195
Long-term variable remuneration	111	124	111	124
Other	–	–	–	–
Total	**615**	**620**	**605**	**616**
Pension cost	30	30	30	30
Total remuneration	**645**	**650**	**635**	**646**

Other
No loans were granted to members of the Management Board by the company. 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.

The total remuneration for former members of the Management Board of the company and their surviving dependents amounted to €272 thousand in the 2019 financial year. The pension provisions recognised for this group of people amount to €3,925 thousand in accordance with IFRS (€3,097 thousand in accordance with HGB).

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated in Article 13 of the Articles of Association. The remuneration of the Supervisory Board takes into account the size of the company and the duties and responsibilities of the members of the Supervisory Board.

Accordingly, the members of the Supervisory Board receive fixed annual remuneration payable at the end of a financial year of €22.5 thousand. The Chairwoman of the Supervisory Board receives double this remuneration, her deputy one and a half times this amount. In addition, each member of the Supervisory Board receives a fee of €0.5 thousand for attendance at meetings.

Members of the Supervisory Board on the Executive or Audit Committee receive additional annual remuneration of €5.0 thousand for each committee, payable at the end of the financial year. The Chairman of the committee receives double this additional remuneration.

Members of the Supervisory Board on the Nomination Committee receive additional annual remuneration of €2.5 thousand if it convenes in the financial year, payable at the end of the financial year. The Chairman of the committee receives double this additional remuneration.

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

The relevant remuneration of the Supervisory Board for the 2019 financial year is as follows:

€ thousand	2019			2018		
	Fixed remuneration	Attendance fees	Total	Fixed remuneration	Attendance fees	Total
Bärbel Schomberg	60.0	2.5	62.5	54.2	2.0	56.2
Dr Eckart John von Freyend	0.0	0.0	0.0	19.1	0.5	19.6
Claus-Matthias Böge	37.5	2.5	40.0	37.5	2.0	39.5
Rolf Glessing	30.0	2.5	32.5	20.5	1.5	22.0
Ulrich Graebner	19.6	1.5	21.1	0.0	0.0	0.0
Christel Kaufmann-Hocker	27.5	2.5	30.0	27.5	2.0	29.5
Dr Helmut Linssen	10.4	0.5	10.9	30.0	1.5	31.5
Dr Andreas Mattner	41.3	2.5	43.8	37.8	2.0	39.8
Mechthilde Dordel	22.5	2.5	25.0	22.5	2.0	24.5
Wolfgang Heidermann	27.5	2.5	30.0	27.5	2.0	29.5
Dieter Rolke	22.5	2.5	25.0	22.5	2.0	24.5
Total	**298.8**	**22.0**	**320.8**	**299.1**	**17.5**	**316.6**

In addition, 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. 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.

D&O insurance

The company has taken out D&O insurance for the members of the Management Board and members of the Supervisory Board. This covers losses as a result of work as a member of the executive and supervisory bodies of the company.

The sum insured is €15.0 million per claim and not more than €30.0 million per insurance year. In accordance with section 93(2) AktG and item 3.8 of the Code, deductibles for members of the Management Board and Supervisory Board have also been agreed, amounting to at least 10% of the claim and up to at least one and a half times the annual fixed remuneration of the officer. The insurance cover does not apply in the event of wilful intent, such that cover previously granted lapses retroactively where applicable in the event of (subsequent) discovery and benefits provided must be reimbursed to the insurer. The annual insurance premium currently amounts to around €19 thousand plus insurance tax.

The detailed sustainability report can be accessed on our website www.hamborner.de under HAMBORNER REIT / Sustainability.

SUSTAINABILITY AT HAMBORNER

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.

STRATEGIC SUSTAINABILITY CONCEPT

As an SDAX company, HAMBORNER REIT AG is an established player on the German capital market and a reliable partner in the property industry. In this capacity, we have the obligation to act responsibly – not just in business terms, but in respect of society and the environment as well. HAMBORNER has positioned itself as an asset manager of commercial properties. Not least on account of our long-term planning and investment horizon, sustainable management is a core element of our corporate governance.

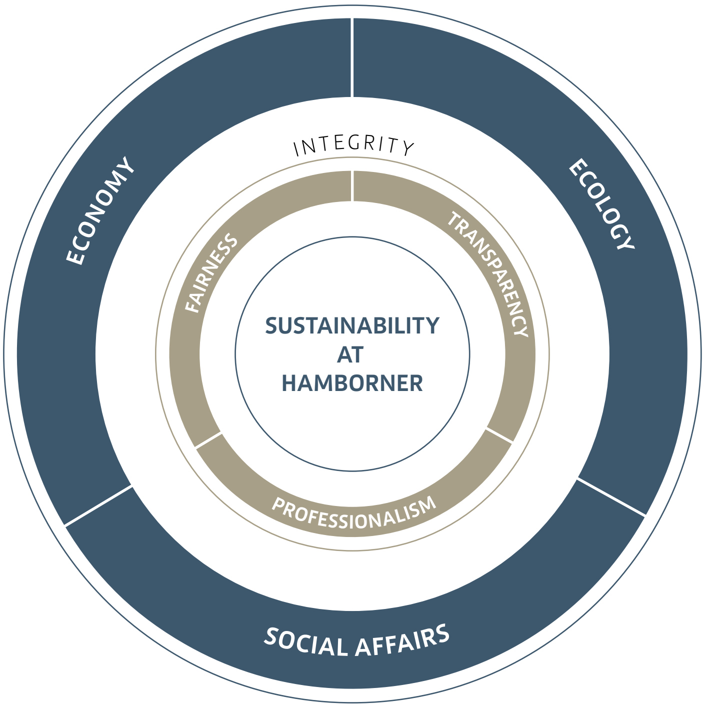
The core element of HAMBORNER's business activities is generating sustainable rental income for distribution to our shareholders in the form of attractive dividends. Our strategy therefore takes into account all measures and efforts that contribute to generating appropriate and attractive distributions in the long term. The basis for generating sustainable cash flows is a high-quality property portfolio that, even in line with ecological considerations, can be managed cost-effectively and satisfy tenant requirements. Our shareholders, financiers and stakeholders alike value the consideration given to ecological and social aspects in our business activities. Long-term corporate success can be ensured only if, in addition to economic aspects, ecological and social aspects are also implemented in corporate strategy and all business processes.

At HAMBORNER, aspects relevant to sustainability play a key role not just internally, but within the entire value chain as well. We carefully select our business partners and review them with regard to sustainability aspects and compliance with legal provisions and environmental, safety and social standards.

Close ties and intensive dialogues with our stakeholders (shareholders, tenants, suppliers, authorities and employees) form an important basis for our business decisions. Regular active communication makes it possible to take the individual needs of different stakeholders into account, and to identify short- and long-term trends and thereby to adjust corporate and sustainability strategy accordingly.

Our sustainability strategy is formulated and evolved at management level under the direct responsibility of the Management Board. The issues relevant to sustainability and the related processes are being implemented in the individual divisions and staff offices. We pursue the goal of permanently anchoring and gradually optimising the sustainability approach in corporate strategy.

The following diagram illustrates our concept of sustainability:



The principles of integrity, fairness, transparency and professionalism form the essential foundation of our sustainable corporate governance in each of the three sustainability dimensions: "economy", "ecology" and "social affairs". Compliance with these principles is a precondition for our sustainable business success and the basis of our actions in respect of the environment and society.

HAMBORNER bases its implementation of sustainable management on the specifications and guidelines of the German Property Federation (ZIA) in addition to complying with the recommendations of the Government Commission for the German Corporate Governance Code. HAMBORNER is also a member of the Institut für Corporate Governance der deutschen Immobilienwirtschaft.

SUSTAINABILITY REPORTING

The standards of the Global Reporting Initiative (GRI) form the foundation for our annual sustainability reporting. Our latest sustainability report was prepared in accordance with the revised GRI effective since mid-2018. Our disclosure of sustainability information is therefore based on current and internationally recognised standards. In line with GRI reporting, there is a focus on – and comprehensive analysis of – the key aspects and indicators relevant to sustainability at HAMBORNER.

SPECIAL ISSUES IN 2019

Detailed information and economic, ecological and social analyses in relation to the issue of sustainability at HAMBORNER can be found in our sustainability report. At this point, we would therefore like to just briefly describe the most important aspects in sustainability in the 2019 financial year.

ECONOMY: Portfolio development and enhancing property quality

We continued to systematically optimise and modernise our portfolio in 2019 as well. In expanding our property portfolio, we adhered to economic, ecological and social criteria that were applied to both the acquisition of new buildings and existing properties. The properties acquired in 2019 satisfy modern building and energy standards. In addition to the targeted expansion of its property portfolio, HAMBORNER is continuously investing in its existing portfolio to maintain its high-quality standards in the long term and to satisfy its tenants' growing needs. We stepped up our modernisation and maintenance expenditure again in 2019 and invested around €8.7 million in total in our buildings (previous year: €7.4 million). Over the course of the year, as part of planned maintenance work, a number of our portfolio properties were modernised in line with the latest energy standards to ensure the continued rental potential of the buildings in the long term. Maintenance expenses amounted to €5.5 million (previous year: €5.5 million) and capex to €3.2 million (previous year: €1.9 million).

ECOLOGY: Switching to green electricity

In 2018, the course was set for further reducing emissions of greenhouse gas by our portfolio, and a master agreement was signed to supply our portfolio properties with shared electricity from renewable sources moving ahead. The transition of more of our area to green electricity brought us a big step closer to our goal of supplying our properties entirely with shared electricity from renewable sources in the past financial year.

SOCIAL AFFAIRS: Employee development

In the past year, we once again paid special attention to both the quantitative and qualitative development of our staff in the area of social sustainability. To continue our growth trajectory and ensure the company's future success, we need a sufficient number of qualified and dedicated employees at every level of the operation and in every department. In order to bring such employees to HAMBORNER and ensure their loyalty in the long term, we want to position ourselves as an attractive and reliable employer that offers its employees intriguing development prospects. It is therefore important to us that all employees are supported and actively trained in line with their individual ideas and their respective professional requirements. For this reason, we have steadily increased the average hours of continuing professional development in recent years. This is also true for the number of our employees. As we intend to continue our growth, we will also regularly review our personnel capacity in future, actively recruiting for individual divisions and departments as necessary.

HAMBORNER SHARES

General situation on the stock market

The stock market of 2019 will be remembered very fondly by investors. Although developments on the stock markets were influenced by a number of negative factors, price gains – sometimes significant – were achieved both nationally and internationally.

The global economic cooldown that began at the end of 2018 continued as 2019 progressed. Economic policy risks, such as the uncertainty over Brexit and the ongoing trade conflicts between the US and China, were a source of concern and weighed heavily on global economic growth. However, this had little impact on the global stock markets.

After ending 2018 at 10,559 points, the DAX achieved significant growth in the opening months of the year. The benchmark index rose above 12,000 points for the first time over the course of the year, reaching 12,399 points as at the end of the first half of the year. The DAX fell below 11,500 points at times in August, but the market stabilised over the third quarter and it ended the year at 13,249 points, an increase of 25.5% over the year as a whole. The indexes that follow the DAX, the MDAX and the SDAX, reached interim highs over the course of 2019 and also reported significant gains of 31.2% and 31.6% respectively.

+25.5%
DAX in 2019

+31.6%
SDAX in 2019

The shares of European property companies benefited from the positive sentiment on the stock markets and the ongoing low interest rate policy of the European Central Bank, at times achieving significant growth. The FTSE EPRA / NAREIT Europe ex UK Index, which is published by the European Public Real Estate Association in Brussels, posted a gain of 21.7% in 2019 (previous year: loss of 8.7%).

HAMBORNER REIT AG Shares

HAMBORNER shares are traded on the stock markets of Frankfurt / Main and Düsseldorf in addition to the XETRA electronic trading system. The shares are listed under the securities identification number 601300 (ISIN: DE0006013006). They meet the international transparency requirements of Deutsche Börse's Prime Standard.

The company has commissioned HSBC Trinkaus & Burkhardt AG, Düsseldorf, and ODDO SEYDLER BANK AG, Frankfurt, as its designated sponsors. They ensure that HAMBORNER shares can be traded at all times on the basis of ongoing bid and ask prices. At 30.8 million, the trading volume of our shares was the same as in the previous year in the 2019 financial year (30.5 million). Accordingly, the average trading volume was virtually unchanged at around 122 thousand shares per day (previous year: around 121 thousand).

HAMBORNER shares at a glance

		2019	2018	2017
Issued capital	€ million	79.7	79.7	79.7
Market capitalisation *	€ million	778.0	670.4	789.2
Year-end share price	€	9.76	8.41	9.90
Highest share price	€	9.82	10.08	9.94
Lowest share price	€	8.38	8.40	8.77
Dividend per share	€	0.47	0.46	0.45
Total dividend	€ million	37.5	36.7	35.9
Dividend yield *	%	4.8	5.5	4.5
Price / FFO ratio *		14.3	12.7	17.6

* Basis: XETRA year-end share price

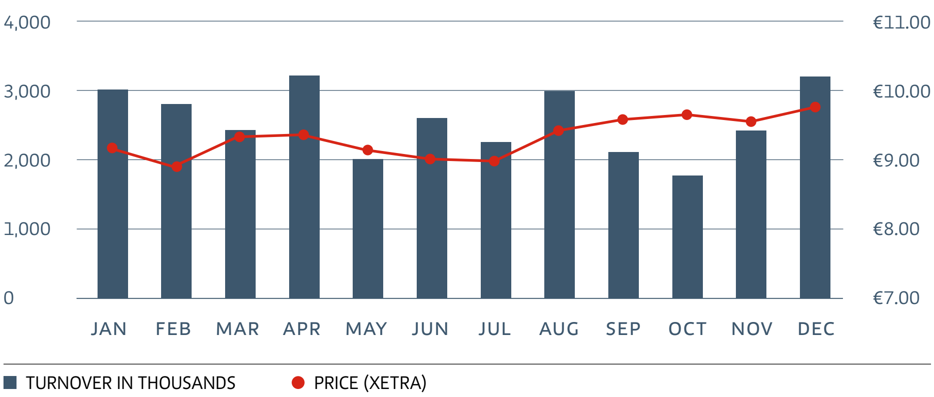
Price performance of HAMBORNER shares in 2019

+21.5 %
total return for HAMBORNER shareholders in 2019

HAMBORNER's shares continued their positive performance on the stock markets in 2019. After ending 2018 at €8.41, the share price climbed in the first weeks of trading in line with the general market and industry trend. It rose above €9.00 and stayed there by the end of the first quarter. It fluctuated between €9.00 and €9.50 between April and September, putting it below NAV which was €10.63 at the end of the first half of the year. In the fourth quarter, HAMBORNER's shares followed the incipient rising trend on the markets and ended 2019 at €9.76. This corresponds to an increase of 16.1% compared to the price at the end of 2018. Taking into account the dividends paid, the total return in 2019 was 21.5%.

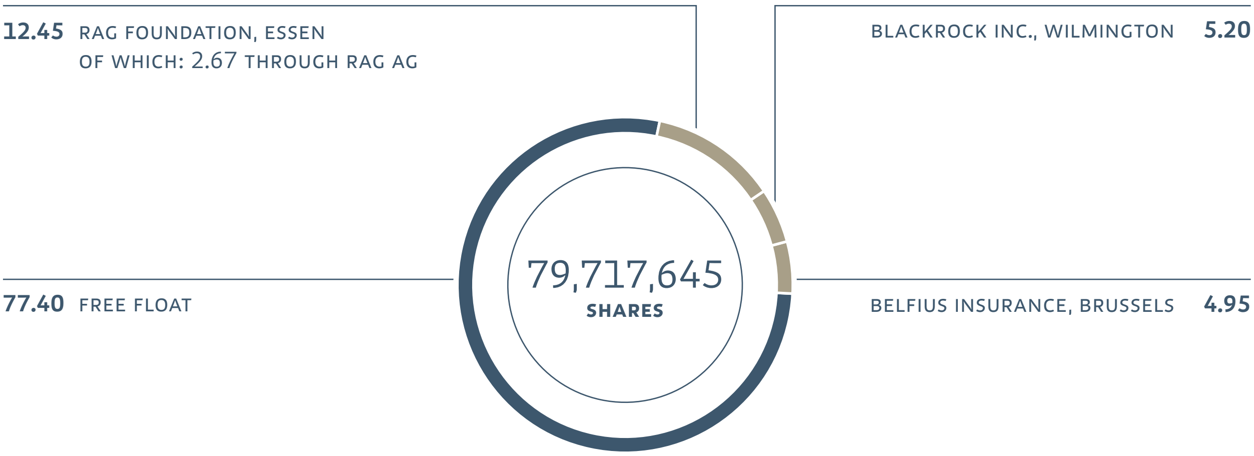
Market capitalisation as at the end of the year was €778.0 million (previous year: €670.4 million).

Development of HAMBORNER shares



Shareholder structure as at 2 March 2020

[in %]



Dividend development at HAMBORNER

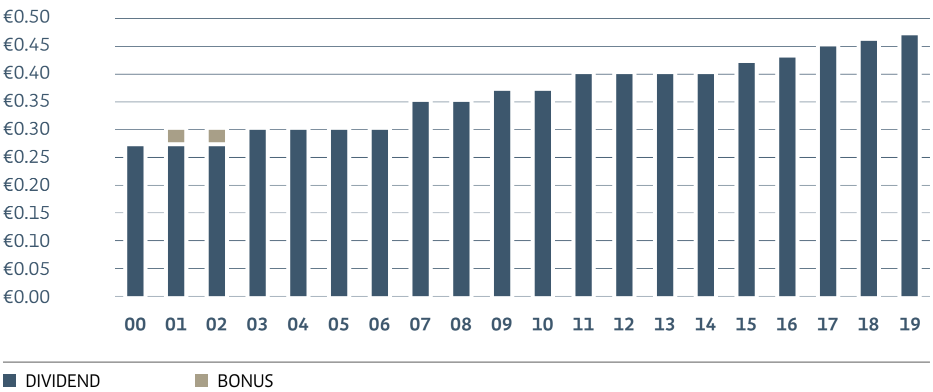
A dividend of €0.47 per share (2.2% higher) will be proposed to the Annual General Meeting on 6 May 2020 for the 2019 financial year. Based on the share price at the end of 2019, this represents a dividend yield of 4.8%.

HAMBORNER has steadily increased its dividend in past years. If the company's situation permits, we also intend to maintain high distribution ratios in future.

4.8 %
dividend yield

47 cents
dividend proposal to the 2020 Annual General Meeting

Dividend development



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 shore up confidence in the company.

In 2019, we again held roadshows in Germany and other European financial centres, and regularly attended capital market and specialist conferences at home and abroad. Investors were also able to speak directly with the Management Board in a great number of individual interviews and in quarterly conference calls. Several interested investors and analysts were also able to form a personal impression of our properties as part of individual property tours in 2019. 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 many personal talks and telephone calls.

Visit our website at www.hamborner.de

Investors, analysts and other capital market participants were also provided with information on the company not just in a direct dialogue but on the Internet, too. Our homepage www.hamborner.de 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 subscribe to our newsletter and receive information on HAMBORNER REIT AG directly by e-mail. Furthermore, we provide details of our publication dates and roadshow and conference planning in advance in our financial calendar.

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 our active investor relations work in 2020 and providing information on the performance of HAMBORNER REIT AG promptly, transparently and comprehensively. 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
Tel.: +49 203 54405-32
Fax: +49 203 54405-49
E-mail: c.heitmann@hamborner.de

TRANSPARENT EPRA REPORTING

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

Overview of EPRA figures

€ thousand	31 Dec. 2019	31 Dec. 2018
EPRA NAV	924,300	860,226
EPRA NNNAV	894,892	835,888
EPRA earnings	54,308	52,662
EPRA net initial yield	4.5%	4.6%
EPRA topped-up net initial yield	4.5%	4.6%
EPRA vacancy rate	1.3%	2.3%
EPRA cost ratio (including direct vacancy costs)	19.2%	19.1%
EPRA cost ratio (not including direct vacancy costs)	18.9%	18.8%

NAV / NNNAV

HAMBORNER has commissioned Jones Lang LaSalle GmbH, Frankfurt / Main, (JLL) to calculate the fair value of its property portfolio. Since the net asset value (NAV) was calculated for the first time in 2007 using the current fair values of properties, the properties have subsequently been measured each year. The measurement method used is consistent with the principles of the International Valuation Standards.

€ thousand	31 Dec. 2019	31 Dec. 2018
NAV *	**924,300**	**860,226**
– Derivative financial instruments	– 1,110	– 1,642
– Hidden reserves on financial liabilities	– 28,298	– 22,696
NNNAV	**894,892**	**835,888**
NAV per share in €	**11.59**	**10.79**
NNNAV per share in €	**11.23**	**10.49**

* See page 77 for NAV calculation

Net profit for the period

The figure "EPRA earnings" 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 we report (see from p. 76 onwards).

€ thousand		31 Dec. 2019	31 Dec. 2018
	Earnings per IFRS income statement	17,881	**19,400**
+	Changes in value of investment property *	36,522	34,846
–	Profit or losses on disposal of investment properties	– 95	– 1,584
	EPRA earnings = FFO	**54,308**	**52,662**
	EPRA earnings per share in € = FFO per share in €	**0.68**	**0.66**

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

Net initial yield

Net initial yield is calculated on the basis of annualised rental income as at the end of the reporting period less property costs that cannot be reallocated to tenants and divided by the market 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.

€ thousand		31 Dec. 2019	31 Dec. 2018
	Fair value of investment property portfolio (net)	1,598,090	1,517,260
+	Incidental costs of acquisition	117,270	111,490
	Fair value of investment property portfolio (gross)	**1,715,360**	**1,628,750**
	Annualised rental income	85,559	84,035
–	Non-transferable property costs	– 9,078	– 9,307
	Annualised net rental income	**76,481**	**74,728**
+	Adjustments for rental incentives	– 106	0
	Topped-up annualised rental income	**76,375**	**74,728**
	Net initial yield	**4.5%**	**4.6%**
	Topped-up net initial yield	**4.5%**	**4.6%**

Vacancy rate

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

€ thousand	31 Dec. 2019	31 Dec. 2018
Annualised standard market rent for vacant space	1,159	1,944
Annualised standard market rent for portfolio as a whole	87,117	84,328
Vacancy rate	**1.3%**	**2.3%**

Cost ratio

The 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 thusly are then compared to the (possibly adjusted) income from rents and leases of the company.

	€ thousand	2019	2018
	Administrative / operating expenses per IFRS income statement	50,878	47,035
+	Net service charge costs / fees	2,347	4,076
–	Other operating income / recharges intended to cover overhead expenses less any related profits	– 398	– 411
–	Investment property depreciation	– 36,522	– 34,846
	EPRA costs (including direct vacancy costs)	16,305	15,854
–	**Direct vacancy costs**	**– 255**	**– 240**
	EPRA costs (excluding direct vacancy costs)	16,050	15,614
	Gross rental income less ground rent costs	**84,939**	**83,198**
	EPRA cost ratio (including direct vacancy costs)	**19.2%**	**19.1%**
	EPRA cost ratio (excluding direct vacancy costs)	**18.9%**	**18.8%**

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 larger 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 would be capitalised.

MANAGEMENT REPORT

54 Basic Information on the Company
57 Economic Report
79 Report on Risks and Opportunities
85 Forecast Report
88 Report on Additional Information under Company Law (Section 289a(1) HGB)
91 Corporate Governance Declaration in Accordance with Section 289f HGB
91 Remuneration of the Management Board and the Supervisory Board

BASIC INFORMATION ON THE COMPANY

BUSINESS MODEL OF THE COMPANY

Focus on local supply properties and office buildings

As a listed stock corporation in the form of a real estate investment trust (REIT), HAMBORNER REIT AG operates in the property sector and has positioned itself as an asset manager for profitable commercial properties. The company has a diversified property portfolio that essentially consists of local supply properties at high-footfall and high-quality office buildings at established office locations. The company has generated stable rental income in recent years with its portfolio distributed throughout Germany and a high occupancy rate by market standards.

CORPORATE STRATEGY AND GOALS

The corporate strategy of HAMBORNER is geared towards value-adding growth through the yield-driven expansion of its commercial property portfolio in the fields of local shops and offices, while at the same time maintaining its regional diversification. Its objective is to safeguard the profitability of the property portfolio in the long term by acquiring high-yield properties. To increase profitability, it also sells properties with below-average absolute fair values and properties at locations with less promising prospects, replacing them with properties with a higher fair value and better cost / income structures. Through this objective, the company intends to generate high yields and reduce its portfolio risks with the aim of achieving a consistent and attractive dividend distribution in future.

Specifically, HAMBORNER's strategic objectives were achieved with the following measures:

Focus on local supply properties at high-footfall locations as well as high-quality office buildings

HAMBORNER's property portfolio currently consists of a balanced mix of properties in the following sectors: local supply properties at high-footfall locations that afford tenants an excellent market positioning and high-quality office buildings. The aspect of sustainability is becoming increasingly important for office properties in particular. The company considers "local supply properties" to include large-scale retail properties, retail parks, department stores, DIY stores and high street properties in city or neighbourhood centres, or highly frequented areas on city outskirts.

Local supply properties offer a steady cash flow, thus forming the basis for ongoing dividend distributions. Office properties usually have index-linked rent and are therefore more protected against inflation.

Growth and expansion of the company's property portfolio

The company plans to expand its property portfolio on an ongoing basis by acquiring further commercial properties. The future investment volume per property is expected to typically be in excess of €10 million. The company also plans to optimise its portfolio through targeted measures. To ensure long-term profitability, portfolio properties with a low fair value or at locations with less-promising prospects will be sold.

>€10 million
investment volume per property

This active portfolio and acquisition management is limited to just the company's own portfolio. It does not perform services for third parties.

Focus on medium-sized cities and regions in Germany with long-term growth prospects

HAMBORNER's strategy is to hold commercial properties throughout Germany. It is not currently planning to acquire assets outside Germany. Moving ahead, the company also plans to purchase commercial properties in regions that promise long-term growth in particular. The new federal states will be invested in on a selective basis only.

In terms of the size classes of cities, the focus is on local supply properties in locations with a catchment area of more than 60,000 people and office properties in cities with populations of more than 100,000.

In the opinion of the company, focusing on properties in medium-sized cities has the advantage that market prices in these regions are less volatile and higher returns are usually possible here than in conurbations. However, the company also does not rule out the acquisition of commercial properties in major German conurbations given good purchase opportunities in terms of sustainability.

Given the new composition of the Management Board and the changing conditions on the investment market for commercial properties, the company may make selective adjustments to its future acquisition strategy.

Leveraging acquisition opportunities while retaining a healthy financing structure and ongoing distributions of attractive dividends

As a REIT company, HAMBORNER, among other things, must distribute 90% of its HGB net income for the financial year and maintain a REIT equity ratio of at least 45%. In addition, the company is managed according to the performance indicators funds from operations (FFO) and net asset value (NAV) per share.

The REIT equity ratio is to be kept at around 50 %.

The company's healthy financing structure with its relatively low loan-to-value ratio (LTV) and high equity ratio helps it to leverage acquisition opportunities in the current market environment. As the company is a REIT and must distribute most of its profits, the company plans to finance the growth of its property portfolio with a balanced mix of equity and debt capital moving ahead. The company strives to maintain a REIT equity ratio above the legally required minimum of 45% at around 50%.

MANAGEMENT SYSTEM

The company's management 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.

FFO and NAV per share: key management control parameters

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. As such, 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 developments in key ratios over the year. The remuneration of the Management Board is also based in part on FFO per share (please see also the comments in the remuneration report). The calculation of the FFO and NAV figures is shown in the economic report.

ECONOMIC REPORT

ECONOMIC ENVIRONMENT

The German economy grew for the tenth year in a row in 2019, with gross domestic product rising by 0.6% in real terms. However, growth became noticeably less dynamic in 2019. Largely as a result of lingering international risks, such as the trade conflict between China and the US, the weakness in the industrial sector was a major factor contributing to the downturn in growth. In particular, the decline in industry is offset by the ongoing boom in construction and prospering service sectors. Private consumer spending will likewise remain a stable pillar of the German economy, which is also benefiting from high employment and a strong increase in available income.

The labour market in Germany proved robust overall in 2019. An average of 2.3 million people were unemployed over the year according to the German Federal Employment Agency. This corresponds to an average unemployment rate of 5.0% (previous year: 5.2%). At the same time, the number of people in employment increased further to 45.3 million, albeit at a slightly slower rate on account of the state of the economy. According to the German Federal Statistical Office, consumer prices rose by 1.4% on average in 2019.

SITUATION ON THE PROPERTY MARKET IN GERMANY

Retail property market

According to estimates by the Federal Statistical Office, retail companies in Germany generated sales of around 2.9% in real terms and nominally around 3.4% more in 2019 than in 2018. These estimates are based on retail sales for the months January to November 2019. Revenue in the Internet and mail order segment grew very strongly (up 7.4% in real terms). Food retailers saw a real increase of approximately 1.5%. Textiles, clothing, footwear and leather goods retail declined by 0.4% in real terms.

The rising share of online commerce in combination with declining foot traffic in some areas is impacting German retail.

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. While online retailers can provide fresh produce, many consumers do not want to have products such as fruit, meat and vegetables delivered, preferring instead to see and choose for themselves before buying. Another problem is the delivery costs for online orders. Many consumers are not willing to pay these costs. Some food retailers have therefore already discontinued delivery services.

According to a study by JLL, around 5% more retail space was let in Germany's pedestrianised zones in the first nine months of 2019 than in the same period of 2018, and the number of leases even rose by around 10%. The trend towards smaller spaces is continuing; more than half of new leases were for areas of up to 250 m². The textile segment was just able to regain its leading position in terms of take-up (around 26%) as a result of several major leases. Second place went to the food sector at around 25%, followed by healthcare / beauty. The food sector even took first place in terms of the number of leases signed. According to JLL, around 70% of the letting volume related to smaller and medium-sized towns, which above all benefited from the completion of several new shopping centre developments and revitalisation projects. According to Comfort, prime rents for retail space in pedestrianised zones in the roughly 130 towns studied fell by around 5% on average in 2019 – and were down by more than 5% in most of these towns. Despite this development, many city centres will continue to be a key port of call for experience shopping moving ahead, thanks to their high welcoming qualities and crowd-pulling effects. Even in the age of digitisation, brick-and-mortar shops are still essential as a direct point of contact for consumers.

Office space market

According to JLL, office space take-up at the big seven German office locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) was slightly higher than 4 million m² as at the end of 2019, up by around 1.5% as against 2018. This means that, after 2017, 2019 enjoyed the highest take-up in recent years.

However, developments on the individual markets were mixed according to JLL. For instance, Stuttgart (up 48%), Düsseldorf (up 33%) and Berlin (up 19%) reported growth, while Frankfurt (down 8%), Cologne (down 5%), Hamburg (down 9%) and Munich as well fell short of the previous year's figures. The Bavarian capital even experienced a sharp drop in take-up of more than 22%. Nonetheless, five of the big seven reported a double-digit year-on-year reduction in vacancy volumes, ranging from 12% in Frankfurt to 33% in Cologne. Vacancies fell by around 6% in Berlin, which has the lowest vacancy rate in Germany at 1.8% according to JLL. Stuttgart was the only city to see its vacancy rate rise compared to the previous year, though this was moderate at 0.1 percentage points to 2.3%. According to JLL, the aggregate vacancy rate for the big seven was 3.0% at the end of December, 0.6 percentage points lower than in the same quarter of the previous year.

Completion figures for offices increased significantly in 2019 and, according to JLL, not only exceeded 1 million m² at around 1.1 million m², but also rose to their highest level since 2010. The number of properties completed in the big seven rose by 21% as against 2018. However, the ongoing decline in vacancy rates shows that there is still demand for office space despite the growth in new construction.

The strong demand for space while supply continues to dry up has meant rising office rents in the big seven since 2010. According to JLL, the aggregate increase in prime rents was 5.4% in 2019. The JLL prime rent index is currently at its highest level since 1992.

German property investment market

According to JLL, strong end-of-year business carried the German investment market across the line to a new record. At €34.0 billion, the fourth quarter alone was stronger than any other quarter on record (previous record: €26.5 billion in Q4 2016). With more than 180 transactions, the transaction volume for commercial and residential properties was well in excess of €100 million at around €91 billion for 2019 as a whole. 2019 therefore achieved a significant increase of 16% as against 2018. The market has now been expanding for ten years.

Overall, according to JLL, individual transactions have accounted for 62% of the total volume. Portfolio sales have continued to gain ground, however, rising by almost 25% year-on-year.

Office and residential properties continued to dominate the German investment market in 2019, according to JLL. Around 40% of the transaction volume went into office assets and around 25% into residential assets. Retail properties accounted for a historically low share of approximately 12%. There was a shortage of major shopping centre transactions in particular. By contrast, specialist store products, above all those with food retailers as anchor tenants, were still in demand among investors. Logistics properties accounted for a share of around 7%. The momentum of online trading would lead one to expect a higher share, but there were simply not enough new buildings, resulting in a shortage of investment products.

According to CBRE, specialist stores and retail parks continued to be the most sought-after segment within the retail asset class with a market share of around 45%. Compared to 2018, the share of prime retail properties in shopping streets on the transaction market has fallen from 37% to 28% in 2019. The share of the retail transaction volume accounted for by shopping centres rose slightly from 14% in the previous year to 17% in 2019.

According to JLL, the big seven accounted for around 58% of the capital invested in German properties in 2019, 14% more than in 2018. The performance of the individual cities varied greatly. The undisputed frontrunner was again Berlin, with almost €16 billion and an increase of 46% compared to 2018. The German capital thus accounted for 30% of the capital invested in the big seven. Second place went to Munich with around €11 billion and an increase of 65%, and Frankfurt took third place with €10 billion and a year-on-year decline of 14%. Four cities reported a drop in transaction volume, with Hamburg's particularly severe at 24%.

According to JLL, the trend of a moderate decline in yields for top office products at prime locations continued in 2019: With a prime office yield of around 2.9% on average for the big seven, this represents a decline of around 20 basis points as against the previous year. Yields for central high street properties were stable in the big seven, averaging around 2.8% at the end of 2019. Lower yields are now being accepted for top retail parks that cater to local shop requirements (4.2%) than for premium shopping centres (4.5%). According to JLL, the rising trend for the latter will consolidate the development of recent quarters (increase of 60 basis points since the low in mid-2018).

BUSINESS PERFORMANCE

HAMBORNER has again enjoyed a highly successful financial year. The good operating performance of recent years continued and was largely in line with expectations. Much of the financial year focused on the expansion and optimisation of the property portfolio. Accordingly, in terms of purchase prices, €29.2 million was invested in the acquisition of two properties in Bamberg and Lengerich. At the same time, the company disposed of a high street property in central Leverkusen no longer consistent with strategy in 2019. As a result of changes in the property portfolio and also of an increase in the market value of our properties on a like-for-like basis (up 3.2%), the fair value of the property portfolio rose by €80.8 million to €1,598.1 million as at 31 December 2019. Furthermore, the company signed a purchase agreement for another office property in Neu-Isenburg for a purchase price of €16.1 million in the financial year. Together with the two properties in Aachen and Bonn for which purchase agreements had already been signed in the previous year, the transfer of ownership of the three properties with a total purchase price volume of €70.2 million was still pending as at the end of the reporting period.

HAMBORNER's rental volume was 83,416 m² in total in 2019, with new rentals accounting for 18,517 m² and follow-up leases or renewals with existing tenants for 64,899 m².

Positive business performance is also reflected in the result of operations, net asset situation and financial position as presented below.

REPORT ON RESULT OF OPERATIONS, NET ASSET SITUATION AND FINANCIAL POSITION (IFRS)

Result of operations (IFRS)

Income from rents and leases amounted to €85.2 million in the reporting year and has therefore increased by €1.8 million or 2.1% as against 2018 due to new investments in particular. On a like-for-like basis – i.e. comparing the properties that were held in the portfolio throughout 2018 and 2019 – income from rents and leases declined marginally by 0.1%, but otherwise was at a similar level to the previous year at €78.2 million in total. Uncollectible receivables and individual value adjustments amounted to around €98 thousand in the reporting year (previous year: €72 thousand).

2.1%
rise in income from rents and leases

The economic vacancy rate including agreed rent guarantees was 2.0% (previous year: 1.3%), and therefore still at a low level. Not including rent guarantees, the vacancy rate was 2.1% (previous year: 1.8%).

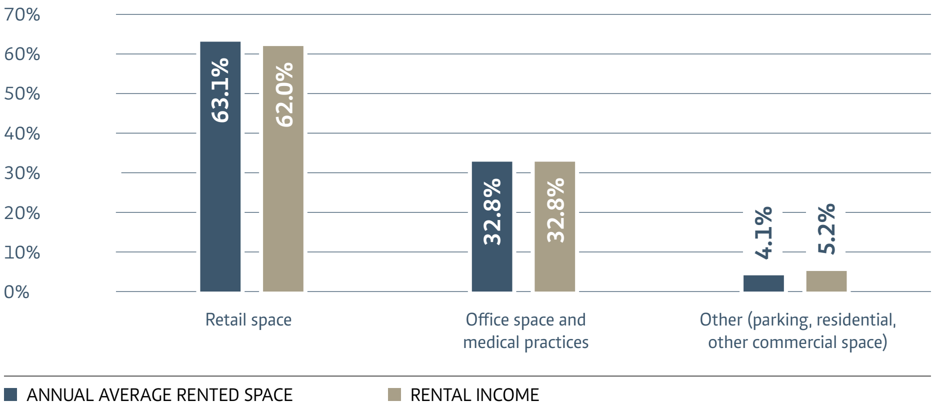
The following table provides an overview of the company's ten biggest tenants:

Company	Rental income in %*
EDEKA Group	12.0
Kaufland Group	5.9
REWE Group	5.5
real,- SB Warenhaus GmbH	5.4
OBI AG	5.0
German Federal Employment Agency, job centre	3.3
NETCOLOGNE Gesellschaft für Telekommunikation mbH	2.0
GLOBUS Fachmärkte GmbH & Co. KG	2.0
C & A Mode GmbH & Co. KG	1.6
ALDI Group	1.6
Total	**44.3**

* according to share of annualised rents

We generate most of our rental income from retail space. The 2019 portfolio breaks down by types of use and contributions to rental income as follows:

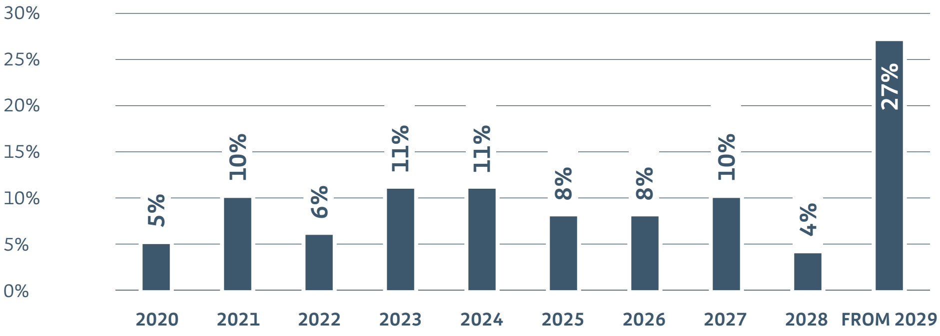
Rental income by asset class



MANAGEMENT REPORT

The chart below shows rental income in relation to leases expiring in the coming years:

Share of leases expiring



6.6 years
is the average remaining term of our leases.

The remaining term of our commercial rental agreements weighted according to rental income is 6.6 years.

Total ***maintenance expenses*** amounted to around €5.5 million in the financial year (previous year: €5.5 million). There were also measures eligible for capitalisation of around €3.2 million (previous year: €1.9 million).

As in the past, extensive work was done in individual projects in the 2019 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 ensure their long-term letting prospects. A key task in building maintenance is the coordination and performance of conversion work for new and follow-on rental agreements.

Most of the more major renovation and revitalisation work took place at the following locations in 2019:

Biggest maintenance project in 2019: Conversion of the E-Center in Karlsruhe

The biggest individual project in the 2019 reporting year was the conversion of retail spaced rented by our tenant EDEKA in the office and retail property in Karlsruhe in conjunction with the renewal of the lease until 31 December 2037. The total investment amounts to €2.1 million. In line with the agreement, the work is being performed in two stages. The first stage of construction carried out in 2019 was the conversion of the retail space on the ground floor. Work began in February 2019 while the shop remained open for business, and was completed at the end of June 2019. The investment expense incurred in the reporting year amounted to €1.2 million, €0.8 million of which was eligible for capitalisation. The second stage, which will be carried out in the 2020 financial year, is repairs to the façade and the parking facilities. The costs incurred for this amount to €0.9 million.

Approximately 2,370 m² of vacant space at our office location at Linzer Str. 7, 9 and 9a, Bremen, has been let to Glamox GmbH, one of Germany's leading lamp manufacturers. The expansion of the office space in no. 9a began in September 2019, and the property was handed over to the tenant on 9 December 2019 – also the starting date for the ten-year lease. Total costs of €0.4 million were incurred for this work in the reporting year. The laboratory work will be converted by the tenant at its own expense.

Two lots were also converted at the Haerder Center in Lübeck. By relocating the customer WC facilities to the second floor, we were able to combine the space freed up in the basement with an existing vacancy to create a shop space of 750 m². Work began in November 2018. The property was handed over to the new tenant kik as at 1 March 2019. In addition, vacant space in the basement measuring approximately 256 m² was converted into a food court. This work began in March, and the new facilities were handed over to the three operators in October 2019. Costs eligible for capitalisation of €0.7 million were incurred for these two projects in the reporting year.

The largest single investment in the context of planned maintenance was at our retail centre in Mannheim. The costs for renovating part of the roof eligible for capitalisation, which were taken into account in the purchase agreement negotiations, amounted to around €0.7 million.

As a result of a rise in income from rents and leases in particular, ***net rental income*** increased by 3.8% and amounted to €76.4 million (previous year: €73.6million).

3.8%
increase in net rental income

The ***operating result*** was €33.3 million after €32.8 million in the previous year. This rise of 1.5% is due in particular to the higher net rental income. ***Administrative and personnel expenses*** were €0.6 million or 10.8% higher than in the previous year at €6.4 million in total (previous year: €5.8 million). In particular, this was caused by the rise in personnel expenses of €0.5 million (11.9), which resulted in part from the remeasurement effects of long-term Management Board remuneration (LTI) on account of the higher share price compared to 31 December 2018. 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 7.5% (previous year: 6.9%). ***Depreciation and amortisation*** were up 4.8% year-on-year as a result of new additions in particular. We recognise our properties at depreciated cost and therefore report depreciation, which amounted to €35.0 million in the reporting year as against €33.5 million in the previous year. Furthermore, there were impairment losses of €1.6 million (previous year: €1.3 million) on properties in Koblenz and Oberhausen in the reporting year.

We generated a ***result from the sale of investment property*** of €0.1 million (previous year: €1.6 million). Details of this can be found on page 66.

EBIT decreased accordingly by €1.0 million to €33.4 million after €34.4 million in the previous year.

The ***financial result*** is €– 15.5 million in the year under review as against €– 15.0 million in the previous year. €– 14.6 million of this (previous year: €– 14.8 million) relates to interest expenses for loan finance. While interest expenses from borrowing additional loans for the pro rata debt financing of properties increased by €0.7 million, the like-for-like interest expense on the loans fell by €1.0 million or 7.3%. In particular, this was as a result of significantly lower interest rates on renewed or refinanced loans. After deducting the financial result from EBIT, the ***net profit for the year*** amounted to €17.9 million (previous year: €19.4 million).

Net asset situation (IFRS)

Properties account for around 97 % of our assets.

The **total assets** of the company increased by €24.9 million to €1,234.7 million (previous year: €1,209.8 million) as at 31 December 2019. Around 97% of assets are accounted for by our properties. The total property assets recognised at depreciated cost had a carrying amount of €1,202.7 million as at 31 December 2019 (previous year: €1,195.6 million) and break down as follows:

€ thousand	31 Dec. 2019	31 Dec. 2018
INVESTMENT PROPERTY		
Developed property assets	1,188,700	1,191,340
Right-of-use assets for leasehold properties *	8,862	0
Incidental costs of pending acquisitions	4,948	4,008
Undeveloped land holdings	224	224
TOTAL REPORTED PROPERTY ASSETS	**1,202,734**	**1,195,572**

* Reporting of right-of-use assets for leasehold properties on account of the adoption of IFRS 16 from 1 January 2019. Further details can be found on p. 103.

Unless stated otherwise, we use the term ***"property portfolio"*** below to refer to our developed property assets, which are reported under ***"Investment property"*** in the statement of financial position.

Performance of the property portfolio

Third-party valuation of our property portfolio by JLL

Our property portfolio was again valued by a third-party expert as at the end of 2019. Jones Lang LaSalle (JLL) was commissioned to calculate the market value of the property portfolio and to document this in an expert report. 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 value for which a property is exchanged between a willing buyer and a willing seller on the valuation date, whereby each of the parties has acted independently after proper marketing, knowledgeably, prudently and without obligation".

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 valuation 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 – 2020 to 2029. 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 are 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 3.90% and 9.00% and take into account the respective risks specific to the property.

The fair values calculated by JLL are shown separately for each property in the list of properties from page 68 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 thus was €1,598.1 million, an increase of €80.8 million on the previous year's portfolio value. The difference is due to additions to fair value from acquisitions and investments in existing properties (costs subsequently added) of €33.3 million, fair value disposals of €1.4 million due to sales and a year-on-year increase in fair value due to the remeasurement of the portfolio of €48.9 million. This corresponds to a like-for-like increase in portfolio value of 3.2%, €35.5 million which of which is attributable to NuOffice in Munich, the office property on EUREF Campus in Berlin, the mixed-use office and retail property in Karlsruhe and the O³ office property in Cologne. The remeasurement and appreciation of the properties as at 31 December 2019 highlights the stable value of HAMBORNER's property portfolio.

Around € 1.6 billion: value of our portfolio as at 31 December 2019

We recognise our properties conservatively at depreciated cost, and not at their higher fair values. We therefore also recognise depreciation on our properties, with the result that both positive and negative changes in value are recognised in hidden reserves but do not necessarily affect earnings. Impairment losses were recognised on the carrying amounts of the properties in Koblenz (€1.5 million) and Oberhausen (€0.1 million) in the year under review. The lease with the main tenant of the property in Koblenz is coming to an end. Given the decline in market rents at the location, it is expected that it will be possible to find a subsequent tenant or to renew the existing lease on greatly reduced terms only. The general market environment at the location is Oberhausen has continued to deteriorate.

Successful new investments

Our corporate strategy is geared towards value-adding growth through the yield-driven expansion of our commercial property portfolio in the fields of large-scale retail, commercial properties and offices while at the same time maintaining regional diversification. In line with this strategy, there were new investments in the 2019 financial year, not including incidental costs of acquisition, of €29.2 million (previous year: €118.6 million). In keeping with strategy, the new investments focused on the asset classes described above. The fair value of the properties added in 2019 amounts to €30.1 million in total as at 31 December 2019, and therefore €1.0 million more than the purchase prices. Specifically, ownership of the following properties was transferred to us in the reporting year:

€ 29 million investment volume for the acquisition of five properties

City	Address	Building use	Area in m²	Rental income p. a. in € thou.	Purchase price in € m
Bamberg	Starkenfeldstr. 21	Office and retail	6,160	837	15.0
Lengerich	Alwin-Klein-Str. 1	Retail centre	4,611	733	14.2
			10,771	**1,570**	**29.2**

A further purchase agreement for an office property in Neu-Isenburg was also signed in 2019. Together with the two properties in Aachen and Bonn, for which the purchase agreements were already notarised in 2018, property transfers with a combined purchase price volume of €70.2 million are still pending at the end of the reporting period.

City	Address	Building use	Expected rental income p. a. in € thou	Purchase price in € m	Added to portfolio
Aachen	Gut-Dämme-Str. / Grüner Weg	Office property	1,464	28.3	March 2020
Bonn	Am Krähenhorst 1	Office property	1,365	25.8	14 Feb. 2020
Neu-Isenburg	Siemensstr. 10a	Office property	892	16.1	1 Jan. 2020
			3,721	**70.2**	

Portfolio disposals

After having already sold various properties no longer consistent with strategy in the previous years, we streamlined our portfolio further with one disposal in 2019. This was a high street property in central Leverkusen. The sale price is €1.6 million with a residual carrying amount of €1.5 million. The annual rental income amounted to €0.1 million.

In future, we intend to increase our sales of portfolio properties no longer considered to fit strategy on account of their location, property size, administration requirements or potential for rent increases.

79 properties at
61 locations

Property portfolio as at 31 December 2019

After the changes described above, the property portfolio comprised 79 properties as at the end of the year under review. The properties are predominantly in large and medium-sized cities at 61 locations in Germany and have a total usable area of 619,988 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 below.


KIEL
SCHLESWIG-
HOLSTEIN
LÜBECK
MECKLENBURG-
WESTERN POMERANIA
HAMBURG
HAMBURG
OLDENBURG
BREMEN
BREMEN
LÜNEBURG
MEPPEN
LOWER SAXONY
BERLIN
BERLIN
CELLE
OSNABRÜCK
RHEINE
LENGERICH
MÜNSTER
HERFORD
LEMGO
SAXONY-
ANHALT
BRANDEN-
BURG
NORTH RHINE-
WESTPHALIA
GÜTERSLOH
GELDERN
OBERHAUSEN
DORTMUND
KREFELD
DÜSSELDORF
RATINGEN
HILDEN
SOLINGEN
LANGENFELD
LÜDENSCHEID
LEIPZIG
SAXONY
THURINGIA
COLOGNE
AACHEN
BONN
SIEGEN
FREITAL
HESSE
GIESSEN
NEUWIED
KOBLENZ
BAD HOMBURG
HANAU
FRANKFURT
WIESBADEN
RHINELAND-
PALATINATE
NEU-ISENBURG
HALLSTADT
BAMBERG
BAYREUTH
DARMSTADT
MANNHEIM
SAAR-
LAND
KAISERSLAUTERN
MOSBACH
ERLANGEN
FÜRTH
BAVARIA
KARLSRUHE
REGENSBURG
DITZINGEN
STUTTGART
INGOLSTADT
PASSAU
TÜBINGEN
OFFENBURG
BADEN-WÜRTTEMBERG
AUGSBURG
MUNICH
VILLINGEN-SCHWENNINGEN
FREIBURG
PORTFOLIO
TRANSFER OF POSSESSION IN 2019
NOTARISED, TRANSFER OF POSSESSION
AFTER 31 DECEMBER 2019

LIST OF PROPERTIES (AS AT 31 DECEMBER 2019)

Year of acquisition	Property		Building use	Property size in m²	Useable area in m²
1976	Solingen	Friedenstr. 64	Supermarket	27,344	7,933
1981	Cologne	Von-Bodelschwingh-Str. 6	Supermarket	7,890	3,050
1983	Wiesbaden	Kirchgasse 21	High street	461	1,203
1984	Frankfurt / Main	Steinweg 8	High street	167	594
1986	Frankfurt / Main	Königsteiner Str. 69a, 73–77	Supermarket	6,203	2,639
1987	Oberhausen	Marktstr. 69	High street	358	523
1987	Lüdenscheid	Wilhelmstr. 9	High street	136	499
1988	Dortmund	Westfalendamm 84–86	Office property	1,674	2,684
1991	Dortmund	Königswall 36	Office property	1,344	2,990
1997	Augsburg	Bahnhofstr. 2	High street	680	1,445
1999	Kaiserslautern	Fackelstr. 12–14, Jägerstr. 15	High street	853	1,444
2000	Gütersloh	Berliner Str. 29–31	High street	633	1,291
2001	Hamburg	An der Alster 6	Office property	401	1,323
2002	Osnabrück	Grosse Str. 82 / 83	High street	322	750
2004	Oldenburg	Achternstr. 47 / 48	High street	413	847
2006	Krefeld	Hochstr. 123–131	High street	1,164	3,668
2007	Münster	Johann-Krane-Weg 21–27	Office property	10,787	9,499
2007	Neuwied	Allensteiner Str. 61 / 61a	Retail centre	8,188	3,501
2007	Freital	Wilsdruffer Str. 52	Supermarket	15,555	7,940
2007	Geldern	Bahnhofstr. 8	Supermarket	12,391	8,749
2007	Lüneburg	Am Alten Eisenwerk 2	Supermarket	13,319	4,611
2007	Meppen	Am Neuen Markt 1	Supermarket	13,111	10,205
2007	Mosbach	Hauptstr. 96	Supermarket	5,565	6,493
2007	Villingen-Schwenningen	Auf der Steig 10	Supermarket	20,943	7,270
2008	Rheine	Emsstr. 10–12	High street	909	2,308
2008	Bremen	Hermann-Köhl-Str. 3	Office property	9,994	7,154
2008	Osnabrück	Sutthauser Str. 285–287	Office property	3,701	3,831
2008	Bremen	Linzer Str. 7–9a	Office property	9,276	10,269
2008	Herford	Bäckerstr. 24–28	High street	1,054	1,787
2008	Freiburg	Robert-Bunsen-Str. 9a	Supermarket	26,926	9,253
2009	Münster	Martin-Luther-King-Weg 18–28	Office property	17,379	13,792
2009	Hamburg	Fuhlsbüttler Str. 107–109	Office and retail property	1,494	3,080
2010	Erlangen	Wetterkreuz 15	Office property	6,256	7,343
2010	Hilden	Westring 5	DIY store	29,663	10,845
2010	Stuttgart	Stammheimer Str. 10	Supermarket	6,853	6,363
2010	Ingolstadt	Despagstr. 3	Office property	7,050	5,623
2010	Lemgo	Mittelstr. 24–28	High street	2,449	4,759
2011	Bad Homburg	Louisenstr. 53–57	High street	1,847	3,169
2011	Leipzig	Brandenburger Str. 21	DIY store	33,916	11,139
2011	Regensburg	Hildegard-von-Bingen-Str. 1	Medical practice	3,622	8,945
2011	Langenfeld	Solinger Str. 5–11	High street	4,419	6,285
2011	Erlangen	Allee am Röthelheimpark 11–15	Office and retail property	10,710	11,639

Rent in 2019 (incl. rent guarantees) in €	Weighted remaining term of leases in months	Fair value in €*	Discount rate in %	Capitalisation rate in %	Other comments
1,570,919	179	20,590,000	6.00	5.40	Leasehold property
435,402	84	8,280,000	5.45	4.50	
651,356	42	13,270,000	5.00	4.20	
388,760	55	9,820,000	3.90	3.50	
348,702	46	6,290,000	5.60	4.75	
48,000	13	720,000	8.10	7.35	
33,600	18	450,000	7.50	7.00	
221,244	120	3,750,000	6.15	5.40	
388,077	76	7,040,000	5.50	4.85	
495,770	41	8,310,000	5.10	4.60	
267,129	21	4,180,000	6.50	5.70	
335,907	32	3,060,000	6.75	5.65	Leasehold property
275,792	32	6,010,000	4.90	4.35	
306,000	28	6,000,000	5.75	5.00	
263,069	39	5,020,000	6.00	5.10	
497,442	30	8,990,000	6.10	5.30	
1,198,359	19	22,290,000	6.00	5.20	
417,024	64	5,640,000	7.50	6.25	
783,647	22	11,030,000	7.00	6.00	
863,387	150	11,970,000	5.10	4.60	
455,031	22	7,000,000	6.40	5.50	
1,007,121	174	15,740,000	5.10	4.60	
545,337	7	3,920,000	9.00	6.25	
250,000	72	2,950,000	6.70	6.25	
259,941	27	3,600,000	7.55	6.70	
612,576	61	10,910,000	6.75	6.00	
504,908	37	8,020,000	6.60	5.85	
1,150,494	25	19,990,000	6.50	5.80	
225,915	30	3,110,000	6.60	5.85	
1,147,453	114	14,140,000	6.00	5.35	Leasehold property
1,693,752	50	30,650,000	6.00	5.20	
470,195	77	9,970,000	5.75	4.75	
1,234,283	12	17,900,000	6.25	5.50	
899,883	51	12,570,000	6.85	6.00	
1,200,000	102	21,960,000	5.20	4.60	
921,645	49	15,750,000	5.90	5.20	
518,964	19	5,890,000	6.50	5.50	
840,040	50	16,040,000	5.70	4.90	
889,528	58	14,370,000	6.10	5.50	
1,506,378	58	28,600,000	5.75	4.90	
1,194,798	19	17,500,000	6.50	5.60	
1,942,598	37	35,840,000	5.70	5.00	

LIST OF PROPERTIES (AS AT 31 DECEMBER 2019)

Year of acquisition	Property		Building use	Property size in m²	Useable area in m²
2011	Offenburg	Hauptstr. 72 / 74	High street	1,162	5,150
2011	Freiburg	Lörracher Str. 8	Supermarket	8,511	4,127
2012	Aachen	Debyestr. / Trierer Str.	DIY store	36,177	11,431
2012	Tübingen	Eugenstr. 72–74	Supermarket	16,035	13,000
2012	Karlsruhe	Mendelssohnplatz 1 / Rüppurrer Str. 1	Office and retail property	10,839	15,152
2013	Munich	Domagkstr. 10	Office property	5,553	12,257
2013	Berlin	Torgauer Str. 12–15	Office property	3,100	12,657
2013	Bayreuth	Spinnereistr. 5a, 5b, 6–8	Office property	8,297	9,036
2013	Hamburg	Kurt-A.-Körber-Chaussee 9	DIY store	20,330	10,408
2014	Bad Homburg	Louisenstr. 66	High street	1,447	3,240
2014	Koblenz	Löhrstr. 40	High street	1,386	3,343
2014	Siegen	Bahnhofstr. 8	High street	1,419	7,112
2015	Aachen	Gut-Dämme-Str. 14 / Krefelder Str. 216	Office property	3,968	10,059
2015	Celle	An der Hasenbahn 3	Retail centre	56,699	25,772
2015	Gießen	Gottlieb-Daimler-Str. 27	Retail centre	46,467	18,013
2015	Fürth	Gabelsbergerstr. 1	Retail centre	7,273	11,507
2015	Berlin	Tempelhofer Damm 198–200	Office and retail property	6,444	6,270
2015	Neu-Isenburg	Schleussnerstr. 100–102	Office and retail property	9,080	4,249
2016	Lübeck	Königstr. 84–96	High street	4,412	13,513
2016	Ditzingen	Dieselstr. 18	DIY store	22,095	10,036
2016	Mannheim	Spreewaldallee 44–50	Retail centre	103,386	28,381
2016	Münster	Martin-Luther-King-Weg 30 / 30a	Office property	4,986	3,317
2016	Dortmund	Ostenhellweg 32–34	High street	2,908	9,210
2017	Cologne	Am Coloneum 9 / Adolf-Grimme-Allee 3	Office property	15,461	26,499
2017	Hallstadt	Michelinstr. 142	Retail centre	41,829	21,711
2017	Berlin	Märkische Allee 166–172	Other large-scale retail	17,264	6,535
2017	Ratingen	Balcke-Dürr-Allee 7	Office property	4,476	10,508
2017	Hanau	Otto-Hahn-Str. 18	Retail centre	37,527	14,158
2017	Kiel	Kaistr. 90	Office property	2,049	6,738
2017	Passau	Steinbachstr. 60–62	Retail centre	7,002	4,496
2018	Bonn	Basketsring 3	Supermarket	10,823	4,934
2018	Düsseldorf	Harffstr. 53	Supermarket	10,360	5,343
2018	Cologne	Unter Linden 280–286	Retail centre	21,873	6,533
2018	Darmstadt	Leydhecker Str. 16	Office and retail property	35,460	19,394
2018	Berlin	Landsberger Allee 360–362	DIY store	37,968	16,390
2019	Bamberg	Starkenfeldstr. 21	Office and retail property	6,781	6,160
2019	Lengerich	Alwin-Klein-Str. 1	Retail centre	9,436	4,611
				967,703	**619,988**

* As per JLL appraisal as at 31 December 2019
** Pro rata temporis rents from transfer of ownership

Rent in 2019 (incl. rent guarantees) in €	Weighted remaining term of leases in months	Fair value in €*	Discount rate in %	Capitalisation rate in %	Other comments
557,944	62	9,500,000	5.80	5.25	
860,000	118	16,620,000	5.15	4.60	
1,236,000	87	19,490,000	6.40	5.65	
1,600,000	120	29,830,000	5.80	5.30	
2,610,542	174	52,220,000	5.15	4.40	
2,501,734	44	76,730,000	4.25	3.75	
2,362,933	54	68,780,000	4.25	3.60	
1,350,992	47	22,270,000	6.25	5.30	
1,248,272	107	19,840,000	6.20	5.50	
612,495	97	12,070,000	5.90	5.10	
716,889	13	8,860,000	6.35	5.65	
853,765	84	14,700,000	6.15	5.50	
1,720,509	120	32,770,000	5.50	5.00	
2,331,916	106	44,700,000	5.20	4.60	
2,384,094	47	31,020,000	6.60	5.75	
1,776,151	104	29,000,000	5.40	4.90	
1,285,452	96	27,400,000	4.90	4.35	
805,039	135	15,570,000	5.25	4.70	
2,400,982	62	49,140,000	6.00	5.35	
986,287	195	16,070,000	6.90	6.20	
4,156,692	62	82,260,000	5.10	4.40	
438,416	56	8,030,000	5.75	5.00	
1,689,305	65	33,590,000	5.15	4.70	
2,777,113	58	58,200,000	5.70	4.75	
2,514,345	67	47,300,000	5.15	4.50	
913,239	72	18,600,000	4.90	4.20	
1,939,801	65	36,800,000	5.40	4.85	
2,038,912	152	41,750,000	4.90	4.40	
1,263,224	82	23,940,000	5.60	5.00	
871,553	115	16,550,000	5.60	4.85	
758,159	96	14,570,000	5.00	4.50	
552,000	96	10,830,000	5.15	4.40	
1,050,850	78	21,490,000	4.75	4.15	
2,261,941	70	45,970,000	5.90	4.85	
1,708,000	126	32,360,000	5.40	5.00	
418,441 **	90	15,900,000	5.60	5.00	
124,129 **	158	14,240,000	4.85	4.30	
84,938,542		**1,598,090,000**			

Financial position (IFRS)

The company's financial situation is very comfortable. ***Cash and cash equivalents*** amounted to €8.4 million as at the end of the reporting period after €7.8 million as at 31 December 2018. In particular, the cash inflows in the financial year resulted from operating activities (€68.3 million; previous year: €67.2 million) and the borrowing of loans (€60.6 million). Payments essentially relate to investments in the property portfolio (€55.6 million), dividend payments for the 2018 financial year (€36.7 million) and interest and principal payments (€36.9 million).

In particular, the funding requirements for the 2020 financial year are secured by the forecast proceeds from operating activities. The company also has unutilised loans of €71.4 million at its disposal as at 31 December 2019. For a period of ten years, these loans will incur average interest at around 1.2%.

41.6%
reported equity ratio

The financial structure of our company is still extremely solid. On the equity and liabilities side of the statement of financial position, ***equity*** amounted to €513.6 million after €532.4 million in the previous year. The company therefore has an accounting equity ratio of 41.6% (previous year: 44.0%). ***Financial liabilities and derivative financial instruments*** amount to €689.5 million, up €38.0 million on the previous year's figure (€651.5 million). In particular, the rise is due to the loans of €60.6 million borrowed in the reporting year for the pro rata debt financing of property acquisitions. The new borrowing was offset by scheduled repayments of €22.2 million in the reporting year. After deducting cash and cash equivalents from financial liabilities, net financial debt amounted to €680.0 million (previous year: €646.2 million). Comparing net financial liabilities to portfolio fair value, the company has an LTV ratio of 42.4% (previous year: 42.5%). ***Trade payables and other liabilities*** increased by €5.2 million to €20.2 million in the reporting year (previous year: €15.0 million). The increase is due in particular to the first-time reporting of lease liabilities in accordance with IFRS 16 in the period under review; these amounted to €9.1 million as at 31 December 2019 (previous year: €0.0 million).

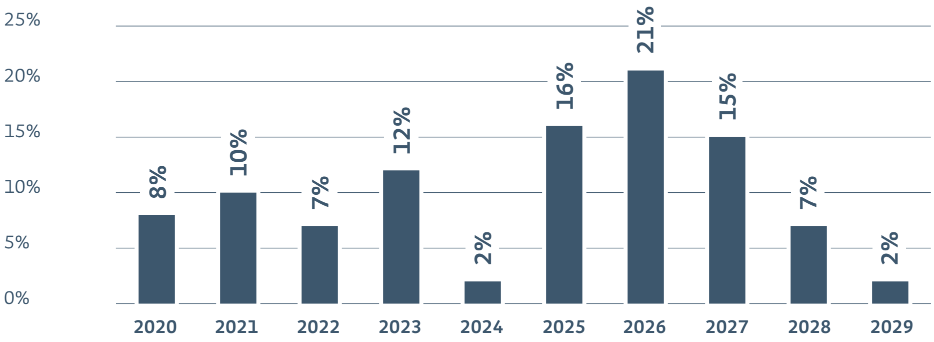
The development of interest rates is highly significant to the company in terms of its financial position. In order not to be subject to short-term interest rate risks, as far as possible we have arranged fixed, long-term conditions for the financing of our investments. We have interest swap agreements in place to fully hedge against interest rate fluctuations on our floating rate loans secured by property liens (nominal value: €15.5 million). Unsecured promissory note loans with a volume of €41.0 million are also financed at floating rates. Given the short term of these loans of five years, it was decided after weighing the risks and opportunities not to use interest rate hedges.

5.5 years:
average remaining term of our loans

The average interest rate of our loans, including loans concluded but not yet utilised, was 2.0% as at the end of the reporting period (previous year: 2.1%). 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 5.5 years as at the end of the reporting period (previous year: 6.0 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.

Expiry of fixed interest agreements



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.

REPORT ON RESULT OF OPERATIONS, NET ASSET SITUATION AND FINANCIAL POSITION (HGB)

The company prepares its financial statements both in accordance with the regulations of the German Commercial Code (HGB) and 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 different capitalisation criteria in connection with maintenance and modernisation activities resulted in maintenance expenses being €1.0 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 expenses / administrative expenses:*** The administrative expenses (€1.4 million) reported as a separate item in the IFRS 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 / result from the sale of investment property:*** A gain on disposal of €95 thousand from the disposal of the property in Leverkusen is reported in the IFRS financial statements. By contrast, owing to the higher residual book value as at the date of disposal, a book loss of €31 thousand was reported in accordance with HGB, specifically under other operating expenses.

- ***Impairment losses:*** The impairment loss included in depreciation and amortisation expense under HGB of €1.2 million for the property in Mosbach was not recognised in the IFRS financial statements in the financial year as it had already been recognised in accordance with IFRS in the previous year. By contrast, the impairment loss on the property in Oberhausen was incurred only in the IFRS financial statements (€0.1 million).

- ***Land and land rights:*** The carrying amount of properties in the HGB annual financial statements is €1,193.3 million, and therefore €9.5 million lower than the carrying amount of investment property in the IFRS financial statements. The difference predominantly relates to accounting for leaseholds. While leaseholds are not recognised in the HGB financial statements, in accordance with IFRS they have been included in the statement of financial position in the form of a right-of-use asset for the first time since 1 January 2019. The figure reported under properties amounts to €8.9 million as at 31 December 2019. Furthermore, €2.7 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, the impairment loss in the reporting year described above and the impairment losses from previous years resulted in the HGB carrying amount of property being €0.1 million higher on account of different regulations. However, different capitalisation provisions increased the IFRS carrying amount by €3.4 million.

- ***Equity:*** The HGB equity was €512.0 million as at the end of the reporting period, €1.7 million lower than the amount recognised under IFRS. The difference results firstly from various accounting differences in the year under review and previous years. Secondly, it results from the cumulative actuarial gains and losses on pension provisions and the remeasurement effects of derivative financial instruments of €5.7 million reported in retained earnings under IFRS. Derivatives are not recognised in equity under HGB regulations. Accordingly, the reported HGB equity ratio of 41.9% is 0.3 percentage points higher than the reported IFRS equity ratio.

- ***Liabilities to banks / financial liabilities and derivative financial instruments:*** The liabilities to banks in the HGB annual financial statements amount to €689.5 million. Financial liabilities and derivative financial instruments are reported in the amount of €689.5 million in accordance with IFRS. However, the market value of the derivative financial instruments is reported at €1.1 million under IFRS, while the market value of derivatives is not recognised in accordance with HGB if they form a hedge with a hedged item (loan). This is offset in the same amount by the recognition of financial liabilities including transaction costs and the associated subsequent measurement using the effective interest method in the IFRS financial statements.

- ***Trade payables / other liabilities / deferred income:*** In accordance with IFRS, trade payables / other liabilities / deferred income are reported together under current and non-current "Trade payables and other liabilities". The net total reported in the HGB financial statements amounts to €7.1 million, and therefore €13.1 million less than the amount reported in accordance with IFRS (€20.2 million). On the one hand, €4.0 million of the difference results from "Accruals" reported under liabilities in accordance with IFRS. These include liabilities that are reasonably certain as at the reporting date but not yet due, which are reported under other provisions in accordance with HGB. On the other, the IFRS financial statements include lease liabilities in accordance with IFRS 16 of €9.1 million that are not recognised in accordance with HGB. In the HGB financial statements, the current lease instalments for leaseholds and operating and office equipment are recognised as real estate operating expenses, while under IFRS these payments are posted as payments of principal on the lease liability.

Given the detailed presentation and analysis of the result of operations, net asset situation and financial position in accordance with IFRS, which also applies to the result 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:

Result of operations (HGB)

Income from property management amounted to €99.2 million in the reporting year (previous year: €96.9 million). The ***costs of the management of our properties*** amounted to €24.7 million (previous year: €23.7 million). The increases in both income and management costs are essentially due to the changes in our property portfolio as a result of investments in the year under review and the previous year. Also as a result of the new acquisitions, ***depreciation*** was up 7.5% year-on-year at €37.2 million (€34.6 million). As a result of lower carrying amounts from the sale of properties in particular, ***other operating income*** declined by €1.4 million as against the previous year to €1.4 million (previous year: €2.8 million). This reduced the ***operating result*** by €2.9 million as against the previous year to €30.6 million (previous year: €33.6 million).

Despite the utilisation of new loans, the ***financial result*** improved by a net amount of €0.1 million to €– 15.2 million (previous year: €– 15.3 million), essentially as a result of interest savings on account of refinancing at better rates. The company closed the 2019 financial year with a ***net profit*** of €15.4 million (previous year: €18.3 million).

Including the ***withdrawal from other revenue reserves*** (€11.3 million) and ***withdrawals from capital reserves*** (€10.7 million), ***net retained profits*** amounted to €37.5 million (previous year: €36.7 million).

Net asset situation and financial position (HGB)

The ***total assets*** of the company increased by €13.5 million as against the previous year to €1,222.6 million as a result of investments in the year under review. As a result of the changes in the property portfolio, ***fixed assets*** were up by €11.9 million at €1,210.3 million. ***Current assets*** including prepaid expenses increased by €1.6 million to €12.3 million. ***Equity*** was €514.2 million after €533.2 million in the previous year. ***Liabilities to banks*** rose by a net amount of €38.4 million to €689.5 million. Equity and medium- and long-term debt capital, including the loans not yet utilised (€71.4 million), cover fixed assets in full.

Please see the comments on the IFRS financial situation for information on the financial situation.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

The company's highly positive result of operations and its comfortable net asset situation and financial position validate the measures and strategy of recent years. 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 advantageous. The effect on earnings of impairment losses and their reversal is much lower than when accounting at fair value, which makes the company's results less volatile overall. Furthermore, including the loans not yet utilised, the company's available cash funds and low net debt are also proof of its solid financial position.

Overall, the Management Board feels that the economic position of the company is good at the time of the preparation of the management report. As business performance in the initial weeks of the new financial year was in line with expectations in terms of revenue from rents and leases, the Management Board assumes that future developments will remain positive overall.

PERFORMANCE INDICATORS

FFO

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 results in adjusted funds from operations (AFFO). FFO / AFFO are calculated as follows:

€ thousand		2019	2018
	Net rental income	76,355	73,553
–	Administrative expenses	– 1,408	– 1,312
–	Personnel expenses	– 4,968	– 4,440
+	Other operating income	1,374	1,153
–	Other operating expenses	– 1,503	– 1,276
+	Interest income	0	181
–	Interest expenses	– 15,542	– 15,197
	FFO	**54,308**	**52,662**
–	Capitalised expenditure	– 3,225	– 1,865
	AFFO	**51,083**	**50,797**
	FFO per share in € *	**0.68**	**0.66**
	AFFO per share in € *	**0.64**	**0.64**

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

HAMBORNER generated an FFO of €54.3 million in the 2018 financial year (previous year: €52.7 million). This corresponds to FFO per share of €0.68 (previous year: €0.66). FFO had been forecast to match the previous year's level, but rose by 3.1% as against the previous year. The increase is due in particular to 2.1% higher income from rents and leases as a result of property acquisitions in 2018 and 2019. Furthermore, maintenance expenses were only at the level of the previous year on account of postponements in connection with leasehold improvements for new rentals, while a more significant increase had been projected. The forecast published in the previous year's annual financial statements for the development in income from rents and leases (up by between 1% and 2%) was marginally exceeded.

3.1%
year-on-year increase in FFO

NAV per share

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

€ thousand		31 Dec. 2019	31 Dec. 2018
	Non-current assets	1,223,990	1,200,651
+	Current assets	10,687	9,155
–	Non-current liabilities and provisions *	– 638,662	– 638,282
–	Current liabilities	– 81,343	– 37,456
	Reported NAV	**514,672**	**534,068**
+	Hidden reserves in "Investment property"	409,628	326,158
	NAV	**924,300**	**860,226**
	NAV per share in €	**11.59**	**10.79**

* not including derivative financial instruments

€11.59
NAV per share: increase of 7.4% compared to previous year

The growth in absolute NAV of €64.1 million to €924.3 million is as a result of the appreciation of the property portfolio in particular. NAV per share is 7.4% higher compared to the previous year at €11.59 (€10.79). In this forecast we had assumed that the value of the portfolio would remain largely stable with a slight increase in NAV per share, whereas the value of the like-for-like portfolio increased by 3.2% in the year-end remeasurement, thereby resulting in a correspondingly more significant rise in NAV per share.

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The basis for the dividend distribution is net retained profits under German commercial law (HGB). The net profit for the reporting year calculated in accordance with the provisions of the German Commercial Code was €15,408 thousand. Taking into account a withdrawal from other retained earnings of €11,333 thousand and a withdrawal from the capital reserves of €10,726 thousand, net retained profits amounted to €37,467 thousand.

47 cents
dividend to be distributed per share for shareholders in 2019.

The Management Board will propose using the unappropriated surplus for the 2019 financial year of €37,467 thousand to distribute a dividend of €0.47 per share.

REPORT ON RISKS AND OPPORTUNITIES

RISK REPORT

Principles of our risk policy

As a property company operating across Germany, HAMBORNER is exposed to risks that can negatively influence the net asset situation, financial position and result of operations of the company. To reduce the risks, we have always tailored our business policy to avoid business areas with particularly high risk potential. In this regard, as in the past, we again did not participate in highly speculative financial transactions in 2019. We take appropriate, manageable and controllable risks if the rewards offsetting them can be expected to give rise to adequate appreciation in value.

Risk management

In order to restrict risk, we have implemented a risk management system for the timely identification and handling of risks that could be of significance to the economic position of the company. It complies with the legal specifications and is subject to regular review. It is adjusted or added to appropriately in line with changing economic conditions. Opportunities that 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 the annual financial statements in accordance with section 317(4) HGB.

The company's internal risk management system is closely integrated into operational procedures – particularly the planning and controlling processes – and comprises several stages. 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 entail, the risk inventory tracks the potential risks to which the company is exposed. These potential risks are divided into external and internal risk areas. In turn, the possible characteristics of the individual risk areas are assessed in terms of their risk impact (e.g. loss of assets, decreased income, higher expenses), their estimated probability, a possible threat to the company as a going concern, possible counterstrategies, leading indicators in place and options for obtaining information. Furthermore, responsibility for all individual characteristics of the risk fields is defined. Quarterly internal risk reporting focuses on selected material risks and those that pose a threat to the company as a going concern. The relevant analysis period covers the next two years. The basis for risk reporting is the respective approved planning. The possible impact of identified risks on the net asset situation and result of operations of the company are looked at in scenario analyses.

Reporting, streamlined organisational structures and transparent decision-making channels are intended to ensure that the Management Board is directly included in all transactions with an impact on risk. Accounting processes are performed exclusively by our own qualified employees. The company prepares and communicates a half-year financial report and quarterly reports in addition to its annual reporting.

When preparing the annual financial statements, we rely on expert appraisals for the measurement of investment property and to calculate the company's pension obligations. The dual control principle, taking into account appropriate signature regulations, is applied to all significant transactions. There is clear functional separation within the company between technical and commercial building management and accounting. Moreover, monthly reports on business performance are prepared and submitted to decision-makers. These serve as a basis on which to identify deviations from operational targets and initiate any countermeasures. The finance and accounting system uses standardised and certified IT programmes. For internal IT equipment, there are strict access regulations for read and write authorities in line with the individual areas of responsibility of the respective employees.

An internal audit was outsourced to a third-party audit firm to assess the appropriateness and effectiveness of the internal control system. As part of the internal audit, we select the processes and areas to be audited in coordination with the audit committee.

Presentation of risk areas

The risks that could have a substantial effect on the net asset situation, financial position and result 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.

General market risks

Risks of future macroeconomic development
HAMBORNER is influenced by the economic and political environment. They affect, for example, interest rate developments as well as the retail and office property markets, and therefore the company's direct market environment. Germany is currently in a consistently good overall economic situation. However, the duration and sustainability of this situation is not foreseeable. But given our business model and our capital resources, we feel we are well positioned, even under these volatile economic conditions. Considerable risks to HAMBORNER from future general economic developments are possible at least in the medium term, but rather unlikely at the current time.

Market risks in the property sector
Regardless of economic risks, the property industry is subject to distinct market cycles that can have an adverse effect on the value and renting viability of the properties held in the portfolio. As a result of the low interest rate policy, the property transaction market has also been characterised by price increases due to demand in recent years. If general conditions change, interest rates rise and demand for commercial property wanes, there is the risk of falling market values.

Risks associated with the rental potential of the properties in the portfolio arise as a result of changing business models and tenant requirements brought about, for instance, by digitisation, e-commerce, demographic change and re-urbanisation. These risks relate to both office properties – due to changing workplace concepts (e.g. pay per use and increased flexibility) – and retail properties – due to changes in the retail landscape. We take these risks and changes seriously. We are attempting to counteract them through intensive market monitoring and by providing high-quality and contemporary office and retail properties. We also maintain close contact with our tenants to anticipate changing requirements early on. Furthermore, we endeavour to minimise risks of a loss of rent by concluding contracts with as long a term as possible with tenants of good credit standing.

Operational risks

Letting risks

In some areas of brick-and-mortar retail, and the textiles segment especially, there are risks due to the growing competition from online retail. This is affecting high street stores in B locations in particular. We anticipate satisfactory demand for local supply properties in the current financial year as well. It remains to be seen how the general economic environment will develop for office buildings in the coming years. There are still vacancy risks for outdated office space or retail properties in secondary locations. We generally consider the occurrence of letting risks to be probable.

Through the regional diversification of our property portfolio, we attempt to keep the consequences of specific negative local influences, such as can arise due to the construction of competing properties, to a minimum for the entire portfolio. In addition, a good location and the greatest possible flexibility of use are important criteria for us when purchasing properties. Moreover, we endeavour to limit letting risks through regular monitoring and improvement of the structural quality of the properties. The self-management of all the portfolio properties enables us to react quickly to a probable change of tenant with selective subsequent letting activities.

The above measures for minimising the letting risk have meant that we have been able to achieve a very high occupancy rate in past years. The average vacancy rate including rent guarantees was at a low level of 2.0% in the 2019 financial year (previous year: 1.3%). We ensure a good occupancy rate in the event of new investments. Furthermore, rent guarantees cover letting risks in some cases.

In February of 2020, Metro AG sold its hypermarket business and related business activities in „real.-“. Talks have not yet taken place with the future owner. There is currently no reliable information on possible effects on our three affected locations. It cannot be ruled out that that real.- will no longer operate these locations in future.

Risks of a loss of rent

We also consider risks of a loss of rent to be possible and probable. However, we reduce the risk of rent losses, particularly due to tenants' inability to pay, by means of efficient receivables management, the regular monitoring and review of the creditworthiness of our tenants and the agreement of rent securities that are appropriate to the risk. Uncollectible receivables and individual value adjustments amounted to €98 thousand in the 2019 financial year (previous year: €72 thousand). An increase in uncollectible receivables cannot be ruled out for the current financial year either, depending on ongoing economic developments.

However, major rent losses are not discernible at present due to our tenant structure. The EDEKA Group is our biggest single tenant with a share of 12.0% of the total rental volume. In view of the credit standing of this tenant and the location of the properties, we consider the resulting risk to be manageable.

Valuation risk and risk of impairment losses as a result of falling market values

The value of our properties is reviewed annually using the generally recognised DCF method. Our commercial property portfolio was again measured by an independent third party at the end of 2019. Detailed information on the valuation of our property portfolio can be found in the chapter "Performance of the property portfolio". We also think it possible that the valuation of properties can be negatively affected in future by the use of different discount rates as a result of changes in general risk assessment, interest rates, or risks specific to properties, though such risks are limited on account of our well diversified property portfolio.

Financial risks

Risks of interest rate developments and risks arising from financial instruments

Further borrowed funds will be raised in future as well to finance our growth to an appropriate extent. The development in interest rates is therefore of high significance to the company. In order not to be subject to short-term interest rate risks, as far as possible we have arranged fixed, long-term conditions for the financing of our investments. We have interest swap agreements to hedge against interest rate fluctuations on floating rate loans with a nominal value of €15.5 million. Further information on interest rate hedges using financial instruments can be found in the notes on accounting policies and under note (16). Only individual tranches of €41.0 million of our promissory note loan from March 2018 bear interest at floating rates without interest rate hedging. We consider the occurence of interest rate changes to be probable, but not significant to HAMBORNER at least in the short-to-medium term given its financing structure.

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 these unlikely risks of default exist, they are taken into account by means of value adjustments.

We consider liquidity risks to be unlikely. In particular, they 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.

As explained, there are market risks at HAMBORNER due to potential changes of the market interest rate in particular. The company finances its operating activities using borrowed funds and equity within the framework of the limits permitted under the German REIT Act. For floating rate financial instruments, changes in market interest rates can result in fluctuations of interest payments and the measurement of the derivative financial instruments used.

There are risks of a breach of financial covenants in relation to the promissory note loans issued in 2018. In a worst-case scenario, the creditors have the right to terminate the loan agreement and call the loan due if these covenants are breached. As the limits set for the two defined key figures (see page 73) are currently clearly complied with, the occurrence of a breach of financial covenants is considered possible but unlikely at this time.

Other risks

In addition to the general market risks, operational and financial risks, there is the risk of HAMBORNER losing its REIT status in addition to risks from legal disputes and its former mining operations. While these other risks cannot be ruled out at HAMBORNER, they are unlikely or economically insignificant now and in the near future.

Risk of loss of REIT status

HAMBORNER has been a REIT stock corporation since 1 January 2010. As such, it is exempt from German corporation and trade tax. In order to maintain REIT status over a sustained period, the company must comply with certain legal criteria. In particular, free float must be at least 15%, no investor can directly hold 10% or more of the shares, at least 75% of the assets must be immovables, 90% of the annual result in accordance with the German Commercial Code must be distributed, and equity must not fall below 45% of the fair value of the immovables. We counteract the risk of losing REIT status by means of our internal monitoring and controlling system. We monitor the development of the key indicators for classification as a REIT company, particularly the development of the REIT equity ratio in accordance with section 15 of the German REIT Act, which at 57.3% as at 31 December 2019 was considerably higher than the required minimum equity ratio of 45%.

Legal risks

The risk of being involved in legal proceedings can also not be ruled out for our company. However, HAMBORNER is not currently involved in any significant court cases or threatened legal disputes in the context of its business activities.

Subsidence risks

There are potential risks from our former mining activities, e.g. due to 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 €2.7 million in accordance with IFRS (HGB: €2.6 million).

There are no other contaminated land risks that could require cleaning up, e.g. due to soil pollution, according to current information. An inspection of the register of contaminated sites has been carried out at the respective municipalities with regard to our entire developed and undeveloped property holdings. No significant risks were found in this regard.

REPORT ON OPPORTUNITIES

The current low-interest environment means opportunities for the company. The average interest rate on the loans as at the end of the reporting period is 2.0% with a weighted remaining term on fixed interest agreements of 5.5 years. Assuming a scenario that we consider quite likely, namely of a slight increase in interest rates but at a consistently low level, there is a chance that loans with expiring fixed interest agreements can be prolonged or refinanced at better terms. This would have a positive effect on the financial result and FFO.

HAMBORNER is growth-oriented, has an efficient organisational structure and core competence in portfolio management. As at 31 December 2019, we were represented at 61 locations with our properties. This is a good platform and opens up opportunities for further growth with a positive impact on rental income and FFO development. The low interest level benefits the growth strategy and improves the return on capital employed on account of the leverage effect on acquisitions.

Discount rates can decline in the valuation of our properties as a result of changes in interest rates, in general risk assessment, or the assessment of risks specific to properties. This can lead to increases in the fair value of our properties and thus the company's NAV. The continuing demand for commercial property while supply remains limited can also lead to further price increases and thus to higher market values for portfolio properties. This would likewise have a positive effect on the company's NAV. However, given the increases in property prices in recent years, we think that stabilisation at a high level is more likely than further increases.

Our company's rental income benefits from long-term leases with an average remaining term of 6.6 years. In the event of a rise in consumer prices, there will be potential increases in rental income on account of adjustments in line with this index usually included in rental agreements.

SUMMARY ASSESSMENT OF THE RISK AND OPPORTUNITY SITUATION

The risk management system forms the basis for the assessment of overall risk by the Management Board. The Management Board and the Supervisory Board receive regular reports on the risk situation.

Risks and opportunities at HAMBORNER have not changed significantly compared to the previous year in the 2019 financial year. According to our assessment of overall risk, there are currently no risks to HAMBORNER as a going concern or that could have a significantly impair its net asset situation, financial position or result of operations. The risk and opportunity situation is balanced overall.

The company is confident that it will be able to continue to take advantage of the opportunities and challenges that arise moving ahead, without having to take unreasonable risks.

FORECAST REPORT

ORIENTATION OF THE COMPANY

Excellently positioned among the competition and well equipped for further growth

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 capital. The latter includes a minimum equity ratio of 45% on a fair value basis. Given our excellent capital resources, we feel we are very well positioned in terms of competition and well equipped for further growth. We will take advantage of market opportunities as they arise.

Our strategy is geared to the medium to long term. We will also maintain our sound financing structure in future and finance investments with an appropriate use of borrowed funds, 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 ECONOMIC ENVIRONMENT

Following the noticeable weakness of the German economy in the second half of 2019, there are initial indications of a recovery at the end of the year. While the weakness of the export-driven German industrial sector – which is largely responsible for the economic cooldown – is not over yet, there are growing signs that it will bottom out soon. For instance, incoming orders and revenue have begun to stabilise at a low level in recent months. Business forecasts have also brightened somewhat. The effects of the spread of the coronavirus and the resulting economic developments cannot be estimated at the current time.

In its December report, Deutsche Bundesbank forecasts that the German economy will grow more significantly again in the next two years. While growth in 2020 is expected to remain at the 2019 level (0.6%), gross domestic product is projected to expand by 1.4% in 2021. However, economic growth will continue to be defined by external risks that could further exacerbate and prolong the current downturn in the industrial sector. Furthermore, Deutsche Bundesbank believes that the German government's climate package will have an impact on growth from 2021, with the introduction of CO_2 certificates having a direct impact on consumer prices that could diminish private consumer spending. Deutsche Bundesbank expects that inflation will be slightly lower than in 2019 at 1.3% in 2020, and 1.6% in 2021. According to forecasts by the Kiel Institute for the World Economy (IfW) and the Leibniz Institute for Economic Research (RWI), the unemployment rate will be 4.9% in 2020 and 2021.

FUTURE SITUATION IN THE INDUSTRY

Letting market

JLL anticipates that take-up on the seven major property markets will decline by an average of 4% in 2020 as against 2019. The supply situation will continue to be characterised by a dearth of available space, while demand will be influenced by the ailing economy and its subsequent repercussions for the office rental market. The aggregate growth in prime rents for the big seven in 2020 is set to be 3.9%, continuing with a minor downturn. Higher growth rates may be expected on other sub-markets.

We anticipate stable lettings and rents for retail centres. We are also forecasting decreases in rent revenues on average in pedestrianised zones in the coming years, with occasional significant outliers in either direction. There is rising demand for small spaces, and sales space requirements are on the decline. The development of recent years is likely to continue. Brick-and-mortar food outlets, household and personal goods stores and food concepts are performing well, non-foods (especially textiles) are under pressure and losing sales, demand for space in larger cities is rising. Online retail will continue to gain market share in some product categories.

Investment market

Despite the current geopolitical uncertainty, demand for property will likely remain high in 2020 as well. JLL believes it possible for the transaction volume for commercial properties to match the previous year's level in 2020. The primary limiting factor is still the supply of products eligible for investment.

We expect prime yields for office and retail properties to track sideways in 2020.

ANTICIPATED BUSINESS DEVELOPMENT

The targets and forecasts for the financial year were met or exceeded in some cases. Rental income increased by 2.1% over the previous year in 2019, in line with the forecast from the beginning of the year. As a result of higher net rental income and higher other operating income than originally anticipated, coupled with only moderate growth in interest expenses, operating earnings (FFO) rose more than initially expected at the start of 2019, even surpassing the record level for 2018 by a further 3.1%. FFO per share climbed accordingly from 66 cents to 68 cents. NAV per share climbed from €10.79 to €11.59. In particular, the basis for this was again the positive development of 3.2% in the value of our property portfolio on a like-for-like basis in 2019.

For the current 2020 financial year, we are assuming that the good business performance will continue with a significant increase in operating result (FFO) comparable to that of the previous year. With the same number of shares, FFO per share would also be in line with the high prior-year level. The main factor influencing FFO, our central control parameter, is still rental income, which is estimated to rise by 3% year-on-year in 2020 according to our current forecasts. In particular, this is due to the new acquisitions transferred to us in 2019 and at the start of 2020 in Neu-Isenburg, Bonn and Aachen. This forecast does not take into account other acquisitions or disposals not yet specified further.

Additional new acquisitions would have a further positive effect on rental income and the operating result. The extent of this crucially depends on the timing of new property additions. Even assuming that interest rates remain low or increase only moderately, further acquisitions are desirable. However, new acquisitions must satisfy our quality and yield requirements. In addition, the availability of profitable properties is limited with fierce competition, and this competition is unlikely to lessen in 2020. The timing of possible purchases and also further portfolio streamlining through disposals therefore cannot be predicted precisely.

The vacancy rate including rent guarantees was low in 2019 at 2.0%. We are anticipating a high occupancy rate in 2020 as well, with a vacancy rate similar to the previous year. We also expect a low level of default on rent because, as in previous years, our main tenants are of good credit standing. Overall, our company has a solid foundation thanks to its secure letting income.

In terms of cash expenses, personnel expenses will increase in 2020 on account of the appointment of a new member of the Management Board in particular. In maintenance expenses, we are likewise assuming a significantly higher level than in previous years on account of the larger portfolio and the necessary improvements for tenants in the context of new leases. HAMBORNER's REIT status, the structure of its property portfolio and its financial strength have left it in a good competitive situation. This does not preclude further volatility of property prices and thus an impact on the valuation of the portfolio properties and therefore on net asset value (NAV).

On the basis of our earnings forecasts, we are assuming that an attractive dividend distribution will be possible for 2020 as well. This will require that we are spared from major, unforeseeable reductions in earnings. Assuming both this and a further stable development in the value of our like-for-like property portfolio, we are anticipating a slight increase in NAV per share for 2020.

REPORT ON ADDITIONAL INFORMATION UNDER COMPANY LAW (SECTION 289A(1) HGB)

Composition of issued capital

79.7 million
shares outstanding as at 31 December 2019

As at 31 December 2019, the issued capital of the company amounted to €79,717,645 and was fully paid up. The share capital is divided into 79,717,645 no-par-value shares, each with a nominal amount 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(1) sentence 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 seq. AktG) and the right to participate in profits (section 58(4) AktG).

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 on 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 right 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 themselves 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 the Chairman 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 Chairman for cause 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(1) sentence 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(2) sentence 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:

Authorised Capital I

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 bearer shares against cash and non-cash contributions (Authorised Capital II) until 9 May 2022 and, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases.

Authorised Capital II

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 bearer shares against cash contributions (Authorised Capital II) until 9 May 2022.

Contingent Capital

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 bearer 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 bearer shares (Contingent Capital) and, with the approval of the Supervisory Board, the Management Board can disapply 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 20 of the annual report onwards. There are no other compensation agreements with employees of the company.

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289F HGB

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 on our website at www.hamborner.de under HAMBORNER REIT AG / Corporate Governance / Corporate Governance Declaration.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Detailed information on the remuneration system and the remuneration of the Management Board and the Supervisory Board can be found in our corporate governance report from page 34 onwards. The information found there on the remuneration system is part of the management report.

Duisburg, 2 March 2020

The Management Board

Niclas Karoff Hans Richard Schmitz

The management report contains forward-looking statements. 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.

SEPARATE FINANCIAL STATEMENTS

IN ACCORDANCE WITH IFRS

94	Income Statement
95	Statement of Comprehensive Income
96	Statement of Financial Position
98	Statement of Cash Flows
99	Statement of Changes in Equity
100	Statement of Changes in Non-Current Assets *
102	Notes
128	Responsibility Statement
129	Independent Audit Opinion

** also part of the Notes*

INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

€ thousand	Notes	2019	2018
Income from rents and leases		85,165	83,402
Income from passed-on incidental costs to tenants		14,140	13,469
Real estate operating expenses		–17,419	–17,818
Property and building maintenance		–5,531	–5,500
Net rental income	(1)	**76,355**	**73,553**
Administrative expenses	(2)	–1,408	–1,312
Personnel expenses	(3)	–4,968	–4,440
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	(4)	–36,522	–34,846
Other operating income	(5)	1,374	1,153
Other operating expenses	(6)	–1,503	–1,276
		–43,027	**–40,721**
Operating result		**33,328**	**32,832**
Result from the sale of investment property	(7)	95	1,584
Earnings before interest and taxes (EBIT)		**33,423**	**34,416**
Interest income		0	181
Interest expenses		–15,542	–15,197
Financial result	(8)	**–15,542**	**–15,016**
Net profit for the year		**17,881**	**19,400**
Earnings per share (€)	(9)	0.22	0.24

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

€ thousand	Notes	2019	2018
Net profit for the year as per income statement		**17,881**	**19,400**
Items reclassified to profit or loss in future if certain conditions are met:			
Unrealised gains / losses (–) on the revaluation of derivative financial instruments	(16)	532	873
Items not subsequently reclassified to profit or loss in future:			
Actuarial gains / losses (–) on defined benefit obligations	(18)	– 607	– 133
Other comprehensive income		**– 75**	**740**
Total comprehensive income		**17,806**	**20,140**

STATEMENT OF FINANCIAL POSITION – ASSETS

€ thousand	Notes	31 Dec. 2019	31 Dec. 2018
NON-CURRENT ASSETS			
Intangible assets	(10)	574	600
Property, plant and equipment	(10)	3,057	3,103
Investment property	(11)	1,202,734	1,195,572
Advance payments on investment property	(11)	16,102	0
Financial assets	(12)	1,238	1,177
Other assets	(13)	285	199
		1,223,990	**1,200,651**
CURRENT ASSETS			
Trade receivables and other assets	(13)	2,329	1,372
Cash and cash equivalents	(14)	8,358	7,783
		10,687	**9,155**
Total assets		**1,234,677**	**1,209,806**

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

€ thousand	Notes	31 Dec. 2019	31 Dec. 2018
EQUITY	(15)		
Issued capital		79,718	79,718
Capital reserves		380,467	391,194
Retained earnings		53,377	61,514
		513,562	**532,426**
NON-CURRENT LIABILITIES AND PROVISIONS			
Financial liabilities	(16)	618,588	627,260
Derivative financial instruments	(16)	1,110	1,642
Trade payables and other liabilities	(17)	10,089	1,595
Pension provisions	(18)	6,625	6,352
Other provisions	(19)	3,360	3,075
		639,772	**639,924**
CURRENT LIABILITIES AND PROVISIONS			
Financial liabilities	(16)	69,776	22,560
Trade payables and other liabilities	(17)	10,111	13,421
Other provisions	(19)	1,456	1,475
		81,343	**37,456**
Total equity, liabilities and provisions		**1,234,677**	**1,209,806**

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

€ thousand	Notes	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES	(22)		
Net profit for the year		17,881	19,400
Financial result		15,542	15,016
Depreciation, amortisation and impairment (+) / write-ups (–)		36,522	34,846
Change in provisions		–338	–603
Gains (–) / losses (+) (net) on the disposal of property, plant and equipment and investment property		–99	–1,591
Change in receivables and other assets not attributable to investing or financing activities		–1,043	2
Change in liabilities not attributable to investing or financing activities		–206	95
		68,259	**67,165**
CASH FLOW FROM INVESTING ACTIVITIES	(23)		
Investments in intangible assets, property, plant and equipment and investment property		–55,638	–132,717
Proceeds from disposals of property, plant and equipment and investment property		1,600	11,997
Proceeds from disposals of financial assets		3	5
		–54,035	**–120,715**
CASH FLOW FROM FINANCING ACTIVITIES	(24)		
Dividends paid		–36,670	–35,873
Proceeds from borrowings of financial liabilities		60,636	96,389
Repayments of borrowings		–22,216	–41,914
Proceeds for cash collateral for financial liabilities		4,191	0
Cash flow from lease liabilities		–699	0
Interest payments		–14,700	–15,374
		–9,458	**3,228**
Changes in cash funds		**4,766**	**–50,322**
Cash funds on 1 January		**3,592**	**53,914**
Cash and cash equivalents (with a remaining term of up to three months)		3,592	53,914
Restricted cash and cash equivalents		4,191	4,191
Cash and cash equivalents on 1 January		**7,783**	**58,105**
Cash and cash equivalents on 31 December		**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 31 December		**8,358**	**7,783**

STATEMENT OF CHANGES IN EQUITY

€ thousand	Issued capital	Capital reserves	Retained earnings			Total equity
			Cash flow hedge reserve	Reserve for IAS 19 pension provisions	Other retained earnings	
As at 1 January 2018	**79,718**	**391,194**	**– 2,515**	**– 3,891**	**83,653**	**548,159**
Distribution of profit for 2017 (€0.45 per share)					– 35,873	– 35,873
Net profit for the year 1 Jan. – 31 Dec. 2018					19,400	19,400
Other comprehensive income 1 Jan. – 31 Dec. 2018			873	– 133		740
Total comprehensive income 1 Jan. – 31 Dec. 2018			**873**	**– 133**	**19,400**	**20,140**
As at 31 December 2018	**79,718**	**391,194**	**– 1,642**	**– 4,024**	**67,180**	**532,426**
Distribution of profit for 2018 (€0.46 per share)					– 36,670	– 36,670
Withdrawal from capital reserves		– 10,727			10,727	
Net profit for the year 1 Jan. – 31 Dec. 2019					17,881	17,881
Other comprehensive income 1 Jan. – 31 Dec. 2019			532	– 607		– 75
Total comprehensive income 1 Jan. – 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**

STATEMENT OF CHANGES IN NON-CURRENT ASSETS *

€ thousand	Cost			
	As at 1 Jan. 2019	Additions	Disposals	As at 31 Dec. 2019
Intangible assets	841	54	0	895
Property, plant and equipment	4,102	174	10	4,266
Investment property	1,383,502	44,885	2,230	1,426,157
Advance payments on investment property	0	16,102	0	16,102
Total	**1,388,445**	**61,215**	**2,240**	**1,447,420**

€ thousand	Cost			
	As at 1 Jan. 2018	Additions	Disposals	As at 31 Dec. 2018
Intangible assets	707	134	0	841
Property, plant and equipment	4,022	109	29	4,102
Investment property	1,264,978	131,386	12,862	1,383,502
Total	**1,269,707**	**131,629**	**12,891**	**1,388,445**

* also part of the Notes

	Depreciation / amortisation / write-ups				Carrying amounts	
	As at 1 Jan. 2019	Additions (depreciation / amortisation for the financial year)	Disposals	As at 31 Dec. 2019	As at 31 Dec. 2018	As at 31 Dec. 2019
	241	80	0	321	600	574
	999	220	10	1,209	3,103	3,057
	187,930	36,222	729	223,423	1,195,572	1,202,734
	0	0	0	0	0	16,102
	189,170	**36,522**	**739**	**224,953**	**1,199,275**	**1,222,467**

	Depreciation / amortisation / write-ups				Carrying amounts	
	As at 1 Jan. 2018	Additions (depreciation / amortisation for the financial year)	Disposals	As at 31 Dec. 2018	As at 31 Dec. 2017	As at 31 Dec. 2018
	200	41	0	241	507	600
	866	162	29	999	3,156	3,103
	155,743	34,643	2,456	187,930	1,109,235	1,195,572
	156,809	**34,846**	**2,485**	**189,170**	**1,112,898**	**1,199,275**

NOTES

GENERAL INFORMATION

HAMBORNER REIT AG is a listed corporation (SCN 601300) 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 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 of the German REIT Act. 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) of the *Handelsgesetzbuch* (HGB – German Commercial Code) in accordance with the provisions of the International Financial Reporting Standards (IFRSs). The management report in accordance with section 289 HGB is published with the IFRS separate financial statements in the Federal Gazette.

The separate financial statements as at 31 December 2019 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 passed 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 as at the time of the preparation of the financial statements have been applied to the extent that they have been endorsed by the EU. Thus, the separate financial statements of the company comply with IFRS.

The financial statements were prepared in euro (€). All amounts are shown in thousands of euro (€ 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 2019 and the management report for 2019 on 2 March 2020 and approved them for submission to the Supervisory Board.

The separate financial statements prepared in accordance with 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 on the Internet at www.hamborner.de. They can also be requested from HAMBORNER REIT AG, Goethestrasse 45, 47166 Duisburg, Germany.

ACCOUNTING POLICIES

These separate financial statements as at 31 December 2019 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 2019 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 2018, 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
IFRS 9	Financial Instruments	Amendments to IFRS 9 regarding the classification of certain financial assets with prepayment features and modifications of financial liabilities
IFRS 16	Leases	New standard; replaces IAS 17 as currently amended
IAS 19	Employee Benefits	Clarification of accounting regulations for defined benefit plan amendments, curtailments or settlements
IAS 28	Investments in Associates and Joint Ventures	Clarification that IFRS 9 rather than IAS 28 applies to long-term interests in associates and joint ventures that are essentially part of the net investment in the associate or joint venture and not accounted for using the equity method
Various	Annual IFRS improvement project (2015 – 2017)	Amendments essentially relate to IFRS 3, IFRS 11, IAS 12, IAS 23
IFRIC 23	Uncertainty over income tax treatments	New interpretation to clarify uncertainty over income tax treatments

Barring the amendments arising from IFRS 16 explained in more detail below, the new or revised Standards and Interpretations had no material influence on HAMBORNER's financial statements.

IFRS 16 Leases

IFRS 16 became effective for the first time as at 1 January 2019. It replaces the previously applicable IAS 17 and regulates accounting for leases.

The introduction of IFRS 16 will not have any accounting effects on HAMBORNER as a ***lessor*** in relation to leased properties.

HAMBORNER is a ***lessee*** as defined by IFRS 16 for three leaseholds and, to a lesser extent, for items of operating and office equipment. In accordance with the provisions of IAS 17 that applied until 31 December 2018, operating leases were reported off-balance sheet by lessees by recognising the lease instalments to be paid in the income statement. Now the discounted future financial obligations arising 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.

The modified retrospective method was applied in adopting IFRS 16 as at 1 January 2019, hence the prior-year figures were not restated. As a result, investment property increased by €9.2 million and property, plant and equipment by €0.1 million. At the same time, trade payables and other liabilities rose by €9.3 million.

The reconciliation of the future payments for leaseholds reported in the previous year's financial statements in the amount of €10.3 million to the lease liabilities reported for the first time as at 1 January 2019 is as follows:

€ thousand	
Future payments for leaseholds reported in the previous year's financial statements (not including renewal options)	10,337
With renewal options	7,417
Discounting	– 8,517
Lease liability for leaseholds	**9,237**
Plus lease liability for operating and office equipment	78
Total lease liability	**9,315**

On account of the recognition of right-of-use assets and lease liabilities, the current ground rents are no longer reported in profit or loss as operating expenses. However, depreciation increases to reflect the lower value of the rights of use and interest expenses are increased by the interest effect of the lease liability.

On first-time measurement of lease liabilities, a weighted average interest rate of 4.75% was used for ground rents assuming full financing. An interest rate of 1.30% was used for leased items of property, plant and equipment.

The effects of the adoption of IFRS 16 on the statement of financial position and the income statement are as follows:

€ thousand	2019	2018
STATEMENT OF FINANCIAL POSITION		
Right-of-use assets		
Property, plant and equipment	76	0
Investment property	8,862	0
Lease liability		
Trade payables and other liabilities		
– current	659	0
– non-current	8,439	0
INCOME STATEMENT		
Real estate operating expenses	0	612
Depreciation and amortisation	426	0
Interest expenses	433	0
Total effect on income statement	**859**	**612**
STATEMENT OF CASH FLOWS		
Cash flow from operating activities	0	– 612
Cash flow from lease liabilities = cash flow from financing activities	– 699	0

The following standards and interpretations already passed, amended or issued by the IASB were not yet effective for the 2019 financial year. The option to apply standards and interpretations early was not exercised.

Standard / Interpretation	Name	Nature of amendment	Effective date	Material expected effect
IFRS 3	Business Combinations	Clarification for assessing whether a business or merely a group of assets was acquired	1 January 2020	None
IFRS 17	Insurance Contracts	The standard governs accounting for insurance contracts and replaces the previous transitional standard IFRS 4.	1 January 2021	None
IAS 1 and 8	Presentation of Financial Statements / Accounting Policies	Definition of material	1 January 2020	None
IFRS 7 / IFRS 9 / IAS 39	Various	Effect of the Interest Rate Benchmark Reform on certain hedge accounting requirements	1 January 2020	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. As in previous years, it therefore did not prepare a segment report. Internal reporting is also based on the IFRS accounting figures.

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 lives, the fair value of land, buildings and receivables, 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.

Intangible assets

Intangible assets are measured at cost less 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 and operating and office equipment are reported under property, plant and equipment. Depreciation for the administrative building is based on a total useful life of 33 years. The operating and office equipment has an average useful life of between three and 15 years.

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

Investment property

Investment property is measured at amortised cost less 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 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 the 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 accordingly. 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 the 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, our developed property portfolio was valued by an independent expert at the end of 2019. 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 (2020 to 2029), 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. Discount rates of between 3.50% and 7.35% (previous year: 3.50% and 7.25%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 3.90% and 9.00% (previous year: 4.05% and 8.35%). For further information please see "Performance of the property portfolio" 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 us and for leaseholds reported under right-of-use assets.

The fair value of our undeveloped land holdings was calculated 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 €2.68 per m² at the end of 2019 (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.

For information on accounting for leases, please see the comments from page 102 onwards regarding amended Standards effective for the first time in the period under review.

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 through other comprehensive income or at fair value through profit or loss.

All financial assets are classified as at amortised cost at HAMBORNER.

In accordance with IFRS 9, impairment must be recognised for expected credit losses on assets at amortised cost using the expected credit loss model. A corresponding provision matrix was prepared on this basis for trade receivables, though no significant amounts were calculated. For this reason, any discernible specific risks concerning trade receivables are appropriately taken into account by way of write-downs (level 2).

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.

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 less 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 %	2019	2018
Interest rate	0.9	1.8
Pension trend	2.0	2.0
Inflation	2.0	2.0

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 retained earnings 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 retained earnings 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 cash flow hedges is determined in line with 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 as 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 in line with 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 not affected 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 the letting of the properties, and thus 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. Thus, this revenue must be accounted for in accordance with IFRS 15. HAMBORNER is the principal in these contracts, hence 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:

€ thousand	2019	2018
INCOME FROM RENTS AND LEASES		
Retail	52,843	51,864
Office space and medical practices	27,913	27,463
Garages / car parking spaces	1,702	1,005
Residential	141	146
Other	2,566	2,924
Total	**85,165**	**83,402**
Income from passed-on incidental costs to tenants	14,140	13,469
Total	**99,305**	**96,871**
Real estate operating expenses	–17,419	–17,818
Property and building maintenance	–5,531	–5,500
Net rental income	**76,355**	**73,553**

Income from rents and leases for properties recognised in accordance with IAS 40 increased by €1,763 thousand to €85,165 thousand in the reporting year. The change was due to rent increases due to property additions in the reporting year and the previous year (€2,777 thousand), rent losses as a result of property disposals (€–911 thousand) and reductions in rents (like-for-like) of €103 thousand.

At €10.1 million (previous year: €9.7 million), HAMBORNER generated more than 10% of its rental income with the EDEKA Group in the 2019 financial year (11.9%; previous year: 11.7%).

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 €671 thousand in the reporting year. €293 thousand of the increase in income from passed-on incidental costs 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 €379 thousand.

Most of the real estate operating expenses can be passed on to the tenants under the terms of their rental agreements. They have been reduced by a net amount of €399 thousand, in particular as a result of ground rents no longer reported under real estate operating expenses following the adoption of IFRS 16, and amount to €17,419 thousand.

€ thousand	2019	2018
REAL ESTATE OPERATING EXPENSES		
Energy, water, etc.	6,128	6,355
Property / centre management, caretakers	4,736	4,603
Land taxes	3,093	2,952
Other property charges	1,544	1,313
Advertising costs	694	754
Insurance premiums	828	722
Non-deductible input tax	144	310
Ground rent costs	0	612
Miscellaneous	252	197
Total	**17,419**	**17,818**

The expenses for property and building maintenance amounted to €5,531 thousand compared to €5,500 thousand in the previous year. €2,804 thousand of these expenses relate to unplanned and ongoing maintenance, €1,335 thousand to planned maintenance and €1,392 thousand to leasehold improvements.

The direct operating expenses for our leased property were €22,950 thousand in the reporting year (previous year: €23,318 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 (€123 thousand; previous year: €109 thousand) relate exclusively to audits of financial statements.

(3) Personnel expenses

Personnel expenses were up year-on-year at €4,968 thousand (€4,440 thousand). Other than general pay adjustments and a slightly higher headcount compared to the previous year, the increase results in particular from the remeasurement effects of long-term share-based Management Board remuneration on account of the higher price of HAMBORNER shares compared to the previous year as at 31 December 2019.

€ thousand	2019	2018
Wages and salaries	4,413	3,948
Social security contributions and related expenses	478	419
Retirement benefit expenses / pension expenses	77	73
Total	**4,968**	**4,440**

(4) Amortisation of intangible assets, depreciation of property, plant and equipment and investment property

The depreciation and amortisation expense was up €1,676 thousand on the previous year at €36,522 thousand. €36,223 thousand of this increase relates to investment property (previous year: €34,643 thousand). This includes impairment losses of €1,555 thousand (previous year: €1,319 thousand) on two properties in Koblenz (€1,507 thousand) and Oberhausen (€48 thousand).

The write-down in Koblenz was required because, following the expiry of the anchor tenant's lease, it is expected that it will be possible to renew the lease on greatly reduced terms only, on account of the decline in market rents at the location. The property was written down to its recoverable amount of €9,520 thousand, which is also its value in use. A discount rate of 6.35% (previous year: 6.00%) and a capitalisation rate of 5.65% (previous year: 5.40%) were used to discount the contractual cash flows and the residual value after ten years.

The impairment loss in Oberhausen results from a deterioration in market conditions at the location with declining yields. The property was written down to its recoverable amount of €780 thousand, which is also its value in use. A discount rate of 8.10% (previous year: 8.10%) and a capitalisation rate of 7.35% (previous year: 7.25%) were used to discount the contractual cash flows and the residual value after ten years.

The item also includes depreciation on right-of-use assets as defined by IFRS 16 of €426 thousand. €375 thousand of this relates to right-of-use assets reported under investment property and €51 thousand to property, plant and equipment.

(5) Other operating income

Other operating income breaks down as follows:

€ thousand	2019	2018
Reversal of provisions and accruals	315	99
Charges passed on to tenants and leaseholders	302	156
Recoveries on receivables previously written down	279	84
Other compensation and reimbursement	225	185
Compensation in connection with section 15a UStG	96	101
Compensation for early lease termination	90	501
Miscellaneous	67	27
Total	**1,374**	**1,153**

(6) Other operating expenses

Other operating expenses increased by €227 thousand to €1,503 thousand. In the reporting year this item includes legal and consulting costs of €392 thousand (previous year: €316 thousand) and costs of investor relations and public relations work of €332 thousand (previous year: €205 thousand). Furthermore, the item includes input tax adjustments due to the conclusion of VAT-exempt leases (section 15a of the *Umsatzsteuergesetz* (UStG – German VAT Act) of €290 thousand (previous year: €296 thousand) predominantly passed on to tenants or compensated by corresponding rent adjustments. Furthermore, in the reporting period there were expenses of €149 thousand (previous year: €0 thousand) not eligible for capitalisation for the changeover of the ERP system.

(7) Result from the sale of investment property

In the reporting year we generated net income from the disposal of property of €95 thousand after €1,584 thousand in the previous year. The result in the period under review was generated by the disposal of a property in Leverkusen.

(8) Financial result

The financial result consists of interest income and expenses. However, there was no interest income in the period under review (previous year: €181 thousand).

Interest expenses increased by €345 thousand to €15,542 thousand, €14,828 thousand (previous year: €15,073 thousand) of which relates to financial liabilities. At €14,576 thousand (previous year: €14,835 thousand), this is almost entirely attributable to interest on property financing.

Interest expenses from interest rate hedges amount to €618 thousand (previous year: €1,033 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 the swap agreements on account of the consistently negative 3-month EURIBOR. For further details and information on interest rate hedges please see note 16.

The interest expenses to be reported for the first time in the 2019 financial year in connection with the measurement of lease liabilities on account of the adoption of IFRS 16 amounted to €433 thousand.

(9) Earnings per share

The net profit for the year amounted to €17,881 thousand, down €1,519 thousand on the figure for the previous year.

Earnings per share amount to €0.22 and are calculated in accordance with IAS 33. Thus, 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.

		2019	2018
Weighted average number of shares outstanding	Thousands	79,718	79,718
Net earnings / net profit for the year	€ thou.	17,881	19,400
Earnings per share	€	0.22	0.24

NOTES TO THE STATEMENT OF FINANCIAL POSITION

(10) Intangible assets and property, plant and equipment

At €398 thousand, intangible assets essentially comprise a naming right purchased in connection with the property in Lübeck. In particular, this item also includes acquired rights for the use of system and application software for our IT.

The carrying amount of the company's administrative building in Duisburg reported under property, plant and equipment was €2,679 thousand (previous year: €2,783 thousand) as at the end of the reporting period.

Right-of-use assets for leased operating and office equipment are reported under property, plant and equipment for the first time in 2019. These developed as follows:

€ thousand		2019	2018
As at 1 January		**0**	**0**
+	Addition on adoption of IFRS 16	78	0
+	Additions (intra-year)	49	0
–	Depreciation and amortisation	– 51	0
As at 31 December		**76**	**0**

(11) Investment property / advance payments

Investment property developed as follows in the reporting year:

€ thousand		2019	2018
As at 1 January		**1,195,572**	**1,109,235**
+	Additions due to acquisition	30,890	125,514
+	Additions to incidental costs of pending acquisitions	1,533	4,007
+	Additions due to costs subsequently added	3,225	1,865
		35,648	**131,386**
–	Disposals due to sales	– 1,501	– 10,406
		– 1,501	**– 10,406**
–	Depreciation on buildings for the financial year	– 34,292	– 33,324
–	Impairment losses for the financial year	– 1,555	– 1,319
		– 35,847	**– 34,643**
+/–	Change in measurement of right-of-use assets	8,862	0
As at 31 December		**1,202,734**	**1,195,572**

Following the adoption of IFRS 16 as at 1 January 2019, the carrying amount of right-of-use assets as defined by the Standard developed as follows in the period under review:

€ thousand		2019	2018
As at 1 January		**0**	**0**
+	Addition on adoption of IFRS 16	9,237	0
–	Depreciation and amortisation	– 375	0
As at 31 December		**8,862**	**0**

Taking into account the additions and disposals in the reporting year, the fair value of investment property was €1,612,362 thousand as at 31 December 2019 (previous year: €1,521,728 thousand).

The fair value of investment property breaks down as follows:

€ thousand	2019	2018
Developed property portfolio	1,598,090	1,517,260
Incidental costs of pending acquisitions	4,948	4,007
Undeveloped land holdings	461	461
Right-of-use assets for leases	8,862	0
Total	**1,612,361**	**1,521,728**

Advance payments relate to a contractually agreed purchase price payment for a property in Neu-Isenburg, the risks and rewards of ownership of which transferred to the company after the end of the reporting period on 1 January 2020.

(12) Financial assets

At €1,238 thousand (previous year: €1,174 thousand) financial assets essentially relate to cash security deposits by tenants.

(13) Trade receivables and other assets

Trade receivables and other current assets break down as follows:

€ thousand	2019	2018
TRADE RECEIVABLES		
Rent in arrears and billed incidental costs	1,489	770
Write-downs on trade receivables	–105	–184
Deferred receivables from future incidental cost invoices (contract assets)	473	450
Miscellaneous	83	27
	1,940	**1,063**
OTHER ASSETS		
Financial assets	194	139
Miscellaneous	195	170
	389	**309**
Total	**2,329**	**1,372**

€407 thousand of trade receivables were past due and not impaired as at the end of the reporting period. €289 thousand of these were older than 60 days.

(14) Cash and cash equivalents

Cash and cash equivalents break down as follows:

€ thousand	2019	2018
Bank balances	8,353	7,782
Cash balances	5	1
Total	**8,358**	**7,783**

Bank balances include €97 thousand (previous year: €597 thousand) in demand deposits.

(15) Equity

The development of equity from 1 January 2018 to 31 December 2019 is shown in the statement of changes in equity. As at 31 December 2019, the issued capital of the company amounted to €79,718 thousand and was divided into 79,718 thousand no-par-value bearer shares.

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 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 €31,887 thousand (Authorised Capital II). At the same time, the existing Authorised Capital II of €7,086 thousand was revoked.

The following total authorised capital is therefore still available as at 31 December 2019:

- €7,972 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 bearer shares of the company with a total pro rata amount of share capital of up to €31,887 thousand in accordance with the more detailed 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 bearer shares (Contingent Capital).

With the approval of the Supervisory Board, the Management Board can disapply 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 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 until 27 April 2021. The Management Board has not yet utilised this authorisation.

Including the HGB withdrawal of €10,727 thousand, capital reserves amount to €380,467 thousand as at the end of the reporting period (previous year: €391,194 thousand) and include amounts generated when issuing shares in the context of capital increases that exceeded the notional value of the shares less the costs of capital increases.

Retained earnings amount to €53,377 thousand as at 31 December 2019 (previous year: €61,514 thousand). The distribution of a dividend of €37,467 thousand for the 2019 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 retained earnings of € – 4,631 thousand (previous year: €– 4,024 thousand) relates to cumulative actuarial losses from defined benefit pension commitments. The cash flow hedge reserve of €– 1,110 thousand (previous year: €– 1,642 thousand) contains the negative fair values of hedging derivatives.

The objectives of our 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.

€ thousand	2019	2018	Change
Equity	513,562	532,426	– 3.5%
Total assets	1,234,677	1,209,806	+2.1%
Reported equity ratio	**41.6%**	**44.0%**	**– 2.4 percentage points**

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. Compliance with the REIT equity ratio is therefore subject to ongoing monitoring. The ratio was 57.3% as at 31 December 2019 (previous year: 56.4%).

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 company's properties. The figure was 42.4% as at 31 December 2019 (previous year: 42.5%).

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

The capital management targets were achieved in the financial year.

(16) Financial liabilities and derivative financial instruments

Financial liabilities increased by a net amount of €38,012 thousand to €688,364 thousand as a result of further borrowing for property financing. The fair value of the derivative financial instrument rose by €532 thousand, essentially as a result of the shorter remaining term by one year, and is €– 1,110 thousand. The property loans in place are based on both long-term fixed-rate interest agreements and interest rate agreements based on EURIBOR. The interest rate risk of property finance secured by property liens with floating interest rates was eliminated in full by interest rate swaps. Under these swap agreements, HAMBORNER receives 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.

The nominal hedge volume of the interest rate swaps was €15.5 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 fair values of interest rate derivatives recognised in equity of €0.5 million resulted in a rise in market value changes in derivatives in the cash flow hedge reserve to €– 1.1 million. There are no further derivative financial instruments other than the interest rate swaps shown above.

			31 Dec. 2019		31 Dec. 2018	
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	15,533	– 1,110	15,859	– 1,642
Total			**15,533**	**– 1,110**	**15,859**	**– 1,642**

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

€ thousand	**31 Dec. 2019**			31 Dec. 2018		
	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	69,776	262,918	355,670	22,560	299,064	328,196
Derivative financial instruments	0	1,110	0	0	1,642	0
Total	**69,776**	**264,028**	**355,670**	**22,560**	**300,706**	**328,196**

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.

€ thousand	31 Dec. 2019			31 Dec. 2018		
	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	81,817	295,516	366,526	34,965	335,222	341,680
Derivative financial instruments	613	502	0	612	1,090	0
Total	**82,430**	**296,018**	**366,526**	**35,577**	**336,312**	**341,680**

With the exception of the unsecured promissory note loans of €75.0 million, all loans are secured by investment property. There were land charges of €714.4 million chargeable to the company for the financial liabilities reported as at 31 December 2019. 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 interest rates of between 1.1% and 4.3% (average interest rate: 2.1%). Including loans concluded but not yet utilised, the average interest rate is 2.0%. In line with loan agreements, repayments are made monthly or quarterly.

HAMBORNER is exposed to various risks on account of its business activities. The risk report, which is a component of the management report, includes a detailed presentation of these 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 value adjustments.

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 level of market interest rates. We limit 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. For 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 there are no interest rate swaps. 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 percentage points in the base interest rate, the interest expense would rise by €277 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 on the basis of the market value, taking into account accrued interest.

Change in equity in € thousand	2019	2018
Interest rate +1%	249	410
Interest rate – 1%	– 259	– 428

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.

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).

€ thousand	31 Dec. 2019		31 Dec. 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	688,364	716,662	649,820	672,516

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. 2019	Carrying amount	Measurement in accordance with IFRS 9		Non-financial assets / liabilities
€ thousand		At amortised cost	Fair value, derivatives designated as hedges	
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**
EQUITY AND 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**

31 Dec. 2018	Carrying amount	Measurement in accordance with IFRS 9		Non-financial assets / liabilities
€ thousand		At amortised cost	Fair value, derivatives designated as hedges	
ASSETS				
Financial assets	1,177	1,177		
Current trade receivables and other assets	1,372	1,201		171
Cash and cash equivalents	7,783	7,783		
	10,332	**10,161**	**0**	**171**
EQUITY AND LIABILITIES				
Non-current financial liabilities	627,260	627,260		
Non-current derivative financial instruments	1,642		1,642	
Non-current trade payables and other liabilities	1,595	1,242		353
Current financial liabilities	22,560	22,560		
Current trade payables and other liabilities	13,421	7,735		5,686
	666,478	**658,797**	**1,642**	**6,039**

(17) Trade payables and other liabilities

€ thousand	2019	2018
FINANCIAL LIABILITIES		
Trade payables	391	229
Outstanding invoices	3,330	3,585
Other purchase price retention	2,381	2,596
Security deposits	1,396	1,174
Security retention for rent guarantees	771	644
Supervisory Board remuneration	321	317
Audit fees	122	74
Miscellaneous	301	357
	9,013	**8,976**
OTHER LIABILITIES		
Land transfer tax liabilities	4	3,411
Lease liabilities (IFRS 16)	9,098	0
VAT liabilities	866	1,123
Rental and leasing advances	682	987
Deferred investment subsidies	155	242
Land tax obligations	24	47
Miscellaneous	358	230
	11,187	**6,040**
Total	**20,200**	**15,016**

€10,111 thousand (previous year: €13,421 thousand) of trade payables and other liabilities are due within one year.

The non-current financial liabilities (€1,461 thousand; previous year: €1,242 thousand) have a remaining term of less than five years.

Lease liabilities mature as follows:

€ thousand	31 Dec. 2019	31 Dec. 2018
Up to one year	688	0
Between two and five years	3,276	0
More than five years	13,220	0
Total	**17,184**	**0**

(18) 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 connection with 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, we 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 2019, the pension obligations are distributed among four recipients and four 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 11.0 years as at the end of the reporting period (previous year: around 11.0 years).

Pension provisions developed as follows:

€ thousand	2019	2018
Carrying amount 1 January (= present value 1 January)	6,352	6,578
Interest expenses	112	105
Actuarial gains (–) / losses recognised for the current year	607	133
Actuarial gains (–) / losses recognised for the current year	(+607)	(133)
(due to change in demographic assumptions)	–	(+35)
due to change in financial assumptions	(646)	(–136)
(due to experience adjustments)	(–39)	(234)
Pension payments	–446	–464
Total	**6,625**	**6,352**

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

Change in pension provision € thousand	Increase	Decrease
Discounting rate (–0.5 / +0.5 percentage points) (previous year)	372 (368)	–412 (–335)
Pension trend (+0.25 / –0.25 percentage points) (previous year)	198 (171)	–207 (–164)
Deviation in mortality from standard (–7.5% / +7.5%) (previous year)	246 (223)	–221 (–202)

The sensitivity calculations are based on the average term of the pension obligation calculated as at 31 December 2019. 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 €403 thousand are expected in the 2020 financial year.

In the year under review, HAMBORNER paid contributions of €248 thousand (previous year: €225 thousand) deemed as a defined contribution pension scheme to statutory pension insurance. In addition, the company paid direct insurance premiums of €5 thousand (previous year: €4 thousand) and premiums for employer-funded commitments of €60 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.

(19) Other provisions

Other provisions break down as follows:

€ thousand	1 Jan. 2019	Utilisation	Reversals	Additions	31 Dec. 2019	Of which non-current	Of which current
PROVISIONS FOR							
Mining damage	2,588	0	0	161	2,749	2,749	0
Employee bonuses	398	398	0	421	421	0	421
Management Board bonuses (STI)	390	390	0	390	390	0	390
Management Board bonuses (LTI)	708	221	0	373	860	611	249
Reimbursements from operating costs not yet invoiced	349	221	52	196	272	0	272
Miscellaneous	117	103	14	124	124	0	124
Total	**4,550**	**1,333**	**66**	**1,665**	**4,816**	**3,360**	**1,456**

The provision for employee bonus obligations assumes that the expected bonuses for 2019 will be €23 thousand higher than in the previous year and amount to €421 thousand. In addition, there are provisions for long-term, share-based Management Board bonuses (LTI) of €860 thousand (previous year: €708 thousand), €249 thousand of which was paid out in 2020 on the basis of the value of shares as at the end of the reporting period, and for short-term remuneration (STI) of €390 thousand (previous year: €390 thousand). The terms of the share-based remuneration as at the end of the reporting period was two months (long-term, share-based commitments for 2017), 14 months (long-term, share-based commitments for 2018) and 26 months (long-term, share-based commitments for 2019).

The provisions for mining damage relate to the potential risks from our 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 eight and 15 years; previous year: between nine and 16 years), interest rates of between 0.8% and 1.5% (previous year: between 1.5% and 1.8%) were assumed for discounting. The provision increased by a total of €161 thousand to €2,749 thousand as at 31 December 2019 owing to interest effects (maturity adjustment: €– 34 thousand; interest rate adjustment: €– 124 thousand) and inflation-based adjustments (€– 3 thousand).

(20) Contingent liabilities and financial obligations

On 31 December 2019 there were obligations arising from notarised purchase agreements for two properties in Aachen and Bonn to pay a total purchase price of €54.1 million.

There are no further significant contingent liabilities or other financial obligations.

(21) 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 €1,188.9.6 million (previous year: €1,191.6 million) was let under operating leases as at 31 December 2019.

The leases, which are essentially for office and retail space, are usually concluded for terms of between three and 15 years. Around 95% of our commercial leases contain indexation clauses that peg rents to development 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 (minimum lease payments) from its current commercial rental agreements:

€ thousand	31 Dec. 2019	31 Dec. 2018
in 1st year	83,201	80,385
in 2nd year	76,349	74,038
in 3rd year	69,463	64,235
in 4th year	61,067	57,164
in 5th year	52,555	49,727
after 6th year	210,759	184,354
Total	**553,394**	**509,903**

The minimum lease payments include rent 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 a prolongation option is actually expected.

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

HAMBORNER as a lessee

The 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 amounts to €291 thousand per year.

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

NOTES ON THE CASH FLOW STATEMENT

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

The cash and cash equivalents comprise bank deposits and cash balances with an initial remaining term of less than three months. The difference between cash and cash equivalents in the previous year and the "Cash and cash equivalents" item in the statement of financial position of €4.2 million results from a restricted bank account contained in this line item that was pledged to replace collateral in the form of property liens for a loan borrowed in 2009 to finance the Kasslerfelder Kreisel property in Duisburg since sold. The loan was paid off over the course of the reporting year, hence there are no longer any restricted assets as at the end of the reporting period.

Cash and cash equivalents amounted to €8.4 million as at the end of the reporting period after €3.6 million of €7.8 million including the restricted bank account 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.

(22) Cash flow from operating activities

The cash flow from operating activities was €68.3 million after €67.2 million in the previous year. The increase is largely due to higher rental income as a result of new investments.

Operating cash flow per share developed as follows:

		2019	2018
Number of shares outstanding	Thousands	79,718	79,718
Operating cash flow	€ thou.	68,260	67,165
Operating cash flow per share	€	0.86	0.84

(23) Cash flow from investing activities

The cash flow from investing activities essentially resulted in a total cash outflow of €54.0 million (previous year: €120.7 million) due to acquisitions in the financial year (€55.6 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.

(24) Cash flow from financing activities

The cash flow from financing activities amounts to €9.5 million (previous year: €3.2 million). Cash receipts from loans borrowed in the amount of €60.6 million are offset by payments for the dividend for 2018 (€36.7 million) and interest and principal payments (€37.3 million) on the loans borrowed for the pro rata financing of our properties.

The company also has total funds not yet utilised of €71.4 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:

	2019	2018
As at 1 January	**649,820**	**595,661**
Addition due to borrowing of new loans	60,636	96,389
Disposal due to repayment of loans	–22,216	–41,914
Change in deferred transaction costs	–24	–61
Change in deferred transaction costs	148	–255
As at 31 December	**688,364**	**649,820**

OTHER NOTES AND MANDATORY DISCLOSURES

Events after the End of the Reporting Period

The risks and rewards of ownership of an office property in Neu-Isenburg were transferred on 1 January 2020. With annual rental income of €0.9 million in total, the purchase price is €16.1 million.

The risks and rewards of ownership of an office property in Bonn with a purchase price of €25.8 million were transferred to the company on 14 February 2020. The annual rental income amounts to €1.4 million.

Employees

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

	2019	2018
Commercial property management	14	13
Technical property management	6	6
Administration	17	16
Total	**37**	**35**

Corporate Governance

In November 2019, the Management Board and Supervisory Board issued an updated declaration of compliance and published it on the Internet at www.hamborner.de under HAMBORNER REIT AG / Corporate Governance / Corporate Governance Declaration. The full declaration of compliance has also been published in this 2019 annual report.

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) of the German REIT Act. As at the end of the reporting period on 31 December 2019, the company was not aware of any shareholders with a direct shareholding of more than 10% of share capital.

In accordance with section 160(1) no. 8 AktG, the existence of equity investments reported to the company in accordance with section 33(1) or (2) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) 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 year under review 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 2019. This was held by the RAG Foundation, Essen, and amounted to 12.45%.

Voting right notifications

No.	Reporting entity	Voting rights in accordance with Sections 33, 34 WpHG (new)	Voting rights from instruments in accordance with Section 38(1) WpHG	Share of voting rights (new) in %	Threshold affected	Date threshold affected	Allocation of voting rights as defined by Section 34 WpHG
1	Prof. Theo Siegert, Germany	2,385,000		2.99	Drop below 3%	26 Mar. 2019	yes: 2.99%
2	RAG Foundation, Essen, Germany	9,926,280		12.45	Rise above 10%	27 Sept. 2016	yes: 2.67%
3	BNP Paribas Investment Partners S.A., Paris, France	0		0.00	Drop below 3%	4 Feb. 2020	
4	Kingdom of Belgium, Brussels, Belgium	3,944,369		4.95	Drop below 5%	17 Feb. 2017	yes: 4.95%
5	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 2019 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 relatives. There were no reportable transactions with related parties in the 2019 financial year.

Remuneration of the Management Board and the Supervisory Board

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

Total remuneration for active members of the Management Board amounted to €1,358 thousand in the reporting year (previous year: €1,348 thousand). In addition to current remuneration of €1,058 thousand (previous year: €1,048 thousand), non-current, share-based remuneration (LTI) amounts to €300 thousand (previous year: €300 thousand).

The LTI comprises virtual share commitments to be paid to the Management Board in cash after a retention period after the second trading day after publication of the 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 pay-out amount can be increased or reduced based on the relative performance of HAMBORNER shares compared to the EPRA / NAREIT Europe ex UK Index 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 shares of the company on the last trading day of the financial year (€9.76; previous year: €8.41).

On the basis of the share commitments granted in 2019 and remeasurement effects, expenses of €373 thousand (previous year: €155 thousand) were recognised for share-based remuneration in the reporting year.

The number of virtual share commitments granted and still outstanding on 31 December 2019, and the closing price of HAMBORNER shares on the respective commitment date, are presented below:

			Number of virtual share commitments granted	
	Share price at grant date	End of retention period	Dr Rüdiger Mrotzek	Hans Richard Schmitz
LTI 2017	9.19	2020	14,146	14,146
LTI 2018	9.30	2021	16,130	16,130
LTI 2019	9.25	2022	16,216	16,216

Virtual share commitments developed as follows:

	2019	**2018**
As at 1 January	**88,212**	**82,812**
Addition of virtual share commitments granted	32,432	32,260
Disposal of virtual share commitments paid out	–27,660	–26,860
As at 31 December	**92,984**	**88,212**

The virtual share commitments from 2016 due in 2019 (LTI 2016) resulted in a payment of €222 thousand at a share price of €8.90.

The remuneration of the members of the Supervisory Board is due in the short term and amounts to €321 thousand (previous year: €317 thousand) for the financial year.

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 €3,925 thousand as at the end of the reporting period. Post-employment benefits under these pension commitments amounted to €272 thousand in the reporting year.

EXECUTIVE BODIES OF THE COMPANY AND THEIR MANDATES

Supervisory Board

Dr Eckart John von Freyend, Bad Honnef
Honorary Chairman

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

Dr Andreas Mattner, Hamburg
Deputy Chairman
Managing Director of Verwaltung ECE
Projektmanagement G.m.b.H.
External mandates:
EUREF AG * (Deputy Chairman)

Claus-Matthias Böge, Hamburg
Managing Director of CMB Böge
Vermögensverwaltung GmbH
External mandates:
Bijou Brigitte modische Accessoires AG *

Rolf Glessing, Illerkirchberg
Managing Partner of Glessing
Management und Beratung GmbH
External mandates:
FCF Fox Corporate Finance GmbH **
Wohninvest Holding GmbH **

Ulrich Graebner, Bad Homburg v. d. H. (from 7 May 2019)
Managing Director of Houlihan Lokey GmbH
External mandates:
Gepaco S.A. **

Christel Kaufmann-Hocker, Düsseldorf
Independent management consultant
External mandates:
Stiftung Mercator GmbH **

Dr Helmut Linssen, Issum (until 7 May 2019)
Member of the Management Board of the RAG
(until 1 April 2019)
External mandates:
RAG Aktiengesellschaft * (until 4 April 2019)
RAG Deutsche Steinkohle AG * (until 4 April 2019)
Vivawest GmbH ** (Chairman) (until 9 April 2019)
Vivawest Wohnen GmbH ** (Chairman)
(until 9 April 2019)
Degussa Bank AG * (until 9 May 2019)
Signa Prime Selection AG ** (until 18 July 2019)

Mechthilde Dordel *******, Oberhausen
Commercial employee of HAMBORNER REIT AG

Wolfgang Heidermann *******, Raesfeld
Technical employee of HAMBORNER REIT AG

Dieter Rolke *******, Oberhausen
Commercial employee of HAMBORNER REIT AG

* Membership of other statutory supervisory boards
** Membership of similar executive bodies in Germany and abroad
*** Employee member of the Supervisory Board

Committees of the Supervisory Board

Executive Committee
Bärbel Schomberg (Chairwoman)
Claus-Matthias Böge
Ulrich Graebner (from 7 May 2019)
Dr Helmut Linssen (until 7 May 2019)
Dr Andreas Mattner

Audit Committee
Claus-Matthias Böge (Chairman)
Rolf Glessing
Wolfgang Heidermann
Christel Kaufmann-Hocker

Nomination Committee
Bärbel Schomberg (Chairwoman)
Rolf Glessing
Ulrich Graebner (from 7 May 2019)
Dr Helmut Linssen (until 7 May 2019)
Dr Andreas Mattner

Management Board

Niclas Karoff, Berlin (from 1 March 2020)
(Chairman)
Director for 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 for Finance / Accounting, Controlling, Taxes, Portfolio Management, Transaction Management, HR, IT, Risk Management and Controlling, Investments

Hans Richard Schmitz, Duisburg
Until 29 February 2020: Director for Asset Management, Technology / Maintenance, Legal, Investor Relations / Public Relations, Corporate Governance, Insurance, Corporate Services

From 1 March 2020: Director for Asset Management, Maintenance / Technology, Finance and Accounting, Taxes, Legal / Corporate Governance, Investor Relations, Insurance, IT, Corporate Services,, Investments

Duisburg, 2 March 2020

The Management Board

Niclas Karoff Hans Richard Schmitz

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 2020

The Management Board

Niclas Karoff Hans Richard Schmitz

INDEPENDENT AUDIT OPINION

To HAMBORNER REIT AG, Duisburg / Germany

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 2019 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 2019, 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 2019. As per the German statutory provisions, we did not audit the content of the corporate governance declaration in accordance with section 289f HGB.

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 2019 and its results of operations for the financial year from 1 January to 31 December 2019; 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.

In accordance with section 322(3) sentence 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 2019. 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 what we consider to be a key audit matter, the measurement of investment property at fair value:

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 fair value

a) Properties in the amount of €1,202.7 million are reported in the statement of financial position "Investment property" (97.4% of total assets). 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 40.56. 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 measurement 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 to write down 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 on the measurement 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 under "Performance indicators" in 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, the reporting processes and the related controls.

   We consulted internal real estate consulting specialists in our audit of the measurement of investment property. 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 convinced ourselves of the competence, capabilities 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 are responsible for the other information. The other information comprises:

- the corporate governance declaration in accordance with section 289f HGB referred to in the management report;
- the responsibility statement on the separate financial statements and the management report in accordance with section 264(2) sentence 3 and section 289(1) sentence 5 HGB; and
- the other parts of the annual report, with the exception of the audited separate financial statements, the management report and 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 our audit opinion.

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 the responsibility to read the other information and to assess whether the other information:

- contains material inconsistencies with the separate financial statements, 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 the continuation of business activities, if relevant. Furthermore, they are responsible for the accounting on the basis of the going concern principle, unless there is the intention to liquidate or discontinue the company, 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 IFRSs 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 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 elected as the auditor of the separate financial statements by the Annual General Meeting on 7 May 2019. We were engaged by the Supervisory Board on 21 May 2019. 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 German Public Auditor responsible for the audit is Rolf Künemann.

Düsseldorf, 2 March 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Rolf Künemann) Wirtschaftsprüfer (German Public Auditor)	(Thomas Neu) Wirtschaftsprüfer (German Public Auditor)

ADDITIONAL

INFORMATION

138 REIT Information
140 Important Terms and Abbreviations
142 Disclaimer / Credits
143 Financial Calendar 2020 / 2021

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 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(2) HGB, the Management Board issues the following declaration of compliance with the requirements of sections 11 to 15 of the German REIT Act 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 of the German REIT Act as at 31 December 2019:

Section 11 of the German REIT Act: free float

In accordance with section 11(1) of the German REIT Act, a REIT company must maintain at least 15% of its shares in free float on a sustained basis. As at 31 December 2019, HAMBORNER REIT AG's free float according to the notifications of voting rights that we have received was 72.4%. We notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of this by way of letter dated 7 January 2020.

In accordance with section 11(4) of the German REIT Act, shareholders 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. 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 shares to such an extent that 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) of the German REIT Act, 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) of the German REIT Act and reserves within the meaning of section 13(3) of the German REIT Act) must consist of immovable assets. In accordance with section 12(1) of the German REIT Act, immovable investment property must be measured at fair value within the meaning of IAS 40.

As at the end of the 2019 financial year, 98.5% of the company's total assets were immovable assets.

In accordance with section 12(3) of the German REIT Act, 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) of the German REIT Act, HAMBORNER is required to distribute 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) of the German REIT Act and also reduced by any loss carry-forward from the previous year, to its shareholders by the end of the following financial year.

Provided that the Annual General Meeting approves the dividend proposal, the company will distribute a dividend to its shareholders amounting to €37.5 million, thus using its full HGB net profit for the year.

Section 14 of the German REIT Act: exclusion of real estate trading

According to this regulation, a REIT company cannot conduct trades 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 4.5% of its average portfolio of immovable assets in the last five years since its transformation into a REIT.

Section 15 of the German REIT Act: minimum equity

The equity of a REIT company calculated in accordance with section 12(1) of the German REIT Act must not fall below 45% of the fair value of its immovable assets.

The corresponding value at HAMBORNER as at 31 December 2019 was 57.3%.

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 line with section 3(40) of the German Income Tax Act and the resulting 95% tax exemption in line 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 not subject to taxation of €37.5 million.

HAMBORNER does not hold any shares in REIT service companies, with the result that the relevant asset and income requirements do not apply.

Duisburg, 2 March 2020

The Management Board

Niclas Karoff Hans Richard Schmitz

The REIT declaration was audited by the auditor in accordance with section 1(4) of the German REIT Act on 2 March 2020.

IMPORTANT TERMS AND ABBREVIATIONS

AktG	*Aktiengesetz* – German Stock Corporation Act
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.
Cash flow	Net amount of cash inflows and outflows in a period
Compliance	Implies compliance with laws and regulations in companies in addition to 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.
Corporate governance	Principles of responsible corporate governance and control geared to the long-term creation of value added.
Cost ratio (EPRA)	The cost ratio developed by the EPRA measures the cost / income structure of property companies and is intended to make them comparable on the basis of a uniform definition. It 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.
DAX	The most important German share index established by Deutsche Börse AG. It shows the development of the 30 biggest German stock corporations in terms of market capitalisation and stock exchange turnover.
DCF method	Discounted cash flow method – method used to determine value e.g. the fair value of real estate. It is based on the financial concept of discounting cash flows to determine the capital value.
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 electronic trading system Xetra. The negotiability of a share is meant to be improved through placing bid and ask limits.
DIMAX	Share index published by the banking firm Ellwanger & Geiger, which comprises German property shares.
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.
EBDA	Earnings before depreciation and amortisation
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.
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.
GCGC	German Corporate Governance Code – a set of regulations devised by the Government Commission of the Federal Republic of Germany for listed companies intended to promote good and responsible corporate governance.
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.
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 property	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.
LEED	Leadership in Energy and Environmental Design – a standard developed in the United States of America for the development and planning of highly ecological buildings
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.
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.
Net initial yield (EPRA)	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.
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	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(1) sentence 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 consist of the property portfolio of the company and undeveloped land, predominantly consisting of 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.
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.
Triple net asset value (NNNAV)	Net asset value less deferred taxes for hidden reserves between the carrying amount and fair value, taking into account the difference in value between the fair value and carrying amount of debt.
Vacancy rate	The company calculates its vacancy rate as target rent for the vacant space in relation to total target rent. In calculating the economic vacancy rate, the rental losses for vacancies are adjusted for contractual rent guarantee claims.
Vacancy rate (EPRA)	The EPRA vacancy rate is calculated using the annualised rent for vacant space at standard market rents for the portfolio as a whole as at the end of the reporting period.
WpHG	*Wertpapierhandelsgesetz* – German Securities Trading Act.

DISCLAIMER

This report contains forward-looking statements, e.g. on general economic developments in Germany, the future situation of the property industry and the company's own probable 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.

CREDITS

Published by
HAMBORNER REIT AG
Goethestrasse 45
47166 Duisburg
Germany
Tel.: +49 203 54405-0
Fax: +49 203 54405-49
info@hamborner.de
www.hamborner.de

Concept, graphics and production
MPM Corporate Communication Solutions, Mainz, Düsseldorf
www.mpm.de

Image credits
Adobe Stock (Born Symbols.: p. 05 bottom right, p. 07 bottom right; goodzone95: p. 09 bottom right; kuroksta: p. 10 bottom right, p. 13 centre top; Pro Vector Stock: p. 13 bottom right; Birgit Münch: p. 15 bottom right)

Dawin Meckel (p. 10 bottom left)

Hamborner REIT AG (p. 06 – 07; p. 10 top left; p. 11 bottom right)

Heike Kaldenhoff (p. 20)

Olivier Hess (p. 4 – 5, p. 9, p. 11 top right, p. 20, p. 22)

FINANCIAL CALENDAR 2020 / 2021

26 March 2020	Annual report 2019
5 May 2020	Quarterly financial report 31 March 2020
6 May 2020	Annual General Meeting 2020
11 May 2020	Payment of dividend for the 2019 financial year
30 July 2020	Half-year financial report 30 June 2020
10 November 2020	Quarterly financial report 30 September 2020
4 February 2021	Provisional figures for the 2020 financial year
17 March 2021	Annual report 2020
27 April 2021	Quarterly financial report 31 March 2021
29 April 2021	Annual General Meeting 2021

HAMBORNER REIT AG
Goethestrasse 45
47166 Duisburg
Germany
Tel.: +49 203 54405-0
Fax: +49 203 54405-49
info@hamborner.de
www.hamborner.de