



Q1
2020

**INTERIM STATEMENT
FOR THE FIRST QUARTER OF 2020**



KEY FIGURES AT A GLANCE (IFRS)

€ thousand			
FROM THE INCOME STATEMENT		31 Mar. 2020	31 Mar. 2019
Income from rents and leases		21,807	21,091
Net rental income		18,659	17,646
Operating result		7,058	7,410
Financial result		-3,846	-3,840
EBITDA		17,243	16,080
EBDA		13,397	12,240
EBIT		7,137	7,410
Funds from operations (FFO)		13,318	12,240
Net profit for the period		3,291	3,570
FROM THE STATEMENT OF FINANCIAL POSITION		31 Mar. 2020	31 Dec. 2019
Total assets		1,287,358	1,234,677
Non-current assets		1,240,547	1,223,990
Equity		518,506	513,562
Equity ratio	in %	40.2	41.6
REIT equity ratio	in %	56.5	57.3
Loan-to-value (LTV)	in %	42.0	42.4
ON HAMBORNER SHARES		31 Mar. 2020	31 Mar. 2019
Number of shares outstanding		79,717,645	79,717,645
Basic = diluted earnings per share	in €	0.05	0.04
Funds from operations (FFO) per share	in €	0.17	0.15
Stock price per share (Xetra)	in €	8.16	9.33
Market capitalisation		650,496	743,766
THE HAMBORNER PORTFOLIO		31 Mar. 2020	31 Dec. 2019
Number of properties		81	79
Fair value of property portfolio		1,637,640	1,598,090
Vacancy rate (including rent guarantees)	in %	1.6	2.0
Weighted remaining term of leases in years		6.6	6.6
OTHER DATA		31 Mar. 2020	31 Dec. 2019
Net asset value (NAV)		931,890	924,300
Net asset value per share	in €	11.69	11.59
Number of employees including Management Board		43	42

LETTER FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

We are today looking back at the first quarter of the current 2020 financial year with the publication of our interim report. HAMBORNER was able to continue the positive business performance of the past year and, as expected, once again ended the first quarter with growth in revenue and earnings. The first quarter at a glance:

- / Income from rents and leases up by 3.4% and funds from operations by 8.8%
- / Addition of two office project developments in Neu-Isenburg and Bonn
- / Portfolio volume rises to €1.64 billion; NAV per share €11.69
- / Solid accounting ratios with a REIT equity ratio of 56.5% and an LTV of 42.0%
- / Successful letting activities and further reduction of vacancy rate to 1.6%

After a promising start to the 2020 financial year, the past few weeks have been dominated by the effects of the coronavirus pandemic. The global community, and therefore HAMBORNER as well, is facing special challenges as a result of the global spread of the virus. As a result of the current situation, we have been contacted by a number of tenants regarding a temporary suspension or reduction of rent payments. These are essentially retail tenants affected by the officially ordered closure of businesses in recent weeks. We are currently engaged in a close dialogue with our tenants and are working intensively on mutual and fair solutions for handling the challenges.

In view of these developments, we have resolved, in coordination with the Supervisory Board, to postpone the Annual General Meeting scheduled for 6 May 2020 to a later date in the second half of 2020, and also to make the amount of this year's dividend payment subject to reservation. This is a precaution as current developments make it impossible for us to make any predictions about future business developments. As soon as a meaningful assessment of the actual economic impact is possible, we will make a potentially updated dividend proposal to the newly convened Annual General Meeting, whereby we intend to comply with the distribution obligation under the German REIT Act and pay a dividend of at least €0.18 per share.

The global crisis notwithstanding, we feel that we are still very well positioned. In the current market environment, HAMBORNER is benefiting from its profitable, diversified property portfolio with a high share of tenants of good credit standing in systemically relevant areas and companies not affected by closures, such as food retailers and personal and household goods stores. We are therefore cautiously optimistic for the rest of the year, and confident that HAMBORNER will be able to manage the current challenges.

Given the current global crisis situation, we would like to thank you especially for your confidence and wish you and ourselves continuing health and success in 2020.

Duisburg, May 2020



Niclas Karoff



Hans Richard Schmitz

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

Result of Operations

We generated income from rents and leases of €21,807 thousand (previous year: €21,091 thousand) by the end of March. The increase as against the same period of the previous year is therefore €716 thousand or 3.4%. €694 thousand (3.3%) of this is accounted for by property acquisitions from the previous year. Rental income declined by a total of €24 thousand (0.1%) as a result of the disposal of a property in the previous year. Rental income from properties that were in our portfolio in both the first three months of 2019 and the reporting quarter (like-for-like) is marginally (0.2%) higher than the previous year's level at €46 thousand.

The vacancy rate is down slightly in the first three months of the financial year and is still at a very low level. Taking agreed rent guarantees into account, the vacancy rate is 1.6% (previous year: 2.0%). Not including rent guarantees, the vacancy rate is 2.5% (previous year: 2.2%).

Income from incidental costs charged to tenants amounts to €3,443 thousand, €147 thousand higher than in the same period of the previous year (€3,296 thousand). The costs of the management of our properties increased by €84 thousand to €5,441 thousand (previous year: €5,357 thousand) by the end of March 2020.

The expenses for the maintenance of our land and property portfolio fell by €234 thousand to €1,150 thousand in the first quarter of 2020 (previous year: €1,384 thousand). The expenses relate to ongoing maintenance and various minor planned activities. Furthermore, maintenance expenses of €269 thousand (previous year: €562 thousand) were incurred in the first quarter of the reporting year in connection with new leases and lease renewals.

At €18,659 thousand, the net rental income derived from the above items is €1,013 thousand or 5.7% higher than the value for the same period of the previous year (€17,646 thousand).

Administrative and personnel expenses amount to €1,615 thousand in total, up 5.1% on the level for the same period of the previous year (€1,536 thousand). The operating cost ratio, i.e. administrative and personnel expenses to income from rents and leases, rose slightly to 7.4% (previous year: 7.3%).

Depreciation and amortisation expense rose by €1,436 thousand to €10,106 thousand in the reporting period after €8,670 thousand in the same period of the previous year mainly as a result of €440 thousand due to property acquisitions and €963 thousand due to impairment losses.

Other operating income amounts to €605 thousand in the first quarter of the reporting year (previous year: €316 thousand). The income essentially relates to contractually agreed compensation due to the delays in transferring ownership of the properties in Aachen and Bonn (€518 thousand) and compensation and reimbursements in connection with the letting of these properties.

Other operating expenses amount to €485 thousand in the first quarter of 2020 (previous year: €346 thousand). This item includes legal and consulting fees of €214 thousand (previous year: €4 thousand), costs of investor relations and public relations work of €145 thousand (previous year: €168 thousand) and membership fees of €72 thousand (previous year: €70 thousand). The increase in legal and consulting fees relates in particular to expenses in connection with filling the position of Chief Executive Officer.

The company's operating earnings amount to €7,058 thousand as at the end of March 2020, €352 thousand lower than in the same period of the previous year (€7,410 thousand).

Net income of €79 thousand (previous year: €0 thousand) was generated from the disposal of properties. This relates to the sale of a small area of the remaining undeveloped land.

The financial result is €-3,846 thousand in the first quarter of 2020 as against €-3,840 thousand in the same period of the previous year and relates entirely to interest expenses. The interest expenses from loans of €-3,661 thousand included in this figure rose by €32 thousand as a result of the utilisation of further loans in the previous year. As part of this, scheduled repayments and the refinancing of loans on better terms following the expiry of fixed-rate interest agreements led to a reduction of €79 thousand. This illustrates the positive effect of refinancing at better interest rates on funds from operations (FFO). The company will benefit from this when refinancing in future as well.

As a result of the total income and expenses, the net profit for the first quarter of 2020 amounts to €3,291 thousand (previous year: €3,570 thousand). FFO, i.e. the operating result before depreciation and amortisation expenses and not including proceeds from disposals, increased by 8.8% and amounts to €13,318 thousand in the reporting period (previous year: €12,240 thousand). This corresponds to FFO per share of 17 cents (previous year: 15 cents).

Net Asset Situation and Financial Position

The office properties in Neu-Isenburg and Bonn were transferred to the company's portfolio in the first quarter of 2020. The investment volume on the basis of purchase price amounts to €42.1 million with annual rental income of €2.3 million.

The updated fair value of the developed property portfolio was €1,637,6 million as at the end of the quarter (31 December 2019: €1,598.1 million). As such, the fair values calculated by an independent expert as at 31 December 2019 were maintained for the most part from the portfolio point of view. Property additions in Neu-Isenburg and Bonn after 31 December 2019 were also valued by an independent expert and included in reporting.

The company had cash and cash equivalents of €43.6 million on 31 March 2020 (31 December 2019: €8.4 million). The cash inflows mainly resulting from the borrowing of loans (€56.4 million) and operating activities (€18.5 million; previous year: €16.8 million) are essentially offset by cash outflows for investment in the property portfolio (€23.1 million) and payments of principal and interest (€16.5 million). Furthermore, the company had other financing commitments/credit facilities of €32.0 million as at the end of the reporting period.

Equity amounted to €517.5 million as at 31 March 2020 after €513.6 million as at 31 December 2019. The reported equity ratio was 40.2% as at the end of the period after 41.6% as at 31 December 2019. The REIT equity ratio was 56.5% after 57.3% as at 31 December 2019.

As against 31 December 2019, current and non-current financial liabilities increased by a net amount of €43.6 million as a result of the utilisation of loans and scheduled repayments in the first quarter of 2020 in particular, and amounted to €731.9 million as at the end of the quarter after €688.4 million as at 31 December 2019. The average borrowing rate for all loans in place and those agreed but not yet utilised is 1.98%.

The net asset value (NAV) of the company was €931.9 million as at the end of the quarter (31 December 2019: €924.3 million). This corresponds to NAV per share of €11.69 after €11.59 as at 31 December 2019.

REPORT ON RISKS AND OPPORTUNITIES

As a property company with a portfolio distributed across the whole of Germany, HAMBORNER REIT AG is exposed to a number of risks and opportunities that could affect its result of operations, net assets situation and financial position. With the exception of the matters described below, there are not currently any significant changes in the assessment of the risks to, and opportunities for, the business development of the company as against 31 December 2019. Thus, the comments made in the "Report on Risks and Opportunities" in the 2019 management report still apply with the following amendments:

General market risks

The coronavirus pandemic and the legal measures taken in response have substantially impaired the general economic situation and development in our country and large parts of the world. In their spring reports, the leading economic research institutes assume that, in the most probable scenario, the gross domestic product of the Federal Republic of Germany will fall by at least 4.2% in 2020. The repercussions of this for the property market as a whole are expected to mainly affect the sub-markets for hotels, retail and office properties, in addition to potentially affecting future interest rate developments. These market risks apply to HAMBORNER REIT AG as well.

Risks of a loss of rent

The German act to mitigate the consequences of the coronavirus pandemic in civil, insolvency and criminal procedural law of 27 March 2020 grants tenants the option of suspending rental payments for a limited period and paying them at a later time. A number of tenants took advantage of this opportunity in April and will very likely continue to do so in the months ahead. Depending on the duration and extent of the coronavirus pandemic, it must be anticipated that some of these tenants will not be able to (fully) honour their payment obligations. As a result, uncollectible receivables are expected to be higher in the 2020 financial year than in the previous year.

Letting risks

Letting risks are also likely to rise as a result of the pandemic. Depending on the severity and duration of the economic impact, new and follow-up rentals will become more difficult in some areas (e.g. textiles, food sector). As a result, it cannot currently be ruled out that the vacancy rate will be higher in 2020 than in 2019, though it will remain within a moderate range.

Valuation risk

Since the recessionary repercussions of the coronavirus pandemic might also affect the general risk assessment of the economy and interest rate developments, negative effects on the valuation of properties are not impossible, for instance as a result of higher interest rates and changing assumptions for market rents, vacancy periods and lease terms. However, meaningful forecasts about the amount and extent of valuation effects are not possible at this time. The extent of any negative implications for property values will depend largely on the duration and severity of the restrictions on public life and the subsequent development of the economy as a whole.

Overall, no risks to the continuation of the company as a going concern are currently discernible.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In view of the current developments in connection with the spread of coronavirus, the Management Board of HAMBORNER REIT AG, in coordination with the Supervisory Board, resolved on 7 April 2020 to postpone the Annual General Meeting planned to be held on 6 May 2020 until a later date in the second half of 2020.

Owing to the postponement of the Annual General Meeting, the dividend will not be paid as intended on 11 May 2020 as this would require a corresponding resolution on the appropriation of profits by the Annual General Meeting. Given the general economic repercussions of the pandemic that can currently still be only partially surmised and the associated uncertainty regarding the company's business performance over the year as a whole, in connection with the postponement of the Annual General Meeting, the Management Board has resolved to make the amount of the dividend payment for the 2019 financial year subject to reservation for now. HAMBORNER REIT AG had originally planned to propose a dividend of €0.47 per share for shareholders at the Annual General Meeting (previous year: €0.46).

A reliable estimate of the duration and extent of the restrictions on public life and the resulting consequences for the economic development of various tenants is not possible at this time. As a result of the current situation and the adoption of the law to mitigate the consequences of the coronavirus pandemic, tenants have been allowed to suspend rental payments without sanctions. Including ancillary costs and VAT, tenants exercised this option for around €1.4 million or 15% of total receivables in April 2020. HAMBORNER is engaged in a close dialogue with its tenants in this regard, and is working intensively on fair solutions for dealing with the current challenges.

FORECAST REPORT

The global community is facing special challenges regarding the current developments in connection with coronavirus (COVID-19). The Management Board of HAMBORNER REIT AG assumes that the growing spread of the virus and the adoption of the act by the German parliament to mitigate the consequences of the coronavirus pandemic in civil, insolvency and criminal procedural law will have a negative impact on the company's result of operations. Specifically, the Management Board expects that, within the period provisionally from April to June 2020, a number of affected tenants will reduce or entirely suspend rent payments. Depending on the duration and extent of the coronavirus pandemic, it must be anticipated that some of these tenants will not (fully) honour their payment obligations after the stated period.

For this reason, the Management Board has resolved to withdraw the forecast for income from rents and leases and for operating earnings (FFO) for the 2020 financial year published on 5 February 2020. Owing to the rapidity of developments in connection with COVID-19, it is currently impossible for the Management Board to formulate a forecast for further business performance in the 2020 financial year. The Management Board will therefore not be issuing a new forecast for the 2020 financial year. A new forecast will be published as soon as the implications of COVID-19 for business can be reliably assessed.

PRINCIPLES OF REPORTING

This interim statement of HAMBORNER REIT AG as at and for the period ended 31 March 2020 is in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. It was basically prepared in accordance with the provisions of International Accounting Standard (IAS) 34, Interim Financial Reporting, though disclosures in the notes were dispensed with in a departure from IAS 34.

The accounting and calculation policies used in the IFRS separate financial statements as at 31 December 2019 were applied unchanged. The accounting standards effective from 1 January 2020 that have been endorsed by the EU and revised were complied with. This did not give rise to any material changes to the interim financial statements as at 31 March 2020.

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.

INCOME STATEMENT

€ thousand	1 Jan. – 31 Mar. 2020	1 Jan. – 31 Mar. 2019
Income from rents and leases	21,807	21,091
Income from passed-on incidental costs to tenants	3,443	3,296
Real estate operating expenses	-5,441	-5,357
Property and building maintenance	-1,150	-1,384
Net rental income	18,659	17,646
Administrative expenses	-383	-339
Personnel expenses	-1,232	-1,197
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	-10,106	-8,670
Other operating income	605	316
Other operating expenses	-485	-346
	-10,638	-10,236
Operating result	7,058	7,410
Result from the sale of investment property	79	0
Earnings before interest and taxes (EBIT)	7,137	7,410
Interest income	0	0
Interest expenses	-3,846	-3,840
Financial result	-3,846	-3,840
Net profit for the period	3,291	3,570
Basic = diluted earnings per share in €	0.04	0.04

STATEMENT OF COMPREHENSIVE INCOME

€ thousand	1 Jan. – 31 Mar. 2020	1 Jan. – 31 Mar. 2019
Net profit for the period as per income statement	3,291	3,570
Items reclassified to profit or loss in future if certain conditions are met:		
Unrealised gains/losses (–) on the revaluation of derivative financial instruments	147	112
Items not subsequently reclassified to profit or loss in future:		
Actuarial gains/losses (–) on defined benefit obligations	543	–369
Other comprehensive income	690	–257
Total comprehensive income	3,981	3,313

Other comprehensive income for the period relates to actuarial gains and losses on defined benefit obligations and the effective portion of changes in the fair value of interest rate swaps used to manage the risk of interest rate fluctuations (cash flow hedge).

STATEMENT OF FINANCIAL POSITION – ASSETS

€ thousand	31 Mar. 2020	31 Dec. 2019
NON-CURRENT ASSETS		
Intangible assets	584	574
Property, plant and equipment	3,041	3,057
Investment property	1,235,393	1,202,734
Advance payments on investment property	0	16,102
Financial assets	1,238	1,238
Other assets	290	285
	1,240,547	1,223,990
CURRENT ASSETS		
Trade receivables and other assets	3,217	2,329
Cash and cash equivalents	43,594	8,358
	46,811	10,687
Total assets	1,287,358	1,234,677

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

€ thousand	31 Mar. 2020	31 Dec. 2019
EQUITY		
Issued capital	79,718	79,718
Capital reserves	380,467	380,467
Retained earnings	57,358	53,377
	517,543	513,562
NON-CURRENT LIABILITIES AND PROVISIONS		
Financial liabilities	635,652	618,588
Derivative financial instruments	963	1,110
Trade payables and other liabilities	10,051	10,089
Pension provisions	5,993	6,625
Other provisions	2,954	3,360
	655,613	639,772
CURRENT LIABILITIES AND PROVISIONS		
Financial liabilities	96,262	69,776
Trade payables and other liabilities	16,536	10,111
Other provisions	1,404	1,456
	114,202	81,343
Total equity, liabilities and provisions	1,287,358	1,234,677

STATEMENT OF CASH FLOWS

€ thousand	1 Jan. – 31 Mar. 2020	1 Jan. – 31 Mar. 2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	3,291	3,570
Financial result	3,846	3,840
Depreciation, amortisation and impairment (+)/write-ups (-)	10,106	8,670
Change in provisions	-572	689
Gains (-)/losses (+) (net) on the disposal of property, plant and equipment and investment property	-82	0
Change in receivables and other assets not attributable to investing or financing activities	-893	-1,846
Change in liabilities not attributable to investing or financing activities	2,801	1,833
	18,497	16,756
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in intangible assets, property, plant and equipment and investment property	-23,078	-6,573
Proceeds from disposals of property, plant and equipment and investment property	93	0
Proceeds from disposals of financial assets	0	1
	-22,985	-6,572
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings of financial liabilities	56,445	1,611
Repayments of borrowings	-12,153	-3,759
Cash flow from lease liabilities	-175	-66
Interest payments	-4,393	-3,803
	39,724	-6,017
Changes in cash funds	35,236	4,167
Cash funds on 1 January	8,358	3,592
Cash and cash equivalents (with a remaining term of up to three months)	8,358	3,592
Restricted cash and cash equivalents	0	4,191
Cash and cash equivalents on 1 January	8,358	7,783
Cash funds on 31 March	43,594	7,759
Cash and cash equivalents (with a remaining term of up to three months)	43,594	7,759
Restricted cash and cash equivalents	0	4,191
Cash and cash equivalents on 31 March	43,594	11,950

INTERIM CONDENSED 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 2019	79,718	391,194	-1,642	-4,024	67,180	532,426
Net profit for the year 1 Jan. – 31 Mar. 2019					3,570	3,570
Other comprehensive income 1 Jan. – 31 Mar. 2019			112	-369		-257
Total comprehensive income 1 Jan. – 31 Mar. 2019			112	-369	3,570	3,313
As at 31 Mar. 2019	79,718	391,194	-1,530	-4,393	70,750	535,739
Distribution of profit for 2018 (€0.46 per share)				0	-36,670	-36,670
Withdrawal from capital reserves		-10,727			10,727	0
Net profit for the year 1 Apr. – 31 Dec. 2019					14,311	14,311
Other comprehensive income 1 Apr. – 31 Dec. 2019			420	-238	0	182
Total comprehensive income 1 Apr. – 31 Dec. 2019			420	-238	14,311	-22,177
As at 31 December 2019	79,718	380,467	-1,110	-4,631	59,118	513,562
Net profit for the year 1 Jan. – 31 Mar. 2020					3,291	4,254
Other comprehensive income 1 Jan. – 31 Mar. 2020			147	543		690
Total comprehensive income 1 Jan. – 31 Mar. 2020			147	543	3,291	4,944
As at 31 Mar. 2020	79,718	380,467	-963	-4,088	62,409	517,543

FINANCIAL CALENDAR 2020/2021

30 July 2020	Half-year financial report 30 June 2020
10 November 2020	Interim statement as at 30 September 2020
4 February 2021	Provisional figures for the 2020 financial year
17 March 2021	Annual report 2020
27 April 2021	Interim statement as at 31 March 2021

CREDITS

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