hamborner
REIT
ZUKUNFT BRAUCHT SUBSTANZ

Q2
2020

HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2020

KEY FIGURES AT A GLANCE

€ thousand			
FROM THE INCOME STATEMENT		**30 June 2020**	**30 June 2019**
Income from rents and leases		43,868	42,303
Net rental income		38,630	37,116
Operating result		–797	16,939
Financial result		–7,802	–7,691
EBITDA		34,879	34,287
EBDA		27,077	26,596
EBIT		–721	16,939
Funds from operations (FFO)		27,001	26,596
Net profit for the period		–8,523	9,248
FROM THE STATEMENT OF FINANCIAL POSITION		**30 June 2020**	**31 Dec. 2019**
Total assets		1,286,097	1,234,677
Non-current assets		1,253,259	1,223,990
Equity		505,907	513,562
Equity ratio	in %	39.3	41.6
REIT equity ratio	in %	54.7	57.3
Loan-to-value (LTV)	in %	43.1	42.4
ON HAMBORNER SHARES		**30 June 2020**	**30 June 2019**
Number of shares outstanding		79,717,645	79,717,645
Basic = diluted earnings per share	in €	–0.11	0.12
Funds from operations (FFO) per share	in €	0.34	0.33
Stock price per share (Xetra)	in €	8.71	9.01
Market capitalisation		694,341	718,256
THE HAMBORNER PORTFOLIO		**30 June 2020**	**31 Dec. 2019**
Number of properties		82	79
Fair value of property portfolio		1,630,995	1,598,090
Vacancy rate (including rent guarantees)	in %	1.8	2.0
Weighted remaining term of leases in years		6.4	6.6
OTHER DATA		**30 June 2020**	**31 Dec. 2019**
Net asset value (NAV)		898,511	924,300
Net asset value per share	in €	11.27	11.59
Number of employees including Management Board		42	42

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The financial reporting of HAMBORNER REIT AG is in accordance with IFRS (International Financial Reporting Standards) as applicable in the European Union.

This interim report was published on 30 July 2020.

LETTER FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN,

Today we look back at the eventful first six months of 2020 in our half-year financial report. After a successful start to the financial year, the past few months have been dominated by the effects of the coronavirus pandemic. The global community, and therefore HAMBORNER as well, are facing special challenges as a result of the global spread of the virus. The far-reaching restrictions on public life in the months from March to May and the associated impact on our tenants notwithstanding, our business model has proved highly stable, and the company once again ended the first half of the year with growth in revenue and earnings. The first half of the year at a glance:

- Income from rents and leases up by 3.7% and FFO by 1.5%
- Addition of three newly built office properties in Neu-Isenburg, Bonn and Aachen
- Vacancy rate at a consistently low level of 1.8%
- Solid accounting ratios with a REIT equity ratio of 54.7% and an LTV of 43.1%
- NAV per share of €11.27

The successful performance in the first half of the year was built on our diversified and profitable portfolio and the particular proximity to our tenants. On the basis of a number of individual agreements, we have been able to find fair and equitable solutions for those tenants that have been affected in particular, which has allowed us to keep the volume of both temporary rent reductions and deferrals at a very low level. At the same time, the leases with these tenants have mostly been extended in the course of negotiations. The stability of our tenant structure is also reflected in the positive development of our incoming rent payments. Since the lockdown began in March, when many tenants were forced to close their rented properties, the rate of our incoming rent payments has steadily improved and is already almost back at pre-crisis levels in July.

The global crisis notwithstanding, we feel that we are currently very well positioned and are still optimistic for the future. In the past few weeks, in close coordination with the Supervisory Board, we have revised our business strategy and modified some elements in the light of current circumstances. The key points of our updated strategy, which will serve as the foundation for the ongoing growth of our company, will be presented at today's press and analyst conference. This presentation will also be available in the Investor Relations section of our website. We will also be on hand to answer any questions that you may have.

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, 30 July 2020

Niclas Karoff　　　　Hans Richard Schmitz

INTERIM MANAGEMENT REPORT

General Economic Conditions

The German economy is in a deep recession in the first half of 2020 owing to the coronavirus pandemic. The economic output of broad sections of the economy was drastically limited by the officially ordered shutdown in March and April. Economic activity picked up again significantly as the lockdown was gradually eased from May, but recovery will still take time. As a result, the decline in overall economic performance in the second quarter should be significantly above the level of the first quarter (–2.2%). The German Federal Ministry of Economics believes that the recovery will be sluggish in the second half of the year and beyond, in particular as a result of low external stimulus. However, it also says that economic downturn has already bottomed out. Expert opinions on economic performance for the year as a whole vary greatly. The forecast decline currently ranges between –5.0% and –9.4%. However, a significant economic boost of between 1.7% and 6.4% is anticipated across the board for the coming year.

The labour market has also been stressed by the coronavirus pandemic, though this situation has been largely kept stable by political instruments such as shorter hours. Unemployment figures have risen by 637 thousand as against the previous year to 6.2% (June 2019: 4.9%). Consumer prices have risen by 0.9% compared to the same month of the previous year, and by 0.6% compared to the previous month in June 2020.

Report on Result of Operations, Net Asset Situation and Financial Position

As a result of the effects of the coronavirus pandemic, the result of operations, net asset situation and financial position of HAMBORNER REIT AG underperformed original expectations in the first half of 2020. In particular, the coronavirus pandemic has impacted the amount and recoverability of trade receivables and the valuation of retail properties that have been enduringly and especially affected by the pandemic.

Result of Operations

Income from rents and leases climbed by €1,565 thousand or 3.7% as against the same period of the previous year to €43,868 thousand in the first half of 2020 (€42,303 thousand). In particular, rental income from property additions in the reporting period and the previous year contributed €1,752 thousand (4.1%) to this increase. Rental income from properties that were in our portfolio in both the first six months of 2019 and the reporting half-year (like-for-like) decreased slightly as against the previous year to €42,116 million in total (down €139 thousand or 0.3%). Income declined by €47 thousand (0.1%) as a result of property disposals in the previous year.

The vacancy rate is still at an extremely low level. Including agreed rent guarantees, it was 1.8% in the first half of the reporting year (previous year: 2.0%). Not including rent guarantees, the vacancy rate was 2.8% (previous year: 2.1%).

Income from incidental costs charged to tenants amounted to €6,985 thousand, €362 thousand or 5.5% higher than in the same period of the previous year (€6,623 thousand). The costs of the management of our properties increased by €543 thousand to €9,619 thousand (previous year: €9,076 thousand) by the end of June 2020.

Expenses for the maintenance of the land and property portfolio decreased by €130 thousand year-on-year to €2,604 thousand in the first half of the year (previous year: €2,734 thousand). The expenses relate to minor ongoing maintenance and various planned measures. There were also significant maintenance expenses of €497 thousand (previous year: €845 thousand) in the first half of the year in connection with new leases and lease renewals.

At €38,630 thousand, the net rental income derived from the above items is €1,514 thousand or 4.1% higher than the value for the same period of the previous year (€37,116 thousand).

Administrative and personnel expenses totalled €3,207 thousand, up €147 thousand or 4.8% on the previous year's level (€3,060 thousand). The operating cost ratio, i.e. administrative and personnel expenses to income from rents and leases, therefore rose only slightly as against the previous year to 7.3% (previous year: 7.2%).

Depreciation and amortisation expense rose by €18,252 thousand to €35,600 thousand in the reporting period after €17,348 thousand in the same period of the previous year, in particular as a result of impairment losses of €17,134 thousand and property acquisitions. The impairment losses in the first half of the reporting year result from the remeasurement of properties as at 30 June 2020 and relate to nine retail properties.

Other operating income amounts to €1,032 thousand in the first half of the reporting year (previous year: €926 thousand). The income essentially relates to contractually agreed compensation due to the delays in transferring ownership of the properties in Aachen and Bonn (€793 thousand) and compensation and reimbursements in connection with the letting of these properties.

Other operating expenses amount to €1,652 thousand in the first half of 2020 after €695 thousand in the previous year. The item includes write-downs on trade receivables of €1,001 thousand (previous year: €117 thousand), legal and consulting costs of €327 thousand (previous year: €20 thousand) and costs of investor and public relations work of €160 thousand (previous year: €217 thousand). The increase in legal and consulting fees relates in particular to expenses in connection with the valuation of the property portfolio as at 30 June 2020 and filling the position of Chief Executive Officer. €968 thousand of write-downs on receivables relates to rent reductions that have been granted to tenants for the second quarter on account of the coronavirus pandemic, or that reflect the current status of negotiations with tenants, plus further defaults anticipated in conjunction with the coronavirus pandemic.

The operating result for the first half of 2020 amounted to €–797 thousand after €16,939 thousand in the same period of the previous year.

The company generated a result of €76 thousand (previous year: €0 thousand) from the disposal of properties. The result relates to the sale of a small area of the remaining undeveloped land.

The financial result is €–7,802 thousand in the first half of 2020 as against €–7,691 thousand in the same period of the previous year and relates entirely to interest expenses. The interest expenses from loans of €–7,428 thousand included in this figure rose by €156 thousand as against the previous year (€–7,272 thousand). The borrowing of new loans caused interest expenses to rise by €395 thousand. By contrast, scheduled repayments and the refinancing of loans on better terms following the expiry of fixed-rate interest agreements caused interest expenses to decline by €239 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.

The first half of the year closed with a net profit for the period of €–8,523 thousand after €9,248 thousand in the same period of the previous year. The decline is due to write-downs that were required in the reporting year. By contrast, funds from operations (FFO), i.e. the operating result before depreciation and amortisation expenses and not including proceeds from disposals, increased by 1.5% and amounted to €27,001 thousand in the reporting period (previous year: €26,596 thousand). This corresponds to FFO per share of 34 cents (previous year: 33 cents).

Net Asset Situation and Financial Position

The office properties in Neu-Isenburg, Bonn and Aachen were transferred to the company's portfolio in the first half of 2020. The investment volume on the basis of purchase price amounts to €79.5 million with annual rental income of €4.2 million.

Property assets were revalued by the external expert Jones Lang LaSalle as at 30 June 2020 taking into account the effects of the coronavirus pandemic. The revaluation resulted in the fair value of the properties already in the portfolio as at 31 December 2019 being reduced by €51.5 million. The reduction essentially related to retail properties in city centre locations and retail centres that were hit particularly hard by the coronavirus pandemic. In particular, market rents and the discount and capitalisation rates for these properties were adjusted in line with current market conditions. Taking the new additions into account, the fair value of the developed property portfolio was €1,631.0 million as at 30 June 2020 (31 December 2019: €1,598.1 million).

"Trade receivables and other assets" amounted to €4.2 million as at 30 June 2020 after €2.3 million as at 31 December 2019. Trade receivables increased on account of defaults caused by the coronavirus pandemic in particular. In total, payments in an amount of €2.0 million plus €0.4 million in VAT for the period from April to June have not yet been received. €609 thousand (net) of this figure has already been waived for tenants on the basis of agreements already signed or still forthcoming. Furthermore, write-downs were recognised in the amount of the expected loss of €359 thousand in conjunction with the remeasurement of outstanding receivables as at the end of the reporting period.

The company had cash funds of €28.6 million on 30 June 2020 as against €8.4 million as at 31 December 2019. The cash inflows mainly resulting from the borrowing of loans and refinancing (€78.9 million) and operating activities (€35.3 million; previous year: €35.3 million) are essentially offset by cash outflows for investment in the property portfolio (€51.4 million) and payments of principal and interest (€42.3 million). Furthermore, the company had other financing commitments/credit facilities of €32.6 million as at the end of the reporting period.

Equity amounted to €505.9 million as at 30 June 2020 after €513.6 million as at 31 December 2019. The reported equity ratio was 39.3% as at the end of the period after 41.6% as at 31 December 2019. The REIT equity ratio was 54.7% after 57.3% as at 31 December 2019.

Current and non-current financial liabilities increased by a net amount of €44.2 million as against 31 December 2019 as a result of the utilisation of further loans in the first half of 2020, and amounted to €732.6 million as at the end of the first half of the year 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 1.9%.

The net asset value (NAV) of the company was €898.5 million as at the end of first half of the year (31 December 2019: €924.3 million). This corresponds to NAV per share of € 11.27. 65 cents per share of the decline as against 31 December 2019 (€11.59) is due to the remeasurement of the property portfolio. NAV is determined by the fair values of the company's assets – essentially the value of its properties – net of borrowed capital.

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 currently no 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 statutory and official measures taken in response have substantially impaired the general economic situation and development in our country and large parts of the world. Following the officially ordered shutdown in March and April, despite the gradual easing that has since ensued, economic experts are currently assuming that Germany's gross domestic product will decline by 5.0% to 9.4% in 2020. However, these forecasts are based on the premise of a gradual economic recovery. Epidemiologists are already warning of a second wave of the pandemic if the current contact restrictions are flouted or lifted too quickly, resulting in the need for stricter measures extending as far as a second shutdown. Furthermore, the long-term effects of the coronavirus pandemic on companies and the economy are not yet foreseeable. According to the Ifo Institute, around 20% of companies in Germany believe that their existence could be under threat as a result of the pandemic. A significant increase in insolvencies is therefore on the table for the months ahead. The repercussions of this for the property market as a whole mainly affect the sub-markets for hotels and retail properties. 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 has given tenants the option of suspending rental payments for a limited period and paying them at a later time. A large number of tenants took advantage of this opportunity in the second quarter. 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. In order to mitigate the economic impact on tenants hit especially hard by the crisis, HAMBORNER has reached agreements with these tenants to defer or reduce their rent for the months of April to June, or is negotiating such relief with tenants. In return, tenants have lengthened their leases or efforts are underway to achieve this. However, a higher rate of default is expected for the year as whole – on both residual receivables and those not yet written down.

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 is currently not unlikely that the vacancy rate will be higher in 2020 than in 2019, though it will remain within a moderate range.

Valuation risk

For HAMBORNER, it is currently retail properties in city centre locations and retail centres that have been hit particularly hard by the pandemic. Bricks and mortar retail, already weakened by online competition in the past, has been especially impacted by the contact restrictions and closures on account of the coronavirus. The consequences of this are that market rents and investor interest in these asset classes are already declining. To reflect the additional effect of the coronavirus pandemic on the value of its properties, the company commissioned the third-party expert Jones Lang LaSalle to reappraise its properties as at 30 June 2020. This resulted in the fair value of the properties already in the portfolio as at 31 December 2019 being reduced by €51.5 million in total or 3.2% as against the end of 2019. However, further distortion of the corporate landscape, due to a slower recovery, a re-escalation of the situation, another strong rise in infection figures or the necessity of stricter contact restrictions again, cannot be ruled out. This could lead to higher interest rates and changing assumptions for market rents, vacancy periods and contract terms, which in turn could also affect property values.

No risks to the continuation of the company as a going concern are currently discernible.

Forecast Report

In its annual report for 2019, the company had assumed that FFO would draw level with the figure for the previous year. Rental income, one of the company's key performance indicators, was estimated to rise by 3%. This forecast was withdrawn at the end of March as the implications of the coronavirus pandemic were not foreseeable at that time.

Taking into account the economic impact of the pandemic and, among other things, the recent positive development in incoming rent payments, the company is now assuming that income from rents and leases will be between €87 million and €88 million in the 2020 financial year (previous year: €85.2 million). Funds from operations (FFO) are expected to virtually match the high level of the past financial year in a range between €52 million and €54 million (previous year: €54.3 million). Assuming an unchanged number of shares, the company is anticipating a decline in NAV per share for 2020 in a single-digit percentage range.

This forecast is subject to there being neither a significant tightening of the restrictions due to COVID-19 (such as another shutdown with our tenants being ordered to close) nor currently unforeseen insolvencies among the tenant base. The forecast also does not take into account the effects of possible acquisitions or disposals in the remainder of the year.

CONDENSED INTERIM FINANCIAL STATEMENTS OF HAMBORNER REIT AG AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2020

CONDENSED INTERIM INCOME STATEMENT

€ thousand	1 Jan. – 30 June 2020	1 Jan. – 30 June 2019	1 Apr. – 30 June 2020	1 Apr. – 30 June 2019
Income from rents and leases	43,868	42,303	22,061	21,212
Income from passed-on incidental costs to tenants	6,985	6,623	3,542	3,327
Real estate operating expenses	–9,619	–9,076	–4,177	–3,719
Property and building maintenance	–2,604	–2,734	–1,455	–1,350
Net rental income	**38,630**	**37,116**	**19,971**	**19,470**
Administrative expenses	–631	–694	–248	–356
Personnel expenses	–2,576	–2,366	–1,344	–1,170
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	–35,600	–17,348	–25,494	–8,677
Other operating income	1,032	926	427	610
Other operating expenses	–1,652	–695	–1,167	–348
	–39,427	**–20,177**	**–27,826**	**–9,941**
Operating result	**–797**	**16,939**	**–7,855**	**9,529**
Result from the sale of investment property	76	0	–3	0
Earnings before interest and taxes (EBIT)	**–721**	**16,939**	**–7,858**	**9,529**
Interest income	0	0	0	0
Interest expenses	–7,802	–7,691	–3,956	–3,851
Financial result	**–7,802**	**–7,691**	**–3,956**	**–3,851**
Net profit for the period	**–8,523**	**9,248**	**–11,814**	**5,678**
Basic = diluted earnings per share in €	–0.11	0.12	–0.15	0.07

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

€ thousand	1 Jan. – 30 June 2020	1 Jan. – 30 June 2019	1 Apr. – 30 June 2020	1 Apr. – 30 June 2019
Net profit for the period as per income statement	**–8,523**	**9,248**	**–11,814**	**5,678**
Items reclassified to profit or loss in future if certain conditions are met:				
Unrealised gains/losses (–) on the revaluation of derivative financial instruments	287	188	140	76
Items not subsequently reclassified to profit or loss in future:				
Actuarial gains/losses (–) on defined benefit obligations	581	–545	38	–176
Other comprehensive income	**868**	**–357**	**178**	**–100**
Total comprehensive income	**–7,655**	**8,891**	**–11,636**	**5,578**

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).

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – ASSETS

€ thousand	30 June 2020	31 Dec. 2019
NON-CURRENT ASSETS		
Intangible assets	569	574
Property, plant and equipment	3,018	3,057
Investment property	1,247,876	1,202,734
Financial assets	1,501	1,238
Other assets	295	285
	1,253,259	**1,223,990**
CURRENT ASSETS		
Trade receivables and other assets	4,192	2,329
Cash and cash equivalents	28,646	8,358
	32,838	**10,687**
Total assets	**1,286,097**	**1,234,677**

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

€ thousand	30 June 2020	31 Dec. 2019
EQUITY		
Issued capital	79,718	79,718
Capital reserves	380,467	380,467
Retained earnings	45,722	53,377
	505,907	**513,562**
NON-CURRENT LIABILITIES AND PROVISIONS		
Financial liabilities	652,747	618,588
Derivative financial instruments	823	1,110
Trade payables and other liabilities	9,643	10,089
Pension provisions	5,867	6,625
Other provisions	3,017	3,360
	672,097	**639,772**
CURRENT LIABILITIES AND PROVISIONS		
Financial liabilities	79,832	69,776
Trade payables and other liabilities	26,702	10,111
Other provisions	1,559	1,456
	108,093	**81,343**
Total equity, liabilities and provisions	**1,286,097**	**1,234,677**

CONDENSED INTERIM STATEMENT OF CASH FLOWS

€ thousand	1 Jan. – 30 June 2020	1 Jan. – 30 June 2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	–8,523	9,248
Financial result	7,802	7,691
Depreciation, amortisation and impairment (+)/write-ups (–)	35,600	17,348
Change in provisions	–460	330
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	–1,873	–1,180
Change in liabilities not attributable to investing or financing activities	2,797	1,826
	35,261	**35,263**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in intangible assets, property, plant and equipment and investment property	–51,372	–7,976
Proceeds from disposals of property, plant and equipment and investment property	93	0
Proceeds from disposals of financial assets	0	2
	–51,279	**–7,974**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	0	–36,670
Proceeds from borrowings of financial liabilities	78,945	27,021
Repayments of borrowings	–34,400	–8,310
Repayment portion of lease liabilities	–346	–132
Interest payments	–7,893	–7,338
	36,306	**–25,429**
Changes in cash funds	**20,288**	**1,860**
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 30 June	**28,646**	**5,452**
Cash and cash equivalents (with a remaining term of up to three months)	28,646	5,452
Restricted cash and cash equivalents	0	4,191
Cash and cash equivalents on 30 June	**28,646**	**9,643**

CONDENSED INTERIM 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**
Distribution of profit for 2018 (€0.46 per share)				0	–36,670	–36,670
Net profit for the year 1 Jan. – 30 June 2019				0	9,248	9,248
Other comprehensive income 1 Jan. – 30 June 2019			**188**	**–545**		**–357**
Total comprehensive income 1 Jan. – 30 June 2019			**188**	**–545**	**9,248**	**8,891**
As at 30 June 2019	79,718	391,194	–1,454	–4,569	39,758	504,647
Withdrawal from capi-tal reserves		–10,727			10,727	
Net profit for the year 1 Jul. – 31 Dec. 2019					8,633	8,633
Other comprehensive income 1 Jul. – 31 Dec. 2019			344	–62	0	282
Total comprehensive income 1 Jul. – 31 Dec. 2019	**0**	**0**	**344**	**–62**	**8,633**	**8,915**
As at 31 December 2019	**79,718**	**380,467**	**–1,110**	**–4,631**	**59,118**	**513,562**
Net profit for the year 1 Jan. – 30 June 2020				0	–8,523	–8,523
Other comprehensive income 1 Jan. – 30 June 2020			287	581		868
Total comprehensive income 1 Jan. – 30 June 2020			**287**	**581**	**–8,523**	**–7,655**
As at 30 June 2020	**79,718**	**380,467**	**–823**	**–4,050**	**50,595**	**505,907**

NOTES ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

Information on HAMBORNER

HAMBORNER REIT AG is a listed corporation (SCN 601300) headquartered in Duisburg, Germany. This interim report of HAMBORNER REIT AG for the first half of 2020 was published on 30 July 2020. The interim financial statements have been prepared in euro (€), whereby all amounts – unless stated otherwise – are reported in thousands of euro (€ thousand). Minor rounding differences can occur in totals and percentages.

Principles of Reporting

This interim report of HAMBORNER REIT AG as at and for the period ended 30 June 2020 has been prepared in accordance with those International Financial Reporting Standards (IFRS (including IAS 34)) applicable to interim financial reporting as adopted by the European Union, the requirements of the German Accounting Standard No. 16 of DRSC (German Accounting Standards Committee) on interim reporting and in accordance with the requirements of section 37w of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act). The scope of its reporting is condensed compared to the IFRS separate financial statements as at 31 December 2019.

The interim financial statements as at and for the period ended 30 June 2020 are based on the same accounting policies as the separate IFRS financial statements as at 31 December 2019.

This interim report was neither audited by an auditor in accordance with section 317 HGB nor reviewed by an auditor.

In the opinion of the Management Board, the interim report contains all the significant information needed to understand the changes in the result of operations, net asset situation and financial position of HAMBORNER REIT AG since the last annual financial statements as at and for the year ended 31 December 2019.

Material Transactions in the First Half of 2020

Three office properties in Aachen, Bonn and Neu-Isenburg with a purchase price volume of €79.5 million in total were transferred to the company's portfolio in the first half of 2020.

Taking into account the effects of the coronavirus pandemic impairment losses of €17.1 million were recognised in conjunction with the revaluation of the property portfolio as at the end of the reporting period

Defaults due to the coronavirus pandemic amounted to €2.4 million in the months from April to June. To ensure the continuation of existing leases, agreements to reduce or defer rent for this timeframe were reached with tenants hit particularly hard by the coronavirus pandemic, or efforts are underway to achieve this. In return, many tenants have renewed their leases or are in negotiations to do so. Under the agreements already in place and the talks now in progress, receivables of €0.6 million (net) had been waived by 30 June 2020. Furthermore, residual trade receivables have been written down by €0.4 million. Both the waived receivables and the write-downs are reported under other operating expenses.

Other Selected Notes

The property portfolio was revalued by the external expert Jones Lang LaSalle in conjunction with the preparation of these interim financial statements. This resulted in the fair value of the properties already in the portfolio as at 31 December 2019 being reduced by €51.5 million. In particular, this took into account the changing market conditions for retail properties due to the coronavirus pandemic in addition to adjustments of market rents and discount and capitalisation rates. The discount rates now range between 3.90% and 12.50%, with capitalisation rates between 3.90% and 8.00%. The properties in Aachen, Bonn and Neu-Isenburg added to the portfolio in the reporting year were also revalued by JLL.

Owing to the rise in capital market interest rates, the discount rate used to measure pension obligations climbed to 1.20% as at 30 June 2020 (31 December 2019: 0.93%). This interest adjustment caused pension provisions to decline by €222 thousand, which was recognised in retained earnings. Furthermore, one pension beneficiary died in the reporting period. The reversal of the provision to retained earnings caused pension provisions to decline by €359 thousand.

With the exception of derivatives recognised at fair value, all assets and liabilities are measured at amortised cost.

For the assets and liabilities recognised at amortised cost, except for the financial liabilities, the carrying amounts of the financial assets and liabilities in the statement of financial position are a good approximation of their 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 interest rate parameters (level 2 under IFRS 13) as at the end of each reporting period, and amount to €766,298 thousand as at 30 June 2020 (31 December 2019: €716,662 thousand).

The derivative financial instruments reported in the statement of financial position are measured at fair value. These are exclusively interest rate hedges. The fair values result from discounting the expected future cash flows over the residual term of the contracts on the basis of observable market interest rates or yield curves (level 2 under IFRS 13).

Significant Related Party Transactions

There were no reportable transactions with related parties in the first half of 2020.

Events after the End of the Reporting Period

An agreement to sell a city centre retail property in Osnabrück was signed on 23 July 2020. The purchase price is €5.9 million.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial statements give a true and fair view of the net asset situation, financial position and result of operations of the company, and the interim management report of the company includes a fair review of the 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 for the remaining months of the financial year.

Duisburg, 30 July 2020

The Management Board

Niclas Karoff | Hans Richard Schmitz

ADDITIONAL INFORMATION

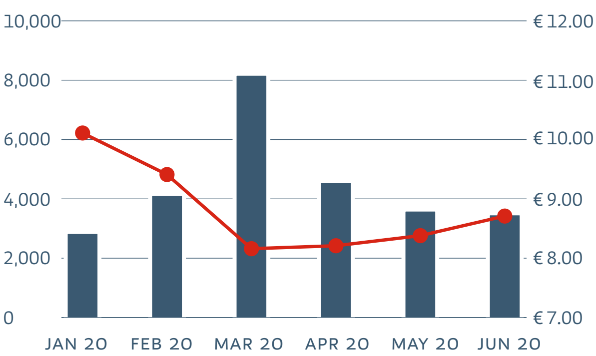
General Development on the Capital Market

The stock market was largely defined by the effects of the global coronavirus pandemic in the first half of 2020. After a promising start to the year that saw the DAX reach another all-time high of almost 13,800 points in February 2020, national and international markets began to crash as the virus continued to spread. In the wake of the global lockdown and the resulting risks to the world economy, the DAX fell to its lowest level for the year to date of 8,255 points by the middle of March.

In the months that follow, as the restrictions due to COVID-19 were gradually eased, the markets recovered rapidly and the benchmark index ended the first half of 2020 at 12,311 points. This corresponds to a decline of 7.1% as against the end of 2019.

HAMBORNER REIT AG Shares

Development of HAMBORNER shares



HAMBORNER's shares were also caught up in the turbulence on the stock markets, proving highly volatile in the first half of 2020. After €9.76 as at the end of 2019, the price of HAMBORNER shares climbed to €10.58 by the middle of February 2020. The shares tumbled in the weeks that followed in line with the general market trend, reaching their lowest point for the first half of the year at €7.33 in the middle of March. In the second quarter, the shares latched on to the positive development on the markets and began to reclaim some of the lost ground. At €8.71 as at 30 June 2020, the share price was therefore around 10.8% below the level of the end of 2019.

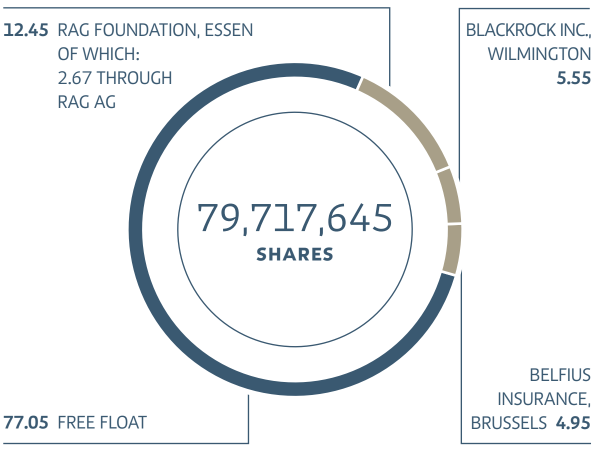
Triggered by the volatile state of the market, trading volumes for HAMBORNER's shares rose significantly in the first half of 2020. At an average of around 217,000 shares traded per day, share turnover was higher than the average level for 2019 (around 122,000 shares per trading day).

Name/code	HAMBORNER REIT AG/ HAB
SCN/ISIN	601300/ DE0006013006
Number of shares	79,717,645
Share capital	€79,717,645
Index	SDAX/EPRA index
Designated sponsor	HSBC/ODDO SEYDLER
Free float	77.05%
Market capitalisation	€694.3 million

Shareholder structure

Shareholder structure as at 30 June 2020

[in %]



Annual General Meeting 2020

In view of the developments in connection with the spread of the COVID virus and the German government's more stringent prevention measures as a result, the Management Board and the Supervisory Board of HAMBORNER REIT AG resolved in April 2020 to postpone the Annual General Meeting until a later date in the second half of 2020. The Annual General Meeting originally scheduled for 6 May 2020 is now expected to be held on 8 October 2020.

With official restrictions on public gatherings still in place, the Annual General Meeting will be held in virtual form. Further information on the procedure for virtual meetings and the special considerations they entail can be found in the agenda, which will be published in the German Federal Gazette and on the company's homepage before the event takes place.

Dividend in 2020

In line with its business performance in the current year and the updated forecast for the 2020 financial year, the Management Board and the Supervisory Board of HAMBORNER REIT AG reviewed their proposal for the appropriation of profits for the 2019 financial year, and have resolved to stand by their original dividend proposal. It will be proposed at the Annual General Meeting on 8 October 2020 to use the unappropriated surplus for the 2019 financial year of €37,467,293.15 to distribute a dividend of €0.47 per share.

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	Quarterly financial report 31 March 2021

Forward-looking Statements

This report contains forward-looking statements, e.g. on general economic developments in Germany 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

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