



Q3
2020

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

KEY FIGURES AT A GLANCE (IFRS)

€ thousand		
	30 Sep. 2020	30 Sep. 2019
FROM THE INCOME STATEMENT		
Income from rents and leases	66,207	63,735
Net rental income	59,735	57,211
Operating result	8,978	26,762
Financial result	-11,637	-11,564
EBITDA	56,702	52,967
EBDA	45,065	41,403
EBIT	11,705	26,861
Funds from operations (FFO)	42,338	41,304
Net profit for the period	68	15,297
- thereof result from the sale of investment property	2,727	99
FROM THE STATEMENT OF FINANCIAL POSITION		
Total assets	1,306,583	1,234,677
Non-current assets	1,242,237	1,223,990
Equity	514,394	513,562
Equity ratio	in % 39.4	41.6
REIT equity ratio	in % 55.8	57.3
Loan-to-value (LTV)	in % 42.5	42.4
ON HAMBORNER SHARES		
Number of shares outstanding	79,717,645	79,717,645
Basic = diluted earnings per share	in € 0.00	0.19
Funds from operations (FFO) per share	in € 0.53	0.52
Stock price per share (Xetra)	in € 8.72	9.58
Market capitalisation	695,138	763,695
THE HAMBORNER PORTFOLIO		
Number of properties	81	79
Fair value of property portfolio	1,625,985	1,598,090
Vacancy rate (including rent guarantees)	in % 1.7	2.0
Weighted remaining term of leases in years	6.5	6.6
OTHER DATA		
Net asset value (NAV)	912,765	924,300
Net asset value per share	in € 11.45	11.59
Number of employees including Management Board	42	42

LETTER FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

Today's quarterly report as at 30 September 2020 takes a look back at the first nine months of this year.

The last 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 spread of the virus.

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

- / Income from rents and leases up by 3.9% and FFO by 2.5%
- / Addition of three newly built office properties in Neu-Isenburg, Bonn and Aachen
- / Sale of two high street properties as part of portfolio optimisation
- / Vacancy rate still very low at 1.7%
- / Solid accounting structure with a REIT equity ratio of 55.8% and an LTV of 42.5%
- / NAV per share of €11.45

The successful performance continued to be built on our diversified and profitable portfolio and the particular proximity to our tenants. On the basis of a number of individual agreements, we were able to find fair and equitable solutions for those tenants that had been affected in particular. This allowed us to keep the volume of both temporary rent reductions and deferrals at a very low level.

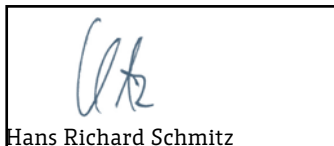
At the same time, the leases with these tenants have mostly been extended in the course of negotiations. The stability of our tenant structure is also reflected in the positive development of our incoming rent payments. After declining substantially during the nation-wide lockdown in spring the rate of our incoming rent payments has quickly recovered and was almost back at pre-crisis levels in the months from July to October.

The global crisis notwithstanding, we feel that we remain very well positioned and, overall, are still optimistic for the future. We would like to take this opportunity to thank you especially for your confidence and wish you and ourselves continuing health and success in 2020.

Duisburg, November 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 €66,207 thousand in the period until the end of September from managing our properties (previous year: €63,735 thousand), a year-on-year upturn of €2,472 thousand (3.9%). Property acquisitions in the current financial year and in the previous year accounted for €2,945 thousand (4.6%) of this increase. Rental income from properties that were in our portfolio both in the first nine months of 2019 and in the reporting year (like-for-like) was down €392 thousand (-0.6%) on the previous year. Income declined by €81 thousand overall (-0.1%) due to the sale of properties.

The vacancy rate decreased slightly in the first nine months and remains at a very low level. Including agreed rent guarantees, the vacancy rate was 1.7% (previous year: 2.0%). Not including rent guarantees, the vacancy rate was 3.0% (previous year: 2.2%).

Income from incidental costs charged to tenants amounted to €10,654 thousand, €488 thousand higher than in the same period of the previous year (€10,166 thousand). The costs of the management of our properties increased by €775 thousand to €13,705 thousand (previous year: €12,930 thousand) by the end of September 2020.

Expenses for the maintenance of the land and property portfolio fell by €339 thousand in the first nine months to €3,421 thousand (previous year: €3,760 thousand). The expenses relate to minor ongoing maintenance and various, smaller planned measures. There were also maintenance expenses of €920 thousand (previous year: €1,078 thousand) in the reporting year in connection with new leases and lease renewals.

At €59,735 thousand, the net rental income derived from the above items is €2,524 thousand or 4.4% higher than the value for the same period of the previous year (€57,211 thousand).

Administrative and personnel expenses totalled €4,838 thousand, up 6.8% on the previous year's level (€4,528 thousand). The operating cost ratio, i.e. administrative and personnel expenses to income from rents and leases, rose slightly to 7.3% (previous year: 7.1%).

Depreciation and amortisation rose to €44,997 thousand in the reporting period, up on €26,106 thousand in the previous year, mainly by €17,134 thousand as a result of impairment losses and by €1,904 due to property acquisitions in the previous and current financial year. 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 amounted to €1,232 thousand in the first nine months of the reporting year (previous year: €1,192 thousand). The income relates essentially 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 amounted to €2,154 thousand in the first nine months of 2020 (previous year: €1,093 thousand). The item includes write-downs on trade receivables of €1,328 thousand (previous year: €126 thousand), legal and consulting costs of €381 thousand (previous year: €48 thousand) and costs of investor and public relations work of €269 thousand (previous year: €267 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. €1,279 thousand of write-downs on receivables relates to rent reductions that have been granted to tenants in particular 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 company's operating result at the end of September 2020 came to €8,978 thousand, after €27,762 thousand in the same period of the previous year.

A result of €2,727 thousand (previous year: €99 thousand) was generated from the disposal of properties. The result for the reporting year essentially relates to the sale of a retail property in Osnabrück in the third quarter of the current financial year.

The financial result was €-11,637 thousand as against €11,564 thousand in the same period of the previous year and relates entirely to interest expenses. The interest expenses from loans of €-11,075 thousand included in this figure rose by €138 thousand as against the previous year. The borrowing of new loans caused interest expenses to rise by €791 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 €539 thousand. This illustrates the positive effect of refinancing at better interest rates on funds from operations (FFO).

The first nine months closed with a net profit for the period of €68 thousand after €15,297 thousand in the same period of the previous year. The decline is due to write-downs that were required in the reporting year. FFO (i.e. the operating result before depreciation and amortisation expenses and not including proceeds from disposals) increased by 2.5% and amounted to €42,338 thousand in the reporting period (previous year: €41,304 thousand). This corresponds to FFO per share of 53 cents (previous year: 52 cents).

Net Asset Situation and Financial Position

The office properties in Neu-Isenburg, Bonn and Aachen were transferred to the company's portfolio by 30 September 2020. The investment volume on the basis of purchase price amounts to €80.7 million with annual rental income of €4.3 million.

After revaluing property assets as at 30 June 2020 and taking the new acquisitions and the sale in 2020 into account, the fair value of the developed property portfolio as at the end of the quarter was €1,626.0 million (31 December 2019: €1,598.1 million). The revaluation to account for the impact of the coronavirus pandemic resulted in the fair value of the portfolio being reduced by €51.5 million overall in comparison to 31 December 2019. The devaluations essentially related to retail properties in city centre locations and retail centres that were hit particularly hard by the coronavirus pandemic.

"Trade receivables and other assets" amounted to €4.1 million as at 30 September 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 €0.3 million in VAT for the period from April to September have not yet been received. €730 thousand (net) of this figure has already been or is expected to be 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 €460 thousand in conjunction with the remeasurement of outstanding receivables as at the end of the reporting period.

The company had cash funds of €60.3 million on 30 September 2020 (31 December 2019: €8.4 million). The cash inflows resulting mainly from the borrowing of loans (€114.2 million) and operating activities (€52.1 million; previous year: €50.2 million) are essentially offset by cash outflows for investment in the property portfolio (€57.1 million) and payments of principal and interest (€62.8 million). Furthermore, the company had other financing commitments/credit facilities of €25.6 million as at the end of the reporting period.

Equity amounted to €514.4 million as at 30 September 2020 after €513.6 million as at 31 December 2019. The reported equity ratio was 39.4% as at the end of the period after 41.6% as at 31 December 2019. The REIT equity ratio was 55.8% after 57.3% as at 31 December 2019.

Current and non-current financial liabilities increased by a net amount of €62.7 million as against 31 December 2019, due chiefly to the utilisation of loans and scheduled repayments in the third quarter of 2020, and amounted to €751.0 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 1.9%.

The net asset value (NAV) of the company was €912.8 million as at the end of the quarter (31 December 2019: €924.3 million). This corresponds to NAV per share of €11.45, down on €11.59 as at 31 December 2019. 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, most economic experts are currently assuming that Germany's gross domestic product will decline by 5.0% to 6.0% in 2020. However, these forecasts are based on the premise of a gradual economic recovery. At present, it is impossible to predict the extent to which the renewed sharp rise in the number of cases, in connection with the strict contact restrictions imposed and mandatory closures for some sectors in November, will affect economic performance. Furthermore, the long-term effects of the coronavirus pandemic on companies and the economy are still uncertain. According to an Ifo Institute survey, in June around 20% of companies in Germany believed that their existence could be under threat as a result of the pandemic. With the obligation to file for insolvency suspended until the end of 2020, it remains to be seen how severely companies were actually affected by the coronavirus pandemic. A significant increase in insolvencies, including the associated risks for letting activities, is thus to be expected in 2021 at the latest. 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 cannot be ruled out for the year as whole – both in relation to rent receivables that have not yet been written down and emerging rent receivables.

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

For HAMBORNER, it is currently retail properties in city centre locations and retail centres that have been hit particularly hard by the pandemic. Brick 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 economic recovery and the current sharp rise in the number of cases in connection with strict contact restrictions imposed and mandatory closures for some sectors in November, 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.

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

An agreement to sell a city centre retail property in Oldenburg was signed on 5 October 2020. The purchase price is €4.6 million. Benefits and encumbrances are expected to be transferred to the buyer at the end of the current financial year.

This year's Annual General Meeting was held virtually on 8 October 2020. At this meeting, resolutions were passed including a dividend payment for the last financial year of €0.47 per share. For the first time, shareholders were offered a stock dividend, i.e. instead of a cash dividend, shareholders can choose to receive newly issued shares in HAMBORNER REIT AG. 25.73% of shareholders took up this offer and so 861,922 new shares at a price of €7.854 € were issued in this way. The company's equity rose by €6,769,535.39 accordingly.

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 extremely positive development in incoming rent payments, the company is standing by its forecast for the year as a whole as revised in July 2020, which assumes 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). In addition, the company is anticipating a decline in NAV per share for the current financial year in a single-digit percentage range.

This forecast is made on the assumption that the recent tightening of COVID-19 restrictions will not have any material negative impact on tenants' payment patterns or ability to pay. The forecast also does not take into account the effects of possible acquisitions or disposals in the remainder of the year

PRINCIPLES OF REPORTING

The HAMBORNER REIT AG interim statement as at 30 September 2020 is in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. It was prepared in line with the regulations of the International Accounting Standard (IAS) 34 on interim financial reporting. In deviation from IAS 34, however, no notes to the financial statements are provided.

There were no changes to the accounting policies used in the separate IFRS financial statements as at 31 December 2019. The accounting standards endorsed and revised by the EU, which are mandatory effective 1 January 2020, were observed. This did not result in any material changes to the interim financial statements as at 30 September 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 expected overall 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. – 30 Sep. 2020	1 Jan. – 30 Sep. 2019	1 July – 30 Sep. 2020	1 July – 30 Sep. 2019
Income from rents and leases	66,207	63,735	22,339	21,432
Income from passed-on incidental costs to tenants	10,654	10,166	3,669	3,543
Real estate operating expenses	-13,705	-12,930	-4,086	-3,854
Property and building maintenance	-3,421	-3,760	-817	-1,025
Net rental income	59,735	57,211	21,105	20,096
Administrative expenses	-956	-944	-325	-250
Personnel expenses	-3,882	-3,584	-1,306	-1,218
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	-44,997	-26,106	-9,396	-8,758
Other operating income	1,232	1,093	199	167
Other operating expenses	-2,154	-908	-502	-213
	-50,757	-30,449	-11,330	-10,272
Operating result	8,978	26,762	9,775	9,824
Result from the sale of investment property	2,727	99	2,651	99
Earnings before interest and taxes (EBIT)	11,705	26,861	12,426	9,923
Interest income	0	0	0	0
Interest expenses	-11,637	-11,564	-3,835	-3,874
Financial result	-11,637	-11,564	-3,835	-3,874
Net profit for the period	68	15,297	8,591	6,049
Basic = diluted earnings per share in €	0.00	0.19	0.11	0.08

STATEMENT OF COMPREHENSIVE INCOME

€ thousand	1 Jan. – 30 Sep. 2020	1 Jan. – 30 Sep. 2019	1 July – 30 Sep. 2020	1 July – 30 Sep. 2019
Net profit for the period as per income statement	68	9,248	8,591	6,049
Items reclassified to profit or loss in future if certain conditions are met:				
Unrealised gains/losses (–) on the revaluation of derivative financial instruments	435	188	148	137
Items not subsequently reclassified to profit or loss in future:				
Actuarial gains/losses (–) on defined benefit obligations	329	–545	–252	–77
Other comprehensive income	764	–357	–104	60
Total comprehensive income	832	8,891	8,487	6,109

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	30 Sep. 2020	31 Dec. 2019
NON-CURRENT ASSETS		
Intangible assets	560	574
Property, plant and equipment	2,982	3,057
Investment property	1,236,858	1,202,734
Advance payments on investment property	0	16,102
Financial assets	1,538	1,238
Other assets	299	285
	1,242,237	1,223,990
CURRENT ASSETS		
Trade receivables and other assets	4,085	2,329
Cash and cash equivalents	60,261	8,358
	64,346	10,687
Total assets	1,306,583	1,234,677

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

€ thousand	30 Sep. 2020	31 Dec. 2019
EQUITY		
Issued capital	79,718	79,718
Capital reserves	380,467	380,467
Retained earnings	54,209	53,377
	514,394	513,562
NON-CURRENT LIABILITIES AND PROVISIONS		
Financial liabilities	667,719	618,588
Derivative financial instruments	675	1,110
Trade payables and other liabilities	9,608	10,089
Pension provisions	6,054	6,625
Other provisions	3,114	3,360
	687,170	639,772
CURRENT LIABILITIES AND PROVISIONS		
Financial liabilities	83,315	69,776
Trade payables and other liabilities	19,952	10,111
Other provisions	1,752	1,456
	105,019	81,343
Total equity, liabilities and provisions	1,306,583	1,234,677

STATEMENT OF CASH FLOWS

€ thousand	1 Jan. – 30 Sep. 2020	1 Jan. – 30 Sep. 2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the period	68	15,297
Financial result	11,637	11,564
Depreciation, amortisation and impairment (+)/write-ups (-)	44,997	26,106
Change in provisions	-255	-744
Gains (-)/losses (+) (net) on the disposal of property, plant and equipment and investment property	-2,863	-99
Change in receivables and other assets not attributable to investing or financing activities	-1,770	-1,867
Change in liabilities not attributable to investing or financing activities	314	-18
	52,128	50,239
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in intangible assets, property, plant and equipment and investment property	-57,094	-24,214
Proceeds from disposals of property, plant and equipment and investment property	5,993	1,600
Proceeds from disposals of financial assets	0	3
	-51,101	-22,611
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	0	-36,670
Proceeds from borrowings of financial liabilities	114,212	39,776
Repayments of borrowings	-51,115	-17,499
Proceeds from cash collateral for financial liabilities	0	4,191
Repayment portion of lease liabilities	-517	-199
Interest payments	-11,704	-11,700
	50,876	-22,101
Changes in cash funds	51,903	5,527
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 September	60,261	9,119
Cash and cash equivalents (with a remaining term of up to three months)	60,261	9,119
Cash and cash equivalents on 30 September	60,261	9,119

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)					-36,670	-36,670
Net profit for the year 1 Jan. – 30 Sep. 2019					15,297	15,297
Other comprehensive income 1 Jan. – 30 Sep. 2019			325	-622		-297
Total comprehensive income 1 Jan. – 30 Sep. 2019			325	-622	15,297	15,000
As at 30 September 2019	79,718	391,194	-1,317	-4,646	45,807	510,756
Withdrawal from capital reserves		- 10,727			10,727	
Net profit for the year 1 Oct. – 31 Dec. 2019				0	2,584	2,584
Other comprehensive income 1 Oct. – 31 Dec. 2019			207	15		222
Total comprehensive income 1 Oct. – 31 Dec. 2019			207	15	2,584	2,806
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 Sep. 2020					68	68
Other comprehensive income 1 Jan. – 30 Sep. 2020			435	329		764
Total comprehensive income 1 Jan. – 30 Sep. 2020			435	329	68	832
As at 30 September 2020	79,718	380,467	- 675	- 4,302	59,186	514,394

FINANCIAL CALENDAR 2020/2021

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
29 April 2021	Annual General Meeting 2021
29 July 2021	Half-year financial report 30 June 2021

CREDITS

Published by:

The Management Board of HAMBORNER REIT AG, Duisburg

As at:

November 2020

HAMBORNER REIT AG

Goethestrasse 45

47166 Duisburg

Germany

Tel.: +49 203 54405-0

Fax: +49 203 54405-49

info@hamborner.de

www.hamborner.de