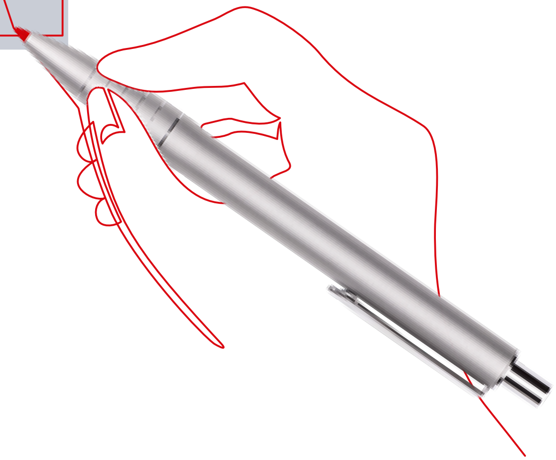
hamborner REIT
ZUKUNFT BRAUCHT SUBSTANZ

Annual Report 2021

We create value



Profile

HAMBORNER REIT AG has positioned itself as an asset manager for profitable office and retail property at established locations in large and medium-sized German cities. We apply our experience and value-oriented strategy to continually refine our portfolio and systematically continue our growth course.

In a highly competitive 2021 market environment, HAMBORNER REIT AG further optimised its portfolio through targeted disposals and purchases. We will also expand our property stock in a yield-oriented manner in the future, via our active portfolio management approach.

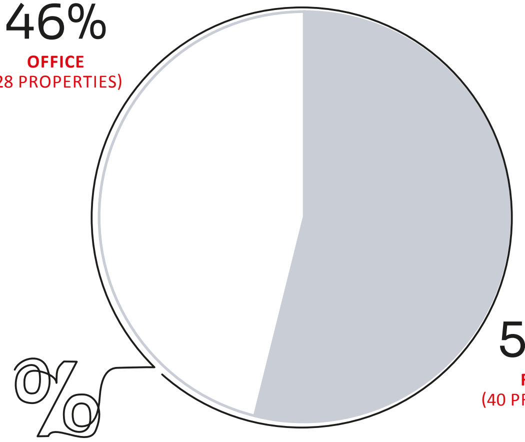
Key investment highlights

- A high-yield and diversified real estate portfolio
- Stable cash flow with long-term predictability
- Lean and efficient company structure
- Strong internal asset and property management
- Consistently high occupancy rate
- Solid balance sheet and financing structure
- Sustainable and attractive dividend policy

We create values

Portfolio structure

based on fair value



LEASABLE SPACE

598,215 m²

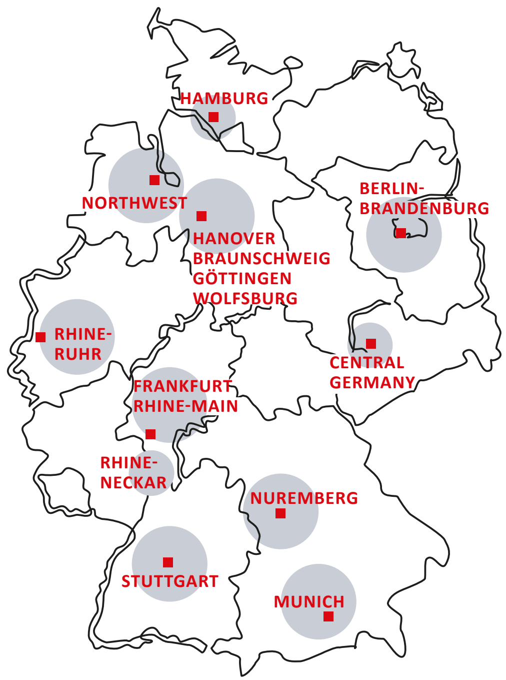
AVERAGE REMAINING TERM FOR LEASES

6.1 years

Key data 2021

43

EMPLOYEES



INVESTMENT FOCUS

Focus on German metropolitan regions

Find out more

1.6 € billion

Total portfolio value

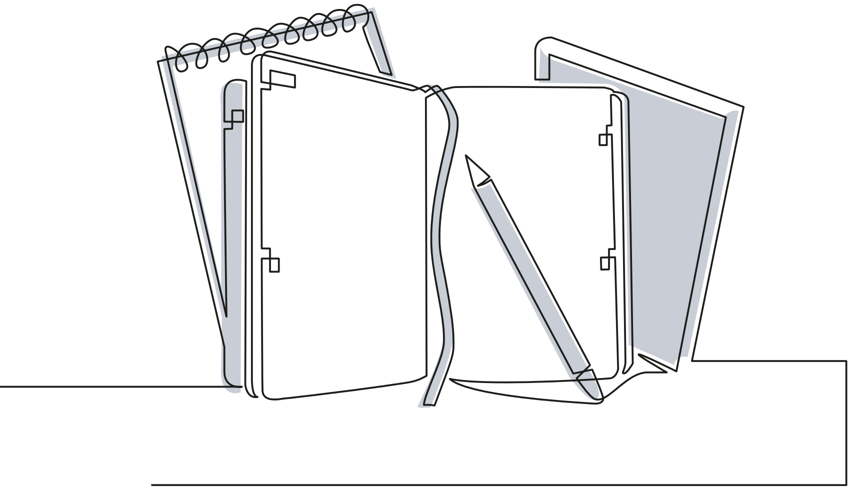
98.0 %

Occupancy rate

23.6 € million

average property volume

Financial indicators



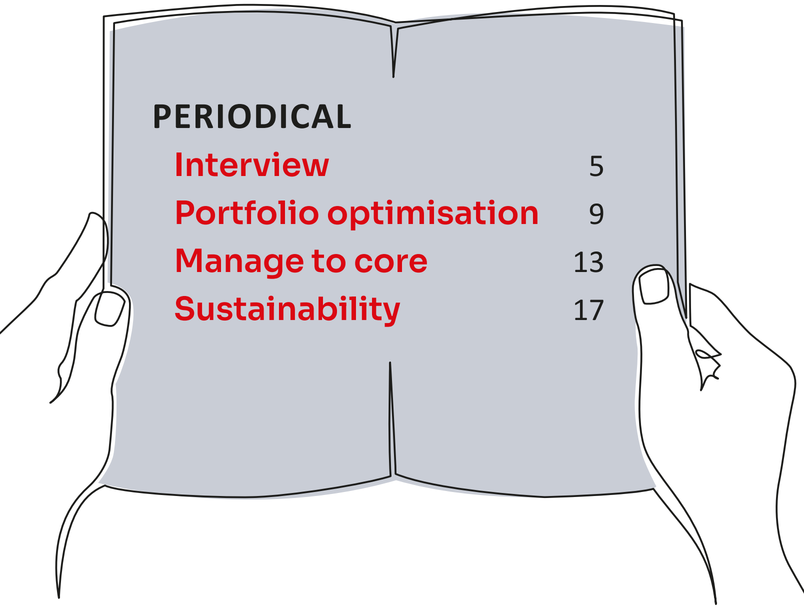
84.4 € million

Income from rents and leases

53.1 € million

Funds from operations

IN € THOUSAND		2021	2020	2019
From the income statement				
Income from rents and leases		84,360	88,193	85,165
Net rental income		74,627	79,097	76,355
Operating result		31,794	–900	33,328
Financial result		–13,915	–15,443	–15,542
EBITDA		103,416	78,132	69,945
EBIT		68,175	6,180	33,423
Funds from operations (FFO)		53,120	55,609	54,308
Net profit for the year		54,260	–9,263	17,881
of which resulting from the sale of investment property		36,381	7,080	95
From the balance sheet				
Total assets		1,285,787	1,265,784	1,234,677
Non-current assets		1,128,058	1,200,826	1,223,990
Equity		497,374	474,234	513,562
Equity ratio	in %	38.7	37.5	41.6
REIT equity ratio	in %	61.0	54.5	57.3
Loan to value (LTV)	in %	41.3	44.5	42.4
On HAMBORNER shares				
Number of shares outstanding		81,343,348	80,579,567	79,717,645
Basic = diluted earnings per share	in €	0.67	–0.12	0.22
Funds from operations (FFO) per share	in €	0.65	0.69	0.68
Stock price per share (Xetra)	in €			
Highest share price		10.22	10.62	9.82
Lowest share price		8.66	7.32	8.38
Year-end share price		10.02	9.01	9.76
Dividend per share	in €	0.47	0.47	0.47
Dividend yield in relation to the year-end share price	in %	4.7	5.2	4.8
Price / FFO ratio		15.3	13.1	14.3
Market capitalisation		815,060	726,022	778,044
On the HAMBORNER portfolio				
Number of properties		68	80	79
Fair value of the property portfolio		1,604,000	1,624,785	1,598,090
Vacancy rate (including rent guarantees)	in %	1.9	1.8	2.0
Weighted remaining term of leases in years		6.1	6.3	6.6
EPRA vacancy rate	in %	2.0	1.9	1.3
Other data				
Net asset value (NAV)		984,902	890,721	924,300
Net asset value per share	in €	12.11	11.05	11.59
EPRA Net Tangible Assets (NTA)		984,430	890,222	923,726
EPRA Net Tangible Assets per share	in €	12.10	11.05	11.59
Number of employees including Management Board		45	44	42



PERIODICAL

COMPANY

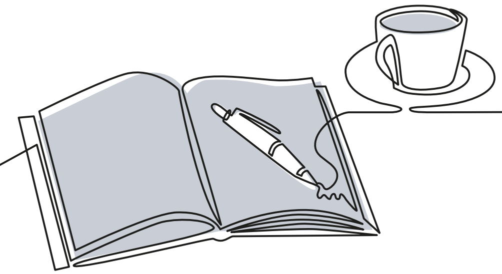
MANAGEMENT REPORT

SEPARATE FINANCIAL STATEMENT (IFRS)

FURTHER INFORMATION

We create values

Further information: Reference to supplementary content on our website | Reference to another page in the annual report | Video clip



Interview with the Management Board

HAMBORNER is also consistently continuing its established course in the second year of further developing its portfolio, thereby laying the foundation for the next step: further value-generating growth.

Niclas Karoff and Hans Richard Schmitz in conversation.

We have delivered

Mr Karoff, first let’s take a look at the portfolio structure. A lot of work has been done here in the past year.

KAROFF: In terms of our portfolio, we have been able to implement what we announced as part of our strategic further development back in 2020: so on the one hand, we have been successful in acquiring high-quality properties for our long-established core portfolio. At the same time, we have set out to gradually invest in selected properties that have additional value-creation potential – we refer to these as “manage to core”. This has also been implemented for two locations in the past year. In connection with this, we are making sure we find a good balance between the two investment approaches, which is also reflected in the purchases of the past year.

In addition – and this was always a goal – we have consistently separated ourselves from a majority of our “high street” properties by means of value-optimised sales. Using this strategy, we have generally been able to further improve the already high overall quality of the portfolio.

And we have done so in an environment that continues to be characterised by uncertainty...

SCHMITZ: In the current situation, we also see an opportunity for us. That is because the pandemic-related crisis gives us the chance to demonstrate the resilience of our business model, the quality of our property portfolio, and not least the value of our customer relationships. The new lease rates are proof of the robustness of our portfolio. These were at a consistently high level over the past year – including during periods of lockdown.

You were also successful with lease renewals in 2021.

SCHMITZ: Our closeness to the market pays off here. Not only is our asset management team in constant dialogue with our tenants; we also speak to relevant market players on an ongoing basis. And this means we can even seamlessly re-rent larger areas, for instance the three Real markets last summer, which have a total floor area of 33,000 m² – in this case with long-term contracts with Kaufland and Globus. The fact that time after time we proactively consider alternative usage options for spaces, and take up negotiations with potential replacement tenants at an early stage, contributes to the success of smooth lease transitions such as these.

> “We have been able to once again increase the quality of our portfolio.”

NICLAS KAROFF
Chair of the Management Board

HAMBORNER holds significantly fewer properties than it has in previous years. Is that part of your strategy?

KAROFF: As at the cut-off date, our number of properties has reduced 7% year-on-year. And in fact there are strategic considerations behind this: we are concentrating even more on larger properties that often enable more efficient management. This is demonstrated for example in lease expenses, but also in the context of implementing technical measures. And since in many locations the complexity of property business is constantly increasing, we consider this narrowed focus to be the right path – particularly with respect to long-term profitability.

What's your economic summary for 2021?

SCHMITZ: We achieved our annual targets. Our yield data is, for the most part, within forecast. Our FFO figures are even above forecast – because expected expenses were not incurred and because some expenses shifted into the current year. Our financial statement structure remains very solid, and the equity ratio improved again here. And with the successful further development of the portfolio, we have been able to develop the value of our property stock a fair amount. This is also reflected by our NAV per share, which has developed positively and has significantly exceeded our original forecast.

So we can be pleased, especially as the fiscal situation provides us with a good foundation for successfully driving forward our growth strategy. In addition, the current year will see us reinvest the funds that we have received from sales.

What progress can you report in the ESG area?

KAROFF: Two years ago, we substantially revised our sustainability strategy and got it off the ground. Today, we have sustainability activities running through all business areas. We are committed to pursuing this topic even though it is associated with a wide range of challenges, and we have successfully improved across the board in the recent period. In any case, we already have a strong foundation at governance level. We worked intensively on the area of social considerations in 2021. Thanks to lean structures, we have been able to engage with important topics, for instance in the area of further training, in a focused manner – and to implement measures quickly.

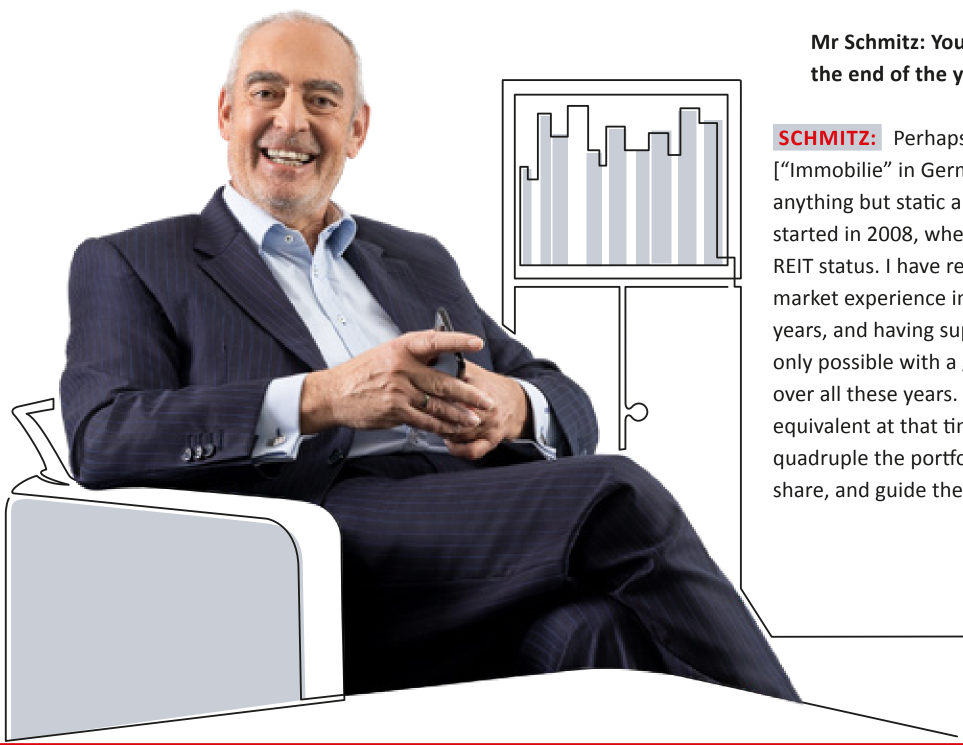
The environmental area is complex, particularly with respect to real estate. We are currently dedicating particular attention to this subject. One central component of this is establishing a targeted data management system. We have ascertained the carbon footprint of our administrative site as planned. The next step on our path to further decarbonisation is to transfer the knowledge gained from doing this to the entire portfolio, in order to achieve a reliable data basis for subsequent strategic measures. For this task more than any other, the use of digital tools in data collection and evaluation is increasing in importance. Looking at the portfolio, it also helps us that we have an overall very high-value portfolio with a large number of as-new properties.

VIDEO An interview with Niclas Karoff and Hans Richard Schmitz

To watch the video, scan the QR code or click on the icon.

What do you think the next steps are for HAMBORNER for 2022?

KAROFF: The past year and a half have been a period during which it was necessary for us to not only safeguard operational strength under pandemic conditions, but also further strengthen the real estate portfolio and address important future-focused topics even more intensively. We want to calmly build on both of these aspects in 2022. That means driving forward ongoing projects, continuing to be in close dialogue with our tenants, and further developing and expanding the portfolio, taking into account our sustainability strategy.



In terms of future growth, our portfolio will help us in an environment that will remain highly competitive: as we deal with both office and retail properties, we are active in two asset classes. It is also useful to us that, for each area, we are pursuing an additional investment approach to supplement the strategy, in the form of “manage to core”.

SCHMITZ: Economically, we assume that we will continue successfully along our path. Experience from two years dominated by pandemic effects has demonstrated that the stability of our portfolio will protect us against more major setbacks, even in this demanding environment. The proportion of tenants from the area of foodstuffs retail, the long-term nature of the contracts, and our tenants’ good credit ratings are important guarantees of success for us here.

Mr Schmitz: You will be handing over your responsibilities at the end of the year. How would you sum things up?

SCHMITZ: Perhaps contrary to what the term “property” [“Immobilie” in German] suggests, bricks-and-mortar business is anything but static and boring. This was clear to me back when I started in 2008, when the task was to make HAMBORNER fit for REIT status. I have really enjoyed it, particularly placing my capital market experience in the service of HAMBORNER for the past 14 years, and having supported the company on that journey. That’s only possible with a good team, as I have found at HAMBORNER over all these years. And only since converting to a REIT – the equivalent at that time was an IPO – has it been possible for us to quadruple the portfolio value, significantly increase the FFO per share, and guide the company into SDAX.

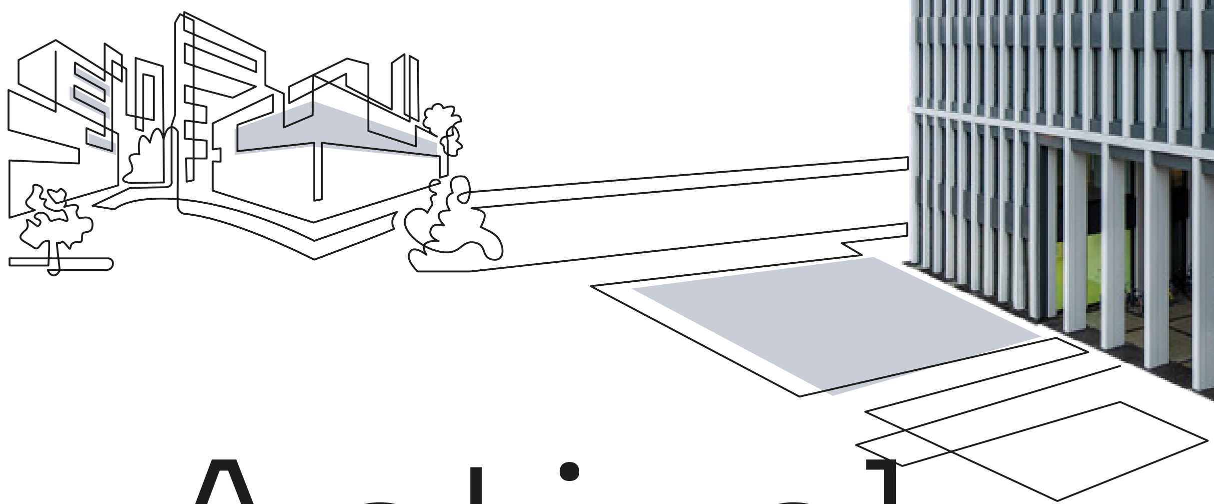
> “Our investment strategy targets building up value in the long term.”

HANS RICHARD SCHMITZ
Members of the Management Board

I’m proud of that. And I’m thankful for the opportunity that was offered to me at that time. When I leave the company in a few months, I know that it will be not only in very good condition, but also in the best hands. What with that and its own DNA, HAMBORNER has a very good path ahead of it. Finally, it only remains for me to wish the best of luck to the team, our tenants, and last but not least the owners – our shareholders – and to thank them for their confidence in me and for the positive collaboration over the years.

Portfolio optimisation

In a highly competitive market environment, HAMBORNER has further developed its portfolio in 2021, in line with its strategy. Good teamwork and close contact with partners were key success factors for this.



Actively managed

MÜNSTER This contemporary new-build office was built with a carbon-reduced design, and transferred into the HAMBORNER portfolio at the end of 2021.

17x

Sale of 17 city-centre office buildings as part of the announced portfolio optimisation, including the property in Langenfeld.

As part of its corporate strategy refined in summer 2020, by year-end 2021 HAMBORNER had sold a total of 17 of the 21 city-centre office buildings it originally held, with a transaction volume of around €150 million, and significantly reduced its corresponding portfolio share. “Due to individual criteria as well as the ongoing structural change in city centres, this type of property is no longer a good fit for our portfolio alignment. So we have been consistently divesting ourselves of these properties,” explains Michael Weiß, Head of Transaction Management at HAMBORNER.

However, active portfolio management does not just mean moving away from certain asset (sub-)classes such as inner-city office buildings. “A piece of real estate may be a candidate for sale if the tenant structure does not offer long-term prospects; the site is particularly high maintenance; increased sustainability requirements can only be implemented with significant conversion costs; or the returns requirements are ultimately not fulfilled,” explains Fabian Marreck, who leads Portfolio Management at HAMBORNER. Along with the inner-city office buildings already mentioned, HAMBORNER identified and sold three such properties in 2021. As an active portfolio holder, during management HAMBORNER always has an eye to whether quality and returns for the overall portfolio can be further increased in the long term through sale and reinvestment. An important goal here is focusing on larger properties with an attractive risk / return profile instead of managing many smaller properties that have comparatively high administrative expenses.

Currently – as well as the four remaining inner-city properties that are intended for sale – there are a small number of properties in the portfolio that are expected to be sold in the medium term. “However, there’s no urgent pressure to act in our portfolio, and we only plan additional purchases if a good market environment can be utilised. At the same time, we are always mindful of market-side purchase opportunities so that the incoming funds can be reinvested in attractive new acquisitions as promptly as possible,” Marreck adds.

FREIBURG The approximately 10,700 m² DIY store is located at an established location with very good transport connections.

"As part of our active portfolio management approach, we will also sell selected properties on a targeted basis in future."

FABIAN MARRECK
Head of Portfolio Management

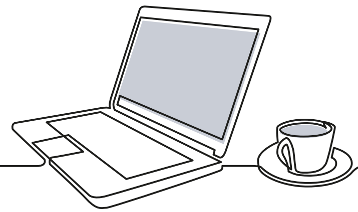
MAINZ This fully leased building was acquired for €18.6 million in 2021.

HAMBORNER is again focusing on growth for 2022: revenue from the most recent sales is to be rapidly reinvested in high-return real estate.

However, in an environment that continues to be intensely competitive, particularly in the retail property market with a focus on local amenities, how can interesting properties be found at all? Along with utilising structured sales processes, where competition is comparatively strong HAMBORNER benefits above all from its excellent contacts in the real estate industry. "We are known in the market as a very dependable partner and offer our partners very reliable transactions," comments Michael Weiß, who stays in close contact with estate agents, owners and project developers, as do his two colleagues from the transaction team. This means that project developers, for example, regularly contact HAMBORNER directly with property. Maintaining these networks and enhancing the company's good reputation is an essential responsibility for HAMBORNER.

This approach enabled HAMBORNER to realise several interesting property acquisitions in 2021, and to supplement its portfolio with a modern DIY store in Freiburg as well as three attractive office properties in Mainz, Stuttgart and Münster. In making such acquisitions HAMBORNER always keeps a fixed eye to its target portfolio structure, focusing on "core" properties. These should continue to make up approximately 80 to 90% of its portfolio. The real estate properties in Mainz and Stuttgart are "manage to core" assets, with short remaining leases and / or significant need for modernisation. "Based on existing expertise as well as individual modernisation and re-letting concepts, we intend to leverage existing value

FABIAN MARRECK
Straight after graduating in business management, Fabian Marreck's first role was in the real estate department of a leading audit firm. He came to know HAMBORNER in his role as auditor – and then swapped to sit at the other side of the desk. Marreck was Deputy Head of Accounting for nine years, and since 2020 he has been leading Portfolio Management and is also responsible for the Controlling and Risk Management departments.



enhancement potential and in this way to further enhance the quality and profitability of our portfolio," explains Portfolio Manager Marreck. In the future, the "manage to core" portfolio which is currently being established will be gradually supplemented with additional attractive office and retail properties, with an intended target rate of around 10 to 20% of the total portfolio volume. At the same time, HAMBORNER regularly reviews its existing portfolio to check for value creation potential that should be leveraged through targeted investment measures.

For every new offer, the transaction experts at HAMBORNER initially review whether the real estate fits the defined portfolio. In this process, HAMBORNER has a focus first and foremost on metropolitan regions and urban centres; however, exceptions are not ruled out – as shown by the office property acquired at an established location in Münster in 2021. In the valuation, the team also uses digital tools with macro- and micro-data about a site. This enables information such as commuting areas, purchasing power, unemployment rates, and comparative rents at the location to be accessed easily. The majority of real estate propositions are ruled out early in the project phase, and ultimately only a small percentage of properties proceed for further investigation.

As part of an extended purchasing review, these are then examined in detail using in-house experts from the areas of law, engineering, asset management, management, ancillary costs, and portfolio management. External advisers are also called upon when needed, for example to review particular legal topics, technical building equipment, or compliance with specifications under construction or fire protection law. "We bring together the various perspectives on a property. This interdisciplinary work is part of our success," says Weiß. Among other aspects, details include the building structure and equipment, the tenants, and the local and regional environment. The matter of sustainability is constantly increasing in importance. For this reason, HAMBORNER developed a specific ESG (Environmental, Social, Governance) acquisition checklist in 2021.

> "The high level of reliability HAMBORNER offers its partners is a central success factor in the transaction process."

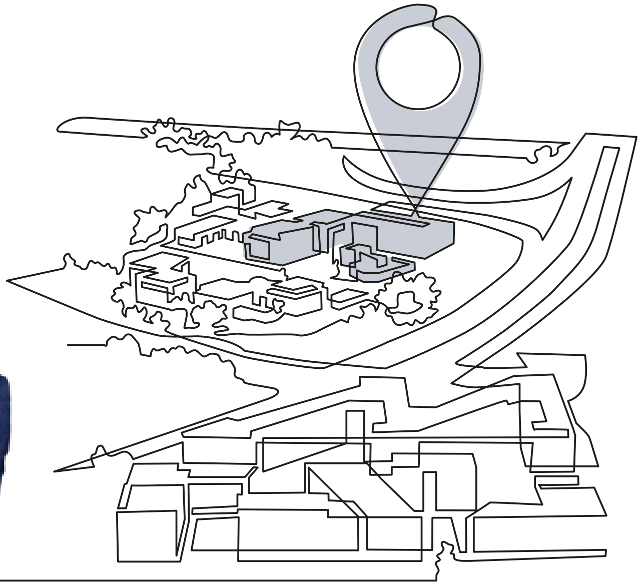
MICHAEL WEIß
Head of Transaction Management

Among other things, the points reviewed included energy systems and consumption, carbon emissions, e-mobility, bike parking spaces, accessibility, work safety standards, and the tenants' business models.

Whether an object of purchase is a good fit for the portfolio in terms of economic aspects is analysed by the portfolio management team. This analysis takes into account all findings from the acquisition review and applies them to a detailed planning and investment calculation that ultimately forms an important basis for decision-making. Fabian Marreck firmly believes: "We take a disciplined approach to investment, oriented on yield and quality."

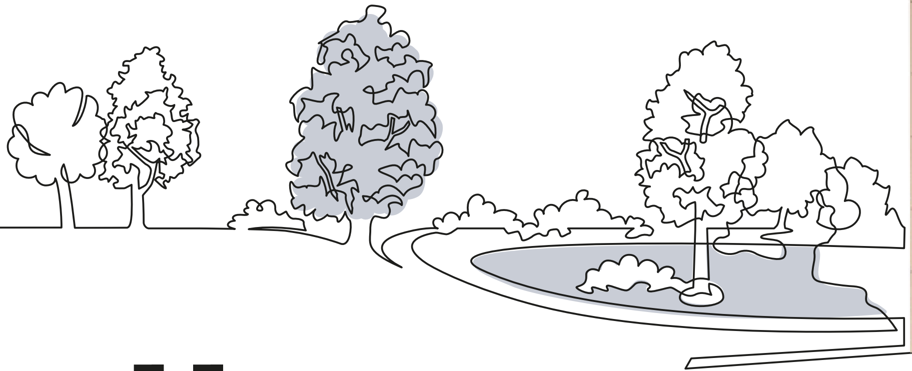
MICHAEL WEIß

Michael Weiß has 23 years of real estate experience. This business and property economist joined HAMBORNER in 2005 following roles at a consultancy company and project developer. He now leads the Production Management department and is responsible for procurement and sales activities for the company.



Manage to core

The tasks associated with modernisation and/or repositioning of properties from the "manage to core" segment require not only extensive know-how and expertise but, most importantly, teamwork.



Challenges drive us onward

STUTTGART This property was bought in 2021 as part of the "manage to core" strategy.

In Stuttgart, HAMBORNER has acquired a six-storey office property with four building wings and a floor area of around 6,000 m² in the past year. The property is currently mostly leased, with some leases expiring in the short to medium term. Over the coming years this property will therefore pose particular challenges for the leasing team, as well as the technicians at HAMBORNER. After all, acquisitions to date have almost exclusively been "core" properties that feature modern, quality buildings and long-term leases, among other characteristics. The task In Stuttgart was to achieve rapid re-letting of individual areas in combination with targeted modernisation.

"Manage to core" properties are associated with a few particular features. Unlike traditional "core" property or new builds in which the real estate is generally leased long term and there is no immediate need for investment, these are in need of short- to medium-term lease-related or modernisation tasks. We have to decide how to design real estate and individual areas at this time to be able to ensure leasability in the long term," says Melanie Tischmeyer, Leasing Manager at HAMBORNER. What rental price can be achieved, what technical building equipment installed, and what visual design should be pursued? Questions such as these are discussed as early as possible, in close collaboration with external regional agents who are very familiar with local circumstances. After all, it is crucial to take into account local market developments in the framework of technical and lease-related planning.

For the property in Stuttgart, the leasing team at HAMBORNER was brought in early – in fact during the acquisition process. The team contributed findings from current market reports, their own research findings about the property, and appraisals of the leasing situation by local estate agents. "In complex purchasing processes of this type, it's necessary to collaborate closely across departmental boundaries. The earlier this happens, the better," says Tischmeyer. Maik Heinzelmann, architecture engineering graduate and Technical Property Manager at HAMBORNER: "We are also involved from the outset in the purchasing process; after all, the foundation for any investment decision is ensuring the evaluation of the structural and technical condition of a property is as precise as possible."

The property is therefore thoroughly screened in the course of a comprehensive technical acquisition review. To do this, the technicians at HAMBORNER engage deeply with the history of the building and its current condition. They are supported in this work by external experts. Are there provisions under building law that could affect future renovation and conversion measures? Is there a maintenance or review backlog for the technical systems, what condition is the structure in, and what about the external facilities? At the end of the day, it is crucial to be clear about what material renovation or modernisation measures may be necessary, and the level of the investment costs.

> "It must be possible to design modern office buildings in a needs-based and tenant-specific way."

MELANIE TISCHMEYER
Lease Manager

MELANIE TISCHMEYER

This Lease Manager loves being practical. After training at Jones Lang LaSalle (JLL) in Düsseldorf, she worked in the office property department there as an estate agent, primarily acting as a representative for property owners. In that role she was the intermediary service provider; however, since joining HAMBORNER in 2016 she is now the direct representative of the property owner. She also gained experience in "manage to core" while at JLL.

MAIK HEINZELMANN

Maik Heinzelmann studied architecture and subsequently worked in various companies in the area of project business, with a focus on interior construction in retail and system catering. In these roles he supported all service phases from drafting and conceptualisation, to execution planning, to construction and project management and control. Heinzelmann has been working at HAMBORNER as a Technical Property Manager since January 2021.

> “Rental spaces that can be flexibly divided permit optimum adaptation to individual tenant needs.”

MAIK HEINZELMANN
Technical Property Manager

If a positive decision is taken on a property, the marketing phase quickly follows – working together with the established local partners, who have the required local market knowledge and contacts. There are no significant conversion measures or renovations planned in the Stuttgart property. However, to achieve ideal presentation on the market, selected small-scale measures are being implemented before the start of marketing activities. “For example, we are modernising the entrance area in Stuttgart as a first step,” reports Tischmeyer.

In the course of the leasing process, additional targeted works may follow as required, which will contribute to the successful marketing of the individual spaces. This includes, for example, modern design in work, recreation or sanitation areas. Further attractions include appealing outdoor areas for lunch breaks or smaller events. In terms of technical equipment: fast internet, mostly via a fibre-optic connection, is essential. “Provided that the corresponding public infrastructure is in place, HAMBORNER can rapidly upgrade this,” comments Heinzelmann. There are also almost no limits on the implementation of individual tenant requests, as long as they add up for HAMBORNER – this is ultimately a calculation based on the amount of rent as well as the contract terms agreed with the tenants.

For office properties such as the one in Stuttgart, the lease team and technicians always have the subject of working from home in mind. “The trend toward mobile working continued in 2021, though so far not to the extent predicted at the start of the pandemic,” comments Tischmeyer. Most notably, working from home did not necessarily mean less office area is required. Instead, demands have changed: rather than small individual offices, larger communication areas for meetings and general dialogue are now sought-after. “The office of today is, more than ever, a place for coming together, with attractive general areas and flexible workspaces. It must be possible to design accordingly,” explains Heinzelmann.

Flexibility in the design of rental spaces is a key topic for HAMBORNER – and this is truer than ever in the context of current trends. Areas that can be separated and which have their own entrances, sanitation areas, and kitchens are advantageous when it comes to tenant changeover. Currently, spaces between 200 and 500 m² in area are increasingly in demand in Stuttgart. “Given the existing building structure, we will be in a position to take into account this need for space and the individual design preferences of potential new tenants,” predicts Melanie Tischmeyer.

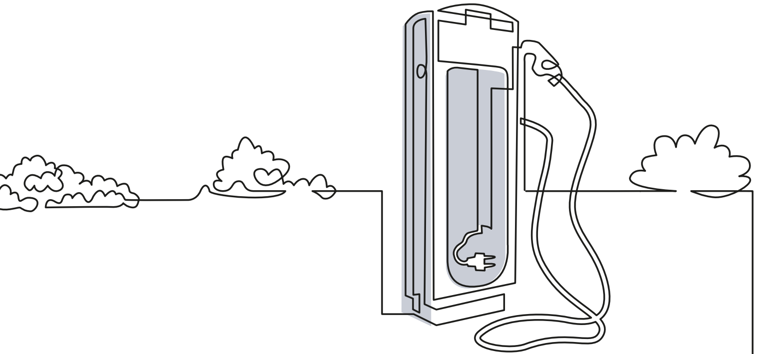
Insofar as conversion or modernisation measures are agreed or necessary in the course of leasing, these are always planned with sustainability considerations in mind. "As a general rule, the older the building the worse its energy efficiency. Targeted renovation of individual parts of buildings, or renewal of technical systems such as the air-conditioning or ventilation systems, heating, lighting system and water supply, enables the energy efficiency and therefore carbon footprint of the building to be significantly increased," explains Maik Heinzelmann.

Different tenants approach the subject of sustainability differently. "HAMBORNER leases are now oriented on sustainability as standard. For offices, these 'green leases' are signed by the vast majority of tenants," explains Melanie Tischmeyer. Sustainability measures are most likely to be interesting to tenants if they mean cost savings below the line, for example through modern, energy-efficient heating, cooling or insulation.

Properties with car charging columns installed are currently in high demand, and the office building in Stuttgart demonstrates this too. "The targeted installation of charging columns at our existing properties not only has a positive effect in terms of environmental aspects, but also increases the leasability of spaces," explains Heinzelmann.

Melanie Tischmeyer and Maik Heinzelmann are both equally looking forward to future projects in the "manage to core" area. Today, in addition to the object of acquisition in Stuttgart, the to-do list also includes the existing property in Lübeck as well as the office in Mainz, also acquired in 2021. This is a building of around 8,000 m², in an established office location that benefits from many renowned companies and institutions being located there, as well as demand for space that has recently been consistently on the rise. Looking forward, the HAMBORNER "manage to core" portfolio is also set to be gradually supplemented with additional retail properties that – although associated with their own challenges – will be handled on the foundation of the HAMBORNER team's collective expertise.

MAINZ The property is being adapted to the needs of the new tenants as part of a re-letting concept.



BONN The property established in 2020 offers around 6,200 m² of contemporary office space.

The trend continues:

The public, investors, tenants and policy are posing significant requirements for the real estate industry in terms of sustainability. HAMBORNER is conscious of its responsibility to the environment and society, and establishes processes, structures and measures to make its property portfolio measurably more sustainable and efficient.

Thinking further

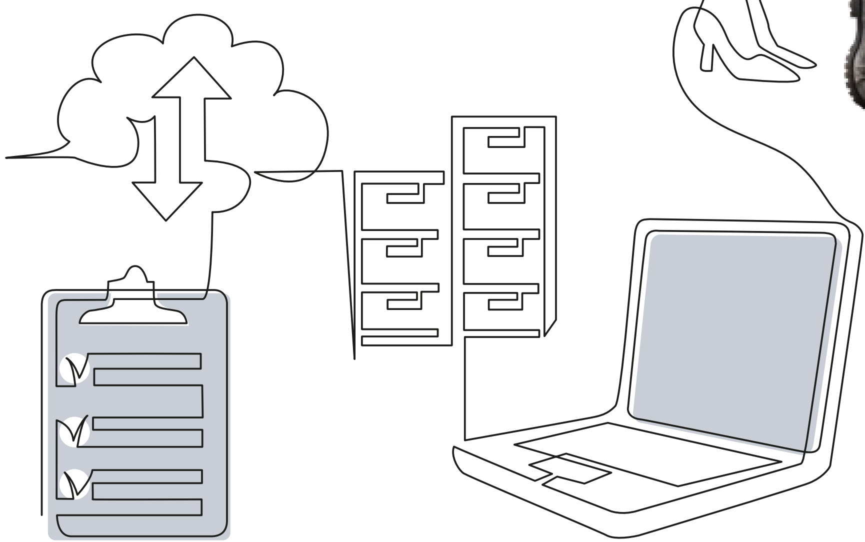
HAMBORNER fundamentally revised its sustainability strategy in 2020, and identified environmental management and climate protection as a key action area. One fundamental component of the strategy is permanently reducing the ecological footprint of its entire property portfolio. The carbon impact of a property is predominantly influenced by direct emissions from energy consumption, but also for example by the waste produced or the use of resources as part of portfolio management.

Optimising the carbon footprint of a property initially requires data to be collected, analysed and evaluated. “Only if all emissions-relevant data for our property portfolio is available will we be able to monitor development and decide in advance which future measures within our sustainability strategy are suitable for reducing carbon emissions, and therefore be able to become more sustainable overall,” comments Lea Schmitz. In her role as controller, Lea Schmitz is responsible for the preparation and analysis of sustainability-related data and establishing corresponding data management systems at HAMBORNER.

In addition to environmental indicators, this also comprises the analysis and evaluation of social and governance-related data and structures. These provide information on elements including how HAMBORNER fulfils its responsibility to its employees, how it implements guidelines and legal specifications, and how transparency is guaranteed in the course of business activities. “With the systematic collection and evaluation of this data and the establishment of corresponding structures, we ensure that we are able to fulfil the very dynamically developing requirements in terms of the ESG topics of Environment, Social and Governance,” explains Lea Schmitz. “At the same time, the data forms the basis for further development of strategy as well as the definition of short-, medium- and long-term sustainability targets.”

“Establishing an efficient data management system creates an important basis for implementing our sustainability strategy.”

LEA SCHMITZ
Controller



LEA SCHMITZ

Lea Schmitz has a bachelor’s degree in business economics. After her first professional role as an asset and leasing analyst, she joined the HAMBORNER Controlling department in 2021. There her expertise in dealing with data and her analytical abilities are decisive above all else, in her involvement in internal data management processes.

Argentus, a service provider specialised in the sustainability management of properties, has been supporting HAMBORNER in its activities since 2011. “At that time, HAMBORNER was one of our first customers wanting to optimise its energy delivery contracts in terms of costs processes,” reports Simon Szpyrka, co-founder and Managing Director of Argentus. In the subsequent period, the power and gas delivery contracts for HAMBORNER were pooled, optimised on an ongoing basis, and gradually switched to eco-power and carbon-neutral gas.

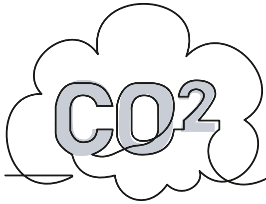
The collaboration over the course of many years has now been intensified in terms of sustainability: Argentus is currently supporting HAMBORNER on projects including carbon balancing, the digitisation of consumption data capture in properties, and the establishment of internal data management processes. Carbon footprint analysis currently being established enables precise evaluation of greenhouse gas emissions based on the collected consumption data. Specific steps for optimising the individual properties can be derived on this basis – as has already happened for the administrative site in Duisburg, for which a fully comprehensive carbon footprint statement was produced in 2020. “We are currently benefiting hugely from this project. The expertise and toolset established at our own administrative site forms the foundation for expanding environmental and carbon footprint analysis along our entire existing portfolio,” explains Lea Schmitz.

A functioning consumption data management system is crucial for valid carbon footprint analysis, points out Argentus boss Szpyrka. “Together with HAMBORNER, we are currently building a database in which all consumption data for HAMBORNER properties can be viewed at any time. The capture of environmentally relevant data via digital radio meters, referred to as ‘Smart Metering’, played a central role here.” The technical and infrastructure requirements required to do this are currently being created in all stock

> “Together with HAMBORNER, we develop solutions to constantly increase the portfolio’s sustainability performance.”

SIMON SZPYRKA
Managing Director of Argentus GmbH

SIMON SZPYRKA
This industrial engineer started his professional career in 2008, at an energy consultancy company. As a project manager he worked on the efficient operation of complex properties such as hospitals and large-scale industrial companies. The observation that, in comparison with industry, property companies have a long way to catch up in this area resulted in he and his partner Dr Konrad Jerusalem founding Argentus. The initial focus was property operation cost optimisation; the subject of sustainability in building operation was added soon after, and this represents a key business area for Argentus today.



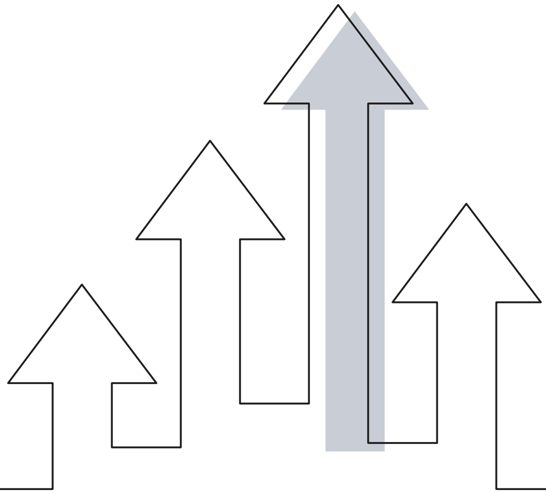
DUISBURG
Climate-neutral status was achieved for the HAMBORNER administrative building for the first time.

properties, to enable consumption data to be accessed digitally portfolio-wide in future.

Initially this technical solution will be restricted to gas and general power consumption. After all, the legislator currently still sets strict limits on access to the tenant-side power and gas meters. However, legal framework conditions in this area are expected to change in the foreseeable future. Then, with the aid of the existing measurement infrastructure, it would also be possible to digitally access the individual consumption data for tenants, and capture it in the database. With data obtained in this way, HAMBORNER could not only optimise its carbon footprint analysis and improve its sustainability reporting, but also establish an energy controlling system that could be used to check whether the respective building technology is being operated efficiently.

Based on Szpyrka's assessment, on the tenant side the interest is primarily in achieving a well-thought-through and functioning property infrastructure. That said, sustainable and energy-efficient building operation is also of increasing importance to tenants. "This makes it all the most important for HAMBORNER to be able to quantify carbon emissions on an enduring basis, and where necessary to be able to reduce them through targeted measures. But it's not only tenant requirements that will continue to increase. The other HAMBORNER stakeholders, primarily the shareholders, will in future expect high transparency and reporting standards as well as the formulation of a long-term decarbonisation strategy. This is a demanding, interdisciplinary task – but HAMBORNER is on a very good path here," reports Simon Szpyrkra.

NEU-ISENBURG This approximately 4,500 m² office property was awarded the platinum top ranking following a certification process performed by the German Sustainable Building Council (DGNB).



Com-
pany

Letter to shareholders

Dear shareholders and readers,

With the publication of our Annual Report today, we look back on 2021 as another eventful and successful year.

Even though external framework conditions have continued to be difficult, HAMBORNER REIT AG has built on its success in 2020 and recorded stable business development in the past year. Not only have we been successful in fully meeting our revenue and earnings targets, we have also driven our strategic projects further forward in a focused manner.

In the context of continual portfolio expansion, we have supplemented our real estate stock with three attractive office properties as well as a large-area retail property. The investment volume for these was around €80 million. We further extended our “core” portfolio with the acquisition of a new-build office building in Münster as well as a modern DIY store in Freiburg, while with our Mainz and Stuttgart properties we have acquired two pieces of real estate with substantial value enhancement potential, which we seek to leverage based on our “manage to core” approach.

In parallel to our acquisition activities, over the course of 2021 we also disposed of a number of properties that no longer fit our strategy, in the context of planned portfolio optimisation, and in the process again significantly reduced the proportion of the portfolio comprising inner-city office buildings. The associated selling processes for these are largely complete.

NICLAS KAROFF
Chief Executive Officer of HAMBORNER REIT AG

HANS RICHARD SCHMITZ
Management Board of HAMBORNER REIT AG

61.0%

REIT equity ratio

0.47€

Proposed dividend

The resulting further increase in the quality of our real estate portfolio is also reflected in our most recent valuation result: based on the annual valuation of the property stock by a third-party expert, the fair value of our portfolio (like-for-like) has increased by €70 million or 4.8%, wherein the valuation increase is in particular due to positive value development in local retail properties. As a result of this, the net asset value (NAV) per share has increased significantly year-on-year – by 9.6%, to €12.11.

We have also had a very successful year at operational level. In a still-difficult market environment, we have achieved lettings success – some of which is substantial – and among other achievements have completed the early extension to 2036 of the contract with one of our largest office tenants, in the Cologne property. We also successfully concluded re-lettings for space most recently used by the food retailer Real at the specialist retail locations in Mannheim, Celle and Gießen. As a result of successful leasing activities, both the occupancy rate (98.1%) and the average remaining term of our leases (6.1 years) were at a consistently high level at year end 2021.

In the context of positive business development over the past year, we intend to propose to this year's Annual General Meeting on 28 April 2022 the distribution of a dividend at the previous year's level, in the amount of €0.47 share, thereby continuing our reliable dividend policy.

We are confident that with the aid of our committed team, forward-looking business planning, and consistent implementation of a growth strategy, we will continue to drive forward the successful development of HAMBORNER.

Finally, on behalf of the entire HAMBORNER team, we would like to thank you for the confidence you have placed in us as well as the positive collaboration with our tenants and business partners. We wish continued health and success in 2022 for all of you and ourselves.

Duisburg, March 2022

Niclas Karoff

Hans Richard Schmitz

Report of the Supervisory Board

Dear readers,

Despite the ongoing extraordinary stresses arising from the COVID-19 pandemic, HAMBORNER REIT AG was once again able to complete the 2021 financial year with very good performance.

MONITORING OF MANAGEMENT AND COOPERATION WITH THE MANAGEMENT BOARD

In the 2021 reporting year, the Supervisory Board also regularly advised the Management Board with regard to company management, and monitored its work closely and continuously. Members of the Supervisory Board received detailed information on all key business transactions and forthcoming decisions. At all times, the Management Board fulfilled its duty to provide information, and reported comprehensively and in a timely manner, both in writing and verbally, on the strategic alignment of the company and all relevant aspects of business planning including financial, investment and personnel planning, risk management, and compliance.

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

There were again six meetings of the Supervisory Board in the 2021 financial year, one of which was held as part of a face-to-face meeting while the remaining five meetings took place as video conferences. In addition, the Supervisory Board resolved upon four property disposals and two property acquisitions by circular resolution in each case, due to urgency.

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

MAIN ACTIVITIES OF THE FULL SUPERVISORY BOARD

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

In the meeting of 22 February 2021, the Supervisory Board resolved to acquire a property, and to conduct the Annual General Meeting in virtual form on 29 April 2021. In addition, at the suggestion of the Executive Committee, the Supervisory Board determined the target

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

values for the Management Board's variable remuneration for the 2021 financial year.

At the accounts meeting of 17 March 2021, 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 2020, following its own review and discussion of significant aspects with the auditor Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The Supervisory Board aligned itself with the proposal for the appropriation of profits by the Supervisory Board. In addition, the Supervisory Board adopted the agenda of the 2021 ordinary Annual General Meeting. In addition, the Supervisory Board approved one property acquisition and one property disposal. In the framework of performance-oriented remuneration, a bonus (short-term incentive) was granted to the Management Board for the 2020 financial year.

In the meeting that took place following the Annual General Meeting on 29 April 2021, the Supervisory Board agreed to the Board's resolution for a capital increase to grant the share dividend, and commissioned the Executive Committee to initiate preparatory measures in the context of scheduled Management Board succession.

In the meeting of 10 June 2021, the Supervisory Board engaged in particular with the investments required in the context of the reletting of the Real locations, and approved them. In addition, it agreed to the sale of one property.

In the in-person meeting of 2 September 2021, the Supervisory Board, in consultation with an external adviser, resolved upon the conduct of a self-evaluation in accordance with the D.13 recommendation of the German Corporate Governance Code.

The focus of the meeting on 11 November 2021, which again took place as a video conference, was the budget and medium-term planning for the company for the years 2022 to 2026. The planned development of revenue and earnings was discussed in detail with the Management Board. In addition, the Supervisory Board approved the refinancing and top-up of the loans expiring in the 2022 financial year. In this context, Ms Dreo-Tempsch made reference to a possible conflict of interests that could arise from her main professional role, and explained that she therefore did not wish to take part in this resolution, and had not received any documents or other information on the matter. In addition, without the Management Board present, the results of the self-evaluation were discussed and the status of Management Board succession was reported on. 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 once again in the 2021 financial year.

The Executive Committee met six times. The meeting of 26 January 2021 engaged with the KPIs for the variable Management Board remuneration.

The meeting of 21 June 2021 dealt with matters including starting the selection process for an adviser in the course of Management Board succession.

In the meeting of 21 July 2021, three advisers presented as part of a structured selection process in the context of Management Board succession.

The content of the meeting of 2 November 2021 was the discussion of possible candidates for Management Board succession with the aid of a list provided by the commissioned adviser.

In the meetings of 16 and 23 December 2021, conversations were held with potential candidates for Management Board succession.

The Audit Committee met four times in 2021 with the auditor in attendance on each occasion. It discussed the 2020 annual financial statements in detail, and the 2021 half-year and the quarterly interim reports were explained by the Management Board. The Audit Committee issued the audit mandate through its chair. The auditor's audit focus points were also discussed with the auditor, and separate focus points were determined for the audit. In addition, the Committee discussed the results of an internal audit that was outsourced to a third-party audit firm and set out the audit issues for the current financial year.

As it is not required, the Nominating Committee did not meet in the 2021 financial year.

The Supervisory Board was informed comprehensively about the activities of the committees by the respective chair at the start of each meeting.

ATTENDANCE AT MEETINGS

ATTENDANCE OF SUPERVISORY BOARD MEMBERS IN SUPERVISORY BOARD AND COMMITTEE MEETINGS IN THE 2021 FINANCIAL YEAR

Name	Member since	SB total (6)	Audit Committee (4)	Executive Committee (6)	Nominating Committee (–)
Dr Andreas Mattner	2017	6/6	–	6/6	–
Claus-Matthias Böge	2015	6/6	4/4	6/6	–
Maria Teresa Dreo-Tempsch	2020	5/6	–	6/6	–
Rolf Glessing	2018	6/6	4/4	–	–
Ulrich Graebner	2019	6/6	–	6/6	–
Christel Kaufmann-Hocker	2010	6/6	4/4	–	–
Mechthilde Dordel	2010	6/6	–	–	–
Klaus Hogeweg	2020	6/6	–	–	–
Johannes Weller	2020	6/6	4/4	–	–

CORPORATE GOVERNANCE AND THE DECLARATION OF COMPLIANCE

The Supervisory Board and the Management Board again intensively discussed the further development of internal corporate governance in the year under review. The Committee, together with the Management Board, reports on this in accordance with Principle 22 of the German Corporate Governance Code (hereinafter "Code"), in the corporate governance report for 2021. There were no conflicts of interest in terms of E.1 of the Code among its members, with the exception of the matter described above. The Supervisory Board and Management Board published an updated joint declaration of compliance with the Code in accordance with Section 161 AktG in November 2021. This declaration of compliance can be accessed by the public on the company's homepage at **www.hamborner.de/en** in the Corporate Governance section.

ADOPTION OF THE 2021 HGB ANNUAL FINANCIAL STATEMENTS (HGB) AND APPROVAL OF THE IFRS SEPARATE FINANCIAL STATEMENTS

On 10 March 2022, in the presence of the auditor, first in the Audit Committee and then in the meeting of the Supervisory Board, the Supervisory Board examined and discussed in detail the annual financial statements under German commercial law and the separate IFRS financial statements of the company in accordance with Section 325(2a) of the German Commercial Code (Handelsgesetzbuch, "HGB"), together with the management report and the proposal for the appropriation of profits. In preparation, all members of the Supervisory Board received copies of the audit reports early. The certifying auditors reported at length on the audit results and were available to the Supervisory Board to answer supplementary questions and provide information in the discussion.

There were no objections to the HGB and IFRS financial statements presented, with the result that the Supervisory Board approved them at its meeting on 10 March 2022.

The 2021 annual financial statements under German commercial law prepared by the Management Board were therefore approved. The Supervisory Board has endorsed the proposal of the Management Board for distribution of the unappropriated surplus.

UNQUALIFIED AUDIT OPINION

The annual financial statements of the company as at 31 December 2021 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 audit order was issued in accordance with the resolution of the Annual General Meeting of 29 April 2021. 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. As a result of their ongoing dedication and their work together, they again achieved an excellent result in the past financial year even with the ongoing COVID-19 pandemic.

Duisburg, 10 March 2022

Supervisory Board

Dr Andreas Mattner
Chairman

Management Board and Supervisory Board

Management Board

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

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

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

Supervisory Board

DR ANDREAS MATTNER, HAMBURG
Chairman
Managing Director of
ECE Office & Industries G. m. b. H.
Verwaltung ECE Office Traffic Industries G. m. b. H.
ECE Development & Consulting G. m. b. H.

CLAUS-MATTHIAS BÖGE, HAMBURG
Deputy Chairman
Managing Director of CMB Böge Vermögensverwaltung GmbH

MARIA TERESA DREO-TEMPSCH, VIENNA
Member of the Management Board of Berlin Hyp AG

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

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

CHRISTEL KAUFMANN-HOCKER, DÜSSELDORF
Independent management consultant

MECHTHILDE DORDEL, OBERHAUSEN *
Commercial employee of HAMBORNER REIT AG

KLAUS HOGEWEG, MÜLHEIM AN DER RUHR *
Commercial employee of HAMBORNER REIT AG

JOHANNES WELLER, WILLICH *
Commercial employee of HAMBORNER REIT AG

* Employee representative

Sustainability

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

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

Sustainability strategy

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

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

Sustainability management

Our sustainability management system focuses on the material impact of our business model, while also thoroughly reviewing strategic decisions and measures.

Collaboration with company stakeholders forms the foundation for the successful implementation of our activities. For this reason, we have developed a systematic stakeholder engagement programme to take interaction between relevant stakeholders to the next level. Using a variety of dialogue formats, we discuss sustainability issues with selected stakeholders, identify key business-related considerations and, where applicable, define strategic and organisational measures.

In order to plan and manage our sustainability activities, we set up an in-house sustainability committee in 2020, consisting of the Management Board and the managers in charge of the individual business areas.

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

- Environmental management and climate protection
- Portfolio quality & optimisation

STAKEHOLDERS OF HAMBORNER REIT AG

MAIN ACTION AREAS WITHIN THE SUSTAINABILITY MANAGEMENT SYSTEM

- Employee development
- Corporate governance & dialogue

Our strategic sustainability programme forms the basis of everything we do. It forms the roadmap for the implementation of our sustainability strategy, and defines specific measures and targets for the action areas named above.

The current focus of our sustainability activities is environmental management and climate protection. Having completed analysis of the carbon footprint at our administrative site for the first time, our next agenda item is to establish the carbon footprint of our entire property portfolio. The carbon footprint is the foundation from which we can formulate a long-term decarbonisation strategy as well as for deriving the property renovation and modernisation measures needed in respect of stock quality and portfolio optimisation activities.

On the issue of employee development, the focus is on consistent implementation of basic and further training measures, safety at work and health protection, flexible working models, and additional measures to increase employee satisfaction and employer attractiveness.

In terms of corporate governance & dialogue, we are currently engaging with themes including further development of our risk management system with respect to ESG criteria, strengthening of our stakeholder dialogue, and constantly increasing our transparency and reporting standards.

The current sustainability report contains details of the strategic sustainability programme as well as further information about our activities and progress in the defined action areas.

To view the current 2020 / 2021 **SUSTAINABILITY REPORT**, click **here**.

HAMBORNER shares

GENERAL SITUATION ON THE STOCK MARKET

Investors will remember 2021 as another volatile yet positive year for stocks, with a series of surprising developments. The global share markets were again dominated by the COVID-19 pandemic, though they were largely unscathed by global infections and managed to achieve new records in the course of the year.

After the German DAX share index finished 2020 at 13,719 points, the benchmarking index fell in the context of the renewed global spread of coronavirus as well as the associated economic and societal restrictions in the first trading weeks of the 2021 year, and marked its lowest point for the year at 13,433 points at the end of January. In the following weeks the negative trend was halted, not least because of vaccination campaigns which started globally, as well as far-reaching economic and fiscal policy measures, and the DAX reached an all-time high at 16,290 points at the end of November. After a slight course correction at year end, the benchmarking index completed the 2021 year with a plus of 15.8%, at 15,885 points.

The indexes that follow the DAX – MDAX and SDAX – again reached historical highs over the course of 2021 and also reported significant gains of 14.2% and 11.2% respectively.

In the first half of the year in particular, shares in European real estate companies were able to benefit from the positive mood on the markets and largely recovered from the losses of the previous year, some of which were significant. The FTSE EPRA / NAREIT Europe ex UK Index, which is published by the European Public Real Estate Association (EPRA) in Brussels, posted a price increase of 8.5% in 2021.

HAMBORNER REIT AG SHARES

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

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

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

At 33.6 million, the trading volume of HAMBORNER shares was significantly below that of the previous year in the 2021 financial year (48.2 million). The average trading volume reduced accordingly to around 132,000 shares per day (previous year: around 188,000). This drop is in particular due to the above-average volatility on the share markets in 2020 as a result of the COVID-19 pandemic.

+15.8%

DAX

+11.2%

SDAX

OVERVIEW OF HAMBORNER SHARES		**2021**	**2020**	**2019**
Issued capital	€ million	81.3	80.6	79.7
Market capitalisation *	€ million	815.1	726.0	778.0
Year-end share price	€	10.02	9.01	9.76
Highest share price	€	10.22	10.62	9.82
Lowest share price	€	8.66	7.32	8.38
Dividend per share	€	0.47**	0.47	0.47
Total dividend	€ million	38.2	37.9	37.5
Dividend yield *	%	4.7	5.2	4.8
Price / FFO ratio *		15.4	13.1	14.3

* Basis: XETRA year-end share price
** Proposal to the 2022 Annual General Meeting

+16.4%

Total return

PRICE PERFORMANCE OF HAMBORNER SHARES

HAMBORNER shares were also able to benefit from the positive development in stock markets, and recorded a price increase in 2021.

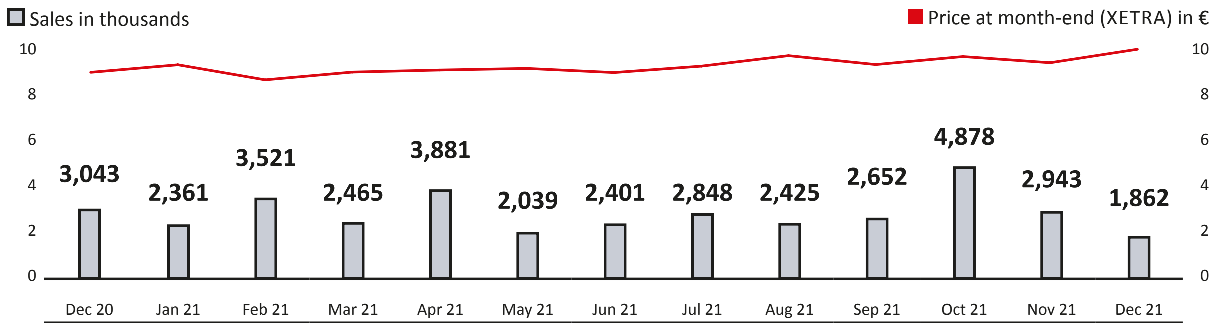
Following shares being listed at €9.01 at 2020 year end, the value initially reduced as a result of price losses on overall markets and, at the end of February, achieved its annual low of €8.66. In the trading weeks that followed, HAMBORNER shares recorded predominantly lateral movement and ended the first half of 2021 at €8.98.

At the beginning of Q3, following the market trend, the shares increased significantly and recorded an annual high of €10.22 in mid-August. In line with the general market trend, the value over the course of the second half of the year again moved laterally, and was listed as €10.02 as at 31 December 2021. This corresponds to an increase of 11.2% compared to the closing price for 2020.

Taking into account the paid-out dividend of €0.47 per share, the overall return in 2021 was 16.4%.

As at 2021 year end, market capitalisation was €815.1 million (previous year: €726.0 million).

PRICE TREND FOR 2021



DIVIDEND

With stable business development in the 2021 financial year, the Management Board and Supervisory Board proposed to the ordinary Annual General Meeting on 28 April 2022 the distribution of a dividend at the previous year's level, in the amount of €0.47 per share. This would correspond to a dividend yield of 4.7% based on the share price at the end of 2021.

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

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 provide investors with a reliable and transparent impression of the company, to enable a fair company valuation, and build confidence in the company.

In 2021, we again held a series of virtual roadshows in Germany and other European financial centres, and regularly took part in virtual capital market and specialist conferences at home and abroad. Investors were also able to speak directly with the Management Board during individual and group meetings. Furthermore, the Management Board and the investor relations team reported to private investors about the development of the company at special events, and answered questions in many additional discussions and telephone calls.

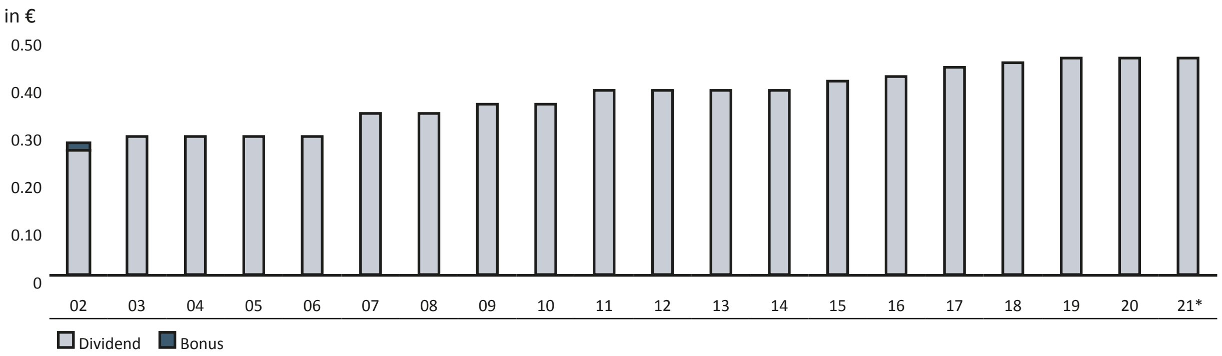
4.7%

Dividend yield

0.47 €

Proposed dividend

DIVIDEND TREND 2002–2021

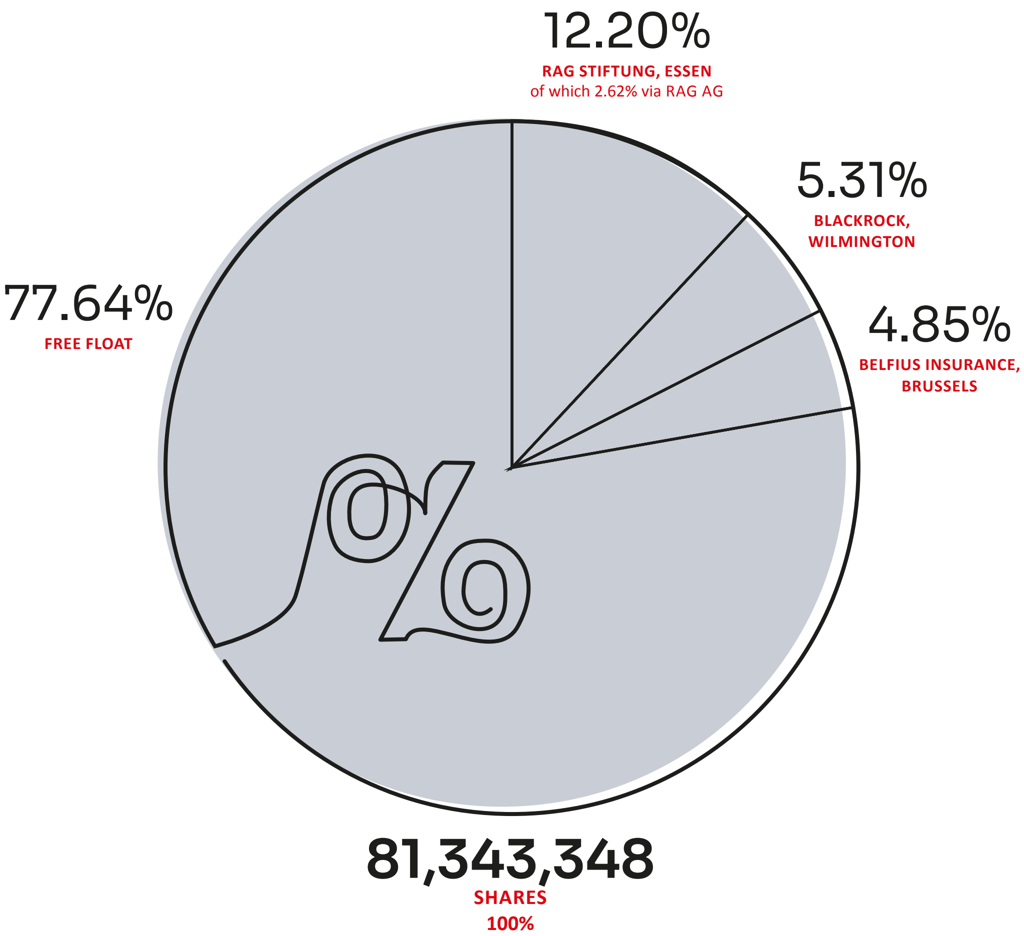


* Proposal to the 2022 AGM

Following proposal A.3 of the German Corporate Governance Code, the Chairman and the Deputy Chairman of the Supervisory Board, Dr Andreas Mattner and Mr Claus-Matthias Böge, also pursued dialogue with the company's investors in February 2022 as part of a Governance Roadshow, and in particular discussed topics specific to the Supervisory Board.

The company's investors and stakeholders were regularly supplied with current information, not only through direct dialogue, but also online. Our homepage **www.hamborner.de/en** was comprehensively revised in autumn 2021, and provides clearly structured access to current company data and publications at any time. Those interested can also use the contact form in the Investor Relations section to register for our newsletter and receive information about HAMBORNER REIT AG directly by email. Furthermore, we provide

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2021



advance details of our publication dates and roadshow and conference planning via our financial calendar.

Public relations work also remains an important element in our communications concept. We have continued our ongoing dialogue with the financial, trade and business press as well as the relevant associations. We report openly, promptly and reliably on relevant events in press releases and interviews. We have noted a growing media response to these activities in recent years.

We will continue our active investor relations work in 2022 and provide information about the development of HAMBORNER REIT AG. We will also continue to seek out dialogue with our shareholders and are happy to receive your questions, requests and suggestions.

CONTACT FOR INVESTOR AND PUBLIC RELATIONS

Christoph Heitmann
Head of Investor & Public Relations
Tel.: +49 203 54405-32
Email: c.heitmann@hamborner.de

Transparent EPRA reporting

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

OVERVIEW OF EPRA INDICATORS

OVERVIEW OF EPRA INDICATORS IN € THOUSAND	31 DEC. 2021	31 DEC. 2020
EPRA NRV	1,102,172	1,007,261
EPRA NTA	984,430	890,222
EPRA NDV	972,299	852,276
EPRA earnings	53,120	55,609
EPRA net initial yield	4.2%	4.6%
EPRA “topped-up” net initial yield	4.2%	4.6%
EPRA vacancy rate	2.0%	1.9%
EPRA cost ratio (including direct vacancy costs)	24.1%	21.1%
EPRA cost ratio (excluding direct vacancy costs)	23.3%	20.6%

EPRA NRV, EPRA NTA AND EPRA NDV

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

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

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

31 DEC. 2021 IN € THOUSAND	EPRA NRV	EPRA NTA	EPRA NDV
IFRS shareholders' equity	**497,374**	**497,374**	**497,374**
Diluted NAV	**497,374**	**497,374**	**497,374**
Revaluation of investment property (using cost model according to IAS 40)	487,528	487,528	487,528
Diluted NAV at market value	**984,902**	**984,902**	**984,902**
Market value of financial instruments	0	0	–
Intangible assets according to the IFRS balance sheet	–	–472	–
Fair value of fixed interest rate liabilities	–	–	–12,603
Land transfer tax / acquisition costs	117,270	–	–
NAV	**1,102,172**	**984,430**	**972,299**
Number of shares (fully diluted) in thousands	81,343	81,343	81,343
NAV per share in €	**13.55**	**12.10**	**11.95**

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

HAMBORNER uses the diluted NAV at market value according to the preceding EPRA calculation method as a control parameter.

EPRA EARNINGS

The EPRA earnings indicator shows a property company's ability to make distributions from its sustainable operating income by adjusting net income for any measurement effects or the result of disposal activities. This indicator is therefore similar to the funds from operations (FFO) figure communicated by the company (FFO, cf. page 41 et seqq.).

	EPRA EARNINGS IN € THOUSAND	2021	2020
	Earnings per IFRS	**54,260**	**–9,263**
+	Changes in value of investment property *	35,241	71,952
–	Profit or losses on disposal of investment properties	–36,381	–7,080
	EPRA earnings = FFO	**53,120**	**55,609**
	Number of shares in thousands	**81,343**	**80,580**
	EPRA earnings per share in € = FFO per share in €	**0.65**	**0.69**

* Because the property is recognised at the amortised cost, depreciation and impairment losses are recognised here, taking into account reversal of impairment losses on property.

EPRA NET INITIAL YIELD

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

EPRA NET INITIAL YIELD IN € THOUSAND	31 DEC. 2021	31 DEC. 2020
Fair value of the property portfolio (net)	1,593,450	1,584,260
+ Incidental costs of acquisition	117,270	116,540
+ Fair value of the properties held for sale *	10,550	40,525
Fair value of the property portfolio (gross)	**1,721,270**	**1,741,325**
Annualised rental income	82,003	88,708
– Non-transferable property costs	–9,025	–9,483
Annualised net rental income	**72,978**	**79,225**
+ Adjustments for rental incentives	0	–29
Topped-up annualised rental income	**72,978**	**79,196**
Net initial yield in %	**4.2**	**4.6**
Topped-up net initial income in %	**4.2**	**4.6**

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

EPRA VACANCY RATE

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

EPRA VACANCY RATE IN € THOUSAND	31 DEC. 2021	31 DEC. 2020
Annualised standard market rent for vacant space	1,704	1,703
Annualised standard market rent for portfolio as a whole	83,706	90,411
Vacancy rate in %	2.0	1.9

EPRA COST RATIO

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

EPRA COST RATIO IN € THOUSAND	31 DEC. 2021	31 DEC. 2020
Administrative / operating expenses per IFRS income statement	52,588	87,303
+ Service charge costs less income from incidental costs passed on to tenants	3,319	3,532
– Other operating income from costs passed on to third parties / reimbursed expenses	–365	–360
– Investment property depreciation and amortisation	–35,241	–71,952
EPRA costs (including direct vacancy costs)	**20,301**	**18,523**
– Direct vacancy costs	–694	–399
EPRA costs (excluding direct vacancy costs)	19,607	18,124
Gross rental income less ground rent costs	**84,134**	**87,967**
EPRA cost ratio in % (including direct vacancy costs)	**24.1**	**21.1**
EPRA cost ratio in % (excluding direct vacancy costs)	**23.3**	**20.6**

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 are capitalised.

EPRA CAPEX MEASURES

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

EPRA CAPEX MEASURES IN € THOUSAND	2021	2020
Acquisitions	**66,606**	**96,400**
Investment property		
Creation of additional rental space	0	22
Without creation of additional rental space	5	401
Maintenance measures relating to new acquisitions	1,539	558
Total (Investment properties)	**1,544**	**982**
Total CapEx	**68,150**	**97,382**
Reconciliation of accrual-based allocation to expenses	–1,019	–16,519
TOTAL CAPEX AFTER OUTFLOWS	**67,131**	**80,863**

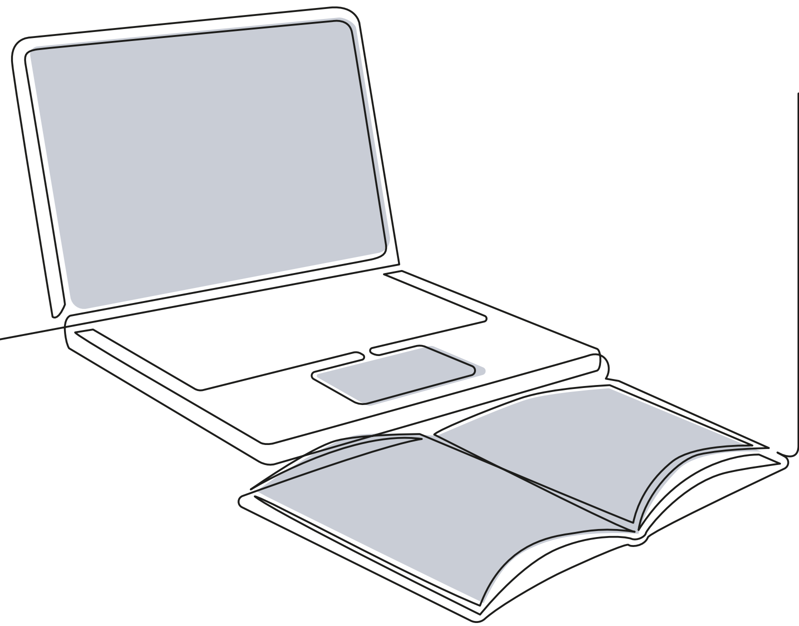
Purchases of €66.6 million (previous year: €96.4 million) arise from the Mainz, Stuttgart and Münster properties newly acquired in the 2021 financial year. The properties in Aachen, Bonn, Neu-Isenburg and Dietzenbach transferred to HAMBORNER ownership in 2020.

Investment properties incurred total investment costs of €1,544 thousand in the 2021 financial year (previous year: €982 thousand).

In the 2021 financial year, €5 thousand (previous year: €401 thousand) was paid to investment expenses for existing rental space of current tenants or new lets. In 2020, €340 thousand was used for the conversion of space rented by EDEKA in the Karlsruhe retail property as part of a lease extension until 31 December 2037.

If defects to the object of purchase are found in the course of due diligence, and these are not remedied by the seller, the purchase price is normally reduced on acquisition. Expenses of €1,539 thousand (previous year: €558) were paid in the 2021 financial year to remedy such defects. Of these, in 2021 €919 thousand was paid for renovation of the roof area of the property in Darmstadt, Leydheckerstr., and €297 thousand for the renovation of the steel and concrete structure of the property in Berlin, Landsberger Allee. In 2020, €149 thousand was due to properties in Dortmund and Ostenhellweg, and €154 thousand for the property in Siegen.

In total, CapEx measures in 2021 came to €68.2 million (previous year: €97.4 million), which resulted in outflows of €67.1 million (previous year: €80.9 million). The difference arises from the provisions created in 2021, in the amount of €1.0 million, in respect of measures resulting from the acquisition audit. In the previous year, the difference resulted mainly from the advance payment in 2019 of €16.1 million for acquisition of the property in Neu-Isenburg, which transferred to HAMBORNER ownership in 2020.



Management report

Basic structure of the company

Positioning and strategy

OPERATING ACTIVITIES

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

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

STRATEGIC ALIGNMENT

Expansion of the existing portfolio

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

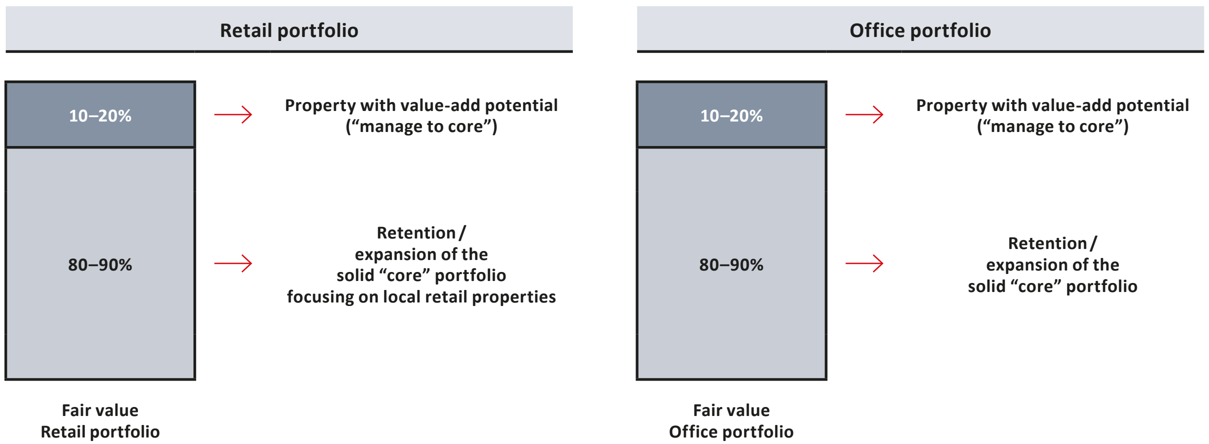
The company pursues an active portfolio strategy based on a "two-pillar" model and seeks to invest in office and retail properties with an eye to regional diversification. Its objective is to safeguard profitability of the property portfolio in the long term by acquiring properties with an attractive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

With respect to the structure of the retail portfolio, the company is concentrating on large-area properties with predominant usage in the area of foodstuffs retail or in the extended local retail sector, such as DIY stores.

In both the office and retail sectors the investment focus is on acquisition of "core" properties, which are characterised by high-quality locations and buildings, tenants with good credit standing, and a long-term letting situation. The company has determined a target rate of around 80 to 90% of the total portfolio volume for property classified as "core".

As well as expanding the existing "core" portfolio, the portfolio strategy also anticipates supplementary investment in "manage to core" properties which offer additional appreciation potential, in particular

"TWO PILLAR" PORTFOLIO STRUCTURE OF HAMBORNER REIT AG



properties which have more significant leasing, modernisation or repositioning requirements. The company seeks to identify and develop existing appreciation potential, taking into account the expertise at its disposal. The target rate for the proportion of “manage to core” property is 10 to 20% of the total portfolio volume.

The target volume for investments in retail properties is generally between €10 million and €100 million. In the office sector, the company generally acquires properties with a purchase volume of between €20 and €100 million. In the event of a sufficiently attractive investment opportunity the company will consider portfolio acquisitions in the above-mentioned property segments.

Geographical focus

As part of its investment activity, the company is primarily focusing on locations in large and mid-sized cities in German metropolitan regions, which have attractive growth prospects in terms of economic and demographic framework conditions. This covers not only major cities and urban centres, but also parts of the highly prosperous hinterland which is home to some exciting investment opportunities in the food retail sector. For its office property investments however, the company focuses primarily on established office locations within the major cities of the metropolitan regions.

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

Active portfolio management

In addition to yield-driven expansion of the portfolio as part of new acquisitions, the HAMBORNER REIT AG strategy sets out to continuously further develop the existing portfolio.

This includes in particular regular analysis of properties in terms of the long-term risk / return prospects, as well as the identification and realisation of existing potentials, including the targeted disposal of properties.

Financing strategy

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

The company seeks to create a sustainable and solid financing structure with a defensive loan-to-value profile (LTV) and high equity ratio, and also to provide sufficient liquidity that is as optimised as possible, coupled with a balanced structure and debt maturity.

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

Company financial controlling

FINANCIAL CONTROLLING

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

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

PERFORMANCE INDICATORS

Funds from operations

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

Net asset value per share

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

Portfolio

The property portfolio comprised 68 properties as at the end of the reporting year. The properties are predominantly in large and medium-sized cities at 49 locations in Germany, and have a total usable floor area of 598,215 m², almost all of which is in commercial use. 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 which is part of the management report, on page 103 et seqq. of the Annual Report.

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

KEY PORTFOLIO INDICATORS	RETAIL	OFFICE	TOTAL
Property value (€ million)	874.2	729.8	1,604.0
Number of properties	40	28	68
Leasable space (thousand m²)	368.0	230.2	598.2
Annualised rent (€ million)	46.6	35.4	82.0
Annualised rent yield (%)	5.3	4.9	5.1
EPRA vacancy rate (%)	2.1	1.9	2.0
Weighted remaining lease term (WALT) in years	6.9	5.1	6.1

Successful new investment

In the 2021 financial year three new investments were made in line with the company strategy. Excluding incidental costs of acquisition, the investment volume came to €60.7 million (previous year: €94.4 million). The fair value of these properties came to €64.8 million as at 31 December 2021, and was therefore €4.1 million above the purchase prices. Specifically, ownership of the following properties was transferred to us in the reporting year:

CITY	ADDRESS	PROPERTY USE	AREA IN M²	RENTAL INCOME P. A. IN € THOUSAND	PURCHASE PRICE IN € MILLION
Mainz	Isaac-Fulda-Allee 3	Office	7,748	1,299	18.6
Münster	Robert-Bosch-Straße 17	Office	6,328	1,068	23.9
Stuttgart	Schockenriedstraße 17	Office	5,929	937	18.2
TOTAL			**20,005**	**3,304**	**60.7**

In addition, a purchase contract for a large-area retail property in Freiburg has been signed. The investment volume is €18.1 million, with annualised rental income of €1.3 million. Transfer of ownership is expected to take place in Q1 2022.

Portfolio disposals

In the same way that the company has, in previous years, divested itself of various properties which were no longer in line with its strategy, it was able to further optimise its portfolio in 2021 through the disposal of 16 predominantly city centre properties. The following breakdown provides an overview of the properties disposed of in the 2021 financial year.

CITY	ADDRESS	BUILDING USE	CARRYING AMOUNTS IN € THOUSAND	PURCHASE PRICE IN € THOUSAND	RENTAL INCOME P. A. IN € THOUSAND
Bad Homburg 53–57	Louisenstr. 53–57	Office	10,981	15,894	816
Bad Homburg 66	Louisenstr. 66	Office	8,677	11,192	671
Dortmund	Ostenhellweg 32–34	Retail	29,500	29,500	1,673
Frankfurt am Main	Steinweg 8	Retail	1,014	12,400	403
Fürth	Gabelsbergerstr. 1	Retail	26,920	27,850	1,718
Hamburg	Fuhlsbüttler Str. 107–109	Retail	4,724	10,875	434
Kaiserslautern	Fackelstr. 12–14	Retail	2,755	2,755	237
Koblenz am Rhein	Löhrstr. 40	Retail	6,000	6,000	708
Krefeld	Hochstr. 123–131, Rheinstr. 126	Retail	5,935	5,935	497
Langenfeld	Solinger Str. 5–11	Retail	13,148	14,830	1,072
Lüdenscheid	Wilhelmstr. 9	Retail	320	335	34
Oberhausen	Marktstr. 69	Retail	450	450	35
Offenburg	Hauptstr. 72 / 74	Retail	6,350	8,500	554
Rheine	Emsstr. 10–12	Retail	2,500	2,500	260
Villingen-Schwenningen	Auf der Steig 10	Retail	2,607	3,100	250
Wiesbaden	Kirchgasse 21	Retail	2,699	10,150	651
TOTAL			**124,580**	**162,266**	**10,013**

In addition, at the end of the year the company concluded a contract in respect of the sale of an additional inner-city retail property in Siegen, for which the transfer of ownership had not yet taken place at the end of the financial year. The purchase price was €10.6 million. In the statement of financial position, the property was listed under “Non-current assets held for sale”.

This means that by the end of 2021, in accordance with its strategic alignment, the company had sold 17 of the 21 inner-city office buildings which were still in the company’s portfolio at the start of the 2020 year.

Tenant structure

The foundation for our successful performance in 2021 was laid with a combination of a high-quality and diversified portfolio and a solid tenant structure, characterised by long-term retention of tenants with a good reputation and excellent credit standing. The following table provides an overview of the company’s ten biggest tenants:

TOP 10 TENANTS	RENTAL INCOME IN %*
EDEKA Group	11.8
Kaufland Group	7.2
REWE Group	5.9
OBI DIY stores	5.5
German Federal Employment Agency / Job centres	3.4
BARMER Insurance	2.5
GLOBUS retail stores	2.2
NETCOLOGNE telecommunications company	2.2
Real hypermarkets	1.9
ALDI Group	1.7
TOTAL	**44.3**

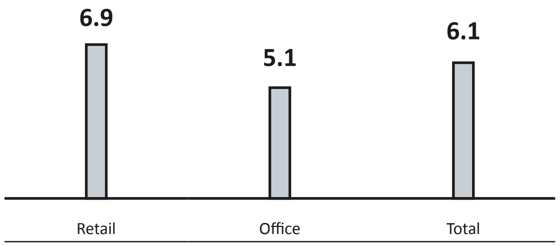
* Share of annualised rental income (including rent guarantees)

A glance at the tenant structure shows that a significant proportion of rental income is generated with companies which are largely insensitive to economic trends. Prominent in this category are food retailers, who contributed around one third of the company’s rental income in the 2021 financial year.

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

WEIGHTED REMAINING LEASE TERMS

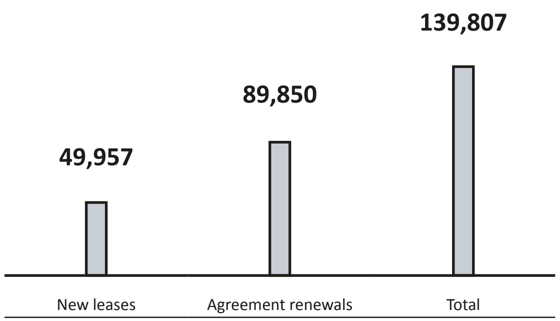
(As at: 31 December 2021; in years)



The leasing performance in the 2021 financial year is shown in the following graphic:

LEASING PERFORMANCE

(2021 financial year; in m²)



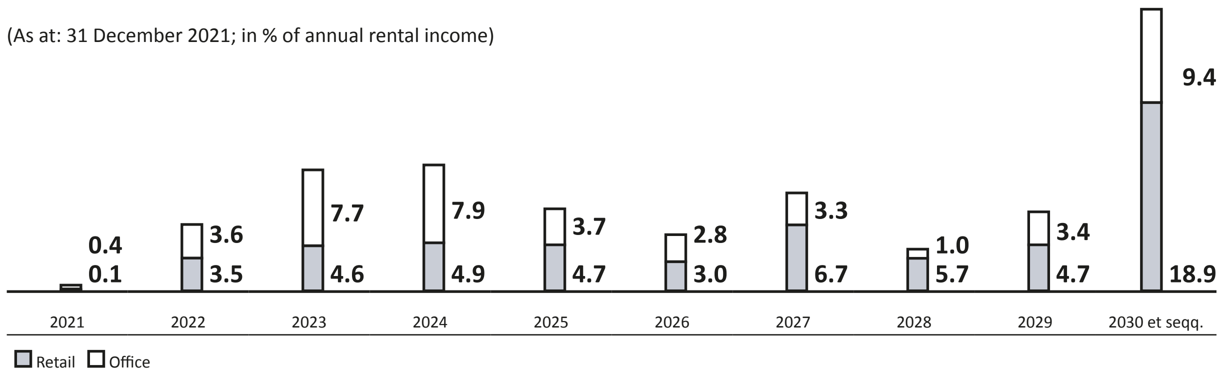
Of the new leases executed in 2021, a total of around 32,490 m² is attributable to follow-on leases for former real GmbH spaces to the tenant GLOBUS Handelshof St. Wendel GmbH & Co. KG in the Mannheim property, Kurpfalz Center; and Kaufland Vertrieb THETA GmbH & Co. KG in the Celle property, An der Hasenbahn; and in the Gießen property, Gottlieb-Daimler-Str. 27 to Kaufland Vertrieb JOTA GmbH & Co. KG. In addition, in the Erlangen property at Allee-am-Röthelheimpark 11–15, around 2,585 m² was newly released to the existing tenant Pensions Solutions GmbH; in the Lemgo property at Mittelstraße 24–28 around 1,770 m² to Woolworth GmbH; and in the Bremen property at Linzer Str. 9 around 1,725 m² to office tenant RSM GmbH.

Lease renewals relate to contract amendments as well as exercising of options. At 64%, the tenant retention rate was below the level of the previous year.

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

LEASE EXPIRY SCHEDULE

(As at: 31 December 2021; in % of annual rental income)



Economic report

Economic environment

MACROECONOMIC TREND

The German economy continued to be affected by the COVID-19 pandemic in the first half of 2021, but economic performance started to pick up in the third quarter. This is due in particular to the ongoing vaccination drive, falling infection rates and the resulting easing of restrictions. However, this economic performance was clouded in the fourth quarter by case numbers increasing again and the appearance of a new variant of the virus. In the overall 2021 year, gross domestic product increased by 2.7% following a decline of 4.6% in the previous year.

The employment market has been recovering particularly notably from the consequences of the COVID-19 pandemic since the summer. However, since December an increase in short-time working can be seen again, after it had reduced in the interim. Unemployment decreased by 82,000 year-on-year. This resulted in a slight decrease in the unemployment rate to 5.7% as at year end 2021 (December 2020, 5.9%). According to the German Federal Statistical Office, consumer prices rose by 3.2% on average in 2021. High monthly inflation rates in the second half of the year were pivotal to this, more than any other factor. The temporary VAT cut of the previous year, much of which was passed on to consumers, had a dampening effect on consumer prices overall, though a more varied impact was seen in some goods categories. In addition, increasing energy prices and supply and material bottlenecks reduced in a significant price increase.

SITUATION ON THE REAL ESTATE MARKET IN GERMANY

Retail space market

Based on estimations by the Statistics Office, retail in Germany achieved more sales in 2021 than in 2020, with a real (price-adjusted) increase of 0.6% to 1.2% and a nominal increase (not price-adjusted) of 2.8% to 3.4%, reaching record revenue. This corresponds to real annual rates of change compared to the previous year of 0.9%, and a nominal rate of 3.1%. Some areas of bricks-and-mortar retail (textiles, clothing, shoes and leather goods) had to again accept sales losses in the second year of the coronavirus crisis. In particular, weak Christmas business under 2G and 2G+ restrictions could not outweigh losses from the previous months.

Although in 2021 almost 5 months of lockdown had to be endured, there was a significant upward trend in the retail leasing market. However, the take-up of 434,600 m² for 952 individual closings reported by Jones Lang LaSalle (JLL) did not reach the pre-coronavirus level of 2019 (499,900 m² / 1153 deals). In addition to click & collect, almost 45% of bricks-and-mortar retailers are on the internet with online platforms and are trying to reach their customers in new ways despite repeated sales limitations arising from official restrictions.

The huge 20% leap in online retail sales to €87 billion (previous year: €73 billion) in the pandemic year of 2021 resulted in growth rates for online retail far outstripping the 11% five-year average. At the same time, customer expectations for its availability and speed of delivery are increasing. For example, there are online food delivery services crowding the market at selected locations, offering a delivery window of 10 to 20 minutes. Other delivery services – including international ones – are already in the starting blocks, ready to gain traction in this segment on the German market. The biggest challenge – “the last mile” – could be solved with distribution centres in retail spaces that have long been standing empty, to meet the delivery promise in the respective locations.

At 158,800 m², the demand for space in the ten largest locations comprises a good 26% of total sales. In take-up by sector, the catering / food industry is clearly in first place at 29% (127,000 m²). The portion of the area taken up by system caterers reduced to around 17% (before the terms of the pandemic it was between 27% and 30%). According to JLL, leasing by foodstuffs providers has advanced in particular, at 61%. Second place, at around 105,000 m² (24%) is taken by the textiles industry, first and foremost due to activities by clothing stores and providers of young fashion.

Despite the continued expansion of drugstore chains, the health / beauty industry only reached 10%, also due to the decline in sales in lockdown.

Peak rents declined across Germany by 4.7% under the pressure of the pandemic in the first half of 2021, but stabilised in the second half of the year. Rents reduced again slightly only in the 250–500,000 resident class, by 1.5%. JLL expects peak rents to be consistently high for the ten largest cities in 2022. The further development will depend on how quickly the pandemic can be brought under control and the applicable requirements for retail lifted.

Office space market

Pandemic-related uncertainty makes the path of economic recovery more difficult, and slows the revival and return to the pre-crisis level that had started by Q3 2021. It is expected that the production bottlenecks resulting from interruptions to global delivery chains will persist into 2022, and that this will continue to impact economic growth. At the same time, an unemployment rate that is declining by Q3 2021 (5.4% and 2.5 million in September) indicates an economic upturn. The coronavirus effect is still being felt but it is decreasing. JLL observes growing readiness among users to catch up on delayed relocation decisions and, following the success of achieving a balance between working in the office and at home, increasingly implementing new work concepts. After demand increased again in the last quarter of 2021, catch-up effects are being seen.

According to JLL, office take-up in the seven largest cities increased by a good 23% year-on-year, reaching a total of 3.29 million m² by the end of December 2021 after a very dynamic fourth quarter. This makes the 2021 result just 13% below the five-year average for the boom years of 2016 to 2020, and a long way from the level in the crisis years of 2008 and 2009. Office take-up in Frankfurt (+35%), Hamburg (+34%) and Cologne (+58%) very significantly exceeded the previous year's values. Berlin (871,000 m²) and Munich (663,000 m²) remained in top position.

The good level of demand in 2021 ensured that the 4.5% vacancy rate, averaged across all seven strongholds and at the level of the previous year, did not increase in the fourth quarter of 2021. For 2022 JLL expects a slight increase in the vacancy rate to an estimated 5%, but predicts that this will not have any influence on rental prices.

JLL foresees an increase in new-build developments of 10% compared to 2020, and approximately 1.6 million m² of newly finished floor area in the seven largest cities. For the period of 2022 to 2024, approximately 4 million m² is expected to be in construction, of which more than 1.8 million (around 46%) is already leased today. It should be mentioned that the construction industry was also affected by bottlenecks in raw materials, and this caused the volume of construction in 2021 to reduce by 400,000 m² compared to the third quarter of 2021.

In comparison to the previous year, 2021 finished with a moderate increase in peak rents, of 1.6% in total. Apart from Düsseldorf and Stuttgart, peak rents remain constant in all strongholds, with Frankfurt (€42.50) and Munich (€42.00) in top position. Rent increases continue to be expected due to increasing construction costs and greater user requirements. JLL forecasts that by the end of 2022 nominal peak rents in the seven largest cities will increase by an additional 3.2%.

German property investment market

The German property investment market completed 2021 on a record high: according to JLL, the transaction volume including residential totalled €111 billion, equating to an increase of 36% compared to 2020. In the second half of 2021 alone, properties were bought and sold at a volume of around €77 billion, and the final two quarters in 2021 contributed almost 70% of the annual result.

According to financial service provider BNP Paribas (BNP), the proportion of individual transactions remained disproportionately high in long-term comparison, at 75%; the proportion of foreign buyers corresponded approximately to the previous year's level, at around 39%.

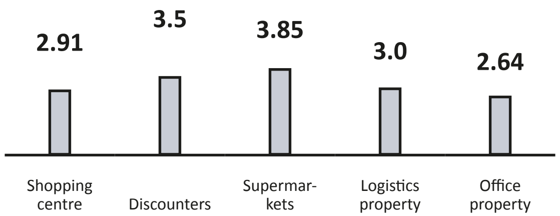
According to the JLL analysis, around €52.2 billion was invested in residential properties, nursing homes, and student accommodation. This is around 47% of the total transaction volume, primarily driven by the Vonovia / Deutsche Wohnen merger. Office properties are next, with a proportion of almost 25% and a 12% increase compared to 2020 – representing the third-best result for the previous 10 years. 27 transactions, each for more than €200 million, are included in the office statistics and total €11.8 billion. The leasing markets – which are recovering better than expected – as well as the confidence of investors in the office product probably played a positive role here. Logistics properties have continued to see dynamic development. With a total of €10.2 billion (proportion: 9.3%), more capital than ever went into distribution, production and storage halls. A total of just €8.5 billion was invested in properties used for retail, corresponding to an 8% share in the total volume and a drop of around 20% compared to 2020. 64% of this volume was achieved in the second half of 2021, suggesting that a certain trend towards recovery is becoming established. Over 70% of the invested capital in the retail sector went into speciality markets, supermarkets, discounters as well as retail parks predominantly anchored in foodstuffs. Shopping centres, department stores and inner-city office buildings are continuing to suffer from pandemic-related restrictions.

According to JLL, with a volume of €70.7 billion, 64% of the transaction volume is attributable to the Big 7 cities. That corresponds to growth of 75% compared to 2020. Berlin has significantly expanded its dominance as a national and international investment destination. Over €37 billion (around 33%) went into properties in the German capital – a figure three times that of 2020. In Cologne the transaction volume increased by 160% to €4.5 billion, and Stuttgart, Munich and Frankfurt also recorded an increase in their annual results. It was only in Hamburg and Düsseldorf that the 2021 year did not reach the previous year's figures.

Despite the continued risks with respect to global political and economic development, returns for most property asset classes also sank further at year end 2021. According to JLL, the largest drop was seen in retail parks with a foodstuffs anchor. Here, peak returns also fell by an additional 25 basis points in the final quarter of 2021, and are now at 3.50%. For supermarkets, investors continue to have to grapple with a comparatively high price level, and returns here are below the 4% mark, at 3.85%. Despite difficult framework conditions, peak returns for inner-city office buildings have remained stable at 2.91% on average over the course of the year, across the seven strongholds. DIY markets were also in high demand, and the peak return fell to 4.3%. The average return for top office properties reduced by 17 basis points in the course of 2021, and is now at 2.64% across all Big 7 cities. The peak return for logistics properties has declined to around 3%.

NET INITIAL RETURN AT END OF 2021*

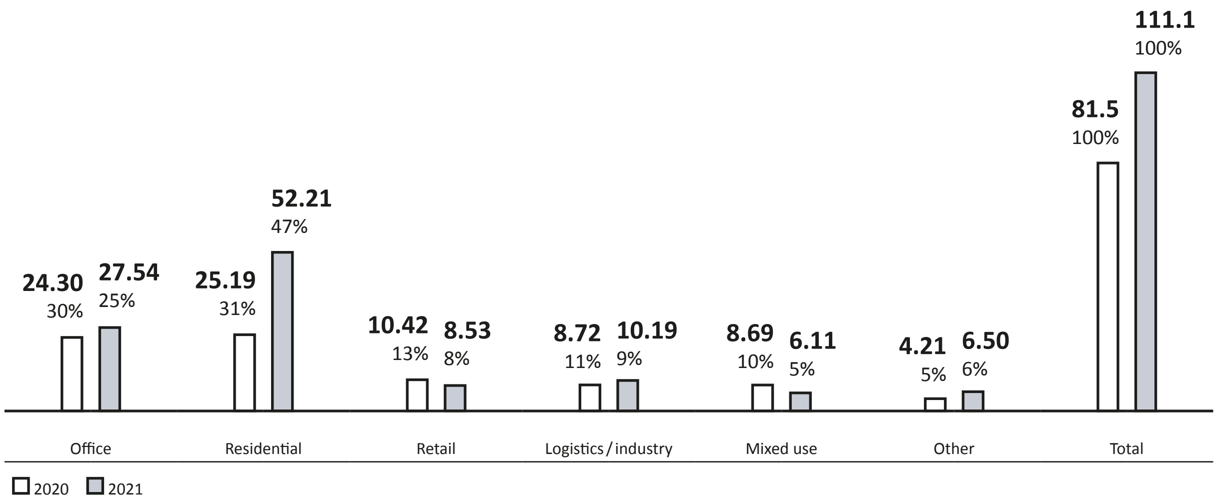
(in %)



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

TRANSACTION VOLUME ACCORDING TO MAIN USAGE TYPE

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



Overall assessment of the Management Board

The 2021 financial year was again significantly shaped by the effects of the COVID-19 pandemic. As a result of the officially enacted lockdown measures from the end of November 2020 to mid-May 2021, many tenants – particularly in the retail sector, some areas of which were heavily affected – were only able to afford portions of their rent payments or had to temporarily stop paying rent. By way of support, rent deferral or reduction agreements were concluded with a series of affected tenants. As was the case in the previous year, these subsequently had an effect on the HAMBORNER results of operations. The operating result (FFO) reduced by 4.5% compared to the previous year, primarily due to the reduced rental proceeds as a result of sales of properties that were no longer in line with the strategy.

The company's net assets and financial position remain very comfortable. The concentration of business activities on commercial properties, the elimination of properties no longer consistent with the company's strategy from the portfolio, and the reinvestment of funds in attractive retail and office property ensure sustainable and stable cash flows. The conservative accounting for property at cost is also beneficial. The impact on earnings of impairment losses and their reversal as a result of the revaluation of properties is generally much lower than with accounting at market values. The earnings trend is therefore overall less volatile.

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

KEY FINANCIAL CONTROLLING RATIOS	2021		2020	TARGET ACHIEVEMENT
	TARGET	ACTUAL	ACTUAL	
FFO	€45 million to €50 million	€53.1 million	€55.6 million	↑
Rents and leases	€82 million to €86 million	€84.4 million	€88.2 million	→
NAV per share	virtually unchanged	€12.11	€11.05	↑

The targets formulated at the beginning of 2021 and the forecast for the past financial year (target values) were reached in terms of the income from rents and leases, and exceeded with respect to the operating result (FFO) and net asset value (NAV).

The development of the NAV was influenced in particular by the increase in the portfolio value as at 31 December 2021. The value increase is primarily attributable to a positive development in local retail properties.

The FFO, which increased in comparison to the overall year forecast, is attributable to deferral or respectively omission of the expenses originally expected for the financial year.

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

Overall, the Management Board feels that the economic position of the company is good at the time of the preparation of the management report, and based on current expectations assumes that future performance will remain positive overall, even in view of the uncertainties for the 2022 financial year set out in the forecast report.

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

RESULTS OF OPERATIONS (IFRS)

HAMBORNER generated income from rents and leases in the management of its properties of €84.4 million (previous year: €88.2 million).

The €–3.8 million – or –4.3% – change compared to 2020 arises primarily due to rent increases following property additions (€3.3 million) as well as from rent decreases due to property sales (€7.1 million). On a like-for-like basis – i.e. comparing the properties held in the portfolio throughout 2020 and 2021 – income from rents and leases were at the level of the previous year. A like-for-like rise of 2.1% was achieved with respect to office properties. In contrast, rents for retail properties fell by 1.5%, mainly as a result of a rise in vacant space and lease renewals at lower rents for city centre retail properties.

Uncollectable receivables and individual value adjustments, due in particular to the COVID-19 pandemic, amount to around €1.2 million (previous year: €1.6 million).

At 1.9% (previous year: 1.8%), the economic vacancy rate taking into account agreed rental guarantees continues to be at an extremely low level. Not including rental guarantees, the vacancy rate was 2.3% (previous year: 3.1%).

Total **maintenance expenses** amounted to €5.8 million in the financial year (previous year: €4.6 million). There were also measures eligible for capitalisation of around €1.5 million (previous year: €1.0 million).

As in the past, extensive work was done on individual projects in the 2021 financial year in the framework of planned maintenance on roofs, façades and building services facilities with a view to enhancing the energy efficiency of the properties in question and thereby guaranteeing their long-term letting prospects. Another part of the work is coordination of tenant extensions and conversions in the wake of new leases and re-lettings.

Most of the major revitalisation and maintenance measures in 2021 took place at the following locations:

The company's largest single project in the 2021 reporting year concerned the retail property in Darmstadt, Leydhecker Straße. Shortcomings in the roof areas and the emergency drainage systems were identified in the course of acquisition. The costs for the repair measures to be performed run to approximately €0.9 million and were eligible for capitalisation in their entirety.

The company implemented additional measures at the retail park in Gießen, Gottlieb-Daimler-Straße. In the course of re-letting by the previous main tenant Real to the new tenant Kaufland, technical planning services were implemented for the technical building equipment and repair measures (including for the parking area and the building shell). The cost for these measures was around €0.4 million. The large part of the measure still to be performed will be executed in 2022.

Another company investment was made in the form of scheduled maintenance at the property in Berlin, Landsberger Allee. The for-capitalisation costs for renovating the external steel and concrete structure came to around €0.3 million in the reporting year.

At the E centre in Freiburg, Lörracher Straße, we have been able to significantly extend the period of use of the parking level located on the roof of the building by adding a protective coating. The investment costs were around €0.2 million.

The net rental proceeds have dropped by 5.7% due to the reduced rent and lease income, and stand at €74.6 million (previous year: €79.1 million).

At €8.1 million (previous year: €6.9 million), the **administrative and personnel expenses** were €1.2 million or 17.6% higher than the previous year. The operating cost ratio, i.e. administrative and personnel expenses in relation to income from rents and leases, therefore rose compared to the previous year to 9.6% (previous year: 7.8%). The increase in administrative expenses is attributable for the most part to expenses for bank fees, due to increased custody fees resulting from the deposit of cash to redeem mortgaged collateral, in the amount of €591 thousand. The €551 thousand rise in personnel expenses is a result of a slight increase in headcount, and in particular from higher profit-sharing expenses for the Management Board.

The **other operating income** came to €5.5 million (previous year: €1.7 million). The income mainly relates to a contractual agreement with Real for a payment to HAMBORNER REIT in accordance with a lease termination agreement for the location in Mannheim in the amount of €2.2 million to settle all mutual claims. In addition, the revaluation of the Gießen property, which was carried out in relation to a newly concluded long-term follow-on lease with the Kaufland Group, led to a write-up of €2.2 million.

Depreciation and amortisation was down €34.6 million year-on-year, mainly owing to impairment losses recognised in the 2020 financial year. The properties are recognised at amortised cost and therefore report scheduled depreciation, which amounted to €35.3 million in the reporting year as against €37.2 million in the previous year. Furthermore, there were total impairment losses of €2.1 million (previous year: €34.7 million) on five properties. These impairment losses relate in particular to retail properties in city centre locations which have borne the brunt of the COVID-19 pandemic.

This increased the **operating result** by €32.7 million, to €31.8 million (previous year: €–0.9 million).

The company achieved **earnings from the sale of investment property** of €36.4 million (previous year: €7.1 million). For details of this, see **pages 53 and 79** of the Annual Report.

Earnings before interest and taxes (EBIT) increased by €62.0 million from €6.2 million to €68.2 million.

The **financial result** in the reporting year was €–13.9 million compared with €–15.4 million in the previous year, which relates exclusively to interest expenses. Interest expenses from loans of €13.2 million included in this figure reduced by €1.5 million as against the previous year (€14.7 million), Scheduled repayments and the refinancing of loans on better terms following the expiry of fixed-rate interest agreements caused these to decline by €1.5 million. This illustrates the positive effect on FFO of refinancing at better interest rates. Interest expenses from newly agreed loans led to an increase in interest expenses amounting to €0.3 million, while loan expiries resulted in a decrease of €0.3 million.

After deducting the financial result from EBIT, the **net profit** for the year amounted to €54.3 million (previous year: annual net loss €9.3 million).

Funds from operations (FFO)

In the 2021 financial year an FFO, as a key control parameter of results of operations, was generated in the amount of €53.1 million (previous year: €55.6 million). This corresponds to FFO per share of €0.65 (previous year: €0.69). FFO decreased by 4.5% as against the previous year. The 2020 Annual Report initially forecast an FFO with a range of €45 million to €50 million. Taking into account business development in the reporting year, the FFO was concretised at half-year to a range of €48 million to €50 million, and slightly increased in the third quarter of 2021 to a level of €52 million to €53 million. This forecast was confirmed. This is due primarily to the deferral or, to a lesser extent, the elimination of expenses originally expected for the current financial year. Details of FFO performance are set out below:

0.65 €

FFO / share

FUNDS FROM OPERATIONS IN € THOUSAND	2021	2020
Net rental income	74,627	79,097
– Administrative expenses	–2,139	–1,477
– Personnel expenses	–5,968	–5,417
+ Other operating income **	3,341	1,742
– Other operating expenses	–2,826	–2,893
– Interest expenses	–13,915	–15,443
FFO	**53,120**	**55,609**
– Capitalised expenditure (CapEx)	–1,544	–982
AFFO	**51,576**	**54,627**
FFO per share in € *	**0.65**	**0.69**
AFFO per share in € *	**0.63**	**0.68**

* based on the number of shares at the end of the respective reporting period
** less reversals of impairment losses

NET ASSETS IN ACCORDANCE WITH IFRS

The total assets of the company increased by €20.0 million to €1,285.8 million (previous year: €1,265.8 million) as at 31 December 2021. Around 87% of assets are accounted for by properties. Property assets recognised at amortised cost had a carrying amount of €1,115.3 million as at 31 December 2021 (previous year: €1,195.5 million) and break down as follows:

REPORTED PROPERTY ASSETS IN € THOUSAND	31 DEC. 2021	31 DEC. 2020
Investment property		
Developed property assets	1,106,161	1,187,384
Incidental costs of pending acquisitions	1,407	36
Undeveloped land holdings	223	223
Right-of-use assets for leasehold properties	7,459	7,825
Total reported property assets	**1,115,250**	**1,195,468**
Properties held for sale		
Developed property assets	10,550	21,673
	10,550	**21,673**
TOTAL	**1,125,800**	**1,217,141**

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

Details of acquisitions and disposals of properties in the reporting year are set out on page 41 et seq. of the Annual Report.

Alongside properties, the key item on the assets side is cash and cash equivalents (€143.4 million). Around 39% of the liabilities side of the statement of financial position is reported as equity (€497.4 million), with around 58% attributed to financial liabilities (€747.7 million). These items are presented in detail in the company’s financial position.

Net asset value (NAV)

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

NET ASSET VALUE IN € THOUSAND	31 DEC. 2021	31 DEC. 2020
Reported non-current assets	1,128,058	1,200,826
+ Reported current assets	157,729	64,958
– Non-current liabilities and provisions *	–686,040	–685,431
– Current liabilities	–102,373	–105,598
Reported NAV	**497,374**	**474,755**
+ Hidden reserves in “Investment property”	487,528	397,114
+ Hidden reserves in “Non-current assets held for sale”	0	18,852
NAV	**984,902**	**890,721**
NAV per share in €	**12.11**	**11.05**

* not including derivative financial instruments

The increase in the absolute NAV by €94.2 million to €984.9 million results in particular from appreciation in the property portfolio in the course of the annual evaluation by JLL. At €12.11, NAV per share is 9.6% higher compared to the previous year (€11.05) due to a slight increase in share numbers. The forecast in the previous year’s annual report projected a NAV per share at the previous year’s level assuming that the value of the existing portfolio remained largely stable.

We again had the property portfolio evaluated by a third-party expert to determine the properties’ market values as at 31 December 2021. As in previous years, JLL was commissioned to determine the market value of the property portfolio and to document this in an expert opinion. The portfolio was measured on the basis of the generally recognised International Valuation Standards (IVS) and the guidelines of the Royal Institution of Chartered Surveyors (RICS).

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

The above definition is the same as that of the “fair value model” as found in the International Financial Reporting Standards under IAS 40 in conjunction with IFRS 13. The measurement was performed on the basis of a discounted cash flow (DCF) method. In the DCF method, the forecast cash flows were calculated for a standard analysis period of ten years – 2022 to 2031. A capitalised residual value is forecast on the basis of the respective long-term net proceeds for the end of the ten-year planning horizon. The market value of a property is derived from the sum of the discounted cash flows of the overall planning period plus the residual value also discounted to the measurement date.

When calculating cash flows, rental income was always reduced by the property-specific costs that cannot be allocated to tenants. In addition, the expected expenses for maintenance or modernisation and the expected administrative expenses were deducted. Rent increases based on indexation were taken into account in specific cases for long-term contracts. Rent forecasts were prepared if rental agreements were terminated within the period of analysis. They were discounted to the measurement date to calculate the present value of future cash flows. The discount rates range between 4.05% and 13.10% and take into account the respective risks specific to the property. These trended as follows:

DISCOUNT RATES IN %	2021	2020
Retail	4.25–13.10	4.80–13.00
Office	4.05–7.60	4.15–6.85

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

12.11 €

NAV / share

The fair values calculated by JLL are shown separately for each property in the list of properties on page 103 et seqq. of the Annual Report. Also shown separately are rental income as the key factor in determining net cash flows, the discount rates and capitalisation rates. The total market value of the property portfolio calculated was €1,604.0 million, a decrease of €20.8 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 €66.2 million, fair value disposals of €157.1 million due to sales and a year-on-year increase in fair value of €70.0 million due to the remeasurement of the portfolio. This corresponds to a "like-for-like" increase in the portfolio value of 4.8%, which is attributable to increases in fair value at €77.1 million. The increases in fair value compare with fair value falls of €7.1 million.

Properties are recognised conservatively at amortised cost, and not at their higher fair values. Therefore, the company also recognises depreciation on properties, with the result that both positive and negative changes in value are recognised in hidden reserves but do not necessarily affect earnings. In the reporting year, based on the fair value determination, impairment losses were applied on the carrying amounts for five properties in the amount of €2.1 million, and a reversal of an impairment loss for one property in the amount of €2.2 million.

FINANCIAL POSITION (IFRS)

STATEMENT OF CASH FLOWS (ABRIDGED) IN € THOUSAND	2021	2020
Cash flow from operating activities	**66,975**	**69,448**
Cash flow from investing activities	**92,788**	**–61,169**
Cash flow from financing activities	**–111,382**	**18,960**
Cash-effective changes to cash funds	**48,381**	**27,239**
Cash funds on 1 January	**35,597**	**8,358**
Cash and cash equivalents (with a remaining term of up to three months)	35,597	8,358
Restricted cash and cash equivalents	4,925	0
Cash and cash equivalents on 1 January	**40,522**	**8,358**
Cash funds on 31 December	**83,978**	**35,597**
Cash and cash equivalents (with a remaining term of up to three months)	83,978	35,597
Restricted cash and cash equivalents	59,429	4,925
Cash and cash equivalents on 31 December	**143,407**	**40,522**

The company's financial situation is very comfortable. The **cash and cash equivalents** were €143.4 million at the end of the reporting period, following €40.5 million as at 31 December 2020. The inflows for the financial year were mainly a result of operating activities (€67.0 million; previous year: €69.4 million), acceptance of loans (€76.5 million), and in-payments from the sale of properties (€162.3 million). Payments primarily relate to investments in the property portfolio (€69.5 million), dividend payments for the 2020 financial year (€31.3 million), and interest and principal payments (€101.2 million).

The company also has unutilised loans of €10.1 million at its disposal as at 31 December 2021.

The financial structure of the company is still extremely solid. On the equity and liabilities side of the statement of financial position, equity amounted to €497.4 million after €474.2 million in the previous year. The company therefore has an accounting equity ratio of 38.7%

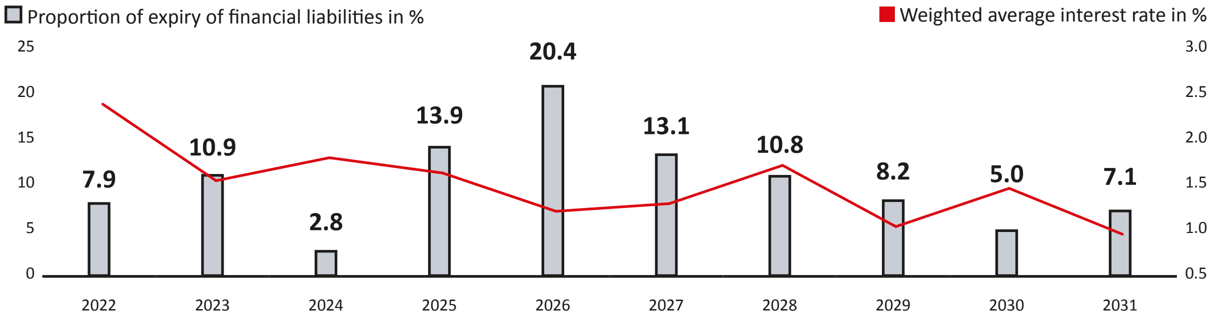
(previous year: 37.5%). Financial liabilities were €747.7 million and, taking into account scheduled repayments and due to the utilisation of loans, reduced by €11.2 million compared to the previous year (€758.9 million). Here, €64.9 million concerned borrowing from the refinancing of loans, and an additional €11.6 million of borrowing from the revaluation of loans. The new borrowing was offset by scheduled repayments of €37.9 million in the reporting year, and the repayment of refinanced loans of €50.0 million. After deducting cash and cash equivalents from financial liabilities (less restricted cash of €59.4 million), net financial debt amounted to €663.7 million (previous year: €723.3 million). Comparing net financial liabilities to portfolio fair value, the company has an LTV ratio of 41.3% (previous year: 44.5%).

The interest rate trend is highly significant to the company's financial position. In order not to be subject to short-term interest rate risks, HAMBORNER has arranged, as far as possible, fixed long-term conditions for the financing of investments. Part of the unsecured promissory note loans with a volume of €41.0 million are financed at floating rates. Given the short five-year term of these loans, it was decided after weighing the risks and opportunities not to use interest rate hedges.

The average interest rate of the loans, including loans concluded but not yet utilised, was 1.6% as at the end of the reporting period (previous year: 1.8%). Taking into account the refinancing – already agreed and 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 4.9 years as at the end of the reporting period (previous year: 5.0 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 FINANCIAL LIABILITIES



Obligation to comply with certain financial covenants

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

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

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

Financial information (HGB)

GENERAL INFORMATION

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

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

- **Property and building maintenance:** The different capitalisation criteria in connection with maintenance and modernisation activities resulted in maintenance expenses being €1.6 million higher in the HGB financial statements in the reporting year. The same expense was capitalised under investment property in accordance with IFRS provisions.

- **Other operating expenses / Administrative expenses:** The administrative expenses (€2.1 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 and income from the disposal of non-current assets / Earnings from the disposal of property:** A gain on disposal of €36.4 million from the disposal of property is reported in the IFRS financial statements. Under HGB, income from the disposal of non-current assets is €38.2 million as part of other operating income. The difference results primarily from the costs in the context of the disposal of properties in the amount of €1.3 million. These primarily relate to estate agent fees for the properties after purchase contract signing, and are recorded under other operating expenses in accordance with HGB.

- **Impairment losses:** Impairment losses of €2.1 million included in depreciation and amortisation in accordance with IFRS relate to five properties. In contrast, separate depreciation of €0.9 million only had to be recognised for one property as required by HGB.

- **Land and land rights / Reported property assets**: The carrying amount of properties in the HGB annual financial statements is €1,118.9 million, and therefore €3.6 million higher than the carrying amount of investment property in the IFRS financial statements. The difference of €10.6 million in the IFRS financial statements relates to properties which had to be reclassified to non-current assets held for sale. However, leasehold right-of-use assets are included under the IFRS investment property item. These must not be reported in the HGB financial statement. The right-of-use assets figure reported under properties in the IFRS financial statement amounts to €7.5 million as at 31 December 2021. In addition, €2.5 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 reporting year impairment losses described above and the impairment losses from previous years resulted in a higher IFRS carrying amount of €1.2 million on account of differing provisions and capitalisation requirements.

- **Equity:** The HGB equity was €495.7 million as at the end of the reporting period, €1.7 million lower than the amount recognised under IFRS. The difference results in the first instance from various accounting differences in the reporting year and previous years. Secondly, it results from cumulative actuarial gains and losses on pension provisions of €4.3 million within the revenue reserve reported in the IFRS financial statements. In addition, in the HGB financial statements, equity contains a reserve for gains from disposal in accordance with Section 13 (3) REITG. In the reporting year, an amount of €12,111 thousand was placed in this reserve. In accordance with this specification, up to half of a REIT company's profits from the disposal of immovable assets in the HGB annual financial statements can be recorded in a reserve. Within the two following financial years, the reserve is to be transferred to the procurement or production costs for properties which have been acquired or produced after the placement of the reserve. If the amount placed in the reserve is not subtracted from the procurement and production costs of benefited assets by the expiry of the second financial year following the disposal transaction, the reserve must be reversed. The reversal of this reserve results in an increase in the distribution obligation in accordance with Section 13 (1) REITG. The formation of the reserve does not result in any difference in the amount of equity in accordance with HGB and IFRS as at the financial statement date. In total, the reported HGB equity ratio of 38.8% is 0.1 percentage points higher than the reported IFRS equity ratio.

- **Liabilities to banks / Financial liabilities and derivative financial instruments:** Liabilities to banks in the HGB annual financial statements amount to €748.7 million. However, financial liabilities of €747.7 million are reported as required by IFRS. The difference of €1.0 million concerns recognition of financial liabilities including transaction costs and the associated subsequent measurement using the effective interest method in the IFRS financial statements.

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

RESULTS OF OPERATIONS (HGB)

Income from property management amounted to €98.5 million in the reporting year (previous year: €102.3 million). The **costs of the management of properties** amounted to €25.9 million (previous year: €24.4 million). The increase in income is essentially due to the changes to the property portfolio as a result of investments in the reporting year and the previous year. **Depreciation and amortisation** is €36.2 million, €32.9 million lower than the previous year (€69.1 million). The primary cause of this decline is the impairment losses to be applied to the properties in the previous year (previous year: €32.1 million). Due primarily to the carrying amounts from the sale of properties reported in the year under review, **other operating income** increased by €33.6 million as against the previous year, to €43.7 million (previous year: €10.1 million). This increased the **operating result** by €59.5 million as against the previous year, to €67.0 million (previous year: €7.5 million).

Despite the utilisation of new loans, the **financial result** improved by a net amount of €1.4 million to €–13.7 million (previous year: €–15.1 million), essentially as a result of interest savings on account of refinancing at better rates. The company closed the 2021 financial year with an **annual net profit** of €53.3 million (previous year: annual net loss of €7.6 million).

Taking into account the formation of the reserve in accordance with Section 13 (3) REITG in the amount of €12.1 million, the **net retained profits** are €41.2 million (previous year: €37.9 million after taking into account the reversal of the reserve in the amount of €45.5 million).

NET ASSETS AND FINANCIAL POSITION (HGB)

Total assets for the company increased by €20.0 million compared to the previous year, to €1,276 million. At €1,119.6 million, reported **non-current assets** were €91.6 million below the previous year's level (€1,211.2 million) due to property disposals. **Current assets** including prepaid expenses increased by €111.7 million to €156.7 million. Equity fell to €495.7 million from €473.6 million in the previous year. **Liabilities to banks** reduced by a net amount of €11.4 million to €748.7 million. Taking into account loans not yet utilised (€10.1 million), the equity and medium- and long-term debt capital cover non-current assets in the full amount.

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

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The basis of the dividend distribution is net retained profits under German commercial law (HGB). The net profit for the reporting year calculated in accordance with the HGB was €53,325 thousand. Taking into account a placement into the reserve in accordance with Section 13 (3) REITG in the amount of €12,111 thousand, net retained profits of €41,214 thousand result.

The Management Board and Supervisory Board propose that the net retained profit of HAMBORNER REIT AG for the 2021 financial year of €41,214,022.23 be used as follows:

1. Distribution of a dividend of €0.47 per share on the share capital entitled to dividend payments, resulting in a distribution to shareholders of €38,231,373.56 based on 81,343,348 shares entitled to dividend payments.

2. Retained earnings brought forward of the remaining amount of €2,982,648.67.

The number of shares entitled to dividend payments may increase or fall by the time of the Annual General Meeting. In this case, an amended proposal regarding use of the net retained profit shall be submitted to the Annual General Meeting where the dividend amount per share remains the same.

Other legal disclosures

Disclosures in accordance with Section 289a (1) HGB

Composition of issued capital

As at 31 December 2021, the issued capital of the company amounted to €81,343,348 and was fully paid up. The share capital is divided into 81,343,348 no-par-value registered shares, each at a nominal value of €1 per share. The company is authorised to issue global certificates for shares. Shareholders are not entitled to certificates for their shares.

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

Restrictions relating to voting rights or the transfer of shares

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

Capital holdings exceeding 10% of voting rights

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

Shares with special rights bestowing control

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

Nature of voting 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 in accordance with the statutory requirements and the provisions of the Articles of Association.

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

In accordance with Section 84(1) AktG, members of the Management Board are appointed by the Supervisory Board for a maximum of five years. A repeat appointment or extension of the term of office is permitted for a maximum of five years in each case. In accordance with Article 7(1) of the Articles of Association, the Management Board of the company consists of several members, the number of which is determined by the Supervisory Board. The Supervisory Board can also appoint one member as Chair of the Management Board in accordance with Section 84(2) AktG. Furthermore, it can revoke the appointment of a member of the Management Board and the appointment as its Chair 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 paragraph 1(2) AktG). This authority has been transferred to the Supervisory Board in accordance with Article 12(3) of the Articles of Association of the company. An amendment to the Articles of Association requires a qualified majority resolution by the Annual General Meeting comprising at least three-quarters of the share capital represented in the vote (Section 179 paragraph 2(1) AktG). In accordance with Section 179(2) AktG, the Articles of Association can stipulate other capital majorities and additional requirements.

Authority of the Management Board to issue shares

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

a) increase the share capital of the company, with the approval of the Supervisory Board, on one or several occasions by up to a total of €7,971,764 by issuing new registered shares against cash and non-cash contributions (Authorised Capital I) until 9 May 2022 and, with the approval of the Supervisory Board, to remove shareholders' statutory pre-emption rights in certain cases. This authority was partly exercised on 5 November 2020 and 26 May 2021 with the issuing of, respectively, 861,922 and 763,781 new shares against contribution in kind in the course of distributing dividends. Authorised Capital I therefore remains at €6,346,061 as at 31 December 2021.

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

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

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

Authority of the Management Board to buy back shares

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

The Management Board was therefore authorised to acquire shares of the company by the Annual General Meeting on 29 April 2021 until 28 April 2026. 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

According to the remuneration system for Mr Karoff, there are no rules in place for a takeover offer (change of control).

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

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

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

There are no other compensation agreements with employees of the company.

Corporate governance declaration

HAMBORNER REIT AG has presented the key elements of its corporate governance structures in its corporate governance declaration. These are an annual declaration of compliance from the Management Board and the Supervisory Board, key corporate management practices exceeding legal requirements, a representation of the operating procedures of the Management Board and the Supervisory Board, and information on the composition and operating procedures of their committees.

The corporate governance declaration can be found on the company's website at **www.hamborner.de/en** under HAMBORNER REIT AG / Corporate Governance / Declaration on the Company Management.

In accordance with the specifications of Section 162 AktG, the Management Board and the Supervisory Board of HAMBORNER REIT AG annually prepare a detailed report on the remuneration granted and owed in the last financial year to each individual current or former member of the Management Board and Supervisory Board. This report also contains detailed information about the currently applicable remuneration systems for the members of the Management Board and the Supervisory Board.

The remuneration report can be accessed on the company's website at **www.hamborner.de/en** under HAMBORNER REIT AG / Corporate Governance / Remuneration report.

Report on risks and opportunities

Risk report

PRINCIPLES OF RISK POLICY

As a property company operating across Germany, HAMBORNER is exposed to a variety of risks that can negatively influence the net assets, financial position and results of operations of the company. The overarching objective of the HAMBORNER strategy is to eliminate or minimise potential risks. In association with this, HAMBORNER has always tailored its business policy to avoid business areas which have particularly high risk potential. For unavoidable risks that are associated with HAMBORNER's business activities, measures are identified and realised in order to minimise the possible extent of damage. Appropriate measures prevent risks, alleviate the impact of risks, or reduce the likelihood of their occurrence.

In this respect, as in the past, HAMBORNER did not participate in highly speculative financial transactions in 2021. We take appropriate, manageable and controllable risks if the rewards offsetting them can be expected to produce adequate value appreciation.

Risk management

In order to limit risk, HAMBORNER has implemented a risk management system in accordance with Section 91(2) and (3) AktG for the timely identification and handling of risks that could affect the economic position of the company. Modifications and enhancements are put in place to reflect changing circumstances. Opportunities that may arise are not taken into account in this risk management system. The early risk detection system is examined by the auditor as part of the audit of annual financial statement in accordance with Section 317 (4) HGB. Organisationally, risk management operates independently.

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

These potential risks are divided into the following categories:

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

As part of quarterly risk reporting to the Management Board and the Supervisory Board in the course of the year, possible risk potentials are identified, evaluated and monitored. The possible risks in individual risk categories are evaluated in terms of the possible extent of damage (e.g. reduced income, increased expenses), and an assessment of likelihood. The assessment is performed by the respective responsible departments. Risk reporting is based on the planning agreed in each instance.

PRESENTATION OF RISK AREAS

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

RISK CATEGORIES AND THEIR ASSESSMENT

Risks are classified into low, moderate and high related to the expected value of damage depending on the potential extent of damage taking into account the likelihood of occurrence.

AMOUNT OF DAMAGES	EXPECTED VALUE OF DAMAGE (AMOUNT OF DAMAGE X LIKELIHOOD OF OCCURRENCE)				
Very high (> €20 million)	moderate	moderate	high	high	high
High (€5 million to €20 million)	low	moderate	high	High	high
Moderate (€1 million to €5 million)	low	moderate	moderate	moderate	high
Low (€250 thousand to €1 million)	low	low	low	moderate	moderate
Very low (< €250 thousand)	low	low	low	low	low
Likelihood of occurrence	very low (0% to 5%)	low (6% to 25%)	moderate (26% to 50%)	high (51% to 75%)	very high (76% to 100%)

The current risk estimation of HAMBORNER takes place – as was also the case in the previous year – against the background of the COVID-19 pandemic as well as its effects on the national and international economic situation. The risk categories and how they are dealt with on the part of the company are addressed in detail in the following bullet points.

STRATEGIC RISKS

National market environment risks

The national market environment in 2021 was largely defined by the continuing pandemic. From November 2020 to May 2021, Germany was in lockdown. Due to increasing infection rates and despite the continuing vaccination campaign and increasing vaccination rates, the recurrence of a (partial) lockdown cannot be ruled out for 2022.

Germany records a positive development in GDP of +2.7% from 2020 to 2021. However, the pre-crisis level has not yet been reached again, due to the negative development of GDP, at –4.6% from 2019 to 2020. The forecasts for economic growth in Germany in 2022 compared with the previous year vary between 4.1% (OECD and Federal government) and 4.6% (EU Commission), due to significant uncertainty in the context of the further development of the pandemic.

The pandemic is accelerating the growth of e-commerce and increasing pressure on bricks-and-mortar retail. In addition, requirements regarding the types of spaces in office properties may change on a lasting basis as a result of increased use of mobile working.

Due to HAMBORNER's diversified tenant mix with a significant proportion of "system-critical" tenants as well as the mostly completed sell-off of its heavily risk-associated inner-city retail properties, the risk is assessed as moderate.

Global market environment risks

Global economic performance increased by 5.9% in 2021 compared with the previous year. For 2022, the International Monetary Fund expects the global economy to grow by 4.9% compared to the same period in the previous year.

International market risks only influence HAMBORNER indirectly via tenants with an international link. The risk for HAMBORNER is therefore considered low.

Risks from changes to the regulatory environment

This risk category covers risks arising from potential legal changes relating to key regulatory requirements and the company's legal structure. In addition, the risk of non-compliance with amended accounting specifications in accordance with HGB and IFRS, and risks in the form of administrative penalties due to the breach of reporting obligations (WpHG, AktG) fall into this category. As well as this, new regulations are to be expected with respect to ESG-relevant (Environment, Social, Governance) matters, in particular sustainability regulations arising from taxonomy ordinances.

Personnel entrusted with these subject areas undergo regular advanced training with the result that the risk of non-compliance with changes to the regulatory requirements is minimised. Where applicable, external advisers may be engaged to provide advice if there are complex changes to requirements. In addition, an annual company audit is performed by means of an internal audit outsourced to an auditing firm.

Due to new specifications to reduce carbon emissions currently being recorded or expected at European but also at national level, the risk is considered moderate.

Organisational structure risks

This risk relates to inefficient organisational structures which could lead in the long run to increased expenditure and lower income for HAMBORNER.

As part of regular management team meetings with the Management Board, responsibilities and organisational assignment are reviewed, and amended where necessary. In addition, an internal audit of selected business processes is performed annually by external third parties.

Potential inefficiencies and problems are quickly identified through detailed conversations and meetings with the responsible people. HAMBORNER therefore considers the risk to be low.

OPERATIONAL RISKS

Leasing risk

The leasing risk varies depending on the usage class for the respective property. The leasing and vacancy risk remains high in the area of inner-city retail properties, but can be disregarded due to their low proportion of the overall portfolio. For large-area retail, with the exception of foodstuffs retail and DIY stores, significantly longer marketing periods of 12 to 24 months must be expected, in particular for textile retail and catering areas.

In the area of office properties, requirements for the type of spaces are changing due to the increase in mobile working resulting from the pandemic.

A further risk is posed by developments in supreme court case law. According to this, the use of different clauses at the same time may create the conditions for a contract breach. If this is not remedied, the risk is that the tenant could be able terminate an agreement without notice or assert other claims. For the few leases affected by this at individual locations, sustainability agreements have already been concluded with the majority of the affected tenants.

In addition, increasing requirements from prospective tenants with respect to ESG criteria (Environment, Social, Governance) may result in longer marketing periods and less favourable rental conditions. Furthermore, it is unclear to what extent it will be possible to, for example, allocate carbon-related costs to tenants in the future as a result of regulatory changes.

To counteract the high risk in the area of inner-city office buildings, 17 of 21 properties of this type had already been sold by 31 December 2021 in line with the business strategy, with the result that there is no longer a material risk resulting from inner-city retail properties. Generally, Asset Management regularly performs analysis relating to leases potentially expiring in the next 24 months, as well as vacant units.

Overall, the leasing risk is considered moderate for the overall portfolio due to aspects including regular dialogue with tenants, long-term leases, and the high proportion of as-new properties. In the 2021 financial year, the economic vacancy rate including rent guarantees was 1.9% on average (previous year: 1.8%), and was therefore still at a comparatively low level.

Risks of rental losses

Depending on the duration and extent of the pandemic, it is still to be expected that some tenants may not be able to honour their payment obligations due to insolvency. In addition, some rents were paid under reserve during the first and second lockdowns in 2020 to 2021.

In order to mitigate the risk of rental losses, the company has concluded rent deferral and reduction agreements with badly affected tenants since the start of the pandemic. In return, many tenants have renewed their leases. In addition, as already described, 17 of a total of 21 inner-city office buildings more severely affected by the pandemic have been sold. With respect to the rents paid under reserve, there is a precautionary reserve in the amount of €654 thousand as at 31 December 2021.

Uncollectible receivables and individual value adjustments amounted to €1,191 thousand in the 2021 financial year (previous year: €1,556 thousand). In this respect, the risk of default for the currently existing receivables has already been adequately taken into account. Given the continued uncertainty with respect to the COVID-19 pandemic, the risk for future rent defaults by individual tenant groups remains high, in particular for the catering and textile retail areas. However, due to the broadly diversified tenant portfolio and the overall still-low proportion of particularly risk-associated tenants, there is no substantial risk to HAMBORNER. Write-downs formed for the 2021 financial year affect just 1.41% (previous year: 1.76%) of the income from rents and leases.

Overall, as previously, the risk is considered moderate; this is due to the highly uncertain outlook for economic growth at present.

Maintenance risk

Properties which are held as long-term investments carry a growing risk of significant maintenance expenses due to their age. In addition, further measures – in particular energetic renovation and sustainable modernisation of properties – may be necessary as a result of the increasing importance of ESG criteria. For office properties, altered requirements for types of spaces resulting from the increase in mobile working as a result of the pandemic may trigger substantial conversion costs. In addition, drastic price increases for materials costs accompanied by supply bottlenecks as well as high-capacity utilisation of trades are being observed.

In order to counteract this risk, corporate planning includes detailed planning at property level including the risks stated above. Based on this detailed plan, as well as regular reporting and against the background of the high proportion of as-new properties, the risk is considered moderate.

Risks from property transactions

Risks from property transactions arise firstly in investments, and secondly in divestments. For example, when investing, the wrong decision may be made when acquiring a property. Risks and obligations relating to properties may therefore be overlooked in the course of the acquisition audit, which may lead to unplanned expenses or lower income for HAMBORNER. In order to reduce these risks, calculations on the basis of various scenarios are created with the help of an investment model. In addition, the acquisition process takes place on a cross-departmental basis, and external service providers can be engaged if necessary (solicitors, experts, etc.). Furthermore, ESG-relevant criteria are assessed during the acquisition phase and taken into account in decision-making.

Due to the high potential extent of damage, the risk is considered moderate despite the low likelihood of occurrence.

Divestment is also associated with risks. Properties may be sold below market value or interested parties may fail to materialise, for example due to ESG-relevant criteria not being met, with the result that properties cannot be disposed of as planned. In addition, there may be a breach of warranty obligations in the framework of submitted guarantees in purchase contracts.

To avoid these risks, a detailed sales plan is drawn up in close collaboration with portfolio management. As with the acquisitions process, the sales process is organised on a cross-departmental basis. Taking this intensive collaboration between departments as a basis, substantial risks arising from divestment are rated as low.

IT risks

Increasing digitisation within the property sector means that IT risks need to be looked at separately. Hacker attacks could disrupt the IT infrastructure on a lasting basis, or abstract company-sensitive data. Malware introduced by email could cause significant impairments. In addition, there are increasing requests for company-sensitive data arriving via falsified email senders. Hardware failures may lead to companies having to temporarily suspend operations.

HAMBORNER has a number of measures in place to reduce these risks, including an updated security suite and a firewall. Furthermore, the staff, managers and Management Board are made aware of IT risks and trained appropriately in special training courses. Hardware failures can be substantially reduced through regular monitoring. Against the background of numerous security measures, the limitation of operating capability due to IT risks is considered low.

HR risks

Well-trained and motivated employees are central to the company’s success. Due to increasing requirements, individual employees or entire departments can experience work overload and demotivation. This may in turn result in staff shortages or increased staff turnover. These scenarios mean increased recruitment costs and a loss of valuable knowledge resources. In addition, there is a risk that properly qualified specialists may not be recruited in time. With existing personnel, there is also the risk of qualification shortcomings due to insufficient basic and advanced training measures.

This risk is prevented by measures such as holding regular management and department meetings. In addition, recurring employee and feedback conversations are held between employees and line managers. Furthermore, regular anonymised employee surveys are conducted, and existing personnel are given basic and further training as required. As well as this, various benefits are offered to increase employer attractiveness. As a result of these steps, the risk is considered low.

FINANCIAL RISKS

Valuation risks

The valuation of properties is performed by independent experts and reflects the market value. HAMBORNER does not have any influence on exogenous factors that impact the market value, such as a falling rent level. In addition, the property location and future rents are important influential factors in property valuation. Negative developments in these factors can result in a reduction in market value. Furthermore, aspects including economic changes, inflation and fluctuations in the interest rate can have a negative influence on the property valuation.

Due to HAMBORNER’s diversified portfolio and the long-term leases concluded for office properties with often public or semi-public providers, as well as the regular analysis by independent valuers, the risk for HAMBORNER is considered moderate.

Tax risks

Tax risks mainly arise when the exemption from corporation tax and trade tax ends, possibly leading to loss of REIT status. In addition, there may be risks in amendments to the REIT Act. Other risks currently exist in terms of changes to tax law affecting VAT, land transfer tax, and land tax.

Thanks to continuous monitoring and further training of employees, the risk is therefore considered low.

Liquidity risk

The liquidity risk is expressed primarily through liquidity bottlenecks, for example as a result of an uncoordinated procedure across individual departments. In order to minimise this risk, the liquidity performance for the next twelve months is communicated to all managers and the Management Board as part of internal reporting. Moving forward, the liquidity level will be consistently monitored by the Finance and Accounting department. Monthly reports and regular communication between managers mean that the risk here is considered low.

Loan agreement default risk (covenants)

Covenants exist in particular for the promissory note loans issued in 2018 in the amount of €75.0 million. Net financial liabilities based on the fair value of the property portfolio therefore must not exceed a share of 60% (LTV). The ratio of EBITDA to net interest income must also be at least 1.8. Non-compliance with these conditions would entitle the creditors to cancel the loan agreement.

As at 31 December 2021, the LTV is 41.3% and therefore well below the maximum figure of 60%. The EBITDA to net interest income ratio is also well above the required 1.8 at 7.7. In view of the regular monitoring of the compliance of the financial covenants, the loan agreement default risk can be considered low.

Financing risks

Financing risks relate primarily to the risk of rising interest rates (interest rate change risk). This may lead to rising interest payments on variable and fixed interest loans when they are borrowed or the term is extended. Refinancing agreements were initiated before the end of the term in order to take advantage of the current favourable financing environment.

Early repayment penalties may be due if encumbered properties are sold; these may be substantial depending on the encumbrance, and could swallow up part of the sales proceeds. For this reason, we are arranging with banks to reschedule debt to other portfolio properties where possible. This is designed to limit or avoid early repayment penalties.

The average remaining term of the loans is 4.9 years, based on the end of the reporting period as at 31 December 2021. Loans expiring in 2021 were refinanced at an average rate of 1.1%. Larger refinancing volumes (> 10% of the total financing volume) will only come up again in 2023. The financing risk is considered low in the short to medium term.

Subsidence risks

Potential risks are posed by HAMBORNER's former mining activities, e.g. subsidence damage or shaft stabilisation, on account of the possible future discontinuation of large-scale dewatering activities in the Ruhr area. The economic risk associated with dewatering activities was assessed by an expert in 2005. The provisions relating to mining currently amount to €3.0 million (in accordance with IFRS). Based on the current assessment, there are no further financial risks. For this reason, the risk arising from mining damage is classified as low.

Environmental and climate risks

Environmental and climate risks include risks arising from the physical effects of climate change on the properties held as investments as well as risks arising from the negative effects of business activities on climate change. The latter take the form of regulatory and market-related transitory risks, which have already been explained in detail with the keyword ESG, in the corresponding risk categories.

Extreme weather events caused by climate change may damage or destroy properties. The resulting damage will largely be covered by the fire and natural hazard insurance policies in place.

The financial risk in relation to physical damage is low thanks to the insurance policies in place. Taking into account the transitory risks relating to the environment and climate already considered in the other risk categories, the risk should be considered moderate.

OTHER RISKS

In addition to general market risks, operational and financial risks, HAMBORNER is also exposed to the risk of losing its REIT status as well as risks arising from legal disputes or human rights violations on the part of the service providers engaged, for example in relation to minimum wage requirements.

While these other risks cannot be ruled out at HAMBORNER, they are unlikely or economically insignificant now and in the near future. The risk arising from other risks is therefore considered low.

Report on opportunities

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

HAMBORNER went ahead with portfolio streamlining in 2021 and managed to complete most of the associated activities. As at the reporting date of 31 December 2021, 17 of the 21 city-centre properties no longer considered to be in line with the strategy had already been sold. This in turn released funds for the eventual acquisition of alternative properties.

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

Overall assessment of the risk situation

The risk and opportunity situation at HAMBORNER in the financial year was heavily influenced by the COVID-19 pandemic. Despite the difficult economic environment, the HAMBORNER business model has proved stable, with a decrease of 4.3% from 2020 to 2021 in income from rents and leases and a decrease of 4.5% in FFO arising mainly from property disposals in accordance with the company strategy that had not yet been fully compensated for through corresponding acquisitions.

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

Forecast report

Company strategy

The strategic alignment of the company presented in the section titled “Basic structure of the company” should also be maintained in the future, taking into account the requirements of the German REIT Act in terms of company law and capital.

Expected market trend

MACROECONOMIC ENVIRONMENT

The German Bundesbank expects the German economy to gain momentum once again in spring 2022 after it declined in the winter months of 2021 / 2022 due to pandemic-related restrictions and supply shortages for primary products. Assuming that the pandemic-related restrictions remain largely lifted, private consumption will be the main driver of this anticipated upturn. A relaxation of the continuing supply shortages is also expected by the end of 2022 and will result in a temporary but significant boost for German exports. Overall economic capacity utilisation should once again be above average from the second half of 2022 as a result. The German Bundesbank is therefore forecasting strong overall economic growth of 4.2% for 2022. The institute expects growth for 2023 to be in the region of 3.2%.

In accordance with estimates by the German Bundesbank, inflation is likely to rise again at an above-average rate of 3.6% in 2022 following a sharp increase in 2021. Significantly higher raw material prices for energy and the passing on of production cost increases to the consumer in the wake of supply and transport bottlenecks coupled with high demand will raise general price levels accordingly. The increase in consumer prices is only expected to ease to 2.2% from 2023.

The labour market is expected to gain considerable momentum from the second quarter of 2022 as a result of the expected economic recovery. The IFO Institute estimates that the number of unemployed will decrease by around 257,000 in 2022 and by around 124,000 in 2023. As a result, the unemployment rate will decrease to an average of 5.2% in 2022 and to 4.9% in 2023.

INDUSTRY ENVIRONMENT

Lettings market

For 2022, JLL expects to see further growth in revenue on the seven main office markets and a continuation of the recovery effect that has been evident since 2021. Further rapid growth is conditional on the elimination of uncertainties caused by the pandemic and also requires that the economy is in a recovery phase.

In view of increasing construction activities in the office sector in connection with the 2020 economic downturn, a slight, delayed increase in the vacancy rate from 4.5% (2021) to around 5% is expected, but should not have any negative impact on the rental level.

JLL forecasts a further increase of 3.2% in nominal peak rents in the seven largest office markets by the end of 2022. JLL also expects a slight increase in rents to be favoured by increasing construction costs and more stringent user requirements in terms of quality, as well as the embracing of new spatial concepts by companies. Accordingly, tenants will demand very well-equipped spaces regardless of whether they require additional office space or less office space, and will also be prepared to pay higher rents for these spaces.

At a portfolio level, the company continues to anticipate stable letting rates and rents for large-scale retail properties. HAMBORNER's expectation of further decreases in rent revenues and rents in pedestrianised zones has been confirmed in general, as has the predicted demand for smaller retail spaces. This trend is expected to continue to a lesser extent as a result of market adjustments that have already taken place.

Bricks-and-mortar food outlets, household and personal goods stores and catering concepts continue to enjoy steady growth, while the non-food sector (especially textiles, clothing, shoes and leather goods) is expected to remain under pressure. Locations in larger cities in particular are expected to see greater demand. Bricks-and-mortar retailers should continue to try to use online platforms to reach their customers in different ways and thereby recover market share.

Trends in the office and retail letting markets in 2022 will depend heavily on how the COVID-19 pandemic can be overcome. In view of the increasing quality standards of users, it can be assumed that there will be further polarisation between modern, sustainable and flexible office spaces and spaces that do not meet these requirements. Positive growth can be expected for sustainable and flexible concepts in particular. In future, it will be more difficult to find users for rental properties that do not fulfil ESG criteria.

Investment market

Currently, there is good reason to believe that the outlook for 2022 is very positive. Investors continue to demonstrate great willingness to invest. One of the framework conditions that should help to boost the property investment markets in 2022 is the very positive development of the letting markets. Although the pandemic is not yet over, take-up on the office markets is already back at the ten-year average and the logistics markets are achieving record revenues. Even retail sales increased in 2021 despite the lockdowns imposed. If economic growth recovers fully following transition from the pandemic phase to the endemic phase and the resolution of supply bottlenecks, and if the corresponding catch-up effects kick in, the positive trend is likely to accelerate considerably once again.

With respect to the prime yields in the office and specialist retail properties, we expect to see consolidation at a high level in 2022, perhaps accompanied by a slight suppression in yields. In view of the new taxonomy directives and the increased focus on extensive renovations to existing buildings, we expect multipliers to increase slightly on the basis of rising construction costs.

Expected company trend

CENTRAL KEY CONTROL INDICATORS	2021	2022 PLAN
FFO	€53.1 million	€46.5 million to €50.5 million
Rents and leases	€84.4 million	€84.0 million to €86.0 million
NAV per share	€12.11	virtually unchanged

Due to the structure of the property portfolio, the solid financial position, result of operations and liquidity as well as its REIT status, the company views itself as well positioned with respect to the competition.

The business performance in the current financial year 2022 will be influenced decisively by the acquisition activities of the company and by the reinvestment of liquidity freed up by the sale last year of properties that were no longer in line with the strategy. In this context, the dates and volumes of any potential property acquisitions and the resulting additional rental income will impact the revenue situation and the result of operations of the company.

Furthermore, the funds from operations (FFO) will also be affected by higher maintenance expenses, particularly in connection with the implementation of secondary use concepts in the stores in Celle and Gießen formerly operated by food retailer Real. These increased expenses are due to the delaying of measures originally planned for the 2021 financial year, among other factors.

Potential negative effects of the COVID-19 pandemic on the business performance of the company were taken into account when preparing the forecasts. Unless there is another significant increase in infection rates, accompanied by associated and far-reaching regulatory restrictions, it can be expected that revenue and the result of operations will only be impacted by the pandemic to a slight extent.

Taking into account the influencing factors presented, it is expected that the funds from operations (FFO) for the 2022 financial year will be between €46.5 million and €50.5 million. The main factor influencing FFO, HAMBORNER's central control parameter, is still rental and leasing income, which will be between €84 and €86 million in 2022 compared with the previous year according the company's current forecasts.

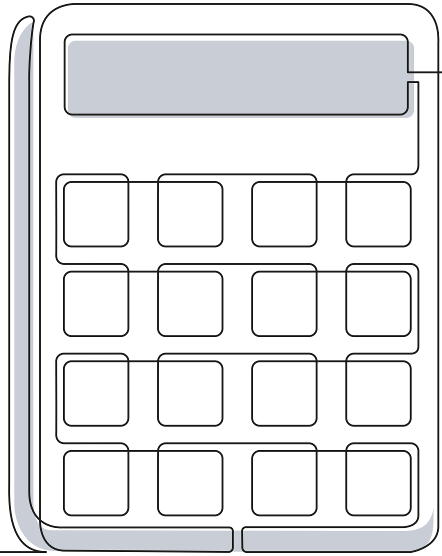
Assuming both this and a further steady rise in the value of the like-for-like property portfolio, the company anticipates that the NAV per share at 2022 year end will remain at around the previous year's level.

Given current estimations in terms of the development of the FFO and NAV central control indicators, the company assumes that an attractive dividend distribution will also be possible for 2022. This assumes that HAMBORNER avoids any major, unforeseeable reductions in earnings and continues to expand its property portfolio in line with the strategy as planned.

Duisburg, 21 February 2022

The Management Board

Niclas Karoff Hans Richard Schmitz



Separate financial statements

SEPARATE FINANCIAL STATEMENTS (IFRS)

Income statement

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

IN € THOUSAND	NOTES	31 DEC. 2021	31 DEC. 2020
Income from rents and leases		**84,360**	**88,193**
Income from incidental costs passed on to tenants		14,021	14,145
Real estate operating expenses		–17,967	–18,605
Property and building maintenance		–5,787	–4,636
Net rental income	(1)	**74,627**	**79,097**
Administrative expenses	(2)	–2,139	–1,477
Personnel expenses	(3)	–5,968	–5,417
Depreciation and amortisation of intangible assets, property, plant and equipment and investment property	(4)	–37,391	–71,952
Other operating income	(5)	5,491	1,742
Other operating expenses	(6)	–2,826	–2,893
		–42,833	**–79,997**
Operating result		**31,794**	**–900**
Earnings from the sale of investment property	(7)	36,381	7,080
Earnings before interest and taxes (EBIT)		**68,175**	**6,180**
Interest expenses		–13,915	–15,443
Financial result	(8)	**–13,915**	**–15,443**
Net profit for the period		**54,260**	**–9,263**
Earnings per share (€)	(9)	0.67	–0.12

Statement of comprehensive income

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

IN € THOUSAND	NOTES	31 DEC. 2021	31 DEC. 2020
Net profit for the period as per income statement		**54,260**	**–9,263**
Items subsequently reclassified to the income statement if certain conditions are met:			
Unrealised gains / losses (–) on the remeasurement of derivative financial instruments	(16)	522	588
Items not subsequently reclassified to the income statement:			
Actuarial gains / losses (–) on performance–based pension commitments	(18)	–96	403
Other comprehensive income		**426**	**991**
TOTAL COMPREHENSIVE INCOME		**54,686**	**–8,272**

Statement of financial position – assets

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

IN € THOUSAND	NOTES	31 DEC. 2021	31 DEC. 2020
Non-current assets			
Intangible assets	(10)	472	499
Property, plant and equipment	(10)	2,932	3,066
Investment property	(11)	1,115,250	1,195,468
Financial assets	(12)	1,676	1,490
Other assets	(13)	7,728	303
		1,128,058	**1,200,826**
Current assets			
Trade receivables and other assets	(13)	3,772	2,763
Cash and cash equivalents	(14)	143,407	40,522
Non-current assets held for sale	(15)	10,550	21,673
		157,729	**64,958**
TOTAL ASSETS		**1,285,787**	**1,265,784**

Statement of financial position – liabilities

IN € THOUSAND	NOTES	31 DEC. 2021	31 DEC. 2020
Equity	(16)		
Issued capital		81,343	80,580
Capital reserves		346,071	340,508
Retained earnings		69,960	53,146
		497,374	**474,234**
Non-current liabilities and provisions			
Financial liabilities	(17)	667,396	667,075
Trade payables and other liabilities	(18)	9,153	9,282
Pension provisions	(19)	5,700	5,909
Other provisions	(20)	3,791	3,165
		686,040	**685,431**
Current liabilities and provisions			
Financial liabilities	(17)	80,308	91,841
Derivative financial instruments	(17)	0	521
Trade payables and other liabilities	(18)	19,773	12,182
Other provisions	(20)	2,292	1,575
		102,373	**106,119**
TOTAL EQUITY, LIABILITIES AND PROVISIONS		**1,285,787**	**1,265,784**

Statement of cash flows

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

IN € THOUSAND	NOTES	2021	2020
Cash flow from operating activities	(24)		
Net profit for the period		54,260	–9,263
Financial result		13,448	15,040
Depreciation and amortisation (+) / reversals (–)		35,241	71,952
Change in provisions		808	–389
Gains (–) / losses (+) (net) on the disposal of property, plant and equipment and investment property		–37,686	–7,946
Change in receivables and other assets not attributable to investing or financing activities		–8,434	–452
Change in liabilities not attributable to investing or financing activities		9,338	506
		66,975	**69,448**
Cash flow from investing activities	(25)		
Investments in intangible assets, property, plant and equipment and investment property		–69,478	–79,862
Proceeds from disposals of property, plant and equipment and investment property		162,266	18,693
		92,788	**–61,169**
Cash flow from financing activities	(26)		
Dividends paid		–31,270	–30,697*
Proceeds from borrowings of financial liabilities		76,529	141,412
Repayments of borrowing		–87,875	–70,920
Payments for costs from capital increase		–277	–359
Payments (–) / proceeds (+) for cash collateral for financial liabilities		–54,504	–4,925
Cash flow from lease liabilities		–672	–685
Interest payments		–13,313	–14,866
		–111,382	**18,960**
Cash-effective changes to cash funds		**48,381**	**27,239**
Cash funds on 1 January		**35,597**	**8,358**
Cash and cash equivalents (with a remaining term of up to three months)		35,597	8,358
Restricted cash and cash equivalents		4,925	0
Cash and cash equivalents on 1 January		**40,522**	**8,358**
Cash funds on 31 December		**83,978**	**35,597**
Cash and cash equivalents (with a remaining term of up to three months)		83,978	35,597
Restricted cash and cash equivalents		59,429	4,925
Cash and cash equivalents on 31 December		**143,407**	**40,522**

* Previous year adjusted

Statement of changes in equity

IN € THOUSAND	ISSUED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS			EQUITY TOTAL
			Cash flow hedge reserve	IAS 19 Reserve Pension provisions	Other retained earnings	
As at 1 January 2020	**79,718**	**380,467**	**–1,110**	**–4,631**	**59,118**	**513,562**
Dividend distribution for 2019 (€0.47 per share)					–37,467	–37,467
Increases in capital	862	5,908				6,770
Costs from increases in capital		–359				–359
Withdrawal from capital reserves		–45,508			45,508	0
Net profit for the period 01.01. to 31.12.2020					–9,263	–9,263
Other comprehensive income 01.01. to 31.12.2020			588	403		991
Total comprehensive income 01.01. to 31.12.2020			**588**	**403**	**–9,263**	**–8,272**
As at 31 December 2020	**80,580**	**340,508**	**–522**	**–4,228**	**57,896**	**474,234**
Dividend distribution for 2020 (€0.47 per share)					–37,872	–37,872
Increases in capital	763	5,840				6,603
Costs from increases in capital		–277				–277
Net profit for the period 01.01. to 31.12.2021					54,260	54,260
Other comprehensive income 01.01. to 31.12.2021			522	–96		426
Total comprehensive income 01.01. to 31.12.2021			**522**	**–96**	**54,260**	**54,686**
As at 31 December 2021	**81,343**	**346,071**	**0**	**–4,324**	**74,284**	**497,374**

Notes

General information on preparation of financial statements

HAMBORNER REIT AG is a listed corporation (securities identification number A3H233) headquartered in Duisburg, Germany. It is entered in the Commercial Register of Duisburg District Court under HRB 4. Since its conversion 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 REITG excluding residential properties in Germany, for use, management or disposal. It can also acquire, hold, manage and dispose of equity investments in partnerships and corporations within the meaning of section 3 REITG. As a REIT AG, HAMBORNER is exempt from both corporation tax and trade tax.

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

The separate financial statements as at 31 December 2021 were prepared in accordance with IFRS as applicable in the European Union at the end of the reporting period and the additional provisions of commercial law in accordance with section 325 (2a) HGB. IFRS include the IFRS issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All the standards and interpretations issued by the IASB and effective at the time of the preparation of the financial statements have been applied to the extent that they have been endorsed by the EU. The separate financial statements of the company therefore comply with the IFRS.

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

The Management Board prepared the separate financial statements as at 31 December 2021 and the management report for 2021 on 21 February 2022 and approved them for submission to the Supervisory Board.

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

Accounting policies

These separate financial statements as at 31 December 2021 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 2021 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 IFRS AND THE RESULTING CHANGES IN ACCOUNTING POLICIES

Since the preparation of the separate financial statements as at 31 December 2020, the following standards and interpretations have been amended or became effective for the first time as a result of their endorsement in EU law or their entry into force:

STANDARD / INTERPRETATION	NAME	NATURE OF AMENDMENT
IFRS 16	Leases	Exemption for lessees from assessing whether COVID-19-related rent concessions are lease modifications
IFRS 4	Insurance contracts	Exemption from application of IFRS 9 moved to 1 January 2023
IFRS 9 / IFRS 4 / IFRS 7 / IFRS 16 / IAS 39	Various	Effect of the Interest Rate Benchmark Reform (IBOR reform) – phase 2

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

The following standards and interpretations already passed, amended or issued by the IASB were not yet effective for the 2021 financial year. The option to apply standards and interpretations early was not exercised.

STANDARD / INTERPRETATION	NAME	NATURE OF AMENDMENT	EFFECTIVE DATE	EXPECTED MATERIAL EFFECT
IFRS 3	Business combinations	Change to state that the standard now relates to the 2018 conceptual framework; minor amendments	1 January 2022	None
IFRS 17	Insurance contracts	The standard regulates accounting for insurance contracts and replaces the previous transitional standard IFRS 4	1 January 2023	None
IAS 1	Presentation of financial statements / accounting policies	Clarification of criteria for classification of liabilities as current or non-current; statement of accounting policies; definition of the term "material"	1 January 2023	None
IAS 16	Property, plant and equipment	Amendment stating that proceeds from a plant's production may not be offset against costs of bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended	1 January 2022	None
IAS 37	Provisions, contingent liabilities, and contingent assets	Clarification of the definition of "costs of fulfilling a contract"	1 January 2022	None
IAS 8	Definition of accounting-related estimations	Amendments to definition of accounting-related estimations	1 January 2023	None
IAS 12	Income taxes	Amendments to deferred taxes that relate to assets and debts that are created from a unique transaction	1 January 2023	None
IFRS 10 and IAS 28	Consolidated financial statements and shares in associated companies and joint ventures	Disposal or transfer of assets between an investor and an associated company or joint venture	postponed indefinitely	None
Various	Annual IFRS improvement project 2018–2020	Amendments essentially relate to IFRS 1, IFRS 9, IFRS 16, IAS 41	1 January 2022	None

SEGMENT REPORTING

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

More than 10% of HAMBORNER rental revenue in the 2021 financial year was generated with EDEKA Group, at a portion of 11.8% (previous year: 11.6%) or €10.0 million (previous year: €10.2 million).

ASSUMPTIONS AND ESTIMATES

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

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

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

Future-oriented assumptions and estimates in the valuation generally relate to fundamental parameters such as inflation (assumption: 2022: 2.2%, 2023: 1.7%; 2024 and thereafter: 2.0%), marketing periods for vacancies or expiring lease agreements and possible exercising of options / lease agreement extensions. Assumptions in these latter cases are made with corresponding expectations depending on the location, rental space, and existing tenant. The forward-looking assumptions and estimates are based on the prevailing conditions at the valuation date. Existing uncertainty regarding future cash flows is factored into the discount rates by means of risk adjustment.

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, including operating and office equipment, are reported by HAMBORNER under property, plant and equipment. Depreciation for the administrative building is based on a total useful life of 33 years. Operating and office equipment has an average useful life of between three and 15 years.

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

INVESTMENT PROPERTY

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

To calculate the fair value disclosed in the notes in accordance with IAS 40, the company had its developed property portfolio valued by an independent expert at the end of 2021. 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 (2022 to 2031), 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 3.5% and 7.3% (previous year: 3.60% and 7.20%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates between 4.05% and 13.10% (previous year: 4.15% and 13.00%).

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

The fair value of the undeveloped land holdings was calculated by the company using the market-based approach in accordance with level 2. Standard land values calculated in expert reports for similar properties and areas are used, and risk deductions are charged in line with the particular characteristics of the properties. On average, the fair value of undeveloped land was €2.69 per m² at the end of 2021, unchanged from the previous year (previous year: €2.69 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 for all intangible assets, property, plant and equipment and investment property is reviewed regularly. In addition, the carrying amounts are reviewed if events or changes in circumstances indicate that it may no longer be possible to recover the recognised carrying amount. If the recoverable amount of these assets is less than the carrying amount at the end of the reporting period, this is shown by the recognition of impairment losses.

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

LEASES

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

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

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

TRADE RECEIVABLES AND OTHER ASSETS

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

Depending on the classification of the financial assets, subsequent evaluation is at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. All financial assets at HAMBORNER are classified as at amortised cost.

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

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

Trade receivables reported as at 31 December 2021 in the reporting year were markedly affected by the official lockdown measures related to the COVID-19 pandemic. Even where there is no objective evidence such as the tenant's credit standing, these receivables run a significantly increased risk of default from a company perspective. This increased risk of default for rent receivables of more than €5,000 was factored into an individual analysis of the relevant rent receivables by estimating the level and probability of default in the form of write-downs. Measurement of the default amount and probability of occurrence depended in particular upon the extent to which individual tenants were affected by lockdown measures, the sector in which the tenants operate, whether requests have been made to reduce rent or whether tenants have filed for insolvency, and the tenant's credit standing. Write-down amounts for rent receivables of less than €5,000 were calculated by clustering receivables according to the tenant's sector, using fixed carrying amounts relating to the expected default (as % of the receivable) and probability of default.

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

Non-current financial assets refers to tenants' cash deposits held in bank accounts. No write-down based on the expected credit loss model was recognised, as defaults are not anticipated due to the excellent credit standing of the banks at which cash and cash equivalents are held.

CASH AND CASH EQUIVALENTS

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

As financial assets, cash and cash equivalents are measured at fair value on initial recognition and subsequently at amortised cost. Subsequent measurement is at amortised cost. No write-down based on the expected credit loss model was recognised, as defaults are not anticipated due to the excellent credit standing of the banks at which cash and cash equivalents are held.

NON-CURRENT ASSETS HELD FOR SALE

With the decision of the relevant committees to dispose of the property, it was reclassified in accordance with IFRS 5 as non-current assets held for sale. Non-current assets are classified as held for sale if a sale is highly likely in the next twelve months. The assets classified as held for sale are carried at the lower of the 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 are 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 in the 2018 G Heubeck mortality tables.

The following parameters were applied:

PARAMETER P.A. IN %	2021	2020
Interest rate	0.93	0.86
Pension trend	2.0	2.00
Inflation	3.0	2.00

Sensitivity analyses as shown under note 19 were performed to demonstrate the sensitivity of the implemented parameters that are considered significant. These sensitivity analyses should not be considered representative for the actual change in the performance-based pension obligation. It is thought unlikely that deviations from the assumptions made will occur in isolation, as the assumptions are partly interrelated.

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 are 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)

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

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

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

As at 31 December 2021, there were no derivative financial instruments in the form of interest rate swaps in the company's portfolio.

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

RECOGNITION OF EXPENSES AND REVENUE

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

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

Notes to the income statement

(1) NET RENTAL INCOME

Net rental income breaks down as follows:

IN € THOUSAND	2021	2020
Income from rents and leases	84,360	88,193
Income from incidental costs passed on to tenants	14,021	14,145
Real estate operating expenses	–17,967	–18,605
Property and building maintenance	–5,787	–4,636
NET RENTAL INCOME	74,627	79,097

Income from rents and leases for properties recognised in accordance with IAS 40 reduced by €3,833 thousand to €84,360 thousand in the reporting year. The change was due to rent increases following property additions in the reporting year and the previous year (€3,257 thousand), rent losses as a result of property disposals (€–7,044 thousand) and reductions in portfolio rents (like-for-like) of €15 thousand. The additions for risk provisions in respect of rent reductions due to the COVID-19 pandemic increased by an additional €31 thousand compared to the previous year, to €342 thousand (previous year: €311 thousand).

Income from incidental costs passed on 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 decreased by €124 thousand in the reporting year. €257 thousand of the decrease in income from incidental costs charged to tenants was due to the change in the investment property portfolio. The income from reallocating incidental costs to tenants for the other properties in the portfolio increased by a total of €133 thousand.

The expenses for property and building maintenance amounted to €5,787 thousand compared to €4,636 thousand in the previous year. €3,109 thousand of these expenses relate to unplanned and ongoing maintenance, €1,960 thousand to planned maintenance and €718 thousand to leasehold improvements.

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

IN € THOUSAND	2021	2020
Real estate operating expenses		
Energy, water, etc.	5,973	6,569
Property management / caretakers	5,408	5,171
Land taxes	3,123	3,147
Other property charges	1,419	1,398
Insurance premiums	869	844
Centre management	548	548
Advertising costs	423	681
Miscellaneous	204	247
TOTAL	17,967	18,605

The direct operating expenses for the leased property in the reporting year amounted to €23,754 thousand (previous year: €23,241 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 administrative expenses items break down as follows:

IN € THOUSAND	2021	2020
Bank charges and bank fees	591	126
Costs for the Supervisory Board	378	406
Costs of the Annual General Meeting	193	187
Fees for auditors	112	105
Miscellaneous	865	653
TOTAL	2,139	1,477

The increase in administrative expenses is attributable for the most part to expenses for bank fees, due to increased custody fees resulting from the deposit of cash to redeem mortgaged collateral, in the amount of €591 thousand.

As in the previous year, the fees for auditors included in administrative expenses (€112 thousand; previous year: €105 thousand) relate exclusively to audits of financial statements.

(3) PERSONNEL EXPENSES

Personnel expenses were up year-on-year at €5,968 thousand (previous year: €5,417 thousand). The rise is a result of a slight increase in headcount, and in particular from higher profit-sharing expenses for the Management Board.

IN € THOUSAND	2021	2020
Wages and salaries	5,324	4,842
Social security contributions and related expenses	568	489
Retirement benefit expenses / pension expenses	76	86
TOTAL	5,968	5,417

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

Depreciation and amortisation was up €34,561 thousand on the previous year, at €37,391 thousand. €37,061 thousand of this increase relates to investment property (previous year: €71,581 thousand). This includes depreciation of €34,933 thousand (previous year: €36,912 thousand) and impairment losses of €2,128 thousand (previous year: €34,669 thousand) on five properties (previous year: twelve).

PROPERTY	2021	31 DEC. 2021			31 DEC. 2020	
	Impairment losses	Achievable amount (gross capital value)	Discounting rate	Capitalisation rate	Discounting rate	Capitalisation rate
Lübeck, Königstr. 84–96	654	35,800	7.55	6.15	7.40	6.00
Mosbach, Hauptstr. 96	149	1,020	13.10	7.30	13.00	7.20
Herford, Bäckerstr. 24–28	85	2,730	7.35	6.35	7.35	6.35

In addition to the three properties in the table, there were impairment losses recorded on the Dortmund property in the amount of €581 thousand, and on the Siegen property in the amount of €659 thousand. The property in Dortmund was disposed of in the last quarter of the reporting year. The property in Siegen was reclassified as non-current assets held for sale, due to the purchase-contract agreement. The impairment losses were recorded on the purchase prices agreed in the purchase agreement, as the fair value.

The item also includes depreciation and amortisation of right-of-use assets at €428 thousand in terms of IFRS 16. €366 thousand of this relates to right-of-use assets reported under investment property and €62 thousand to property, plant and equipment.

(5) OTHER OPERATING INCOME

Other operating income breaks down as follows:

IN € THOUSAND	2021	2020
Compensation and reimbursement	2,294	1,023
Reversals	2,150	0
Reversal of provisions and accruals	464	296
Charges passed on to tenants and leaseholders	357	360
Income from receivables previously written down	185	63
Miscellaneous	41	0
TOTAL	5,491	1,742

The other operating income mainly relates to a contractual agreement with Real for compensation to HAMBORNER in the amount of €2,200 thousand to settle mutual claims, in accordance with a lease termination agreement for the location in Mannheim. Furthermore, the revaluation of the Gießen property carried out in relation to a newly concluded long-term lease renewal with the Kaufland Group, led to a write-up of €2,150 thousand.

(6) OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

IN € THOUSAND	2021	2020
Write-downs and depreciation / amortisation on trade receivables	1,191	1556
Legal and consultancy costs	677	672
Costs for investor relations and public relations	521	441
Miscellaneous	437	224
TOTAL	**2,826**	**2,893**

€1,102 thousand of write-downs and depreciation / amortisation on receivables (previous year: €1,273 thousand) relates to rent reductions that have been granted to tenants for the financial year on account of the COVID-19 pandemic, or that reflect the current status of negotiations with tenants, plus further defaults anticipated in connection with the COVID-19 pandemic.

(7) RESULT FROM THE DISPOSAL OF PROPERTY

The company generated net income from the disposal of property of €36,381 thousand in the reporting year after €7,080 thousand in the previous year. The net income for the reporting year concerns the sale of 16 properties in Kaiserslautern, Koblenz, Krefeld, Lüdenscheid, Rheine, Wiesbaden, Oberhausen, Frankfurt, Hamburg / Fuhlsbüttler Str., Fürth, Villingen-Schwenningen, Langenfeld, Offenburg, and Dortmund and properties in Bad Homburg.

(8) FINANCIAL RESULT

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

Interest expenses fell by €1,528 thousand to €13,915 thousand and relate to financial liabilities of €13,448 thousand (previous year: €14,930 thousand). At €13,176 thousand (previous year: €14,654 thousand) these are overwhelmingly related to interest on property financing.

Interest expenses from interest rate hedges came to €520 thousand (previous year: €615 thousand) and correspond to payments made quarterly on the basis of agreed interest rates.

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

Interest expenses in connection with the measurement of lease liabilities amounted to €370 thousand (previous year: €386 thousand).

(9) EARNINGS PER SHARE

Net profit for the period was €54,260 thousand, and as such €63,523 thousand above the previous year's figure. This increase is particularly due to impairment losses recognised in the previous year and the earnings from the sale of investment property, which was higher in the reporting period.

Earnings per share amount to €0.67 and are calculated in accordance with IAS 33. 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.

	2021	2020
Weighted average number of shares outstanding in thousands	81,040	79,852
Net profit / Net profit for the period in € thousand	**54,260**	**–9,263**
Earnings per share in €	0.67	–0.12

Notes to the statement of financial position

STATEMENT OF CHANGES IN NON-CURRENT ASSETS

IN € THOUSAND	EXPLANATION OF NOTES	COST					WRITE-DOWNS					CARRYING AMOUNTS	
		As at 1 Jan. 2021	Additions	Disposals	Reclassification	As at 31 Dec. 2021	As at 1 Jan. 2021	Additions (depreciation and amortisation for the financial year)	Reversals	Disposals	As at 31 Dec. 2021	As at 31 Dec. 2020	As at 31 Dec. 2021
Intangible assets	(10)	969	54	0	0	1,023	470	81	0	0	551	499	472
Property, plant and equipment	(10)	4,431	115	20	0	4,526	1,365	249	0	20	1,594	3,066	2,932
Investment property	(11)	1,462,041	68,150	124,995	10,550	1,394,646	266,573	37,061	2,150	22,088	279,396	1,195,468	1,115,250
TOTAL		**1,467,441**	**68,319**	**125,015**	**10,550**	**1,400,195**	**268,408**	**37,391**	**2,150**	**22,108**	**281,541**	**1,199,033**	**1,118,654**

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

(10) INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Amounting to €305 thousand, intangible assets essentially comprise a naming right purchased in connection with the property in Lübeck. Furthermore, also reported under this item are acquired rights of use for system and application software for the company's IT system.

The carrying amount of the company's administrative building in Duisburg reported under property, plant and equipment was €2,489 thousand (previous year: €2,575 thousand) as at the end of the reporting period.

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

IN € THOUSAND	2021	2020
As at 1 January	**163**	**76**
+/– Additions / disposals	47	141
– Depreciation and amortisation	–62	–54
As at 31 December	**148**	**163**

(11) ADVANCE PAYMENTS ON INVESTMENT PROPERTY

Investment property performed as follows in the reporting year:

IN € THOUSAND	2021	2020
As at 1 January	**1,195,468**	**1,202,734**
+ Additions due to acquisition	65,234	96,365
+ Additions to incidental costs of pending acquisitions	1,372	35
+ Additions due to costs subsequently added	1,544	982
	68,150	**97,382**
– Disposals due to sales	–102,907	–10,740
– Disposals due to reclassifications in accordance with IFRS 5	–10,550	–21,673
	–113,457	**–32,413**
+ Write-ups	2,150	0
– Depreciation for the financial year	–34,567	–36,529
– Impairment losses for the financial year	–2,128	–34,669
	–36,695	**–71,198**
+/– Change in evaluation of right-of-use assets	–366	–1,037
As at 31 December	**1,115,250**	**1,195,468**

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

IN € THOUSAND	2021	2020
As at 1 January	**7,825**	**8,862**
+/– Addition / re-evaluation	0	–654
– Depreciation and amortisation	–366	–383
As at 31 December	**7,459**	**7,825**

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

Taking into account the additions and disposals in the reporting year, the fair value of the investment property was €1,602,777 thousand as at 31 December 2021 (previous year: €1,592,581 thousand).

The fair value of investment property breaks down as follows:

IN € THOUSAND	2021	2020
Developed property portfolio	1,593,450	1,584,260
Incidental costs of pending acquisitions	1,407	35
Undeveloped land holdings	461	461
Right-of-use assets for leases	7,459	7,825
TOTAL	1,602,777	1,592,581

(12) FINANCIAL ASSETS

€1,676 thousand (previous year: €1,490 thousand) of financial assets relate to cash security deposits from tenants.

(13) TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables and other current assets break down as follows:

IN € THOUSAND	2021	2020
Trade receivables		
Rent in arrears and billed incidental costs	2,330	2,788
Write-downs on trade receivables	–901	–1,026
Deferred receivables from future incidental cost invoices (contract assets)	419	347
Miscellaneous	553	26
	2,401	2,135
Other assets		
Financial assets	798	512
Miscellaneous	573	116
	1,371	628
TOTAL	3,772	2,763

Trade receivables increased, due in particular to defaults caused by the COVID-19 pandemic. Write-downs of expected losses were recognised in the amount of €901 thousand as at the end of the reporting period, as part of a valuation of the remaining receivables. €582 thousand of this can be attributed to outstanding receivables which are linked to the official lockdown measures implemented due to COVID-19.

Write-downs on trade receivables performed as follows:

IN € THOUSAND	2021	2020
As at 1 January	1,026.0	105.0
Addition	321.0	812.0
Re-evaluation	–446.0	109.0
As at 31 December	901.0	1,026.0

Maturities of trade receivables as at 31 December 2021 are as follows:

MATURITY OF TRADE RECEIVABLES
IN € THOUSAND

					overdue	not due
		< 30 days	> 30 days	> 60 days	> 90 days	
Gross receivable	2,330	174	85	38	1,508	525
Write-down	–901	–11	–3	–6	–859	–22
Net receivable	1,429	163	82	32	649	503

Other non-current assets includes granted building cost subsidies due to newly completed leases in the context of the lease renewal of the Real locations in Celle, Gießen and Mannheim in the amount of €7.7 million. Of this, an amount of €0.4 million is due within one year. The agreed amounts will in future be spread out on a straight-line basis over the term of the leases in the form of a reduction in rents.

(14) CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

IN € THOUSAND	2021	2020
Bank balances	143,405	40,518
Cash balances	2	4
TOTAL	**143,407**	**40,522**

€5,813 thousand (previous year: €96 thousand) of bank balances was invested in current accounts or fixed-term deposits.

Of the bank balances, €59,429 thousand was credited to restricted bank accounts which are pledged to replace collateral in the form of property liens for loans from the financing bank for properties that have been sold.

(15) NON-CURRENT ASSETS HELD FOR SALE

The "Non-current assets held for sale" item relates to the property in Siegen, for which the purchase agreement was concluded in 2021, and the transfer of benefits and encumbrances to the buyer completed in 2022. The fair value of these assets is €10,550 thousand, which corresponds to the contractually agreed sale price.

(16) EQUITY

The performance of equity from 1 January 2020 to 31 December 2021 is shown in the statement of changes in equity. As at 31 December 2021, the company's issued capital was €81,343 thousand (previous year: €80.580 thousand) which is divided into 81,343,000 (previous year: 80,580,000) bearer shares. The nominal value of each share is €1.

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

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

By resolution of the Management Board with the approval of the Supervisory Board, the share capital figures from Authorised Capital I entered into the Commercial Register on 5 November 2020 and 26 May 2021 were increased by issuing, respectively, 861,922 and 763,781 new shares against non-cash contribution.

Of this, the following authorised capital is still available as at 31 December 2021:

€6,346 thousand (Authorised Capital I)

€31,887 thousand (Authorised Capital II)

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

When issuing warrant or convertible bonds, the Management Board is authorised to contingently increase the share capital of the company by up to €31,887 thousand, divided into up to 31,887,000 registered shares (Contingent Capital).

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

The Management Board was authorised by the Annual General Meeting on 29 April 2021 to acquire shares in the company until 28 April 2026. The authorisation is limited to the acquisition of shares accounting for not more than 10% in total of share capital, either at the time of the resolution by the Annual General Meeting on this authorisation or at the time that this authorisation is exercised, whichever is the lower. The authorisation can be exercised in full or in part, and in the latter case on multiple occasions. The authorisation cannot be used by the company for the purposes of trading in its own shares. The Management Board has not yet utilised this authorisation.

Taking into account additions arising from the capital increase in the reporting year in the amount of €5,840 thousand, the capital reserve comes to €346,071 thousand at the end of the reporting period. Capital increase costs in the amount of €277 thousand are deducted here. Capital reserves includes amounts which exceed the nominal value when issuing new shares as part of capital increases.

Retained earnings amount to €69,960 thousand as at 31 December 2021 (previous year: €53,146 thousand). For the 2021 financial year, distribution of a dividend of €0.47 per share on the share capital entitled to dividends will be proposed at the Annual General Meeting. With 81,343,348 shares entitled to dividends, this results in a distribution to shareholders of €38,231 thousand.

The "Reserve for IAS 19 pension provisions" included in retained earnings of €–4,324 thousand (previous year: €–4,228 thousand) relates to the cumulative actuarial losses on performance-based pension commitments. The cumulative profits and losses from hedging instruments which have been judged effective (cash flow hedges) are reported in the reserve for cash flow hedges of €0 thousand (previous year: €–522 thousand).

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

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

IN € THOUSAND	2021	2020	CHANGE
Equity	497,374	474,234	+4.9%
Total assets	1,285,787	1,265,784	+1.6%
Reported equity ratio in %	**38.7**	**37.5**	**+1.2%**

In addition, the company is required to comply with the equity coverage ratio of at least 45% codified in accordance with section 15 REITG in order to maintain its status as a real estate investment trust (REIT). Compliance with the REIT equity ratio is therefore subject to ongoing monitoring. As at 31 December 2021, this indicator was 61.0% (previous year: 54.5%).

A key figure in connection with solvency is the loan-to-value (LTV) ratio. This ratio is defined as net financial liabilities to the calculated value of the properties. As at 31 December 2021, the LTV was 41.3% (previous year: 44.5%).

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

The capital management targets were achieved in the financial year.

(17) FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Financial liabilities reduced by €11.2 million to €747.7 million. This is due primarily to scheduled repayment of loans in the amount of €37.9 million as well as the repayment of expired loans and the refinancing or revaluation of loans in the net amount of €26.6 million. The property loans in place are based on both long-term fixed-rate interest agreements and also, until November 2021, on 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 through completion of an interest rate swap. Under this swap agreement, HAMBORNER receives the EURIBOR and pays a constant fixed rate of interest over the entire term of the swap. The change in the market values of interest rate derivatives recognised in equity was €0.5 million. The cash flow hedge reserve was therefore recorded with a value of €0 as at 31 December 2021.

			31 DEC. 2021		31 DEC. 2020	
Consecutive no.	Type	Maturity	Nominal value in € thousand	Fair value in € thousand	Nominal value in € thousand	Fair value in € thousand
1	Interest rate swap	November 2021	0	0	15,193	–521
TOTAL			**0**	**0**	**15,193**	**–521**

By contrast, in respect of the portion of the unsecured promissory note loans with a volume of €41.0 million, financed at floating rate and with an initial term of five years, after weighing the risks and opportunities it was decided not to use interest rate hedges as the term is considered manageable.

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

IN € THOUSAND	31 DEC. 2021			31 DEC. 2020		
	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	80,308	386,079	281,317	91,841	313,685	353,390
Derivative financial instruments	0	0	0	521	0	0
TOTAL	**80,308**	**386,079**	**281,317**	**92,362**	**313,685**	**353,390**

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

IN € THOUSAND	31 DEC. 2021			31 DEC. 2020		
	Less than 1 year	2 to 5 years	More than 5 years	Less than 1 year	2 to 5 years	More than 5 years
Financial liabilities	91,240	417,612	299,815	103,315	357,086	363,383
Derivative financial instruments	0	0	0	804	0	0
TOTAL	**91,240**	**417,612**	**299,815**	**104,119**	**357,086**	**363,383**

With the exception of the unsecured promissory note loan of €75.0 million and a smaller loan of €5.0 million, all loans are secured by investment property. Land charges of €739.8 million are chargeable to the company for the financial liabilities reported as at 31 December 2021. In addition, the rent receivables on the collateralised properties have usually been assigned to the lending banks by way of undisclosed assignment. The non-current property loans bear interest at rates between 0.88% and 3.87% (average interest rate: 1.60%). Repayments are made monthly or quarterly, in line with loan agreements.

Fair value of financial assets and liabilities measured at amortised cost

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

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

IN € THOUSAND	31 DEC. 2021		31 DEC. 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	747,704	760,307	758,916	796,840

(18) TRADE PAYABLES AND OTHER LIABILITIES

IN € THOUSAND	2021	2020
Financial liabilities		
Granted building cost subsidies	7,891	0
Trade payables	3,639	3,754
Security deposits	1,676	1,490
Security retainers from the purchase price for rent guarantees	1,113	627
Other purchase price retention	994	4,111
Supervisory Board remuneration	313	326
Public auditor's fee	105	102
Miscellaneous	763	263
	16,494	**10,673**
Other liabilities		
Lease liabilities (IFRS 16)	8,030	8,285
Rental and leasing advances	1,749	856
Land transfer tax liabilities	1,553	661
VAT liabilities	695	537
Deferred investment subsidies	94	106
Land tax obligations	77	45
Miscellaneous	234	301
	12,432	**10,791**
TOTAL	**28,926**	**21,464**

€19,773 thousand (previous year: €12,182 thousand) of trade payables and other liabilities are due within one year.

The non-current financial liabilities (€1,702 thousand; previous year: €1,545 thousand) have a remaining term of less than five years.

The granted building cost subsidies in the amount of €7,891 thousand result for the most part from newly concluded leases in the context of the lease renewal of the Real locations in Celle, Gießen and Mannheim.

Lease liabilities mature as follows:

IN € THOUSAND	2021	2020
Up to one year	678	667
Between two and five years	2,516	2,543
More than five years	11,270	11,878
TOTAL	**14,464**	**15,088**

(19) PENSION PROVISIONS

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

In relation to performance-oriented benefit pension plans, the company is exposed to general actuarial risks such as longevity and interest rate risks. In particular, the risks affect the allocation to pension provisions at HAMBORNER and therefore the net asset situation of the company. In order to quantify these risks and present them appropriately in the statement of financial position, HAMBORNER had the provision evaluated 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 dependants 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 2021, the pension obligations are distributed among four recipients and three surviving dependants. The number of beneficiaries has remained the same year-on-year.

The weighted average term of performance-based commitments was around 11.0 years as at the end of the reporting period (previous year: around 12.0 years).

Pension provisions performed as follows:

IN € THOUSAND	2021	2020
Carrying amount 1 January (= present value 1 January)	5,909	6,625
Interest expenses	50	60
Actuarial gains (–) / losses recognised for the current year	96	–403
(due to change in demographic assumptions)	–	–
(due to change in financial assumptions)	(–46)	(+49)
(due to experience adjustments)	(+142)	(–452)
Pension payments	–355	–373
TOTAL	**5,700**	**5,909**

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

CHANGE IN PENSION PROVISIONS IN € THOUSAND	DECREASE	INCREASE
Discounting rate (–0.5%/+0.5%) (previous year)	345 (372)	–314 (–337)
Pension trend (+0.25%/–0.25%) (previous year)	151 (158)	–153 (–151)
Deviation in mortality from standard (–7.5%/+7.5%) (previous year)	211 (215)	–190 (–194)

The sensitivity calculations are based on the average term of the pension obligation calculated as at 31 December 2021. The calculations were performed in isolation for the actuarial parameters classified as significant in order to separately show the effects on the present value of pension obligations.

Pension payments from performance-based pension commitments of €354 thousand are expected in the 2022 financial year.

In the year under review, HAMBORNER paid contributions of €273 thousand (previous year: €254 thousand) deemed as a defined contribution pension scheme to statutory pension insurance. In addition, the company paid direct insurance premiums of €4 thousand (previous year: €5 thousand) and premiums for employer-funded commitments of €30 thousand (previous year: €32 thousand). The company has no obligations other than its payment obligations under defined contribution schemes. The expenses are recognised in personnel expenses.

(20) OTHER PROVISIONS

Other provisions break down as follows:

IN € THOUSAND	1 JAN. 2021	UTILISATION	REVERSALS	ADDITIONS	31 DEC. 2021	OF WHICH NON-CURRENT	OF WHICH CURRENT
Provisions for							
Mining damage	2,777	0	0	237	3,014	3,014	0
Employee bonuses	490	467	0	541	564	0	564
Management Board bonuses (STI)	388	379	0	495	504	0	504
Management Board bonuses (LTI)	530	141	26	581	944	777	167
Reimbursements from uninvoiced operating costs	123	118	5	205	205	0	205
Risk of rent reduction due to COVID-19	311	0	109	451	653	0	653
Miscellaneous	121	100	0	178	199	0	199
TOTAL	**4,740**	**1,205**	**140**	**2,688**	**6,083**	**3,791**	**2,292**

The provision for employee bonus obligations assumes that the expected bonuses for 2021 will be €74 thousand higher than in the previous year and amount to €564 thousand. In addition, there were provisions for Management Board bonuses from long-term share-based remuneration (LTI) of €944 thousand (previous year: €530 thousand), €167 thousand of which was paid out in 2022 on the basis of the value of shares as at the end of the reporting period, and for short-term remuneration (STI) of €504 thousand (previous year: €388 thousand). As at the financial statement date, the terms of the long-term share-based remuneration were, respectively, two months, 14 months, 26 months, 27 months, and 39 months.

The provisions for mining damage relate to the potential risks from previous 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 six and 13 years; previous year: between seven and 14 years), interest rates between 0.6% and 1.5% (previous year: between 0.7% and 1.3%) were assumed for discounting. The provisions for mining damage have increased by €237 thousand net compared to the previous year, to €3,014 thousand. This increase results for the most part from adjusted expert values for planned renovation measures and taking into account higher inflation levels when calculating provisions in the amount of €192 thousand in total, which are recorded in the other operating expenses. Interest rate effects of the amounts already included in the previous year due to duration changes as well as interest rate changes are recorded in the interest expenses at €45 thousand.

(21) ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

31 DEC. 2021	BALANCE SHEET APPROACH	EVALUATION IN ACCORDANCE WITH IFRS 9		NON-FINANCIAL ASSETS / LIABILITIES
in € thousand		At amortised cost	Fair value as a hedging instrument for designated derivatives	
Assets				
Financial assets	1,676	1,676		
Current trade receivables and other assets	3,772	3,199		573
Cash and cash equivalents	143,407	143,407		
	148,855	**148,282**	**0**	**573**
Liabilities				
Non-current financial liabilities	667,396	667,396		
Non-current trade payables and other liabilities	9,153	1,701		7,452
Current financial liabilities	80,308	80,308		
Current derivative financial instruments	0		0	
Current trade payables and other liabilities	19,773	9,091		10,682
	776,630	**758,496**	**0**	**18,134**

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

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

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 it is the total of the carrying amounts. If risks of default exist, they are taken into account by means of write-downs.

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

Liquidity requirements are calculated using daily and monthly forecasts.

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

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

Interest rate risks regarding primary financial instruments with a fixed interest rate are reported only if they are measured at fair value. In the case of financial instruments measured at amortised cost, changes in interest rates have no effect on accounting. For financial liabilities with floating interest rates, interest rate risks directly affect profit and loss if these risks are not hedged by suitable financial instruments. HAMBORNER has agreed floating interest rates for two sub-tranches (€41.0 million) of the promissory note loan for which no interest rate swaps have been concluded. At the current interest rate level, a reduction in the interest rate would not result in any change in profit or loss as the interest rate is capped to a minimum of 1.2%. With an increase to the base interest rate of 1.0 percentage point, the interest expense would rise by €186 thousand per year based on the current interest rate level.

(22) CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS

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

(23) LEASES

HAMBORNER as a lessor

All leases 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 €1,118.3 million (previous year: €1,209.3 million) was let under operating leases as at 31 December 2021.

The leases, which are essentially for office and retail space, are usually concluded for terms of between three and 16 years. Around 92% of leases contain indexation clauses that peg rents to performance of the consumer price index. Rent deposits are usually agreed. The full reallocation of incidental costs is intended.

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

IN € THOUSAND	31 DEC. 2021	31 DEC. 2020
in 1st year	76,712	83,066
in 2nd year	68,745	78,236
in 3rd year	58,473	70,099
in 4th year	50,404	60,156
in 5th year	44,690	51,040
after 6th year	222,312	196,714
TOTAL	**521,336**	**539,311**

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

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

HAMBORNER as a lessee

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

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

For the leasehold in Freiburg, only a renewal option of ten years up to 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 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 annually payable ground rent for the property currently comes to €291 thousand per year.

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

Notes on the statement of cash flows

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

The cash funds comprise bank deposits and cash balances with an initial remaining term of less than three months. The difference of €59,429 million between cash funds as at 31 December 2021 and the "Cash and cash equivalents" item in the statement of financial position results from pledged bank accounts within this statement of financial position item (cf. 14). Cash funds were €83,978 million as at the end of the reporting period compared with €35,597 million in the previous year.

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

(24) CASH FLOW FROM OPERATING ACTIVITIES

The cash flow from operating activities was €67.0 million after €69.4 million in the previous year. This reduction is mostly due to the reduced rental income as a result of the sale of properties that were no longer in line with the strategy. The reported financial result deviates from the financial result in the income statement, as only the financial result relating to financing activity is reported in the statement of cash flows. Interest rate effects relating to operating activity, for example for compounding and discounting of provisions, are not included.

Operating cash flow per share performed as follows:

		2021	2020
Number of shares outstanding at the end of the period	In thousands	81,343	80,580
Operating cash flow	€ thousand	66,975	69,448
Operating cash flow per share	€	0.82	0.86

(25) CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities resulted in cash inflow of €92.8 million (previous year's cash outflow: €61.2 million). The net cash inflow results from cash inflows from property sales in the amount of €162.3 million, offset by cash outflows from acquisitions in the amount of €69.5 million.

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

(26) CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from financing activities amounts to €–111.4 million (previous year: €19.0 million). Cash receipts from borrowing in the amount of €76.5 million and from increases in capital (€6.3 million) are essentially offset by payments for the dividend for 2020 (€31.3 million) and interest and principal payments (€101.2 million) on borrowing for the pro rata financing of properties. Dividend distribution in the amount of €37.9 million (previous year: €37.5 million) came down by €6.6 million (previous year: €6.8 million) due to a partial utilisation of share dividend. Dividend payment was therefore €31.3 million (previous year: €30.7 million). In the reporting year, cash and cash equivalents of €76.2 million were credited to restricted bank accounts which are pledged to replace collateral in the form of property liens for loans from the financing banks for properties that have been sold. Through the provision of substitute collateral, cash collateral of €21.7 million was released again.

The company also has total funds not yet utilised of €10.1 million at its disposal from concluded loan agreements. These funds can be accessed at short notice.

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

IN € THOUSAND	2021	2020
As at 1 January	**758,916**	**688,364**
Addition due to acceptance of new loans	76,529	141,412
Disposal due to repayment of loans	–87,875	–70,920
Change in short-term transaction costs	76	33
Change in deferred transaction costs	58	27
As at 31 December	**747,704**	**758,916**

Cash flow from lease liabilities comprises interest payments of €370 thousand (previous year: €386 thousand) and principal payments of €302 thousand (previous year: €299 thousand).

Other notes and mandatory disclosures

EVENTS AFTER THE END OF THE REPORTING PERIOD

The contract to sell the property in Lemgo was signed on 13 January 2022. The selling price is €3.0 million. The carrying amount as at 31 December 2021 is €3.2 million. The annualised rental income is €0.2 million. The transfer of ownership is expected to take place at the end of the first quarter.

EMPLOYEES

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

	2021	2020
Commercial property management	15	14
Technical property management	7	8
Administration	21	18
TOTAL	**43**	**40**

CORPORATE GOVERNANCE

In November 2021, the Management Board and Supervisory Board issued an updated declaration of compliance and published it on the web at www.hamborner.de/en under HAMBORNER REIT AG/ Corporate Governance/Declaration on the Company Management.

NOTIFICATION OF THE EXISTENCE OF AN EQUITY INVESTMENT

In order to maintain REIT status, investors are not permitted to directly hold 10% or more of shares, or to own shares to such an extent that they hold 10% or more of voting rights under section 11 (4) REITG. As at the end of the reporting period on 31 December 2021, the company was not aware of any shareholders with a direct shareholding of more than 10% of share capital.

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

The following table shows the reportable equity investments of which the company was notified by 21 February 2022. The information was taken from the most recent notification received by the company from a reporting entity. All publications by the company concerning notifications of equity investments in the reporting year and also until 21 February 2022 can be found on the HAMBORNER REIT AG website under News. 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 2021. This was held by the RAG Foundation, Essen.

VOTING RIGHT NOTIFICATIONS

No.	Reporting entity	Voting rights in accordance with sections 33, 34 WpHG (new)	Voting rights linked to instruments in accordance with section 38 (1) WpHG	Share of voting rights (new) in %	Threshold affected	Date on which threshold is affected	Attribution of voting rights in accordance with section 34 WpHG
1	RAG Foundation Essen, Germany	9,926,280		12.20	Exceeding 10%	27/09/2016	yes: 2.62%
2	Kingdom of Belgium, Brussels, Belgium	3,944,369		4.85	Falling below 5%	17/02/2017	yes: 4.85%
3	BlackRock, Inc., Wilmington, DE, USA	4,078,524	243,090	5.31	Exceeding 5%	28/09/2020	yes: 5.01%

RELATED PARTY DISCLOSURES FOR THE 2021 FINANCIAL YEAR

The only HAMBORNER related parties within the meaning of IAS 24 are the members of the Management Board, the Supervisory Board, and their close family members. There were no reportable transactions with related parties in the 2021 financial year.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

Total remuneration for members of the Management Board amounted to €1,603 thousand in the financial year (previous year: €1,470 thousand). Along with current remuneration of €1,253 thousand (previous year: €1,153 thousand), remuneration of €350 thousand (previous year: €317 thousand) relates to long-term share-based remuneration (LTI).

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

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

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

The fair value per vested share commitment as at the end of the reporting period is therefore essentially the arithmetical mean of the HAMBORNER shares over the last 20 trading days of the financial year (€9.73).

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

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

The fair value per vested share commitment as at the end of the reporting period is therefore essentially the closing price of the company shares on the last trading day of the financial year (€10.02; previous year: €9.01).

On the basis of the share commitments granted in 2021 and re-evaluation effects, total expenses of €554 thousand (previous year: €251 thousand) were recognised for share-based remuneration in the reporting year.

The number of virtual share commitments granted and still outstanding on 31 December 2021, and the closing price of HAMBORNER shares on the respective commitment date, are presented below:

NUMBER OF VIRTUAL SHARE COMMITMENTS GRANTED TO MR KAROFF

	Share reference price at grant date	Payment	Number
LTI 2020	€9.66	2024	17,253
LTI 2021	€8.96	2025	22,321

NUMBER OF VIRTUAL SHARE COMMITMENTS GRANTED TO MR SCHMITZ

	Share price at grant date	End of retention period	Number
LTI 2019	€9.25	2022	16,216
LTI 2020	€7.48	2023	20,054
LTI 2021	€9.08	2024	16,520

Virtual share commitments developed as follows:

	2021	2020
As at 1 January	**69,653**	**92,984**
Addition of virtual share commitments granted	38,841	37,307
Disposal of virtual share commitments paid out	–16,130	–60,638
As at 31 December	**92,364**	**69,653**

The virtual share commitments from 2018 (LTI 2018) which are due to Mr Schmitz in 2021, resulted in a payment of €141 thousand at a share price on payment of €8.96.

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

The remuneration of the Supervisory Board for the financial year was €313 thousand (previous year: €326 thousand).

The recognised pension provisions for former Management Board members and their surviving dependants amounted to €3,234 thousand as at the financial statement date. Post-employment benefits under these pension commitments (€210 thousand) and other benefits to surviving dependants (€145 thousand) amounted to €354 thousand in the reporting year.

Executive bodies of the company and their mandates

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

SUPERVISORY BOARD

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

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

Maria Teresa Dreo-Tempsch, Vienna
Member of the Management Board of Berlin Hyp AG
External mandates:
  None

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

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

Christel Kaufmann-Hocker, Düsseldorf
Independent management consultant
External mandates:
  None

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

Klaus Hogeweg *,** Mülheim an der Ruhr
Commercial employee of HAMBORNER REIT AG

Johannes Weller *,** Willich
Commercial employee of HAMBORNER REIT AG

* Membership of other statutory Supervisory Boards
** Member of similar regulatory bodies at home and abroad
*** Employee representative on the Supervisory Board

COMMITTEES OF THE SUPERVISORY BOARD

Executive Committee
Dr Andreas Mattner (Chairman)
Claus-Matthias Böge
Maria Teresa Dreo-Tempsch
Ulrich Graebner

Audit Committee
Claus-Matthias Böge (Chairman)
Rolf Glessing
Christel Kaufmann-Hocker
Johannes Weller

Nomination Committee
Dr Andreas Mattner (Chairman)
Maria Teresa Dreo-Tempsch
Rolf Glessing
Ulrich Graebner

MANAGEMENT BOARD

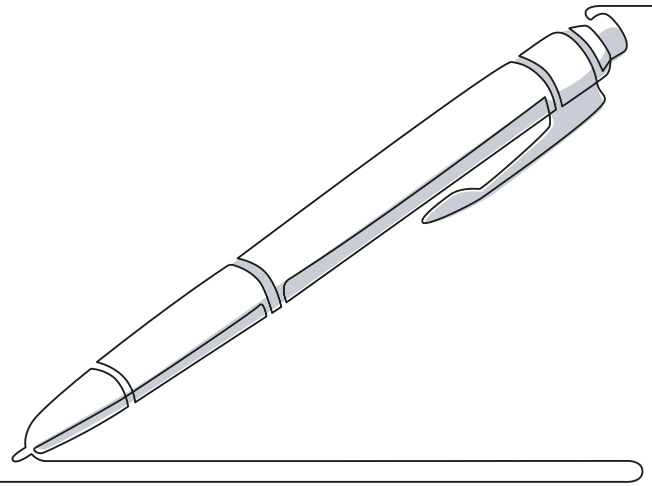
Niclas Karoff, Berlin
(Chairman)
Director of Corporate Strategy / Digitisation, Portfolio Management, Risk Management / Data Protection, Transaction Management, Controlling, Investor Relations, Public Relations, Human Resources, Internal Audit

Hans Richard Schmitz, Duisburg
Director of Asset Management, Technology / Maintenance, Finance and Accounting, Taxes, Legal / Corporate Governance, Project Management, Investor Relations, IT, Insurance, Corporate Services, Investments

Duisburg, 21 February 2022

The Management Board

Niclas Karoff Hans Richard Schmitz



Further information

Responsibility statement

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

Duisburg, 21 February 2022

The Management Board

Niclas Karoff

Hans Richard Schmitz

Independent audit opinion

To HAMBORNER REIT AG, Duisburg

Report on the audit of the separate financial statements and the Management Report

AUDIT OPINIONS

We have audited the separate financial statements of HAMBORNER REIT AG, Duisburg – consisting of the statement of financial position as at 31 December 2021 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 2021, 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 2021. As per the German statutory provisions, we did not audit the content of the corporate governance declaration in accordance with section 289f HGB including the further corporate governance reporting included therein.

In our opinion, based on the findings of our audit:

- The attached separate financial statements in all material respects comply with the International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law in accordance with section 325 (2a) HGB, and give a true and fair view of the net assets and financial position of the company in accordance with these requirements as at 31 December 2021 and its results of operations for the financial year from 1 January to 31 December 2021; and
- as a whole, the attached management report fairly presents the position of the company. In all material respects, this management report is consistent with the separate financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Our audit opinion on the management report does not extend to the content of the corporate governance declaration referred to above, including the further corporate governance reporting included therein, to which reference is made in the management report.

In accordance with section 322 paragraph 3 (1) HGB, we declare that our audit has not led to any objections concerning the compliance of the separate financial statements or the management report.

BASIS FOR AUDIT OPINIONS

We conducted our audit in accordance with section 317 HGB, the EU Audit Regulation (No. 537/2014) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – German Institute of Public Auditors). Our responsibility under these provisions and policies is described further in the section of our audit report entitled “Auditors’ 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 2021. These matters were taken into account in the context of our audit of the separate financial statements as a whole and in the formation of our audit opinion; we have not issued a separate opinion on these issues.

The following section describes the measurement of investment property at attributable fair value, which we consider to be a key audit matter.

a) Description (including reference to corresponding disclosures in the separate financial statements and the management report)

b) Audit procedure

Measurement of investment property at attributable fair value

a) Properties in the amount of €1,115.3 million are reported in the statement of financial position “Investment property” (86.7% 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 incorrect information in the financial statements. Those estimates which are 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 representation of the value development of the company’s property portfolio in the management report. They influence the fair values of the investment property and as such the company’s NAV per share, one of its key financial performance indicators. They therefore play a crucial part in fairly presenting the position of the company. Furthermore, the fair values calculated are fundamental for the writing down of investment property to the lower fair value prior to the deduction of the transaction costs of a notional acquisition (gross capital value). Given the above, we consider this to be a key audit matter.

The information provided by the company’s officers 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 on **page 50 of the management report**.

b) We assessed the appropriateness of the measurement methods and the measurement results. In our audit, we examined the appropriateness of the structural and procedural organisation and the effectiveness of the controls implemented at HAMBORNER REIT AG. This relates in particular to the independent verification process for market rent, the discounting and capitalisation rates, reporting processes, and the relevant associated controls.

We consulted internal real estate consulting specialists in our audit of the evaluation of investment property. With their support, we assessed the evaluation models in addition to the parameters used in the evaluation process and the evaluation results for randomly selected properties.

Furthermore, we ensured we were satisfied with the competence, capabilities and objectivity of the independent external expert engaged by HAMBORNER REIT AG and assessed whether the evaluation method applied in the expert opinion was consistent with IAS 40 in conjunction with IFRS 13.

OTHER INFORMATION

The company’s officers and respectively the Supervisory Board are responsible for other information. Other information comprises:

- the report of the Supervisory Board,
- the corporate governance declaration in accordance with Section 289f HGB, including the further corporate governance reporting included therein, to which reference is made in the management report,
- the responsibility statement on the separate financial statements and the management report in accordance with section 264 paragraph 2 (3) and section 289 paragraph 1 (5) HGB; and
- all other parts of the annual report,
- but not the separate financial statements, not the content-reviewed information in the management report, not the Management Board’s declaration of compliance with the requirements of sections 11 to 15 of the German REIT Act and the composition of income in terms of income subject to and not subject to income tax in accordance with section 19(3) in conjunction with section 19a of the REIT Act and not our associated audit opinion.

The Supervisory Board is responsible for the report from the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the statement in accordance with Section 161 AktG on the German Corporate Governance Code including further reporting on corporate governance, which is a component of the statement on corporate management and to which reference is made in the management report. In other respects, the legal representatives are responsible for other information.

Our audit opinions on the separate financial statements and the management report do not extend to the other information, and accordingly we do not offer any audit opinion or any other form of audit conclusion on it.

In connection with our audit, we have a responsibility to read the other information stated above and to assess whether the other information:

- contains material inconsistencies compared to the separate financial statements, the content-reviewed information in the management report, or our findings from the audit, or
- is otherwise materially incorrect.

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 separate financial statements which, in all material respects, comply with the IFRS 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 misstatements.

In preparing the separate financial statements, the company's officers are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing matters in connection with the company's ability to continue as a going concern, if relevant. Furthermore, they are responsible for the accounting on the basis of the going-concern principle, unless there is the intention to liquidate the company or discontinue operations, or there is no realistic alternative.

Moreover, the company's officers are responsible for the preparation of a management report that, on the whole, provides a suitable view of the company's position and which is in all material respects 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.

AUDITORS' 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 – intentional or unintentional – material misstatement and whether the management report as a whole provides a suitable view of the company's position and is in all material respects 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 may be the result of fraud or error, and are considered material if they could, individually or collectively, reasonably be expected 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 in the event of fraud than of error, as fraud can include deceptive collusion, 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 company systems.
- We assess the appropriateness of the accounting policies applied by the company's officers and the reasonableness of the estimates and associated disclosures by the company's officers.
- We draw conclusions about the adequacy 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 could 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 auditors' 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 could lead to the company being unable to continue its business activities.

- We assess the overall presentation, structure and content of the separate financial statements, including the notes, and whether the separate financial statements present the underlying transactions and events in such a way that the separate financial statements, in accordance with the IFRS as adopted by the EU, and the additional requirements of German commercial law in accordance with section 325 (2a) HGB, give a true and fair view of the net assets, financial position and results of operations of the company;

- We assess the management report for consistency with the separate financial statements, its legality, and the overall view 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 significantly from the forward-looking statements.

We discuss, with those responsible for overseeing the audit, the planned scope and scheduling of the audit among other things, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We declare to those responsible for overseeing the audit that we have complied with the relevant independence requirements and discuss with them all relationships and other issues that can reasonably be assumed to affect our independence, and the precautions taken against this.

Of the issues we discuss with those responsible for overseeing the audit, we determine which issues were most significant in the auditing of the separate financial statements for the current reporting period and which are as such key audit matters. 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 selected as the auditors of the separate financial statements by the Annual General Meeting on 29 April 2021. We were engaged by the Supervisory Board on 7 June 2021. We have served as the auditor of HAMBORNER REIT AG, Duisburg, without interruption since the 2008 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee in accordance with Article 11 of the EU Audit Regulation (audit report).

RESPONSIBLE GERMAN PUBLIC AUDITOR

The public auditor responsible for the audit is Prof. Dr Holger Reichmann.

Düsseldorf, 22 February 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Dr Holger Reichmann)	(Thomas Neu)
German Public Auditor	German Public Auditor

REIT information

As a REIT company, HAMBORNER has been exempt from German corporation and trade tax since 1 January 2010. In order to maintain this status, the regulations of the German REIT Act (REIT-Gesetz, "REITG") must be complied with and a declaration to this effect issued by the Management Board.

In connection with the annual financial statements in accordance with section 264 HGB and our separate IFRS financial statements in accordance with section 325 (2a) HGB, the Management Board issues the following declaration of compliance with the requirements of sections 11 to 15 REITG and the calculation of the composition of income in terms of income subject to and not subject to income tax for the purposes of section 19 (3) and section 19a REITG as at 31 December 2021:

SECTION 11 OF THE GERMAN REIT ACT: FREE FLOAT

In accordance with section 11 (1) REITG, a REIT company must maintain at least 15% of its shares in free float on a sustained basis. As at 31 December 2021, HAMBORNER REIT AG's free float according to the notifications of voting rights that we have received was 77.64%. We notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of this by way of a letter dated 6 January 2022.

In accordance with section 11 (4) REITG, shareholders are not permitted to directly hold 10% or more of shares, or enough shares that they hold 10% or more of voting rights. On the basis of voting right notifications received from shareholders in accordance with section 33 (1) and section 40 (1) and (2) WpHG, to our knowledge no shareholder directly holds 10% or more of shares, nor do they hold 10% or more of voting rights.

SECTION 12 OF THE GERMAN REIT ACT: ASSET AND INCOME REQUIREMENTS

In accordance with section 12 (2) REITG, at least 75% of the total assets of the company (i.e. total assets minus the deductions for the distribution obligation within the meaning of section 13 (1) REITG and reserves within the meaning of section 13 (3) REITG) must consist of immovable assets. In accordance with section 12 (1) REITG, immovable investment property must be measured at fair value within the meaning of IAS 40.

As at the end of the 2021 financial year, 92.5% of the company's total assets were immovable assets.

In accordance with section 12 (3) REITG, at least 75% of revenue and other income must derive from immovable assets for renting and leasing, including activities connected to real estate or to the disposal of immovable assets.

This requirement was met in full in the reporting year.

SECTION 13 OF THE GERMAN REIT ACT: DISTRIBUTION TO INVESTORS

In accordance with section 13 (1) REITG, HAMBORNER is required to distribute to its shareholders by the end of the subsequent financial year at least 90% of its HGB net profit for the year, reduced or increased by the allocation to or reversal of the reserve for gains on the disposal on immovable assets in accordance with section 13 (3) REITG and also reduced by any loss carry-forward from the previous year.

Provided that the Annual General Meeting approves the dividend proposal, the company will distribute a dividend to its shareholders amounting to €0.47 per share on the capital entitled to dividends. With 81,343,348 shares entitled to dividends, this results in distribution to the shareholders of €38,231 thousand, and corresponds to 93% of the net profit for the year reduced by the allocation to the reserve for gains from disposal.

SECTION 14 OF THE GERMAN REIT ACT: EXCLUSION OF REAL ESTATE TRADING

This regulation states that a REIT company cannot conduct trade with its immovable assets if the income from these assets constitutes more than half of the value of the average portfolio of immovable assets within the last five years as a REIT company.

The company has sold approximately 16.1% of its average portfolio of immovable assets within the last five years.

SECTION 15 OF THE GERMAN REIT ACT: MINIMUM EQUITY

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

The corresponding value at HAMBORNER was 61.0% as at 3 December 2021.

SECTION 19 OF THE GERMAN REIT ACT: COMPOSITION OF INCOME IN TERMS OF INCOME SUBJECT TO AND NOT SUBJECT TO INCOME TAX

Under this regulation, the partial income rule in accordance with section 3(40) of the German Income Tax Act and the resulting 95% tax exemption in accordance with section 8b of the German Corporation Tax Act do not apply to the distributions of a REIT company. However, these tax exemptions are granted if the REIT company distributes profits subject to tax at the level of the REIT company.

Subject to the approval of the Annual General Meeting, HAMBORNER will distribute a dividend of €0.47 per share on the capital that is entitled to dividends. With 81,343,348 shares entitled to dividends, this results in distribution to the shareholders of €38,231 thousand.

HAMBORNER holds no shares in REIT service companies, with the result that the relevant asset and income requirements do not apply.

Duisburg, 21 February 2022

The Management Board

List of properties (as at 31 December 2021)

YEAR OF ACQUISITION	PROPERTY		BUILDING USE	PROPERTY SIZE IN M²	USABLE FLOOR AREA IN M²	RENT IN 2021 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE 31 DEC. 2021 IN €*	DISCOUNTING RATE IN %	CAPITALISATION RATE IN %	OTHER COMMENTS
1976	Solingen	Friedenstr. 64	Supermarket	27,344	7,933	1,400,488	155	23,530,000	5.25	4.75	Leasehold property
1981	Cologne	Von-Bodelschwingh-Str. 6	Supermarket	7,890	3,050	445,455	120	10,470,000	4.60	3.90	
1986	Frankfurt am Main	Königsteiner Str. 73–77	Supermarket	6,203	2,639	366,302	22	9,890,000	4.75	4.00	
1988	Dortmund	Westfalendamm 84–86	Office property	1,674	2,684	221,244	96	3,790,000	6.15	5.40	
1991	Dortmund	Königswall 36	Office property	1,344	2,990	388,413	50	7,130,000	5.50	4.85	
2000	Gütersloh	Berliner Str. 29–31	High street	633	1,305	259,266	33	1,950,000	7.50	6.35	Leasehold property
2001	Hamburg	An der Alster 6	Office property	401	1,323	232,628	40	7,000,000	4.40	3.85	
2007	Münster	Johann-Krane-Weg 21–27	Office property	10,787	9,506	1,268,489	18	22,440,000	5.90	5.15	
2007	Neuwied	Allensteiner Str. 15	Retail centre	8,188	3,501	401,089	57	4,900,000	8.00	6.50	
2007	Freital	Wilsdruffer Str. 52	Supermarket	15,555	7,940	795,872	22	9,800,000	6.60	5.40	
2007	Geldern	Bahnhofstr. 8	Supermarket	12,391	8,749	695,000	126	13,080,000	4.85	4.35	
2007	Lüneburg	Am Alten Eisenwerk 2	Supermarket	13,319	4,611	462,151	46	8,210,000	5.70	4.90	
2007	Meppen	Am neuen Markt 1	Supermarket	13,111	10,205	910,000	150	17,440,000	4.90	4.35	
2007	Mosbach	Hauptstr. 96	Supermarket	5,565	6,493	188,725	4	950,000	13.10	7.30	
2008	Bremen	Hermann-Köhl-Straße 3	Office property	9,994	7,155	643,331	21	9,780,000	6.90	6.00	
2008	Bremen	Linzer Straße 7, 9, 9a	Office property	9,276	10,269	1,328,340	57	19,490,000	6.35	5.75	
2008	Osnabrück	Sutthauser Str. 285–287	Office property	3,701	3,831	511,606	24	7,590,000	6.60	5.85	
2008	Herford	Bäckerstr. 24–28	High street	1,054	2,612	204,969	48	2,500,000	7.35	6.35	
2008	Freiburg	Robert-Bunsen-Str. 9a	Supermarket	26,926	9,253	1,051,832	102	14,460,000	5.65	5.00	Leasehold property
2009	Münster	Martin-Luther-King-Weg 18–28	Office property	17,379	13,792	1,794,619	32	31,090,000	6.00	5.20	
2010	Erlangen	Wetterkreuz 15	Office property	6,256	7,328	1,269,830	47	18,830,000	6.25	5.50	
2010	Hilden	Westring 5	DIY store	29,663	10,846	953,709	27	13,390,000	6.45	5.60	
2010	Stuttgart	Stammheimer Str. 10	Supermarket	6,853	6,363	1,230,900	78	22,560,000	4.95	4.15	
2010	Ingolstadt	Despagstr. 3	Office property	7,050	5,362	808,750	29	14,900,000	5.90	5.20	
2010	Lemgo	Mittelstr. 24–28	High street	2,449	4,759	222,744	32	3,040,000	8.00	6.50	
2011	Leipzig	Brandenburger Str. 21	DIY store	33,642	11,131	929,957	34	15,490,000	5.70	5.10	
2011	Regensburg	Hildegard-von-Bingen-Str. 1	Medical practice	3,622	8,945	1,552,879	46	30,650,000	5.75	4.75	
2011	Erlangen	Allee-am-Röthelheimpark 11–17	Office and retail property	10,710	11,691	1,996,438	37	37,950,000	5.60	4.90	
2011	Freiburg	Lörracher Str. 8	Supermarket	8,511	4,127	878,404	94	19,540,000	4.50	4.00	
2012	Aachen	Debyestraße 20	DIY store	36,177	11,431	1,243,097	63	21,100,000	6.00	5.25	
2012	Tübingen	Eugenstraße 72–74	Supermarket	16,035	13,000	1,895,664	96	35,550,000	5.25	4.65	
2012	Karlsruhe	Rüppurrerstr. 1	Office and retail property	10,839	15,152	2,621,845	155	56,000,000	4.90	4.15	
2013	Munich	Domagkstr. 10–16	Office property	5,553	12,257	2,527,162	35	80,100,000	4.10	3.60	
2013	Berlin	EUREF-Campus 12 / 13	Office property	3,100	12,642	2,481,447	33	77,080,000	4.05	3.50	

YEAR OF ACQUISI-TION	PROPERTY		BUILDING USE	PROPERTY SIZE IN M²	USABLE FLOOR AREA IN M²	RENT IN 2021 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE 31 DEC. 2021 IN €*	DISCOUNTING RATE IN %	CAPITALISA-TION RATE IN %	OTHER COMMENTS
2013	Bayreuth	Spinnereistr. 5a, 5b, 6–8	Office property	8,297	9,036	1,322,493	75	20,410,000	6.15	5.30	
2013	Hamburg	Kurt.-A-Körber-Chaussee 9, 11	DIY store	20,330	10,408	1,248,272	83	19,000,000	5.95	5.25	
2014	Siegen	Bahnhofstr. 8	High street	1,419	7,112	978,182	75	10,550,000**	–	—	
2015	Aachen	Gut-Dämme-Str. 14 / Krefelder Str. 216	Office property	3,968	10,059	1,720,509	96	34,370,000	5.35	4.85	
2015	Celle	An der Hasenbahn 3	Retail centre	56,699	24,745	2,150,494	118	39,930,000	4.50	3.90	
2015	Gießen	Gottlieb-Daimler-Str. 27	Retail centre	46,467	18,013	2,111,901	69	20,430,000	5.15	4.25	
2015	Berlin	Tempelhofer Damm 198–200	Office and retail property	6,444	6,290	1,307,313	74	30,830,000	4.40	3.75	
2015	Neu-Isenburg	Schleussnerstr. 100–102	Office and retail property	9,080	4,249	808,216	110	17,290,000	4.80	4.20	
2016	Lübeck	Königstraße 84–96	High street	4,412	13,521	2,338,972	56	33,000,000	7.55	6.15	
2016	Ditzingen	Dieselstr. 18	DIY store	22,095	10,036	1,017,654	171	16,650,000	6.90	6.20	
2016	Mannheim	Spreewaldallee 44–50	Retail centre	103,386	28,381	4,129,440	33	76,860,000	4.95	4.15	
2016	Münster	Martin-Luther-King-Weg 30, 30a	Office property	4,986	3,317	444,655	47	8,170,000	5.75	5.00	
2017	Cologne	Am Coloneum 9 / Adolf-Grimme-Allee 3	Office property	15,461	26,517	2,870,347	111	76,900,000	4.65	4.10	
2017	Hallstadt	Michelinstr. 142	Retail centre	41,829	21,711	2,413,256	61	43,900,000	5.50	4.50	
2017	Berlin	Märkische Allee 166–172	Other large–scale retail	17,264	6,535	915,235	51	22,000,000	4.30	3.60	
2017	Ratingen	Balcke-Dürr-Allee 7	Office property	4,476	10,532	1,980,598	44	36,100,000	5.60	4.85	
2017	Hanau	Otto-Hahn-Str. 18	Retail centre	37,527	14,159	2,038,401	129	46,670,000	4.60	3.90	
2017	Kiel	Kaistraße 90	Office property	2,049	6,738	1,299,146	60	23,350,000	5.95	4.95	
2017	Passau	Steinbachstr. 60 / 62	Office and retail property	7,002	4,475	874,140	93	16,050,000	5.35	4.60	
2018	Bonn	Basketsring 3	Supermarket	10,823	4,934	758,159	72	16,610,000	4.55	3.95	
2018	Düsseldorf	Harffstr. 53	Supermarket	10,360	5,343	574,437	72	13,190,000	4.55	3.85	
2018	Cologne	Unter Linden 280–286	Retail centre	21,873	6,533	1,056,791	54	25,140,000	4.25	3.50	
2018	Darmstadt	Gräfenhäuserstr. 85, 85a, 85b	Office and retail property	7,641	8,108	2,322,210	61	12,510,000	7.60	5.95	
2018	Darmstadt	Leydheckerstr. 16	Supermarket	27,819	11,000	0	38	34,400,000	4.80	4.10	
2018	Berlin	Landsberger Allee 360–362	DIY store	37,968	16,390	1,786,158	102	36,420,000	4.95	4.55	
2019	Bamberg	Starkenfeldstr. 21	Office and retail property	6,781	6,160	842,825	71	16,400,000	5.50	4.85	
2019	Lengerich	Alwin-Klein-Str. 1	Retail centre	9,436	4,611	732,954	135	15,700,000	4.65	4.20	
2020	Neu-Isenburg	Siemensstr. 10a	Office property	3,604	4,542	898,274	85	17,100,000	5.65	5.00	
2020	Bonn	Soenneckenstraße 10, 12	Office property	6,953	6,500	1,427,685	124	29,500,000	5.00	4.40	
2020	Aachen	Gut-Dämme-Str./Grüner Weg	Office property	8,383	8,323	1,969,702	118	41,600,000	5.10	4.50	
2020	Dietzenbach	Masayaplatz 3	Retail centre	14,667	5,057	763,198	85	16,500,000	4.50	3.80	
2021	Mainz	Isaac-Fulda-Allee 3	Office property	5,940	7,748	980,910***	26	19,700,000	6.25	4.30	
2021	Stuttgart	Schockenriedstraße 17	Office property	2,813	5,929	307,147***	26	20,200,000	5.60	4.10	
2021	Münster	Robert-Bosch-Straße 17	Office property	2,108	6,328	27,302***	77	24,900,000	4.50	4.00	
				963,555	**598,215**	**80,599,621**		**1,604,000,000**			

* according to JLL valuation as at 31 December 2021
** contractually agreed purchase price, as held for sale
** Pro rata temporis rents from transfer of ownership

Glossary

AktG Aktiengesetz (German Stock Corporation Act).

GDP, GROSS DOMESTIC PRODUCT Indicator of the economic performance of an economy, i.e. the combined value of all goods and services generated by a country within a specific period.

CAPEX The abbreviation stands for "capital expenditure" and refers to investment expenses eligible for capitalisation on long-term assets.

CASH FLOW Net amount of cash inflows and outflows in a period.

COMPLIANCE Term indicating adherence by companies to laws and regulations as well as voluntary codes. The entirety of the principles and measures employed by a company in compliance with certain regulations and as such to avoid breaches of rules within a company is referred to as the compliance management system.

CORE PROPERTY Description of a property featuring a high-quality location and building, tenants with good credit standing, and long-term leasing.

CORPORATE GOVERNANCE Principles of responsible company management and control geared towards the long-term creation of added value.

DAX The most important German share index established by Deutsche Börse AG. It shows the trend of the 30 largest (40 largest from September 2021) German stock corporations in terms of market capitalisation and stock exchange turnover.

DCF METHOD Discounted cash flow method – method used to determine value, including the fair value of real estate. It is based on the financial concept of discounting cash flows to determine the capital value.

GCGC German Corporate Governance Code – a set of regulations devised for listed companies by the Government Commission of the Federal Republic of Germany, intended to promote good and responsible corporate governance.

DERIVATIVE A financial instrument whose value is predominantly derived from the price, price fluctuations and price expectations of an underlying asset, such as shares, interest-bearing securities or foreign currencies; often used as a hedging instrument.

DESIGNATED SPONSOR Specialist financial service provider that counteracts temporary imbalances between supply and demand in individual shares in the Xetra electronic trading system. The fungibility of a share is designed to be improved through placing bid and ask limits.

DISCOUNTING RATE The discounting rate is the return that investors expect when providing capital, taking into account the specific investment risk. It consists of a risk-free interest rate plus a market-specific and property-specific risk. The future cash flows of the respective analysis period are discounted to the measurement date using the discounting rate.

EBIT Earnings before interest and taxes (income taxes only).

EBITDA Earnings before interest, taxes, depreciation and amortisation (income taxes only).

EPRA European Public Real Estate Association. It represents financial analysts, investors, auditors and consultants in addition to companies.

EPRA COST RATIO The cost ratio developed by EPRA measures the cost / income structure of property companies and is designed to make them comparable on the basis of a standard definition. This is the ratio of all operating costs (possibly adjusted for individual components) incurred in the management and operation of the property to its rental and letting income.

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

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

EPRA NET INITIAL YIELD The net initial yield is an indicator, calculated according to EPRA standards, that reflects the yield on the property portfolio. It is calculated by dividing annualised rental income less non-transferable costs as at the end of the reporting period by the fair value of the investment property portfolio including incidental costs of acquisition.

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

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

ESG This abbreviation stands for "Environmental, Social and Governance" and first became established in the finance sector, and is increasingly spreading to other sectors as well. ESG criteria play an increasingly important role in relation to sustainable investment, and so are a growing aspect of sustainable management.

FAIR VALUE Fair value or market value – the value at which knowledgeable and willing parties would be prepared to exchange an asset at normal market conditions or to settle a liability.

FFO / AFFO Funds from operations / adjusted funds from operations; key performance indicator for operational business and also a key control parameter of the company. FFO is used in value-oriented corporate management to show the generated funds that are available for investment, repayment and dividend distributions to shareholders in particular. When adjusted for maintenance expenditure in the financial year and not recognised as an expense, this figure is known as AFFO.

GRI The Global Reporting Initiative develops globally recognised standards for sustainability reporting with input from a wide range of stakeholders, and updates these standards on an ongoing basis. The GRI is a partner of the United Nations Environment Programme.

HGB Handelsgesetzbuch (German Commercial Code).

IFRS International Financial Reporting Standards – International accounting regulations issued by the International Accounting Standards Board (IASB). These must be applied by listed companies and groups and are intended to facilitate better comparability in the international environment.

INVESTMENT PROPERTIES All undeveloped and developed properties plus buildings and parts of buildings held to generate future rental income and / or profit from appreciation in value in respect of third parties and / or for an as-yet-undefined use. They are not intended for administrative purposes or for short-term trading in the context of ordinary business activities.

STATEMENT OF CASH FLOWS The statement of cash flows transparently shows a company's cash flows. Transactions affecting cash are classified according to operating, investing and financing activities.

CAPITALISATION RATE The capitalisation rate is used to capitalise the long-term recoverable net return on an investment in perpetuity. This rate reflects growth (e.g. rent growth or inflation) and represents an appropriate market return for the property.

VACANCY RATE The company assesses its vacancy rate by calculating target rent for the vacant area as a proportion of total target rent. In calculating the economic vacancy rate, the rental losses for vacancies are adjusted for contractual rent guarantee claims.

LIKE-FOR-LIKE APPROACH Wide variations may arise in portfolio indicators compared with the previous period; this is due to portfolio changes within an analysis period following acquisitions and disposals. To calculate like-for-like indicators, the portfolio changes are taken into account and adjusted for acquisitions and disposals with the analysis periods. Like-for-like indicators provide additional valuable information and improve transparency within the property portfolio performance analysis.

LOAN TO VALUE (LTV) This represents the financial liabilities of the company as a proportion of the fair value of its investment property portfolio, taking into account cash and cash equivalents.

MANAGE TO CORE This describes an investment approach which is normally marked by significant modernisation and letting requirements, sometimes in combination with a repositioning requirement; this may create additional potential for price appreciation depending on the implementation of measures and on market trends.

MARKET CAPITALISATION Market value of a stock corporation. Current share price multiplied by the number of shares.

NET ASSET VALUE (NAV) The net asset value reflects the economic equity of the company. It is determined by the fair values of the company's assets – essentially the value of properties – net of the borrowed capital.

OPERATING COST RATIO The operating cost ratio is the ratio of administrative and personnel expenses to income from rents and leases.

PERFORMANCE SHARES Performance shares are (virtual) shares granted to the Management Board as long-term variable remuneration, the number of which is calculated on the basis of defined performance targets after the end of the performance period.

PRIME STANDARD Market segment of Deutsche Börse AG for stock corporations that satisfy particularly high international transparency standards.

REIT Acronym for Real Estate Investment Trust. Listed company that invests solely in property. Facilitates indirect investment in properties for investors through the purchase of shares. The majority of its profit is distributed, and taxation occurs at investor level only (tax transparency).

REIT EQUITY RATIO Corresponds to the equity coverage ratio in accordance with section 15 in conjunction with section 12 paragraph 1(2) of the German REIT Act, i.e. the ratio of equity (on a fair value basis) to the fair value of immovable assets. The equity on fair value basis is calculated from the total reported equity and hidden reserves. Immovable assets at HAMBORNER comprise the property portfolio of the company and undeveloped land, predominantly agricultural land and forests.

RISK MANAGEMENT Refers to systematic processes intended to identify and assess potential risks in a company at an early stage, introducing necessary preventive measures where appropriate.

SDAX Small cap index – German share index that, as a small cap index, includes the 70 most important equities after the DAX and MDAX. The "s" for "small cap" refers to smaller companies with low market capitalisation and stock exchange turnover.

STAKEHOLDER This term describes (relevant) involved parties in a company, i.e. any people, groups, or institutions directly or indirectly affected by the activities of a company.

WPHG Wertpapierhandelsgesetz (German Securities Trading Act).

ZIA Zentrale Immobilien Ausschuss (Central Real Estate Committee) is the main trade association for the German property industry. It represents and promotes the interests of its members through wide-ranging public partnerships, policy initiatives and administrative projects. The association supports the industry in addressing sustainability issues, for example through publication of practical guidelines on social responsibility in the German property industry.

DISCLAIMER

This report contains forward-looking statements, for example concerning general economic developments in Germany, the future situation of the property industry and the company's own forecast business performance. These statements are based on current assumptions and estimates by the Management Board, which were made diligently on the basis of all information available at the relevant time. If the assumptions on which statements and forecasts are based are not accurate, the actual results may differ from those currently anticipated.

FINANCIAL CALENDAR 2022 / 2023

17 March 2022	2021 Annual Report
26 April 2022	Interim statement, 31 March 2022
28 April 2022	2022 Annual General Meeting
9 August 2022	Half-year financial report, 30 June 2022
10 November 2022	Interim statement, 30 September 2022
9 February 2023	Preliminary figures for the 2022 financial year
16 March 2023	2022 Annual Report
25 April 2023	Interim statement, 31 March 2023
27 April 2023	2023 Annual General Meeting

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

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HAMBORNER REIT AG
Markus Altmann
Olivier Hess
iStock

Illustration

Horst Gebhardt