hamborner REIT

ZUKUNFT BRAUCHT SUBSTANZ

2022 ANNUAL REPORT

Q&A

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I PROFILE

HAMBORNER REIT AG manages a diversified portfolio of commercial properties situated across Germany. We focus on generating sustainable, predictable long-term rental income. Many years of experience, a value-based strategy and a highly qualified, dedicated team form the best possible starting point for consistently continuing our track record of growth going forward.

OUR PARTICULAR STRENGTHS

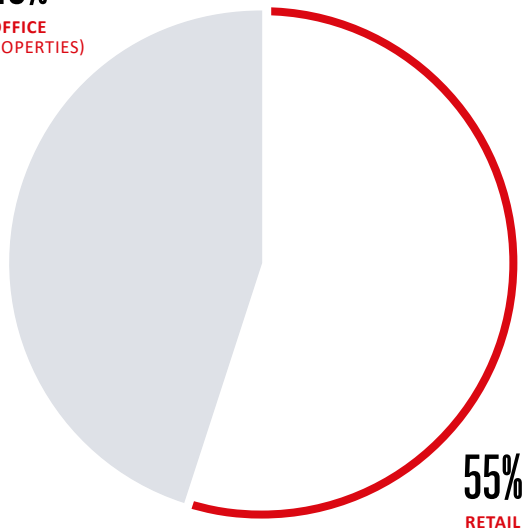
- A high-yield and diversified real estate portfolio
- Stable cash flow with long-term predictability
- Strong focus on ESG and future issues
- Lean and efficient company structure
- Strong internal asset and property management
- Consistently high occupancy rate
- Solid balance sheet and financing structure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

We continued to follow our active portfolio strategy in 2022. By making acquisitions and disposals in line with our strategy, we refined our portfolio profile and, at the same time, positioned ourselves efficiently and sustainably for future yield-driven growth.

I KEY DATA 2022

PORTFOLIO STRUCTURE

based on fair value



LEASABLE SPACE

611,212 m²

AVERAGE REMAINING TERM FOR LEASES

6.5 years

51

EMPLOYEES

INVESTMENT FOCUS

Focus on German metropolitan regions

Find out more

1.6 € BILLION

TOTAL PORTFOLIO VALUE

98.1%

OCCUPANCY RATE (EPRA)

24.8 € MILLION

AVERAGE ASSET VOLUME

5.4%

PORTFOLIO YIELD

I FINANCIAL INDICATORS

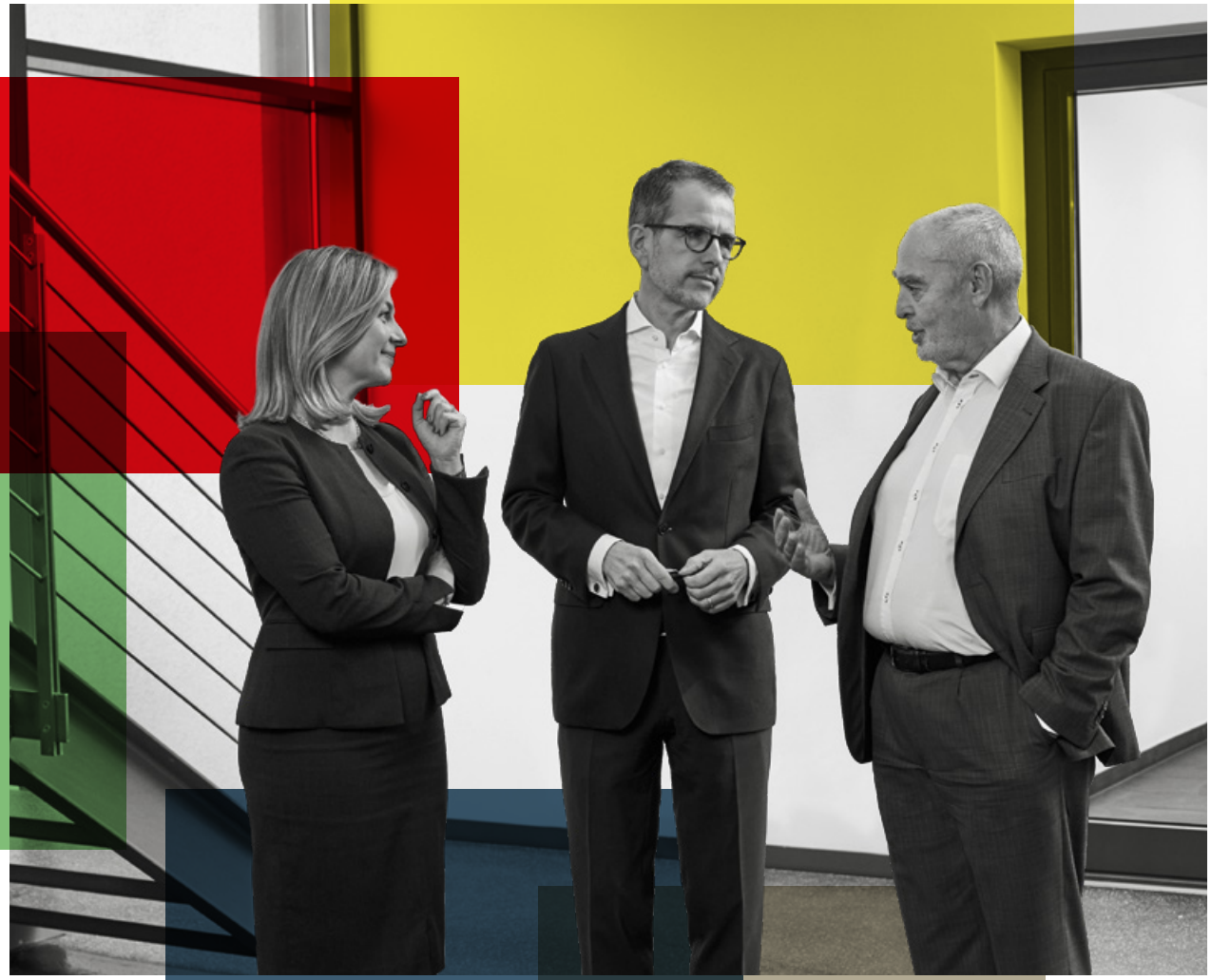
85.0 € MILLION

INCOME FROM RENTS AND LEASES

51.0 € MILLION

FUNDS FROM OPERATIONS

IN € THOUSAND		2022	2021	2020
From the income statement				
Income from rents and leases		84,965	84,360	88,193
Net rental income		72,011	74,627	79,097
Operating result		25,514	31,794	–900
Financial result		–12,376	–13,915	–15,443
EBITDA		63,531	103,416	78,132
EBIT		25,690	68,175	6,180
Funds from operations (FFO)		50,979	53,120	55,609
Period result		13,314	54,260	–9,263
of which resulting from the sale of investment property		176	36,381	7,080
From the statement of financial position				
Total assets		1,288,425	1,285,787	1,265,784
Non-current assets		1,142,813	1,128,058	1,200,826
Equity		473,604	497,374	474,234
Equity ratio	in %	36.8	38.7	37.5
REIT equity ratio	in %	59.6	61.0	54.5
EPRA Loan to value (LTV)	in %	39.1	37.6	44.2
HAMBORNER shares				
Number of shares outstanding		81,343,348	81,343,348	80,579,567
Basic = diluted earnings per share	in €	0.16	0.67	–0.12
Funds from operations (FFO) per share	in €	0.63	0.65	0.69
Stock price per share (Xetra)	in €			
Highest share price		10.31	10.22	10.62
Lowest share price		6.23	8.66	7.32
Year-end share price		6.73	10.02	9.01
Dividend per share	in €	0.47	0.47	0.47
Dividend yield in relation to the year-end share price	in %	6.98	4.69	5.22
Price / FFO ratio		10.74	15.34	13.06
Market capitalisation		547,441	815,060	726,022
The HAMBORNER portfolio				
Number of properties		66	68	80
Fair value of the property portfolio		1,608,600	1,604,000	1,624,785
Vacancy rate (including rent guarantees)	in %	2.1	1.9	1.8
EPRA vacancy rate		1.9	2.0	1.9
Weighted remaining term of leases in years		6.5	6.1	6.3
Other data				
Net asset value (NAV)		964,829	984,902	890,721
Net asset value per share	in €	11.86	12.11	11.05
EPRA Net Tangible Assets (NTA)		964,383	984,430	890,222
EPRA Net Tangible Assets per share	in €	11.86	12.10	11.05
Number of employees including Management Board		51	45	44



Sarah Verheyen, Niclas Karoff and Hans Richard Schmitz in conversation

INTERVIEW

ONE CERTAINTY IS THAT EVERYTHING CHANGES

DYNAMIC MARKETS. For some they are a challenge, for others they represent an opportunity. We see them as confirmation that our quality-focused business model works well in different market phases and still has further potential. To realise this potential, we have to stay disciplined and keep working. Which is what we are doing. Over the following pages we will give you some insight into how we see the current situation and the tasks that are keeping us busy at the moment.

2022 was a difficult year for the property sector. What impact did this have on the achievement of your targets?

KAROFF: In a market environment that has changed enormously and is subject to a great deal of uncertainty, we once again demonstrated our reliability over the course of the year and for the most part attained the goals we had set ourselves. One big achievement was the sale of the high-street properties earmarked for short-term sale. This has served to further improve the overall quality of our portfolio in terms of location and property structure. At the same time, by refining our profile in this way we will be able to offer more efficient management in the future. In spite of the recent difficult conditions in the transaction markets, we have also expanded our portfolio by making targeted purchases, though to a lesser extent than originally planned.

SCHMITZ: The strong performance is also reflected in the operating figures: HAMBORNER met all the targets set at the beginning of the year for the financial year and even exceeded them in terms of the operating result. Our stable tenant base has once again proved its worth. It also helped us to push through rent indexations triggered by high inflation. Our vacancy rate continues to be at a very low level, which is another indicator of the high quality of our portfolio.

98%

OCCUPANCY RATE –
TESTIMONY TO THE HIGH QUALITY OF OUR PORTFOLIO

What is your impression of the current market and what does this mean for HAMBORNER?

VERHEYEN: We are currently in the midst of a polycrisis, the like of which has never been seen before. Politics, the economy, financial markets and society are experiencing levels of upheaval that are difficult to predict – not least due to the war in Ukraine and its consequences. Of course, this also has an impact on property markets. We are seeing that acquisition options are currently limited and often find that there is divergence between the price expectations of buyers and sellers. The dynamic interest rate environment plays an important role in these developments. We are taking a careful and disciplined approach to dealing with the current uncertainty surrounding further market and price developments.

KAROFF: ... and a flexible approach too, of course. In the current environment we profit substantially from our differentiated purchasing strategy. Potential investments in the retail or office sector, further expansion of our core portfolio and the successive acquisition of "build-to-core" properties give us sufficient room for manoeuvre. But that doesn't mean we don't do the maths as carefully as ever. On the whole, we see the current market situation as energetic. For us at HAMBORNER, this provides an opportunity to continue our growth on a selective basis.

Interview with
Niclas Karoff

It is not just the market environment that is changing. Change is also taking place within companies. What does this look like at HAMBORNER?

VERHEYEN: The key game-changer here is "new work". Cultural transformation combined with digitalisation creates essential conditions for entrepreneurial development and growth. And this goes for us too. The structures and processes at HAMBORNER have grown historically and have proven themselves well over many years. Today, we too are at the threshold of a new era. This is not about laptops and hybrid working. It is about internalising a changed awareness and creating a new dynamic. Companies that want to be successful in the future need teams in which every member, without exception, thinks actively, looks to the future and is prepared to fully participate in shaping and developing the company. The environment can change fundamentally overnight, which calls for a high degree of flexibility from the organisation and all the individuals involved.

KAROFF: And HAMBORNER has this agility. But we are still putting ourselves through a fitness programme. We are challenging rules, dismantling structures and redeveloping our processes. This makes us even more flexible, even faster and therefore ultimately even better. It requires the courage to be transparent. And I am convinced that this is an effort well worth making. Not only because, by addressing the soft factors, we improve the conditions for our future growth. We also make ourselves more attractive as an employer. We can keep retain our talent and attract new talent to join us.

NEW WORK

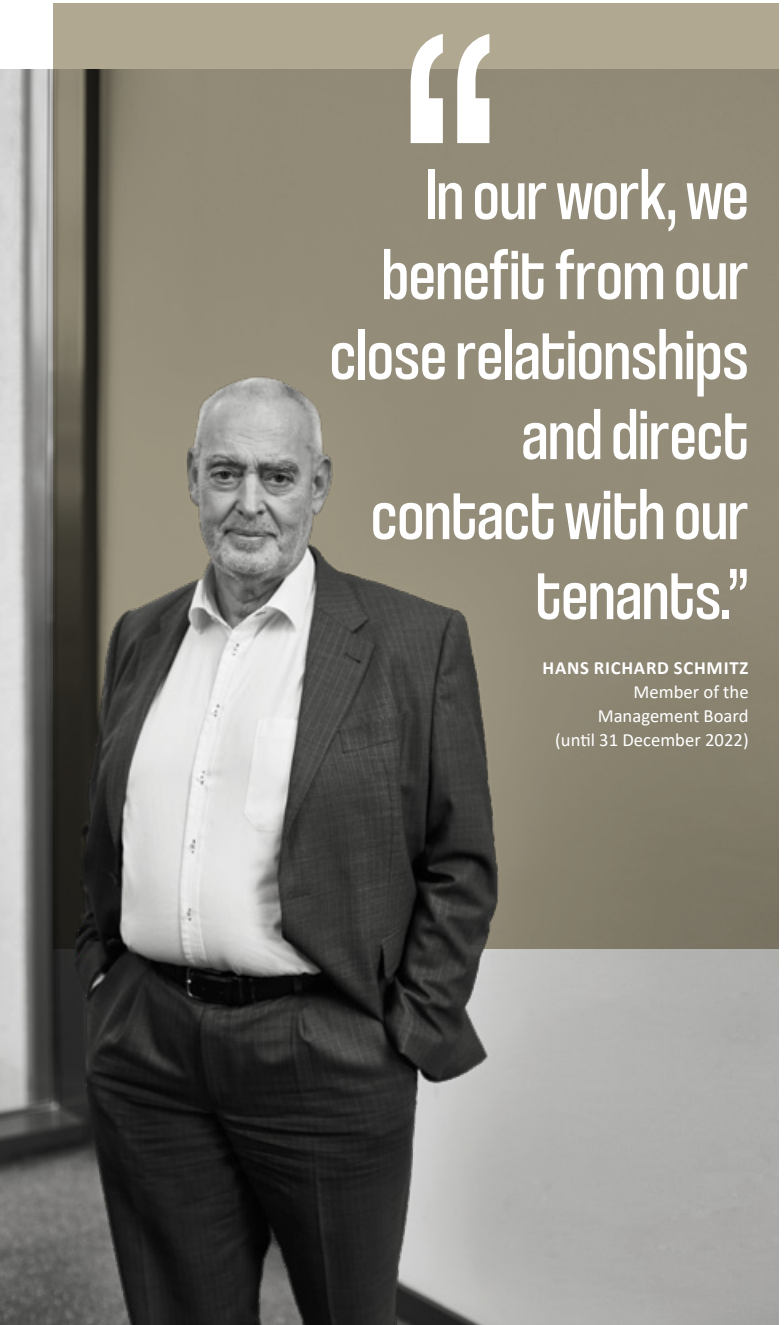
describes the structural changes taking place in the world of work – resulting from digitalisation and the changing requirements and needs of employees.

What role does digitalisation play at HAMBORNER?

VERHEYEN: It is another building block for securing our ability to meet the challenges of the future and to perform well, and it creates an environment in which transparent and even more effective cooperation is possible. For example, we intend to move from a site-based to a cloud-based IT structure. This will not only change the way we work but also our culture and how we work together in teams. On the process side we are introducing software for the holistic management of our assets, with the medium-term aim of creating a "digital twin" of our property portfolio. This is a major challenge that will take some time to implement. The gradual introduction of digital tools and technologies will increase efficiency and make our business model scalable as the scope of our tasks increases.

SCHMITZ: At the same time, we are using the additional freedom that we gain from efficiency improvements to give our tenants even more support in these choppy waters. Inflation, energy costs and other expenses will remain high and maybe even go up further. Our tenants will not get through that unscathed either. We will have to work together to find a solution to this. Our close relationship with our tenants has proven to be very helpful in situations like this in the past.

Interview with
Sarah Verheyen



"In our work, we benefit from our close relationships and direct contact with our tenants."

HANS RICHARD SCHMITZ
Member of the Management Board
(until 31 December 2022)

How are your tenants dealing with the recent challenges?

SCHMITZ: Fortunately, we mostly have tenants with excellent credit standings. The sale of our high street properties has made our tenant structure even more resilient. There may well be situations in which we have to make some contribution towards a level of stabilisation, however. We already gained experience of this during the coronavirus pandemic and fulfilled our responsibility as landlords. At the same time, we benefit from our close relationships and direct contact with our tenants. And we have shown that HAMBORNER has a highly qualified team that can deal with challenges very effectively, even at times of crisis.

HAMBORNER cannot ignore the topic of sustainability either...

KAROFF: And we don't want to. On the contrary. We firmly believe that the key to our future viability lies in making our company sustainable in every respect. Not only in terms of the environment but also as far as social and governance aspects are concerned. Politicians, investors and the public are currently paying particular attention to environmental issues – for good reason. We also focused more heavily on environmental management last year – not least because an energy strategy geared towards sustainability is directly linked to economic efficiency. This not only benefits us but it also benefits our tenants when we take a sensitive approach to incidental costs. The other two issues are just as important to us, however. Good governance underpins our core value of reliability and taking social factors into account is central to motivating teams and ensuring they perform their best.

OUR BELIEF

We continue on our path calmly but successfully.

Where does the road lead in the current year? What are the key topics?

KAROFF: You can still feel the heightened uncertainty on the market. This is why it is a good thing that we have a viable business model with a clear strategy. This helps us to follow the path we have laid out confidently but successfully too. We will improve our operating performance further and intend to continue to grow by making selective purchases, as far as market conditions allow.

VERHEYEN: We intend to become more adaptable, shorten our decision-making processes and streamline our processes. Digital solutions are an important component of that. And we will make our contribution to combatting climate change. This is only possible with a solid foundation, a clear focus and a good team like the one I was very pleased to find here in my first few months at HAMBORNER.

Interview with
Hans Richard Schmitz

STRATEGY

HOW IS THE PORTFOLIO REORGANISA-TION GOING?

NICLAS KAROFF and the HAMBORNER team have set themselves ambitious targets in the past two years. The results are very satisfactory.

"We reached our targets with discipline and persistence."

NICLAS KAROFF

OBI store in Freiburg
FIND OUT MORE

The portfolio reorganisation is going very well! Since adapting our portfolio strategy in summer 2020 we have sold a total of 23 assets with a volume of nearly €200 million – and at a premium of 3.4% over the last recorded fair value. This was not something to be taken for granted in the difficult environment we have had recently. The vast majority of the assets were high-street retail properties in town centres. These disposals mark the successful conclusion of our planned short-term strategic sales activities.

Streamlining the portfolio profile enables more efficient management

Overall, these activities enabled us to again significantly streamline the profile of our portfolio. We reduced the average age of our properties by around 29% and boosted their average fair value by 23%. This will enable us to manage our portfolio more efficiently in future, including from the perspective of modernisation and maintenance work.

-29%

AVERAGE ASSET AGE WAS REDUCED SIGNIFICANTLY

“Through our active portfolio management, we can safeguard the high quality of our portfolio.”

NICLAS KAROFF

Markt-Caree in Lengerich
FIND OUT MORE

Streamlining the portfolio through the disposal of high street properties that are no longer in line with the strategy

At the same time as these disposals, we bought six assets for a total volume of €123 million. The acquisition assets have an average gross initial yield of 5.6% and are an excellent addition to our existing portfolio, both in the “core” and “build-to-core” segments.

Just a reminder: In addition to the further focused expansion of our core portfolio of proximity retail and office buildings, we intend to invest in what are known as “build-to-core” properties, with extra potential for capital appreciation. We are aiming for a target rate of 10–20% of the total portfolio volume for these. At the same time, we regularly review potential sales as part of our active portfolio management approach in order to maintain the high quality of our portfolio going forward.

Münster, Martin-Luther-King-Weg (above) and the EUREF-Campus in Berlin (below)

TRANSFORMATION

WHAT IS YOUR AGENDA?

SARAH VERHEYEN was appointed to the Management Board of HAMBORNER on 1 October 2022 and has wide-ranging expertise in the property market. Here she explains how HAMBORNER is making its growth trajectory fit for the future and aligning it with the demands of sustainability and digitalisation.

In my function as COO / CIO, I am primarily responsible for the company's operating activities. Following the departure, as planned, of Mr Richard Schmitz – whom I had the opportunity of personally working with for a short transitional period – I am responsible for transaction management, asset management, technology and project development, as well as for IT / digitalisation and data protection. Given the great importance of sustainability / ESG for all areas of the company, Niclas Karoff and I are managing these issues together.

I see my role as actively shaping and driving forwards the company's development in a market environment that is currently particularly dynamic. Some of the areas I will be concentrating on are sustainability and digitalisation but also continued cultural transformation, not only at the management level. In this context, I believe it is vital that we are transparent with one another – in both external and internal communications.

We take responsibility

For our continued successful development, it will not only be important to keep expanding our portfolio, growing the company and making our operational property management as effective as possible but also to assume responsibility at a higher level; in other words, responsibility for climate change and social justice. Social responsibility has to be part of HAMBORNER's DNA.

> "Cultural transformation also creates the conditions for growth."
>
> **SARAH VERHEYEN**

Toom-Baumarkt in Kempten
FIND OUT MORE

2023

FOCUS ON
TRANSFORMATION AND DIGITALISATION

BIOGRAPHY

Sarah Verheyen has been a member of the Management Board since 1 October 2022. She was previously a member of the management at a property investment company and held various senior positions in asset and transaction management. Sarah Verheyen studied at the Berlin School of Economics and Law and at the International Real Estate Business School at the University of Regensburg.

Corporate and work culture continues to develop

Our IT and digitalisation strategy will be an important building block in the months ahead: It lays the groundwork for more transparent and more effective data collection. We are currently working hard to position our organisation and structures in such a way that holistic management approaches and forward-looking digitalisation projects are engaged with one another and can be implemented successfully.

Digitalisation creates the freedom for other tasks

From an economic perspective, things get particularly interesting when such projects make our business model more scalable. One example is the fully integrated asset and portfolio management software that we have introduced at HAMBORNER, which supports us with our value-based management from the planning stage through to controlling and forecasts. By using systems with no media discontinuity we can make our management more efficient, which will save on personnel and financial resources in future and create the freedom for other tasks for which “human resources” are still indispensable.

And speaking of freedom: Expanding our digital structures also helps to develop a new corporate and working culture. Even today, HAMBORNER already offers its employees a modern, flexible working environment. But we will still have to adapt as demands continue to change and ensure that we position ourselves ready for the future.

Regular dialogue between our employees ensures an optimised letting process

STAKEHOLDERS

HOW IMPORTANT IS COMMUNICATION?

HANS RICHARD SCHMITZ explains why transparency forms the basis for trust and why communication requires hard work.

Our close proximity to the market pays off at difficult times in particular and our clear structures ensure things stay this way. Our Asset Management team remains in constant dialogue, and not only with our tenants. We also communicate intensively with all other relevant stakeholders: The service providers at our asset locations, sector experts, local authorities and trade associations. This means that we always have a wide range of perspectives on the latest developments and can take decisions quickly if necessary.

Regular communication is important – internally and externally

If you only start communicating when times get tough, it is difficult to solve any problems because one essential condition is missing: Trust. Trust is vital, especially when working with capital markets, and this requires great transparency, regular dialogue and presence. That takes a lot of work.

> **You can't only start communicating when times get tough."**
>
> **HANS RICHARD SCHMITZ**

Münster,
Robert-Bosch-Straße
FIND OUT MORE

100%

WILLINGNESS TO COMMUNICATE INTERNALLY AND EXTERNALLY

Allow me to illustrate this with some figures from my role over the past 14 years: In my time on the Management Board I have accompanied colleagues on over 150 road shows and attended just as many capital markets events, held more than 1,000 investor meetings, replied to questions from our shareholders at 14 annual general meetings and had many other conversations in which I have explained the business model and the latest developments at HAMBORNER. And our Investor Relations team was also available every day to answer questions from shareholders and interested parties. HAMBORNER will continue this intensive dialogue in future too – I am confident of that.

Of course, what applies for external communications applies for exchanging information within the company too. Especially today, at a time of transition, it is important to stay in regular contact with employees to ensure that they are "on board" with all the relevant issues and projects.

SUSTAINABILITY

HIGH INVESTMENT AND LOW RETURNS?

TIMO KAPPIUS describes how HAMBORNER is rising to the challenges of a sustainable property business.

Sustainable property business: what does that actually mean?

It is a very complex topic so I can't answer that question in just one sentence. After all, a sustainable property business has various components. External factors such as climate change, the coronavirus pandemic, political developments and market changes have a significant impact on the property sector. Digitalisation, sustainable energy supplies and mobility concepts all play an important role. The idea is to meet environmental goals, reduce emissions and avoid consuming resources that are not from renewable sources, all in compliance with the legal and regulatory framework. We are faced with many challenges in this area ourselves and also consider it part of our responsibility to support our tenants when they have questions of their own about these matters. In addition to the

established environmental performance indicators, social factors are also becoming more important at asset level. Relevant characteristics, such as ease of access for all, connections to public transport, technical fixtures and amenities are also being documented and will feature more in the asset valuation in future.

To put it simply, properties have to be fit for the future and the portfolio has to be continuously reviewed and optimised in consideration of various factors, especially sustainable factors.

Overall, the tasks involved in operating a sustainable property business are highly diverse and complex. We are talking about a broad cross-section of topics that ultimately affects and involves all the functions of a property company.

HAMBORNER REIT AG recognised this years ago, and has developed the corresponding expertise and laid solid foundations for the sustainable management of its properties. At the same time, we still have important tasks ahead of us.

Neu-Isenburg, Siemensstraße
FIND OUT MORE

2045

NATIONAL REQUIREMENT
TO ACHIEVE GREENHOUSE GAS-NEUTRAL BUILDING STOCK

And since August 2022, you have been part of that too?

Yes; on one hand, my job is to bring together all the sustainability-related processes, projects and relevant information in a central unit and, on the other hand, to make recommendations for further action. This includes both concrete measures for at asset level and strategic objectives at portfolio or sub-portfolio level. My role here is to act as the interface between the internal departments involved and the Management Board.

I have a degree in engineering management with a focus on energy and facility management and my previous experience has been mostly in the operational planning and execution of energy and sustainability-related projects. Now I have the opportunity to be actively involved in the ongoing development of the sustainability strategy of a publicly listed company and to lay the groundwork for formulating and implementing concrete sustainability targets for the company and the portfolio. It's an exciting task.

And what comes next? Where is HAMBORNER in terms of the environmental targets you mentioned?

As far as the environmental targets are concerned, we, together with the entire German property sector, are tasked with meeting the political requirement to make our buildings GHG-neutral by 2045. And given that CO_2e emissions in 2021 amounted to 115 million tonnes, even the interim national target for 2030 of 67 million

tonnes of CO_2e emissions seems highly ambitious. And the pressure is just as great because climate change has become an existential threat to our planet.

How are you responding to this pressure?

In order to formulate ambitious sustainability targets that are also achievable and to reliably track our performance against those targets, we need a lot of data and information. That applies especially to the energy consumption and emissions of the buildings.

This year we took a great step forwards in terms of the availability and quality of data for the portfolio. By working with external service providers and involving additional colleagues, we were able to obtain a large part of the emissions-relevant data for the years 2019 to 2021 and, following an in-depth analysis, we successfully drew up a full CO_2 statement for our entire portfolio for the first time. By automating the data collection, we are now making these processes even more efficient and secure.

In addition to the GHG emissions caused by the operation of our properties, for which we are responsible, there are also relevant risks to our properties resulting from ongoing climate change. This year we therefore carried out a climate risk analysis for our entire portfolio in order to analyse potential extreme weather events at our locations using up-to-date climate risk models. Since our properties are situated in Germany and thus outside areas of extreme risk on a global scale, the short-term risk exposure is not high overall.

In future, the information gathered on energy intensity and emissions, social and technical metrics for the properties and climate risks will be factored into the property valuation process for transactions and portfolio management.

In the current year we are planning to introduce a software-based data management system for the systematic recording and analysis of the growing volume of sustainability-related data. We started a thorough selection process in 2022.

In future, the system will be used in connection with the data gathered and with the support of external advisers to identify relevant measures to reduce the energy consumption and emissions of our portfolio assets.

Bonn, Soenneckenstraße
FIND OUT MORE

“Expenditure on sustainability issues certainly pays off for us!”

TIMO KAPPIUS

All of this results in extra costs. Is it worth it?

Yes – definitely. Our company decisions are traditionally based on a risk-return analysis. In future, sustainability will be another factor – and, in our opinion, a highly significant factor – that affects both sides of the equation, because it is the future viability of our assets and our company that is at stake.

If we assume that energy prices and the cost of emissions will go up, energy efficiency and decarbonisation measures result in lower operating costs and thus in a potentially higher property valuation. By contrast, ignoring sustainability issues gives rise to risks to asset value and enterprise value and thus to the company's future performance.

The growing importance of sustainability topics is also reflected in the fact that the Supervisory Board set up an ESG Committee last year, which regularly examines and discusses the core aspects of sustainability.

To what extent are you dependent on the cooperation of your tenants and other parties?

This is not a task that one company can manage alone. Of course, our tenants are the most important partners in terms of the continuous decarbonisation of our properties. They make an important contribution by digitally recording and submitting consumption data and as part of joint activities to optimise the ecological footprint of the properties they use. We encourage reciprocal support in this regard by means of "green" clauses in the tenancy agreements.

Through intensive stakeholder dialogue, we also involve other parties such as investors, service providers and employees in our sustainability management, in addition to our tenants. We are currently carrying out a survey regarding core sustainability topics with selected stakeholders for the first time in order to get them even more involved. Because, at the end of the day, we will only achieve our ambitious targets if we work together,

You mean with the support of and with a particular focus on your employees?

Absolutely. As a company we are very aware of our social responsibility and its importance for our attractiveness as an employer. For this reason, sustainability has been given high priority in our HR activities at HAMBORNER for years, and the related factors are included in our sustainability concept. The employees recognise this and support our efforts in their day-to-day work.

How do investors see the topic? Do they give you credit for it too?

We are sure that they do. Just like policymakers, our shareholders are well aware of how relevant the issue is. They want sustainable action and, not least, transparency, which we give them in the form of our detailed sustainability report. So while sustainability does initially come with some additional challenges and sometimes also calls for additional investment, it is an essential prerequisite for the continued viability of the business model in which they have invested. This fundamental perspective unites us.

To view the current 21 / 22 sustainability report, click **here.**

Munich, Domagkstraße (LEED platinum certificate)
FIND OUT MORE

EMPLOYEE DEVELOPMENT

HOW IS THE WORKING RE-LATIONSHIP CHANGING?

SANDRA FISCHER is Head of HR at HAMBORNER. Here she reports on social changes and how they are fundamentally transforming the world of work.

The past few years have been a time of great change. They posed a great challenge for everyone – companies, managers, employees and trainees – and thus created new tasks for human resources professionals. How do you deal with that?

Flexibility and the ability to look ahead and think outside the box are required. In recent years we have taken an in-depth look at various aspects of human resources and how we work, particularly from a sustainability perspective. In our opinion, a company's success depends to a large extent on how it copes with changes and challenges for its employees, and on whether it is able to adapt flexibly to new situations.

The world of work has been undergoing many different processes of change for some years now, including, for example, demographic change or developments towards an information and knowledge economy. There is also increasing globalisation, which makes the economy more dynamic and more complex and in turn also affects

Headquarters of
HAMBORNER REIT AG,
Duisburg, Germany

the world of work. And then we are also seeing individual changes that impact the way people work, such as changes in employees' personal and work-related values.

The traditional structure of the company and of working relationships is changing and businesses have to be perceived as modern employers in order to remain attractive. HAMBORNER is a company with a long history and it has also had to adapt in recent years, which it has done. We have reorganised various processes, adapted departmental structures and pressed on with the digitalisation of human resources by introducing personnel software that can be used by employees in many ways, as well as electronic personnel files. In addition to mobile working options, we offer healthy living and prevention programmes and have interesting partnerships with various partners that give our employees discounts on sports activities and shopping ... and not to forget the drinks and fresh fruit that are always provided free of charge. It's a small piece of the puzzle but its importance should definitely not be underestimated!

What have been your biggest challenges recently?

The COVID-19 pandemic made lasting changes to the world of work and gave the digitalisation process an additional boost. Many employees and companies came to appreciate the advantages of flexible working during the pandemic. What started as a measure to overcome the crisis will define our working relationships from now on. Positioning HAMBORNER REIT AG as a modern employer thus also includes further digitalisation and the ongoing adaptation of concepts for more flexible working models that take into account issues such as work-life balance and reasonable options for working from home and individual part-time agreements. A comprehensive mobile working concept was developed and implemented in 2021 in close cooperation with everyone responsible.

Occupational health management and health and safety are also a high priority. We are pleased that through our wide-ranging preventive measures and the cooperation of all employees, we have been able to significantly reduce the risk of viral infections to our employees and record a very low sickness rate. Health management and occupational health and safety will remain a top priority for us.

"Our employees are our most important asset - we are well aware of that!"

SANDRA FISCHER

How are you able to keep up with your employees' needs despite the mobile / hybrid working models?

That's easy: We just ask them! There is a tradition at HAMBORNER REIT AG of close and honest communication with our employees and it is an important management tool for us. Several staff meetings were held again in 2022, as well as many individual discussions on subjects including training and development, health and safety, and healthy living. We have also carried out employee surveys for years and, by analysing those findings, we have gained valuable insight time and time again into how we can make HAMBORNER REIT AG even more attractive as an employer.

The participation rate among our employees is gratifyingly high. The results for employee satisfaction and how colleagues identify with the company also indicate that we are on the right track here overall, which we intend to continue, because our employees are our most important asset. That is something we are very aware of.

In terms of your employees, are you well positioned to tackle more demanding market conditions?

Naturally, changes in the market and the company result in higher demands being made on our employees. Increasing the range of training and development opportunities that are available and continuously increasing the number of hours spent on training are therefore key parts of our human resources work. All employees have the opportunity to take part in individual personnel development measures as part of our training initiative. It is important to us here that we identify the potential and interests of our employees, which we do with together with managers and the Management Board, in order to enhance their skills and ultimately to make the

We always remain in close communication with our employees, even when using the hybrid working model

OVER
90%
OF EMPLOYEES
THINK THAT HAMBORNER IS AN ATTRACTIVE EMPLOYER, ACCORDING TO THE SURVEY

Meeting room at the head office in Duisburg

8.2 YEARS

IS THE AVERAGE LENGTH OF SERVICE

best possible use of their capabilities. This has a positive impact on the employees and thus on the company itself.

Thorough, comprehensive human resources planning is also extremely important. We require sufficiently qualified and dedicated employees at every operational level and in every area of the company. Part of our strategy is to maintain a streamlined, efficient company structure, whereby we must always make sure that our employees can cope with their workload and support them wherever necessary.

For this reason, we will continue to review our HR capacities on a regular basis in future and actively recruiting for individual departments as necessary.

What else is there to say?

“Thank you” and “keep up the good work”! We think it is remarkable how well our workforce has coped with the challenges of the past few years and the new ways of working. We have highly motivated and highly qualified employees who carry out their work for the company with great focus and dedication, even in difficult circumstances and when things change at short notice. That makes us very happy – we are in a great position thanks to our fantastic team!

COMPANY

REPORT FROM THE SUPERVISORY BOARD

Dear readers,

Although macroeconomic conditions remained difficult, HAMBORNER REIT AG has built on its success in 2021 and achieved stable business performance in line with its forecasts in the past year.

CHANGES TO THE MANAGEMENT BOARD AND SUPERVISORY BOARD

To underline the importance of sustainability for HAMBORNER and reflect this in the work of the Supervisory Board, a decision was taken at the meeting held on 28 April 2022 to set up an ESG Committee. In order to not increase the number of committees permanently, the Supervisory Board also decided at its meeting on 15 November 2022 to merge the Executive and Nominating Committees with effect from 1 January 2023.

On 31 May 2022 the Supervisory Board appointed Ms Sarah Verheyen as a member of the Management Board with effect from 1 October 2022. This ensured a timely succession process for the Management Board member Mr Hans Richard Schmitz, who retired as planned at the end of 2022, and was also an important step towards increasing diversity.

MONITORING MANAGEMENT AND COOPERATION WITH THE MANAGEMENT BOARD

In the 2022 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 sessions, to ask questions and to make their own suggestions.

There were six meetings of the Supervisory Board in the 2022 financial year, four of which were held as face-to-face meetings, while the remaining two took place as video conferences. Outside these meetings the Supervisory Board also passed resolutions appointing Ms Sarah Verheyen to the Management Board, approving the short-term variable target remuneration (STI) for 2022 and on refinancing two portfolio properties. In addition, there was another resolution in the form of a circular resolution to adjust the targets for the percentage of men and women on the Management Board and Supervisory Board, on which future appointments to the Management Board and

DR ANDREAS MATTNER

Chairman of the Supervisory Board
of HAMBORNER REIT AG

the formulation of proposals for the election of Supervisory Board members are to be based.

Over the course of the year the Chairman of the Supervisory Board remained 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.

The Supervisory Board also attended training courses in the reporting year, including a presentation on the subject of sustainability.

MAIN ACTIVITIES OF THE SUPERVISORY BOARD

The development of the company in terms of revenue, earnings and personnel, 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 together with the members of the Supervisory Board. The Supervisory Board also discussed numerous specific topics with the Management Board in its meetings, including the effects of inflation and interest rates, sustainability matters, and succession planning for Mr Hans Richard Schmitz.

At the face-to-face meetings on 19 January 2022 and 31 March 2022, which were held without the Management Board, and in the virtual meeting held after the Annual General Meeting on 28 April 2022, the Supervisory Board discussed succession planning for Mr Schmitz in great detail. The Supervisory Board also held interviews with several candidates at these meetings. At its meeting on 28 April 2022 the Supervisory Board authorised its Chair to sign a modified term sheet and authorised the Executive Committee to negotiate and sign a service contract with Ms Sarah Verheyen. The Supervisory Board also voted at this meeting to establish an ESG Committee.

At the accounts meeting of 10 March 2022, which was held by video conference, 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 2021, following its own review and discussion of significant aspects with the auditor Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The Supervisory Board approved the remuneration report and concurred with the Management Board's proposal for the appropriation of profits. The Supervisory Board also voted to hold the Annual General Meeting on 28 April 2022 online and adopted the agenda. In addition, at the suggestion of the Executive Committee, the Supervisory Board determined the target values for the Management Board's variable remuneration for the 2022 financial year. As part of the performance-based remuneration, a bonus was granted to the Management Board for the 2021 financial year. An adjustment to the fixed remuneration for the Management Board member Mr Hans Richard Schmitz was also adopted. In addition, the Supervisory Board approved one property acquisition.

At the face-to-face meeting on 8 September 2022 the Supervisory Board voted to modify the division of responsibilities for the Management Board to reflect the new appointment. The Supervisory Board also approved an adjustment to the skills profile and the qualification matrix for the Supervisory Board. The Supervisory Board also discussed possible amendments to the company's Articles of Association and the Rules of Procedure for the Supervisory Board in connection with the establishment of the ESG Committee and the changes to the corporate governance of the Supervisory Board.

The focus of the meeting on 15 November 2022, which took place face-to-face, was the budget and medium-term planning for the company for the years 2023 to 2027. The planned development of revenue and earnings was discussed in detail with the Management Board. In addition, the Supervisory Board approved the possible signing and execution of a debt financing transaction. In this context, Ms Maria Teresa 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. The voting on this agenda item therefore took place in the absence and without the involvement of Ms Maria Teresa Dreo-Tempsch. In the absence of the Management Board, the Supervisory Board also adopted the changes to the Rules of Procedure for the Supervisory Board that had already been discussed at the September meeting. This included merging the Executive Committee and the Nominating Committee with effect from 1 January 2023, in order to bring the number of committees back down to three following the establishment of the ESG Committee. The Supervisory Board also decided to propose various amendments to the Articles of Association at the Annual General Meeting. The shareholder representatives on the Supervisory Board voted for a voluntary commitment to buy and hold HAMBORNER shares. In the absence of the Management Board, the Supervisory Board discussed self-assessment, which now takes place on a yearly basis. The declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the Stock Corporation Act (Aktiengesetz, AktG) was also adopted.

REPORT BY THE COMMITTEES

Some of the work of the Supervisory Board is performed by committees. There were four committees in the 2022 financial year following the establishment of the ESG Committee.

The Executive Committee met three times; twice by video conference and once in person. The meeting on 25 January 2022 dealt with the targets for the variable Management Board remuneration and succession planning for the Management Board member Mr Hans Richard Schmitz.

The meetings on 16 February 2022 and 25 March 2022 were also concerned with the ongoing succession process for the Management Board.

By way of a circular resolution, the Executive Committee approved the service contract with Ms Sarah Verheyen and a clarification to the existing Management Board contracts.

The Audit Committee met four times in 2022, once in person and three times by video conference. All the meetings took place in the presence of the auditors. The meeting in March 2022, in which the Committee chiefly dealt with the financial statements for 2021, was also attended by all the other Supervisory Board members. At the other Committee meetings over the remainder of the year, two of which the Supervisory Board Chair, Dr Andreas Mattner, attended as a guest, the half-year financial report and the quarterly interim statements for 2022 were presented by the Management Board and discussed in detail. The Audit Committee also made a public request for the selection of a new auditor for the financial statements and made a corresponding proposal to the Supervisory Board.

The newly formed ESG Committee met on 7 September 2022. The meeting was also attended by all the other Supervisory Board members and focused on a guest presentation on the subject of sustainability, which was followed by a discussion. The ESG Committee was also notified of the company's ESG activities in 2022 by the Management Board.

The Nominating Committee did not meet in the 2022 financial year as it was not required.

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 2022 FINANCIAL YEAR

Name	Member since	SB total (6)	Audit Committee (4)	Executive Committee (6)	Nominating Committee (–)	ESG Committee (1)
Dr Andreas Mattner	2017	6/6	–	3/3	–	1/1
Claus-Matthias Böge	2015	5/6	3/4	3/3	–	–
Maria Teresa Dreo-Tempsch	2020	5/6	–	3/3	–	1/1
Rolf Glessing	2018	6/6	4/4	–	–	–
Ulrich Graebner	2019	6/6	–	3/3	–	1/1
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

AThe 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 23 of the German Corporate Governance Code (hereinafter "Code"), in the corporate governance report for 2022. 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 2022. The declaration of compliance is publicly available on the company's website **www.hamborner.de/en** in the Corporate Governance section.

ADOPTION OF THE 2022 ANNUAL FINANCIAL STATEMENTS (HGB) AND APPROVAL OF THE IFRS SEPARATE FINANCIAL STATEMENTS

On 9 March 2023, in the presence of the auditor, first in the Audit Committee and then in the meeting of the Supervisory Board, 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, were examined and discussed in detail. 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 9 March 2023.

UNQUALIFIED AUDIT OPINION

The annual financial statements of the company as at 31 December 2022 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 28 April 2022. The auditor issued unqualified audit opinions for both sets of financial statements.

The 2022 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.

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. Thanks to their continued dedication in 2022 they achieved an outstanding result together under challenging circumstances.

The Supervisory Board would like to express its particular thanks to the long-standing Management Board member Hans Richard Schmitz, who has shaped the company's performance for over more than a decade and taken his well-deserved retirement at the end of 2022. The Supervisory Board thanks Mr Schmitz for a successful and always constructive working relationship and wishes him all the very best for the future.

Duisburg, 9 March 2023

Supervisory Board

Dr Andreas Mattner
Chairman

MANAGEMENT BOARD AND SUPERVISORY BOARD

Management Board

NICLAS KAROFF, BERLIN
Chairman
born in 1971,
Management Board member since 1 March 2020,
appointed until 29 February 2024,

- Responsible until 30 September 2022 for Investor Relations, Corporate Strategy / Digitalisation, Transaction Management, Portfolio Management / Controlling / Risk Management, HR, Public Relations, Internal Audit, Data Protection

- Responsible from 1 October 2022 until 31 December 2022 for Corporate Communications / Investor Relations, Strategy, ESG, Transaction Management, Portfolio Management / Controlling / Risk Management, HR / Organisation, Internal Audit, Data Protection / Digitalisation

- Responsible from 1 January 2023 for Strategy, ESG, Accounting / Finance / Taxes, Portfolio Management / Controlling / Risk Management, Legal / Corporate Governance, Corporate Communications / Investor Relations, HR / Organisation, Internal Audit

HANS RICHARD SCHMITZ, DUISBURG
born in 1956,
Management Board member since 01 / 12 / 2008,
appointed until 31 / 12 / 2022,

- Responsible until 30 September 2022 for Investor Relations, Asset Management, Technology / Maintenance / Project Management, Finance and Accounting / Taxes, Legal / Corporate Governance, IT, Insurance / Corporate Services, Investments

- Responsible from 1 October 2022 until 31 December 2022 for Asset Management, Technology / Project Management, IT, Accounting/Finance / Taxes, Legal / Corporate Governance

SARAH VERHEYEN, MUNICH
born in 1985,
Management Board member since 01 / 10 / 2022,
appointed until 30 / 09 / 2025,

- Responsible from 1 October 2022 until 31 December 2022 for Transaction Management, Asset Management, ESG, Technology / Project Management, Data Protection / Digitalisation, IT

- Responsible from 1 January 2023 for Transaction Management, ESG, Asset Management, Technology, Project Development, IT / Digitalisation, Data Protection

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

Supervisory Board

DR ANDREAS MATTNER, HAMBURG
Chairman
Managing Director of
ECE Development & Consulting GmbH

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 Shareholder of
Glessing Management Beratung GmbH
Spokesperson of the Management Board of Kässbohrer Geländefahrzeug GmbH

ULRICH GRAEBNER, BAD HOMBURG V. D. H.
Senior Advisor of Houlihan Lokey GmbH
Partner at Cara Investment GmbH

CHRISTEL KAUFMANN-HOCKER, DÜSSELDORF
Independent management consultant

MECHTHILDE DORDEL, OBERHAUSEN [1]
Commercial employee of HAMBORNER REIT AG

KLAUS HOGEWEG, MÜLHEIM AN DER RUHR [1]
Commercial employee of HAMBORNER REIT AG

JOHANNES WELLER, WILLICH [1]
Commercial employee of HAMBORNER REIT AG

[1] Employee representative

I 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 property industry based on sustainability is a long-term objective shared by HAMBORNER REIT AG, its stakeholders and competitors. The company's goal is to actively embrace this process and the growing trend towards the integration of sustainability aspects on a company, property and investment level, and to accept social and environmental responsibility in the course of implementing its corporate strategy.

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 rental income that can be planned long-term and that can be distributed to shareholders in the form of attractive dividends. The corporate strategy therefore takes into account all aspects and measures that contribute to generating adequate and attractive distributions in the long term.

The company stakeholders' growing demands for sustainable business practices play an ever-greater role in this context. For this reason, relevant criteria have been incorporated into the corporate strategy, and a commitment made to the continuous expansion of the sustainability management system.

Sustainability management

The planning and management of the company's sustainability activities is the responsibility of the internal sustainability committee, consisting of the Management Board and the managers in charge of selected business areas.

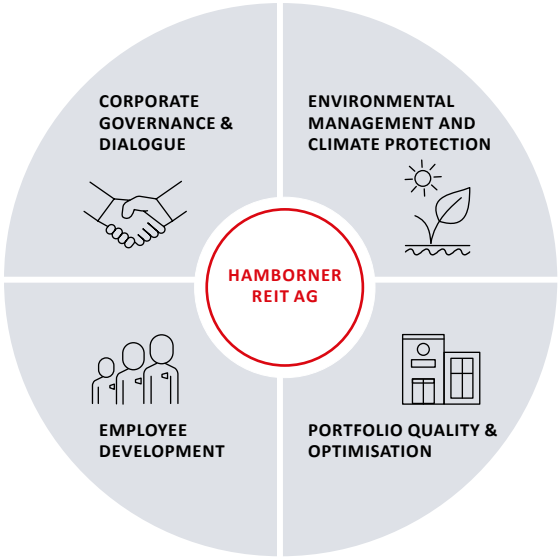
The organisational structures were strategically expanded in 2022 and an ESG Committee was established at the level of the Supervisory Board. It advises the Management Board and the company on key sustainability matters and deals in particular with the integration of sustainability into the corporate strategy and the definition of sustainability targets.

Another important step was the creation of a head office unit dedicated exclusively to sustainability topics. It pools capabilities within the company and is responsible for interdisciplinary and overarching sustainability projects.

When defining business-related sustainability topics, HAMBORNER is guided by the principle of materiality, while following a policy of targeting the available resources and its own efforts on topics which

STAKEHOLDERS OF HAMBORNER REIT AG

MAIN ACTION AREAS WITHIN THE SUSTAINABILITY MANAGEMENT SYSTEM



have the greatest impact on society and the environment. Based on these criteria, the following key areas of action were defined:

- Environmental management and climate protection
- Portfolio quality & optimisation
- Employee development
- Corporate governance & dialogue

The basis for all HAMBORNER's activities is a strategic sustainability programme, which forms the road map for implementing the sustainability strategy and defines concrete measures and targets in the action areas mentioned above.

The topic of environmental management and climate protection was at the heart of the company's activities in 2022. The focus was on the establishment of carbon accounting across the 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 portfolio quality and portfolio optimisation activities.

On the issue of employee development, the focus was on the implementation of training and development 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 and dialogue, the focus was on, among other things, the further development of the risk management system with respect to ESG criteria, strengthening the 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 activities and progress in the defined action areas.

To view the current 2021/2022 **SUSTAINABILITY REPORT** 2021 / 2022, click **here.**

I HAMBORNER SHARES

GENERAL SITUATION ON THE STOCK MARKET

The performance of the global stock markets in 2022 was defined by great uncertainty and numerous negative factors. The war in Ukraine, rapidly rising inflation rates and the ensuing monetary policy decisions by central banks resulted in sometimes significant falls in share prices on national and international exchanges.

While the leading German index, the DAX, reached new highs in 2021 and ended the year with a considerable rise to 15,885 points, it fell significantly in the first few trading weeks of the year 2022 and reached a temporary low of approximately 12,600 points in March.

Influenced by short-term monetary and fiscal policy measures, the market initially recovered rapidly and the DAX once again exceeded the 14,500-point mark at the end of March. Yet, higher inflation rates and rising concerns about recession meant that it declined once more in the second quarter of 2022 and the DAX stood at 12,783 points at the end of the first half of 2022.

After another recovery at the start of the second half-year, the DAX slumped again in the following weeks and sank to its annual low in late September at 11,863 points.

The fact that inflation rates stabilised at a high level, combined with positive corporate news and cautiously optimistic forecasts by many market participants, meant that the downward trend was halted and the index made up some of the interim losses by the end of the year. The DAX closed the year 2022 at 13,924 points, which was 12.4% down on the year.

The indexes that follow the DAX, the MDAX and the SDAX, also reported significant losses of –28.5% and –27.3% respectively.

Developments in interest rates meant that the shares of European property companies in particular suffered and sustained disproportionately great drops in share prices than the market as a whole. The FTSE EPRA / NAREIT Europe ex UK Index, which is published by the European Public Real Estate Association (EPRA), fell sharply by –39.2% in 2022.

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.

The company engaged Baader Bank AG based in Munich 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 25.3 million in 2022, the trading volume of HAMBORNER shares was below that of the previous year (33.6 million). Accordingly, the average trading volume fell to around 99,000 shares per day (previous year: around 132,000). The decline is due primarily to the difficult market environment overall and to decreasing demand for property shares over the course of the year.

-12.4%
DAX

-27.3%
SDAX

PRICE PERFORMANCE OF HAMBORNER SHARES

HAMBORNER shares were also unable to escape the turbulence and negative performance of stock markets and their price fell in 2022.

After ending 2021 at €10.02, the price was largely stable in the first quarter of 2022.

As a result of the dividend markdown and the subsequent negative trend in real estate equities, the share reached its interim low of €8.11 in mid-May. However, the price was able to recover a part of its losses in the following weeks and on 30 June 2022 reached €8.54.

Over the second half-year the share price followed the general market and sector trend and sank again, reaching its annual low in early October at €6.23.

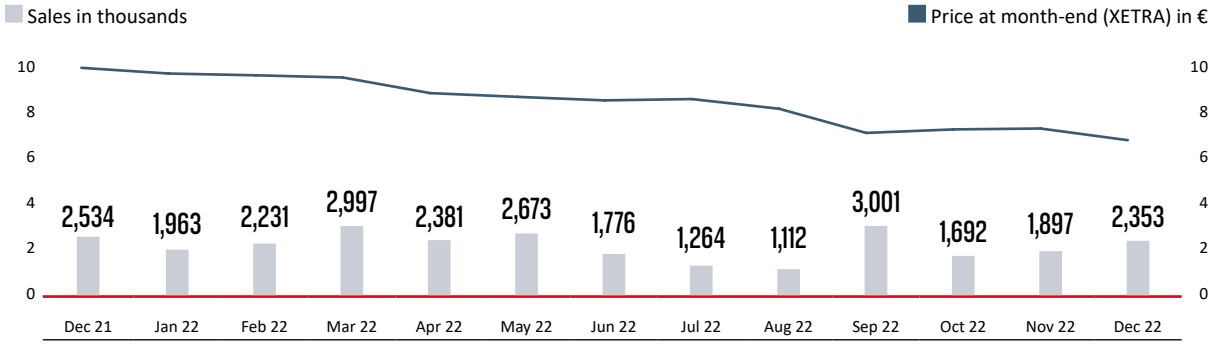
The closing price for the year was €6.73 and therefore approximately 32.8% lower than at the end of the previous year.

As at the 2022 year end, market capitalisation was €547.4 million (previous year: €815.1 million).

OVERVIEW OF HAMBORNER SHARES		2022	2021	2020
Issued capital	€ million	81.3	81.3	80.6
Market capitalisation [1]	€ million	547.4	815.1	726.0
Year-end share price	€	6.73	10.02	9.01
Highest share price	€	10.31	10.22	10.62
Lowest share price	€	6.23	8.66	7.32
Dividend per share	€	0.47 [2]	0.47	0.47
Total dividend	€ million	38.2	38.2	37.9
Dividend yield [1]	%	6.98	4.69	5.22
Price / FFO ratio [1]		10.74	15.34	13.06

[1] Basis: XETRA year-end closing price
[2] Proposal to the 2023 Annual General Meeting

PRICE TREND FOR 2022



DIVIDEND

With largely stable business development in line with plans in the 2022 financial year, the Management Board and Supervisory Board will propose to the ordinary Annual General Meeting on 27 April 2023 the distribution of a dividend of €0.47 per share, as in the previous year. This would correspond to a dividend yield of 7.0% based on the share price at the end of 2022.

HAMBORNER has been known for many years for an attractive and dependable dividend policy. Insofar as the company's financial position permits, it intends to maintain the high dividend ratio in future too.

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 2022 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.

7.0%

DIVIDEND YIELD

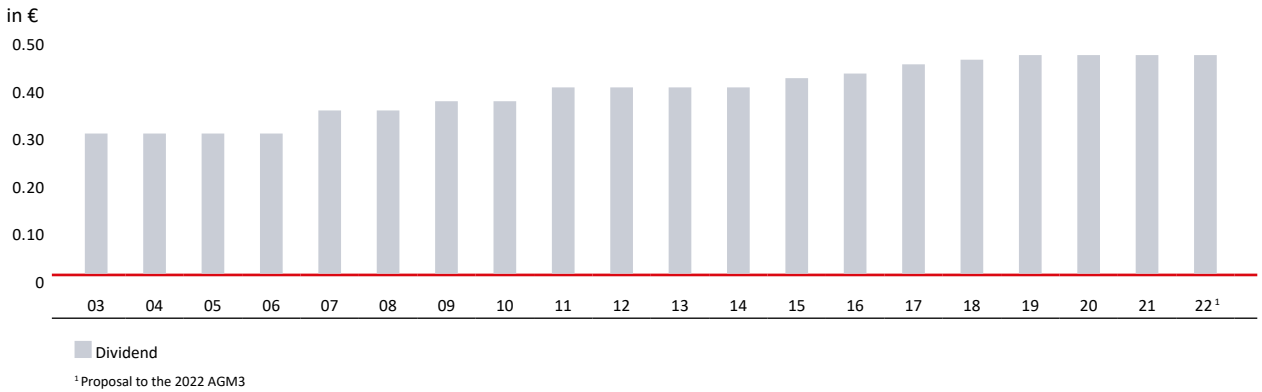
0.47 €

PROPOSED DIVIDEND

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.

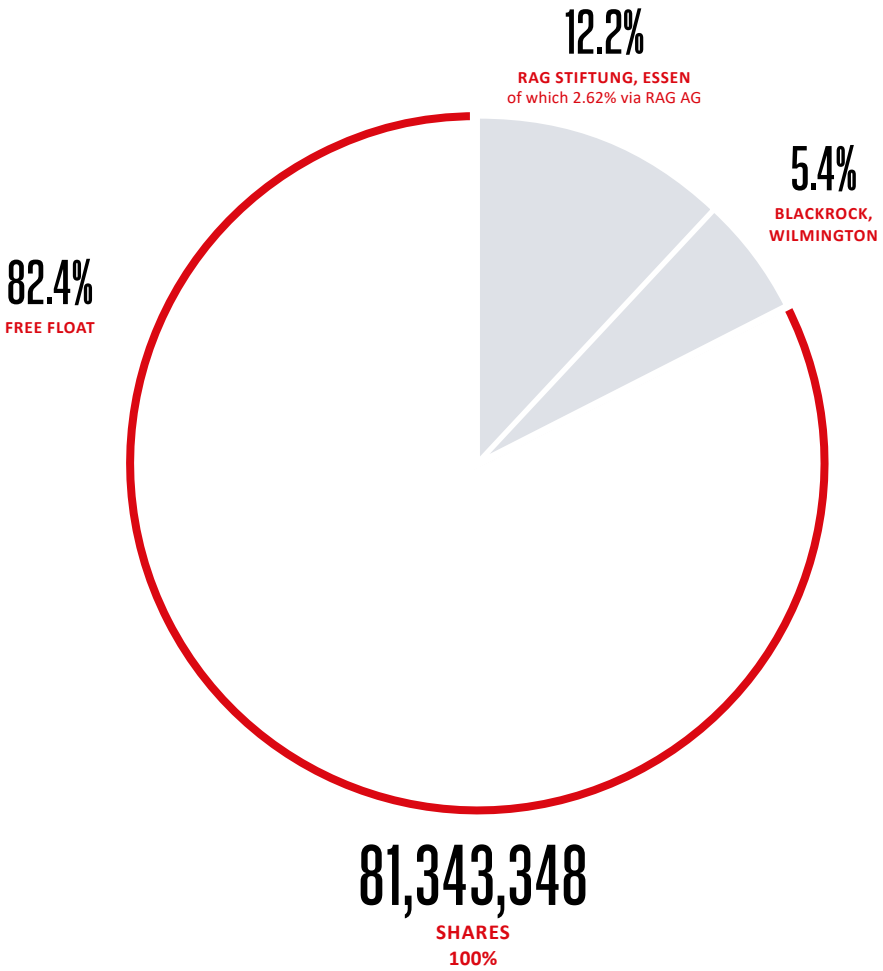
The company's investors and stakeholders are regularly supplied with up-to-date information, not only through direct dialogue but also online. Our website **www.hamborner.de/en** offers clear access to current company data and publications at all times. Those interested can also use the contact form in the Investor Relations section to register for our newsletter and receive information about HAMBORNER REIT AG directly by email. Furthermore, we provide advance details of our publication dates and roadshow and conference plans in our financial calendar.

DIVIDEND TREND 2003-2022



[1] Proposal to the 2022 AGM3

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2022



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 will continue our active investor relations work in 2023 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: info@ir.hamborner.de

TRANSPARENT REPORTING IN ACCORDANCE WITH EPRA

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

OVERVIEW OF EPRA INDICATORS

OVERVIEW OF EPRA INDICATORS IN € THOUSAND	**31 DEC. 2022**	**31 DEC. 2021**
EPRA NRV	1,082,839	1,102,172
EPRA NTA	964,383	984,430
EPRA NDV	1,036,064	972,299
EPRA earnings	50,979	53,120
EPRA net initial yield	4.5%	4.2%
EPRA "topped-up" net initial yield	4.5%	4.2%
EPRA vacancy rate	1.9%	2.0%
EPRA cost ratio (including direct vacancy costs)	27.3%	24.1%
EPRA cost ratio (excluding direct vacancy costs)	26.7%	23.3%
EPRA LTV	39.1%	37.6%

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 indicator 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. 2022 IN € THOUSAND	EPRA NRV	EPRA NTA	EPRA NDV
IFRS shareholders' equity	**470,404**	**470,404**	**470,404**
Diluted NAV	**470,404**	**470,404**	**470,404**
Revaluation of investment property (using cost model according to IAS 40)	494,425	494,425	494,425
Diluted NAV at market value	**964,829**	**964,829**	**964,829**
Market value of financial instruments	0	0	–
Intangible assets according to the IFRS balance sheet	–	–446	–
Fair value of fixed interest rate liabilities	–	–	71,235
Land transfer tax / acquisition costs	118,010	–	–
NAV	**1,082,839**	**964,383**	**1,036,064**
Number of shares (fully diluted) in thousands	81,343	81,343	81,343
NAV per share in €	**13.31**	**11.86**	**12.74**

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**

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

EPRA EARNINGS

The figure "EPRA earnings" shows a property company's ability to make distributions from its sustainable operating income by adjusting net income for any measurement effects or the result of disposals, for example. This indicator is therefore similar to the funds from operations (FFO) figure communicated by the company (FFO, see page 45 et seqq.).

EPRA EARNINGS IN € THOUSAND		31 DEC. 2022	31 DEC. 2021
	Earnings per IFRS	**13,314**	**54,260**
+	Changes in the value of investment property[1]	37,841	35,241
–	Profit or losses on disposal of investment properties	–176	–36,381
	EPRA earnings = FFO	**50,979**	**53,120**
	Number of shares in thousands	**81,343**	**81,343**
	EPRA earnings per share in € = FFO per share in €	**0.63**	**0.65**

[1] Here, depreciation, impairment losses and reversals of impairment losses on property are recognised here on account of the recognition of property at depreciated cost.

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. 2022	31 DEC. 2021
Fair value of the property portfolio (net)	1,608,600	1,593,450
+ Incidental costs of acquisition	118,010	117,270
+ Fair value of the properties held for sale [1]	0	10,550
Fair value of the property portfolio (gross)	**1,726,610**	**1,721,270**
Annualised rental income	86,516	81,723
– Non-transferable property costs	–9,183	–9,025
Annualised net rental income	**77,333**	**72,698**
+ Adjustments for rental incentives [2]	490	280
Topped-up annualised rental income	**77,823**	**72,978**
Net initial yield in %	**4.5**	**4.2**
Topped-up net initial yield in %	**4.5**	**4.2**

[1] As the net fair value corresponds to the gross fair value, no incidental costs of acquisition are considered here
[2] The average term of the rental incentives is 12.2 years (previous year: 9.4 years)

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. 2022	31 DEC. 2021
Annualised standard market rent for vacant space	1,705	1,704
Annualised standard market rent for portfolio as a whole	88,711	83,706
Vacancy rate in %	1.9	2.0

The vacancy rate came to 1.9% as at 31 December 2022, which is a slight improvement on the previous year. This is mainly due to the rise of €5.0 million or 6.0% in annualised rental income, which stems principally from the acquisitions of properties in Freiburg (€1.4 million) and Kempten (€1.6 million). Index-based rents also went up due to higher inflation.

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. 2022	31 DEC. 2021
Administrative / operating expenses per IFRS income statement	58,083	52,588
+ Service charge costs less income from incidental costs passed on to tenants	3,263	3,319
– Other operating income from costs passed on to third parties / reimbursed expenses	–351	–365
–/+ Investment property depreciation and write-ups	–37,841	–35,241
EPRA costs (including direct vacancy costs)	**23,154**	**20,301**
– Direct vacancy costs	–553	–694
EPRA costs (excluding direct vacancy costs)	**22,601**	**19,607**
Gross rental income less ground rent costs	**84,723**	**84,134**
EPRA cost ratio in % (including direct vacancy costs)	**27.3**	**24.1**
EPRA cost ratio in % (excluding direct vacancy costs)	**26.7**	**23.3**

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	2022	2021
Acquisitions	**50,415**	**66,606**
Investment property		
Without creation of additional rental space	418	5
Maintenance measures relating to new acquisitions	686	1,539
Total (Investment properties)	**1,104**	**1,544**
Total CapEx	**51,519**	**68,150**
Reconciliation of accrual-based allocation to expenses	–288	–1,019
TOTAL CAPEX AFTER OUTFLOWS	**51,231**	**67,131**

The purchases of €50.4 million (previous year: €66.6 million) consisted of the properties in Kempten and Freiburg acquired in the 2022 financial year. HAMBORNER took possession of the properties in Mainz, Stuttgart and Münster in 2021.

Investment properties gave rise to total investment costs of €1,104 thousand in the 2022 financial year (previous year: €1,544 thousand).

In the 2022 financial year, €418 thousand (previous year: €5 thousand) was paid in investment expenses for existing rental space of current tenants or new lets. This mainly relates to modification work for a subsequent tenant in the property Johann-Krane-Weg 21–27, Münster (€197 thousand).

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 €686 thousand (previous year: €1,539 thousand) were paid out in the 2022 financial year to remedy such defects. €557 thousand of the total in 2022 was for refurbishing underground garages and car parking spaces, as well as for revitalisation work in Schockenriedstr. 17 in Stuttgart. Most of the work the previous year (€919 thousand) was for roof repairs to the property in Darmstadt, Leydheckerstr. 16.

In total, CapEx measures in 2022 came to €51.5 million (previous year: €68.1 million), which resulted in outflows of €51.2 million (previous year: €67.1 million). The difference is due to the provisions of €0.3 million created as at 31 December 2022 (previous year: €1.0 million).

HAMBORNER has no subsidiaries or joint ventures.

EPRA LTV

EPRA LTV is a consistent, comparable metric for the industry and is used to express the debt-coverage ratio. It depicts the ratio of the borrowings as defined by IFRS, less cash and cash equivalents, to the total fair value of the property portfolio.

LOAN TO VALUE IN ACCORDANCE WITH EPRA IN € THOUSAND	31 DEC. 2022	31 DEC. 2021
Non-current financial liabilities without derivatives	668,150	667,396
Current financial liabilities	102,555	80,308
Cash and cash equivalents	–141,958	–143,407
Net financial liabilities	**628,747**	**604,297**
Investment property at fair value according to LaSalle valuation	1,608,600	1,593,450
Sales value of the undeveloped land holdings	460	461
Non-current assets held for sale	0	10,550
Capitalised incidental costs of acquisition on properties not yet transferred	4	1,407
	1,609,064	**1,605,868**
Loan to value in accordance with EPRA	**39.1%**	**37.6%**

MANAGEMENT REPORT

BASIC INFORMATION ON 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

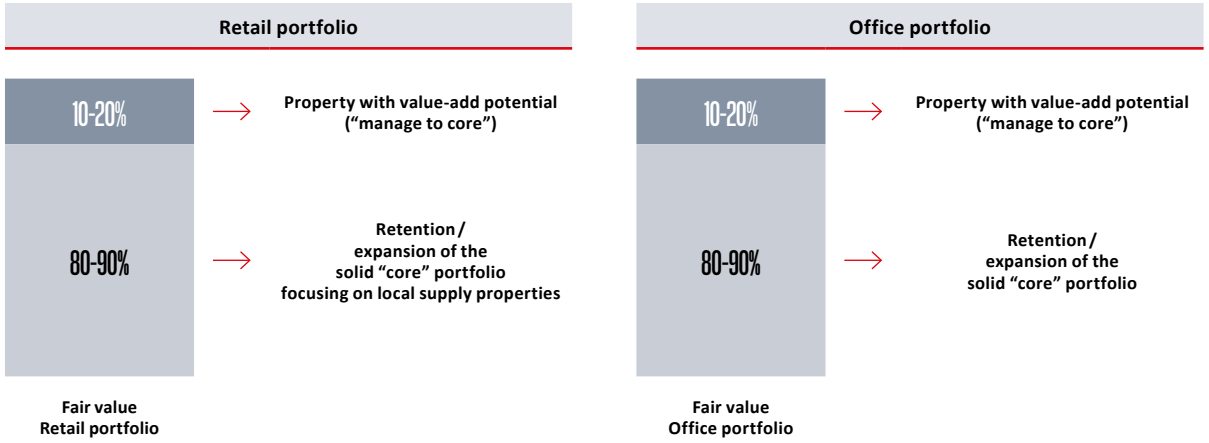
Along with the efficient management and development of the properties currently held, the corporate strategy at HAMBORNER REIT AG targets yield-driven expansion of the existing commercial property portfolio.

The company pursues an active portfolio strategy based on a two-pillar model and looks 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 food retail or in the extended local supply 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".

"TWO PILLAR" PORTFOLIO STRUCTURE OF HAMBORNER REIT AG



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 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. In terms of its investment in office properties, 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. In particular, key operating value drivers and factors influencing development of FFO include rental income, the vacancy rate, personnel expenses, maintenance and interest expenses. Improvements in efficiency due to growth are expressed by the operating cost ratio, i.e. the ratio of administrative and personnel expenses to rental income. 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 investment, repayment 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 66 properties as at the end of the reporting year. The properties are predominantly in large and medium-sized cities at 46 locations in Germany, and have a total usable floor area of 611,212 m², almost all of which is in commercial use. More detailed information on the year of purchase, location, size and type of use as well as the fair value of all properties can be found in the list of properties in the annexe to the management report. In the annual report the annexe is on **page 109 et seqq.**

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

KEY PORTFOLIO INDICATORS	RETAIL	OFFICE	TOTAL
Property value (€ million)	881.1	727.5	1,608.6
Number of properties	38	28	66
Leasable space (thousand m²)	381.6	229.6	611.2
Annualised rent (€ million)	48.7	38.3	87.0
Annualised rent yield (%)	5.5	5.3	5.4
EPRA vacancy rate (%)	1.6	2.4	1.9
Weighted remaining lease term (WALT) in years	7.6	5.0	6.5

Successful new investments

In the 2022 financial year two new investments were made in line with the company strategy. Excluding incidental costs of acquisition, the investment volume came to €48.6 million (previous year: €60.7 million). The fair value of these properties came to €49.3 million as at 31 December 2022, and was therefore €0.7 million above the purchase prices. Specifically, the risks and rewards of the following properties were transferred to us in the reporting year:

CITY	ADDRESS	PROPERTY USE	AREA IN M²	RENTAL INCOME P. A. IN € THOUSAND	PURCHASE PRICE IN € MILLION
Freiburg	Munzinger Straße 6 / Waltershofener Straße 21	Retail	10,659	1,410	18.8
Kempten	Ulmer Straße 21	Retail	17,067	1,603	29.8
TOTAL			**27,726**	**3,013**	**48.6**

Disposals from the portfolio

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 2022 through the disposal of four further city centre properties. The following breakdown provides an overview of the properties disposed of in the 2022 financial year.

CITY	ADDRESS	BUILDING USE	CARRYING AMOUNTS IN € THOUSAND	PURCHASE PRICE IN € THOUSAND	RENTAL INCOME P.A. IN € THOUSAND
Gütersloh	Berliner Str. 29–31	Retail	2,070	2,100	191
Herford	Bäckerstr. 24–28	Retail	2,519	2,519	226
Lemgo	Mittelstr. 24–28	Retail	3,040	3,040	235
Siegen	Bahnhofstr. 8	Retail	10,550	10,550	1,028
Sub-plot in Bonn	Am Krähenhorst 1	Office	11	25	0
Undeveloped land Duisburg Marxloh	Wilfriedstr.	Undeveloped land	3	153	0
TOTAL			**18,193**	**18,387**	**1,680**

This means that by the end of 2022, in accordance with its strategy, the company had sold all of the 21 inner-city office buildings planned for short-term disposal which were still in the company's portfolio at the start of 2020.

Tenancy structure

The foundation for the successful performance in 2022 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 %[1]
EDEKA Group	11.6
Kaufland Group	7.4
REWE Group	7.0
OBI DIY stores	6.8
GIOBUS retail stores	4.5
German Federal Employment Agency / Job centres	3.3
BARMER Insurance	2.6
NETCOLOGNE telecommunications company	2.1
ALDI Group	1.6
Verwaltungs-Berufsgenossenschaft	1.5
TOTAL	**48.4**

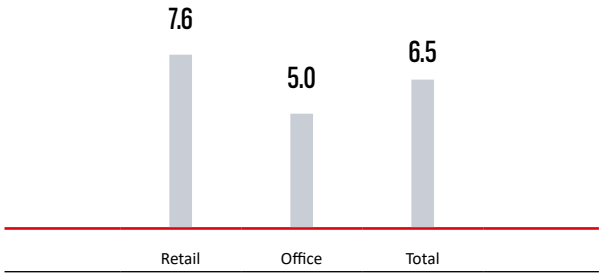
[1] Share of annualised rental income (including rent guarantees)

A glance at the tenant structure shows that a significant proportion of rental income is generated with companies which are less sensitive to economic trends. Particularly noteworthy in this category are food retailers, which contributed around one third of the company's rental income in the 2022 financial year.

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

WEIGHTED REMAINING LEASE TERMS

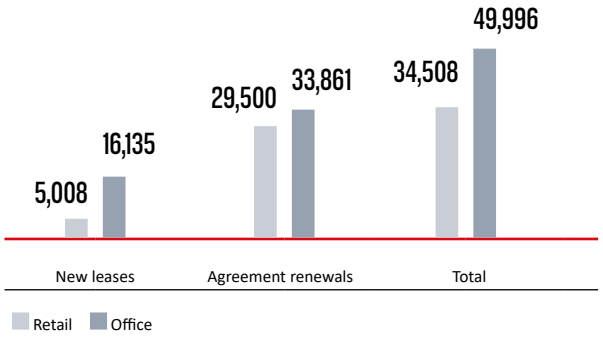
(As at 31 December 2022; in years)



The leasing performance in the 2022 financial year is shown in the following graphic:

LEASING PERFORMANCE

(2022 financial year; in m²)



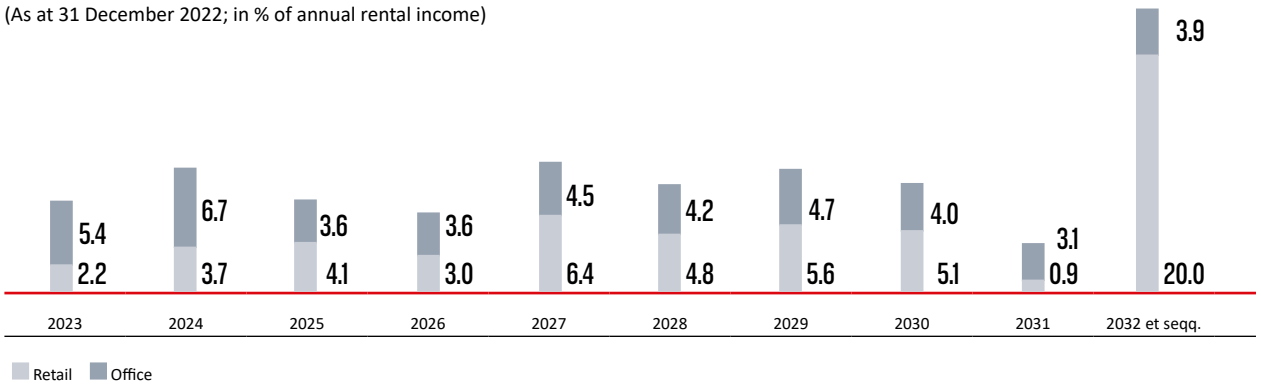
New leases were signed for 31 assets in 2022, covering a total usable floor area of 21,143 m². The largest new lease by area was a tenancy agreement with the German Federal Employment Agency (Bundesagentur für Arbeit) in Martin-Luther-King-Weg 18–28, Münster, for some 6,300 m². Four more new leases were signed for areas of more than 1,000 m² in each case. They included an agreement with PS-Pension Solutions GmbH for some 2,600 m² in Röthelheimpark 11–15, Erlangen. A 1,700 m² space in Gottlieb-Daimler-Str. 27, Gießen, was let to ALDI SE & Co. KG, and a 1,500 m² space in Spreewaldallee 44–50, Mannheim to Woolworth GmbH. In the property Gräfenhäuser Str. 85, 85A, 85B, Darmstadt, we were able to let 1,400 m² to core sensing GmbH.

Leases for a total area of around 70,000 m² were renewed through a combination of contract extensions and options being exercised. Particularly noteworthy here are contract extensions with the tenant Immobilien Freistaat Bayern for Wetterkreuz 15, Erlangen, covering some 6,550 m², and the tenant Kaufland in Wilsdruffer Str. 52, Freital, for around 8,000 m², as well as with the tenant Obi GmbH in Westring 5, Hilden for some 10,850 m².

The company does still not expect to be faced with any serious cluster risk in relation to re-letting in the coming years.

LEASE EXPIRY SCHEDULE [1]

(As at 31 December 2022; in % of annual rental income)



[1] Unlimited: Retail 0.2%, Office 0.1%

I ECONOMIC REPORT

Economic environment

MACROECONOMIC TREND

The effects of the war in Ukraine are clear to see in the economic indicators. Energy and food prices rose massively in 2022. Added to these increases, particularly in the first half of 2022, were supply bottlenecks caused by interruptions to supply chains, partly as a result of the COVID-19 pandemic, and significant price increases at upstream economic levels. The average overall inflation rate came to 7.9%. Regardless of this, the Germany economy managed to grow despite the energy crisis, war in Ukraine and supply chain disruption, with gross domestic product for the full year of 2022 rising by 1.9%.

Unemployment decreased significantly from the previous year in 2022 by 195,000. This resulted in a decrease in the unemployment rate to 5.3% as at year end 2022 (December 2021, 5.7%).

SITUATION ON THE REAL ESTATE MARKET IN GERMANY

Retail space market

Based on estimations by the Federal Statistical Office, retailers in Germany had lower sales in 2022 than in the record year 2021, with a real (price-adjusted) decline of –0.3% and a nominal increase (not price-adjusted) of +8.2%. The difference between the nominal and real result reflects the steep price increases in the retail sector. The year 2021 saw the highest annual retail sales since records began, with a real increase of 0.8% compared to 2020 and 5.6% compared to 2019. Sales in face-to-face retailing in 2022 were still below their level before the outbreak of the COVID-19 pandemic. In view of the massive decline in real purchasing power of private households, it can be assumed that the sales situation will not change significantly in 2023, and that high pressure on retailers will even increase with lower sales and higher costs at the same time. It cannot be ruled out that rents outside the local retail segment will continue to decline as a result of higher vacancy and default risks, with the number of insolvencies on the rise.

Lastly, mobile working, a change in mobility patterns and demographic change are causing the retail sector to become more decentralised. This is disproportionately to the advantage of food retailers and other local retailers, which act as a anchors of stability, alongside the luxury segment, which is relatively immune to crises.

In addition to cyclical changes, it is, above all, structural adaptation requirements that are expected to keep the market moving. Digitalisation and decarbonisation will increasingly result in an oversupply of space that no longer meets the higher expectations, whereas, on the other hand, the rental space that does correspond to the new developments is often scarce and will probably remain comparatively expensive from the tenant's point of view. According to estimates by retailers, it is locations in retail parks, mixed-use properties and local centres that will profit from the current challenges, rather than second-tier locations in larger regional towns and shopping centres. Alternative uses and redevelopment are increasingly called for here, which require building work and investment.

The retail letting market was stable in the first half of 2022, despite the political and economic uncertainty. The take-up reported by Jones Lang LaSalle (JLL) for over 472 concluded leases came to 218,400 m².

Areas of up to 250 m² accounted for around half the lease deals and the number of deals rose by 5% by mid-2022. The main tenants of large spaces of 1,000 m² and above were in the catering / food sector. The textile sector again took first place in the first half of 2022 with a 34% share of total take-up and a nominal area of 73,800 m².

Sales in mail order and online retail rose significantly during the COVID-19 crisis (2021: real +12.3% compared to 2020) but decreased significantly in 2022, falling by 8.1% in real terms and 3.2% nominally.

Prime retail rates dropped nationwide by 1.8% in the first half of 2022 compared to same period in 2021, whereby the decline in towns with between 100,000 and 250,000 inhabitants was the most moderate at just 0.7%. In towns with more than 500,000 inhabitants the prime rates were down by 1.7%, and they fell by 4.5% in towns with between 250,000 and 500,000 inhabitants.

Office space market

General uncertainty due to the pandemic, war, inflation and the energy crisis have led to increasing caution on the part of businesses, which are being more tentative in their rental decisions and requiring less space as a result. One outcome of the currently lower demand for space is rising vacancy rates and lower rents outside the top segments. A shift in tenants' preferences towards modern, ESG-friendly spaces can be observed. These spaces are becoming scarcer and thus more expensive.

Despite negative economic performance, the number of people in work has gone up, and the average annual unemployment rate has fallen by 0.4 percentage points to 5.3%.

According to JLL, the office letting market appeared to be robust again in 2022. Turnover of office space in the seven largest cities rose by a good 6.5% compared to the previous year, to a total of 3.5 million m². Turnover of office space in Stuttgart (+112%), Hamburg (+22%) and Munich (+15%) was significantly up on the previous year.

As a result of lower demand and companies' generally lower need for space, the vacancy rate across all the seven major cities increased slightly from 4.5% to 4.9%. Although there is competition for modern, ESG-friendly space in prime locations which results in further rent increases and lower vacancy rates there, offices with lower energy standards are more difficult to let and are exposed to the risk of long-term vacancy and declining rents.

JLL reported an increase in new-build developments of around 10% compared to 2021 and approximately 1.76 million m² of newly completed spaces in the seven largest cities. For the year 2023, JLL predicts another 1.8 million m² under construction, of which around 55% has already been let.

Compared to the previous year, 2022 closed with a sometimes significant increase in prime rents. Prime rates rose in all seven major cities, with Frankfurt (€42.50) and Munich (€42.00) in top place. Düsseldorf (+33.3%) and Stuttgart (+29.4%) saw the biggest increases in prime rents in percentage terms. Rent increases are still expected in the higher segments as tenants' demands there are higher.

German property investment market

The German property investment market, including residential property, closed the year 2022 with a transaction volume of €66 billion, according to JLL. This is a drop of around 41% compared to the record year 2021 and a drop by some 8% on the ten-year average. For commercial property, the investment year 2022 started on an all-time high in the first quarter, but the second half-year then saw a sharp increase in reluctance on the part of investors.

According to JLL, the share of individual transactions fell compared to the previous year by some 27% to around 60%; as in previous years, German buyers accounted for the bulk of transaction volume.

The JLL analysis reveals that at almost €22 billion, most of the capital was invested in office properties (33% of the transaction volume), which is a decline of 22% compared to the previous year. It is followed by the residential segment with €14.4 billion (22% share, decline of 72%). Logistics properties accounted for €9.6 billion and their relative share increased to almost 15%. The revival in retail properties at the end of the third quarter continued until the end of the year: With a volume of €9.4 billion (14% share), they are only just behind logistics premises. Food-based specialist stores and supermarkets in particular lived up to their reputation as anchors of stability. Retail properties were able to increase their transaction volume by around 4% compared to 2021.

Around 44% of capital invested in the retail segment went to specialist retailers, according to BNP Real Estate. Shopping centres account for about 28% and high street properties for around 21%.

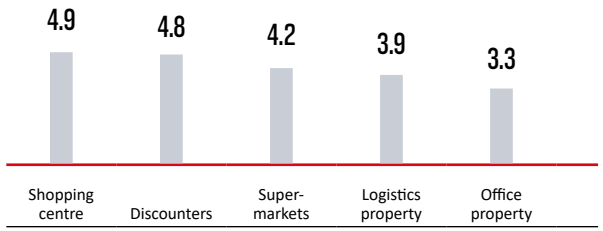
According to JLL, with a volume of €32 billion, 48% of the transaction volume is attributable to the "Big 7" cities. This represents a decline of 55% compared to 2021. Berlin again accounted for most of the transactions on the investment market with €11 billion. But Berlin also saw a decline in sales of 71% compared to 2021.

In contrast to the major cities, towns with fewer than 250,000 inhabitants increased in absolute terms (+16%) according to the BNP analysis. The pricing negotiation phase, in which many buyers and sellers currently find themselves, seems to be relatively well advanced here, and purchase price negotiations are concluded faster.

According to BNP, the increase in yields continued for prime office properties. They rose by around 30 base point on average in the top locations in the fourth quarter. Berlin and Munich are still the most expensive markets, currently with 3.20%, followed by Hamburg and Cologne with 3.30%. In Frankfurt the prime yield is now 3.35%, with Düsseldorf and Stuttgart reporting 3.40%. In the retail sector, yields for retail parks rose by 70 base points to 4.20% over a twelve-month period; individual specialist stores were up by some 40 base points to 4.80%, and shopping centres also rose by around 20 base points to 4.90%.

NET INITIAL YIELD AT END OF 2022[1]

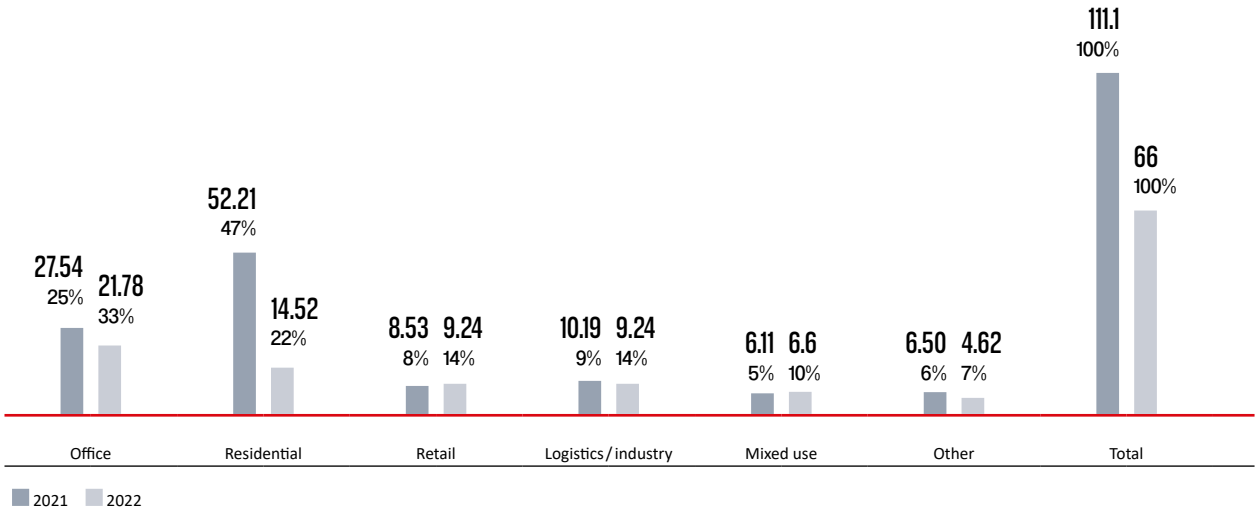
(in %)



[1] 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 by the Management Board

The financial year 2022 was dominated by the effects of the war in Ukraine and the ensuing steep rises in energy and consumer prices, with supply shortages in the manufacturing sector.

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. Conservative accounting for property at acquisition and production cost also has a beneficial effect. 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. Earnings are therefore less volatile overall.

Furthermore, the company's relatively low net debt, in consideration of the available liquid funds, is also proof of its continued solid financial position.

KEY CONTROL INDICATORS	2022		2021	TARGET ACHIEVEMENT
	Target	Actual	Actual	
FFO	€48 million to €49 million	€51.0 million	€53.1 million	↑
Rents and leases	€84 million to €85 million	€85.0 million	€84.4 million	→
NAV per share	virtually unchanged	€11.9 million	€12.1 million	→

The forecast for the year under review set at the beginning of 2022 and updated over the course of the year (targets) was achieved in terms of rental and lease income and net asset value (NAV) and slightly exceeded in terms of funds from operations (FFO).

At €51.0 million, FFO was down 4.0% compared to the previous year. The decline is mainly due to higher expenses for scheduled maintenance and other non-recurring operating income in the previous year. Earnings were therefore above the last published earnings forecast for the financial year 2022 of €48.0 million to €49.0 million. This is particularly due to higher other operating income in the fourth quarter and higher interest income.

Rents and leases were at the upper end of the forecast range as a result of ongoing high inflation, with letting otherwise stable and the vacancy rate remaining low.

The development of NAV was influenced in particular by the fall in the like-for-like portfolio valuation as at 31 December 2022. The decline stems largely from the general drop in the market value of properties, particularly due to higher interest rates.

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 2023 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 through the management of its properties from rents and leases of €85.0 million (previous year: €84.4 million).

The increase of €0.6 million, or 0.7%, compared with 2021 is primarily the result of rent increases following property additions (€3.8 million) as well as from rent decreases due to property sales (€5.3 million). On a like-for-like basis – i.e. comparing the properties held in the portfolio throughout 2021 and 2022 – income from rents and leases of €79.2 million was €1.6 million or 2.0% higher than the previous year (previous year: €77.6 million). This is largely due to index-based rent increases.

The change to the risk provisions formed in the previous years for rent reductions in connection with the COVID-19 pandemic resulted in income €0.5 million higher than the previous year.

At 2.1% (previous year: 1.9%), 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 2.5% (previous year: 2.3%).

Total maintenance expenses amounted to around €9.0 million in the financial year (previous year: €5.8 million). There were also measures eligible for capitalisation of around €1.1 million (previous year: €1.5 million).

As in the past, extensive work was done on individual projects in the 2022 financial year in terms 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 guaran-

teeing their long-term letting prospects. In addition, tenant improvements and conversions were coordinated in the wake of new leases and re-lettings.

More extensive revitalisation and refurbishment work was carried out in 2022, primarily at the following locations:

The largest individual measures carried out by the company in the reporting year 2022 were at the retail park in Celle, An der Hasenbahn, and at the retail park in Gießen, Gottlieb-Daimler-Str. When units previously rented by the tenant real were re-let to Kaufland, the space was divided and the technical facilities adapted to the new layout.

All the work at the retail park in Celle was carried out in the reporting year 2022. The costs of this amounted to around €0.8 million.

Modification work at the retail park in Gießen only started in the second half of the year, as planned. The work is expected to be completed in the second quarter of 2023. Costs of €1.2 million were incurred for this work in the reporting year. The costs that can be capitalised amount to €86 thousand.

Another individual investment was made in the form of scheduled maintenance at the property in Stuttgart, Schockenriedstraße 17.Defects in the floor surface and vertical elements in the underground car park were identified during the purchase process. The costs for the repairs to be performed amounted to approximately €0.5 million and were eligible for capitalisation in their entirety.

Two further larger individual investments were made as part of scheduled maintenance at the property in Münster, Johann-Krane-Weg 21–27. Replacing parts of the roof and ceiling soffits in the elevated building structure ensures that the property can continue to be let on a long-term basis.

In the same location, HAMBORNER secured Westfälische Wilhelms-Universität Münster as a tenant for the space previously used by the Münster University of Applied Sciences. The renovation costs amounted to some €0.3 million, of which €0.2 million is paid by the tenant via an investment rent.

We completed further renovation work on our property at Hermann-Kohl-Str. 3, Bremen. Here we were able to re-let around 850 square metres on a long-term basis to a service provider from the tourist industry. The costs of the tenant renovation work came to some €0.2 million, of which €0.1 million can be capitalised.

The net rental income fell by 3.5% due to higher maintenance expenses, and came to €72.0 million (previous year: €74.6 million).

Administrative and personnel expenses were €0.2 million or 2.6% lower than in the previous year at €7.9 million in total (previous year: €8.1 million). The operating cost ratio, i.e. administrative and personnel expenses in relation to income from rents and leases, is therefore lower compared to the previous year and amounts to 9.3% (previous year: 9.6%).

Administrative expenses decreased by €95 thousand to €2,044 thousand (previous year: €2,139 thousand).

Personnel expenses fell by €114 thousand to €5,854 thousand (previous year: €5,968 thousand).

The change in personnel expenses is partly due to higher expenditure on salaries as the result of a larger workforce (€159 thousand) and a one-off compensation payment of €180 thousand to Ms Verheyen to settle an obligation under the severance agreement with her previous employer, and in particular bonus obligations under the LTI scheme for Management Board members (€523 thousand). This is largely based on the performance of relevant indicators as at the reporting date.

Other operating income came to €1.9 million (previous year: €5.5 million) and consisted in part of a compensation payment of €550 thousand from real, the former tenant in Celle, Gießen and Mannheim, for maintenance work not completed. In addition, the item includes income from receivables written off in connection with the COVID-19 pandemic (€301 thousand) and income from the reversal of provisions (€258 thousand). Income for the previous year came mainly from a contractually agreed payment of €2.2 million from real to HAMBORNER in accordance with the lease termination agreement for the location in Mannheim in order to settle all reciprocal claims and from an impairment reversal of €2.2 million as a result of the revaluation of the property in Gießen due to a newly concluded long-term follow-on lease with Kaufland.

Other operating expenses came to €2.6 million (previous year: €2.8 million),and mainly related to legal and consultancy costs of €1,087 thousand (previous year: €677 thousand). They include expenses in connection with the appointment of another Management Board member (€181 thousand), a sustainability assessment of a sub-portfolio (€160 thousand), and expenses in connection with the introduction of a portfolio management system (€122 thousand). The item also includes costs for investor relations and public relations work of €455 thousand (previous year: €521 thousand) and write-downs on trade receivables of €450 thousand (previous year: €1,191 thousand). The decrease in write-downs on receivables is primarily due to the easing of COVID-19 restrictions on tenants' businesses.

The **Depreciation and amortisation** increased by €0.5 million in 2022 to €37.8 million. The properties are measured at amortised acquisition and production cost and therefore reflect scheduled depreciation, which amounted to €36.2 million in the reporting year compared to €35.3 million in the previous year. Furthermore, there were total impairment losses of €1.6 million (previous year: €2.1 million) on three properties in the reporting year. €1.3 million of the impairment losses relate to the retail property in Lübeck and the retail properties in Herford and Lemgo sold in the reporting year.

This gives rise to an **operating result** reduced by €6.3 million to €25.5 million (previous year: €31.8 million).

The company achieved **earnings from the sale of investment property** of €0.2 million (previous year: €36.4 million). Details of this can be found on **pages 53 and 79** of the Annual Report.

The **earnings before interest and taxes (EBIT)** fell by €42.5 million from €68.2 million to €25.7 million.

The **financial result** is €–12.4 million in the year under review compared to €–13.9 million in the previous year.

Other interest and similar income came to €0.6 million (previous year: €0 million). Interest income in the reporting year stems from changes of €0.5 million in the valuation of provisions for mining damage, and interest income of €0.1 million from cash invested in short-term and fixed-term deposits of up to one month.

Interest expenses of €–12.2 million for loans fell by €1.0 million compared to the previous year (€13.2 million). Scheduled loan repayments led to an interest expense decrease of €0.8 million and loan expiries led to an interest expense decrease of €0.2 million.

After deducting the financial result from EBIT, the **net profit for the year** amounted to €13.3 million (previous year: net profit of €54.3 million).

0.63 €
FFO / SHARE

Funds from operations (FFO)

FFO, the key indicator for financial performance, came to €51.0 million (previous year: €53.1 million) in the 2022 financial year. This corresponds to FFO per share of €0.63 (previous year: €0.65). FFO decreased by 4.0% compared to the previous year. The 2021 Annual Report initially forecast an FFO within a range of €46.5 million to €50.5 million. Taking into account business development in the reporting year, the FFO forecast was updated halfway through the year to a range of €47 million to €49 million, and updated again in the third quarter of 2022 to €48 million to €49 million. The figure was slightly higher than forecast. This is due in particular to higher other operating income in the fourth quarter and higher interest income as result of changes in interest rates. Details of FFO performance are set out below:

FUNDS FROM OPERATIONS IN € THOUSAND		**2022**	**2021**
	Net rental income	72,011	74,627
–	Administrative expenses	–2,044	–2,139
–	Personnel expenses	–5,854	–5,968
+	Other operating income [2]	1,895	5,491
–	Other operating expenses	–2,653	–2,826
+	Interest income	641	0
–	Interest expenses	–13,017	–13,915
–	Reversals	0	–2,150
	FFO	**50,979**	**53,120**
–	Capitalised expenditure (CapEx)	–1,104	–1,544
	AFFO	**49,875**	**51,576**
	FFO per share in € [1]	**0.63**	**0.65**
	AFFO per share in € [1]	**0.61**	**0.63**

[1] based on the number of shares on the respective reporting date
[2] after deduction of any write-ups

NET ASSETS IN ACCORDANCE WITH IFRS

The total assets of the company had increased by €2.6 million to €1,288.4 million (previous year: €1,285.8 million) as at 31 December 2022. Around 88% of assets are accounted for by properties. Property assets recognised at amortised acquisition or production cost had a carrying amount of €1,129.2 million as at 31 December 2022 (previous year: €1,115.3 million) and can be broken down as follows:

REPORTED PROPERTY ASSETS IN € THOUSAND	31 DEC. 2022	31 DEC. 2021
Investment property		
Developed property assets	1,114,417	1,106,161
Incidental acquisition costs of pending acquisitions	4	1,407
Undeveloped land holdings	219	223
Right-of-use assets for leasehold properties	14,520	7,459
Total reported property assets	**1,129,160**	**1,115,250**
Properties held for sale		
Developed property assets	0	10,550
	0	**10,550**
TOTAL	**1,129,160**	**1,125,800**

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 45 et seq.** of the Annual Report.

Alongside properties, another key item on the assets side is cash and cash equivalents (€142.0 million). Around 37% of total assets are funded by equity (€473.6 million) and 60% by debt (€770.7 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. 2022	31 DEC. 2021
	Reported non-current assets	1,139,613	1,128,058
+	Reported current assets	145,612	157,729
–	Non-current liabilities and provisions	–691,859	–686,040
–	Current liabilities	–122,962	–102,373
	Reported NAV	**470,404**	**497,374**
+	Hidden reserves in "Investment property"	494,425	487,528
+	Unrealised gains in "Non-current assets held for sale"	0	0
	NAV	**964,829**	**984,902**
	NAV per share in €	**11.86**	**12.11**

The slight decline of €20.1 million in absolute NAV to €964.8 million results in particular from the impairments in the property portfolio in the course of the annual valuation by JLL. This results in a NAV per share of €11.86 (previous year: €12.11). 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.

The company again had the property portfolio evaluated by a third-party expert to determine the properties' market values as at 31 December 2022. 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 valued 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 valuation was performed on the basis of a discounted cash flow (DCF) method. In the DCF method, the forecast cash flows were calculated for a standard analysis period of ten years – 2023 to 2032. 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

11.86 €

NAV / SHARE

from the sum of the discounted cash flows of the overall planning period plus the residual value, also discounted as at the valuation 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 as at the valuation date to calculate the present value of future cash flows. The discount rates range between 4.55% and 14.50% and take into account the relevant risks specific to the property. The discount rates developed as follows:

DISCOUNT RATE IN %	**2022**	**2021**
Retail	4,80–14,50	4,25–13,10
Office	4,55–7,75	4,05–7,60

No assumptions and expectations regarding the future trend of market rents are taken into account, as the fair value definition is based on the valuation date principle. Assumptions and estimates for the future are based on the prevailing conditions as at the valuation date. Any uncertainty regarding future cash flows is factored into the discount rates by means of risk adjustment.

The fair values measured by JLL are shown separately on **page 109 et seqq.** of the Annual Report for each portfolio asset. Also shown separately are rental income as the key factor in determining net cash flows, the discount rates and capitalisation rates. The calculated total market value of the property portfolio listed in the list of properties was €1,608.6 million, an increase of €3.3 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 €50.4 million, fair value disposals of €18.0 million due to sales, and a decrease compared to the previous year in the fair value of the existing portfolio of €31.0 million following revaluation. This corresponds to a "like-for-like" decline in the portfolio value of –2.0%, of which €40.4 million is attributable to lower fair values. The increases in fair value are offset by falls in fair value of €9.4 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 unrealised gains but do not necessarily affect earnings. In the reporting year, based on the fair value measurement, unscheduled impairment losses of €1.3 million were recognised on the carrying amount of the property in Lübeck.

FINANCIAL POSITION (IFRS)

STATEMENT OF CASH FLOWS (ABRIDGED) IN € THOUSAND	2022	2021
Cash flow from operating activities	**62,788**	**66,975**
Cash flow from investing activities	**–35,668**	**92,788**
Cash flow from financing activities	**19,014**	**–111,382**
Cash-effective changes to cash funds	**46,134**	**48,381**
Cash funds on 1 January	**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 1 January	**143,407**	**40,522**
Cash funds on 31 December	**130,112**	**83,978**
Cash and cash equivalents (with a remaining term of up to three months)	130,112	83,978
Restricted cash and cash equivalents	11,846	59,429
Cash and cash equivalents on 31 December	**141,958**	**143,407**

The company's financial situation is very comfortable. The cash and cash equivalents came to €141.9 million at the end of the reporting period, compared to €143.4 million as at 31 December 2021. The cash inflows for the financial year were mainly a result of operating activities (€62.8 million; previous year: €67.0 million), borrowing (€119.1 million), and proceeds from the sale of properties (€18.4 million). Cash outflows primarily relate to investments in the property portfolio (€54.1 million), dividend payments for the 2021 financial year (€38.2 million), and interest and principal payments (€108.5 million).

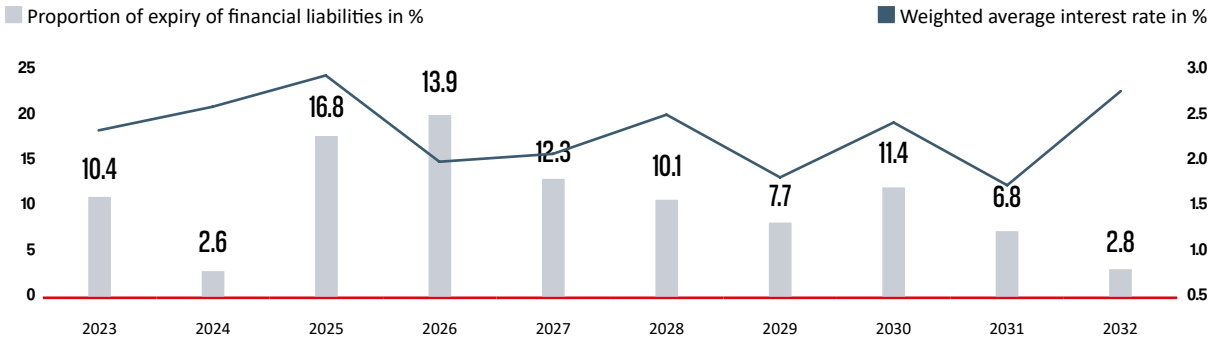
The financial structure of the company remains extremely solid. On the equity and liabilities side of the statement of financial position, equity amounted to €473.6 million compared to €497.4 million in the previous year. The company therefore has an equity ratio of 36.8% (previous year: 38.7%). Financial liabilities were €770.7 million and, taking into account new borrowing from refinancing, scheduled repayments and draw-downs of loans, went up by €23.0 million compared to the previous year (€747.7 million). €119.1 million of the total related to the refinancing of loans. The new borrowing was offset by scheduled repayments of €22.1 million in the reporting year, and the repayment of refinanced loans of €74.1 million. After deducting cash and cash equivalents from financial liabilities, net financial debt amounted to €628.7 million (previous year: €663.7 million). Comparing net financial liabilities with the property portfolio at fair value, the company has an EPRA LTV ratio of 39.1% (previous year: 37.6%).

Changes in interest rates are very important for 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 loan of €41.0 million and another secured loan of €45.0 million are financed at floating interest rates. Given the short term of these loans of five and three years respectively, it was decided after weighing up the risks and opportunities that interest rate hedges would not be used.

The average interest rate of the loans, including loans concluded but not yet utilised, was 1.7% as at the end of the reporting period (previous year: 1.6%). Taking into account the already agreed and pending refinancing of existing loans, average interest rates are expected to increase. The average remaining term of loans, including loans concluded but not yet utilised, was 4.6 years as at the end of the reporting period (previous year: 4.9 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 valuation of property, the recognition of subsequent capitalisation for property assets, pension provisions, the valuation of provisions for mining damage, and the treatment of the costs of the capital increases, as well as 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 €0.7 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 €0.2 million from the sale of property is reported in the IFRS financial statements. Under the Commercial Code, income from the disposal of non-current assets is €0.2 million as part of other operating income. This is offset by losses of €0.8 million which, in accordance with the Commercial Code, are reported under other operating expenses. The HGB losses relate to the assets in Lemgo and Herford. Impairment losses were recognised for these assets in line with IFRS.

- **Impairment losses:** The Impairment losses of €1.6 million included in depreciation and amortisation in accordance with IFRS relate to three properties. Impairment losses were not recognised for any properties in accordance with the provisions of commercial law, however.

- **Land and land rights / reported property assets:** The carrying amount of properties in accordance with commercial law is €1,115.3 million and is therefore €13.9 million lower than the carrying amount of investment property in the IFRS financial statements. Leasehold rights of use are included under the item of investment property in accordance with IFRS provisions. These do not have to be recognised in the HGB financial statements. The rights of use reported under properties in the IFRS financial statements amounted to €14.5 million as at 31 December 2022. In addition, €2.4 million relates to the company's administrative building in Duisburg. The capitalised costs of the administrative building are not assigned to property assets under IFRS, but rather to (other) property, plant and equipment. Under HGB, they are reported with the rental property under land and land rights. Furthermore, the impairment losses in the reporting year and the impairment losses from previous years resulted in a higher IFRS carrying amount of €1.7 million on account of differing rules and capitalisation requirements.

- **Equity:** The HGB equity was €470.1 million as at the end of the reporting period, €3.5 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. This also concerns the cumulative actuarial gains and losses on pension provisions of €3.2 million within the revenue reserve reported in the IFRS financial statements. In addition, in the HGB financial statements for the previous year, the equity contains a reserve of €12,111 thousand for gains on disposal in accordance with section 13 (3) REITG. The reserve was fully reversed in the reporting year so there is no longer any difference in amount between HGB and IFRS as at 31 December 2022. In total, the reported HGB equity ratio of 37.0% is 0.2 percentage point higher than the reported IFRS equity ratio.

- **Liabilities to banks / financial liabilities:** Liabilities to banks in the HGB annual financial statements amounted to €771.5 million. In accordance with IFRS, financial liabilities of €770.7 million are reported, however. The difference of €0.8 million concerns recognition of financial liabilities including transaction costs and the associated subsequent valuation 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)

The **income from property management** amounted to €99.3 million in the reporting year (previous year: €98.5 million). The slight increase stems mainly from an increase of €1.5 million on a like-for-like basis and a fall of €1.4 million due to a change in the property portfolio. Due primarily to the gains from the sale of properties reported in the previous year, **other operating income** fell by €41.6 million compared to the previous year, amounting to €2.1 million (previous year: €43.7 million). **The costs of the management of properties** amounted to €28.8 million (previous year: €25.9 million). The **depreciation and amortisation** of €35.6 million was €0.6 million lower than the previous year (€36.2 million). This reduced the **operating result** by €42.1 million compared to the previous year to €24.9 million (previous year: €67.0 million).

The **financial result** improved by €1.4 million to €–12.3 million (previous year: €–13.7 million). This is largely due to the scheduled repayment and expiry of loans.

The company closed the 2022 financial year with a **net profit** of €12.6 million (previous year: €53.3 million).

Taking into account the reversal of the reserve of €12.1 million in accordance with section 13(3) REITG, **the net retained profit** came to €38.2 million (previous year: €41.2 million after taking into account the recognition of the reserve of €12.1 million in accordance with section 13(3) REITG).

NET ASSETS AND FINANCIAL POSITION (HGB)

The **total assets** of the company fell by €4.2 million compared to the previous year to €1,272.2 million. At €1,116.0 million, the reported non-current assets were €3.6 million below the previous year's level (€1,119.6 million) due to property disposals. The **current assets** including accruals and deferrals fell by €0.5 million to €156.2 million. Equity came to €470.1 million compared to €495.7 million in the previous year. The **liabilities to banks** rose overall by a net amount of €22.9 million to €771.5 million. Non-current assets are fully covered by equity and medium and long-term borrowing.

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 HGB was €12,638 thousand. Taking into account the reversal of the reserve of €12,111 thousand in accordance with section 13(3) REITG, profit carried forward of €2,983 thousand, and a transfer from capital reserves of €10,499 thousand, the net retained profit was €38,231 thousand.

The Management Board and Supervisory Board propose that the net retained profit of HAMBORNER REIT AG for the 2022 financial year of €38,231,373.56 be used as follows:

Distribution of a dividend of €0.47 per share to 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.

The number of shares entitled to dividend payments may increase or fall by the time of the Annual General Meeting if the company purchases treasury shares. In this case, an amended proposal regarding use of the distributable profit will be submitted to the Annual General Meeting, whereby the dividend amount per share will remain the same.

FURTHER LEGAL DISCLOSURES

Disclosures in accordance with section 289a(1) HGB

Composition of issued capital

As at 31 December 2022, the subscribed 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 that are 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 (Wertpapierhandelsgesetz, WpHG) do not apply in the period in which the disclosure requirements of section 33(1) or (2) WpHG are not met. In accordance with section 44(1), clause 2 WpHG, this does not apply to rights in accordance with section 58(4) AktG and section 271 AktG if disclosure was not deliberately omitted and this has been rectified. Please refer to the 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 (sections 133 et seqq. AktG) and the right to participate in profits (section 58(4) AktG). Please also refer to the currently valid provisions of the Act to Mitigate the Consequences of the COVID-19 Pandemic under Civil, Insolvency and Criminal Procedure Law (Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht).

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 the related 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(1), clause 2 AktG). This authority has been transferred to the Supervisory Board in accordance with Article 12(3) of the Articles of Association of the company. An amendment to the Articles of Association requires a qualified majority resolution by the Annual General Meeting comprising at least three-quarters of the share capital represented in the vote (section 179(2), clause 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 28 April 2022 authorised the Management Board to:

Increase the company's share capital up to 27 April 2027 with the consent of the Supervisory Board, once or several times, by up to €32,537 thousand in total by issuing new registered shares against cash and non-cash contributions (Authorised Capital 2022). The new shares must be offered to shareholders for subscription. The new shares may be acquired by one or more banks specified by the Management Board or active enterprises pursuant to section 53(1), clause 1 or section 53b(1), clause 1 or (7) of the German Banking Act (Kreditwesengesetz, KWG), with the requirement that they are offered to shareholders for subscription (indirect subscription rights).

Furthermore, at the Annual General Meeting on 28 April 2022, the Management Board was authorised, with the approval of the Supervisory Board, to issue bearer or registered warrant and convertible bonds or combinations of these instruments ("bonds"), with or without a term of maturity, up to a nominal total of €150 million until 27 April 2027, 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 of up to €8,134,334 in accordance with the more detailed conditions of the warrant or convertible bonds ('bond conditions').

When issuing warrant or convertible bonds, the Management Board is authorised to contingently increase the share capital of the company by up to €8,134 thousand, divided into up to 8,134 thousand registered shares (Contingent Capital 2022). 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.

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 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.

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 and Ms Verheyen, there are no rules in place for a takeover offer (change of control).

There are also no 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 website at **www.hamborner.de/en** under HAMBORNER REIT AG / Corporate Governance / Corporate Governance Declaration.

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 found on the company website at **www.hamborner.de/en** under HAMBORNER REIT AG / Corporate Governance / Remuneration Report.

REPORT ON RISKS AND OPPORTUNITIES

Risk report

PRINCIPLES OF OUR 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 risk 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 implemented in order to minimise the extent of the potential damage. Appropriate measures eliminate the risks or reduce their impact or probability of occurrence.

In this respect, as in the past, HAMBORNER did not participate in highly speculative financial transactions in 2022. We take appropriate, manageable and controllable risks as long as the rewards associated with them can be expected to result in adequate value appreciation.

The German Corporate Governance Code (GCGC) calls for disclosures on the internal control and risk management system that exceed those required by law for the management report and that are therefore not covered by the auditors of the financial statements ("disclosures not part of the management report").

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

In order to limit risk exposure, HAMBORNER has implemented a risk management system in accordance with section 91(2) and (3) AktG to ensure the timely identification and handling of risks that could affect the economic position of the company. Adjustments and amendments are made to reflect changing circumstances.

The early risk detection system is examined by the auditor as part of the audit of the annual financial statements in accordance with section 317(4) HGB. In organisational terms, risk management operates independently.

The company's internal risk management system is integrated into operational procedures – particularly planning and controlling processes – and spans several levels. It is described in full in a company policy. Employees also receive regular training on the handling and internal communication of risks. One key element here is the communication of risks by the risk owner at the management meetings held twice a week. All employees are required to notify their manager of any existing risks immediately. In addition, all risks are reported to the risk management division as part of a quarterly risk inventory. Based on business operations and the business 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

During the quarterly risk reporting to the Management Board and Supervisory Board, the potential risks are identified and assessed, and measures to manage them are defined if necessary. If necessary, any material risks identified between the regular reporting dates are reported separately. The possible risks in individual risk categories are quantified in terms of the possible extent of damage and an assessment of their probability. The assessment is performed by the relevant responsible departments. Risk reporting is based on the planning agreed in each instance. In accordance with the requirements of the revised version of IDW PS 340 (01/2022), the overall risk position is measured on a voluntary basis using a Monte Carlo simulation. In accordance with the revised IDW PS 340 the following new test compared with the previous year should therefore be mentioned: measurement of risk bearing capacity and overall risk position using a Monte Carlo simulation.

Streamlined organisational structures and transparent decision-making ensure that the Management Board is directly involved in all material transactions with an impact on risk. Accounting processes are performed exclusively by our own qualified employees. HAMBORNER prepares and communicates annual and half-year

financial reports as well as quarterly statements. When preparing the annual financial statements, we consult experts with regard to the valuation of investment property and the calculation of the company's pension obligations. The dual control principle, taking into account appropriate signature regulations, is applied to all material transactions. Within the company, there is adequate functional segregation between the different departments involved. Moreover, internal monthly reports on business performance are prepared and submitted to decision-makers. These serve as a basis for the identification of deviations from operational targets and the initiation of any control measures if necessary. The finance and accounting system uses standardised and certified IT programs. There are dedicated rules for allocating write and read rights for the internal IT system to individual employees in accordance with their tasks and functions.

The internal control system is reviewed by the internal audit function, which has been outsourced to an external auditing firm. The processes and areas to be audited in the respective financial year are chosen by the company in agreement with the Audit Committee.

Statement on the effectiveness of the internal control and risk management system

In the company's opinion, the internal control and risk management system is appropriate and effective in view of the complexity and size of the company.[1]

PRESENTATION OF RISK AREAS

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

RISK CATEGORIES AND RISK ASSESSMENT THEREOF

Risks are classified as low, medium and high using the following matrix, depending on the anticipated loss and the probability of occurrence.

AMOUNT OF LOSS					EXPECTED LOSS AMOUNT (AMOUNT OF LOSS X PROBABILITY OF OCCURRENCE)
Very high (> €20 million)	Medium	Medium	High	High	High
High (€5 million to €20 million)	Low	Medium	High	High	High
Moderate (€1 million to €5 million)	Low	Medium	Medium	Medium	High
Low (€250 thousand to €1 million)	Low	Low	Low	Medium	Medium
Very low (< €250 thousand)	Low	Low	Low	Low	Low
Probability of occurrence	Very low (0% to 5%)	Low (6% to 25%)	Medium (26% to 50%)	High (51% to 75%)	Very high (76% to 100%)

HAMBORNER currently assesses risks in light of the ongoing war in Ukraine and the prevailing high energy and consumer prices, as well as their impact on the national and international economic situation. The risks and how they are dealt with by the company are addressed in detail in the following bullet points.

STRATEGIC RISKS

National and international market environment

The national market environment in 2022 was largely defined by the ongoing war in Ukraine. This resulted in particular in a sharp rise in energy and consumer prices as well as supply bottlenecks in the manufacturing sector. The average annual inflation rate in Germany was 7.9% in 2022 compared with the previous. For 2023, inflation is expected to fall slightly but stay high. GDP increased by 1.9% from 2021 to 2022. As a result of the ongoing uncertainty in connection with further developments in the Ukraine war, forecasts for 2023 vary between –0.75% (German Economic Institute (IW, Institut der deutschen Wirtschaft) Cologne) and +0.3% (Institute for the World Economy (Institut für Weltwirtschaft, IfW) Kiel).

Global economic performance increased by 3.2% in 2022 compared with the previous year. For 2023, the International Monetary Fund expects the global economy to grow by 2.7% compared to the same period in the previous year.

The potential consequences of the national and international market environment are discussed below in the respective risk categories.

[1] This paragraph consists of disclosures not part of the management report and so has not been audited.

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. There are also potential risks from ESG-related regulation, particularly relating to sustainability as defined in the Taxonomy Regulation and to CSRD reporting (Corporate Sustainability Reporting Directive), which, as of 2026, is mandatory for 2025. HAMBORNER employed a sustainability manager for the first time in 2022.

In addition, the staff 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. External advisers are also consulted if the changes to standards are more complex. The company also has an annual review carried out by its internal audit function, which has been outsourced to an external firm of auditors. In view of the measures described above, the risk is considered to be low.

Organisational structure risks

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

As part of regular management 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 consists of the risk that new tenancy agreements cannot be signed or existing agreements extended as they expire, as well as the risk of existing vacancies. Longer marketing periods have to be assumed for large retail spaces. In view of the economic situation, it can generally be assumed that demand for space will decline. These generally amount from around 12 to 24 months. In the area of office properties, requirements for the type of spaces are changing due to the increase in mobile working. Generally speaking, increasing requirements from prospective tenants with respect to ESG criteria 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.

Asset Management regularly performs an analysis relating to leases potentially expiring in the next 24 months, as well as vacant units.

Overall, the risk is considered medium for the overall portfolio due to regular dialogue with tenants, long-term leases and the high proportion of "good-as-new" properties. In the reporting year, the economic vacancy rate including rent guarantees was 2.1% on average (2021: 1.9%), and was therefore again at a comparatively low level.

Risks of rental losses

In view of the steep rise in energy and consumer prices and the possibility of further rent increases due to index-linked contracts, it cannot be ruled out that some tenants may not be able to meet their financial obligations due to insolvency. The write-downs carried out in 2022 only came to 0.5%. The broadly diversified tenant portfolio and regular dialogue with tenants mean that the risk is considered to be low, although it has risen slightly overall due to the current market environment.

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 to reduce energy consumption and modernise properties sustainably – may be necessary as a result of the increasing importance of ESG criteria. For office properties, changing requirements with regard to the features of the leased space as a result of the increase in mobile working may trigger substantial renovation costs. In addition, drastic increases in materials costs accompanied by supply bottlenecks as well as the high-capacity utilisation of trades are being observed.

In order to counteract this risk, corporate planning includes detailed planning in the form of individual measures to reflect 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 purchase auditing, 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 carried out with the help of an investment model. In addition, the acquisition process is carried out 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 when making the purchase decision. Higher interest rates and other adverse market factors are currently causing major noticeable uncertainty on the property market. The company is thus being offered fewer potentially suitable assets for acquisition overall. This situation was taken into account when the budget was being prepared, however.

Despite the low probability of occurrence, the high potential losses mean that the risk in relation to investment is considered to be medium.

Divestment is also associated with risks. Properties could 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 sold as planned. In addition, there may be a breach of warranty obligations when guarantees are made in purchase agreements.

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 an interdepartmental basis. Taking this intensive collaboration between departments as a basis, substantial risks arising from divestment transactions are rated as low.

IT risks

The business processes at HAMBORNER are largely coupled with the use of IT systems. Disruptions or failures affecting these IT systems can have an adverse effect on business operations.

The potential IT risks essentially comprise damage or disruption to hardware, the manipulation of or unauthorised access to IT systems and the resulting malfunctions, as well as unauthorised access to sensitive information. HAMBORNER has a number of measures in place to reduce these risks, including an up-to-date security suite and a firewall, as well as a separate server area with backups. Hardware failures can be substantially reduced through regular monitoring. Staff also undergo regular training and follow a system of access rights. In view of the 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 meetings 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 market value, such as falling rent levels. In addition, the property's location and condition as well as forecast rents are important factors in property valuation. Adverse developments in these factors or property characteristics that no longer meet market standards may result in a reduction of a property's market value. Furthermore, aspects including economic changes, inflation and rising financing costs can have a negative influence on the property valuation.

In view of the current economic situation, the prevailing high energy and consumer prices, and the resulting restrictive monetary policy of the European Central Bank, the possibility of the market value of properties declining again in 2023 cannot be ruled out, whereby the location, nature of usage and quality of properties has a significant influence on their valuation.

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

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 continued employee training, 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. HAMBORNER addresses this risk by regularly preparing a twelve-month liquidity plan, which is communicated to all managers and the Management Board. The Finance and Accounting department also monitors liquidity on a continuous basis. Liquidity risks are included in the analysis of risk-bearing capacity in risk reporting. The threat to liquidity is considered to be 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.

The LTV of 39.1% as of 31 December 2022 is significantly below the limit of 60%. The EBITDA to net interest income ratio is also well above the required 1.8 at 9.9. 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 higher interest payments on variable and fixed interest loans when they are borrowed or the term is extended.

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 4.6 years, based on the end of the reporting period as at 31 December 2022. The expiring loans were refinanced at an average rate of 2.7% in 2022.

No interest rate risk affecting earnings results from expiring property loans in 2023 as the relevant refinancing arrangements have already been signed.

For a floating-rate loan of €45.0 million in connection with a property financing arrangement, a further increase in the 3-month EURIBOR rate would result in higher interest expenses.

Significantly higher financing costs would be incurred if €62.5 million in expiring promissory note loans were to be refinanced. This has been taken into account in financial planning. Further interest rate increases cannot be ruled out, however. The timing and scope of any possible refinancing of the expiring promissory note loans are also managed on the basis of liquidity requirements over the year and depend largely on the acquisition opportunities that arise.

The financing risk is therefore considered to be low.

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 €2.7 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.

COMPLIANCE RISKS

In addition to strategic, 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 labour law violations on the part of the service providers engaged, for example in relation to minimum wage requirements.

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

Report on opportunities

The current macroeconomic situation not only entails risks for HAMBORNER, but also potential opportunities.

The continued high levels of inflation and the aforementioned risks also bring opportunities for higher rental and lease income as a result of index increases with current tenants. In view of the generally unstable situation, existing tenants may also tend to maintain their current position and renew their existing contract rather than lease new space. Generally speaking, there is the possibility of new lets being achieved after shorter marketing periods than expected.

Rising interest rates result in higher financing costs in particular but also make higher interest income more likely. In contrast to current estimates, the transaction market may also develop to the company's advantage sooner than expected and enable better, earlier transactions. Any possible positive developments in the transaction market and falling or stable interest rates may have a positive effect on valuations.

Overall assessment of the risk situation

The risk and opportunities situation for HAMBORNER is largely determined by the war in Ukraine which began in February 2022 and the change in economic environment that this brought about, which will continue to have an effect in 2023. The year 2023 will therefore be affected in particular by the course of inflation and the prevailing interest rates. HAMBORNER's business model has proven to be very stable thanks to its long-term leases with dependable, creditworthy tenants. Income from rents and leases rose by 0.7% last year compared with 2021, despite non-recurring expenses arising from re-letting the properties formerly used by real, and the vacancy ratio was again kept very low at 2.1% (previous year: 1.9%). As expected, however, FFO fell by 4.1% due to higher maintenance expenses.

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.

I 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

According to the expectations of the Deutsche Bundesbank, and in contrast to earlier forecasts, the German economy will not experience a severe slump. The expectation is that economic output will contract initially but recover gradually in the second half of the year. For the year 2023 as a whole, the Deutsche Bundesbank predicts a decline of 0.5%, although in its most recent forecast the federal government is even forecasting a slight increase of 0.2%.

The Bundesbank considers part of the reason for the economic downturn to be weaker household spending. Service providers in the consumer sector and industry are also fighting higher energy costs, which both dampens exports and curbs capital expenditure. Higher financing costs also have an adverse impact on investment activities. The assumption is nevertheless that uncertainty will decline over the course of the year, wages will rise and the inflation rate will fall.

The federal government is expecting inflation to drop from an average of 7.9% in 2022 to 6.0% in 2023. In subsequent years the inflation rate is predicted to keep falling. The main drivers for the forecast decline in consumer prices are the impact of the government price caps on electricity and gas, and a forecast drop in the oil price.

Despite the economic performance the labour market remains robust and company demand for workers is still high.

INDUSTRY ENVIRONMENT

Lettings market

Savills is expecting the economic downturn to subdue demand for space overall in 2023, leading to rising vacancy rates on commercial property markets and lower rents outside the prime segments. General uncertainty caused by inflation, declining economic activity and rising interest rates will have an adverse impact on property values. Savills expects that Germany will experience a recession in the winter and can then return to moderate growth.

JLL is expecting take-up of office space in the seven large office markets to fall and the vacancy rate to rise to 5.5%. Despite the rising vacancy rate, rents in the prime segment are expected to keep going up in this view, since users are increasingly calling for higher-quality office space.

JLL expects the economy to contract slightly in the first two quarters of 2023 and assumes that demand for space will fall by around 10% due to this economic downswing.

Projects currently being realised meant that the volume of new completions is predicted to be high at nearly 1.76 million m² in the year ahead, creating a larger supply of modern office space.

As hybrid working becomes increasingly established, many companies are expected to reduce their office space per capita significantly and increase the quality of the space they do still require. This shift towards quality is also noted by JLL, which assumes that the volume of space being offered for sub-letting will increase in 2023.

Downward pressure on rents will increase overall and result in lower rents. Further rent increases will be seen in the top segment, particularly for modern, ESG-friendly premises.

Savills continues to see food retailing and other local retailers as anchors of stability. At portfolio level, the company therefore continues to anticipate stable letting rates and rents overall for large-scale retail properties.

Bricks-and-mortar food and household goods stores will continue to see stable performance, whereas the non-food sector (particularly textiles, clothing, shoes and leather goods) will be under pressure from the drop in real purchasing power and higher costs. The number of insolvencies will increase, resulting in higher vacancy and default risks. The total space requirement will decline. Under these circumstances, Savills expects rents outside the local retail segment to continue to decline.

Trends in the office and retail letting markets in 2023 will depend heavily on how quickly the impending recession can be overcome. In view of the increasing quality standards of users, it can be assumed that there will be further differentiation between modern, sustainable and flexible office spaces and spaces that do not meet these requirements. A stable scenario can primarily be expected for sustainable and flexible concepts. In future, it will be more difficult to find users for rental properties that do not fulfil ESG criteria.

Investment market

The first half of 2023 is expected to be overshadowed by a further economic slowdown, as well as by rising interest rates and financing costs. The market environment will therefore remain challenging for investors in the short term. As soon as greater certainty returns to the markets the price discovery phase should accelerate, resulting in greater investment activity, particularly since the fundamental data for the office letting market are good. The pace of investment should pick up appreciably in the second half of 2023. At the same time, a further increase in yields in the office and retail segment remains the most likely scenario, at least in the first quarter of 2023. Leading estate agents predict that the total transaction volume will be lower in 2023 than in 2022.

Expected company performance

CENTRAL KEY CONTROL INDICATORS	2022	2023 PLAN
FFO	€51.0 million	€50 million to €52 million
Rents and leases	€85.0 million	€88 million to €89,5 million
NAV per share	€11.86	slight decline

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.

Business performance in the current year 2023 will be determined by developments on the property transaction market, among other things. 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. When preparing the forecast the company considered the current uncertainty on the transaction market and assumed a net investment volume of around €50 million from the purchase and disposal of properties for the financial year 2023. The assumption is that transaction activities will pick up in the second half of the year 2023.

Furthermore, the operating result (FFO) will be affected by the uncertainty on the letting market, the persistently high inflation rate and the related developments in interest rates in particular.

In this context the index-based rent increases will have a positive effect on earnings but longer marketing periods must be expected in 2023 to fill existing vacancies and when leases expire. At the same time, further cost increases are to be expected, particularly for maintenance expenses.

Taking into account the factors presented, it is expected that the funds from operations (FFO) for the 2023 financial year will be between €50.0 million and €52.0 million. The main factor influencing FFO, HAMBORNER's central control parameter, is still rental and leasing income, which will be between €88.0 and €89.5 million in 2023 compared with the previous year according to the company's current forecasts.

Further adjustments to fair value cannot be ruled out in 2023 in view of the continued uncertainty on real estate markets. For this reason the company currently assumes that the fair value of the property portfolio will decline slightly on a like-for-like basis, so that NAV per share is expected to be slightly below the previous year's level at the end of 2023.

Given current estimates in terms of the development of the key performance indicators FFO and NAV, the company also intends to make an attractive dividend distribution for 2023. 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 2023

Niclas Karoff Sarah Verheyen

SEPARATE FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS (IFRS)

Income statement

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

IN € THOUSAND	NOTES	31 DEC. 2022	31 DEC. 2021
Income from rents and leases		**84,965**	**84,360**
Income from incidental costs passed on to tenants		14,269	14,021
Real estate operating expenses		–18,185	–17,967
Property and building maintenance		–9,038	–5,787
Net rental income	(1)	**72,011**	**74,627**
Administrative expenses	(2)	–2,044	–2,139
Personnel expenses	(3)	–5,854	–5,968
Depreciation and amortisation of intangible assets, property, plant and equipment, and investment property	(4)	–37,841	–37,391
Other operating income	(5)	1,895	5,491
Other operating expenses	(6)	–2,653	–2,826
		–46,497	**–42,833**
Operating result		**25,514**	**31,794**
Earnings from the sale of investment property	(7)	176	36,381
Earnings before interest and taxes (EBIT)		**25,690**	**68,175**
Interest expenses		–13,017	–13,915
Interest income		641	0
Financial result	(8)	**–12,376**	**–13,915**
Period result		**13,314**	**54,260**
Basic = diluted earnings per share (in €)	(9)	0.16	0.67

Statement of comprehensive income

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

IN € THOUSAND	NOTES	31 DEC. 2022	31 DEC. 2021
Period result as per the income statement		**13,314**	**54,260**
Items subsequently reclassified to the income statement if certain conditions are met:			
Unrealised gains / losses (–) on the remeasurement of derivative financial instruments	(16)	0	522
Items not subsequently reclassified to the income statement:			
Actuarial gains / losses (–) on performance-based pension commitments	(18)	1,147	–96
Other comprehensive income		**1,147**	**426**
TOTAL COMPREHENSIVE INCOME		**14,461**	**54,686**

Statement of financial position – assets
AS AT 31 DECEMBER 2022

IN € THOUSAND	NOTES	31 DEC. 2022	31 DEC. 2021
Non-current assets			
Intangible assets	(10)	446	472
Property, plant and equipment	(10)	2,833	2,932
Investment property	(11)	1,129,160	1,115,250
Financial assets	(12)	1,930	1,676
Other assets	(13)	8,444	7,728
		1,142,813	**1,128,058**
Current assets			
Trade receivables and other assets	(13)	3,654	3,772
Cash and cash equivalents	(14)	141,958	143,407
Non-current assets held for sale	(15)	0	10,550
		145,612	**157,729**
TOTAL ASSETS		**1,288,425**	**1,285,787**

Statement of financial position – liabilities

IN € THOUSAND	NOTES	31 DEC. 2022	31 DEC. 2021
Equity	(16)		
Issued capital		81,343	81,343
Capital reserves		346,071	346,071
Revenue reserves		46,190	69,960
		473,604	**497,374**
Non-current liabilities and provisions			
Financial liabilities	(17)	668,150	667,396
Trade payables and other liabilities	(18)	16,317	9,153
Pension provisions	(19)	4,250	5,700
Other provisions	(20)	3,142	3,791
		691,859	**686,040**
Current liabilities and provisions			
Financial liabilities	(17)	102,555	80,308
Trade payables and other liabilities	(18)	17,540	19,773
Other provisions	(20)	2,867	2,292
		122,962	**102,373**
TOTAL EQUITY, LIABILITIES AND PROVISIONS		**1,288,425**	**1,285,787**

Statement of cash flows

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

IN € THOUSAND	NOTES	2022	2021
Cash flow from operating activities	(24)		
Period result		13,314	54,260
Financial result		12,438	13,448
Depreciation and amortisation (+) / reversals (–)		37,841	35,241
Change in provisions		–378	808
Gains (–) / losses (+) (net) on the disposal of property, plant and equipment and investment property		–194	–37,686
Change in receivables and other assets not attributable to investing or financing activities		–598	–8,434
Change in liabilities not attributable to investing or financing activities		365	9,338
		62,788	**66,975**
Cash flow from investing activities	(25)		
Investments in intangible assets, property, plant and equipment and investment property		–54,056	–69,478
Proceeds from disposals of property, plant and equipment and investment property		18,388	162,266
		–35,668	**92,788**
Cash flow from financing activities	(26)		
Dividends paid		–38,231	–31,270
Proceeds from borrowings of financial liabilities		119,071	76,529
Repayments of borrowings		–96,198	–87,875
Payment for costs from increase in capital		0	–277
Proceeds (+) from cash collateral for financial liabilities		53,743	21,682
Payments (–) for cash collateral for financial liabilities		–6,160	–76,186
Cash flow from lease liabilities		–902	–672
Interest payments		–12,309	–13,313
		19,014	**–111,382**
Cash-effective changes to cash funds		**46,134**	**48,381**
Cash funds on 1 January		**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 1 January		**143,407**	**40,522**
Cash funds on 31 December		**130,112**	**83,978**
Cash and cash equivalents (with a remaining term of up to three months)		130,112	83,978
Restricted cash and cash equivalents		11,846	59,429
Cash and cash equivalents on 31 December		**141,958**	**143,407**

Statement of changes in equity

IN € THOUSAND	ISSUED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS			TOTAL EQUITY
			Cash flow hedge reserve	Reserve for IAS 19 pension provisions	Other revenue reserves	
As at 1 January 2021	**80,580**	**340,508**	**–522**	**–4,228**	**57,896**	**474,234**
Distribution of profit 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
Result for the period 1 Jan. to 31 Dec. 2021					54,260	54,260
Other comprehensive income 1 Jan. to 31 Dec. 2021			522	–96		426
Total comprehensive income 1 Jan. to 31 Dec. 2021			**522**	**–96**	**54,260**	**54,686**
As at 31 December 2021	**81,343**	**346,071**	**0**	**–4,324**	**74,284**	**497,374**
Distribution of profit for 2021 (€0.47 per share)					–38,231	–38,231
Result for the period 1 Jan. to 31 Dec. 2022					13,314	13,314
Other comprehensive income 1 Jan. to 31 Dec. 2022				1,147		1,147
Total comprehensive income 1 Jan. to 31 Dec. 2022				**1,147**	**13,314**	**14,461**
As at 31 December 2022	**81,343**	**346,071**	**0**	**–3,177**	**49,367**	**473,604**

I 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 of the German REIT Act (REIT-Gesetz, "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 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union on the reporting date 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 2022 and the management report for 2022 on 21 February 2023 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 register of companies. The IFRS financial statements will then be published there. The financial statements are available to download from the website **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 2022 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 2022 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 2021, 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 3	Business combinations	Change stating that the standard now relates to the 2018 conceptual framework; minor amendments
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
IAS 37	Provisions, contingent liabilities, and contingent assets	Clarification of the definition of "costs of fulfilling a contract"
Various	Annual IFRS improvement project 2018–2020	Amendments essentially relate to IFRS 1, IFRS 9, IFRS 16, IAS 41

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 2022 financial year. The option to apply standards and interpretations early was not exercised.

STANDARD / INTERPRETATION	NAME	NATURE OF AMENDMENT	EFFECTIVE DATE	EXPECTED MATERIAL IMPACT
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, and non-current liabilities with ancillary conditions; statement of accounting policies; definition of the term "material"	1 January 2023	None
IAS 8	Definition of accounting-related estimates	Amendments to definition of accounting-related estimates	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 16	Leasing	Harmonisation of subsequent measurement of lease liabilities	1 January 2024	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 in definitely	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 2022 financial year was generated with EDEKA Group, which accounted for 12.1% (previous year: 11.8 %) or €10.3 million (previous year: €10.0 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 follow-on leases. 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. 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.

Forward-looking assumptions and estimates in the valuation generally relate to fundamental parameters such as inflation (assumption: 2023: 4.5%, 2024: 2.4%; 2025 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. Assumptions and estimates for the future are based on the prevailing conditions as at the valuation date. Any 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 2022. 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 (2023 to 2032), 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 3.6% and 7.4% (previous year: 3.5% and 7.3%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 4.55% and 14.50% (previous year: 4.05% and 13.10%).

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 2022, 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.

The probability and amount of defaults on trade and other receivables shown as of 31 December 2022 are estimated on an individual basis. Credit risks are reflected in the form of valuation allowances. Measurement of the default amount and probability of occurrence depend in particular on whether requests have been made to reduce rent or whether tenants have filed for insolvency, and the tenant's credit standing.

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 %	**2022**	**2021**
Interest rate	3.89	0.93
Pension trend	2.35	2.0
Inflation	7.9	3.0

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.

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) INCOME STATEMENT

Net rental income breaks down as follows:

IN € THOUSAND	2022	2021
Income from rents and leases	84,965	84,360
Income from incidental costs passed on to tenants	14,269	14,021
Real estate operating expenses	–18,185	–17,967
Property and building maintenance	–9,038	–5,787
NET RENTAL INCOME	**72,011**	**74,627**

Income from rents and leases for properties recognised in accordance with IAS 40 rose by €605 thousand to €84,965 thousand in the reporting year. The change was due to rent increases following property additions in the reporting year and the previous year (€3,813 thousand), rent losses as a result of property disposals (€–5,293 thousand) and reductions in portfolio rents (like-for-like) of €1,589 thousand. The change to the risk provisions recognised in the previous years for rent reductions in connection with the COVID-19 pandemic resulted in income of €496 thousand higher than the previous year (31 December 2022: €154 thousand; previous year: €–342 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 increased by €248 thousand in the reporting year. A decrease in income from incidental costs charged to tenants of €122 thousand 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 €370 thousand.

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

IN € THOUSAND	2022	2021
Real estate operating expenses		
Energy, water, etc.	5,983	5,973
Facility management	5,661	5,408
Land taxes	3,081	3,123
Other property charges	1,412	1,419
Insurance premiums	853	869
Centre management	543	548
Advertising costs	410	423
Miscellaneous	242	204
TOTAL	**18,185**	**17,967**

The expenses for property and building maintenance amounted to €9,038 thousand compared with €5,787 thousand in the previous year. Of these expenses, €3,917 thousand relate to unplanned and ongoing maintenance, €2,273 thousand to planned maintenance and €2,848 thousand to tenant renovations. The low level of maintenance expenses in the same period of the previous year is partly due to the impact of the COVID-19 pandemic.

The direct operating expenses for the leased property in the reporting year amounted to €27,223 thousand (previous year: €23,754 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	2022	2021
Costs for the Supervisory Board	381	378
Bank charges and bank fees	347	591
Software licences	221	174
Costs of the Annual General Meeting	194	193
Energy and maintenance costs of head office	148	120
Fees for auditors	129	112
Employee travel expenses	63	64
Miscellaneous	561	507
TOTAL	**2,044**	**2,139**

The decline in administrative expenses is attributable for the most part to the fall in expenditure on bank fees due to lower custody fees resulting from the deposit of cash to redeem mortgaged collateral to €347 thousand (previous year: €591 thousand).

As in the previous year, the fees for auditors included in administrative expenses (€129 thousand; previous year: €112 thousand) relate exclusively to audits of financial statements.

(3) PERSONNEL EXPENSES

Personnel expenses were slightly down from the previous year at €5,854 thousand (previous year: €5,968 thousand). The change in personnel expenses is partly due to higher salaries as the result of a larger workforce (€159 thousand) and a one-off compensation payment of €180 thousand to Ms Verheyen to settle an obligation under the severance agreement with her previous employer, which were offset by lower bonus obligations under the LTI for Management

Board members (€523 thousand). This is largely based on the performance of relevant indicators as at the reporting date.

IN € THOUSAND	2022	2021
Wages and salaries	5,166	5,324
Social security contributions and related expenses	599	568
Retirement benefit expenses / pension expenses	89	76
TOTAL	**5,854**	**5,968**

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

Depreciation and amortisation rose by €450 thousand from the previous year at €37,841 thousand. Of this increase, €37,475 thousand relates to investment property (previous year: €37,061 thousand). This includes depreciation of €35,843 thousand (previous year: €34,933 thousand) and impairment losses of €1,632 thousand (previous year: €2,128 thousand) on three properties (previous year: five).

PROPERTY	2022		31 DEC. 2022		31 DEC. 2021	
	Impairment losses	Recoverable amount (gross capital value) (gross capital value)	Discount rate	Capitalisation rate	Discount rate	Capitalisation rate
Lübeck, Sandstr. 1	1,309	33,480	8.35	6.25	7.55	6.15
Lemgo, Mittelstr. 24–28	144	0	0.00	0.00	8.00	6.50
Herford, Bäckerstr. 24–28	179	0	0.00	0.00	7.35	6.35

The impairment losses for the assets in Herford and Lemgo were recognised at the purchase prices agreed in the purchase agreement, which represents fair value.

The item also includes the depreciation and amortisation of right-of-use assets at €529 thousand in terms of IFRS 16. Of this, €448 thousand relates to right-of-use assets reported under investment property and €81 thousand to property, plant and equipment.

(5) OTHER OPERATING INCOME

Other operating income breaks down as follows:

IN € THOUSAND	2022	2021
Compensation and reimbursement	610	2,294
Charges passed on to tenants and leaseholders	343	357
Income from receivables previously written down	301	185
Reversal of provisions and accruals	258	464
Reversal	0	2,150
Miscellaneous	383	41
TOTAL	**1,895**	**5,491**

Compensation and reimbursement received essentially consists of a compensation payment of €550 thousand from the former tenant real in Celle, Gießen and Mannheim for maintenance work not carried out. Higher income for the previous year came mainly from a contractually agreed payment of €2,200 thousand from real to HAMBORNER in accordance with the lease termination agreement for the location in Mannheim in order to settle reciprocal claims and from a write-up of €2,150 thousand as a result of the revaluation of the property in Gießen due to a newly concluded long-term follow-on lease with the Kaufland Group.

(6) OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

IN € THOUSAND	2022	2021
Legal and consultancy costs	1,087	677
Costs of investor relations and public relations	455	521
Write-downs and amortisation of trade receivables	450	1,191
Miscellaneous	661	437
TOTAL	**2,653**	**2,826**

Expenses for legal and consultancy costs of €1,087 thousand (previous year: €677 thousand) include in particular expenses in connection with the appointment of another Management Board member (€181 thousand), with a sustainability assessment of a sub-portfolio (€160 thousand) and expenses in connection with the introduction of a portfolio management system (€122 thousand). The item also includes costs for investor relations and public relations work of €455 thousand (previous year: €521 thousand) and write-downs on trade receivables of €450 thousand (previous year: €1,191 thousand).

€347 thousand of write-downs and depreciation / amortisation on receivables (previous year: €1,102 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. The decrease in write-downs on receivables is primarily due to the easing of COVID-19 restrictions on tenants' businesses.

(7) RESULT FROM THE SALE OF INVESTMENT PROPERTY

The company generated net income from the disposal of property of €176 thousand in the reporting year after €36,381 thousand in the previous year. The result for the reporting year relates to the sale of high street retail properties in Gütersloh, Herford, Lemgo and Siegen, and to undeveloped land by the office building in Bonn and undeveloped land in Duisburg.

(8) FINANCIAL RESULT

The financial result in the reporting year consists of interest income and expenses. Interest income was €641 thousand (previous year: €0 thousand) and mainly relates to measurement effects of €425 thousand in connection with the discounting of provisions for mining damage, and to interest of €120 thousand on overnight and fixed-term deposits.

Interest expenses fell by €898 thousand to €13,017 thousand and relate to financial liabilities of €12,438 thousand (previous year: €13,448 thousand).

Scheduled loan repayments led to an interest expense decrease of €851 thousand and loan expiries led to an interest expense decrease of €175 thousand.

Interest expenses from interest rate hedges came to €0 thousand (previous year: €520 thousand).

Interest expenses in connection with the measurement of lease liabilities amounted to €525 thousand (previous year: €370 thousand).

(9) EARNINGS PER SHARE

Net profit for the period was €13,314 thousand, and as such €40,946 thousand below the previous year's figure. The decline is due in particular to the earnings from the sale of investment property in the previous year.

Earnings per share amount to €0.16 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.

	2022	2021
Weighted average number of shares outstanding in thousands	81,343	81,040
Net profit / profit for the year in € thousand	**13,314**	**54,260**
Earnings per share in €	0.16	0.67

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. 2022	Additions	Disposals	As at 31 Dec. 2022	As at 1 Jan. 2022	Additions (Depreciation and amortisation in the financial year)	Disposals	Reclassification	As at 31 Dec. 2022	As at 31 Dec. 2021	As at 31 Dec. 2022
Intangible assets	(10)	1,023	76	0	1,099	551	102		0	653	472	446
Property, plant and equipment	(10)	4,526	165	73	4,618	1,594	263	72	0	1,785	2,932	2,833
Investment property	(11)	1,394,646	60,445	17,215	1,437,876	279,396	37,476	8,156		308,716	1,115,250	1,129,160
TOTAL		**1,400,195**	**60,686**	**17,288**	**1,443,593**	**281,541**	**37,841**	**8,228**	**0**	**311,154**	**1,118,654**	**1,132,439**

IN € THOUSAND	EXPLANATION OF NOTES	COST					WRITE-DOWNS					CARRYING AMOUNTS	
		As at 1 Jan. 2021	Additions	Disposals	Reclassifica-tion	As at 31 Dec. 2021	As at 1 Jan. 2021	Additions (Depreciation and amortisation in 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**

(10) INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Amounting to €285 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 €2,399 thousand (previous year: €2,489 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	2022	2021
As at 1 January	**148**	**163**
+/– Additions / disposals	112	47
– Depreciation and amortisation	–81	–62
As at 31 December	**179**	**148**

(11) INVESTMENT PROPERTY/ADVANCE PAYMENTS

Investment property performed as follows in the reporting year:

IN € THOUSAND	2022	2021
As at 1 January	**1,115,250**	**1,195,468**
+ Additions due to acquisition	59,337	65,234
+ Additions to incidental costs of pending acquisitions	4	1,372
+ Additions due to costs subsequently added	1,104	1,544
	60,445	**68,150**
– Disposals due to sales	–9,059	–102,907
– Disposals due to reclassifications in accordance with IFRS 5	0	–10,550
	–9,059	**–113,457**
+ Write-ups		2,150
	0	**2,150**
– Depreciation on buildings for the financial year	–35,395	–34,567
– Impairment losses for the financial year	–1,632	–2,128
	–37,027	**–36,695**
+/– Change in evaluation of right-of-use assets	–449	–366
As at 31 December	**1,129,160**	**1,115,250**

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

IN € THOUSAND	2022	2021
As at 1 January	**7,459**	**7,825**
+/– Addition / revaluation	8,389	0
– Disposals	–879	0
– Depreciation and amortisation	–449	–366
As at 31 December	**14,520**	**7,459**

The addition consists largely of a property purchase subject to leasehold in Freiburg. Carrying amounts also went up by €725 thousand in total due to the revaluation of rights-of-use to leasehold land in Solingen and Freiburg. The revaluation of the right-of-use for the leasehold land in Gütersloh resulted in a decline of €536 thousand, however. The revaluation took place due to index changes, since the contractually defined limits for the reference value were not met or exceeded. The disposal of €879 thousand relates to the right-of-use asset in Gütersloh.

Taking into account the additions and disposals in the reporting year, the fair value of the investment property was €1,623,584 thousand as at 31 December 2022 (previous year: €1,602,777 thousand).

The fair value of investment property breaks down as follows:

IN € THOUSAND	2022	2021
Developed property portfolio	1,608,600	1,593,450
Incidental costs of pending acquisitions	4	1,407
Undeveloped land holdings	460	461
Right-of-use assets for leases	14,520	7,459
TOTAL	**1,623,584**	**1,602,777**

(12) FINANCIAL ASSETS

The financial assets of €1,930 thousand (previous year: €1,676 thousand) 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	2022	2021
Trade receivables		
Rent in arrears and billed incidental costs	1,541	2,330
Write-downs on trade receivables	–325	–901
Deferred receivables from future incidental cost invoices (contract assets)	604	419
Miscellaneous	270	553
	2,090	**2,401**
Other assets		
Financial assets	559	798
Miscellaneous	1,005	573
	1,564	**1,371**
TOTAL	**3,654**	**3,772**

Trade receivables decreased, due in particular to the decline in outstanding payments caused by the COVID-19 pandemic. Write-downs in the sum of expected losses of €325 thousand were recognised as at the end of the reporting period as part of the valuation of the remaining receivables (previous year: €901 thousand). €248 thousand (previous year: €582 thousand) of this can be attributed to outstanding receivables which are linked to the official lockdown measures implemented due to the COVID-19 pandemic.

Write-downs on trade receivables performed as follows:

IN € THOUSAND	2022	2021
As at 1 January	**901.0**	**1,026.0**
Addition	103.0	321.0
Revaluation	–679.0	–446.0
As at 31 December	**325.0**	**901.0**

Maturities of trade receivables as at 31 December 2022 are as follows:

MATURITY OF TRADE RECEIVABLES
IN € THOUSAND

	Total	overdue				not due
		< 30 days	> 30 days	> 60 days	> 90 days	
Gross receivable	1,541	194	187	46	654	460
Write-down	–325	–12	–13	–10	–290	0
Net receivable	1,216	182	174	36	364	460

Other non-current assets mainly include granted building cost subsidies due to newly completed leases in the context of the follow-on lease for the real locations in Celle, Gießen and Mannheim in the amount of €7.6 million. A further building cost subsidy of €1.4 million was granted as a result of a newly concluded lease with Aldi in Gießen in June 2022. The building cost subsidies totalled €9.2 million as at 31 December 2022. Of this, an amount of €0.9 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	2022	2021
Bank balances	141,956	143,405
Cash balances	2	2
TOTAL	**141,958**	**143,407**

€106,954 thousand (previous year: €5,813 thousand) of bank balances was invested in current accounts or fixed-term deposits.

Of the bank balances, €11,846 thousand (previous year: €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) ZNON-CURRENT ASSETS HELD FOR SALE

No properties were presented in the item “Non-current assets held for sale” as at 31 December 2022. In the previous year the item related to the property in Siegen, for which the purchase agreement was concluded in 2021, and the transfer of risks and rewards to the buyer completed on 1 April 2022. The fair value of these assets was €10,550 thousand, which corresponded to the contractually agreed sale price.

(16) EQUITY

The performance of equity from 1 January 2021 to 31 December 2022 is shown in the statement of changes in equity. As at 31 December 2022, the company’s issued capital was €81,343 thousand (previous year: €81,343 thousand) which is divided into 81,343,000 (previous year: 81,343,000) bearer shares. The nominal value of each share is €1.

The Annual General Meeting on 28 April 2022 authorised the Management Board to increase the company’s share capital up to 27 April 2027 with the consent of the Supervisory Board by up to €32,537 thousand in total (Authorised Capital 2022), once or several times, by issuing new registered shares against cash and non-cash contributions. The new shares must be offered to shareholders for subscription. The new shares may be accepted by one or more banks specified by the Management Board or active enterprises pursuant to section 53(1), clause 1 or section 53b(1), clause 1 or (7) of the German Banking Act (Kreditwesengesetz, “KWG”), with the requirement that they are offered to shareholders for subscription (indirect subscription rights).

Furthermore, on 28 April 2022 the Management Board was authorised, with the approval of the Supervisory Board, to issue bearer or registered warrant and convertible bonds or combinations of these instruments (‘bonds’), dated or undated, up to a nominal total of €150,000 thousand until 27 April 2027, 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 €8,134 thousand in accordance with the more detailed conditions of the warrant or convertible bonds (“bond conditions”).

When issuing warrant or convertible bonds, the Management Board is authorised to contingently increase the share capital of the company by up to €8,134 thousand, divided into up to 8,134 thousand registered shares (Contingent Capital 2022).

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.

As in the previous year, the capital reserve came to €346,071 thousand as at the reporting date. Capital reserves includes amounts which exceed the nominal value when issuing new shares as part of capital increases.

Retained earnings amount to €46,184 thousand as at 31 December 2022 (previous year: €69,960 thousand). For the 2022 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 distribution to the shareholders of €38,231 thousand.

The "Reserve for IAS 19 pension provisions" included in retained earnings of €–3,177 thousand (previous year: €–4,324 thousand) relates to the cumulative actuarial gains on defined–benefit pension obligations.

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	2022	2021	CHANGE
Equity	473,604	497,374	–4.8%
Total assets	1,288,425	1,285,787	0.2%
Reported equity ratio in %	**36.8**	**38.7**	**–5.0%**

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 2022, this indicator was 59.6% (previous year: 61.0%).

A key figure in connection with solvency is the EPRA loan-to-value (LTV) ratio. This ratio is defined as net financial liabilities to the calculated value of the properties. As at 31 December 2022, the LTV was 39.1% (previous year: 37.6%).

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

Financial liabilities rose by €23.0 million to €770.7 million. This is largely due to the repayment of expired loans and new borrowing for a net €45.0 million, and the scheduled repayment of loans for €22.1 million. The existing property loans are based on long-term fixed-interest agreements.

By contrast, in respect of the portion of the unsecured promissory note loans with a volume of €41.0 million, financed at a floating rate and with an initial term of five years, and a three-year loan of €45.0 million secured by a land charge, after weighing the risks and opportunities it was decided not to use interest rate hedges as the terms to maturity are not so long.

Financial liabilities break down by maturity as follows:

IN € THOUSAND	31 DEC. 2022			31 DEC. 2021		
	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	102,555	409,340	258,810	80,308	386,079	281,317
TOTAL	**102,555**	**409,340**	**258,810**	**80,308**	**386,079**	**281,317**

The table below shows the contractually agreed payments for interest and the repayment of financial liabilities. 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. 2022			31 DEC. 2021		
	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	114,372	445,839	280,296	91,240	417,612	299,815
TOTAL	**114,372**	**445,839**	**280,296**	**91,240**	**417,612**	**299,815**

With the exception of the unsecured promissory note loans of €75.0 million, all loans are secured by investment property. Land charges of €860.1 million are chargeable to the company for the financial liabilities reported as at 31 December 2022. 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 3.48% (average interest rate: 1.67%). In line with loan agreements, repayments are made monthly or quarterly.

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. 2022		31 DEC. 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	770,705	699,470	747,704	760,307

(18) TRADE PAYABLES AND OTHER LIABILITIES

IN € THOUSAND	2022	2021
Financial liabilities		
Lease liabilities (IFRS 16)	15,187	8,030
Granted building cost subsidies	5,885	7,891
Trade payables	4,981	3,639
Security deposits	1,930	1,676
Other purchase price retention	1,239	994
Security retention for rent guarantees	682	1,113
Supervisory Board remuneration	312	313
Audit fees	80	105
Miscellaneous	763	763
	31,059	**24,524**
Other liabilities		
Rental and leasing advances	937	1,749
VAT liabilities	866	695
Land transfer tax liabilities	615	1,553
Land tax obligations	126	77
Deferred investment subsidies	82	94
Miscellaneous	172	234
	2,798	**4,402**
TOTAL	**33,857**	**28,926**

€17,540 thousand (previous year: €19,773 thousand) of trade payables and other liabilities are due within one year.

The non-current financial liabilities (€1,966 thousand; previous year: €1,702 thousand) have a remaining term of less than five years.

Subsidies for building costs of €5,885 thousand stem largely from the follow-on lease for the former real sites in Celle, Gießen and Mannheim in the sum of €4.5 million and from another building cost subsidy in the sum of €1.4 million for Aldi in Gießen.

Lease liabilities mature as follows:

IN € THOUSAND	31 DEC. 2022	31 DEC. 2021
Up to one year	914	678
Between two and five years	3,420	2,516
More than five years	31,310	11,270
TOTAL	**35,644**	**14,464**

(19) PENSION PROVISIONS

There are pension scheme commitments for former employees and their surviving dependants. These are defined-benefit pension obligations 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 2022, 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 9.0 years as at the end of the reporting period (previous year: around 11.0 years).

Pension provisions performed as follows:

IN € THOUSAND	2022	2021
Carrying amount 1 January (= present value 1 January)	5,700	5,909
Interest expenses	51	50
Actuarial gains (–) / losses recognised for the current year	–1,147	96
(due to change in demographic assumptions)	–	–
(due to change in financial assumptions)	(–1,278)	(–46)
(due to experience adjustments)	(+131)	(+142)
Pension payments	–354	–355
TOTAL	**4,250**	**5,700**

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%)	204	–188
(previous year)	(345)	(–314)
Pension trend (+0.25% / –0.25%)	107	–103
(previous year)	(151)	(–153)
Deviation in mortality from standard (–7.5% / +7.5%)	132	–121
(previous year)	(211)	(–190)

The sensitivity calculations are based on the average term of the pension obligations calculated as at 31 December 2022. 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 defined-benefit pension obligations of €354 thousand are expected in the 2023 financial year.

In the year under review, HAMBORNER paid contributions of €287 thousand (previous year: €273 thousand) to statutory pension insurance deemed as a defined contribution pension scheme. In addition, the company paid direct insurance premiums of €6 thousand (previous year: €4 thousand) and premiums for employer-funded benefit commitments of €30 thousand (previous year: €30 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. 2022	UTILISATION	REVERSALS	ADDITIONS	31 DEC. 2022	OF WHICH NON-CURRENT	OF WHICH CURRENT
Provisions for							
Mining damage	3,014	0	298		2,716	2,716	0
Employee bonuses	564	495	39	501	531	0	531
Management Board bonuses (STI)	504	494	9	472	473	0	473
Management Board bonuses (LTI)	944	165	0	4	783	426	357
Reimbursements from uninvoiced operating costs	205	149	39	790	807	0	807
Risk of rent reduction due to COVID-19	653	0	153	0	500	0	500
Miscellaneous	199	179	20	199	199	0	199
TOTAL	**6,083**	**1,482**	**558**	**1,966**	**6,009**	**3,142**	**2,867**

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 five and 12 years; previous year: between six and 13 years), interest rates of between 3.5% and 4.0% (previous year: between 0.6% and 1.5%) were assumed for discounting. The provisions for mining damage decreased by a net amount of €298 thousand compared with the previous year, to €2,716 thousand. The decline is mainly due to interest rate effects for the amounts recognised the previous year as a result of changes in maturities and interest rates. These came to €494 thousand and are presented as interest income. The higher accrued interest on provisions of €196 thousand due to higher inflation rates is shown in other operating expenses.

The provision for employee bonus obligations is based on the assumption that the expected bonuses for 2022 will be €33 thousand lower than in the previous year and amount to €531 thousand. In addition, there were provisions for Management Board bonuses from long-term share-based remuneration (LTI) of €783 thousand (previous year: €944 thousand), €357 thousand of which was paid out in 2023 on the basis of the value of shares as at the end of the reporting period, and for short-term remuneration (STI) of €473 thousand (previous year: €504 thousand). The terms of the long-term share-based remuneration as at the financial statement date remained two months, 15 months, 27 months, and 39 months.

The provision of €807 thousand for refunding operating costs to tenants results primarily from a forecast obligation to reimburse excess advance payments of €528 thousand to a tenant.

A provision of €500 thousand (previous year: €653 thousand) has been recognised as of the reporting date for potential claims from tenants for the reimbursement of rents in connection with the lockdowns imposed in the course of the COVID-19 pandemic.

(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. 2022	BALANCE SHEET APPROACH	EVALUATION IN ACCORDANCE WITH IFRS 9	NON-FINANCIAL ASSETS / LIABILITIES
In € thousands		At amortised cost	
Assets			
Financial assets	1,930	1,930	
Current trade receivables and other assets	3,654	2,649	1,005
Cash and cash equivalents	141,958	141,958	
	147,542	**146,537**	**1,005**
Liabilities			
Non-current financial liabilities	668,150	668,150	
Non-current trade payables and other liabilities	16,317	1,966	14,351
Current financial liabilities	102,555	102,555	
Current trade payables and other liabilities	17,540	14,820	2,720
	804,562	**787,491**	**17,071**

31 DEC. 2021	BALANCE SHEET APPROACH	EVALUATION IN ACCORDANCE WITH IFRS 9	NON-FINANCIAL ASSETS / LIABILITIES
In € thousands		At amortised cost	
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**	**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 trade payables and other liabilities	19,773	9,091	10,682
	776,630	**758,496**	**18,134**

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. This is the total of all carrying amounts for the original financial instruments. 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 here:

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 and one loan secured by a land charge (€45.0 million) for which no interest rate swaps have been concluded. The floating-rate sub-tranches of the promissory note loan of €41 million are due to be repaid on 21 March 2023. On the basis of current interest rates, the interest expense for the loan secured by a land charge would go up or down by €450 thousand per year if the base rate were increased or reduced by 1.0 percentage point.

(22) CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS

HAMBORNER has signed a general contracting and project development contract to plan, obtain planning consent for and complete the turnkey construction of a new building for a KFC restaurant in Kempten, next to a toom DIY store already acquired, and to enter into a tenancy agreement with the operator. A fixed price of €3.5 million was agreed for this. If planning consent for the building is not obtained by 31 December 2023, HAMBORNER is entitled to cancel the contract without paying compensation.

There were no other material contingent liabilities or other financial obligations as at the reporting date.

(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 €1,114.4 million (previous year: €1,116.7 million) was let under operating leases as at 31 December 2022.

The leases, which are essentially for office and retail space, are usually concluded for terms of between three and 20 years. Around 98% of the 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. 2022	31 DEC. 2021
in 1st year	82,691	76,712
in 2nd year	75,496	68,745
in 3rd year	66,544	58,473
in 4th year	61,121	50,404
in 5th year	53,901	44,690
after 6th year	263,304	222,312
TOTAL	**603,057**	**521,336**

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 leasehold in Solingen, the existing renewal option was taken into account in the measurement of the lease liability as HAMBORNER has a strong financial incentive to exercise the option on the basis of the contractual provisions.

For the leasehold in Freiburg, only a renewal option of ten years up to 30 June 2033 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 €323 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 €11,846 million between cash funds as at 31 December 2022 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 €130,112 thousand as at the end of the reporting period compared with €83,978 thousand 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 €62.8 million after €67.0 million in the previous year. The decline is essentially due to the higher maintenance expenses compared with the previous year. The financial result reported in the cash flow statement 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:

		2022	2021
Number of shares outstanding at the end of the period	In thousands	81,343	81,343
Operating cash flow	€ thousand	62,788	66,975
Operating cash flow per share	€	0.77	0.82

(25) CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities resulted in cash outflow of €35.7 million (previous year's cash inflow: €92.8 million). The net cash outflow results from cash inflows from property sales of €18.4 million, offset by cash outflows from acquisitions of €54.1 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 €19.0 million (previous year: €–111.4 million). Cash inflows from borrowing of €119.1 million are mainly offset by payments for the dividend for 2021 (€38.2 million) and interest and principal repayments (€108.5 million) on the loans for the partial financing of the properties. The dividend distribution amounted to €38.2 million (previous year: €37.9 million). The cash distribution was €6.6 million lower in the previous year because some shareholders opted to take their dividend in shares. The dividend payment in the previous year was therefore €31.3 million. In the reporting year, cash and cash equivalents of an additional €6.2 million were deposited in 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 €53.7 million was released again.

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

IN € THOUSAND	2022	2021
As at 1 January	**747,704**	**758,916**
Addition due to acceptance of new loans	119,071	76,529
Disposal due to repayment of loans	–96,198	–87,875
Change in current accrued interest and principal repayments	133	76
Change in deferred transaction costs	–5	58
As at 31 December	**770,705**	**747,704**

Cash flow from lease liabilities comprises interest payments of €525 thousand (previous year: €370 thousand) and principal repayments of €377 thousand (previous year: €302 thousand).

Other notes and mandatory disclosures

EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no significant events after the end of the reporting period.

EMPLOYEES

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

	2022	2021
Commercial property management	17	15
Technical property management	8	7
Administration	21	21
TOTAL	**46**	**43**

CORPORATE GOVERNANCE

The Management Board and Supervisory Board updated the declaration of compliance in November 2022 and published it online at **www.hamborner.de/en** under HAMBORNER REIT AG / Corporate Governance / Corporate Governance Declaration.

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 2022, the company was not aware of any shareholders with a direct shareholding of more than 10% of the share capital.

In accordance with section 160(1), no. 8 AktG, the existence of equity investments reported to the company in accordance with section 33(1) or (2) WpHG must be disclosed.

The following table shows the reportable equity investments of which the company was notified by 21 February 2023. 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 2023 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 2022. This was held by the RAG Foundation, Essen.

VOTING RIGHT NOTIFICATIONS

No.	Reporting entity	Voting rights in accordance with sections 33, 34 WpHG	Voting rights from instruments in accordance with section 38(1) WpHG	Share of voting rights in %	Threshold affected	Date threshold affected	Attribution of voting rights in accordance with section 34 WpHG
1	RAG Foundation, Essen, Germany	9,926,280		12.2	Exceedance 10%	27 Sep. 2016	yes: 2.62%
2	Kingdom of Belgium, Brussels, Belgium	2,157,529		2.65	Shortfall 3%	16 Dec. 2022	yes: 2.65%
3	BlackRock Inc., Wilmington, DE, USA	4,318,959	50,000	5.37	Exceedance 5%	16 June 2022	yes: 5.31%

RELATED PARTY DISCLOSURES FOR THE 2022 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 2022 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 €1,882 thousand in the financial year (previous year: €1,603 thousand). Along with current remuneration of €1,649 thousand (previous year: €1,253 thousand), remuneration of €233 thousand (previous year: €350 thousand) relates to long-term share-based remuneration (LTI).

The LTI of Mr Karoff and Ms Verheyen 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 (€6.93).

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 (€6.73; previous year: €10.02).

On the basis of the share commitments granted in 2022 and the revaluation effects, expenses of €5 thousand (previous year: €554 thousand) were recognised for share-based remuneration in the reporting year.

The number of virtual share commitments granted and still outstanding on 31 December 2022, 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 on granting date	Payment	Number
LTI 2020	€9.66	2024	17,253
LTI 2021	€8.96	2025	22,321
LTI 2022	€9.73	2026	20,555

NUMBER OF VIRTUAL SHARE COMMITMENTS GRANTED TO MS VERHEYEN

	Share reference price on granting date	Payment	Number
LTI 2022	€9.73	2026	3,340

NUMBER OF VIRTUAL SHARE COMMITMENTS GRANTED TO MR SCHMITZ

	Share price on granting date	End of retention period	Number
LTI 2020	€7.48	2023	20,048
LTI 2021	€9.08	2023	16,528
LTI 2022	€9.50	2023	15,794

Mr Schmitz has left the Management Board, so the retention period for the virtual shares awarded to him ends at the close of the second trading day after the results for the last financial year have been published.

Virtual share commitments developed as follows:

	2022	2021
As at 1 January	**92,364**	**69,653**
Addition of virtual share commitments granted	39,689	38,841
Disposal of virtual share commitments paid out	–16,216	–16,130
As at 31 December	**115,837**	**92,364**

The virtual share commitments from 2019 (LTI 2019) which are due to Mr Schmitz in 2022 resulted in a payment of €165 thousand at a share price of €9.92.

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 €312 thousand (previous year: €313 thousand).

The recognised pension provisions for former Management Board members and their surviving dependants amounted to €2,411 thousand as at the financial statement date. Post-employment benefits under these pension commitments (€210 thousand) and other benefits to surviving dependants (€144 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
Managing
Director of
ECE Development & Consulting GmbH
External mandates:
EUREF AG [1] (Deputy Chair)

Claus-Matthias Böge, Hamburg
Deputy Chair
Managing Director of CMB Böge
Vermögensverwaltung GmbH
External mandates:
Bijou Brigitte modische Accessoires AG [1]

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

Rolf Glessing, Illerkirchberg
Managing shareholder of
Glessing Management Beratung GmbH
Spokesperson of the Management Board of
Kässbohrer Geländefahrzeug GmbH
External mandates:
FCF Fox Corporate Finance GmbH, Munich [2]
Member of the Board of Trustees of Josef H. Boquoi Foundation, Lübeck [2]
Member of the Board of Trustees of bofrost [1] Foundation, Geldern Pont [2]
Member of the Board of Trustees of Mein Wohnen Foundation, Geldern-Pont [2]

Ulrich Graebner, Bad Homburg v. d. H.
Senior Advisor of Houlihan Lokey GmbH
Partner of Cara Investment GmbH
External mandates:
Gepaco S. A. [2]

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

Mechthilde Dordel [3], Oberhausen
Commercial employee of HAMBORNER REIT AG

Klaus Hogeweg [3], Mülheim an der Ruhr
Commercial employee of HAMBORNER REIT AG

Johannes Weller [3], Willich
Commercial employee of HAMBORNER REIT AG

[1] Membership of other statutory supervisory boards
[2] Membership of similar domestic and foreign supervisory boards
[3] 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

ESG Committee
Dr Andreas Mattner (Chairman)
Maria Teresa Dreo-Tempsch
Ulrich Graebner

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

MANAGEMENT BOARD

Niclas Karoff, Berlin
(Chairman)
Responsible until 30 / 09 / 2022 for Investor Relations, Corporate Strategy / Digitalisation, Transaction Management, Portfolio Management / Controlling / Risk Management, HR, Public Relations, Internal Audit, Data Protection

From 01 / 10 / 2022 until 31 / 12 / 2022 responsible for Corporate Communications / Investor Relations, Strategy, ESG, Transaction Management, Portfolio Management / Controlling / Risk Management, HR / Organisation, Internal Audit, Data Protection / Digitalisation

From 01 / 01 / 2023 responsible for Strategy, ESG, Accounting / Finance / Taxes, Portfolio Management / Controlling / Risk Management, Legal/ Corporate Governance, Corporate Communications / Investor Relations, HR / Organisation, Internal Audit

Hans Richard Schmitz, Duisburg (until 31 / 12 / 2022)
Until 30 / 09 / 2022 responsible for Investor Relations, Asset Management, Maintenance / Technology / Project Management, Finance and Accounting / Taxes, Legal / Corporate Governance, IT, Insurance / Corporate Services, Investments

From 01 / 10 / 2022 responsible for Asset Management, Technology / Project Management, IT, Accounting / Finance / Taxes, Legal / Corporate Governance

Sarah Verheyen, Munich (from 01 / 10 / 2022)
From 01 / 10 / 2022 until 31 / 12 / 2022 responsible for Transaction Management, Asset Management, ESG, Technology / Project Management, Data Protection / Digitalisation, IT

From 01 / 01 / 2023 responsible for Transaction Management, ESG, Asset Management, Technology, Project Development, IT / Digitalisation, Data Protection

Duisburg, 21 February 2023

Management Board

Niclas Karoff Sarah Verheyen

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 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 2023

The Management Board

Niclas Karoff

Sarah Verheyen

INDEPENDENT AUDIT OPINION

To HAMBORNER REIT AG, Duisburg / Germany

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

AUDIT OPINIONS

We have audited the separate financial statements of HAMBORNER REIT AG, Duisburg – consisting of the statement of financial position as at 31 December 2022 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 2022, 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 2022. 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. Nor did we audit the disclosures in the management report in the subsection "Statement on the effectiveness of the internal control and risk management system" of the section "Risk management and internal control system".

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

- The attached separate financial statements, in all material respects, comply with 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 2022 and its results of operations for the financial year from 1 January to 31 December 2022; 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, nor to the disclosures outside the scope of the management report in the subsection "Statement on the effectiveness of the internal control and risk management system" of the section "Risk management and internal control system".

In accordance with section 322(3), clause 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 2022. 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.

Our presentation of this key audit matter is structured as follows:

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

b) Audit procedure

Measurement of investment property at attributable fair value

a) Properties in the amount of €1,129.2 million are reported in the statement of financial position "Investment property" (87.6% 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 51 of the management report.

b) We assessed the suitability 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. We also participated in inspections of individual properties by the external expert.

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,
- 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 disclosures designated as "unaudited" that are outside the scope of the management report in the subsection "Statement on the effectiveness of the internal control and risk management system" of the section "Risk management and internal control system",
- the responsibility statement on the separate financial statements and the management report in accordance with section 264(2), clause 3 and section 289(1), clause 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 the separate financial statements that, 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 material misstatements as a result of fraud (i.e. manipulation of the accounts or embezzlement) or error.

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 an accurate 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 material misstatements as a result of fraud or error, and whether the management report as a whole provides an accurate 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 material misstatements in the separate financial statements and the management report due to fraud or error, 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 due to fraud are not detected is greater than the risk that material misstatements due to errors are not detected, because fraud may include collusion, forgery, deliberate omissions, misleading presentations and the evasion 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 presentation, structure and content of the separate financial statements overall, 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 monitoring, the planned scope and scheduling of the audit, among other things, as well as significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We declare to those responsible for monitoring 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 if relevant, the action or the precautions taken to eliminate any threats to our independence.

Of the issues we discuss with those responsible for monitoring, 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 28 April 2022. We were engaged by the Supervisory Board on 10 June 2022. 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. Holger Reichmann.

Düsseldorf, 22 February 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr Holger Reichmann
German Public Auditor

Nicole Meyer
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 2022

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 2022, HAMBORNER REIT AG's free float according to the notifications of voting rights that we have received was 82.43%. We notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of this by way of a letter dated 12 January 2023.

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 2022 financial year, 91.4% 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 €38.2 million.

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 14.4% 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 59.6% as at 31 December 2022.

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 €38.2 million, which is not subject to taxation.

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

Duisburg, 21 February 2023
The Management Board

List of properties (as at 31 December 2022)

YEAR OF ACQUISI-TION	PROPERTY		PROPERTY USE	LAND AREA IN M²	USABLE FLOOR AREA IN M²	RENT IN 2022 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE IN €[1]	DISCOUNT RATE IN %	CAPITALISA-TION RATE IN %	OTHER COMMENTS
1976	Solingen	Friedenstr. 64	Retail	27,344	7,932.75	1,467,596	143	24,220,000	6.05	4.85	Leasehold property
1981	Cologne	Von-Bodelschwingh-Str. 6	Retail	7,890	3,050.00	465,563	108	10,390,000	4.90	4.00	
1986	Frankfurt am Main	Königsteiner Str. 73–77	Retail	6,203	2,640.30	372,374	70	10,410,000	5.35	4.10	
1988	Dortmund	Westfalendamm 84–86	Office	1,674	2,683.61	240,234	84	3,620,000	6.50	5.75	
1991	Dortmund	Königswall 36	Office	1,344	2,989.97	417,010	53	6,760,000	6.00	5.20	
2001	Hamburg	An der Alster 6	Office	401	1,323.00	292,294	30	6,650,000	5.00	4.25	
2007	Münster	Johann-Krane-Weg 21–27	Office	10,787	9,540.15	1,349,078	27	22,920,000	6.40	5.75	
2007	Neuwied	Allensteiner Str. 15	Retail	8,188	3,500.57	433,360	45	4,480,000	8.80	6.60	
2007	Freital	Wilsdruffer Str. 52	Retail	15,555	7,940.36	832,546	130	10,080,000	6.70	5.50	
2007	Geldern	Bahnhofstr. 8	Retail	12,376	8,748.55	713,417	114	12,800,000	5.65	4.55	
2007	Lüneburg	Am Alten Eisenwerk 2	Retail	13,319	4,610.64	483,511	34	7,930,000	5.90	5.00	
2007	Meppen	Am neuen Markt 1	Retail	13,111	10,204.73	934,115	138	16,930,000	5.70	4.45	
2007	Mosbach	Hauptstr. 96	Office	5,565	6,492.74	24,101	–	950,000	14.50	7.40	
2008	Bremen	Hermann-Köhl-Straße 3	Office	9,994	7,154.47	658,268	28	8,280,000	7.75	6.25	
2008	Bremen	Linzer Straße 7, 9, 9a	Office	9,276	10,270.32	1,360,872	48	18,920,000	7.10	6.10	
2008	Osnabrück	Sutthauser Str. 285–287	Office	3,701	3,831.33	519,230	22	7,230,000	7.30	6.55	
2008	Freiburg	Robert-Bunsen-Str. 9a	Retail	26,926	9,253.00	1,210,850	90	13,890,000	6.45	5.10	Leasehold property
2009	Münster	Martin-Luther-King-Weg 18–28	Office	17,379	13,795.30	1,852,632	51	31,740,000	6.65	5.85	
2010	Erlangen	Wetterkreuz 15	Office	6,256	7,328.14	1,291,645	89	19,990,000	6.65	5.90	
2010	Hilden	Westring 5	Retail	29,663	10,845.88	954,503	75	12,990,000	7.15	5.70	
2010	Stuttgart	Stammheimer Str. 10	Retail	6,853	6,362.98	1,274,160	66	22,440,000	5.25	4.20	
2010	Ingolstadt	Despagstr. 3	Office	7,050	5,361.79	851,174	37	13,800,000	6.60	5.70	
2011	Leipzig	Brandenburger Str. 21	Retail	33,917	11,130.98	943,433	22	15,330,000	6.50	5.20	
2011	Regensburg	Hildegard-von-Bingen-Str. 1	Office	3,622	8,945.42	1,630,418	46	28,910,000	6.35	5.25	
2011	Erlangen	Allee-am-Röthelheimpark 11–17	Office	10,710	11,691.24	2,119,379	31	36,270,000	6.20	5.30	
2011	Freiburg	Lörracher Str. 8	Retail	8,511	4,127.26	915,212	82	19,440,000	4.80	4.05	

YEAR OF ACQUISI-TION	PROPERTY		PROPERTY USE	LAND AREA IN M²	USABLE FLOOR AREA IN M²	RENT IN 2022 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE IN €[1]	DISCOUNT RATE IN %	CAPITALISA-TION RATE IN %	OTHER COMMENTS
2012	Aachen	Debyestraße 20	Retail	36,177	11,431.00	1,321,160	51	20,880,000	6.70	5.35	
2012	Tübingen	Eugenstraße 72-74	Retail	16,035	13,000.00	2,050,563	84	35,610,000	5.65	4.70	
2012	Karlsruhe	Rüppurrerstr. 1	Retail	10,839	15,151.93	2,744,000	148	55,630,000	5.70	4.35	
2013	Munich	Domagkstr. 10–16	Office	5,553	12,257.12	2,674,628	59	76,360,000	4.55	3.90	
2013	Berlin	EUREF-Campus 12 / 13	Office	3,100	12,641.71	2,638,820	51	73,440,000	4.80	4.05	
2013	Bayreuth	Spinnereistr. 5a, 5b, 6–8	Office	8,297	9,035.75	1,363,502	67	20,160,000	6.55	5.70	
2013	Hamburg	Kurt-A-Körber-Chaussee 9, 11	Retail	20,330	10,407.88	1,248,272	71	17,700,000	6.75	5.45	
2015	Aachen	Gut-Dämme-Str.14/ KrefelderStr.216	Office	3,968	10,058.93	1,720,509	84	33,060,000	5.85	5.15	
2015	Celle	An der Hasenbahn 3	Retail	56,699	25,417.70	1,902,389	110	41,230,000	5.45	4.00	
2015	Gießen	Gottlieb-Daimler-Str. 27	Retail	46,467	18,381.63	1,138,553	59	20,390,000	5.25	4.30	
2015	Berlin	Tempelhofer Damm 198–200	Retail	6,444	6,290.03	1,396,678	64	31,030,000	5.25	3.90	
2015	Neu-Isenburg	Schleussnerstr. 100–102	Retail	9,080	4,249.43	851,749	98	17,420,000	5.60	4.30	
2016	Lübeck	Königstraße 84–96	Retail	4,412	13,522.32	2,441,363	44	30,860,000	8.35	6.25	
2016	Ditzingen	Dieselstr. 18	Retail	22,095	10,036.00	1,106,411	159	16,730,000	8.30	6.70	
2016	Mannheim	Spreewaldallee 44–50	Retail	103,386	28,383.14	3,924,873	145	79,640,000	5.05	4.25	
2016	Münster	Martin-Luther-King-Weg 30, 30a	Office	4,986	3,317.20	476,838	40	8,000,000	6.25	5.60	
2017	Cologne	Am Coloneum 9 / Adolf-Grimme-Allee 3	Office	15,461	26,517.26	2,970,165	96	73,100,000	5.25	4.75	
2017	Hallstadt	Michelinstr. 142	Retail	41,829	21,710.91	2,494,961	53	43,700,000	6.30	4.60	
2017	Berlin	Märkische Allee 166–172	Retail	17,264	6,528.70	961,452	39	21,400,000	5.10	3.70	
2017	Ratingen	Balcke-Dürr-Allee 7	Office	4,476	10,532.27	2,068,442	34	33,200,000	6.10	5.30	
2017	Hanau	Otto-Hahn-Str. 18	Retail	37,525	14,158.47	2,072,884	115	46,270,000	5.40	4.00	
2017	Kiel	Kaistraße 90	Office	2,049	6,737.56	1,388,618	48	21,890,000	6.60	5.45	
2017	Passau	Steinbachstr. 60 / 62	Retail	6,797	4,476.17	908,633	87	15,550,000	6.15	4.70	
2018	Bonn	Basketsring 3	Retail	10,823	4,934.08	801,336	60	16,720,000	5.35	4.05	
2018	Düsseldorf	Harffstr. 53	Retail	10,360	5,342.85	601,738	60	12,830,000	4.85	3.90	
2018	Cologne	Unter Linden 280–286	Retail	21,873	6,533.30	1,109,212	75	25,230,000	5.05	3.60	
2018	Darmstadt	Gräfenhäuserstr. 85, 85a, 85b	Office	7,641	8,085.55	673,101	55	12,580,000	7.90	6.25	
2018	Darmstadt	Leydheckerstr. 16	Retail	27,819	11,000.00	1,834,831	26	33,300,000	5.40	4.15	

YEAR OF ACQUISI-TION	PROPERTY		PROPERTY USE	LAND AREA IN M²	USABLE FLOOR AREA IN M²	RENT IN 2022 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE IN €[1]	DISCOUNT RATE IN %	CAPITALISA-TION RATE IN %	OTHER COMMENTS
2018	Berlin	Landsberger Allee 360–362	Retail	37,875	16,390.41	1,871,014	90	35,820,000	5.75	4.65	
2019	Bamberg	Starkenfeldstr. 21	Office	6,574	6,160.25	845,410	68	16,000,000	5.90	5.25	
2019	Lengerich	Alwin-Klein-Str. 1	Retail	9,436	4,611.34	739,342	122	14,800,000	5.00	4.30	
2020	Neu-Isenburg	Siemensstr. 10a	Office	3,604	4,542.00	898,926	95	16,700,000	6.10	5.35	
2020	Bonn	Soenneckenstraße 10, 12	Office	6,902	6,500.48	1,537,357	112	30,000,000	5.30	4.70	
2020	Aachen	Gut-Dämme-Str. / Grüner Weg	Office	8,383	8,322.65	2,133,280	106	41,800,000	5.30	4.70	
2020	Dietzenbach	Masayaplatz 3	Retail	14,667	5,056.75	800,803	73	16,800,000	5.30	3.90	
2021	Mainz	Isaac-Fulda-Allee 3	Office	5,940	7,748.00	1,314,804	4	22,600,000	6.75	4.80	
2021	Stuttgart	Schockenriedstraße 17	Retail	2,813	5,929.09	769,183	28	18,100,000	6.00	4.50	
2021	Münster	Robert-Bosch-Straße 17	Office	2,108	6,330.80	911,701	93	25,400,000	5.00	4.40	
2022	Freiburg	Munziger Straße 6	Retail	27,723	10,658.78	1,069,995[2]	123	19,600,000	6.65	5.05	
2022	Kempten	Ulmer Straße 21	Retail	24,303	17,067.36	1,062,692[2]	120	29,700,000	6.20	4.85	
				1,009,728	**611,212.28**	**84,447,166**		**1,608,600,000**	**407**	**327**	

[1] according to JLL appraisal as at 31 December 2022
[2] Pro rata temporis rents from transfer date

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 performance of the 30 largest and, as of September 2021, the 40 largest 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 a government committee 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.

DISCOUNT RATE The discount 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 LTV LTV stands for 'loan to value' and is a ratio obtained by dividing borrowings as defined by IFRS, less cash and cash equivalents, by the total fair value of the property portfolio.

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 Net Tangible Assets 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 net return on an investment for 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 key financial ratios compared with the previous period; this is due to portfolio changes within an analysis period following acquisitions and disposals. To calculate like-for-like key financial ratios, the portfolio changes are taken into account, and adjusted for acquisitions and disposals with the analysis periods. Like-for-like key financial ratios provide additional valuable information and improve transparency within the property portfolio performance analysis.

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(1), clause 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 carefully 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.

This Annual Report is also available in German. Only the German version is legally binding.

FINANCIAL CALENDAR 2023 / 2024

16 March 2023	2022 Annual Report
25 April 2023	Interim statement, 31 March 2023
27 April 2023	2023 Annual General Meeting
10 August 2023	Half-year financial report, 30 June 2023
9 November 2023	Interim statement, 30 September 2023
8 February 2024	Provisional figures for the 2023 financial year
14 March 2024	2023 Annual Report
23 April 2024	Interim statement, 31 March 2024
25 April 2024	2024 Annual General Meeting

PUBLICATION DETAILS

Published by

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Concept, graphics and production

Berichtsmanufaktur GmbH, Hamburg
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Image credits

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