CREATING PERSPECTIVES

WITH QUALITY

ANNUAL REPORT 2023

hamborner REIT

ZUKUNFT BRAUCHT SUBSTANZ

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PROFILE

HAMBORNER REIT AG manages a portfolio of commercial properties spread 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.

€91.1 MILLION

INCOME FROM RENTS AND LEASES

€54.7 MILLION

FUNDS FROM OPERATIONS

FINANCIAL INDICATORS

IN € THOUSAND		2023	2022	2021
From the income statement				
Income from rents and leases		91,121	87,077 [1]	84,360
Net rental income		75,977	72,011	74,627
Operating result		11,117	25,514	31,794
Financial result		–12,306	–12,376	–13,915
EBITDA		67,496	63,531	103,416
EBIT		11,646	25,690	68,175
Funds from operations (FFO)		54,661	50,979	53,120
Period result		–660	13,314	54,260
of which resulting from the sale of investment property		529	176	36,381
From the statement of financial position				
Total assets		1,160,801	1,288,425	1,285,787
Non-current assets		1,114,083	1,142,813	1,128,058
Equity		434,118	473,604	497,374
Equity ratio	in %	37.4	36.8	38.7
REIT equity ratio	in %	55.1	59.6	61.0
EPRA Loan to value (LTV)	in %	43.5	39.8 [1]	37.6
On HAMBORNER shares				
Number of shares outstanding		81,343,348	81,343,348	81,343,348
Basic = diluted earnings per share	in €	–0.01	0.16	0.67
Funds from operations (FFO) per share	in €	0.67	0.63	0.65
Stock price per share (Xetra)	in €			
Highest share price		7.75	10.31	10.22
Lowest share price		6.07	6.23	8.66
Year-end share price		6.81	6.73	10.02
Dividend per share	in €	0.48	0.47	0.47
Dividend yield in relation to the year-end share	in %	7.0	7.0	4.7
Price / FFO ratio		10.13	10.74	15.34
Market capitalisation		553,948	547,441	815,060
On the HAMBORNER portfolio				
Number of properties		67	66	68
Fair value of the property portfolio		1,471,000	1,608,600	1,604,000
EPRA vacancy rate		2.7	1.9	2.0
Weighted remaining term of leases in years		6.4	6.5	6.1
Other data				
Net asset value (NAV)		814,929	964,829	984,902
Net asset value per share	in €	10.02	11.86	12.11
EPRA Net Tangible Assets (NTA)		814,629	964,383	984,430
EPRA Net Tangible Assets per share (NTA)	in €	10.01	11.86	12.10
Number of employees including Management Board		49	51	45

[1] Previous year adjusted, see section on amendment under IAS 8

KEY DATA 2023

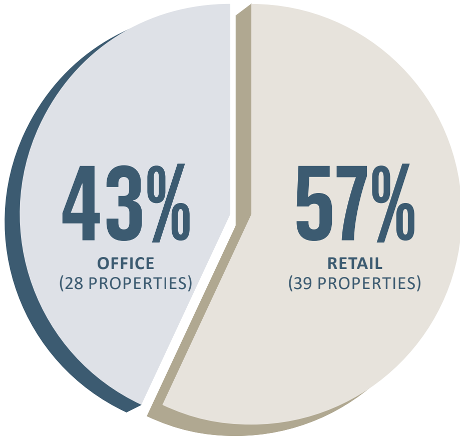
INVESTMENT FOCUS

Focus on German metropolitan regions

Find out more

PORTFOLIO STRUCTURE

based on fair value



LEASABLE SPACE

622,932 m²

AVERAGE REMAINING TERM FOR LEASES

6.4 years

OUR 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

49

EMPLOYEES

EDITORIAL

Although the market environment remains demanding, we are not standing still. We are optimising the quality of our portfolio, improving our operating fitness, and getting even closer to our tenants. In other words, we are prudently strengthening our position – and thereby the basis from which we intend to continue our successful growth.

NEW PROSPECTS are an important element of our trajectory for further growth

Creating perspectives with quality. The title of our Annual Report encapsulates two distinguishing aspects of our company. The first is quality, or more precisely, the quality of our property portfolio. It forms the foundations that give our business stability, even in a dynamic environment, and it creates the conditions in which we can continue to pursue our objectives and put them into practice even when the operating environment is difficult.

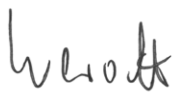
But we do not intend to sit back and rest. Because the quality of a property is not something that can be maintained without a lot of work. It is rather the result of many decisions and continuous supervision. Based on this understanding of our role we have worked hard on our portfolio in recent years – on the quality of its architecture and engineering, but also on the quality of its use: in close collaboration with our tenants and partners.

The second aspect that this report examines is “creating perspectives”. Anyone who wants to create something new, to drive it forward and shape it, needs energy, ideas and a quality that is particularly important today: flexibility. Flexibility also means questioning existing structures, abandoning familiar ways of thinking, and maybe leaving one’s comfort zone at certain times. Disruption like this is demanding for an organisation, but it also creates new perspectives.

We started this process of disruption last year and can already feel the first positive changes. All of us on the team now look at what were everyday processes from new angles, and at the same time we become more open and more focussed. We are using new technological opportunities and digital tools that help us to do so. And we are learning that it is still possible to make progress towards our goal even if we have to adapt our original plans.

In this spirit, we continue to advance along the path we have chosen, and are using even difficult market phases to strengthen our own productive potential, without losing sight of our real objective: continued growth

Duisburg, 21 February 2024



Niclas Karoff

Sarah Verheyen

PORTFOLIO QUALITY

KNOW-HOW ADDS VALUE

What does good portfolio quality mean in dynamic times? Stability for the company, which creates space for further optimisation and growth.

KNOWLEDGE TRANSFER – between teams, from different perspectives, for the quality of the portfolio

At times of change in the operating environment for the property sector, internal debate about the further development of our portfolio is even more important. This has to take the demands of markets and regulators into account.

How would you sum up the 2023 financial year?

KAROFF: Looking back, it was a mixed picture. From an economic perspective, we can be very satisfied overall. Thanks to the great stability of the portfolio, we achieved all our targets in full, both in terms of revenues and earnings. Our tenant structure is stable and the vacancy rate remains very low. This paid off again last year. We exceeded our target for FFO. And thanks to a number of successful new contract signings, we were able to generate additional stability in terms of the portfolio.

But if we can present good figures once again this year, this does not mean that we can escape the general market developments. The mood on the market is still tense and of course important subjects, like the changes in interest rates and prices, affect us too. On the other hand it is precisely a phase like this that confirms how stable our portfolio is. Its overall quality, which has been strengthened further by our portfolio optimisation work in recent years, pays off here especially.

That sounds positive.

K: Yes, I think it really is. But what we are not so happy about is the fact that we had to interrupt our growth trajectory. The difficult market environment meant that our acquisitions were limited to just two properties. And even if conditions for sellers were attractive, we held back here too last year. Unfortunately the market did not pick up in the second half of the year in the way we expected at the beginning. We have to accept that a revival in the transaction market has been postponed for a while longer.

At the same time, our prudence in terms of deal-making enabled us spend more time on the letting business, and on further internal development, which is just as important. This particularly entailed driving further digitalisation and aligning our operating structures even more precisely with the requirements of tenants and the respective property.

How are things looking with the value of the portfolio? Many property companies had to make substantial write-downs.

K: In view of the highly dynamic market we also had our portfolio valued externally during the year last year, in addition to our regular year-end remeasurement. Despite the write-downs that this necessitated, both in the retail and the office portfolio, we received positive feedback from the market as a result – not least because this move enabled us to provide additional transparency in a particular market environment.

> We want to dedicate more attention to the further development of our portfolio again this year.

NICLAS KAROFF

86%

TENANT RETENTION RATE

What are your thoughts about the market environment? Where do you fit into this context?

K: The market is still subject to considerable uncertainty. How will interest rates and the macroeconomic environment develop? How can the additional regulatory requirements be implemented as efficiently as possible? How much work is involved in the further improvements to sustainability standards for the property portfolio, and who is going to pay for the ensuing costs going forward? Only time will give us the answers to these and other important questions. And so some uncertainties will remain for the foreseeable future.

For us too, I expect the effects to be tangible, but manageable overall. Our aim must be to address the rising complexity within our day-to-day business, inside the company, with efficient and versatile structures and processes. Here we are supported by the experience and great commitment of our team, and in particular by the quality of our property portfolio. The resulting stability is reflected in rental income, which rose again in 2023, and also creates freedom for further continued development at HAMBORNER.

Some of the income is reinvested in the portfolio – not least because of higher sustainability requirements...

K: That's right. And not only since last year. We were early adopters as far as sustainability is concerned. Because this is also an aspect that is relevant to the value and quality of the portfolio. Although the subject is sometimes overshadowed by other events in the news cycle, we are continuing steadily along the path we have chosen. We drew up a detailed carbon footprint for our portfolio back in 2022, and last year the focus was on developing a detailed decarbonisation strategy. We thought it was important not just to communicate a single target figure, but at the same time to give an initial indication of the additional costs that will be incurred for implementing the strategy. Since this is an extremely complex project, which covers the whole portfolio and will take a long time, it is not possible to give a valid estimate of the long-term costs at the present time. But for the short and medium term at least, we feel able to quantify the additional expenses approximately. The measures needed at the level of individual properties will take up a lot of our time in the years ahead. We will benefit here from the relationships and close dialogue that we have with our tenants. Because one thing is clear: it will only be possible to achieve our decarbonisation targets with the cooperation of everyone involved.

How will the implementation work in practice?

K: It is essentially based on three pillars: the first is optimising the energy supply in our portfolio properties. The carbon footprint of a building can be significantly improved at comparatively low cost by using more electricity from renewable energy sources. The second pillar is increasing energy efficiency by means of concrete improvements to and within the buildings. They include work on the shell, changing the lighting to LEDs, and replacing heating and cooling systems, for example. At the same time we will benefit from the ongoing modernisation and decarbonisation of the power and heating supply in Germany. These developments, which we see as the third pillar of our strategy, generate additional important positive effects in the transition to fully decarbonising our property portfolio.

Where do you currently see the market opportunities and what are the biggest factors of uncertainty?

K: I am confident that attractive acquisition opportunities will emerge for us again in the near future. Thanks to our flexible investment approach – office and retail, each with their own risk-return profile – we have a correspondingly broad market to choose from. Our focus on the metropolitan regions also gives us regional flexibility. In the manage to core space, and also in our Core properties, we see good opportunities for optimisation to meet the sustainability requirements.

The uncertainties come from the sluggish economic performance. From today's perspective we assume that the current conditions will initially continue in 2024. This would have consequences for our letting business, particularly in terms of longer lead times for signing new tenancy agreements, and the terms of the leases themselves. In contrast, the expiry dates for our leases have a balanced profile, and last year we again saw a high percentage of tenants electing to renew their lease. In terms of total rental income, about 4% of the leases are up for renewal or new tenants in 2024. Looking at the quality of our locations and our consistently high retention rate over years, I think the uncertainty is manageable, at least as far as our letting activities are concerned.

How will HAMBORNER perform in 2024?

K: Notwithstanding the challenges I mentioned earlier, we are fundamentally positive about the year ahead. We are confident that we can keep our rental and lease income at a consistently high level, and successively increase it by means of targeted investment and other indexation effects. On the earnings side we will probably come in below the previous year's level. The reasons are partly the positive non-recurring effects in 2023, but also the additional expenditure planned for ESG, digitalisation and internal optimisation projects. The quality of our portfolio will remain a guarantee for dependable earnings, however.

In financial terms, we will be making an early start on the upcoming financing arrangements for the next two years. Here we anticipate in particular that we will be able to profit from the good, established relationships with our financing partners.

> It will only be possible to achieve our decarbonisation targets with the cooperation of everyone involved.
>
> NICLAS KAROFF

In addition, we want to dedicate more attention to the further development of our portfolio again this year. In this context we will be reviewing acquisition opportunities and looking for attractive entry conditions. Portfolio development also means being willing to dispose of certain properties, and we will be consistently driving our internal optimisation projects in parallel.

Just as we work continuously on the quality of our portfolio, we will not be letting up on the topic of sustainability. Among other things, our decarbonisation strategy will give us plenty of work to do in this area in 2024.

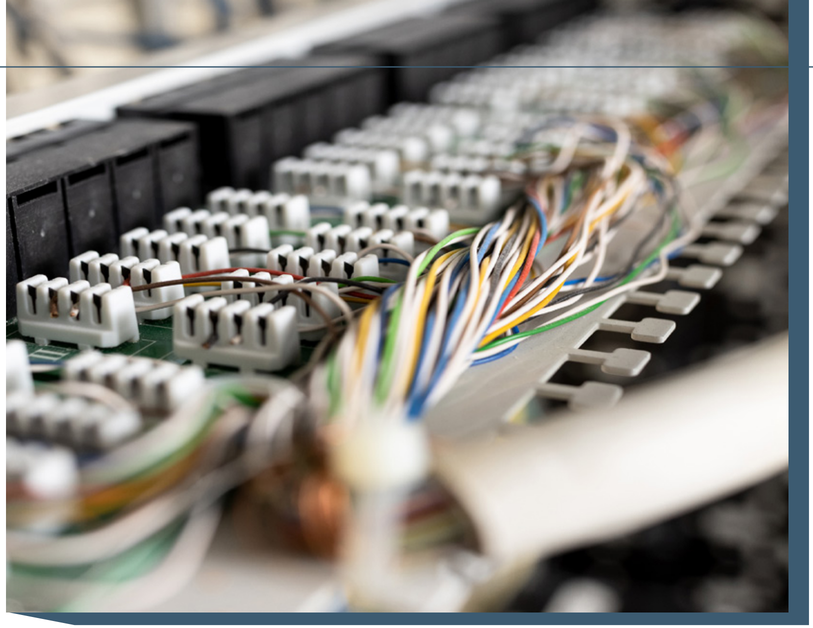
QUALITY CHECK

- Continuous portfolio screening and development provide stability in a dynamic environment
- Focus on ESG and tomorrow's issues in close cooperation with our tenants

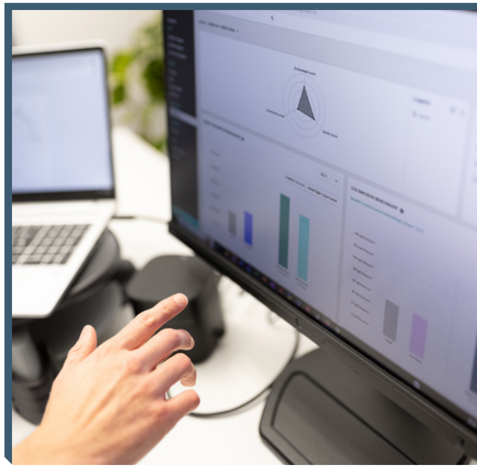
QUALITY IN PROCESSES

IN DIGITAL ACCELERA-TION

Speed is a key success factor in business life today, where new requirements call for the right response in a short timeframe.



Speed today is based more than ever on a sophisticated digitalisation strategy. At Hamborner, this also includes a cloud-first approach. A look inside the IT engine room and its engineers.



Property management is becoming more digital.

What were the defining topics in your areas of responsibility last year? How satisfied are you with the results?

VERHEYEN: There were three main themes to our work last year: the reorganisation of the operating business units to ensure 360-degree property management, the further digitalisation and transformation of our company, and the development of a decarbonisation strategy at company and portfolio level. With the internal reorganisation we are addressing the greater complexity in property management, and the increasing regulatory requirements. We are putting our properties even more at the centre of everything we do, and pooling our competences in interdisciplinary teams. At the same time, our property management will become even more professional and digital. To do this, we are making various organisational changes. This principally affects our three core areas of commercial property management, technical property management and accounting.

What is the advantage of organising in interdisciplinary teams?

V: The restructuring of the operating areas means that individuals will be networked and work more closely with colleagues. We are forming fixed (sub) portfolio teams, consisting of staff from the three core areas, who manage the same properties from the perspective of their respective disciplines. They are coordinated at the next level up by the Asset Management function, and also supported by various cross-cutting functions, such as Portfolio Management, Legal or ESG. Notwithstanding this matrix structure, the existing departments are not going to be abolished, but there will be more cooperation between the departments. This will boost employees' identification with the properties and tasks relating to them, and create more transparency in the operating business at the same time. In the future we will be focusing on collaboration. Cooperation will be improved and processes optimised, which creates the basis for more effective working. We started implementing the changes to the organisational structure at the beginning of the current year.

The second topic is digitalisation and transformation. What does this dual focus represent?

V: The need for digitalisation is one of the main drivers of our transformation process. At the same time we see that digitalisation cannot be viewed in isolation, but has to be part of a holistic transformation process within the company.

The successful implementation and execution of a digital business model stands and falls with its acceptance by the employees. They are the users of digital solutions. So the improvements in process efficiency, the scalability and the reduction of complexity that we are aiming for must always be considered from the employee perspective too. This is where the link to transformation comes in. It is

> Digitalisation is not an aim in itself, but an instrument that should help us to work together better.

SARAH VERHEYEN

essential that employees in the process also keep developing themselves and engage with the new opportunities. This enables new ways of thinking and working to evolve, and habits that have formed over years in some cases to change.

Where are you now with the digitalisation process?

V: We took the required preparatory measures in 2023. In the current year we will begin with the implementation. We are guided by the ten strategic parameters for our digitalisation, which we developed in workshops with our team and advisers.

Our new collaboration model provides the framework for how we want to organise our work together in future. One of the first milestones for digitalisation is to set up and establish an ecosystem in the cloud that replaces our existing IT infrastructure and will enable flexible access to all data and applications in future. Cloud solutions – especially in combination with future growth – can scale our IT resources while ensuring that personnel and financing expenses stay manageable.

You said the third focus of your work was decarbonisation...

V: At the centre of our sustainability activities in 2023 was the development of a decarbonisation strategy. In order to create a reliable decision-making basis for formulating reduction targets at company and portfolio level, our first step was to define the methodology, i.e. to identify the key factors affecting our carbon intensity and define a standardised process to account for greenhouse gas emissions. In the process, we revalidated the data that had already been collected in prior years, and compared the collection and accounting methodology with the current and future regulatory standards, as well as with market- and sector-specific requirements.

In a second stage, we calculated energy and carbon footprints at the level of individual properties, along with additional analyses that made it possible to identify reduction potential and draw up a catalogue of different reduction measures that take cost-benefit aspects into account.

These analyses form the basis for formulating concrete medium- and long-term reduction targets and calculating the necessary costs in the years ahead. From now on we divide our maintenance work into three categories. There will still be a need for maintenance work on properties that does not have any effect on decarbonisation. In addition, we have divided maintenance work with decarbonisation components into two categories – regular and planned maintenance that has a positive effect on a building's carbon footprint anyway, such as the replacement of a central heating system, windows, roofs etc. after a certain time. From a decarbonisation perspective, these do not entail any additional costs. Additional costs are only caused by measures whose sole purpose is to reduce greenhouse gas emissions, e.g. installing a photovoltaic system, and in future we will consider and communicate these costs separately.

SOLAR PANELS on the "NuOffice" in Domagkstraße, Munich

72%

OUR CO2 EMISSIONS ARE IN THE HANDS OF OUR TENANTS

What do you think about current market developments? Where do you see opportunities for HAMBORNER?

V: Overall, we are operating in a challenging environment. Almost all investor groups are cautious about making acquisitions at the moment. It is very clear that transaction markets have not yet found a new pricing level. Investors who do not have to sell are currently reluctant to do so, which means that there are fewer opportunities available for the buy side.

Nevertheless, we were able to acquire two large food markets last year and so at least participate in the transaction market to a limited extent. We were again able to benefit from our good network, and in this case we bought the properties in an off-market deal from our main tenant EDEKA. Food retailing will remain a very attractive investment class for us going forward. One of its strengths is that it is based on satisfying the basic needs of the population, and so provides stable and dependable returns even at difficult times.

What is the situation like on the office market?

V: We find that office buildings are more dependent on the economic cycle. The general level of interest in investing in office properties is comparatively low. Despite this, there is still a great need for good office space, especially space that makes it possible to implement flexible modern ways of working. Properties in good locations that tick these boxes still have good opportunities. We are seeing this in the development of prime rates, which continue to rise at the top 7 locations. The high quality of our existing portfolio has not changed, and this is reflected among other things in numerous successful lets last year.

There is a lot of change going on at HAMBORNER. How is the team dealing with that?

V: The corporate culture plays a key role in the ongoing transformation processes. That is what decides how new processes, structures and strategies can be implemented successfully in our organisation. The restructuring, which is not least a consequence of the changes in market conditions, has to be accompanied by a willingness to adapt on the part of the employees. We can't bring about a new way of thinking and working just by issuing instructions or holding a workshop. What is decisive is to promote a culture of openness and lifelong learning, where employees are encouraged to contribute innovative ideas and to question existing processes critically. Small successes and improvements are an important element of that.

Because transformation takes place in stages. The latest figures show that the willingness to innovate has fallen sharply in Germany, because people feel too much is being expected of them. Technological innovation is important and it should take place at a speed and in increments that a company can cope with.

We are aware that transformation is dependent on a real willingness to cooperate. The way through these transformation processes can often be a challenge and sometimes uncomfortable. It calls for leaving some things behind, for working harder in some areas, and for exploring unknown territory more often.

We are abandoning obsolete structures and processes, but this doesn't just happen at the push of a button. That is not the idea either, because change and innovation only come about by training dynamic capabilities: flexibility, curiosity and a willingness to try new things. And here I think we are on the right track.

QUALITY CHECK

- Collaboration and interdisciplinary teams make our operational work more effective
- Digitalisation and transformation serve to create a modern company that is fit for the future

QUALITY IN COMMUNICATIONS

DIALOGUE IN THE SAME DIRECTION

Today the key question is: Where do tenants stand, and what are their requirements?

Every tenant has issues that we can help to solve. Which is why we compare notes with them regularly. This develops our relationship and at the same time our ability to stay in touch with the market.

> Personal communication is becoming more important.

TORSTEN DE WENDT

What is the leasing situation like for HAMBORNER at the moment and how do you expect it to develop?

DE WENDT: The leasing situation for us is positive, as in the past; I would say it is better than the market as a whole. We traditionally have a very low vacancy rate. That is because we benefit from our stable portfolio and quality locations. But we are also seeing that the market is getting more demanding. The era of “new work” has fundamentally changed the way organisations are set up. For us as landlords it means we have to adapt to completely new expectations on the part of our tenants. And then there are the issues of digitalisation, new working requirements and the expectations of employees after COVID-19, which all drive this trend.

What does that actually mean?

W: Let’s take start-up companies as an example. Working life here often takes place between working from home and co-working spaces. That affects both the size and the layout of the rental properties. A kind of “living room working” approach has become established at many firms. The tenants use their space as a social meeting point. Other organisations still tend to prefer floor plans that are dominated by individual offices for one or more people. Our properties provide the flexibility for that.

Who bears the costs of the “living room”?

W: Fittings and furnishings are normally down to the tenant. We get involved when a rental property has to be adapted to the changing environment. We definitely review the need for any

— **TORSTEN DE WENDT** is a lawyer and authorised signatory at HAMBORNER and has lead the Property Management unit for ten years. He was previously managing director at various firms of estate agents and has worked as an independent solicitor.

AT THE SAME TABLE – personal discussions with tenants give us great insights into the things that matter to them.

GREEN LEASE

A **"green lease"** is a tenancy agreement designed to be sustainable, the terms of which are intended to encourage the tenant to use the property as sustainably as possible and the landlord to manage the property as sustainably as possible. It has many advantages. In addition to making a positive contribution to the environment and climate action, "green" clauses in the lease form the basis for increasing transparency and cost efficiency, and for improving the working environment in the property.

> Working with our tenants, we find individual solutions.
>
> TORSTEN DE WENDT

daptation when a tenant moves out. But also during a tenancy and when a lease comes up for renewal, we also look at the property in terms of its quality to see if it still meets market requirements. If the tenant wants to make changes, we support them by giving our consent – and if the added value for us is substantial, we might also make a financial contribution.

The requirements in terms of ESG have also gone up substantially...

W: That's true. Sustainability standards for properties, the EU Taxonomy, green leases and green energy – these are the demands that our tenants and potential tenants are making of us today, much more than in the past, also because these are the requirements that the market and regulators are making of them. All this means that the amount of data we exchange is growing rapidly.

How much do you use analytics tools for location analysis, or to develop your assets? Where are experience and personal exchanges particularly important?

W: We use technical tools, of course, like databases, programs and letting platforms. But they do not remotely replace personal contacts or site visits. Tools provide facts. In the course of a dialogue we get opinions, which also apply to the future. Among the most important contacts for us are the local authorities, especially the business development departments. But comparing notes on technical and other functional aspects with specialists is also important. We maintain contacts with a wide variety of experts and market participants.

Whereby the tenant is and will remain the most important source of information for us by far. Our regular conversations with tenants do not revolve so much around the contractual relationship as such, but rather the general developments at the location and the concrete challenges that they are faced with in their day-to-day business. This gives us an appreciation of the impending changes in the market. And related to that, in what areas can we contribute to finding a timely solution?

Long-term contracts represent security in your business. How does HAMBORNER make its locations as attractive as possible for its tenants?

W: We do that via the quality of our properties and the quality of our service: at the moment we are working hard to optimise our locations in terms of their carbon footprint. Our service for our tenants can include adapting the lease in good time, planning for future space requirements or focusing on meeting higher energy efficiency standards. In the past we just let space on a temporary basis. The only time you met in person was at the beginning and end of a lease. Today, the best case is that the landlord and the tenant have an in-depth relationship where both partners consult each other regularly. Our tenants appreciate that we have answers to their questions and can provide helpful data and information. And we can do that because we get proactively involved in the things our tenants need.

You carried out a big tenant survey recently. What were the findings?

W: We carried out a wide-ranging stakeholder survey for the first time in 2023, and as part of that we asked around 80 tenants for their opinion about the performance of our asset and property management teams. In the survey, the existing tenants had the option of giving their opinion anonymously about the quality and condition of the rental property, and about their working relationship with their contacts at HAMBORNER. A survey like that is an important instrument for us to find out if we are on the right track. And it is a good way of communicating with smaller tenants about topics like sustainability too. As far as the findings go, they were largely in line with our expectations. But in some cases we also picked up some very valuable tips. And what always came across was that our tenants appreciate the attentive and highly personal service. This is reflected not least in the high tenant satisfaction ratio of 76% that we measured for the first time.

RESPONDING to the questions and needs of our tenants is important to us.

QUALITY CHECK

- Our most important source of information is the tenant – proactive communication identifies their needs early
- Regular data exchanges help to meet market and regulatory demands

QUALITY PROPERTIES

SUSTAIN-ABLY BETTER

We see the decarbonisation of our portfolio not only as a task, but above all as an opportunity.

Our objective is for the metrics of our properties to make a good impression in our own sustainability record and that of our tenants. That can't be done from one day to the next. But last year we again made excellent progress – also thanks to close cooperation with our tenants.

But then the property markets took a different turn to what was expected before I started. In contrast to our original plans, we acquired fewer manage-to-core properties. We responded accordingly and took that as an opportunity to redefine our priorities. The initial focus was therefore on sustainability and on optimising our internal organisational structures, in order to ensure we can continue to meet the requirements of modern property management. These are both very complex and challenging areas, which we are working on in our division with our experienced team and a dual leadership structure.

CRREM

The **Carbon Risk Real Estate Monitor** is a system for measuring the current status of a building in terms of its energy and emissions intensity. It enables us to estimate the extent to which a building's carbon emissions should be reduced in order to be consistent with the UN climate goals.

Ms Höfer, you only joined HAMBORNER recently. What's your impression of the company?

HÖFER: This is a highly dynamic company, which means there's never a dull moment here. I joined the company a year-and-a-half ago and have been part of the Technical Management team since then. In the past I acquired a lot of experience of managing and developing large retail and office property projects. That was good training for supporting the development and expansion of a development team for manage-to-core projects, by which we mean properties with optimisation potential.

— **DESIREE HÖFER** is Co-Head of Technical Management. The construction engineer has been part of the HAMBORNER team since 2022. She previously worked in project management functions, including project development, at various companies.

You recently published a decarbonisation strategy...

H: Preparing that was one of our main tasks last year. We were keen to show not only the targets we are aiming for, but also to find out what concrete steps are required to achieve them at portfolio and individual property level. My Technical Management department dealt primarily with the different possibilities for optimising the sustainability status of a building, so basically with ways of reducing carbon emissions. To start with we analysed about a third of our properties in terms of their current and historic greenhouse gas emissions, and identified possible ways to make them more energy efficient. The second step was to apply our findings to similar buildings in the portfolio.

How did that work exactly?

H: In the course of the assessment we categorised the remaining two thirds of our portfolio that were not analysed in detail according to their type of use, age, physical structure and tenant structure, among other things. The information that we gained from the detailed analysis was then transferred to similar properties. Finally,

> “Decarbonisation can only be achieved together with the tenants.
>
> DIPL.-ING. DESIREE HÖFER

The **CARBON FOOTPRINT** of HAMBORNER’s own head office is also continuously optimised.

we drew up a catalogue of activities that is now being used at the individual property level as a road map for reaching our decarbonisation targets.

Heating, photovoltaics, heat pumps – a lot of knowledge is required.

H: Our team already has most of the technical know-how needed in these areas. For complex work we also consult external experts as necessary, and they advise us on the planning and implementation. The question we always ask ourselves is, by how much can we reduce our carbon emissions with the measures available to us? We use spreadsheet models for that, some of which we learnt about in ESG training courses. They not only include the potential savings, of course, but also the costs of the different technical options.

That sounds complex...

H: Yes, it is, because individual approaches have to be devised for each property. A heat pump can be a good solution for an office building. But a retail property often calls for different solutions. It’s not just about heating here, but mostly about cooling too. That in turn is a good reason for hybrid solutions, because a cooling unit can be combined with heat recovery and in some cases with a heat pump too.

What role does the tenant play in the target pathway?

H: An important one. Much of the potential for reducing carbon emissions can be only be achieved in close cooperation with the tenants. Because they are the ones who determine the energy consumption on a day-to-day basis. For a retail property their influence is generally greater than for an office property. Retailers prefer an ambient temperature of 21 degrees Celsius. That is a comfortable temperature at which customers are happy to shop. So although reducing the temperature to 19 degrees Celsius certainly reduces the carbon footprint significantly, it also alters the feeling of comfort. What helps here is when we are not the only ones thinking more about sustainability. When the tenants do too, we can work together to find joint solutions for reducing the carbon footprint.

Do all the tenants share that view?

H: More and more of them do. A few years ago about two thirds of customers were not very interested in ESG, but today we are gradually seeing a change of heart. That means there is a much greater willingness to talk about things like “green leases” and contracts for green power. It helps that we are not the only ones who have compliance obligations – our tenants do to. So essentially we are both on the same side. Sustainability is definitely a focus for our institutional tenants, especially the big food retailers who are our anchor tenants. For some of the smaller tenants we sometimes have to be a bit more persuasive.

But regardless of the size of the tenants, we do notice that they are more cost-conscious in the current inflationary environment.

Sustainability is a topic that has to be affordable for them. But the service charges are now a cost factor that the tenants did not use to pay so much attention to. At the same time we see that sustainability standards are increasingly important for new leases.

How important is third-party dialogue?

H: Comparing notes and sharing information with others is very important for us. We talk to engineers a lot on a day-to-day basis. And at conventions and conferences we compare notes with competitors. The facility managers we work with are also important sparring partners for us. ESG is currently a massive topic in the property business, so everyone has questions; about data management, for instance. All the market players are dealing with the same issues, like how to access, collect and analyse data, and data protection, of course.

Is there a data tool you already work with?

H: Yes, last year we decided on a system for the automated recording of consumption data. The data gathered will form the basis for our carbon footprint at individual property, sub-portfolio and entire portfolio level. As soon as the system is up and running, the data will be automatically entered via interfaces and can be used. Direct interfaces are also being set up with the regional energy utilities, who send us a large part of the consumption data we need directly. In the past we entered and analysed these data manually. At the same time we are currently doing the groundwork for collecting all consumption data via smart meters that can be accessed remotely. There are still some obstacles to be overcome here in terms of data protection, however. But once we have done that, our data management processes will be even more transparent, faster and more secure.

What are the other topics on the agenda in your division for 2024?

H: Our focus on ESG results in more varied jobs, which we carry out continuously in our buildings. We are currently tendering for facility management services for our portfolio. So we have developed detailed tender documents covering qualifications, criteria and the work required. Our aim is to get better, forward-looking facility management by working with qualified service providers, because that benefits the users of the properties, and the intelligent data flows help to meet increasing reporting requirements.

We use a data hub to connect the external facility managers with our internal Property Management team. This software works like a sniffer dog and retrieves the relevant data from the service providers' systems. It enables service providers to work within their own systems, while we get the data we need for management, monitoring and reporting.

This year we are also focussing on choosing and implementing a new software solution for the management and controlling of maintenance and construction projects.

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PROPERTIES IMPLEMENTED IN ESG TOOL

ELECTRIC VEHICLE CHARGING STATIONS
at the company offices in Duisburg-Hamborn

QUALITY CHECK

- Digital data management systems form the basis for efficient and dependable carbon emission reporting
- Individual concepts are drawn up to reduce the energy and emissions intensity of all the portfolio properties

QUALITY GOVERNANCE

RELIABILITY BUILDS TRUST

Contracts are the basis of all successful collaborations.

The expertise and involvement of its legal team is vital when closing deals and letting properties, but also in many other areas of HAMBORNER's day-to-day business. The following interview with Marc Rother gives an inside view.

LAWYER MARC ROTHER – involved in numerous processes and in regular contact with the other departments

Mr Rother: when you look at the demands made of your team in Legal & Corporate Governance, what has changed recently?

ROTHER: Basically we can say that almost everything has some legal aspect to it today. The question, "Can you have a look at this situation from a legal perspective?" is one of the things I hear most in my everyday work. In addition to working on legal topics from the operating business units, we regularly advise on the implementation of regulatory requirements, which get more wide-ranging and more complex every year for listed companies like us. As far as reporting is concerned, for instance, we are currently very busy with preparations for the extended reporting under the CSRD and EU Taxonomy that is mandatory from 2025. These subjects do not directly impact my area of responsibility. But of course there are numerous aspects that we have to deal with from the legal perspective. The subject of money laundering also requires more attention. Anti-money laundering legislation has been tightened and a new Transparency Register and Financial Information Act has been introduced. The list of legal requirements for companies is growing and I could mention many more.

Apart from the regulations, there are also market-specific requirements. They are made by stakeholders, including investors, financial market analysts and ESG rating agencies, for example. Here we work closely with our colleagues from ESG and Investor Relations. And that brings us on to the subject of governance: there are very clear rules nowadays for how a company has to be managed. The

— **MARC ROTHER** is an authorised signatory and heads the Legal & Corporate Governance division. A qualified lawyer, he has worked for HAMBORNER REIT AG for 20 years and concentrates on transactions, legal due diligence, Supervisory Board work, Annual General Meetings and capital market legislation.

> Regulations and market standards are the basis of our internal governance structures.
>
> **MARC ROTHER**

market wants to see that they are respected – which means we at HAMBORNER do too. So there are very many different points of contact with the legal department in the company.

How much time do you spend on classic contracts?

R: The pace of change is not so great in terms of operational business. The contents of leases and sales agreements largely follow fixed conventions. What has increased a lot here are the documentation obligations. Like many things in life, this has two sides to it: one is that there is more work to do. Writing things down takes time. But on the other hand, this gives us the benefits of reliability, security and ultimately also trust. Reliability also means that theoretically everyone with the corresponding rights has direct access to the single document that is valid for all. This is also a good fit with our new collaboration strategy, which will ensure we are networked with one another much more digitally in future. I personally am looking forward to it, because it enables us to work together much more efficiently.

Are there differences between the contracts for retail and office properties?

R: Legally speaking there are not that many differences. Both are asset classes covered by commercial tenancy law. With retail properties we are much more dependent on building law, however. Town planning law keeps getting stricter and that sets limits for us. The background is that the municipalities want to protect the shops in the town centres and so are setting the boundaries for greenfield retail sites more deliberately than in the past.

“Reliable contracts create the basis for sustainable partnerships.

MARC ROTHER

That is eminently political...

R: It certainly is. The municipalities decide what happens within their jurisdiction. For DIY stores, for example, there is a special zoning category with clear limits on the available space and what they are allowed to sell. So when a new lease is being negotiated, or when we have a manage-to-core strategy for a building, we will probably have even more to do with the town planning department in future. But that is also positive, because every solution has to work for everyone involved; for our tenant, for their customers and for the local community.

Let’s stay with the subject of regulation. Where do you think it is necessary, and where does it go too far?

R: For residential property I think it is right that the government legislation particularly protects tenants. For commercial leases, government could rely more on the market in my opinion. We have more room for manoeuvre here, theoretically, but in practice it is restricted again by the law on general terms and conditions, or by the courts. One example is the clauses on cosmetic repairs and maintenance, which the Federal Court of Justice has ruled to be illegal, not only for residential contracts but also for commercial premises. There is no need for protection in these areas in the commercial market, if you ask me. Both parties are professionals. The legal trend is going the other way, however.

How can the sale and purchase of properties be made easier in your area?

R: We are already in a good position as far as the legal due diligence and contract structuring is concerned. Here we have a well-designed checklist that we can adapt as needed to the specific situation. There is room for improvement when it comes to inspecting the land register. It would be good if we could access the files faster via a public notary at some point. When we have to check on easements it can sometimes take quite a while to chase up a document. If it's not available, we have to go to the local authority. They are often at the limit of their capacity. Fortunately there is work being done here on an electronic land file. But not to give the wrong impression: in our transactions we deal with professional partners, with whom we can increasingly wrap up the processes efficiently via an electronic data room.

LEGALLY BINDING – most topics the company deals with have legal ramifications.

Talking about data rooms. What role do they play in internal collaboration? And how are you and the Legal & Corporate Governance division involved in these processes?

R: Working in a data room is now part of everyday work for all of us at HAMBORNER. This is where we file the relevant data, where we ask questions and share information. As far as the process is concerned, we were involved from the beginning. We always start with a kick-off meeting attended by all people involved. In addition to us that is the transaction team, the technical people, asset management and property management. For larger transactions we also get specialised law firms on board. We discuss the details of the transaction and assign responsibilities. Then there are regular status meetings where we share interim results, until at some point it's time to draft the purchase or sales contract. On our side the documents are reviewed and organised by the Transaction and Legal divisions, and by Accounting for the tax issues. This always enables us to deliver a good result.

QUALITY CHECK

- A combination of internal and external legal expertise forms the basis for optimal results for us and our business partners
- Broad knowledge in a wide range of different legal areas ensures we provide the best advice for all internal company processes

COMPANY

REPORT FROM THE SUPERVISORY BOARD

Dear readers,

Although macroeconomic and sector-specific conditions remained difficult, HAMBORNER REIT AG has built on its success in 2022 and achieved a stable and positive business performance in the past year.

Our intention is that our shareholders should participate in the improved revenue and earnings figures in the form of a dividend of €0.48 per share, which is very attractive compared with the market and our competitors. The Management Board and Supervisory Board will table a corresponding dividend proposal at this year's Annual General Meeting on 25 April 2024.

CHANGES TO THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The merger of the Steering Committee and the Nomination Committee voted by the Supervisory Board in the previous year took effect on 1 January 2023. We notified you of the corresponding resolution last year.

The Supervisory Board appointed Mr Niclas Karoff as Chair of the Management Board for another five years until 28 February 2029 by way of a circular resolution in March 2023. With his reappointment, the Supervisory Board ensures continuity and long-term visibility in the management of the company.

MONITORING MANAGEMENT AND COOPERATION WITH THE MANAGEMENT BOARD

In the 2023 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. The Supervisory Board met regularly without the Management Board, both in full sessions and meetings of the Executive and Nomination Committee.

The Supervisory Board met four times in the 2023 financial year. In addition, the Supervisory Board adopted the resolution on renewing Mr Niclas Karoff's appointment as CEO and one resolution amending the Rules of Procedure for the Management Board outside of meetings.

DR ANDREAS MATTNER

Chairman of the Supervisory Board
of HAMBORNER REIT AG

Over the course of the year the Chair of the Supervisory Board remained in regular contact with the Chair of the Management Board in order to stay informed of key transactions, forthcoming decisions and current developments regarding the business situation.

The Supervisory Board attended a training course on sustainability reporting (Corporate Sustainability Reporting Directive – CSRD) and EU Taxonomy last year.

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. In addition, the Supervisory Board voted to reappoint Mr Niclas Karoff as Chair of the Management Board for a further five years. The Supervisory Board also dealt with many other individual matters at its meetings and was informed among other things about the company's internal transformation and digitalisation processes, as well as its sustainability and ESG activities.

At the accounts meeting of 9 March 2023, 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 2022, following its own review and discussion of significant aspects with the auditor Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The Supervisory Board approved the remuneration report and the corporate governance declaration and concurred with the Management Board's proposal for the appropriation of profits. In addition, the Supervisory Board adopted the agenda of the ordinary Annual General Meeting held on 27 April 2023. Without the Management Board and on the basis of the proposal by the Executive and Nomination Committee, the Supervisory Board determined the targets for the Management Board's variable remuneration for 2023 and awarded the Management Board performance-related remuneration in the form of a bonus for the 2022 financial year. Also without the Management Board, the Supervisory Board discussed the measurement criteria for the modifier in connection with the short-term variable remuneration (STI). An adjustment to the current service agreement and a new service agreement with the CEO Mr Niclas Karoff were also adopted.

In March 2023, the Supervisory Board appointed Mr Niclas Karoff as Chair of the Management Board for another five years until 28 February 2029 by way of a circular resolution.

At the meeting on 27 April 2023 the Supervisory Board approved the purchase of two investment properties. The shareholder representatives on the Supervisory Board also amended their own share ownership guidelines.

The Supervisory Board voted to modify the division of responsibilities for the Management Board at its meeting on 24 August 2023. Furthermore, the Supervisory Board dealt in depth with the additional reporting that will be required in future under the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy Regulation.

The meeting on 15 November 2023 focused on the company's budget and medium-term planning for 2024 to 2028. The planned development of revenue and earnings was discussed in detail with the Management Board. At the suggestion of the Executive and Nomination Committee, the Supervisory Board also set the targets for variable remuneration for the 2024 financial year, and discussed the remuneration system in this context without the presence of the Management Board. The declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG was also adopted. The Supervisory Board also discussed a draft amendment to the Rules of Procedure for the Management Board, which was adopted by circular resolution with effect from January 2024 after some adjustments had been made.

REPORT BY THE COMMITTEES

Some of the work of the Supervisory Board is performed by committees. There were three committees in the 2023 financial year.

The Executive and Nomination Committee met five times. At the meeting on 1 February 2023, which was held partly without the Management Board, the Committee looked at the Management Board's variable remuneration for the year 2022 and the targets for the Management Board's variable remuneration for 2023. In addition, the Executive and Nomination Committee dealt with the renewal of the service agreement for the CEO Mr Niclas Karoff.

At its meeting on 24 August 2023 the Executive and Nomination Committee discussed proposals to amend the Rules of Procedure for the Management Board. It also discussed topics relating to the variable remuneration for the Management Board without the Management Board.

At its meeting on 18 October 2023 the Executive and Nomination Committee voted to propose to the Supervisory Board amendments to the Rules of Procedure for the Management Board. The Committee again dealt with questions relating to variable Management Board remuneration. This partly took place without the presence of the Management Board.

At its meeting on 7 November 2023 the Executive and Nomination Committee adopted proposals to the Supervisory Board for targets for the variable Management Board remuneration for 2024. The Committee also resumed its discussion on the variable remuneration for the Management Board and brought it to a conclusion in the absence of the Management Board.

At its meeting on 18 December 2023 the Executive and Nomination Committee discussed the status of the company transformation process with the participation of the employee representatives on the Supervisory Board.

The Audit Committee met four times in 2023. Three of these meetings also involved the auditors of the financial statements. The meeting on 7 March 2023, in which the Committee chiefly dealt with the financial statements for 2022, was also attended by all the other Supervisory Board members. At the other Committee meetings over the remainder of the year, which the Supervisory Board Chair, Dr Andreas Mattner, attended as a guest, the half-year financial report and the quarterly interim statements for 2023 were presented by the Management Board and discussed in detail.

The ESG Committee met twice in the reporting period. At its meeting on 1 February 2023 the ESG Committee was informed by the Management Board about ongoing ESG activities at the company. The Committee also discussed the current draft legislation from the federal government and its implications for the company. The meeting on 24 August 2023 centred on discussions about the company's preparations for the requirements of the CSRD and EU Taxonomy.

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

Out of a total of 15 meetings of the Supervisory Board and its committees in the reporting year, eight were held exclusively online.

The average attendance ratio for all Supervisory Board members at the meetings of the full Supervisory Board and its committees was 95% in the reporting period. In an average of 51% of these cases they attended online.

The individual Supervisory Board members attended the meetings in person or online as follows

ATTENDENCE OF SUPERVISORY BOARD MEMBERS IN SUPERVISORY BOARD AND COMMITTEE MEETINGS IN THE 2023 FINANCIAL YEAR

Name	Member since	Total meetings (thereof virtual attendance)	Attendance at plenary meetings (thereof virtual attendance)	Attendance at committee meetings (thereof virtual attendance)	Attendance rate in % (thereof virtual attendance in %)
Dr Andreas Mattner	2017	11 / 11 (4)	4 / 4 (1)	7 / 7 (3)	100 (36)
Claus-Matthias Böge	2015	13 / 13 (10)	4 / 4 (2)	9 / 9 (8)	100 (77)
Maria Teresa Dreo-Tempsch	2020	10 / 11 (4)	3 / 4 (–)	7 / 7 (4)	91 (40)
Rolf Glessing	2018	8 / 8 (6)	4 / 4 (2)	4 / 4 (4)	100 (75)
Ulrich Graebner	2019	11 / 11 (5)	4 / 4 (2)	7 / 7 (3)	100 (45)
Christel Kaufmann-Hocker	2010	8 / 8 (6)	4 / 4 (2)	4 / 4 (4)	100 (75)
Mechthilde Dordel	2010	3 / 4 (1)	3 / 4 (1)	–	75 (33)
Klaus Hogeweg	2020	4 / 4 (1)	4 / 4 (1)	–	100 (25)
Johannes Weller	2020	7 / 8 (4)	4 / 4 (1)	3 / 4 (3)	88 (57)

CORPORATE GOVERNANCE AND THE DECLARATION OF COMPLIANCE

The Supervisory Board and the Management Board again intensively discussed the further development of internal corporate governance in the year under review. The Committee, together with the Management Board, reports on this in accordance with Principle 23 of the German Corporate Governance Code (hereinafter "Code"), in the corporate governance report for 2023. There were no conflicts of interest within the meaning of item E1 of the Code among its members. The Supervisory Board and Management Board published an updated joint declaration of compliance with the Code in accordance with section 161 AktG in November 2023. The declaration of compliance is publicly available on the company's website **www.hamborner.de/en** in the Corporate Governance section.

ADOPTION OF THE 2023 ANNUAL FINANCIAL STATEMENTS (HGB) AND APPROVAL OF THE IFRS SEPARATE FINANCIAL STATEMENTS

On 7 March 2024, in the presence of the auditor, the Audit Committee and the Supervisory Board examined and discussed in detail the annual financial statements under German commercial law and the separate IFRS financial statements of the company in accordance with Section 325(2a) of the German Commercial Code (HGB), together with the management report and the proposal for the appropriation of profits. In preparation, all members of the Supervisory Board received copies of the audit reports early. The certifying auditors reported at length on the audit results and were available to the Supervisory Board to answer supplementary questions and provide information in the discussion.

There were no objections to the HGB and IFRS financial statements presented, with the result that the Supervisory Board approved them at its meeting on 7 March 2024.

UNQUALIFIED AUDIT OPINION

The annual financial statements of the company as at 31 December 2023 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 PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The audit mandate was issued in accordance with the resolution of the Annual General Meeting of 27 April 2023. The auditor issued unqualified audit opinions for both sets of financial statements.

The 2023 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

Under conditions that continued to be highly challenging, and with great personal commitment, the Management Board and the workforce again achieved impressive successes and laid the foundations for the company's continued successful development. For this, the Supervisory Board expresses its thanks and appreciation to the Management Board and all employees.

Duisburg, 7 March 2024

Supervisory Board

Dr Andreas Mattner
Chair

MANAGEMENT BOARD AND SUPERVISORY BOARD

Management Board

NICLAS KAROFF, BERLIN
Chair
Born in 1971,
Management Board member since 1 March 2020,
appointed until 28 February 2029,

- Responsible from 1 January 2023 to 23 August 2023 for Strategy, ESG, Accounting / Finance / Taxes, Portfolio Management / Controlling / Risk Management, Legal / Corporate Governance, Corporate Communications / Investor Relations, HR / Organisation, Internal Audit

- From 24 August 2023 responsible for Strategy, Finance & Accounting, Portfolio & Risk Management, Internal Audit, Legal & Corporate Governance, Investor Relations & Corporate Communication, Human Resources, Sustainability & ESG, Executive Office

SARAH VERHEYEN, MUNICH
Born in 1985,
Management Board member since 1 October 2022,
appointed until 30 September 2025,

- Responsible from 1 January 2023 to 23 August 2023 for Transaction Management, ESG, Asset Management, Technology, Project Development, IT / Digitalisation, Data Protection

- From 24 August 2023 responsible for IT & Digital Transformation, Transaction Management, Asset Management, Technical Management, Property Management, Sustainability & ESG, Executive Office

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

Supervisory Board

DR ANDREAS MATTNER, HAMBURG
Chair
Independent management consultant

CLAUS-MATTHIAS BÖGE, HAMBURG
Deputy Chair
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 AG

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]
Employee of HAMBORNER REIT AG
(Finance & Accounting)

KLAUS HOGEWEG, MÜLHEIM AN DER RUHR[1]
Employee of HAMBORNER REIT AG
(IT & Digital Transformation)

JOHANNES WELLER, WILLICH[1]
Employee of HAMBORNER REIT AG
(Portfolio & Risk Management)

[1] Employee representatives

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. At the same time it assumes 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.

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 committee deals regularly with relevant environmental, social and governance matters, is directly involved in the strategy development and materiality process, and formulates concrete themes and areas for action. It also oversees the implementation of company-wide sustainability activities.

Sustainability has a high priority at Supervisory Board level too. For this reason an ESG Committee was established at Supervisory Board level in 2022. 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.

HAMBORNER REIT AG INTERNAL SUSTAINABILITY COMMITTEE

MAIN ACTION AREAS WITHIN THE SUSTAINABILITY MANAGEMENT SYSTEM

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 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 of 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.

Particular attention was again paid to the areas of environmental management and climate protection in 2023, not least because they are highly relevant for the property sector. Activities focussed on developing a decarbonisation strategy for the entire company.

The results of a carbon footprint project to measure greenhouse gas emissions at company and portfolio level in 2022 formed the basis for defining the strategy. After a systematic analysis of historic carbon emissions, and because of the comparatively good availability of consumption and emissions data, 2021 was chosen as the baseline for defining the long-term decarbonisation goals.

The outcome was that the company committed to achieving net zero greenhouse gas emissions at company level by year-end 2045. This includes a small amount of unavoidable residual emissions, which will be offset in future.

As a key milestone for achieving these targets, the company strives to reduce energy-related emissions at portfolio level by 50% compared with the 2021 baseline by the end of 2030. This represents a reduction in emissions intensity from 56.4 kg CO_2e / m^2 in the baseline year 2021 to 28.2 kg CO_2e / m^2 in 2030. This requires an average annual reduction of 5.6% in energy-related emissions.

Potential measures were also identified on the basis of the carbon footprints and technical analysis of a sub-portfolio, which are to be implemented at individual building level going forward, within the field of portfolio quality & optimisation that has been defined as a

2030

50% REDUCTION IN ENERGY-RELATED EMISSIONS AT PORTFOLIO LEVEL

2045

NET ZERO GREENHOUSE GAS EMISSIONS AT COMPANY LEVEL

STAKEHOLDERS OF HAMBORNER REIT AG

key action area. An initial cost simulation was also carried out in this context, which is intended to enable the company to give an indication of the additional expected investment requirement in the short to medium term.

Within the area of employee development, the focus in the 2023 financial year was on planning and implementing training activities. A special training programme for managers and head office staff was established in this context. In addition, a programme to support high-potentials/talents was developed, which is intended to enhance the competences of selected employees. As well as intensifying training activities, measures were implemented in the field of occupational health and safety, and steps taken to further boost employee satisfaction and the company's attractiveness as an employer.

In the corporate governance and dialogue area, the focus was on the further development of the risk management system with respect to ESG criteria, constantly increasing our transparency and reporting standards and strengthening the dialogue with stakeholders, among other things.

The company carried out a systematic stakeholder survey on specific sustainability topics in the 2023 financial year, which brought important findings for the ongoing development of its ESG strategy. The results of the survey also formed an important basis for another materiality assessment. This was carried out in coordination with the Supervisory Board's ESG Committee and served to verify key topics and areas of action in the context of sustainability management.

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.

For the current **SUSTAINABILITY REPORT** please click **here**

HAMBORNER SHARES

GENERAL SITUATION ON THE STOCK MARKET

The stock market of 2023 will be remembered fondly by investors. Although developments on the stock markets were influenced by a number of negative factors, price gains – sometimes significant – were achieved both nationally and internationally.

Stock markets were largely untouched by the consequences of the war in Ukraine and the persistence of a dynamic inflationary and interest rate environment, and again reached historic highs in the course of 2023.

The leading German DAX index closed 2022 down 12.4% at 13,924 points, but rose again sharply in the first months of 2023, supported by positive company news, to reach an interim high of some 16,400 points in mid-June.

Tempered by the further monetary policy action taken by central banks and the resulting increase in fears of a hard landing for the economy, a correction occurred over the following weeks and the DAX fell to around 14,700 points by the end of October.

Falling inflation rates and increased hopes of interest rate cuts gave stock markets fresh momentum in the fourth quarter, however, taking the DAX above the 17,000 mark in mid-December for the first time in its history. The index ultimately closed 2023 at 16,752 points, 20.3% higher than the previous year.

The indexes that follow the DAX, the MDAX and the SDAX, also reported significant gains of 8.0% and 17.0% respectively.

Buoyed by lower inflationary pressure and a more stable interest rate environment, shares in European property companies followed the positive performance of the overall market and reported significant price increases in some cases, especially in the second half of 2023.

After falling by 39.2% in the previous year, the FTSE EPRA / NAREIT Europe ex UK Index published by the European Public Real Estate Association (EPRA) closed 2023 with a gain of 14.8%.

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 35.3 million, the trading volume of HAMBORNER shares was markedly above that of the previous year in the 2023 financial year (25.3 million), as the result of better stock market conditions overall and higher demand for shares in property companies. The average trading volume rose accordingly to around 138 thousand shares per day (previous year: around 99 thousand).

20.3%
DAX

17.0%
SDAX

HAMBORNER SHARE PERFORMANCE

The HAMBORNER REIT AG share was not able to match the positive performance of the market as a whole in 2023 and moved largely sideways over the course of the year.

From a price of €6.73 at year-end 2022, the share initially performed well in the first quarter of 2023 in line with the general market trend, reaching its high for the year in mid-February at €7.75.

Following the dividend discount in the second quarter and a downturn on the markets due to the interest rate increase by the European Central Bank, the share fell to its low for the year of €6.07 in early October.

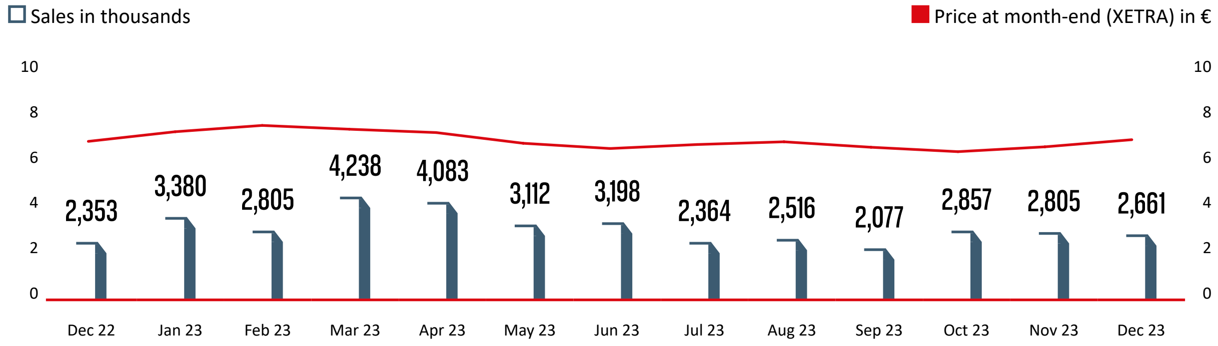
Supported by lower inflation rates and the stabilisation of the interest rate environment, the share made up some of its losses in the following weeks, however. The year-end closing price was €6.81 and therefore approximately 1.2% higher than at the end of the previous year.

As at the end of 2023, market capitalisation was €553.9 million (previous year: €547.4 million).

OVERVIEW OF HAMBORNER SHARES		2023	2022	2021
Issued capital	€ million	81.3	81.3	81.3
Market capitalisation [1]	€ million	553.9	547.4	815.1
Year-end share price	€	6.81	6.73	10.02
Highest share price	€	7.75	10.31	10.22
Lowest share price	€	6.07	6.23	8.66
Dividend per share	€	0.48 [2]	0.47	0.47
Total dividend	€ million	39.0	38.2	38.2
Dividend yield [1]	%	7.0	7.0	4.7
Price / FFO ratio [1]		10.1	10.7	15.3

[1] Basis: XETRA year-end share price
[2] Proposal to the 2024 Annual General Meeting

PRICE TREND FOR 2023

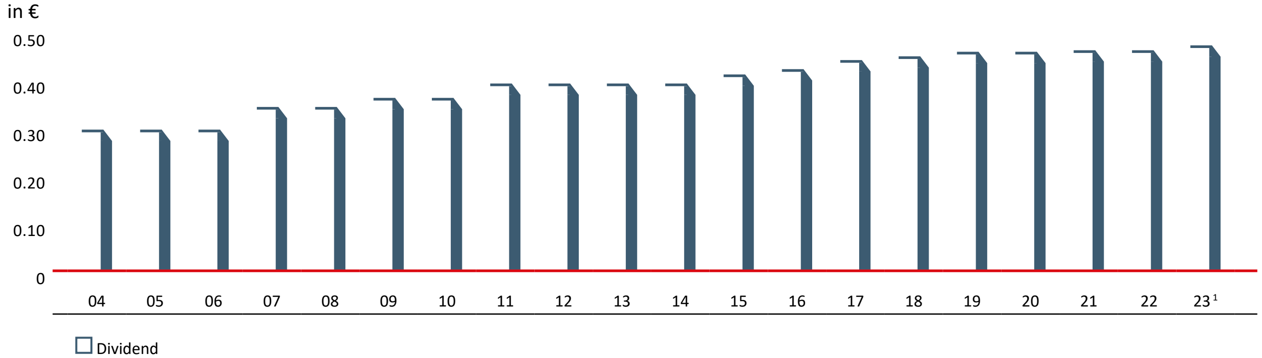


DIVIDEND

In view of the successful business development in the 2023 financial year, the Management Board and Supervisory Board will propose to this year's ordinary Annual General Meeting on 25 April 2024 the distribution of a dividend of €0.48 per share, a year-on-year increase of 2.1%. This would correspond to an attractive dividend yield of 7.0% based on the share price at the end of 2023.

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

DIVIDEND TREND 2004-2023



[1] Proposal to the 2024 AGM

INVESTOR RELATIONS AND CORPORATE COMMUNICATION

Active, continuous and transparent communication with the capital market is a matter of high importance at HAMBORNER. The company provides regular information about its strategic, operating and financial performance by means of active, wide-ranging investor relations work. The goal is to provide investors with a reliable and transparent impression of the company, to enable a fair company valuation, and to build confidence in the company.

In 2023, the company 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. (Potential) 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 numerous additional discussions and telephone calls.

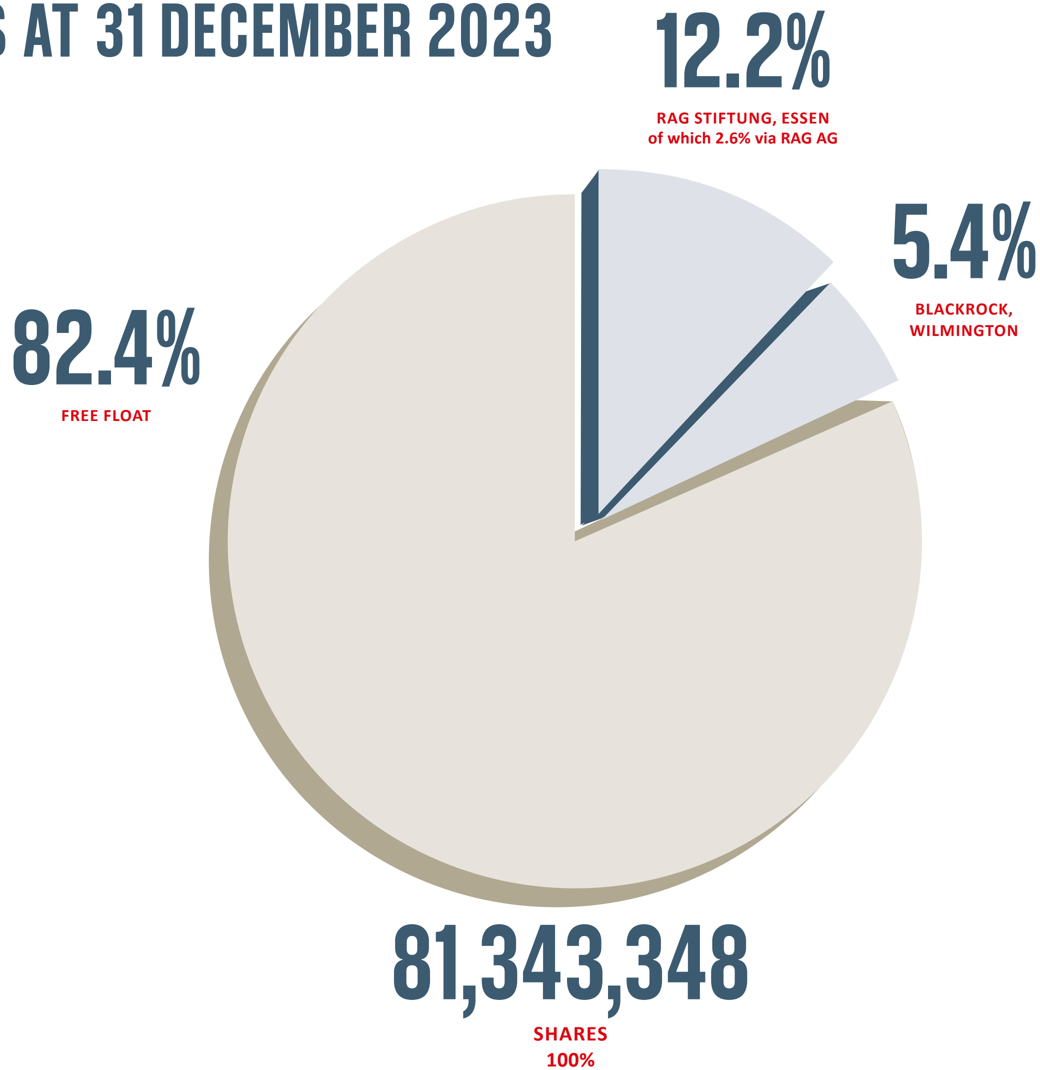
7.0%
DIVIDEND YIELD

€0.48
PROPOSED DIVIDEND

In line with suggestion A.6 of the German Corporate Governance Code, the Chair and Deputy Chair of the Supervisory Board also regularly engage in dialogue with the company's investors. Discussions about the company's current and future performance and subjects specific to the Supervisory Board last took place in 2022 as part of a Governance Roadshow. Another roadshow is planned for the second half of 2024.

The company's investors and stakeholders were regularly supplied with current information, not only through direct dialogue, but also online. The company website www.hamborner.de / en provides a detailed overview of the property portfolio, as well as permanent access to the latest company data and publications. Visitors can also register for the Investor Newsletter to receive information about HAMBORNER REIT AG directly by email. Furthermore, the financial calendar provides advance details of our publication dates and roadshow and conference planning.

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2023



Public relations work also remains an important element of the company's communications strategy. The ongoing dialogue with the financial, trade and business press as well as the relevant associations was continued in the reporting year. The Management Board members and other company staff report openly, promptly and reliably on developments and events relating to the company and the market in press releases and interviews.

The company will continue its active investor relations work in 2024 and actively provide information about the development of HAMBORNER REIT AG.

CONTACT FOR INVESTOR AND PUBLIC RELATIONS

Christoph Heitmann
Head of Investor Relations, Financing & Corporate Communications
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. 2023	31 DEC. 2022
EPRA NRV	923,729	1,082,839
EPRA NTA	814,629	964,383
EPRA NDV	871,187	1,036,064
EPRA earnings	54,661	50,979
EPRA net initial yield	5.2%	4.6%
EPRA “topped-up” net initial yield	5.2%	4.6%
EPRA vacancy rate	2.7%	1.9%
EPRA cost ratio (including direct vacancy costs)	26.4%	27.3%
EPRA cost ratio (not including direct vacancy costs)	25.5%	26.7%
EPRA LTV	43.5%	39.8% [1]

[1] Previous year adjusted, see section on amendment under IAS 8

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. 2023 IN € THOUSAND	EPRA NRV	EPRA NTA	EPRA NDV
IFRS shareholders' equity	**429,958**	**429,958**	**429,958**
Diluted NAV	**429,958**	**429,958**	**429,958**
Revaluation of investment property (using cost model according to IAS 40)	384,971	384,971	384,971
Diluted NAV at market value	**814,929**	**814,929**	**814,929**
Market value of financial instruments	0	0	–
Intangible assets according to the IFRS balance sheet	–	–300	–
Fair value of fixed interest rate liabilities	–	–	56,258
Land transfer tax / acquisition costs	108,800	–	–
NAV	**923,729**	**814,629**	**871,187**
Number of shares (fully diluted) in thousands	81,343	81,343	81,343
NAV per share in €	**11.36**	**10.01**	**10.71**

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**

The company 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 46 et seq.).

EPRA EARNINGS IN € THOUSAND	31 DEC. 2023	31 DEC. 2022
Earnings per IFRS	**–660**	**13,314**
+ Changes in value of investment property[1]	55,850	37,841
– Profit or losses on disposal of investment properties	–529	–176
EPRA earnings = FFO	**54,661**	**50,979**
Number of shares in thousands	**81,343**	**81,343**
EPRA earnings per share in € = FFO per share in €	**0.67**	**0.63**

[1] 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. 2023	31 DEC. 2022
Fair value of the property portfolio (net)	1,471,000	1,608,600
+ Incidental costs of acquisition	108,800	118,010
Fair value of investment property portfolio (gross)	**1,579,800**	**1,726,610**
Annualised rental income	92,002	88,629 [2]
– Non-transferable property costs	–10,341	–9,183
Annualised net rental income	**81,661**	**79,446**
+ Adjustments for rental incentives [1]	521	490
Topped-up annualised rental income	**82,182**	**79,936**
Net initial yield in %	**5.2**	**4.6**
Topped-up net initial yield in %	**5.2**	**4.6**

[1] The term of the rental incentives is on average 11.2 years (12.2 years in the previous year)
[2] Previous year adjusted, see section on amendment under IAS 8

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. 2023	31 DEC. 2022
Annualised standard market rent for vacant space	2,600	1,705
Annualised standard market rent for portfolio as a whole	95,123	90,823 [1]
Vacancy rate in %	2.7	1.9

[1] Previous year adjusted, see section on amendment under IAS 8

The vacancy rate came to 2.7% as at 31 December 2023, which is slightly higher than the previous year. This is mainly due to the annualised rents for vacant spaces, which rose faster than the annualised rent for the overall portfolio. This is due in particular to new vacant space in the properties Hermann-Köhl-Straße 3, Erlangen Allee-am-Röthelheimpark 11–17 and Regensburg.

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. 2023	31 DEC. 2022
Administrative / operating expenses per IFRS income statement	75,672	58,083
+ Service charge costs less income from incidental costs passed on to tenants	3,812	3,263
– Other operating income from costs passed on to third parties / reimbursed expenses	–288	–351
–/+ Investment property depreciation and amortisation	–55,850	–37,841
EPRA costs (including direct vacancy costs)	**23,347**	**23,154**
– Direct vacancy costs	–792	–553
EPRA costs (including direct vacancy costs)	**22,554**	**22,601**
Gross rental income less ground rent costs	**88,592**	**84,723**
EPRA cost ratio in % (including direct vacancy costs)	**26.4**	**27.3**
EPRA cost ratio in % (including direct vacancy costs)	**25.5**	**26.7**

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	2023	2022
Acquisitions	**24,603**	**50,415**
Investment property		
Without creation of additional rental space	2,837	418
Maintenance measures relating to new acquisitions	351	686
Total (investment property)	**3,188**	**1,104**
Total CapEx	**27,791**	**51,519**
Reconciliation of accrual-based allocation to expenses	–346	–288
TOTAL CAPEX AFTER OUTFLOWS	**27,445**	**51,231**

The purchases of €24.6 million (previous year: €50.4 million) consisted of the properties in Hanau and Offenburg acquired in the 2023 financial year. The properties in Kempten and Freiburg transferred to HAMBORNER ownership in the previous year.

Investment properties incurred total investment costs of €3,188 thousand in the 2023 financial year (previous year: €1,104 thousand).

In the 2023 financial year, €2,837 thousand (previous year: €418 thousand) was paid in investment expenses for existing rental space of current tenants or new lets. These mainly relate to refurbishment work on the property in Mainz (€2,479 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 €351 thousand (previous year: €686 thousand) were paid in the 2023 financial year to remedy such defects. Work on the roof and pillars in the Dietzenbach property accounted for €243 thousand in 2023 and revitalisation work on the Mainz property for €129 thousand. In the previous year the main expenses were €557 thousand for the refurbishment of the underground car park and other parking spaces and revitalisation work on the property in Stuttgart.

In total, CapEx measures in 2023 came to €27.8 million (previous year: €51.5 million), which resulted in outflows of €27.5 million (previous year: €51.2 million). The difference is due to the provisions of €0.3 million recognised as at 31 December 2023 (previous year: €0.3 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 is the ratio of 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. 2023	31 DEC. 2022
Non-current financial liabilities without derivatives	641,403	668,150
Current financial liabilities	41,457	102,555
Cash	–43,304	–130,112 [1]
Net financial liabilities	**639,556**	**640,593 [1]**
Investment property at fair value according to JLL valuation	1,471,000	1,608,600
Sales value of the undeveloped land holdings	460	460
Capitalised incidental costs of acquisition on properties not yet transferred	0	4
	1,471,460	**1,609,064**
Loan to value in accordance with EPRA	**43.5%**	**39.8% [1]**

[1] previous year adjusted, see section on amendment under IAS 8

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 holds a property portfolio diversified by asset classes and regions, which 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, a sustainable and attractive dividend policy compared to its competitors, and a 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

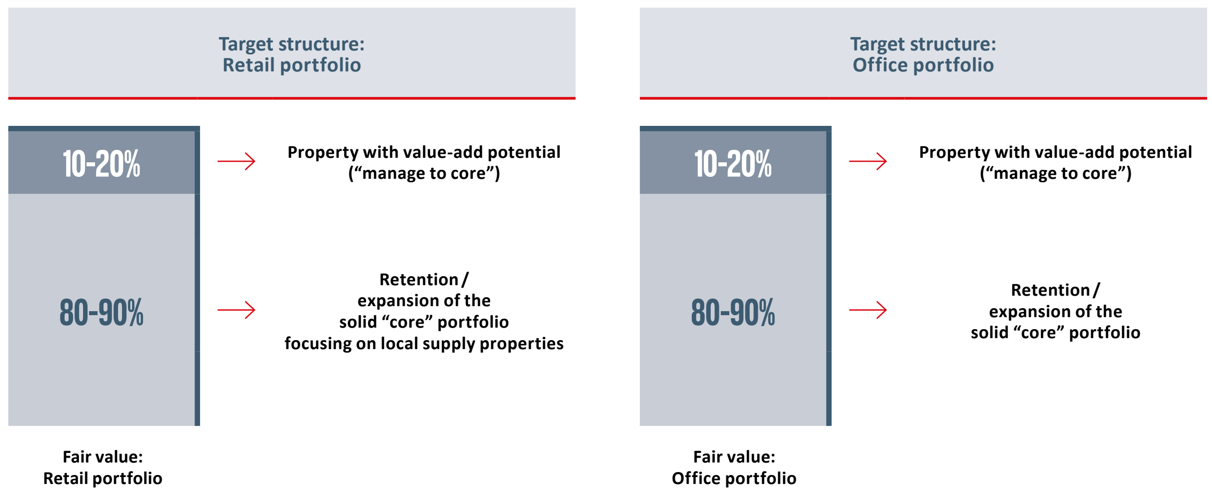
Along with the efficient management and development of the properties currently held, the corporate strategy at HAMBORNER REIT AG targets yield-driven expansion of the existing commercial property portfolio.

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 the profitability of the property portfolio in the long term by acquiring properties with a solid and attractive risk / return profile compared with the market.

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

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

“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 prefers to acquire properties with a purchase volume of between €20 million 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). Internal controlling processes that compare actual performance against targets ensure that any deviations from plan are identified early and create the necessary internal transparency for developments in key performance indicators over the course of the year.

Governance at company level is based on the performance indicator calculated using IFRS figures for funds from operations (FFO). Key variables for changes in FFO are rental income, vacancy rate, maintenance, interest, personnel and other operating expenses. The great importance of FFO for corporate governance is also reflected in the short-term variable remuneration of the Management Board, which is partly based on changes in FFO per share. Calculation of the FFO performance indicator is shown in the economic report.

In recent years the net asset value (NAV) has been used as a key performance indicator for company management, in addition to FFO. NAV indicates the value of a company's tangible and intangible assets, less its liabilities and debts. The figure is highly dependent on external factors, in particular on changes in the fair value of the property portfolio. For this reason, NAV has become less useful as a key performance indicator recently because of the volatile and dynamic market environment. The current market situation significantly restricts the company's options for influencing NAV, so it is no longer used as a key performance indicator in 2024.

PERFORMANCE INDICATORS

Funds from operations

Funds from operations (FFO) is a financial ratio calculated on the basis of the IFRS financial statements, and functions as an indicator of the company's long-term operating 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 a benchmark for a company's assets and was used in 2023 as a performance indicator for value-based management. The company's goal was to increase the NAV per share by means of value-adding measures. Since the figure is highly dependent on external factors (particularly changes in the fair value of the property portfolio) which were latterly not within the company's control, NAV will no longer be used as key performance indicator in future.

Portfolio

The property portfolio comprised 67 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 622,932 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 annex to the management report. In the annual report the annex is on page 111 et seq.

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

KEY PORTFOLIO INDICATORS	RETAIL	OFFICE	TOTAL
Property value (€ million)	836.5	634.5	1,471.0
Number of properties	39	28	67
Leasable space (thousand m²)	393.2	229.7	622.9
Annualised rent (€ million)	51.5	38.7	90.2
Annualised rent yield (%)	6.2	6.1	6.1
EPRA vacancy rate (%)	1.6	4.2	2.7
Weighted remaining lease term (WALT) in years	7.6	4.8	6.4

Successful new investment

In the 2023 financial year two new investments were made in line with the company strategy. Excluding incidental costs of acquisition, the investment volume came to €23.6 million (previous year: €48.6 million). The fair value of these properties came to €25.8 million as at 31 December 2023, and was therefore €2.2 million above the purchase prices. Specifically, ownership of the following properties was transferred to us in the reporting year:

CITY	ADDRESS	PROPERTY USE	AREA IN M²	RENTAL INCOME P.A. IN € THOUSAND	PURCHASE PRICE IN € MILLION
Offenburg	Isaak-Blum-Straße 18	Retail	13,897	1,170	18.3
Hanau	Oderstraße 12	Retail	4,030	404	5.3
TOTAL			**17,927**	**1,574**	**23.6**

Portfolio disposals

The transfer of ownership from the sale of the property in Mosbach took place in May 2023.

CITY	ADDRESS	BUILDING USE	CARRYING AMOUNTS IN € THOUSAND	PURCHASE PRICE IN € THOUSAND	RENTAL INCOME P.A. IN € THOUSAND
Mosbach	Hauptstraße 96	Retail	964	1,500	0
TOTAL			**964**	**1,500**	**0**

Tenant structure

The foundation for our successful performance in 2023 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	13.3
Kaufland Group	7.1
REWE Group	6.9
OBI DIY stores	6.6
GIOBUS retail stores	4.3
German Federal Employment Agency / Job centre	3.1
BARMER Insurance	2.6
NETCOLOGNE telecommunications company	2.0
ALDI Group	1.9
City of Mainz	1.8
TOTAL	**49.7**

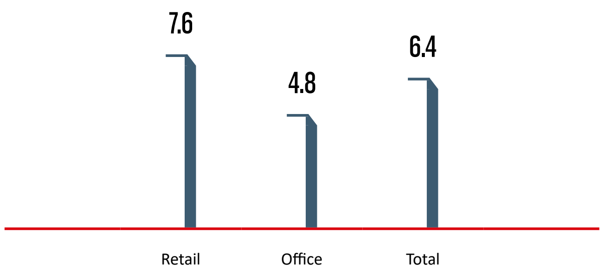
[1] Share of annualised rental income (including rent guarantees)

A glance at the tenant structure shows that a significant proportion of rental income is generated with companies which are comparatively insensitive to economic trends. Particularly noteworthy in this category are food retailers, which contributed around one third of the company's rental income in the 2023 financial year.

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

WEIGHTED REMAINING TERM OF LEASES

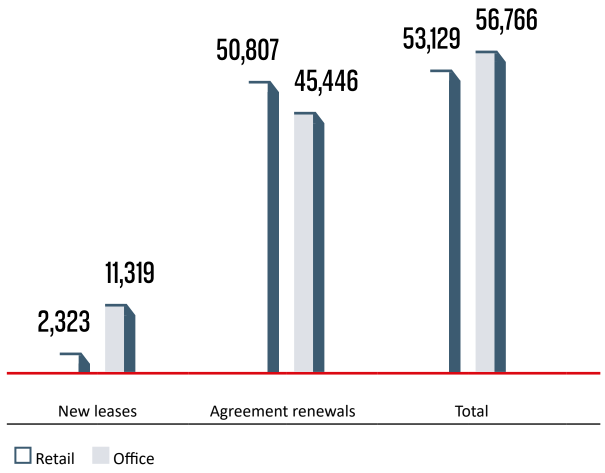
(As at 31 December 2023; in years)



The leasing performance in the 2023 financial year is shown in the following graphic:

LEASING PERFORMANCE

(2023 financial year; in m²)



New leases were signed for 28 assets in 2023, covering a total usable floor area of around 14,000 m².

The biggest new lease by area was for some 7,750 m² in the building in Mainz, which was let to Mainz city council.

An area of some 1,750 m² was also let to Karlsruhe city council under a new lease for the building in Karlsruhe.

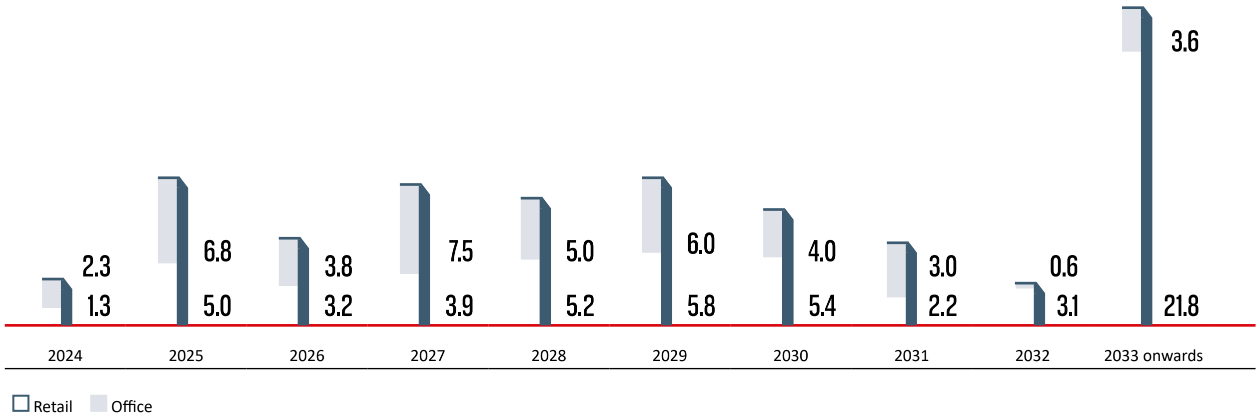
Leases for a total area of around 96,000 m² were renewed through a combination of contract extensions and options being exercised.

Particularly important were the renewals with the tenant OBI in Hilden, Leipzig and Aachen for a total of more than 33,000 m², and the lease with Münster University of Applied Sciences for a total area of 6,150 m² in the office property at Johann-Krane-Weg 21–27, Münster.

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 2023; in % of annual rental income)



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

ECONOMIC REPORT

Economic environment

MACROECONOMIC TREND

The German economy was beset by stagnation and high inflation rates in the 2023 financial year. This stemmed particularly from the after-effects of geopolitical risks and wars and the ensuing loss of purchasing power. In addition, the slower pace of growth in the world economy, the war in Ukraine and the Middle East crisis all had an adverse impact on the overall economy. The average overall inflation rate came to 5.9%. Gross domestic product for the full year 2023 fell by 0.3% year on year due to the various crises.

Unemployment increased significantly from the previous year by 183,000 in 2023. This caused the unemployment rate to go up to 5.7% at end of 2023 (December 2022: 5.3%).

SITUATION ON THE REAL ESTATE MARKET IN GERMANY

Retail space market

Based on preliminary findings by the Federal Statistical Office, retailers in Germany had lower sales in 2023 than in 2022, with a real (price-adjusted) decline of –3.3% and a nominal increase (not price-adjusted) of +2.3%. Real annual sales fell by 3.9% compared with 2021, the best year for sales since 1994. The decline in sales and the difference between real and nominal growth rates is mainly due to the rapid price increases in 2022 and 2023, whereby price rises slowed significantly in the second half of 2023. High prices had an adverse impact on sales, especially in the food retail sector. Real sales volumes in the food retailing business were at their lowest level for several years.

Sales in non-food retailing also fell year-on-year by 3.1% in real terms in 2023. Online and mail order sales were down significantly, with a year-on-year drop of 3.9% in real terms. Sales in the textile, clothing and footwear sector saw real sales growth of 2.6% compared with the previous year, however.

Jones Lang LaSalle (JLL) reported a slight contraction in retail sales in 2023, whereby hospitality businesses experienced a particular slump. The loss of purchasing power in 2023 caused consumers to reduce their spending, which depressed retail sales. A slight increase in letting activities (+7%) was still observed in inner cities, however. The textile industry dominated new lets, accounting for 41%, followed at some distance by catering / food with 22%.

Lets by textile retailers were particularly concentrated among clothes chains, which accounted for 46%, and young fashion with 30%. Available space in prime city-centre locations continues to decline. A lack of space suitable for retailers has caused rental markets to soften in almost all cities. Overall, the market in 2023 was defined by great uncertainty and a large number of insolvencies.

Office space market

General uncertainty persisted as a result of the after-effects of the pandemic, war, inflation and the energy crisis, which meant that companies continued to hold back, resulting in significant pent-up demand for rental space. The office market stumbled as a result and was well down on previous years. JLL, an advisory company, calculated that take-up (volume of new lets p.a.) was 28% below the previous year, despite a slight improvement in the fourth quarter of 2023. Take-up in the top seven cities (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart) came to slightly more than 2.5 million m², which was the lowest since the 2009 crisis. Lower sales were reported in all the top seven cities, although Frankfurt and Düsseldorf were able to keep the year-on-year percentage decline in single figures. Stuttgart saw the steepest fall of 49%.

Economic difficulties and greater opportunities for mobile working arrangements drove down companies' space requirements even more. In the top seven cities the total area available at short notice came to 5.64 million m² at year-end 2023, which represents a vacancy rate of 5.8%. According to JLL, vacancy rates varied between 3.3% in Cologne and 9.7% in Düsseldorf. JLL also confirms the trend that new lets are concentrated on well-equipped spaces, whereas less attractive office space is much more difficult to let.

Positive signs were reported in all the top cities in terms of the development of prime rents. Prime rents in Munich came to €50 / m² for the first time (+14% year on year). The prime rent in the seven top cities rose by 6.8% overall in 2023. Frankfurt had the slowest growth in its prime rent at just above 1%.

Savills reported take-up in the six top cities (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne and Munich) of 2.2 million m² in 2023. This is a decline of 26% on the previous year. The vacancy rate went up to 5.6%. Prime rents rose by 6%, however. Savills sees the reason for the lower take-up in the fact that in the current uncertain market environment, a disproportionate number of businesses are not renting new space, but rather renewing their existing lease.

BNP Paribas Real Estate (BNPPRE) also said the rental market was below average in 2023 due to weak economic development. Take-up in its eight top cities (Berlin, Düsseldorf, Frankfurt am Main, Essen, Hamburg, Cologne, Leipzig and Munich) was around one quarter below its ten-year average. The reason for the poor result was the lack of leases for large premises, according to BNPPRE. The small and medium segment was still very dynamic, accounting for 77% of the new leases. Despite positive signs, the vacancy rate rose to 6 million m², but at a slower rate (+13.4% year on year). BNPPRE reported higher take-up in the fourth quarter of 2023 and assumes that greater certainty will return.

Berlin was again the most important German office market, with take-up of 541,000 m², followed by Munich with 467,000 m². Colliers notes that large lets of more than 5,000 m² collapsed in 2023 by 56% compared with the long-term average since 2006, and will remain dominated by low demand. By contrast, demand for small to medium spaces saw a moderate increase.

Project developers were faced with numerous challenges in 2023. High construction costs, a shortage of qualified staff, a scarcity of materials and high interest rates meant that many projects were delayed or even cancelled altogether. JLL calculated that nearly 1.3 million m² of new office space came onto the market in 2023. This represented a year-on-year decline in new-build volume of nearly 27%. Only in Frankfurt was the volume of new space up on the previous year. All the other seven top locations reported a drop in completions.

German property investment market

The German property investment market, including residential property, closed 2023 with a transaction volume of around €32 billion, according to JLL. This is a drop of around 52% compared with the previous year and around 58% down on the ten-year average. The investment year 2023 was therefore the worst since 2011.

Portfolio and individual transactions were equally hit by the slump in transaction volume. Individual transactions accounted for a volume of nearly €20 billion (–49%) according to JLL, and portfolio deals for €12 billion (–56%). According to BNP Paribas Real Estate, foreign buyers accounted for around 37%, which was again significantly below the long-term average.

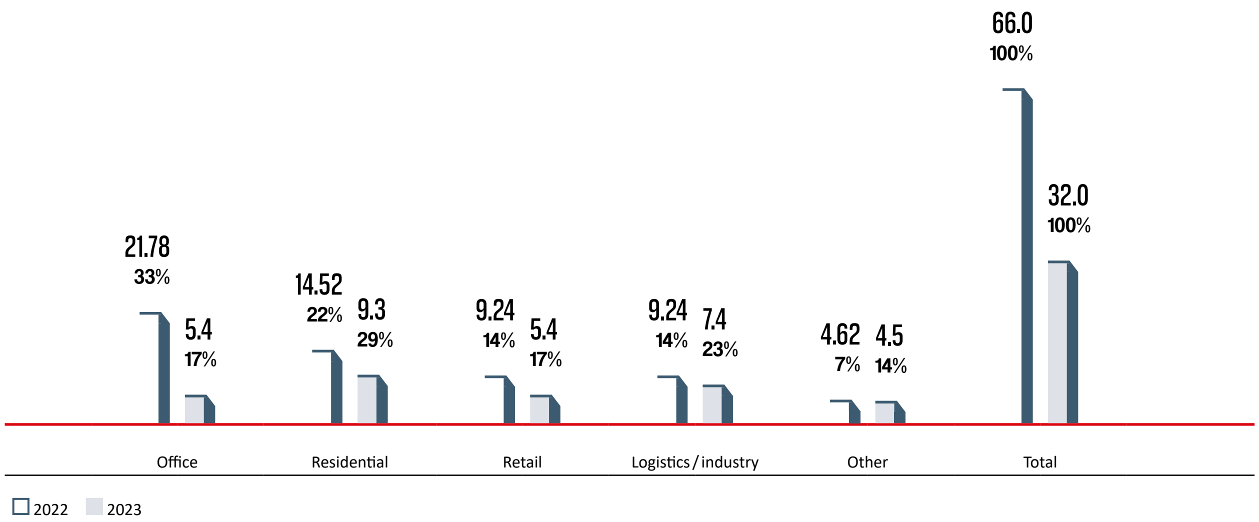
Analysis by JLL indicated that the most capital, around €9 billion, was invested in residential property, accounting for 29% of the transaction volume. It was followed by the logistics properties segment, with some €7.3 billion (23% share), with retail and office properties each accounting for around 17%. The volume of transactions for office properties was down by around 73% on 2022, according to BNPPRE, more than in any other asset class, which is also reflected in the lowest investment volume since the financial crisis. Price erosion was greater for office properties than for any other market segment, partly because take-up of office space generally reacts very quickly and sharply to economic downturns and so the signals sent by user markets were also rather negative.

According to BNPPRE, specialist retailers and supermarkets accounted for by far the largest share of investment in the retail segment, contributing around €3.3 billion to turnover. This represents a year-on-year decline of 21%. In terms of the retail transaction volume they accounted for almost 58%, thereby continuing the trend for investors to put great trust in properties focussing on food retail, even when the macroeconomic conditions are difficult.

The seven top property locations accounted for €12.8 billion or 40% of the transaction volume in Germany, according to JLL. The year-on-year fall of 60% was somewhat steeper than outside these metropolitan areas (–45%). The main reason was the poor performance of the office asset class, where the seven A-cities normally play a large role. According to BNPPRE, most of the investment (€3.2 billion; –62%) was in Berlin, followed by Munich, Hamburg and Frankfurt with around €1.2–1.3 billion each (declines of –69% in Munich to –76% in Frankfurt).

TRANSACTION VOLUME ACCORDING TO MAIN USAGE TYPE

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



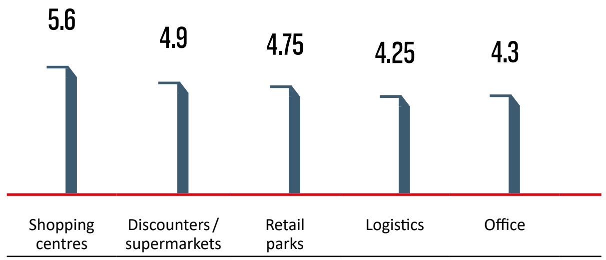
Source: Jones Lang LaSalle

As expected, prime net yields rose again slightly in 2023 according to BNPPRE. Munich remained the most expensive office location with a prime yield of 4.20%. It was followed closely by Berlin and Hamburg at 4.25% respectively. In Cologne and Stuttgart the yields went up to 4.40%, with Frankfurt and Düsseldorf reaching 4.50% at the year-end. The prime yield for logistics properties went up to 4.25%.

Inner-city retail properties currently earn an average prime net yield of 3.76%, which is more or less unchanged. This is because there are more private investors active in this market segment, who operate with more equity and are less dependent on interest rates than institutional investors. Retail parks increased by five basis points (4.75%). Yields were up by ten basis points for discounters / supermarkets (4.90%) and shopping centres (5.60%).

NET INITIAL YIELD AT END OF 2023[1]

(in %)



[1] Average for all top cities (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart)

Source: Jones Lang LaSalle

Overall assessment by the Management Board

The 2023 financial year was dominated to a greater extent by economic stagnation and high inflation rates.

The company's net assets and financial position remain very comfortable. Concentrating the operating business on commercial properties and continuing to develop the portfolio form the basis for a stable operating performance. The conservative accounting for property at cost is also beneficial. The impact on earnings of impairment losses and their reversal as a result of the revaluation of properties is generally much lower than with accounting at market values. The earnings trend is therefore overall less volatile.

Furthermore, 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 2023	2023		2022	TARGET ACHIEVEMENT
	Target	Actual	Actual	
Rents and leases	€88 million to €89.5 million	€91.1 million [1]	€87.1 million [1]	→
FFO	€50 million to €52 million	€54.7 million	€51.0 million	↑
NAV per share		€10.02	€11.86	↓

[1] Consideration of a reclassification of approx. €2.2 million 2023 and €2.1 million in 2022

The forecast for the year under review set at the beginning of 2023 and updated over the course of the year (targets) was achieved in terms of rental and lease income and NAV per share and slightly exceeded in terms of funds from operations (FFO).

The company reclassified some items within the income statement in agreement with the auditors appointed for the first time for the financial year 2023. Advance payments by tenants for land tax and insurance were reclassified from Income from service costs charged to tenants to Revenues in accordance with IFRS 16 in 2023. This resulted in an increase of around €2.2 million in income from rents and leases in the 2023 financial year.

The forecast for rent and lease income formulated in 2023 was therefore met, whereby the figure would have been at the upper end of the forecast range without the increase due to the reclassification.

FFO increased year on year by 7.2% to €54.7 million and so were slightly above the most recent forecast. In addition to higher rents, the rise stemmed mainly from interest income and lower maintenance expenses, which declined because work was postponed to the current 2024 financial year.

The NAV forecast, which was last adjusted when the operating figures were published as at 30 September 2023, was met as at 31 December 2023. The development of NAV was influenced in particular by the fall in the like-for-like portfolio valuation as at 30 June 2023 and 31 December 2023. The change in the portfolio value is due to write-downs in the retail portfolio and to a larger extent overall by a negative performance within the office portfolio due to factors beyond the company's control.

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

Overall, the Management Board considers that the company's economic position at the time the financial statements were prepared is good. On the basis of the assumptions presented in the forecast, it currently expects that the economic position will remain stable and develop according to plan in 2024.

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

RESULTS OF OPERATIONS (IFRS)

HAMBORNER generated rental and lease income from the management of its properties of €91.1 million (previous year: €87.1 million).

The increase of €4.0 million, or 4.6%, compared with 2022 is primarily the result of rent increases following property additions (€1.6 million) as well as from rent decreases due to property sales (€0.5 million). On a like-for-like basis – i.e. comparing the properties held in the portfolio throughout 2022 and 2023 – income from rents and leases of €86.8 million was €2.6 million or 3.1% higher than the previous year (previous year: €84.2 million). This is largely due to index-based rent increases.

The reduction in the risk provisions recognised in the previous years for rent reductions in connection with the COVID-19 pandemic resulted in income from rents and leases that was €0.3 million higher than the previous year.

At 2.6% (previous year: 2.1%), 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 2.8% (previous year: 2.4%).

Total maintenance expenses amounted to around €8.4 million in the financial year (previous year: €9.0 million). There were also measures eligible for capitalisation of around €3.2 million (previous year: €1.1 million).

As in the past, work was done on individual projects in the 2023 financial year as part of planned maintenance on roofs and building services facilities with a view to enhancing the energy efficiency of the properties in question and thereby guaranteeing their long-term letting prospects. In addition, tenant improvements and conversions were carried out in the wake of new leases and re-lettings. The more extensive revitalisation and refurbishment projects in the portfolio were carried out at in 2023 at the following sites:

The company carried out its biggest single project in the reporting year in the office property at Isaac-Fulda-Allee 3 in Mainz, which was acquired in 2021. After the previous tenant moved out in January 2023, work began in February 2023 on the modifications for the new main tenant, Mainz city council. The building work was completed after six months and the space was handed over to Mainz city council on 1 August 2023 in accordance with the contract. Gross capitalisable construction expenses came to €2.48 million.

Modification work that began in the second half of 2022 to prepare the space previously used by real at the retail park in Gießen for letting to the new tenant Kaufland was completed in the first half of the reporting year. The costs came to €1.47 million, whereby a larger portion was paid by the former tenant real, because it had not carried out maintenance work in the past.

Two larger projects to modify office space were completed at properties in Karlsruhe and Darmstadt. Around 1,800 m² in the office part of the property in Karlsruhe were let to Karlsruhe city council. The costs of the conversion came to around €730 thousand. Around €105 thousand of the total investment will be paid by the tenant, which will refund the costs to HAMBORNER. New tenants were found for around 1,700 m² of the office building in Darmstadt, divided into three lets. The total investment came to some €375 thousand, of which €70 thousand can be capitalised. The lighting in common areas and external area was switched to LED at many properties to save energy. This incurred costs of €183 thousand. The cooling system in the medical practice at Hildegard-von-Bingen Straße 1 in Regensburg was renewed as part of scheduled maintenance. Installing a compressor technology that is efficient for this purpose will reduce electricity consumption by about 20% in future. The total costs of the new cooling system amount to €284 thousand and were capitalised in full.

Net rental income rose by €4.0 million or 5.5% to €76.0 million (previous year: €72.0 million) due to higher income from rents and leases.

Administrative and personnel expenses were €0.1 million or 2.1% higher than in the previous year at €8.0 million in total (previous year: €7.9 million). The operating cost ratio, i.e. administrative and personnel expenses in relation to income from rents and leases, was therefore lower than the previous year and amounted to 8.8% (previous year: 9.1%).

The Supervisory Board remuneration (€438 thousand; previous year: €322 thousand) previously recognised in administrative expenses is presented in personnel expenses for 2023 and the previous year. Administrative expenses fell by €106 thousand to €1,616 thousand (previous year: €1,722 thousand).

Personnel expenses increased by €268 thousand to €6,444 thousand (previous year: €6,176 thousand). The change in personnel expenses is due in particular to the €116 thousand increase in Supervisory Board remuneration to €438 thousand (previous year: €322 thousand).

Other operating income came to €1.8 million (previous year: €1.9 million). €1.1 million of this relates to compensation from tenants in connection with the termination of contracts. Of this amount, €790 thousand relates to the early termination by a tenant of a lease for the property in Mainz. Income in the previous year related partly to a compensation payment of €550 thousand by the former tenant real in Celle and Gießen in lieu of maintenance work, and to income from impaired and written down receivables in connection with the COVID-19 pandemic (€301 thousand).

Other operating expenses of €2.7 million (previous year: €2.6 million) relate primarily to legal and consultancy costs of €1,388 thousand (previous year: €1,087 thousand). They particularly include expenses in connection with strategy projects (€575 thousand) and staff recruitment (€285 thousand). The item also includes costs for investor relations and public relations work of €392 thousand (previous year: €455 thousand) and write-downs on trade receivables of €620 thousand (previous year: €450 thousand).

Depreciation and amortisation increased by €18.0 million in 2023 to €55.8 million. The properties are carried at amortised cost and therefore report depreciation, which amounted to €36.8 million in the reporting year as against €36.2 million in the previous year. Furthermore, there were total impairment losses of €19.0 million (previous year: €1.6 million) on seven properties. €8.0 million of the impairment losses relate to the retail property in Lübeck and properties in Hamburg, Stuttgart, Kempten, Freiburg, Münster and Neu-Isenburg.

This led to a reduction of €14.4 million in the **operating result**, which amounted to €11.1 million (previous year: €25.5 million).

The company achieved **earnings from the sale of investment property** of €0.5 million (previous year: €0.2 million). Details of this can be found on pages 47 and 85 of the Annual Report.

Earnings before interest and taxes (EBIT) fell by €14.0 million from €25.7 million to €11.7 million.

The **financial result** is €-12.3 million in the year under review as against €-12.4 million in the previous year.

Other interest and similar income came to €1.8 million (previous year: €0.6 million). Interest income of €1.7 million in the reporting year stemmed from cash invested in overnight accounts and fixed-term deposits, with durations of one week to two months.

Interest expenses of €–14.1 million (previous year: €–13.0 million) consist mainly of interest expenses on borrowing of €–13.1 million (previous year: €–12.2 million). These were €0.9 million higher than in the previous year. This increase is mainly due to refinanced loans with higher loan volumes and increased variable interest rates (€1.9 million). By contrast, scheduled loan repayments and loan expiries led to an interest expense decrease (€1.0 million).

After deducting the financial result from EBIT, the net loss for the year amounted to €0.7 million (previous year: net profit of €13.3 million).

€0.67

FFO / SHARE

Funds from operations (FFO)

FFO came to €54.7 million (previous year: €51.0 million) in the 2023 financial year. This corresponds to FFO per share of €0.67 (previous year: €0.63). FFO rose by 7.2% as against the previous year, Last year's Annual Report initially forecast FFO within a range of €50.0 million to €52.0 million. Taking into account business development in the reporting year, the FFO forecast was increased halfway through the year to a range of €51.0 million to €53.0 million, and increased again in the third quarter of 2023 to €53.0 million to €54.0 million. The figure was ultimately slightly higher than forecast.

The increase in the forecast over the year was particularly due to increased other operating income and higher interest income. Maintenance expenses also declined over the course of the year as work originally planned for 2023 was deferred to 2024. Details of FFO performance are set out below:

FUNDS FROM OPERATIONS IN € THOUSAND		2023	2022
	Net rental income	75,977	72,011
–	Administrative expenses	–1,616	–1,722 [3]
–	Personnel expenses	–6,444	–6,176 [3]
+	Other operating income [1]	1,759	1,895
–	Other operating expenses	–2,709	–2,653
+	Interest income	1,792	641
–	Interest expenses	–14,098	–13,017
	FFO	**54,661**	**50,979**
–	Capitalised expenditure (CapEx)	–3,188	–1,104
	AFFO	**51,473**	**49,875**
	FFO per share in € [2]	**0.67**	**0.63**
	AFFO per share in € [2]	**0.63**	**0.61**

[1] Less reversals of possible impairment losses
[2] Based on the number of shares at the end of the respective reporting period
[3] Previous year adjusted, see section on amendment under IAS 8

NET ASSETS IN ACCORDANCE WITH IFRS

The company's total assets fell by €127.6 million to €1,160.8 million (previous year: €1,288.4 million) as at 31 December 2023. Properties represent around 95% of assets. Property assets recognised at amortised acquisition or production cost had a carrying amount of €1,100.6 million as at 31 December 2023 (previous year: €1,129.2 million) and are made up as follows:

REPORTED PROPERTY ASSETS IN € THOUSAND	31 DEC. 2023	31 DEC. 2022
Investment property		
Developed property assets	1,086,270	1,114,417
Incidental costs of pending acquisitions	0	4
Undeveloped land holdings	219	219
Right-of-use assets for leasehold properties	14,065	14,520
Total reported property assets	**1,100,554**	**1,129,160**
Property held for sale		
	0	**0**
TOTAL	**1,100,554**	**1,129,160**

Details of acquisitions and disposals of properties in the reporting year are set out on page 46 et seq. of the Annual Report.

Alongside properties, another key item on the assets side is cash and cash equivalents (€43.3 million). Around 37% of total assets are funded by equity (€434.2 million) and around 59% by debt (€682.9 million). These items are presented in detail in the company's financial position.

The company has a credit line of €2.0 million with one bank. It had not been used as at the reporting date. As at the reporting date the company still had available funding of €20 million that had not yet been called from a loan agreement signed in December 2023 in connection with a refinancing. The amount can be drawn down at short notice.

Net asset value (NAV)

Taking unrealised gains on properties into account, NAV is calculated as follows:

NET ASSET VALUE IN € THOUSAND	31 DEC. 2023	31 DEC. 2022
Reported non-current assets	1,109,923	1,139,613
+ Reported current assets	46,718	145,612
– Non-current liabilities and provisions	–665,376	–691,859
– Current liabilities	–61,307	–122,962
Reported NAV	**429,958**	**470,404**
+ Hidden reserves in "Investment property"	384,971	494,425
NAV	**814,929**	**964,829**
NAV per share in €	**10.02**	**11.86**

The €149.9 million decline in absolute NAV to €814.9 million results in particular from the impairments in the property portfolio that were measured in the annual valuation by JLL. This results in a NAV per share of €10.02 (previous year: €11.86). The forecast in the previous year's annual report projected a slightly lower NAV per share assuming that the value of the existing portfolio remained stable.

We again had the property portfolio evaluated by a third-party expert to determine the properties' market values as at 31 December 2023. As in previous years, JLL was commissioned to determine the market value of the property portfolio and to document this in an expert opinion. The portfolio was measured on the basis of the generally recognised International Valuation Standards (IVS) and the guidelines of the Royal Institution of Chartered Surveyors (RICS).

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

The above definition is the same as that of the "fair value model" as found in the International Financial Reporting Standards under IAS 40 in conjunction with IFRS 13. The measurement was performed on the basis of a discounted cash flow (DCF) method. In the DCF method, the forecast cash flows were calculated for a standard analysis period of ten years – 2024 to 2033. A capitalised residual value is forecast on the basis of the respective long-term net proceeds for the end of the ten-year planning horizon. The market value of a property is derived from the sum of the discounted cash flows of the overall planning period plus the residual value also discounted to the measurement date.

When calculating cash flows, rental income was always reduced by the property-specific costs that cannot be allocated to tenants. In addition, the expected expenses for maintenance or modernisation and the expected administrative expenses were deducted. Rent increases based on indexation were taken into account for long-term contracts. Rent forecasts were prepared if rental agreements were terminated within the period under review. They were discounted to the measurement date to calculate the present value of future cash flows. The discount rates range between 5.00% and 9.10% and take into account the respective risks specific to the property. These trended as follows:

DISCOUNT RATE IN %	2023	2022
Retail	5.00–9.10	4.80–14.50
Office	5.25–8.50	4.55–7.75

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

€10.02

NAV / SHARE

The fair values measured by JLL are shown separately on page 111 et seq. 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 total market value of the property portfolio calculated was €1,471.0 million, a decrease of €137.6 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 €29.0 million, fair value disposals of €1.0 million due to sales, and a year-on-year decrease in fair value of the existing portfolio of €–167.4 million following remeasurement. This corresponds to a 'like-for-like' decline in the portfolio value of –10.5%, of which €171.2 million is attributable to lower fair values. The declines in fair value are offset by increases in fair value of €1.8 million.

Properties are recognised conservatively at amortised cost, and not at their higher fair values. Therefore, the company also recognises depreciation on properties, with the result that both positive and negative changes in value are recognised in hidden reserves but do not necessarily affect earnings. In the reporting year, based on the fair value determination, impairment losses of €19.0 million in total were recognised on the carrying amounts of properties in Lübeck, Hamburg, Stuttgart, Kempten, Freiburg, Münster and Neu-Isenburg.

FINANCIAL POSITION (IFRS)

STATEMENT OF CASH FLOWS (ABRIDGED) IN € THOUSAND	2023	2022
Cash flow from operating activities	68,721	62,788
Cash flow from investing activities	–15,210	11,915 [1]
Cash flow from financing activities	–140,319	–28,569 [1]
Cash-effective changes to cash funds	–86,808	46,134
Cash funds on 1 January	130,112	83,978
Cash funds on 31 December	43,304	130,112

[1] Previous year adjusted, see section on amendment under IAS 8

The company's financial position remains very comfortable, despite the decline in cash. The **cash and cash equivalents** were €43.3 million at the end of the reporting period, following €130.1 million as at 31 December 2022. The inflows for the financial year were mainly a result of operating activities (€68.7 million; previous year: €62.8 million), a financial loan refinancing (€13.5 million), and proceeds from the sale of properties (€1.5 million). Cash outflows primarily relate to investments in the property portfolio (€28.6 million), dividend payments for the 2022 financial year (€38.2 million), and interest and principal payments (€115.6 million).

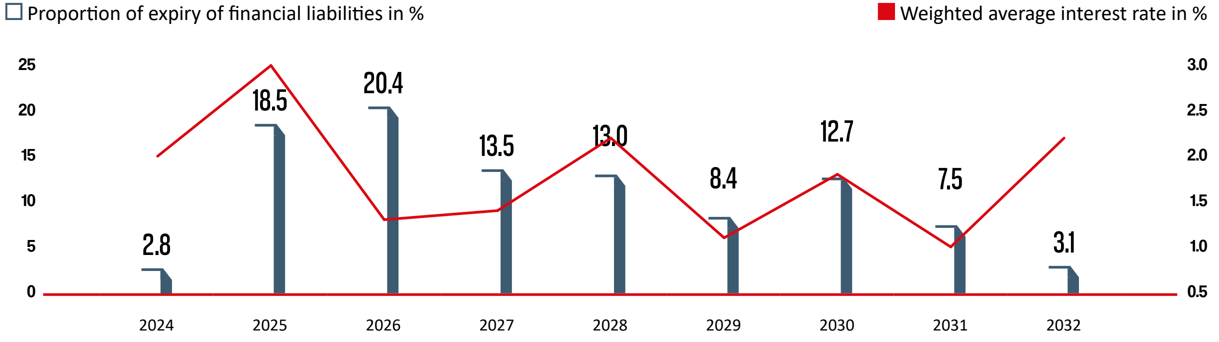
The financial structure of the company is still extremely solid. On the equity and liabilities side of the statement of financial position, equity amounted to €434.2 million after €473.6 million in the previous year. The company therefore has an accounting equity ratio of 37.4% (previous year: 36.8%). Financial liabilities were €682.9 million and, taking into account new borrowing from refinancing, scheduled repayments and draw-downs of loans, went down by €87.8 million compared with the previous year (€770.7 million). €13.5 million of the total related to the refinancing of loans. The new borrowing was offset in the reporting year by scheduled repayments of €21.5 million, the repayment of €62.5 million in promissory note loans and the repayment of refinanced loans of €17.9 million. After deducting cash and cash equivalents from financial liabilities, net financial debt amounted to €639.6 million (previous year: €640.6 million). Comparing net financial liabilities with the property portfolio at fair value, the company has an EPRA LTV ratio of 43.5% (previous year: 39.8%).

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. One secured loan for €45.0 million is at a floating rate of interest. Given the short three-year term of this loan, it was decided after weighing the risks and opportunities not to use interest rate hedges.

The average interest rate on loans is 1.8% (previous year: 1.7%). Taking into account the already agreed and pending refinancing of existing loans, average interest rates are expected to increase. The average remaining term is 4.1 years (previous year: 4.6 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 remaining tranche of the €12.5 million (previous year: €75.0 million) promissory note loan from 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. These ratios were maintained in the reporting year.

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:

- **Income from rents and leases:** The different presentation of rents and leases under HGB and IFRS stems from presentation in accordance with IFRS 16. This requires that income from land tax and insurance of €2.3 million (previous year: €2.1 million) are presented in income from rents and leases. Under HGB, it is shown in the item income from service charges passed on to tenants.

- **Property and building maintenance:** The different capitalisation criteria in connection with maintenance and modernisation activities resulted in maintenance expenses being €0.9 million higher at €9.3 million 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 (€1.6 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 disposal gain of €0.5 million from the sale of property in Mosbach is reported in the IFRS financial statements. Under HGB, income from the disposal of non-current assets of €0.3 million is part of other operating income. The Supervisory Board remuneration (€438 thousand; previous year: €322 thousand) previously recognised in administrative expenses is presented in personnel expenses for 2023 and the previous year. Under HGB this item remains part of other operating expenses.

- **Impairment losses:** The impairment losses of €19.0 million included in depreciation and amortisation in accordance with IFRS relate to seven properties. By contrast, write-downs of €13.0 million were recognised for two properties as required by HGB.

- **Land and land rights / reported property assets:** The carrying amount of properties in accordance with commercial law is €1,091.8 million and is therefore €8.8 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 capitalised in the HGB financial statement. The rights of use reported under properties in the IFRS financial statements amounted to €14.1 million as at 31 December 2023. In addition, €2.3 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. Impairment losses and different capitalisation rules also resulted in a lower carrying amount under IFRS.

- **Equity:** The HGB equity was €435.8 million as at the end of the reporting period, €1.7 million higher than the amount recognised under IFRS. The difference results in the first instance from various accounting differences in the reporting year and previous years. Secondly, it results from cumulative actuarial gains and losses on pension provisions of €3.7 million within the revenue reserve reported in the IFRS financial statements. In total, the reported HGB equity ratio of 37.5% is 0.5 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 €683.5 million. However, financial liabilities of €682.9 million are reported as required by IFRS. The difference of €0.6 million concerns recognition of financial liabilities including transaction costs and the associated subsequent measurement using the effective interest method in the IFRS financial statements.

- **Other liabilities**: The obligation to ALDI in Gießen to pay a contribution of €1.4 million to construction costs is recognised in other liabilities in accordance with IFRS. Under HGB this is disclosed in the Notes under other financial obligations, because it is still pending.

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

RESULTS OF OPERATIONS (HGB)

Income from property management amounted to €104.6 million in the reporting year (previous year: €99.3 million). The slight increase stems mainly from an increase of €2.5 million on a like-for-like basis and from a change of €1.0 million in the property portfolio. **Other operating income** went up year on year by €0.5 million to €2.6 million (previous year: €2.1 million). The **costs of the management of properties** amounted to €30.8 million (previous year: €28.8 million). **Depreciation and amortisation** is €49.3 million, €13.6 million higher than the previous year (€35.6 million). This reduced the **operating result** by €9.6 million compared with the previous year to €15.3 million (previous year: €24.9 million).

The **financial result** improved by €0.9 million to €–11.4 million (previous year: €–12.3 million). This is largely due to the scheduled repayment and expiry of loans.

The company closed the 2023 financial year with a net profit of €3.9 million (previous year: €12.6 million).

Distributable profit came to €39.0 million (previous year: €38.2 million) including the transfer from reserves of €12.1 million in accordance with Section 13 (3) REITG. The withdrawal from the capital reserve amounted to €35.1 million (previous year: €10.5 million).

NET ASSETS AND FINANCIAL POSITION (HGB)

The company's **total assets** fell by €108.7 million compared with the previous year to €1,163.5 million. **Non-current assets** of €1,092.3 million were €23.7 million below the previous year's level (€1,116.0 million). **Current assets** including accruals and deferrals fell by €85.0 million to €71.2 million. Equity fell to €435.8 million from €470.1 million in the previous year. **Liabilities to banks** declined overall by a net amount of €88.0 million to €683.5 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 the provisions of the HGB was €3,926 thousand. After a transfer from the capital reserve of €35,119 thousand, the distributable profit amounted to €39,045 thousand.

The Management Board and Supervisory Board propose that the distributable profit of HAMBORNER REIT AG for the 2023 financial year of €39,044,807.04 be used as follows:

Distribution of a dividend of €0.48 per share to the share capital entitled to dividend payments. With 81,343,348 shares entitled to dividends, this amounts to a total distribution of €39,044,807.04.

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 remains the same.

FURTHER LEGAL DISCLOSURES

Disclosures in accordance with section 289a(1) HGB

Composition of issued capital

As at 31 December 2023, the issued capital of the company amounted to €81,343,348 and was fully paid up. The share capital is divided into 81,343,348 no-par-value registered shares, each at a nominal value of €1 per share. The company is authorised to issue global certificates for shares. Shareholders are not entitled to certificates for their shares.

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

Restrictions relating to voting rights or the transfer of shares

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

Capital holdings exceeding 10% of voting rights

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

Shares with special rights bestowing control

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

Nature of voting right control if employees hold interests in capital and do not exercise their control rights directly

HAMBORNER does not have an employee share programme. If employees have purchased HAMBORNER shares, they exercise 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)(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)(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 27 April 2023 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 accepted by one or more banks specified by the Management Board or active enterprises pursuant to section 53(1) (1) or section 53b(1)(1) or 53b(7) of the German Banking Act (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.

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 and in the section Investor Relations / Financial reports

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 company's net assets, financial position and results of operations. 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.

Suitable measures are identified and implemented in order to eliminate or reduce the impact or probability of unavoidable risks associated with HAMBORNER's commercial activities. In this respect, as in the past, HAMBORNER did not participate in highly speculative financial transactions in 2023. We take appropriate, manageable and controllable risks if the rewards offsetting them can be expected to produce 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, HAMBORNER has implemented a risk management system in accordance with section 91(2) and (3) AktG for the timely identification and handling of risks that could affect the economic position of the company. Modifications and enhancements are put in place to reflect changing circumstances. The early risk detection system is examined by the auditor as part of the audit of annual financial statement in accordance with section 317(4) HGB. In organisational terms the risk management function is independent and is guided directly by the company strategy. The company's internal risk management system is integrated into operational procedures – particularly planning and controlling processes – and spans several levels. This 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, relevant risks are reported to the risk management division as part of a quarterly risk inventory. Based on business operations and the activities they involve, the risk inventory tracks the potential risks to which the company is exposed.

These potential risks are assigned to the following sub-categories: strategic risks, operational risks, compliance risks and financial risks. During the quarterly risk reporting to the Management Board and Supervisory Board, the identified risks are assessed, and measures to manage them are defined as required. 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 respective 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.

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 corresponding functional segregation between the different departments involved. Moreover, internal reports on business performance are prepared and submitted to decision-makers. These serve as a basis for identifying deviations from operational targets and initiating any control measures if necessary. The finance and accounting system uses standardised and certified software. There are dedicated rules for allocating write and read rights for the internal IT systems 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 suitable and effective for 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. HAMBORNER currently assesses risks in light of the recent economic contraction, the wars in Ukraine and the Middle East and the prevailing high 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

In 2023, the national market environment was dominated by persistently high inflation, rising interest rates and the global economic slowdown. The resulting decline in consumer spending was an additional burden for the German economy. The average annual inflation rate in Germany was 5.9% in 2023 compared with the previous year. More modest inflation of below 3.0% is expected for 2024. GDP increased by -0.3% from 2022 to 2023. As a result of the difficult ongoing economic environment and the current budget crisis in connection with further developments in the Ukraine and Middle East wars, forecasts for 2024 vary between –0.5% (German Economic Institute (IW Köln – Institut der deutschen Wirtschaft) and +0.9% (Institute for the World Economy (IfW Kiel – Institut für Weltwirtschaft). Global economic performance increased by 3.0% in 2023 compared with the previous year. For 2024, the International Monetary Fund expects the global economy to grow again year on year by 3.0%. The potential consequences of the national and international market environment are discussed below in the respective risk categories.

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
Medium (€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%)

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 the EU Taxonomy Regulation and to CSRD reporting (Corporate

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

Sustainability Reporting Directive), which, from 2026, is mandatory for 2025.

HAMBORNER has employed a sustainability manager since 2022 and other service providers are also used to cover this area. In addition, the staff entrusted with these 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 in the event of more complex amendments to the rules. The internal audit function, which has been outsourced to a firm of auditors, also tests the company annually. 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 lead in the long run 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 an external third party. 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 the marketing times for letting space will increase. These generally amount to around 12 to 24 months. In the area of office properties, requirements for the type of spaces are changing due to the effects of 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 for less energy-efficient buildings.

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 2.8% on average (2022: 2.1%), and was therefore again at a comparatively low level.

Risks of rental losses

In view of the current economic situation 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 loss allowances recognised in 2023 only came to €0.6 million, however. 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. Changing demands in terms of how the space in office buildings is arranged as a result of additional mobile working can result in substantial building costs, which because of the shortage of qualified staff, may increase due to higher expenses for external service providers. In addition, price increases for materials costs as well as high-capacity utilisation of trades are being observed. Bottlenecks in supply chains have largely been resolved, compared with the previous year, so the supply of building materials has improved significantly.

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.

Decarbonisation risk

Formulating medium and long-term decarbonisation targets for the years 2030 and 2045 creates a risk that these targets or other annual targets derived from them are not achieved. Missing these targets would cause reputational damage and depending on the regulatory framework, may also result in fines.

Whether the decarbonisation goals are achieved depends partly on exogenous factors. They include amendments and ongoing developments in regulatory requirements and the decarbonisation ambitions of other sectors, particularly in energy production and supply. Furthermore, the company is dependent on technical progress to achieve its own targets, particularly in terms of renewable energies, energy efficiency technologies and construction materials. The successful completion of projects is also dependent on technical feasibility and the support of business partners, particularly tenants and service providers. Since the company's internal methods of accounting for emissions are based on proven scientific methods, a change in these standards may affect the reported emissions in the baseline and target year and so have an indirect impact on target achievement.

To address this risk HAMBORNER holds in-depth discussions with its tenants, carries out regular surveys and takes sustainability-related services into account in its service and tenancy agreements. National and European legislation is also monitored closely in order to respond quickly to regulatory changes. For this reason, the risk is considered to be medium.

Risks from property transactions

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

The transaction volume for office and retail properties was again comparatively low in 2023. Despite the low probability of occurrence and the current exposure, high potential losses mean that the risk in relation to investment is considered to be medium.

Disinvestment also entails 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 in the framework of submitted guarantees in purchase contracts. To avoid these risks, a detailed sales plan is drawn up in close collaboration with the individual specialist departments. 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 dependent on 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 (cyber-security) 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. The systems used are also updated regularly and tested for resilience. 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. The issues mentioned may result in additional costs for external providers/advisers.

This risk is prevented by measures such as holding regular management and department meetings. Personnel needs are also analysed on a short to medium-term basis. Employees and managers also hold recurring performance reviews and feedback meetings, anonymous staff surveys are carried out regularly and the existing personnel receive training as needed. In addition, various benefits are offered to increase employer attractiveness. There are also close working relationships with qualified recruitment agencies. As a result of these steps, the risk is considered low.

FINANCIAL RISKS

Valuation risks

The valuation of properties is performed by independent experts and reflects the market value. HAMBORNER does not have any influence on exogenous factors that impact the market value, such as falling prices and 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 2024 cannot be ruled out, whereby the location, nature of usage and quality of properties have a significant influence on their valuation. As a result, the company had its portfolio revalued as at 30 June 2023 and 31 December 2023. 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 of a repeated correction 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. The basis for calculated land tax will change from 2025, though the change should not impact the amount of tax paid by companies. HAMBORNER cannot rule out however that expenses may increase if the lease does not allow costs to be charged to tenants.

Thanks to continuous monitoring and continued employee training, as well as membership of industry associations, 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. Liquidity is also monitored on an ongoing basis and a liquidity reserve is held. 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 and still amounting to €12.5 million as at 31 December 2023. 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 43.5% as at 31 December 2023 is significantly below the limit of 60%. The EBITDA to net interest income ratio is also well above the required 1.8 at 5.4. 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 debt-financed properties are sold; these may be substantial depending on the amount of 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, in order to limit or avoid early repayment penalties.

The average remaining term of the loans is 4.1 years, based on the end of the reporting period as at 31 December 2023. Slight interest rate risks affecting earnings result from expiring property loans in 2024 as the relevant refinancing arrangements have already been signed, but the interest rate hedge is still outstanding.

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.

Part of the promissory note loan of €62.5 million taken out in 2018 was repaid in the financial year. The timing and scope of any possible refinancing of the expiring property loans or 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 €2.8 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.

COMPLIANCE RISKS

In addition to the strategic, operating and financial risks, there is a risk that HAMBORNER loses its REIT status by infringing the REIT Act or by infringing compliance requirements. This also applies to breaches of employment law by services providers, e.g. minimum wage requirements. While these risks cannot be ruled out by HAMBORNER, they are unlikely or economically insignificant now and in the near future. The risks are therefore considered to be low.

Litigation risks

Litigation risks relate to the costs of legal action, as well as other potential payments that could result in an adverse deviation from plans. These risks also relate to errors of legal judgement that subsequently result in a loss or higher costs due to the need to seek external legal advice. HAMBORNER uses selective support by external law firms and regular training in order to minimise the risk of legal errors.

The specialist departments are supported by the Legal function in order to minimise the risk of legal disputes. Total potential losses from various individual legal proceedings amounted to €118 thousand at year-end. The probability of occurrence varies widely and the total loss is low. For this reason, the risk arising from litigation 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. Damage to or destruction of property may be caused by extreme weather events as a result of climate change, fires or terrorist attacks.

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.

The property portfolio has also been tested recurrently for climate risks since 2022. No material effects are expected on business activities or the business model. Taking into account the transitory risks relating to the environment and climate already considered in the other risk categories, the risks should be considered moderate.

Opportunities

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

The continued high levels of inflation bring not only the aforementioned risks, but also 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.

The increasing use of digital technologies may create opportunities by further improving internal workflows and processes, for example by automating routine tasks, managing documents electronically and providing specific communications tools.

In conjunction with the planned decarbonisation of the portfolio, there may be opportunities to reduce energy costs and carbon emissions sustainably and to identify and realise further optimisation potential in property operations.

Overall assessment of the risk situation

The risk and opportunities situation for HAMBORNER is largely determined by the national market environment and the current economic conditions. The main factors are inflation, which is still high, interest rates and the sluggish global economy. These factors and how they evolve will have an effect on financial year 2024. However, the German economy and the property sector are also set to recover, due to lower inflation, wage increases and very high employment 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 4.6% last year compared with 2022 and the vacancy ratio was again kept very low at 2.8% (previous year: 2.1%). FFO increased by 7.2% as expected due to the improved operating result.

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

FORECAST REPORT

Company strategy

The company intends to maintain the strategic direction of the company as presented in the section titled “Basic structure of the company” in the current financial year, taking into account the requirements of the German REIT Act in terms of company law and capital. The main elements of the company strategy are reviewed as necessary and adapted to current market conditions in close coordination with the Supervisory Board.

Expected market trend

MACROECONOMIC ENVIRONMENT

Partly due to global crises and the current arguments about the federal budget, the German Economic Institute predicts a slight recession in 2024, with gross domestic product contracting by 0.5%. The ifo institute anticipates slight growth, but has reduced its forecast from 0.9% to 0.7%.

According to the German Economic Institute, the dispute about the federal budget has made companies so uncertain that many of them have postponed investments.

The Bundesbank is expecting inflation to drop from an average of 5.9% in 2023 to 2.7% in 2024. In subsequent years the inflation rate is predicted to keep falling. Based on forecasts suggesting that inflation is falling faster than previously expected, the European Central Bank should cut interest rates, probably from mid-2024, according to a Bloomberg survey of economists.

The labour market and demand for company employees remain strong.

INDUSTRY ENVIRONMENT

Lettings market

Slower inflation in 2024 should also enable the office and retail markets to pick up again slightly.

Colliers International Deutschland GmbH (Colliers) is also looking to the future with cautious optimism and expects an upturn in demand on the small and medium segments of the office market from mid-2024. It predicts that well fitted, modern spaces that meet a company’s sustainability targets will generate increasing interest. Demand is expected to stay low for the segment above 5,000 m² however.

The assumption is that the office market continues to polarise. Whereas demand will stay strong for well-connected properties with high quality finishings, it will be hard to find tenants for lower-quality properties in less attractive locations. Prime rents for high-quality and ESG-compliant buildings will continue to rise as a result. The expectation is that energy-efficient new build projects will put further pressure on existing rents.

Jones Lang LaSalle (JLL) also expects the overall economy to recover slightly in 2024 and so projects a 10% increase in take-up of office space. JLL also forecasts rising prime rents in the seven top cities. It will be increasingly difficult to let lower-quality properties in worse locations, however, according to JLL. Average rents should go down as a result and owners should be willing to offer additional rental incentives.

As in the previous year, project development is subject to great uncertainty. The market is expected to remain tight. This may mean that new build projects are postponed and in some cases even cancelled. Less and less new modern office space will come onto the market due to a lack of new build and in-depth refurbishment projects. This will cause rents for high-quality existing and new build spaces to rise further, it predicts.

Offices will remain an indispensable part of corporate culture in 2024. Although hybrid working has become part of everyday life, increasing numbers of employees returning to the office are an indication that an office workplace is still very important.

JLL expects the labour market to stay largely stable, with an unemployment rate of 5.8%. The ageing population means that the number of people in work will go down, however. This will exacerbate the “war for talent” and cause a rethink of the office space factor. In this context, the focus on high-quality office spaces will play a decisive role. The market for office space will become even more differentiated. While prime rates for top spaces will continue to rise, rents for offices no longer considered up-to-date are expected to fall sharply.

BNPPRE also expects the operating environment to stay challenging in early 2024, but assumes that the trend on office markets will become increasingly positive from around the middle of the year. As a result, BNPPRE predicts higher take-up, lower vacancy rates and further increases in prime rates, especially in the premium segment.

Savills Immobilien Beratungs-GmbH (Savills) expects a wave of insolvencies among project developers to reduce the supply of modern spaces. Demand is predicted to be subdued in early 2024, but will increase as the general economic environment improves. The demand for new space by companies that has built up in recent years is expected to slowly dwindle and lead to increasing take-up. Savills also expects an excess of demand over supply for modern rental spaces.

On the retail property market, Colliers predicts that lower inflation rates will cause consumer demand to pick up again and retailers will slowly be able to recover from the challenges of recent years. It anticipates a slower loss of purchasing power and resurgent consumer spending, which should improve retail sales slightly in 2024. It cannot be ruled out that rents outside the local retail segment and prime locations will continue to decline as a result of higher vacancy and default risks, with the number of insolvencies on the rise.

JLL predicts lower take-up in the retail sector in 2024 overall, due to a lack of suitable spaces. Retailers will concentrate on good and very good locations, it thinks. JLL expects clothes shops to be particularly active new lessees, whereas cafés and restaurants will continue to decline. In addition, JLL expects further insolvencies in 2024, which could result in defaults and higher vacancy rates.

Investment market

Depending on how the central banks adjust their interest rate policies, 2024 could see an upturn in the course of the year. Based on the current state of the market, the big estate agents believe that transaction volumes could go up by 20% to 30% in 2024 compared with 2023. The assumption is that some institutional investors who spent almost the whole of 2023 just watching and waiting will return to the market, especially from the second half of 2024. Properties will become more attractive again, it predicts, because yields on sovereign bonds have fallen sharply and are even back in negative territory in real terms, after accounting for inflation.

The repricing phase seems to be largely complete in some areas, so the now prevalent price levels should attract more participants back to the market. Combined with the fact that interest rates should now have peaked, visibility and so presumably also investor confidence should increase. At the same time, the estate agents see a significant expansion of supply. On the assumption that funding conditions improve in the course of 2024 and rents continue to go up, attractive opportunities for investors could emerge.

Expected company performance

CENTRAL KEY CONTROL INDICATORS	2024 PLAN	2023
FFO	€49 million to €50.5 million	€54.7 million
Rents and leases	€91 million to €92.5 million	€91.1 million

In view of its high-quality property portfolio, solid financial, earnings and liquidity position, and despite the still difficult economic conditions, the company has a fundamentally positive outlook of the year 2024.

Its operating performance in 2024 is expected to remain exposed to ongoing uncertainty about the further development of property markets. The timing and volume of potential property acquisitions and selected disposals, as well as the resulting effects on revenue and operating earnings are hard to predict at the present time. For this reason, the company has not included any purchases or disposals of properties in its forecast.

Income from rents and leases will be positively affected by the acquisitions made in 2023 and by further index-based rental increases due to higher inflation. On current expectations, rental and lease income will be between €91.0 million and €92.5 million in 2024.

The operating result (FFO) will be remain affected by the uncertainty on the letting market, the persistently high inflation rate and the related developments in interest rates. At the same time, cost increases are to be expected, particularly for maintenance expenses. This is partly due to the postponement of work originally planned for 2023. Furthermore, other operating expenses for implementing strategic projects are expected to be higher, while new recruitment to fill new and vacant positions will result in higher personnel expenses.

Taking these factors into account, it is expected that the funds from operations (FFO) for the 2024 financial year will be between €49.0 million and €50.5 million.

In view of the still dynamic and volatile market environment and the resulting external influences on the development of the portfolio's fair value, the utility of net asset value (NAV) as a key management variable has recently declined significantly. For this reason the company will no longer use this metric as a performance indicator and will not provide a forecast for NAV in the 2024 financial year.

Given current estimates in terms of the development of FFO, the key performance indicator for the dividend distribution, the company also intends to make an attractive dividend payment for 2024. This assumes that HAMBORNER avoids any major, unforeseeable reductions in earnings and continues to develop its property portfolio as planned.

Duisburg, 5 March 2024

Niclas Karoff

Sarah Verheyen

SEPARATE FINANCIAL STATEMENTS (IFRS)

Income statement

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023

IN € THOUSAND	NOTES	31 DEC. 2023	31 DEC. 2022
Income from rents and leases		**91,121**	**87,077** [1]
Income from incidental costs passed on to tenants		13,440	12,157 [1]
Real estate operating expenses		–20,224	–18,185
Property and building maintenance		–8,360	–9,038
Net rental income	(1)	**75,977**	**72,011**
Administrative expenses	(2)	–1,616	–1,722 [1]
Personnel expenses	(3)	–6,444	–6,176 [1]
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	(4)	–55,850	–37,841
Other operating income	(5)	1,759	1,895
Other operating expenses	(6)	–2,709	–2,653
		–64,860	**–46,497**
Operating result		**11,117**	**25,514**
Result from the sale of investment property	(7)	529	176
Earnings before interest and taxes (EBIT)		**11,646**	**25,690**
Interest expenses		–14,098	–13,017
Interest		1,792	641
Financial result	(8)	**–12,306**	**–12,376**
Period result		**–660**	**13,314**
Basic = diluted earnings per share (in €)	(9)	–0.01	0.16

[1] previous year adjusted, see section on amendment under IAS 8

Statement of comprehensive income

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023

IN € THOUSAND	NOTES	31 DEC. 2023	31 DEC. 2022
Period result as per the income statement		**–660**	**13,314**
Items not subsequently reclassified to profit or loss in future:			
Actuarial gains / losses (–) on defined pension obligations	(18)	–595	1,147
Other comprehensive income		**–595**	**1,147**
TOTAL COMPREHENSIVE INCOME		**–1,255**	**14,461**

Statement of financial position – assets
AS AT 31 DECEMBER 2023

IN € THOUSAND	NOTES	31 DEC. 2023	31 DEC. 2022
Non-current assets			
Intangible assets	(10)	300	446
Property, plant and equipment	(10)	2,739	2,833
Investment property	(11)	1,100,554	1,129,160
Financial assets	(12)	2,093	1,930
Other assets	(13)	8,397	8,444
		1,114,083	**1,142,813**
Current assets			
Trade receivables	(13)	2,240	2,090 [1]
Financial assets	(12)	478	12,405 [1]
Other assets	(13)	696	1,005 [1]
Cash and cash equivalents	(14)	43,304	130,112 [1]
		46,718	**145,612**
TOTAL ASSETS		**1,160,801**	**1,288,425**

[1] see section on amendment under IAS 8

Statement of financial position – liabilities

IN € THOUSAND	NOTES	31 DEC. 2023	31 DEC. 2022
Equity	(16)		
Issued capital		81,343	81,343
Capital reserves		335,573	346,071
Retained earnings		17,202	46,190
		434,118	**473,604**
Non-current liabilities and provisions			
Financial liabilities	(17)	641,403	668,150
Trade payables and other liabilities	(18)	16,203	16,317
Pension provisions	(19)	4,649	4,250
Other provisions	(20)	3,121	3,142
		665,376	**691,859**
Current liabilities and provisions			
Financial liabilities	(17)	41,457	102,555
Trade payables and other liabilities	(18)	17,151	17,540
Other provisions	(20)	2,699	2,867
		61,307	**122,962**
TOTAL EQUITY, LIABILITIES AND PROVISIONS		**1,160,801**	**1,288,425**

Statement of cash flows

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023

IN € THOUSAND	NOTES	2023	2022
Cash flow from operating activities	(24)		
Period result		–660	13,314
Financial result		13,307	12,438
Depreciation and amortisation (+) / reversals (–)		55,849	37,841
Change in provisions		–383	–378
Gains (–) / losses (+) (net) on the disposal of property, plant and equipment and investment property		–536	–194
Change in receivables and other assets not attributable to investing or financing activities		289	–598
Change in liabilities not attributable to investing or financing activities		855	365
		68,721	**62,788**
Cash flow from investing activities	(25)		
Investments in intangible assets, property, plant and equipment and investment property		–28,556	–54,056
Proceeds from disposals of property, plant and equipment and investment property		1,500	18,388
Proceeds (+) for cash collateral for financial liabilities		11,846	53,743
Payments (–) for cash collateral for financial liabilities		0	–6,160 [1]
		–15,210	**11,915** [1]
Cash flow from financing activities	(26)		
Dividends paid		–38,231	–38,231
Proceeds from borrowings of financial liabilities		13,500	119,071
Repayments of borrowing		–101,882	–96,198
Repayments of lease liabilities		–392	–377 [1]
Interest payments		–13,314	–12,834 [1]
		–140,319	**–28,569** [1]
Cash-effective changes to cash funds		**–86,808**	**46,134**
Cash funds on 1 January		**130,112**	**83,978**
Cash funds on 31 December		**43,304**	**130,112**

[1] previous year adjusted, see section on amendment under IAS 8

Statement of changes in equity

IN € THOUSAND	ISSUED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS			EQUITY TOTAL
			Cash flow hedge reserve	IAS 19 Reserve Pension provisions	Other retained earnings	
As at 1 January 2022	**81,343**	**346,071**	**0**	**–4,324**	**74,284**	**497,374**
Distribution of profit for 2021 (€0.47 per share)					–38,231	–38,231
Net profit for the period 1 Jan. to 31 Dec. 2022					13,314	13,314
Other comprehensive income 1 Jan. to 31 Dec. 2022			0	1,147		1,147
Total comprehensive income 1 Jan. to 31 Dec. 2022			**0**	**1,147**	**13,314**	**14,461**
As at 31 December 2022	**81,343**	**346,071**	**0**	**–3,177**	**49,367**	**473,604**
Withdrawal from capital reserves		–10,498			10,498	0
Distribution of profit for 2022 (€0.47 per share)					–38,231	–38,231
Net profit for the period 1 Jan. to 31 Dec. 2023					–660	–660
Other comprehensive income 1 Jan. to 31 Dec. 2023				–595		–595
Total comprehensive income 1 Jan. to 31 Dec. 2023				**–595**	**–660**	**–1,255**
As at 31 December 2023	**81,343**	**335,573**	**0**	**–3,772**	**20,974**	**434,118**

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 2023 were prepared in accordance with IFRS as applicable in the European Union at the end of the reporting period and the additional provisions of commercial law in accordance with section 325 (2a) HGB. IFRS include the IFRS issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All the standards and interpretations issued by the IASB and effective at the time of the preparation of the financial statements have been applied to the extent that they have been endorsed by the EU. The separate financial statements of the company therefore comply with the IFRS.

The financial statements were prepared on a going-concern assumption, because the Management Board sees no significant uncertainties that could make this unreasonable.

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 2023 and the management report for 2023 on 5 March 2024 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 company register. 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 2023 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 2023 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 2022, 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 17	Insurance contracts	The standard governs accounting for insurance contracts and replaces the previous transitional standard IFRS 4
IAS 1	Presentation of financial statements / accounting policies	Clarification of criteria for classification of liabilities as current or non-current; statement of accounting policies; definition of the term "material"
IAS 8	Definition of accounting-related estimations	Amendments to definition of accounting-related estimations
IAS 12	Income taxes	Amendments to deferred taxes that relate to assets and debts that are created from a unique transaction

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 2023 financial year. The option to apply standards and interpretations early was not exercised.

STANDARD / INTERPRETATION	NAME	NATURE OF AMENDMENT	EFFECTIVE DATE	EXPECTED MATERIAL EFFECT
IFRS 16	Lease liability in a sale and leaseback	Standardisation of the subsequent measurement of lease liabilities	1 January 2024	None
IAS 21	Lack of exchangeability	Lack of exchangeability	1 January 2025	None
IAS 7 and IFRS 7	Reverse factoring transactions	Reverse factoring transactions	1 January 2024	None
IAS 1	Presentation of financial statements / accounting policies	Classification of liabilities as current or non-current and as non-current liabilities with ancillary conditions, deferral of the mandatory initial application date, non-current liabilities with covenants	1 January 2024	None

CHANGES IN ACCORDANCE WITH IAS 8

Isolated reclassifications were made in accordance with IAS 8.42 in the reporting year and the figures for the previous year were adjusted retrospectively.

The restricted funds of €11.9 million shown in cash and cash equivalents as at 31 December 2022 were reclassified to financial assets, because they do not qualify as cash and cash equivalents in the definition of IAS 7. The restricted funds came to €59.4 million as at 1 January 2022. As at 31 December 2023 there were no longer any restricted funds.

There were also changes to the cash flow statement in accordance with IAS 7. Since the restricted funds in the form of cash collateral do not meet the definition of IAS 7.6 for financing activities, the cash inflows from cash collateral for financial liabilities (€53.7 million) and cash outflows for cash collateral (€–6.2 million) are now shown in cash flow from investing activities. This alters cash flow from financing activities for 2022 from €19.0 million to €–28.6 million and cash flow from investing activities from €–35.7 million to €11.9 million. There is now no reconciliation between cash funds and the cash and cash equivalents presented in the statement of financial position.

In addition, the non-financial assets, in particular in the form of deferred building cost subsidies (31 December 2022: €1.0 million, 1 January 2022: €0.6 million), were presented separately from the financial assets in accordance with IAS 1.54(d).

IAS 7.31 requires that the repayment and interest portion of lease liabilities are shown separately in the cash flow statement. Interest payments on lease liabilities of €542 thousand (previous year: €525 thousand) are now presented in interest paid. In this context the table pursuant to IAS 7.44A in Note (26) was also modified.

In accordance with IFRS 16.12 the income from land tax and insurance of €2.1 million presented in the previous year as income from service charges passed on to tenants is reclassified as income from rents and leases. This reduced income from service charges passed on to tenants from €14.3 million to €12.2 million and increased income from rents and leases from €85.0 million to €87.1 million. IFRS 16.B32 excludes income from activities and costs that do not transfer goods or services to the lessee from the definition of non-lease components. This means the land tax and insurance expenses charged to tenants are not a separate component of the contract, but rather part of the total consideration, which must be allocated to the separate contractual components identified.

In accordance with IAS 1 in conjunction with IAS 24, Supervisory Board remuneration is part of personnel expenses within the meaning of IAS 19. The Supervisory Board remuneration of €322 thousand recognised in administrative expenses in the previous year was reclassified to personnel expenses. This reduced administrative expenses from €2.0 million to €1.7 million and increased personnel expenses from €5.9 million to €6.2 million.

The restatements did not have any effect on earnings.

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 2023 financial year was generated with EDEKA Group, which accounted for 12.3% (previous year: 12.1%) or €10.9 million (previous year: €10.3 million).

ASSUMPTIONS AND ESTIMATES

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

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

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

Forward-looking assumptions and estimates in the valuation generally relate to fundamental parameters such as inflation (assumption: 2024: 3.0%, 2025: 2.2%; 2026 and thereafter: 2.0%), marketing periods for vacancies or expiring lease agreements and possible exercising of options / lease agreement extensions. Assumptions in these latter cases are made with corresponding expectations depending on the location, rental space, and existing tenant. The forward-looking assumptions and estimates are based on the prevailing conditions at the valuation date. Existing uncertainty regarding future cash flows is factored into the discount rates by means of risk adjustment.

INTANGIBLE ASSETS

Intangible assets are measured at cost less straight-line amortisation. Amortisation is recognised in line with the economic useful life, which is between three and eight years in principle. In the case of tender for a naming right, the useful life is 33 years.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less straight-line depreciation. The company’s administrative building in Duisburg, including operating and office equipment, are reported by HAMBORNER under property, plant and equipment. Depreciation for the administrative building is based on a total useful life of 33 years. Operating and office equipment has an average useful life of between three and 15 years.

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

INVESTMENT PROPERTY

Investment property is measured at amortised cost less straight-line depreciation in accordance with the option under IAS 40 (30) in conjunction with (56). All already-developed and under-development land, buildings and parts of buildings held to generate future rental income or gains from appreciation and / or with an undetermined use are classified as investment property. They are not intended for HAMBORNER’s own administrative purposes or for short-term trading in the context of ordinary business activities. Depreciation is recognised on a straight-line basis over the economic life. The property portfolio is depreciated over periods of between 33 and 50 years. When a property is purchased its useful life is determined in agreement with the Technical Management and Transaction Management departments. The useful life depends among other things on the age, condition and potential economic use of the building. The remaining useful life is also reviewed in the context of any necessary major modernisation work.

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 2023. 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 (2024 to 2033), 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 3.85% and 7.15% (previous year: 3.6% and 7.4%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 5.00% and 9.10% (previous year: 4.55% and 14.50%).

The respective carrying amounts are 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 2023, 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 for leasehold properties depend on contractually agreed index values. The changes in the index value occurring on the respective reporting dates are taken into account in the measurement of the lease liability.

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 at 31 December 2023 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, 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.

The financial assets consist of cash security deposits by tenants that are held on bank accounts, and of additional bank balances pledged in the previous year. 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 %	2023	2022
Interest rate	3.47	3.89
Pension trend	2.35	2.35

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 income must therefore be accounted for as required by IFRS 15. HAMBORNER is the principal in these contracts, and so the consideration, i.e. prepayments of service costs and excess charges, must be reported as revenue.

RECOGNITION OF EXPENSES AND REVENUE

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

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

Notes to the income statement

(1) NET RENTAL INCOME

Net rental income breaks down as follows:

IN € THOUSAND	2023	2022
Income from rents and leases	91,121	87,077[1]
Income from incidental costs passed on to tenants	13,440	12,157[1]
Real estate operating expenses	–20,224	–18,185
Property and building maintenance	–8,360	–9,038
NET RENTAL INCOME	**75,977**	**72,011**

[1] Previous year adjusted, see section on amendment under IAS 8

Income from rents and leases for properties recognised in accordance with IAS 40 increased by €4,044 thousand to €91,121 thousand in the reporting year (previous year: €87,077 thousand). The change was due to rent increases following property additions in the reporting year and the previous year (€1,624 thousand), rent losses as a result of property disposals (€–528 thousand) and an increase in portfolio rents (like-for-like) of €2,638 thousand. The reduction in the risk provisions recognised in the previous years for rent reductions in connection with the COVID-19 pandemic resulted in higher income than the previous year of €310 thousand (previous year: €154 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 €1,283 thousand in the reporting year. An increase in income from incidental costs charged to tenants of €5 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 €1,278 thousand.

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

IN € THOUSAND	2023	2022
Real estate operating expenses		
Consumption costs (electricity, water, sewage, heating)	6,077	4,463
Infrastructural building management	3,980	3,998
Technical building management (maintenance)	3,410	3,232
Property tax	2,998	3,081
Other operating costs	1,399	1,276
Insurance	1,062	853
Centre management	557	543
Advertising costs	309	410
Miscellaneous	431	329
TOTAL	**20,224**	**18,185**

The expenses for property and building maintenance amounted to €8,360 thousand compared with €9,038 thousand in the previous year. €3,087 thousand of these expenses relate to unplanned and ongoing maintenance, €2,985 thousand to planned maintenance and €2,288 thousand to leasehold improvements.

The direct operating expenses for the leased property in the reporting year amounted to €28,584 thousand (previous year: €27,223 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	2023	2022
Software License Fees	323	221
Costs of the Annual General Meeting	253	194
Energy and maintenance costs of management	182	148
Fees for auditors	133	129
employee travel expenses	51	63
Bank charges and bank fees	49	347
Miscellaneous	625	620
TOTAL	**1,616**	**1,722[1]**

[1] Previous year adjusted, see section on amendment under IAS 8

As in the previous year, the fees for auditors included in administrative expenses (€133 thousand; previous year: €129 thousand) relate exclusively to audits of financial statements.

(3) PERSONNEL EXPENSES

Personnel expenses were up year-on-year at €6,444 thousand (€6,176 thousand).

IN € THOUSAND	2023	2022
Wages and salaries	5,272	5,166
Social security contributions and related expenses	633	599
Retirement benefit expenses / pension expenses	101	89
Remuneration of the Supervisory Board	438	322 [1]
TOTAL	**6,444**	**6,176 [1]**

[1] Previous year adjusted, see section on amendment under IAS 8

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

Depreciation, amortisation and impairment losses went up by €18,009 thousand on the previous year to €55,850 thousand. Of the total, €55,432 thousand relates to investment property (previous year: €37,475 thousand). This includes depreciation of €36,444 thousand (previous year: €35,843 thousand) and impairment losses of €18,989 thousand (previous year: €1,632 thousand) on seven properties (previous year: three) due to changes in discount and capitalisation rates and letting factors.

PROPERTY	2023	31 DEC. 2023			31 DEC. 2022	
	Impairment losses	Achievable amount (gross capital value)	Discounting rate	Capitalisation rate	Discounting rate	Capitalisation rate
Lübeck, Sandstr. 1	8,014	24,830,000	9.05	6.80	8.35	6.25
Hamburg, Kurt-A.-Körber-Chaussee 9	3,450	11,870,000	7.30	5.90	6.75	5.45
Stuttgart, Schockenriedstraße 17	2,587	16,200,000	6.65	5.15	6.00	4.50
Kempten, Ulmer Straße 21	2,105	27,500,000	6.75	5.30	6.20	4.85
Freiburg, Munzinger Straße 6	1,650	17,700,000	7.35	5.65	6.65	5.05
Münster, Robert-Bosch-Str. 17	614	24,100,000	5.50	4.90	5.00	4.40
Neu-Isenburg, Siemensstr. 10	569	15,700,000	6.55	6.00	6.10	5.35

The item also includes depreciation and amortisation of right-of-use assets of €557 thousand in terms of IFRS 16. Of this, €456 thousand relates to right-of-use assets reported under investment property and €101 thousand to property, plant and equipment.

(5) OTHER OPERATING INCOME

Other operating income breaks down as follows:

IN € THOUSAND	2023	2022
Compensation and reimbursement	1,238	610
Charges passed on to tenants and leaseholders	279	343
Reversal of provisions and accruals	0	258
Recoveries on receivables previously written down	165	301
Miscellaneous	77	383
TOTAL	**1,759**	**1,895**

€1.1 million of the compensation and reimbursement relates to compensation from tenants in connection with the termination of contracts. Of this amount, €790 thousand relates to the early termination by a tenant of a lease for the property in Mainz. Income in the previous year included a compensation payment of €550 thousand from the former tenant real in Celle and Gießen for maintenance work not carried out. Income from the reversal of provisions (€258 thousand) was recognised in other operating income in the previous year. In the reporting year the income from the reversal of provisions was netted with the corresponding expense items.

(6) OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

IN € THOUSAND	2023	2022
Legal and consultancy costs	1,388	1,087
Write-downs and depreciation / amortisation on trade receivables	620	450
Costs for investor relations and public relations	392	455
Miscellaneous	309	661
TOTAL	**2,709**	**2,653**

Expenses for legal and consultancy costs of €1,388 (previous year: €1,087 thousand) particularly include expenses in connection with strategic projects (€575 thousand) and expenses for staff recruitment (€285 thousand). The item also includes costs for investor relations and public relations work of €392 thousand (previous year: €455 thousand) and write-downs on trade receivables of €620 thousand (previous year: €450 thousand).

(7) EARNINGS FROM THE DISPOSAL OF PROPERTY

The company generated net income from the disposal of property of €529 thousand in the reporting year compared with €176 thousand in the previous year. The net income for the reporting year concerns the proceeds and selling costs for the property in Mosbach.

(8) FINANCIAL RESULT

The financial result in the reporting year consists of interest income and expenses. Interest income was €1,792 thousand (previous year: €641 thousand) and consists mainly of interest on overnight and fixed-deposit accounts of €1,735 thousand.

Interest expenses rose by €1,081 thousand to €14,098 thousand and relate to financial liabilities of €13,309 thousand (previous year: €12,438 thousand). This increase is mainly due to refinanced loans with higher loan volumes and increased variable interest rates of €1,871 thousand. By contrast, scheduled loan repayments and loan expiries led to an interest expense decrease of €910 thousand.

Interest expenses in connection with the measurement of lease liabilities amounted to €542 thousand (previous year: €525 thousand).

(9) EARNINGS PER SHARE

Net profit for the period was €–660 thousand, €13,974 thousand below the previous year's figure. The decline is due in particular to the impairment losses recognised in the course of the annual valuation of the property assets.

Earnings per share amount to €-0.01 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.

	2023	2022
Weighted average number of shares outstanding in thousands	81,343	81,343
Net profit / profit for the year in € thousand	**–660**	**13,314**
Earnings per share in €	–0.01	0.16

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. 2023	Additions	Disposals	As at 31 Dec. 2023	As at 1 Jan. 2023	Additions (depreciation and amortisation for the financial year)	Disposals	As at 31 Dec. 2023	As at 31 Dec. 2022	As at 31 Dec. 2023
Intangible assets	(10)	1,099	2	0	1,101	653	148	0	801	446	300
Property, plant and equipment	(10)	4,618	176	49	4,745	1,785	270	49	2,006	2,833	2,739
Investment property	(11)	1,434,408	27,790	9,787	1,452,411	305,248	55,432	8,823	351,857	1,129,160	1,100,554
TOTAL		**1,440,125**	**27,968**	**9,836**	**1,458,257**	**307,686**	**55,850**	**8,872**	**354,664**	**1,132,439**	**1,103,593**

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 for the financial year)	Disposals	As at 31 Dec. 2022	As at 31 Dez. 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	1,785	2,932	2,833
Investment property	(11)	1,391,178[1]	60,445	17,215	1,434,408	275,928[1]	37,476	8,156	305,248	1,115,250	1,129,160
TOTAL		**1,396,727**	**60,686**	**17,288**	**1,440,125**	**278,073**	**37,841**	**8,228**	**307,686**	**1,118,654**	**1,132,439**

[1] Previous year adjusted. Adjustment from Display Correction in 2021

(10) INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Amounting to €209 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 €2,310 thousand (previous year: €2,399 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	2023	2022
As at 1 January	**179**	**148**
+/– Additions / disposals	143	112
– Depreciation and amortisation	–101	–81
As at 31 December	**221**	**179**

(11) INVESTMENT PROPERTY / ADVANCE PAYMENTS

Investment property performed as follows in the reporting year:

IN € THOUSAND	2023	2022
As at 1 January	**1,129,160**	**1,115,250**
+ Additions due to acquisition	24,602	59,337
+ Additions to incidental costs of pending acquisitions	0	4
+ Additions due to costs subsequently added	3,188	1,104
	27,790	**60,445**
– Disposals due to sales	–964	–9,059
	–964	**–9,059**
– Depreciation on buildings for the financial year	–35,988	–35,395
– Impairment losses for the financial year	–18,989	–1,632
	–54,977	**–37,027**
+/– Change in evaluation of right-of-use assets	–455	–449
As at 31 December	**1,100,554**	**1,129,160**

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

IN € THOUSAND	2023	2022
As at 1 January	**14,520**	**7,459**
+/– Addition / revaluation	0	8,389
–	0	–879
– Depreciation and amortisation	–455	–449
As at 31 December	**14,065**	**14,520**

Taking into account the additions and disposals in the reporting year, the fair value of the investment property was €1,485,525 thousand as at 31 December 2023 (previous year: €1,623,584 thousand).

The fair value of investment property breaks down as follows:

IN € THOUSAND	2023	2022
Developed property portfolio	1,471,000	1,608,600
Incidental costs of pending acquisitions	0	4
Undeveloped land holdings	460	460
Right-of-use assets for leases	14,065	14,520
TOTAL	**1,485,525**	**1,623,584**

(12) FINANCIAL ASSETS

The non-current financial assets of €2,093 thousand (previous year: €1,930 thousand) relate to cash security deposits from tenants. Current financial assets amounted to €478 thousand. The previous year's figure of €12,405 thousand includes restricted funds of €11,846 thousand to redeem loans from the financing bank secured by land charges for properties that have been sold. The funds are now freely available as substitute collateral has been provided in the form of newly acquired properties.

(13) TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables and other current assets break down as follows:

IN € THOUSAND	2023	2022
Trade receivables		
Rent in arrears and billed incidental costs	2,067	1,541
Write-downs on trade receivables	–637	–325
Deferred receivables from future incidental cost invoices (contract assets)	707	604
Miscellaneous	103	270
	2,240	**2,090**
Other assets		
Miscellaneous	696	1,005
	696	**1,005**
TOTAL	**2,936**	**3,095** [1]

[1] previous year adjusted, see section on amendment under IAS 8

Loss allowances were recognised for the expected loss of €637 thousand in conjunction with the remeasurement of outstanding receivables as at the end of the reporting period (previous year: €325 thousand).

Write-downs on trade receivables performed as follows:

IN € THOUSAND	2023	2022
As at 1 January	**325.0**	**901.0**
Addition	499.0	103.0
Revaluation	–187.0	–679.0
As at 31 December	**637.0**	**325.0**

Maturities of trade receivables as at 31 December 2023 are as follows:

MATURITY OF TRADE RECEIVABLES
IN € THOUSAND

	Total				overdue	not due
		< 30 days	> 30 days	> 60 days	> 90 days	
Gross receivable	2,067	341	172	223	842	489
Write-down	–637	–52	–50	–63	–472	0
Net receivable	1,429	289	122	159	370	489

Other assets primarily comprise building cost subsidies of €8.5 million paid in the context of new leases for the former real locations in Celle, Gießen and Mannheim. The agreed amounts will 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	2023	2022
Bank balances	43,299	130,110[1]
Cash balances	5	2
TOTAL	**43,304**	**130,112[1]**

[1] previous year adjusted, see section on amendment under IAS 8

€36,926 thousand (previous year: €106,954 thousand) of the bank balances was invested in current accounts or fixed-term deposits.

(15) NON-CURRENT ASSETS HELD FOR SALE

No properties were presented in the item ‘Non-current assets held for sale’ as at 31 December 2023.

(16) EQUITY

Changes in equity from 1 January 2022 to 31 December 2023 are shown in the statement of changes in equity. As at 31 December 2023, the company’s issued capital was €81,343 thousand (previous year: €81,343 thousand) which is divided into 81,343 thousand (previous year: 81,343 thousand) 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) sentence 1 or Section 53b paragraph 1 sentence 1 or paragraph 7 of the German Banking Act (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.

The capital reserve amounted to €335,573 thousand as at the reporting date. Capital reserves includes amounts which exceed the nominal value when issuing new shares as part of capital increases. €10,498 thousand was transferred from the capital reserve to pay the dividend for 2022.

Retained earnings amount to €17,202 thousand as at 31 December 2023 (previous year: €46,190 thousand). For the 2023 financial year, distribution of a dividend of €0.48 per share on the share capital entitled to dividends will be proposed at the Annual General Meeting. With 81,343,348 shares entitled to dividends, this results in a distribution to the shareholders of €39,044,807 thousand.

The “Reserve for IAS 19 pension provisions” included in retained earnings of €–3,772 thousand (previous year: €–3,177 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	2023	2022	CHANGE
Equity	434,118	473,604	–8.3%
Total assets	1,160,801	1,288,425	–9.9%
Reported equity ratio in %	**37.4**	**36.8**	**+1.7%**

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 2023, this indicator was 55.1% (previous year: 59.6%).

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 2023, the LTV was 43.5% (previous year: 39.1%).

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 fell by €87.8 million to €682.9 million. This is largely due to the repayment of a promissory note loan due in the first quarter of 2023 for €62.5 million and the scheduled repayment of loans for €21.5 million. The existing property loans are generally based on long-term fixed-interest agreements.

By contrast, for a floating-rate loan of €45.0 million with a term of three years, after weighing the risks and opportunities it was decided not to use interest rate hedges as the term is considered manageable. The loan is also secured by land charges.

Financial liabilities break down by maturity as follows:

IN € THOUSAND	31 DEC. 2023			31 DEC. 2022		
	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	41,457	452,693	188,710	102,555	409,340	258,810
TOTAL	**41,457**	**452,693**	**188,710**	**102,555**	**409,340**	**258,810**

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. 2023			31 DEC. 2022		
	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	52,521	480,961	194,208	114,372	445,839	280,296
TOTAL	**52,521**	**480,961**	**194,208**	**114,372**	**445,839**	**280,296**

With the exception of the unsecured promissory note loans of €12.5 million, all loans are secured by investment property. Land charges of €834.6 million have been entered against the company for the financial liabilities reported as at 31 December 2023. In addition, the rent receivables on the secured 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 5.25% (average interest rate: 1.83%). 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). This level reflects the company's own default risk.

IN € THOUSAND	31 DEC. 2023		31 DEC. 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	682,860	626,601	770,705	699,470

(18) TRADE PAYABLES AND OTHER LIABILITIES

IN € THOUSAND	2023	2022
Financial liabilities		
Lease liabilities (IFRS 16)	14,938	15,187
Trade payables	6,083	4,981
Granted building cost subsidies	4,350	5,885
Security deposits	2,098	1,930
Other purchase price retention	880	1,239
Security retention for rent guarantees	565	682
Supervisory Board remuneration	438	312
Audit fees	117	80
Miscellaneous	714	763
	30,183	**31,059**
Other liabilities		
VAT liabilities	1,336	866
Rental and leasing advances	777	937
Land transfer tax liabilities	615	615
Land tax obligations	122	126
Deferred investment subsidies	71	82
Miscellaneous	250	172
	3,171	**2,798**
TOTAL	**33,354**	**33,857**

€17,152 thousand (previous year: €17,540 thousand) of trade payables and other liabilities are due within one year.

The non-current financial liabilities (€2,146 thousand; previous year: €1,966 thousand) have a remaining term of less than five years.

The building cost subsidies of €4,350 thousand that have been agreed but are not yet due relate mainly to the new lease for the former real sites in Celle, Gießen and Mannheim.

Lease liabilities mature as follows:

IN € THOUSAND	31 DEC. 2023	31 DEC. 2022
Up to one year	1,019	914
Between two and five years	3,441	3,420
More than five years	29,721	31,310
TOTAL	**34,181**	**35,644**

(19) PENSION PROVISIONS

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

In relation to performance-oriented benefit pension plans, the company is exposed to general actuarial risks such as longevity and interest rate risks. In particular, the risks affect the allocation to pension provisions at HAMBORNER and therefore the net asset situation of the company. In order to quantify these risks and present them appropriately in the statement of financial position, HAMBORNER had the provision evaluated by an independent expert, taking into account the sensitivities of actuarial parameters.

HAMBORNER is able to pay the monthly pension payments to recipients or their surviving dependants from its operating activities (internal financing). The company's liquidity management monitors that it is able to meet payment obligations at all times.

As at 31 December 2023, 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 8.0 years as at the end of the reporting period (previous year: around 9.0 years).

Pension provisions performed as follows:

IN € THOUSAND	2023	2022
Carrying amount 1 January (= present value 1 January)	4,250	5,700
Interest expenses	159	51
Actuarial gains (–) / losses recognised for the current year	595	–1,147
(due to change in financial assumptions)	(+173)	(–1.278)
(due to experience adjustments)	(+421)	(+131)
Pension payments	–355	–354
TOTAL	**4,649**	**4,250**

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	INCREASE	DECREASE
Discounting rate (–1.0% / +1.0%) (previous year:(–0.5% / +0.5%))	464 (204)	–394 (–188)
Pension trend (+0.25% / –0.25%) (previous year)	94 (107)	–91 (–103)
Deviation in mortality from standard (–7.5% / +7.5%) (previous year)	153 (132)	–139 (–121)

The sensitivity calculations are based on the average term of the pension obligation calculated as at 31 December 2023. 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 commitments of €397 thousand are expected in the 2024 financial year.

In the year under review, HAMBORNER paid contributions of €302 thousand (previous year: €287 thousand) to statutory pension insurance, which is deemed to be a defined contribution pension scheme. In addition, the company paid direct insurance premiums of €5 thousand (previous year: €6 thousand) and premiums for employer-funded commitments of €0 (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	01 JAN. 2023	UTILISATION	REVERSALS	ADDITIONS	DISCOUNTING	31 DEC. 2023	OF WHICH NON-CURRENT	OF WHICH CURRENT
Provisions for								
Mining damage	2,716	0	0	65	48	2,829	2,829	0
Employee bonuses	531	525	6	521	–	521	0	521
Management Board bonuses (STI)	473	473	0	447	–	447	0	447
Management Board bonuses (LTI)	783	408	127	112	–1	359	292	67
Reimbursements from uninvoiced operating costs	807	132	14	702	–	1,363	0	1,363
Risk of rent reduction due to COVID-19	500	37	463	0	–	0	0	0
Miscellaneous	199	178	22	302	–	301	0	301
TOTAL	**6,009**	**1,753**	**632**	**2,149**	**47**	**5,820**	**3,121**	**2,699**

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 four and eleven years; previous year: between five and twelve years), interest rates between 3.6% and 3.9% (previous year: between 3.5% and 4.0%) were assumed for discounting. The provisions for mining damage increased on balance by €113 thousand compared with the previous year, to €2,829 thousand. The increase 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 are recognised in interest expenses in the amount of €48 thousand. The higher accrued interest on provisions of €65 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 2023 will be €10 thousand lower than in the previous year and amount to €521 thousand. In addition, there are provisions for Management Board bonuses from long-term share-based remuneration (LTI) of €359 thousand (previous year: €783 thousand), €66 thousand of which will be paid out in 2024 on the basis of the valuation as at the end of the reporting period, and for short-term remuneration (STI) of €447 thousand (previous year: €473 thousand). The remaining terms of the long-term share-based remuneration as at the financial statement date were three months, 15 months, 27 months, and 39 months.

The provision of €1,363 thousand (previous year: €807 thousand) for refunding operating costs to tenants results primarily from an expected obligation to reimburse excess advance payments of €778 thousand to a tenant.

The provision for potential claims from tenants for the reimbursement of rents in connection with the lockdowns imposed in the course of the COVID-19 pandemic was reversed as at the reporting date (previous year: €500 thousand).

(21) ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

31 DEC. 2023	BALANCE SHEET APPROACH	EVALUATION IN ACCORDANCE WITH IFRS 9	NON-FINANCIAL ASSETS / LIABILITIES
		At amortised cost	
Assets			
Financial assets	2,571	2,571	
Current trade receivables and other assets	2,936	2,240	696
Cash and cash equivalents	43,304	43,304	
	48,811	**48,115**	**696**
Liabilities			
Non-current financial liabilities	641,403	641,403	
Non-current trade payables and other liabilities	16,203	2,146	14,057
Current financial liabilities	41,457	41,457	
Current trade payables and other liabilities	17,151	14,030	3,121
	716,214	**699,036**	**17,178**

31 DEC. 2022	BALANCE SHEET APPROACH	EVALUATION IN ACCORDANCE WITH IFRS 9	NON-FINANCIAL ASSETS / LIABILITIES
		At amortised cost	
Assets			
Financial assets	14,335	14,335	
Current trade receivables and other assets	3,095	2,090	1,005 [1]
Cash and cash equivalents	130,112	130,112	
	147,542	**146,537**	**1,005 [1]**
Liabilities			
Non-current financial liabilities	668,150	668,150	
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**

[1] previous year adjusted, see section on amendment under IAS 8

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 by means of regular 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 one loan secured by a land charge (€45.0 million) for which no interest rate swaps have been concluded. On the basis of current interest rates, the interest expense for the loan secured by a land charge would go up or down by €445 thousand per year if the base rate were increased or reduced by one 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. The building work had not yet started as at the reporting date.

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 €1,086.3 million (previous year: €1,114.4 million) was let under operating leases as at 31 December 2023.

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 changes in the consumer price index. The rental payments are recognised at the agreed amount. If the leasing rate changes due to the indexation clause, the rental payment is only adjusted then. Rent deposits are usually agreed. The full reallocation of incidental costs is intended. Leases with volume-based payments generated income of €394 thousand (previous year: €282 thousand). HAMBORNER will receive the following contractually guaranteed rent payments from its current commercial leases:

IN € THOUSAND	31 DEC. 2023	31 DEC. 2022
in 1st year	87,011	82,691
in 2nd year	80,408	75,496
in 3rd year	72,391	66,544
in 4th year	65,409	61,121
in 5th year	54,410	53,901
after 6th year	258,261	263,304
TOTAL	**617,890**	**603,057**

The lease payments include rental income until the probable end of the agreed lease, depending on whether termination or non-utilisation of an option to renew is actually expected. As soon as any change in the assumed option becomes apparent, this is taken into account accordingly.

The lease payments are recognised in income from rents and leases on a straight-line basis over the term of the lease. Initial direct costs that can be attributed directly to the negotiation and closing of a lease are recognised with the lease object as investment property and depreciated over the life of the relevant lease.

Rental incentives in the form of building subsidies and rent-free periods are distributed over the term of the lease and offset against the rental income. They are recognised as other assets and offset from income over the term of the lease.

In accordance with IFRS 16.87, any modification of an operating lease must always be recognised as a new lease. If an incentive has been given, this is taken into account with the new lease term.

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 development 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. Cash funds were €43,304 million as at the end of the reporting period compared with €130,112 million in the previous year.

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

(24) CASH FLOW FROM OPERATING ACTIVITIES

The cash flow from operating activities was €68.7 million as against €62.8 million in 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:

		2023	2022
Number of shares outstanding at the end of the period	in thousands	81,343	81,343
Operating cash flow	€ thousand	68,721	62,788
Operating cash flow per share	€	0.84	0.77

(25) CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities resulted in cash outflow of €15.2 million (previous year's cash inflow: €11.9 million). The net cash outflow results from cash inflows from property sales of €1.5 million, offset by cash outflows from acquisitions of €28.6 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 purchase price retentions and payments for the land transfer tax that are not yet due as at the end of the reporting period.

The restricted funds of €11.9 million securing mortgage loans for properties that have been sold were repaid to HAMBORNER by the lending banks in the reporting year.

(26) CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from financing activities amounts to €–140.3 million (previous year: €–28.6 million). Cash inflows from borrowing of €13.5 million are mainly offset by payments for the dividend for 2022 (€38.2 million) and interest and principal repayments (€115.6 million) on the loans for the partial financing of the properties. The dividend distribution amounted to €38.2 million (previous year: €38.2 million).

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

IN € THOUSAND	2023	2022
As at 1 January	**770,705**	**747,704**
Addition due to acceptance of loans	13,500	119,071
Disposal due to repayment of loans	–101,882	–96,198
Addition due to current accrued interest and repayments	197	156 [1]
Disposal due to current accrued interest and repayments	–34	–23 [1]
Change in deferred transaction costs	374	–5
Financial liabilities	**682,860**	**770,705**
As at 1 January	**15,187**	**8,030**
Repayments of lease liabilities	–392	–377
Addition / Disposal of lease liabilities	143	7,534
lease liabilities	**14,938**	**15,187 [1]**
Total liabilities from financing activities		
As at 1 January	**785,892**	**755,734 [1]**
As at 31 December	**697,798**	**785,892 [1]**

[1] previous year adjusted

Cash flow from lease liabilities comprises interest payments of €542 thousand (previous year: €525 thousand) and principal repayments of €392 thousand (previous year: €377 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:

	2023	2022
Commercial property management	17	17
Technical property management	9	8
Administration	21	21
TOTAL	**47**	**46**

CORPORATE GOVERNANCE

The Management Board and Supervisory Board updated the declaration of compliance in November 2023 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 2023, the company was not aware of any shareholders with a direct shareholding of more than 10% of share capital.

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

The following table shows the reportable equity investments of which the company was notified by 5 March 2024. 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 until 5 March 2024 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 2023. 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	Allocation of voting rights in accordance with Section 34 WpHG
1	RAG Foundation, Essen, Germany	9,926,280		12.2	Exceeding 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	Exceeding 5%	16 Jun. 2022	yes: 5.31%

RELATED PARTY DISCLOSURES FOR THE 2023 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 2023 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 €1,222 thousand in the financial year (previous year: €1,517 thousand).

The Management Board receives fixed remuneration totalling €653 thousand (previous year: €918 thousand), benefits totalling €48 thousand (previous year: €44 thousand) and annual cash payments for free use (pension allowance) totalling €90 thousand (previous year: €77 thousand).

The Management Board also receives short-term remuneration (STI) totalling €447 thousand (previous year: €473 thousand). This short-term variable remuneration (STI) offers incentives for the operational implementation of the company strategy in a specific financial year. Alongside financial performance criteria, the Supervisory Board does not implement financial performance criteria which is considered when calculating the payment using a criteria-based adjustment factor (modifier). The STI payment amount is calculated by multiplying the target amount in euros by the overall target achievement. The overall target achievement is in turn calculated from the two financial criteria of funds from operations (FFO) per share (60% weighting), and occupancy rate (40% weighting). The targets achieved within these criteria are added according to the weighting, and multiplied by the defined modifier (range 0.8 to 1.2). The target achievement range for the financial performance criteria and overall target achievement in the 2020 remuneration system is 0 to 150%. It is therefore possible for no STI to be paid. At the same time the maximum payment is capped at 150% of the target amount.

Along with current remuneration of €1,148 thousand (previous year: €1,435 thousand) and post-employment benefits of €90 thousand (previous year: €77 thousand), long-term share-based remuneration (LTI) totalled €16 thousand (previous year: €5 thousand) in the financial year.

On the basis of the share commitments awarded in 2023, share-based remuneration (addition: €112 thousand) and valuation effects (reversal: €128 thousand) resulted in income of €16 thousand in the reporting year (previous year: €5 thousand).

The LTI is accrued on a straight-line basis over the performance period of four years.

Provisions and liabilities for remuneration of active members of the Management Board amount to € 806 thousand (previous year: €1,256 thousand), of which € 514 thousand is payable in the short term.

The total remuneration of the Management Board in accordance with HGB totalled €1,598 thousand in the financial year (previous year: €1,882 thousand), whereby the share-based remuneration is included at its fair value at the time of remuneration (€359 thousand).

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 awarded, 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 awarded rises or falls depending on what percentage of the performance targets has 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 arithmetic mean of the HAMBORNER shares over the last 20 trading days of the financial year (€6.75).

The number of virtual share commitments awarded and still outstanding on 31 December 2023, 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	22,322
LTI 2022	€9.73	2026	20,555
LTI 2023	€6.93	2027	33,190

NUMBER OF VIRTUAL SHARE COMMITMENTS GRANTED TO MS VERHEYEN

	Share reference price on granting date	Payment	Number
LTI 2022	€9.73	2026	3,341
LTI 2023	€6.93	2027	18,760

Virtual share awards developed as follows:

	2023	2022
As at 1 January	**115,837**	**92,364**
Addition of virtual share commitments granted	51,950	39,689
Disposal of virtual share commitments paid out	–52,550	–16,216
As at 31 December	**115,237**	**115,837**

Each tranche has a performance period of four years in total and ends on 31 December of the third year after the award year. If the service agreement is ended before the end of this performance period due to termination without notice for cause pursuant to section 626 (1) BGB by HAMBORNER or termination by the Management Board member or by mutual consent without cause, all the contingent share awards are forfeited without compensation. If the service agreement comes to a regular end, the performance shares are paid out in cash at the end of the agreed performance period in line with the plan.

If the service agreement ends in the course of a year, the payout amount for the tranche of the financial year in which the service agreement ends is curtailed by one twelfth for each month in which there was no service agreement in this year.

The virtual share awards from 2020 (LTI 2020) which were due to Mr Schmitz in 2023 resulted in a payment of €154 thousand at a share price of €7.67. At the time of his departure Mr Schmitz still had share awards from the LTI tranches 2021 and 2022 which have a retention period. The service agreement states that the retention periods for these shares also ended in 2023. The LTI tranche for the years 2021 and 2022 also ended at a closing price of €7.67 and resulted in a payout of €130 thousand and €124 thousand respectively.

The members of the Supervisory Board receive fixed annual remuneration. The amount depends on function and membership of the relevant committees.

The remuneration of the Supervisory Board for the financial year was €438 thousand (previous year: €312 thousand).

The recognised pension provisions for former Management Board members and their surviving dependants amounted to €2,638 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 Chair of the Supervisory Board

SUPERVISORY BOARD

Dr. Andreas Mattner [2], Hamburg
Chair
Independent management consultant
External mandates:
None

Claus-Matthias Böge, Hamburg
Deputy Chair
Managing Director of CMB Böge Vermögensverwaltung GmbH
External mandates:
Bijou Brigitte modische Accessoires AG, Hamburg [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 AG
External mandates:
FCF Fox Corporate Finance GmbH, München [2]
Member of the Board of Trustees of Josef H. Boquoi Foundation, Lübeck [2]
Member of the Board of Trustees of bofrost 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 at Cara Investment GmbH
External mandates:
None

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

Mechthilde Dordel [3], Oberhausen
Employee of HAMBORNER REIT AG
(Finance & Accounting)

Klaus Hogeweg [3]**,** Mülheim an der Ruhr
Employee of HAMBORNER REIT AG
(IT & Digital Transformation)

Johannes Weller [3]**,** Willich
Employee of HAMBORNER REIT AG
(Portfolio & Risk Management)

[1] Membership of other statutory supervisory boards
[2] Membership of comparable boards in Germany and abroad
[3] Supervisory Board member representing the employees

COMMITTEES OF THE SUPERVISORY BOARD

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

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

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

MANAGEMENT BOARD

Niclas Karoff, Berlin
(Chair)

Responsible from 1 January 2023 to 23 August 2033 for Strategy, ESG, Accounting / Finance / Taxes, Portfolio Management / Controlling / Risk Management, Legal / Corporate Governance, Corporate Communications / Investor Relations, HR / Organisation, Internal Audit

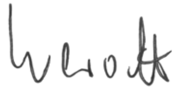
From 24 August 2023 responsible for Strategy, Finance & Accounting, Portfolio & Risk Management, Internal Audit, Legal & Corporate Governance, Investor Relations & Corporate Communication, Human Resources, Sustainability & ESG, Executive Office

Sarah Verheyen, Munich
Responsible from 1 January 2023 to 23 August 2023 for Transaction Management, ESG, Asset Management, Technology, Project Development, IT / Digitalisation, Data Protection

From 24 August 2023 responsible for IT & Digital Transformation, Transaction Management, Asset Management, Technical Management, Property Management, Sustainability & ESG, Executive Office

Duisburg, 5 March 2024

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, 5 March 2024

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 2023 and the statement of comprehensive income, the income statement, the statement of changes in equity and the statement of cash flows for the financial year from 1 January to 31 December 2023, 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 for the financial year from 1 January to 31 December 2023.

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 2023 and its results of operations for the financial year from 1 January to 31 December 2023; 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.

In accordance with section 322(3) sentence 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 2023. 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.

In our opinion, the following matters were of most significance in our audit:

❶ Valuation of investment property

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

① Matters and definition of issues

② Audit procedure and findings

③ Reference to further information

In the following, we present the key audit matter:

1 Valuation of investment property

① In the separate financial statements of HAMBORNER REIT AG, property assets of €1,101 million (95% of total assets) are reported under the statement of financial position item "Investment property" as at 31 December 2023. The option under IAS 40.30 in conjunction with IAS 40.56 is exercised for the valuation of property assets, and investment property is recognised at amortised cost. The fair values in line with IAS 40 in conjunction with IFRS 13 are disclosed in the notes to the separate financial statements. The valuation of investment property at market value is carried out by an external expert as at the balance sheet date using discounted cash flow models. For this purpose, the external expert uses the initial data provided by the company's officers (e.g. tenant base list, planned maintenance and modernisation measures, non-allocable incidental costs and other information provided) as well as other assumptions relevant to the valuation (e.g. current and future market rents). In addition, the expert assessed the general conditions of the property in question, existing opportunities and risks and the conditions of the property market specific to the location and property type in order to determine appropriate discount rates and comparative yields. On the basis of the values calculated, an impairment requirement totalling €19.0 million was identified for the financial year.

The result of the valuation is highly dependent on the judgements of the company's officers and is therefore subject to considerable estimation uncertainties. Even minor changes in the valuation-relevant assumptions can lead to significant changes in the information on the fair values and the development of the value of the company's property assets. In light of this and due to the complexity of the valuation and its material significance for the net assets and results of operations of the company, this matter was of particular significance in our audit.

② As part of our audit, we assessed in particular the valuations performed by the external expert with regard to the requirements of IAS 40 in conjunction with IFRS 13 and with regard to their timeliness, the methodology used and the models applied therein as well as the comprehensibility of the valuation. In addition, we assessed the qualifications, objectivity and independence of the external expert engaged by the company. We also obtained an understanding of the significant initial data, value parameters and assumptions underlying the valuations and, in particular, assessed their appropriateness for the purposes of the valuations and verified whether the value parameters were within reasonable ranges. In this context, we have also brought in our own internal valuation specialists. We inspected a sample of properties and verified the company's valuations on the basis of our own comparative valuations using discounted cash flow models.

Taking into account the information available, we believe that the valuation parameters applied by the company's officers and the underlying valuation assumptions are suitable overall for the valuation of the investment property.

③ The company's disclosures on investment property are contained in the section "Accounting policies" and "Notes to the statement of financial position" in Note (11) of the notes to the financial statements.

OTHER INFORMATION

The company's officers are responsible for the other information.

Other information comprises:

- The Corporate Governance Declaration in accordance with Section 289f HGB
- The annual report – excluding cross-references to external information – with the exception of the audited separate financial statements, the audited management report and our auditor's report

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, ensuring that they comply, in all material respects, with the IFRSs 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.

AUDITOR'S 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

Report on the audit of the electronic reproduction of the separate financial statements and the management report prepared for publication purposes in accordance with section 317 (3a) HGB

AUDIT OPINION

We have performed an assurance engagement in accordance with section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the separate financial statements and the management report (hereinafter also referred to as "ESEF documents") contained in the file "Hamborner_Reit_GB+LB_ESEF-2023-12-31" and prepared for publication purposes complies in all material respects with the requirements of section 328(1) HGB for the electronic reporting format (ESEF format). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the separate financial statements and the management report into the ESEF format and therefore does not extend to the information contained in these statements or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the separate financial statements and the management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the requirements of section 328(1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying separate financial statements and on the accompanying management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the audit of the separate financial statements and the management report" above, we do not express any audit opinion on the information contained in these disclosures or on the other information contained in the above-mentioned file.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the reproduction of the separate financial statements and of the management report contained in the above-mentioned file in accordance with section 317(3a) HGB and the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317(3a) HGB (IDW PS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under those standards are further described in the section "Auditor's responsibilities for the audit of the ESEF documents". Our auditing practice has applied the quality management system requirements of the IDW Quality Assurance Standards: Quality Assurance Requirements in Auditor Practice (IDW QMS 1 (09.2022)).

RESPONSIBILITY OF THE COMPANY'S OFFICERS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The company's officers are responsible for the preparation of the ESEF documents including the electronic reproduction of the separate financial statements and the management report in accordance with section 328(1) sentence 4 no. 1 HGB.

Furthermore, the company's officers are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of section 328(1) HGB for the electronic reporting format.

The Supervisory Board is responsible for monitoring the process of preparing the ESEF documents as part of the financial reporting process.

AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of section 328(1) HGB. We exercise due discretion and maintain a critical approach during our audit. Furthermore:

- We identify and assess the risks of violations, whether due to fraud or error, of the requirements of section 328(1) HGB, 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 opinion.
- We gain an understanding of the internal control system relevant to the ESEF documents 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 controls.
- We assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents fulfils the requirements of Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file.
- We assess whether the ESEF documents enable the audited separate financial statements and the audited management report to be reproduced in XHTML format with the same content.

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 27 April 2023. We were engaged by the Supervisory Board on 22 July 2023. We have served as the auditor of HAMBORNER REIT AG, Duisburg, without interruption since the 2023 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).

NOTE ON ANOTHER MATTER – USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited separate financial statements and the audited management report as well as the audited ESEF documents. The separate financial statements and management report converted into the ESEF format – including the versions to be entered in the company register – are merely electronic reproductions of the audited separate financial statements and the audited management report and do not replace them. In particular, the "Report on the audit of the electronic reproduction of the separate financial statements and of the management report prepared for publication purposes in accordance with section 317(3a) HGB" and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE GERMAN PUBLIC AUDITOR

The German Public Auditor responsible for the audit is Uwe Rittmann.

Düsseldorf, 5 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Uwe Rittmann	Mirsad Grizovic
German Public Auditor	German Public Auditor

REIT information

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

In connection with the annual financial statements in accordance with section 264 HGB and the 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 2023:

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 2023, HAMBORNER REIT AG's free float according to the notifications of voting rights received was 82.43%. The company notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) accordingly by way of a letter dated 9 January 2024.

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, according to current 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 2023 financial year, 95.4% 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 €39.0 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 13.1% of its average portfolio of immovable assets within the last five years.

SECTION 15 OF THE GERMAN REIT ACT: MINIMUM EQUITY

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

The corresponding value at HAMBORNER was 55.1% as at 31 December 2023.

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 €39.0 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, 5 March 2024

The Management Board

List of properties (as at: 31 December 2023)

YEAR OF ACQUISI-TION	PROPERTY		PROPERTY USE	PROPERTY SIZE IN M²	USABLE FLOOR AREA IN M²	RENT IN 2023 (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	1,512,044	131	22,600,000	6.25	5.05	Leasehold property
1981	Cologne	Von-Bodelschwingh-Str. 6	Retail	7,890	3,050.00	465,563	96	9,200,000	5.20	4.30	
1986	Frankfurt am Main	Königsteiner Str. 73–77	Retail	6,203	2,640.30	372,987	58	9,860,000	5.45	4.25	
1988	Dortmund	Westfalendamm 84–86	Office	1,674	2,683.61	260,301	72	3,370,000	6.90	6.15	
1991	Dortmund	Königswall 36	Office	1,344	2,989.97	422,067	40	5,520,000	6.70	5.75	
2001	Hamburg	An der Alster 6	Office	401	1,323.00	308,191	21	5,840,000	5.40	4.50	
2007	Münster	Johann-Krane-Weg 21–27	Office	10,787	9,540.15	1,459,897	26	21,430,000	6.75	6.10	
2007	Neuwied	Allensteiner Str. 15	Retail	8,188	3,500.57	458,029	36	4,330,000	9.10	6.90	
2007	Freital	Wilsdruffer Str. 52	Retail	15,555	7,940.36	818,455	118	9,350,000	6.90	5.70	
2007	Geldern	Bahnhofstr. 8	Retail	12,376	8,748.55	739,202	102	11,120,000	5.85	4.75	
2007	Lüneburg	Am Alten Eisenwerk 2	Retail	13,319	4,610.64	483,511	22	6,920,000	6.15	5.20	
2007	Meppen	Am neuen Markt 1	Retail	13,111	10,204.73	967,876	126	15,040,000	5.90	4.65	
2008	Bremen	Hermann-Köhl-Straße 3	Office	9,994	7,154.47	685,300	63	7,220,000	8.50	6.45	
2008	Bremen	Linzer Straße 7, 9, 9a	Office	9,276	10,270.32	1,333,298	38	16,070,000	7.70	6.40	
2008	Osnabrück	Sutthauser Str. 285–287	Office	3,701	3,831.33	546,551	23	6,550,000	7.95	6.95	
2008	Freiburg	Robert-Bunsen-Str. 9a	Retail	26,926	9,253.00	1,223,530	78	12,530,000	6.65	5.30	Leasehold property
2009	Münster	Martin-Luther-King-Weg 18–28	Office	17,379	13,795.30	1,962,344	57	29,960,000	7.00	6.20	
2010	Erlangen	Wetterkreuz 15	Office	6,256	7,328.14	1,331,736	77	17,710,000	7.25	6.05	
2010	Hilden	Westring 5	Retail	29,663	10,845.88	973,929	122	12,580,000	7.60	6.15	
2010	Stuttgart	Stammheimer Str. 10	Retail	6,853	6,362.98	1,317,163	54	22,830,000	5.40	4.35	
2010	Ingolstadt	Despagstr. 3	Office	7,050	5,361.79	868,005	29	11,990,000	7.10	6.05	
2011	Leipzig	Brandenburger Str. 21	Retail	33,917	11,130.98	961,123	130	13,670,000	6.85	5.65	
2011	Regensburg	Hildegard-von-Bingen-Str. 1	Office	3,622	8,945.42	1,646,475	52	25,230,000	6.80	5.60	
2011	Erlangen	Allee-am-Röthelheimpark 11–17	Office	10,710	11,643.54	2,153,172	52	31,840,000	6.65	5.65	
2011	Freiburg	Lörracher Str. 8	Retail	8,511	4,127.26	939,374	70	17,790,000	5.00	4.25	
2012	Aachen	Debyestraße 20	Retail	36,177	11,431.00	1,345,301	159	19,510,000	7.05	5.80	
2012	Tübingen	Eugenstraße 72–74	Retail	16,035	13,000.00	2,070,845	72	33,450,000	5.85	4.90	

YEAR OF ACQUISITION	PROPERTY		PROPERTY USE	PROPERTY SIZE IN M²	USABLE FLOOR AREA IN M²	RENT IN 2023 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE IN €[1]	DISCOUNT RATE IN %	CAPITALISATION RATE IN %	OTHER COMMENTS
2012	Karlsruhe	Rüppurrerstr. 1	Retail	10,839	15,152.35	2,650,439	143	52,760,000	5.90	4.55	
2013	Munich	Domagkstr. 10–16	Office	5,553	12,257.12	2,801,618	53	62,970,000	5.25	4.40	
2013	Berlin	EUREF-Campus 12 / 13	Office	3,100	12,641.71	2,785,417	47	59,110,000	6.50	5.50	
2013	Bayreuth	Spinnereistr. 5a, 5b, 6-8	Office	8,297	9,035.75	1,456,407	61	17,950,000	7.00	6.15	
2013	Hamburg	Kurt.-A-Körber-Chaussee 9, 11	Retail	20,330	10,407.88	1,399,836	59	11,040,000	7.30	5.90	
2015	Aachen	Gut-Dämme-Str. 14 / Krefelder Str. 216	Office	3,968	10,058.93	1,720,509	72	30,940,000	6.25	5.55	
2015	Celle	An der Hasenbahn 3	Retail	56,699	25,487.53	1,928,144	99	40,070,000	5.65	4.20	
2015	Gießen	Gottlieb-Daimler-Str. 27	Retail	46,467	18,378.51	1,203,828	85	19,750,000	5.45	4.50	
2015	Berlin	Tempelhofer Damm 198–200	Retail	6,444	6,290.03	1,495,141	56	28,950,000	5.45	4.10	
2015	Neu-Isenburg	Schleussnerstr. 100–102	Retail	9,080	4,249.43	879,849	86	15,890,000	5.80	4.50	
2016	Lübeck	Königstraße 84–96	Retail	4,412	13,522.32	2,540,682	45	22,880,000	9.05	6.80	
2016	Ditzingen	Dieselstr. 18	Retail	22,095	10,036.00	1,192,098	147	15,880,000	9.05	7.15	
2016	Mannheim	Spreewaldallee 44–50	Retail	103,386	28,371.66	3,914,386	138	75,950,000	5.25	4.45	
2016	Münster	Martin-Luther-King-Weg 30, 30a	Office	4,986	3,317.20	499,533	28	7,410,000	6.75	6.10	
2017	Cologne	Am Coloneum 9 / Adolf-Grimme-Allee 3	Office	15,461	26,517.26	3,100,801	90	59,300,000	6.35	5.60	
2017	Hallstadt	Michelinstr. 142	Retail	41,829	21,710.91	2,585,266	43	39,400,000	6.55	4.80	
2017	Berlin	Märkische Allee 166–172	Retail	17,264	6,528.70	1,010,455	27	19,500,000	5.25	3.85	
2017	Ratingen	Balcke-Dürr-Allee 7	Office	4,476	10,532.27	2,137,956	26	29,600,000	6.65	5.85	
2017	Hanau	Otto-Hahn-Str. 18	Retail	37,525	14,318.47	2,203,156	105	44,550,000	5.60	4.20	
2017	Kiel	Kaistraße 90	Office	2,049	6,737.56	1,468,080	35	19,960,000	7.00	5.75	
2017	Passau	Steinbachstr. 60 / 62	Retail	6,797	4,476.17	880,986	80	14,550,000	6.35	4.90	
2018	Bonn	Basketsring 3	Retail	10,823	4,934.08	770,151	132	18,100,000	5.40	4.40	
2018	Düsseldorf	Harffstr. 53	Retail	10,360	5,342.85	631,805	48	11,920,000	5.00	4.05	
2018	Cologne	Unter Linden 280–286	Retail	21,873	6,536.41	1,158,213	86	23,580,000	5.25	3.90	
2018	Darmstadt	Gräfenhäuserstr. 85, 85a, 85b	Office	7,641	8,192.45	790,199	50	10,720,000	8.15	6.85	
2018	Darmstadt	Leydheckerstr. 16	Retail	27,819	11,000.00	1,908,217	14	30,500,000	5.80	4.35	
2018	Berlin	Landsberger Allee 360–362	Retail	37,875	16,390.41	1,995,927	78	31,290,000	6.15	4.95	
2019	Bamberg	Starkenfeldstr. 21	Office	6,574	6,160.25	920,463	58	14,300,000	6.30	5.65	

YEAR OF ACQUISITION	PROPERTY		PROPERTY USE	PROPERTY SIZE IN M²	USABLE FLOOR AREA IN M²	RENT IN 2023 (INCLUDING RENT GUARANTEES) IN €	WEIGHTED REMAINING TERM OF LEASES IN MONTHS	FAIR VALUE IN € [1]	DISCOUNT RATE IN %	CAPITALISATION RATE IN %	OTHER COMMENTS
2019	Lengerich	Alwin-Klein-Str. 1	Retail	9,436	4,611.34	751,201	110	14,800,000	5.20	4.50	
2020	Neu-Isenburg	Siemensstr. 10a	Office	3,604	4,542.00	1,019,331	79	14,500,000	6.55	6.00	
2020	Bonn	Soenneckenstraße 10, 12	Office	6,902	6,500.48	1,648,048	100	28,800,000	5.70	5.10	
2020	Aachen	Gut-Dämme-Str. / Grüner Weg	Office	8,383	8,322.65	2,274,536	94	39,300,000	5.80	5.00	
2020	Dietzenbach	Masayaplatz 3	Retail	14,667	5,056.75	836,968	61	16,000,000	5.50	4.10	
2021	Mainz	Isaac-Fulda-Allee 3	Office	5,940	7,748.00	986,707	48	19,600,000	7.55	5.80	
2021	Stuttgart	Schockenriedstraße 17	Office	2,813	5,929.09	635,527	21	15,100,000	6.65	5.15	
2021	Münster	Robert-Bosch-Straße 17	Office	2,108	6,337.96	1,091,507	71	22,200,000	5.50	4.90	
2022	Freiburg	Munziger Straße 6	Retail	27,723	10,658.78	1,409,752	111	16,500,000	7.35	5.65	Leasehold property
2022	Kempten	Ulmer Straße 21	Retail	24,303	17,067.36	1,602,623	108	26,100,000	6.75	5.30	
2023	Hanau	Oderstraße 12	Retail	12,878	4,030.00	181,384	144	6,470,000	6.35	5.35	
2023	Offenburg	Isaak-Blum-Straße 18	Retail	33,225	13,897.00	525,422	88	19,300,000	6.30	5.20	
				1,050,266	**622,932**	**88,618,834**		**1,471,000,000**			

[1] According to JLL valuation report as at 31 December 2023
[2] Proportional rent from transfer of ownership

Glossary

AktG, Aktiengesetz (German Stock Corporation Act)

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.

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.

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.

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 Environmental, Social and Governance – These considerations first became established in the finance sector, and are 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.

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.

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.

GRI 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.

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 Real Estate Investment Trust – A 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 unrealised gains. 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.

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.

VACANCY RATE The company calculates its vacancy rate as target rent for the vacant space 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.

WPHG Wertpapierhandelsgesetz (German Securities Trading Act).

ZIA Zentrale Immobilien Ausschuss (Central Real Estate Committee) – 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 forecast business performance of HAMBORNER REIT AG. These statements are based on current assumptions and estimates by the company, 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.

FINANCIAL CALENDAR 2024 / 2025

14 March 2024	2023 Annual Report
23 April 2024	Interim statement, 31 March 2024
25 April 2024	2024 Annual General Meeting
8 August 2024	Half-year financial report, 30 June 2024
7 November 2024	Interim statement, 30 September 2024
25 February 2025	Provisional figures for the 2024 financial year
17 April 2025	2024 Annual Report
8 May 2025	Interim statement, 31 March 2025
5 June 2025	2025 Annual General Meeting

PUBLICATION DETAILS

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