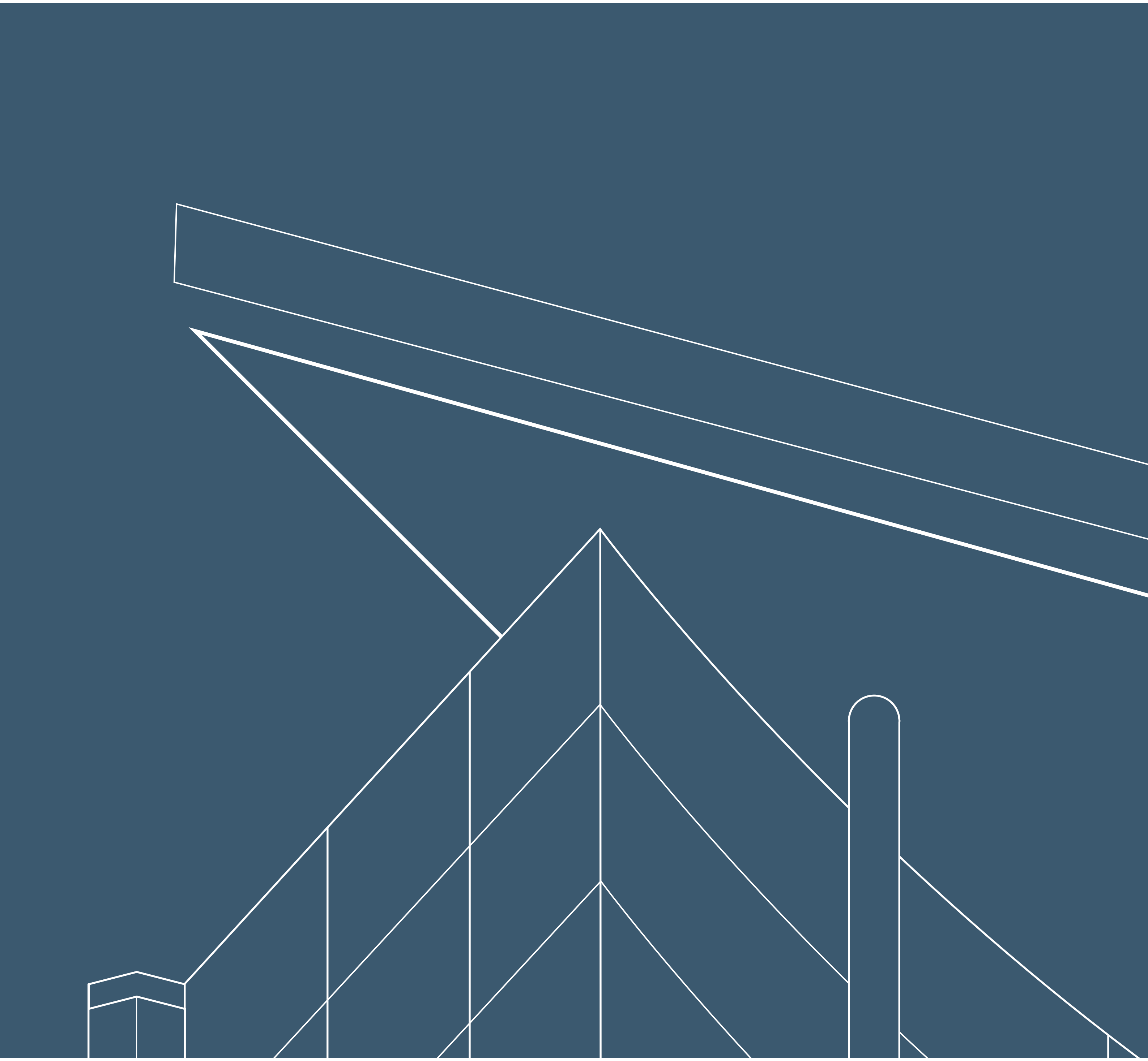
hamborner
REIT
ZUKUNFT BRAUCHT SUBSTANZ

ANNUAL REPORT 2009



THE JOURNEY TO BECOMING A REIT

MINING

ASSET MANAGEMENT

1953

Company formation: HAMBORNER as a mining concern

- Listing on the stock exchange in 1954

1969

Transfer of the mining activities to RAG

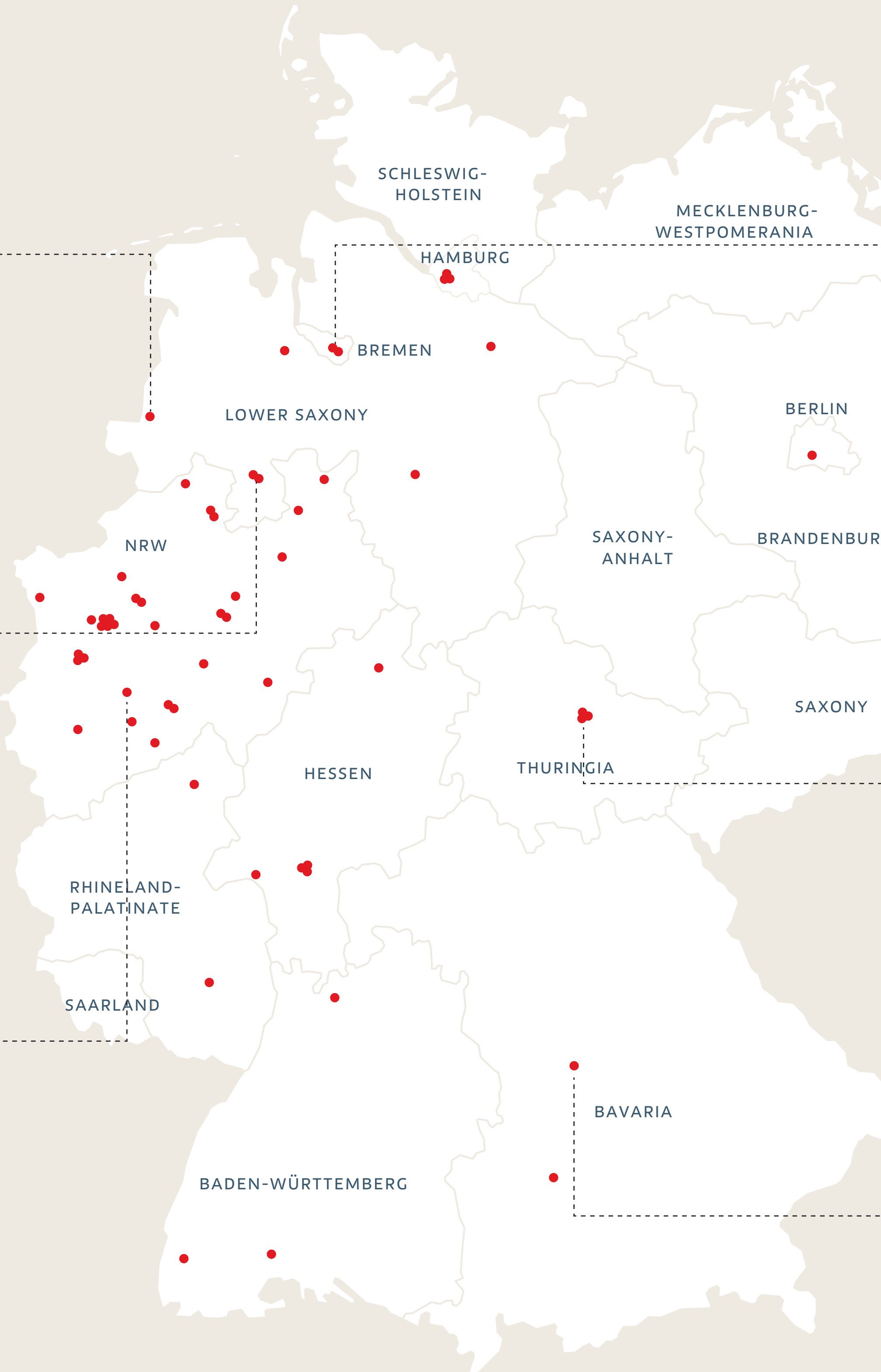
1971

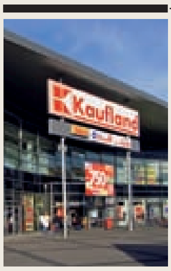
Continuation of HAMBORNER as a property corporation

1981

Sale of 95.4% of shares in Rhein-Lippe Wohnbaugesellschaft

Property locations



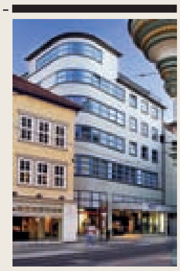


Trade: Meppen, Am Neuen Markt

Office: Osnabrück Sutthauser Str.

High-Street: Leverkusen, Wiesdorfer Platz

Office: Bremen, Hermann-Köhl-Str.



High-Street: Erfurt, Neuwerk-straße

Office: Erlangen, Am Wetterkreuz

Key figures according to IFRS at a glance

in T€	2009	2008	2007
From the profit and loss account			
Revenue from rents and leases	22,451	19,725	13,317
Net rental incomes	19,940	17,463	11,093
Operating result	10,437	14,079	4,788
Financial result	-5,019	-2,927	-35
EBITDA	16,886	30,975	46,809
EBDA	11,075	26,673	53,887
EBIT	10,884	21,643	45,148
Funds from operations (FFO)	9,620	8,536	6,037
Profit for the year	5,073	17,341	52,226
From the balance sheet			
Balance sheet total	298,589	281,346	290,197
Non-current assets	260,116	225,848	203,051
Equity capital	155,297	160,050	155,507
Equity ratio in %	52.0	56.9	53.6
REIT equity ratio in %	67.2	77.1	-
Loan to value (LTV) in %	34.3	31.1	30.0
From the cash flow statement			
Cash flow from operating activity	14,129	10,283	23,528
Cash flow from investment activity	-37,686	41,696	-73,103
Cash flow from financing activities	7,487	-10,999	58,428
Change in liquid funds	-16,070	40,981	8,852
On the HAMBORNER share			
Earnings per share in €	0.22	0.76	2.29
Funds from operations (FFO) per share in €	0.42	0.37	0.27
Dividend per share in €	0.37	0.35	0.35
Stock market prices per no-par-value share in € (XETRA)			
Highest share price	8.60	9.30	12.49
Lowest share price	5.41	5.10	8.45
Year-end share price	8.14	5.75	8.94
Dividend yield in relation to the year-end share price in %	4.55	6.09	3.91
Price/FFO ratio	19.3	15.3	33.7
Market capitalisation at the year-end	185,348	130,928	203,564
Net asset value per share in €	10.37	10.57	11.36
Other data			
Fair value of the property portfolio	307,940	273,100	281,020
Net asset value (NAV)	236,059	240,710	258,618
No. of employees at the year-end including the Managing Board	24	26	25

[REIT]

PREPARATION FOR REIT CONVERSION

1990

Launch of the special share fund as a second business segment

2006 / 2007

Change of the principal shareholder

Strategy change
- Growth course
- Sale of the special share fund
- Concentration on the core business of real estate

2010

Transformation to HAMBORNER REIT AG

HAMBORNER has succeeded as planned: On February 18, 2010 the company officially achieved REIT status, which applies retroactively as of January 1, 2010. As a result we are the third German REIT and the first that has emerged from the conversion of a property corporation that has been in existence for almost 60 years.

We are particularly pleased, therefore, to be able to introduce you today to the "new but old" HAMBORNER in the form of a restyled annual report as well.

On February 22, 2010 the share of HAMBORNER REIT AG was included in the REIT segment of the German stock exchange.

The easy identification of REITs for a targeted investment in stock exchange-listed companies with REIT status is made possible for investors and analysts through this segment, thereby providing a high degree of transparency.

Contents

TO OUR SHAREHOLDERS

MANAGEMENT REPORT

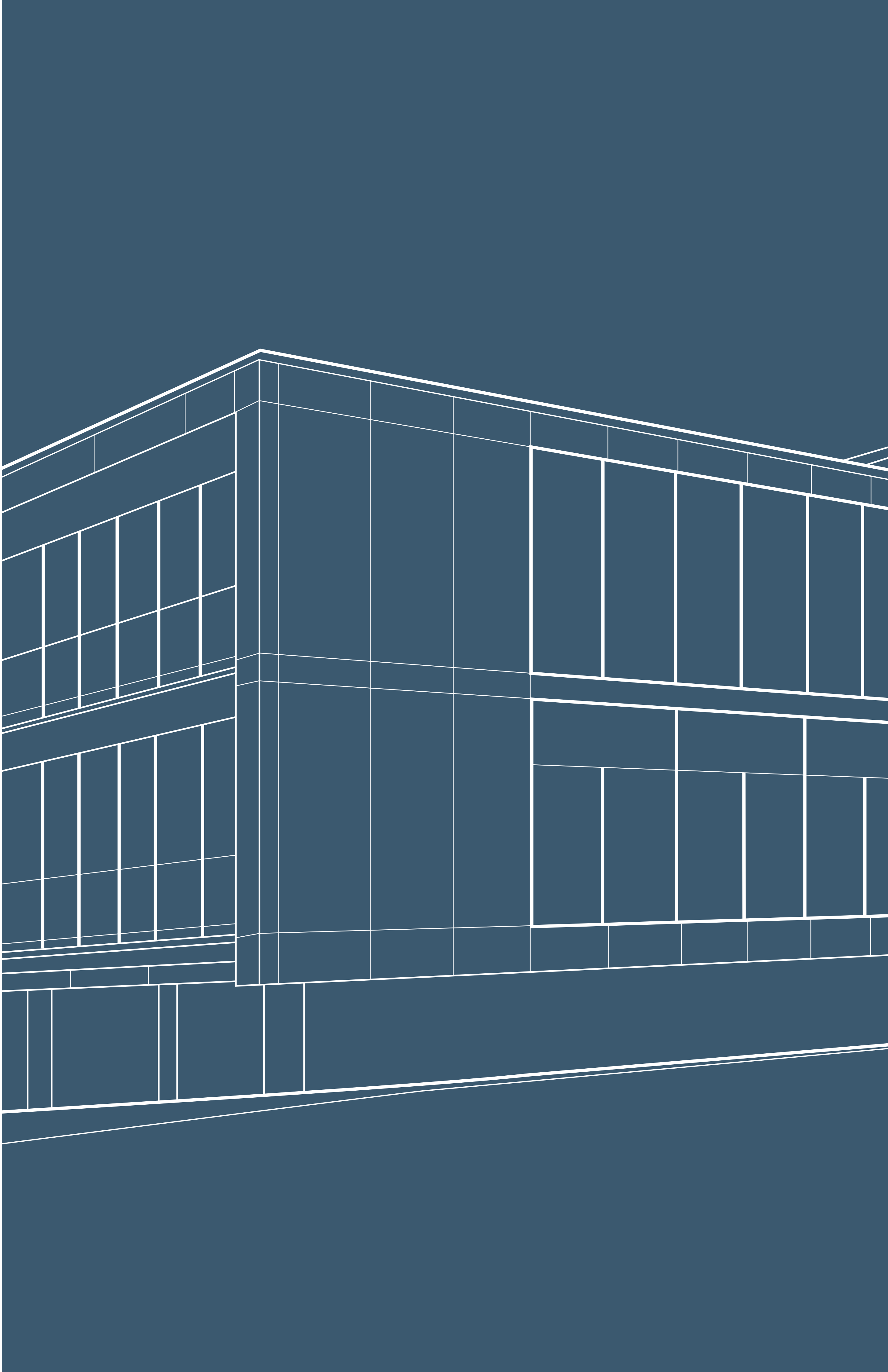
FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

SUPPLEMENTARY INFORMATION

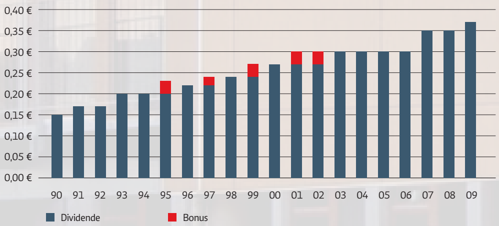
[R]EIT

[R] = re|turn [rɪ'tɜːn], n.
(the proceeds or profit of an undertaking)

To our shareholders



Dividend development



Results-orientated distribution, continuous increase in the dividend

REIT – a definition

REIT stands for "Real Estate Investment Trust". These are stock exchange-listed public limited companies, whose assets predominantly consist of properties. REITs have established themselves in the capital markets globally and constitute an independent asset class. They are subject to the requirements of the German REIT Act in Germany and enjoy tax advantages in return.

REIT MEANS GREATER YIELDS FOR INVESTORS

REIT means greater yields for investors

Due to their stock market listing, REIT shares can be bought and sold quickly and easily without expense surcharges. An investment in REITs is therefore more flexible than, for example, a direct investment in properties. In addition, REITs have a payout ratio established by law of at least 90% of the profit for the financial year under commercial law. The earnings originate mainly from rental incomes agreed for the long-term. As REITs are tax-exempt at company level, the distribution potential is greater than with a company liable for tax under otherwise identical conditions.

Furthermore, in the distribution of profit, HAMBORNER REIT AG is geared to the funds from operations (FFO), the ratio for the operational development of the company. You will find the calculation of the FFO on page 26 of this annual report.

Chimes for the first stock market price as a REIT on 22 February 2010

HANS RICHARD SCHMITZ
MANAGING BOARD OF HAMBORNER REIT AG

DR. RÜDIGER MROTZEK
MANAGING BOARD OF HAMBORNER REIT AG

Letter to shareholders

Dear Shareholders,

Even the first glance at the annual report shows: HAMBORNER has succeeded as planned! Since February 18, 2010 our company has officially achieved REIT status, which applies retroactively as of January 1, 2010. We are pleased, therefore, to be able to introduce you today to the "new but old" HAMBORNER in the form of a restyled annual report as well. What has changed? The more modern corporate identity with a changed colour scheme and new logo is outwardly conspicuous first of all. However, the most significant content-related change, which the REIT brings with it, is the tax exemption that we have enjoyed at company level since the beginning of the year due to the conversion. Nevertheless, we are still the "old" HAMBORNER with our long-standing experience in the commercial property sector. Our business model has remained, together with the growth strategy that we have adopted over the past few years, as well as the high quality of our services, the close contact with our tenants and the endeavour to generate a high degree of added value through strong management at all levels, which should ensure stable dividends that increase as much as possible

The year 2009 was characterised by the preparations for the conversion. We have done our homework. Amongst other things, through the merger of our Hambornberg subsidiary as well as the sale of our non-REIT-compliant investments. And not least due to your support and the resolution of the general shareholders' meeting passed with an overwhelming majority for the amendment to the Articles of Association, we were able to lay the final foundations for the transformation into a REIT.

Economically too, 2009 was a satisfactory year for us. In spite of the effects noticeable right at the beginning of the year of the deepest recession for decades in Germany, HAMBORNER managed to expand its business activity and achieve a good result. Loan agreements concluded for the long term, a high equity ratio and the very comfortable liquidity structure of the company ensured a stable basis even in times of world economic crisis. Not least, the balanced composition of our asset portfolio and the good tenant structure ensure sustainable cash flows. In the reporting year we have achieved an operating result amounting to €10.4 million and a profit for the financial year in accordance with IFRS of €5.1 million. This results in earnings per share amounting to €0.22. The FFO (funds from operations) as a decisive key figure of our control system and measure of the liquid funds generated from the ongoing operating activity amount to €0.42 per share, a plus of 12.7% year-on-year.

Against the background of the positive business development, we propose a dividend amounting to €0.37 per share for the financial year 2009 to the general shareholders' meeting. This corresponds to an increase of 5.7 %. An attractive dividend yield of 4.5% arises in relation to the year-end share price of €8.14.

We are in an optimistic mood in view of a positive operational business trend in 2010, – even if the sustainability of the economic easing is currently still extremely uncertain. Even in the last few months, increased activity was again seen on the property transactions market and the offers were more interesting. Our financial strength and the attractive interest rate level at present are opening up opportunities for HAMBORNER REIT AG, which we will rigorously exploit.

We thank all shareholders and business partners for the confidence shown in the company. We will be delighted if you support the "new but old" HAMBORNER in its further development in the future as well because – THE FUTURE NEEDS A SOLID FOUNDATION.

Kind regards

R. Mrotzek H. R. Schmitz

Dr. Rüdiger Mrotzek | Hans Richard Schmitz

Managing Board and Supervisory Board

Managing board

Dr. Rüdiger Mrotzek, Hilden
born in 1957,
member of the Managing Board since March 8, 2007,
appointed until March 7, 2013,
responsible for the areas of finance/accounting , taxes, properties, EDP, risk management / controlling

Hans Richard Schmitz, Bonn
born in 1956,
member of the Managing Board since December 1, 2008,
appointed until December 31, 2012,
responsible for the areas of legal matters, personnel, corporate governance, investor relations / public relations, insurance

Supervisory Board

Dr. Josef Pauli, Essen
– Honorary Chairman –

Dr. Eckart John von Freyend, Bad Honnef
– Chairman –
Shareholder of Gebrüder John von Freyend Vermögens- und Beteiligungsgesellschaft m.b.H.

Dr. Marc Weinstock, Kelkheim-Fischbach
– Deputy Chairman –
Chairman of the Managing Board of HSH Real Estate AG

Volker Lütgen, Wentorf
Managing Director of HSH Capitalpartners GmbH

Robert Schmidt, Datteln
Managing Director of Evonik Immobilien GmbH

Edith Dützer, Moers*
Clerical employee

Hans-Bernd Prior, Dinslaken*
Technician

* Employee representative

Report of the Supervisory Board

Dear Shareholders,

The financial year 2009 is completely characterised for HAMBORNER by the conversion into a tax-transparent Real Estate Investment Trust (REIT). Operationally, the company has coped well with the persistently difficult market conditions, thanks to its healthy balance sheet structure and high liquidity. With the registration of the REIT Articles of Association in the Commercial Register and the accompanying tax exemption as from 1 January 2010, the way has now been smoothed to develop new investor groups for the HAMBORNER share and to ensure the long-term growth of the company in such a way.

Monitoring the conduct of business and cooperation with the Managing Board

We have regularly advised the Managing Board in the management of the company in the reporting year 2009 and intensively supervised and constantly monitored its company management. In the course of this, we have secured in-depth information about all significant business transactions and upcoming decisions. Moreover, the Managing Board regularly, promptly and comprehensively informed the Supervisory Board, both verbally and in writing, about all the matters of fundamental importance for the company and, in particular, about the strategic orientation and all the relevant aspects of the business plan including the financial, investment and personnel planning. Our particular attention was aimed at the economic situation and the profitability of the company, as well as the course of the transactions, including the risk position and risk management.

Five meetings of the Supervisory Board were held in the financial year 2009. Additionally, we effected resolutions outside meetings in the case of three transactions in need of a speedy response. This involved the purchase of properties and personnel matters. Between the committee meetings, I discussed the strategy, as Chairman of the Supervisory Board, in a regular exchange with the Managing Board and informed myself on the current trend of the business environment, significant business transactions and upcoming decisions.

Central elements of activity in the Supervisory Board plenum

The turnover, earnings and personnel development of the company, the financial position as well as the letting rate and the current situation with purchases and sales were explained to us at length by the Managing Board in all meetings and then discussed collectively by us. Furthermore, we thoroughly discussed numerous individual topics with the Managing Board in the meetings.

In the financial statement meeting of 19 March 2009, the Supervisory Board approved the annual and consolidated financial statements of HAMBORNER AG as of 31 December 2008 after its own review and discussion of significant aspects with the statutory auditor, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft. We also endorsed the Managing Board's proposal for the appropriation of profits. Furthermore, we adopted the agenda of the 2009 ordinary general shareholders' meeting and in this connection we discussed in particular the necessary amendments to the Articles of Association for the conversion into a REIT, as well as the tax repercussions resulting therefrom. Commensurate with the recommendations of the German Corporate Governance Code, we approved an efficiency audit by means of self-evaluation. All members of the Supervisory Board took part in the meeting.

The meeting on 5 June 2009, which took place in the form of a telephone conference, dealt with the preparation for the 2009 general shareholders' meeting, as well as the findings of the efficiency audit of the Supervisory Board activities. In summary, it was emphasised that the self-evaluation confirmed the meaningful and professional composition of the Supervisory Board, as well as the good co-operation between the employee and shareholder sides. All the members of the Supervisory Board took part in this meeting as well.

The constitutive meeting of the Supervisory Board took place on 9 June 2009 subsequent to the annual general shareholders' meeting. At that meeting I was re-elected Chairman of the Supervisory Board and Dr. Weinstock Deputy Chairman of the Supervisory Board. Furthermore, all members of the Executive, Audit and Nominating Committees were confirmed in their offices. Five members of the Supervisory Board took part in this meeting.

The focal point of the meeting on 17 September 2009 was the discussion about the ratio structure in the future reporting of HAMBORNER REIT AG. In addition, the Supervisory Board dealt with the resolutions of the Government Commission for the German Corporate Governance Code in the version dated 18 June 2009 and adjusted its procedural rules accordingly. Five members of the Supervisory Board took part in this meeting as well.

The central topic of the planning meeting on 19 November 2009 was the budget and medium-term plan of the company for the years 2010 to 2014. The planned growth in turnover and earnings was discussed thoroughly with the Managing Board. Furthermore, the declaration of compliance in accordance with Section 161 of the German Stock Company Act was adopted. Five members of the Supervisory Board also took part in this meeting.

Report from the committees

Part of the Supervisory Board activities also take place in committees. There were again three committees in the financial year 2009.

The Executive Committee met once. The subject was Management Board matters. The Audit Committee met four times in the 2009 financial year with the involvement of the statutory auditor. It discussed in detail the 2008 annual and consolidated financial statements and had the 2009 interim reports for the quarters and for the half-year explained by the Managing Board. In addition, it dealt with the granting of the audit mandate to the statutory auditor and the determination of the focal points of the audit.

There was no cause for the convening of the Nominating Committee in the reporting year. The Supervisory Board was informed about the activity of the committees by the respective Chairman at the start of each meeting.

Corporate Governance and declaration of compliance

The Supervisory Board and Managing Board dealt with the further development of intra-company Corporate Governance in depth in the financial year 2009 as well. We report on this together with the Managing Board in the Corporate Governance report for the year 2009 in accordance with Section 3.10 of the German Corporate Governance Code.

Conflicts of interest within the meaning of Section 5.5.3 of the German Corporate Governance Code have not arisen with any of our members.

A declaration of independence in accordance with Section 7.2.1 of the German Corporate Governance Code was obtained from the statutory auditor.

The Supervisory Board together with the Managing Board published an updated declaration of compliance with the German Corporate Governance Code in December 2009, in accordance with Section 161 of the German Stock Company Act. This declaration of compliance is publicly accessible on the company's website at www.hamborner.de in the section Investor Relations/Corporate Governance.

Adoption of the annual financial statements in accordance with HGB and IFRS

On March 23, 2010 the annual financial statements for 2009 were dealt with at length with the participation of the auditor, initially in the Audit Committee and then at the Supervisory Board meeting. 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. The Supervisory Board thoroughly examined and discussed the annual financial statements under commercial law and the individual IFRS financial statements of the company in accordance with Art. 325 Para. 2a of the German Commercial Code [HGB]with the integrated management report and the proposal for the appropriation of profits. There were no objections, with the result that the Supervisory Board approved the HGB and IFRS financial statements for 2009 at its meeting on 23 March 2010. As a result, the 2009 annual financial statements prepared by the Managing Board under commercial law have been adopted. The Supervisory Board has endorsed the proposal of the Managing Board for the distribution of the unappropriated surplus.

Unqualified audit certificate of the statutory auditor

The annual financial statements of the company as of 31 December 2009 prepared by the Managing Board in accordance with the rules of the German Commercial Code and the German Stock Company Act, as well as the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the integrated management report for both financial statements, as well as the proposal for the appropriation of profits, were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The Supervisory Board had assigned the audit mandate commensurate with the resolution of the general shareholders' meeting of June 9, 2009 . The statutory auditor granted unqualified audit certificates for the respective financial statements.

Report on relationships with associated companies

The report to be prepared by the Managing Board, pursuant to Art. 312 of the German Stock Company Act [AktG], regarding the company's relationships with associated companies has been audited by the statutory auditor and furnished with the following unqualified audit certificate:

> "Following our compulsory audit and evaluation, we confirm that
> 1. the factual details of the report are correct,
> 2. in the case of the legal matters recorded in the report, the company's payment was not unduly high."

The statutory auditor's representatives were also available for further explanation of this report at the Supervisory Board meeting on 23 March 2010. The Supervisory Board approved the audit result of the statutory auditor after its own review. There were also no reasons for objections with regard to the statement of the Managing Board at the end of the report regarding relationships with associated companies.

Thank you

The Supervisory Board expresses its gratitude and appreciation to the directors and all employees for their high personal application, their achievements and continuous commitment. Thanks are due also to our shareholders for the confidence shown.

Duisburg, March 23, 2010
The Supervisory Board

E. John von Freyend

Dr. Eckart John von Freyend
(Chairman)

Corporate governance

Corporate governance report

Commensurate with the recommendations in Section 3.10 of the German Corporate Governance Code in the version of 18 June 2009, the Managing Board and Supervisory Board report on the Corporate Governance at the company as follows:

Transparency and good company management always rank very highly for the Managing Board and Supervisory Board of HAMBORNER. This is all the more necessary, especially against the background of the global financial and economic crisis that has not yet been overcome, to gain and strengthen the confidence of investors and other stakeholders. For this reason we regularly, promptly and comprehensively inform our shareholders, all other capital market participants, financial market analysts as well as the relevant media, but also our employees, about the position of the company and any significant changes. We use a multitude of possible information and communication channels for this purpose.

Worth mentioning here in particular are our annual report, the regular interim reports for the quarters and for the half-year, our publications on disclosure under capital market legislation such as "ad-hoc announcements" or notifications on "directors' dealings", but also the attendance at events with financial analysts or the publication of press releases on current topics about the company. In the process, we primarily use the Internet for the distribution of information. We provide all the above-mentioned company information to the interested public on our website.

Since the entry into force of the German Corporate Governance Code, the Managing Board and Supervisory Board have dealt with the recommendations of the code at regular intervals and – as far as possible and necessary – implemented them promptly. The objective was and always is to ensure a good and reliable company development geared to sustainability in the interests of all stakeholders.

The code as such was recently the subject of the Supervisory Board meeting on 19 November 2009. The items discussed in detail at this meeting were the numerous changes to the new code version dated 18 June 2009, which was published in the electronic German Federal Gazette on 5 August 2009 and has applied since then, but also the changes to company and commercial law, which were enacted on the basis of the German Accounting Law Modernisation Act (BilMoG) and the German Act on the Appropriateness of Management Remuneration (VorstAG) and which are relevant for the Corporate Governance of HAMBORNER.

The amendment of Art. 93 Para. 2 Clause 3 of the German Stock Company Act [AktG], based on the German Act on the Appropriateness of Management Remuneration, which also resulted in the adjustment of Section 3.8 of the Code, was specifically implemented at HAMBORNER. According to this, a deductible of at least 10% of the claim up to at least the level of one and a half times the fixed annual remuneration of the member of the Managing Board is to be agreed in the event of D&O liability insurance concluded by the company for the directors. For this reason, our insurance policies have already been adjusted ahead of time in spite of a transition period up to 1 July 2010. Such an adjustment was also undertaken for the D&O liability insurance policies of the members of the Supervisory Board of our company commensurate with the requirements of the Code.

Since the introduction of the Code in the year 2002, we at HAMBORNER have already complied with the obligation to substantiate possible deviations from the code recommendations, which had only been designated up to now as a recommendation in Section 3.10 of the Code and is now cast into written law of a compulsory nature on the basis of the amendment of Art. 161 of the German Stock Company Act.

The Managing Board and Supervisory Board of the company adopted the following declaration of compliance in December 2009 in accordance with Section 161 of the German Stock Company Act. According to this, the company has complied with the recommendations of the German Corporate Governance Code in the reporting year with insignificant limitations. Reference is made to the text of the declaration of compliance with regard to the explanations on the deviations from the code recommendations:

Current declaration of compliance in December 2009

Declaration of the Managing Board and Supervisory Board
of HAMBORNER AG
the recommendations of the
Government Commission for the German Corporate Governance Code"
pursuant to Art. 161 of the German Stock Company Act

"The Managing Board and Supervisory Board of HAMBORNER AG declare that HAMBORNER AG has complied with the recommendations of the Government Commission for the German Corporate Governance Code ("Code") in the code version dated 6 June 2008 with the limitation of the recommendation in Section 4.2.1 Clause 1 since submission of its last declaration of compliance in December. HAMBORNER AG will comply with the Code in the code version dated 18 June 2009 with the limitation of the recommendation in Section 4.2.1 Clause 1."

Explanation: Section 4.2.1 of the Code recommends that the Managing Board should have a Chairman or spokesperson. The nomination of a Chairman or spokesperson was and is waived on account of the Managing Board consisting of just two people.

The Managing Board and the Supervisory Board will publish the next declaration of compliance in December 2010.

HAMBORNER AKTIENGESELLSCHAFT

Managing board Supervisory Board

Internet information for our shareholders

Both the current declaration of compliance and all declarations of previous years are retrievable on our website at www.hamborner.de in the section Investor Relations / Corporate Governance.

In addition, we offer our shareholders the possibility of obtaining information in the section "Investor Relations/Finanzkalender" regarding the dates of recurring publications of financial reports and the date of the general shareholders' meeting. Furthermore, on our website we provide information in detail to our shareholders regarding the previous financial year through the annual report, in advance of the general shareholders' meeting.

In addition, we also make other information available there for anyone who is interested – about the company and published by the company - such as notifications in accordance with the German Securities Trading Act and the German Securities Prospectus Act, press releases, as well as an up-to-date company presentation.

Collaboration of the Managing Board and the Supervisory Board

The Managing Board and Supervisory Board are collaborating closely for the well-being of the company. At regular intervals the Managing Board promptly and comprehensively notifies the Supervisory Board about all relevant issues of the business plan, about the course of transactions and the position of the company, including the risk position. Questions on the strategic orientation and further development are discussed jointly between the Supervisory Board and Managing Board. Important Managing Board decisions are linked to the agreement of the Supervisory Board in accordance with the former's procedural rules and the Articles of Association.

No consultancy or other service or work contracts were concluded directly between the company and individual members of the Supervisory Board in the financial year 2009.

No other potential or actual conflicts of interest of members of the Managing Board and Supervisory Board, which should be disclosed to the Supervisory Board without delay, have arisen in the reporting period.

In accordance with Art. 15a of the German Securities Trading Act (WpHG), a duty of disclosure regarding the purchase and sale of the company's securities is incumbent on members of the Managing Board and Supervisory Board, as well as people who carry out management functions with an issuer of shares, as soon as the total amount of transactions of a person with management functions and people in a close relationship with that person reaches or exceeds the total negligible value of €5,000 by the end of the calendar year. The following transactions carried out were notified to the company during the reporting year 2009:

- On 20 May 2009, Dr. Rüdiger Mrotzek (member of the Managing Board) purchased 1,500 no-par-value shares at a weighted average price of €7.50 per share.

No additional notifications regarding transactions of management staff in accordance with Art. 15a of the German Securities Trading Act have been made to the company during the reporting year.

All these notifications are permanently on our website at www.hamborner.de and published there in the section Investor Relations/Mitteilungen/Director's Dealings.

There was no ownership subject to disclosure requirements in accordance with Section 6.6 of the German Corporate Governance Code as of 31 December 2009.

In compliance with the requirements of the German Investor Protection Improvement Act, an insider list is kept at the company, in which all relevant people are included.

The mandates of members of the Managing Board and Supervisory Board are shown in the notes to the IFRS financial statements on page 100 and the relationships with associated people are on page 99.

Responsible risk management

The company's responsible handling of risks is also part of good Corporate Governance. Systematic risk management within the framework of our value-oriented company management ensures that risks are recognised and assessed early and risk positions are optimised. The company's early risk detection system is also subject to the review of the statutory auditor. It is continuously enhanced and adjusted to the changing economic conditions. We refer to the risk report with regard to the details of risk management and the current risk position.

The statutory auditor Deloitte & Touche

The statutory auditor proposed to the general shareholders' meeting for selection for the financial year 2009, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, submitted the declaration of independence in accordance with Section 7.2.1 of the German Corporate Governance Code in a letter dated 24 April 2009. It was agreed with the statutory auditor that the Chairman of the Audit Committee should be immediately informed regarding grounds for exclusion or lack of impartiality which arise during the audit, in so far as they are not immediately rectified. Furthermore, it was agreed that the Chairman of the Supervisory Board and the Chairman of the Audit Committee should be immediately informed if specific findings or incidents arise in the execution of the audit of financial statements which could be of significance for the proper discharge of the functions of the Supervisory Board. This includes the discovery of facts that comprise an inaccuracy in the declarations on the code submitted by the Managing Board and Supervisory Board.

Remuneration report

The objective of the German Corporate Governance Code is the promotion of confidence among national and international investors, clients, employees and the general public in the management and monitoring of quoted companies. To this end, the German Corporate Governance Code provides for, inter alia, disclosure of the remuneration granted to members of the Managing Board and members of the Supervisory Board.

The emoluments of the Managing Board and Supervisory Board are orientated to the annual corporate profit of the company. They are made up of fixed and variable parts. Detailed explanations on the remuneration system and on the remuneration of the Managing Board and Supervisory Board can be found in the management report on page 58 et seq. The statements quoted there are part of the Corporate Governance report.

The HAMBORNER share

General position in the share market

After the year 2008 had been an extremely difficult stock market year, which brought severe price reversals to the international stock markets, the situation eased again a little in the course of the year 2009. The leading international stock exchanges were able to recover and the German share index (DAX) also left the steep downward trend. After approximately 4,900 points at the beginning of the year, the market barometer increased by 24 % and closed at 5,957 points as of December 31, 2009 . The MDAX was able to record a gain of 30.4 %. The SDAX gained 25.1 % over the year.

Property shares, which together with finance stocks were severely punished by the international financial difficulties of the financial markets in the last two years, were also able to recover again. But only slowly. The DAX subsector All Real Estate only gained approximately 10 % in the course of the year.

Whether the easing and more positive sentiment again on the share markets are sustainable will be shown in the coming months. The below-average economic growth forecast for 2010 as well may be capable of darkening the mood on the capital markets again and getting investors to act more cautiously. In particular, substantial shares with sustainable distributions will then perform in a less volatile way.

The HAMBORNER share

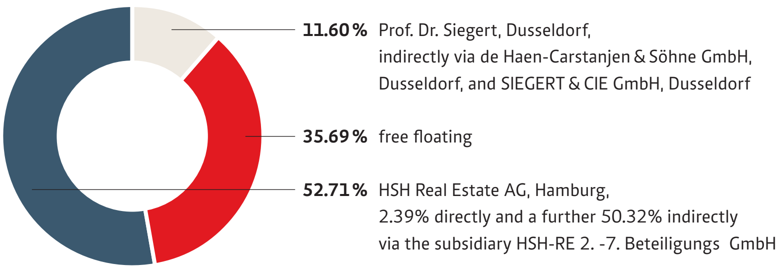
Stock market listing

The HAMBORNER share is officially listed, with variable prices, on the stock markets in Frankfurt am Main, Dusseldorf, Berlin, Munich and Hamburg. It is traded in the regulated market in Stuttgart and in the unofficial market in Hanover. The share is listed under the security identification number 601300 (ISIN: DE0006013006). The company has entrusted DZ Bank AG, Frankfurt am Main, with a mandate as the designated sponsor. The latter ensures negotiability of the HAMBORNER share at all times through the day-to-day quotation of bid and asked prices.

Stable shareholder structure

HAMBORNER has also had a stable shareholder structure since the change of the main shareholder in 2007. In addition to HSH Real Estate AG, Hamburg, which directly and indirectly has a share in the company of 52.7 % overall, another shareholder - Prof. Dr. Siegert, Düsseldorf - continues to indirectly hold more than 10% of the shares. The free float currently amounts to approximately 36 %.

Shareholding relationships HAMBORNER share



Share price movement of the HAMBORNER share in 2009

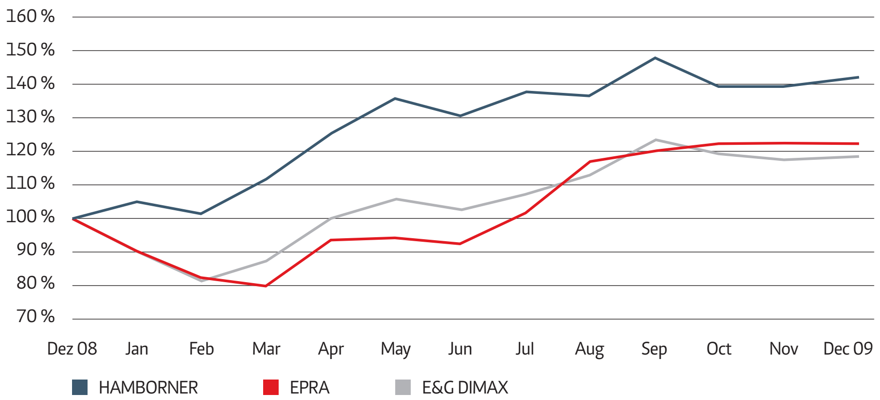
After the huge uncertainty on the capital markets and the pressure on share prices, from which the HAMBORNER share was also not able to extract itself at the beginning of the year, the situation eased in the course of the 2009 stock market year . Whereas the price of our share even rose by approximately 30 % in the first half of 2009, we were able to again record an increase in the second half-year and thus a plus of approximately 42% overall compared with the year-end share price in 2008.

In comparison to this, the "E&G DIMAX" published by the banking firm Ellwanger & Geiger increased by approximately 18 % and the EPRA index by approximately 22 %.

The HAMBORNER share closed at a price of €8.14 on December 31, 2009 . The market capitalisation was approximately €185.3 million. We attribute the satisfactory development of the share price performance primarily to the confidence of investors in the company's business policy, in addition to the generally more positive market view. We account for the dynamic business development and the growing interest of the capital market with transparent reporting, presence at specialist conferences and fairs as well as road shows.

The HAMBORNER share has been listed in the Prime Standard since June 7, 2009 . The company thus fulfils the highest transparency requirements in reporting. Moreover, this is a prerequisite for subsequent inclusion in one of the stock exchange indices.

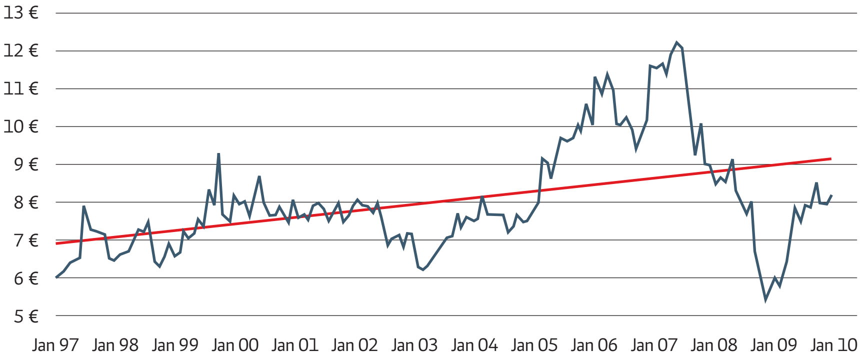
Development of the HAMBORNER share



HAMBORNER	**+41.6 %**
E&G DIMAX	**+18.1 %**
EPRA Index	**+22.2 %**
DAX	**+23.8 %**

Development of the HAMBORNER share – beginning of 1997 until the end of 2009 (monthly prices)

HAMBORNER prices (XETRA)
Year-end share price: €8.14
Highest share price: €8.60
Lowest share price: €5.41



Investor Relations

It is the objective of our Investor Relations work to convey a good and transparent picture of our company and therefore to facilitate a fair company valuation through continuous, open and active information and communication with the capital market. In the course of this, we see it as a central task to foster relationships with shareholders, analysts and investors in order to shore up confidence in the company.

We have intensified our investor relations activities again in 2009. In addition to holding the annual press conference about the balance sheet, we have regularly provided conference calls on the interim reports since last year. Furthermore, we take advantage of the opportunities for presentation and discussion at specialised events, such as the German Equity Forum, the DVFA Real Estate Conference or Expo Real. In addition, we have held road shows in London, Amsterdam / The Hague, Zurich, Frankfurt, Hamburg, Düsseldorf and Cologne in order to also maintain close contact with the capital market at all times in individual discussions with analysts and investors. Furthermore, we are redesigning our homepage in the context of the new corporate identity in order to make information about our company accessible to you even more clearly and faster. Moreover, since the beginning of last year you have had the opportunity there to register your name in the distribution list for our newsletter and obtain up-to-date information on HAMBORNER REIT AG directly by e-mail.

Building on this basis, we will also further increase our investor relations activities in 2010 and be available at all times at events, in personal discussions and by telephone in order to provide information to you and answer your questions.

HAMBORNER has been a member of EPRA since January 2010. The eponymous European Public Real Estate Association is an organisation with its headquarters in Amsterdam which represents the interests of the large European property companies in public and supports the development and market presence of the European property corporations. Just as in previous years, HAMBORNER is orientated to the standards recommended by EPRA for the purposes of greatest transparency and comparability in the determination of important ratios.

You will find further Information on HAMBORNER, our share as well as publications and dates on our redesigned website www.hamborner.de.

Net Asset Value

HAMBORNER has again engaged the experts Jones Lang LaSalle of Frankfurt for determination of the market and fair values of its property portfolios. After a net asset value ("NAV") was determined in 2007 for the first time with valuation of the up-to-date fair values of properties, the properties have been subjected to a subsequent assessment every year since then. The valuation method applied in the process corresponds to the principles of International Valuation Standards. The NAV constitutes the benchmark for the asset strength of a company and is an important indicator for us within the framework of value-orientated company management, also relative to other companies.

It is our objective to increase the NAV through a value-adding corporate policy. However, the continuing difficult macroeconomic environment also brought pressure to bear on the rental price developments in the reporting year. This once again resulted in a tendency for low fair values with many portfolios and therefore decreases in net asset values.

A NAV of €10.37 per share is calculated for HAMBORNER as of 31 December 2009, which is thus slightly below the previous year (-1.9%). A discount of 21.5 % arises on the year-end share price of €8.14.

NAV calculation (in accordance with EPRA)

in T €	31.12.2009	31.12.2008
Long-term balance sheet assets *	257,946	223,934
+ Short-term balance sheet assets	38,473	55,368
+ Non-current assets held for disposal	0	130
– Long-term liabilities and provisions *	– 111,597	– 91,785
– Current liabilities	– 9,151	– 8,516
Balance sheet NAV*	**175,671**	**179,131**
+ Hidden reserves of non-current assets **	60,388	61,579
NAV	**236,059**	**240,710**
NAV per share in €	**10.37**	**10.57**

* excluding deferred taxes and derivative financial instruments

** determination of hidden reserves in the property portfolio based on the Jones Lang LaSalle fair value assessment; our own assumptions in the case of agricultural and silvicultural areas

FFO

The FFO (funds from operations) is a key financial ratio determined on the basis of the individual IFRS financial statements. It is used within the framework of value-orientated corporate management for the presentation of the funds generated, which are available for investments and dividend distributions to shareholders. The FFO is calculated as follows:

FFO calculation

in T €	31.12.2009	31.12.2008
Net rental incomes	19,940	17,463
– Administrative expenditure	–751	–1,042
– Personnel costs	–2,740	–2,973
+ Other operating income *	185	306
– Other operating expenses	–872	–1,587
+ Results from investments	13	643
+ Interest income	489	1,717
– Interest payments	–5,508	–4,644
FFO before tax	**10,756**	**9,883**
– Taxes paid	–1,136	–1,347
FFO after tax	**9,620**	**8,536**
FFO per share in €	**0.42**	**0.37**

* Adjusted for reversals of impairment adjustments and income from the disposal of investments

HAMBORNER determines the FFO conservatively while disregarding sales proceeds. For 2009 the FFO per share amounts to approximately €0.42. Compared with the previous year (approximately €0.37), this corresponds to an increase of 12.7 %. An FFO yield of approximately 4.1 % arises in relation to the NAV.

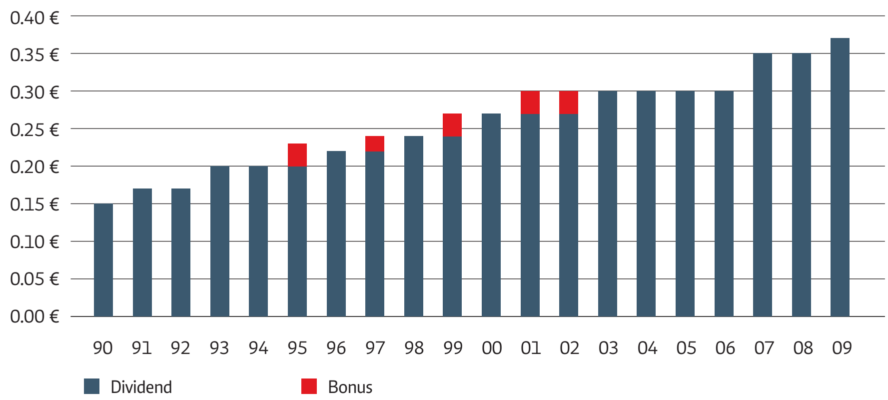
Development of the dividend at HAMBORNER

It is proposed to the general shareholders' meeting on June 10, 2010 to distribute a dividend of €0.37 per no-par-value share for the financial year 2009. This corresponds to an increase of 5.7 % in comparison with the previous year (€0.35 per no-par-value share). A dividend yield of 4.5 % results from this in relation to the share price at the end of 2009.

Dividend proposal: €0.37 per share

HAMBORNER has increased the dividend steadily in previous years from €0.15 to €0.37 per no-par-value share.

Dividend development



If the company's situation permits, we also propose maintaining high payout ratios and increasing the dividend further in the future.

The HAMBORNER share at a glance

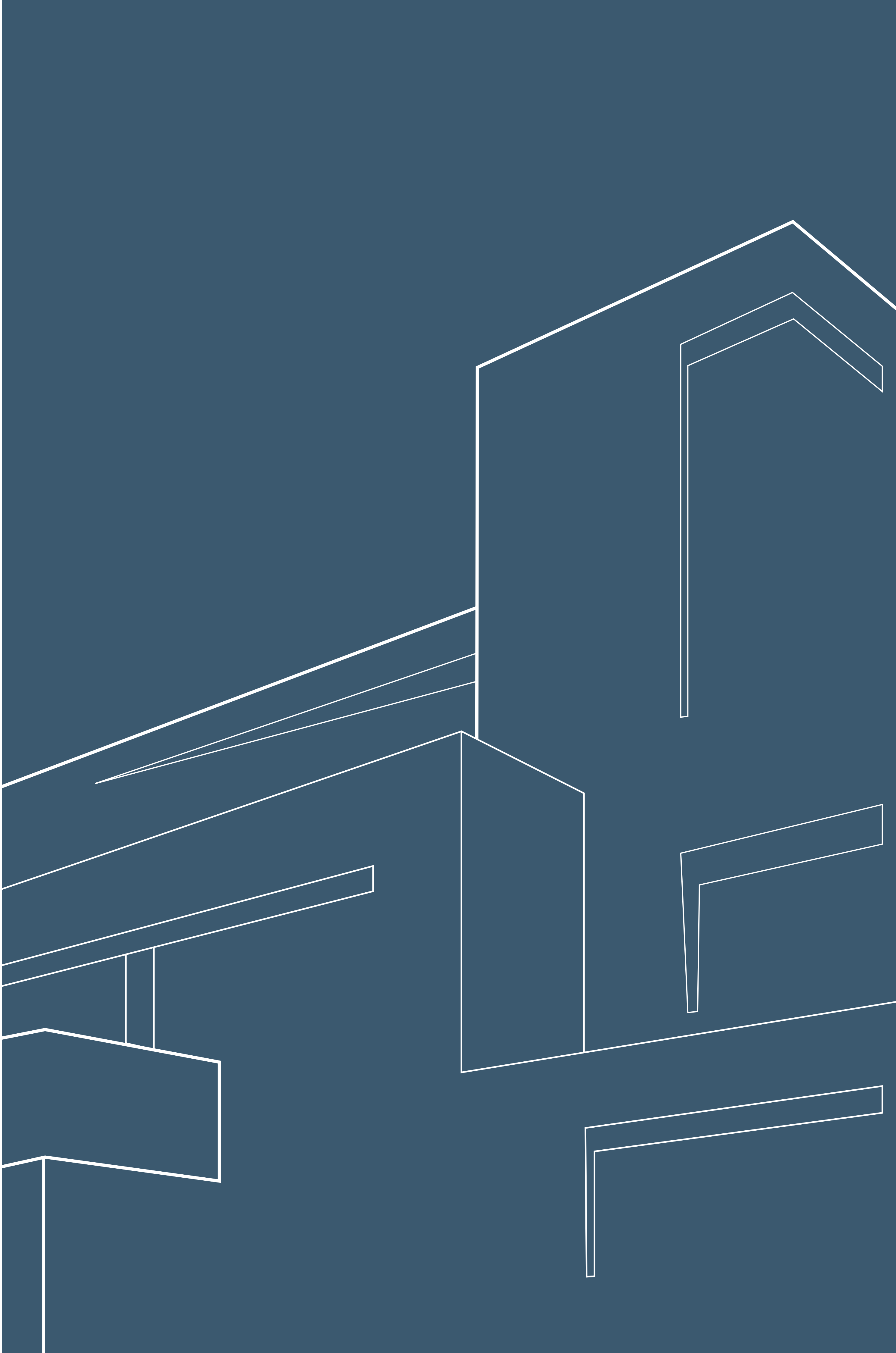
		2009	2008	2007
Subscribed capital	€ million	22.77	22.77	22.77
Market capitalisation *	€ million	185.3	130.9	203.6
Year-end share price	€	8.14	5.75	8.94
Highest share price	€	8.60	9.30	12.49
Lowest share price	€	5.41	5.10	8.45
Dividend per share	€	0.37	0.35	0.35
Total dividend	€ million	8.42	7.97	7.97
Dividend yield *	%	4.55	6.09	3.91
Price/FFO ratio *		19.3	15.3	33.7

* Basis: XETRA year-end share price

R[E]IT

[E] = en|gage|ment [ɪnˈgeɪdʒmənt], n.
(a moral commitment)

Management report



HAMBORNER gives itself a new image for the REIT start

For the start as a REIT, HAMBORNER REIT AG completely changed its corporate identity at the beginning of the year. A new array of colours plus logo and slogan as well as an equally new Internet site are also intended to document to the outside world the special role of the company as just the third officially authorised REIT in Germany.

hamborner
REIT
ZUKUNFT BRAUCHT SUBSTANZ

You can also visit us on our redesigned homepage:

www.hamborner.de

The REIT transformation has been worked towards with commitment since 2007

The REIT transformation has been worked towards with commitment since 2007

A strategy change took place at HAMBORNER in 2007 after the change of the principal shareholder. Since then, the company has pursued a rigorous course of growth and is focused completely on the core business of real estate.

The termination of the special securities fund, the sale of non-REIT-compliant investments and the merger of the Hambornberg subsidiary were, inter alia, homework that the company had to deal with in the last three years. The final foundations for the transformation could finally be laid, not least due to the commitment and the support of shareholders and the resolution of the general shareholders' meeting passed with an overwhelming majority for the amendment to the Articles of Association.

Furthermore, the company was formally included in the REIT segment of the Deutsche stock exchange on 22 February 2010 after the registration of HAMBORNER as a tax-exempt Real Estate Investment Trust in the Commercial Register.

General economic conditions

Macroeconomic environment

According to the German Federal Bank, the German economy is recovering gradually from the most serious economic collapse of the post-war period. In the third quarter 2009, real gross domestic product (GDP) increased by 0.7% following 0.4% in the previous quarter. German economic activity was also still on a recovery course towards the year-end 2009. It is benefiting from the rising export business of companies, but moderating influences emanate from weak private consumption. The expired scrapping bonus and the rather restrained income prospects of households in particular are decisive for the weak demand.

The labour market has proven to be astonishingly robust up to now in the crisis. Approximately 3.42 million people were unemployed in 2009 on an annual average. The unemployment rate at 8.1% exceeded the level of the previous year by approximately 0.5 percentage points. Consumer prices in Germany were higher than one year ago by 0.8% in December 2009 according to the German Federal Bureau of Statistics. However in the average for the year, they have only increased by approximately 0.4%. The big price decreases in the case of fuel, light heating oil and foodstuffs in combination with a moderate price development in the service sector had resulted in very low inflation rates for the individual months in the course of the year. As a result, the financial year shows the lowest inflation rate since reunification.

Situation on the property market in Germany

Market for retail trade properties

Against the background of the global economic crisis, the retail trade has done well in 2009. Thus, retail sales have fallen by just 2% approximately in 2009 in real terms year-on-year according to the present estimate of the German Federal Statistical Office.

The German retail landscape is still characterised by a change in structure. E-commerce is gaining in importance, the growth in sales floors in particular continues due to new shopping centres, the trend for large outlets is uninterrupted, the concentration of commercial enterprises continues to increase and discounters dominate the townscapes to an ever greater extent. On the other hand there is a refocusing on the town centre as a residential and living space and non-integrated commercial locations are losing appeal.

However, the dominating topic of the German retail trade in 2009 was the demise of large German commercial enterprises such as Karstadt, Hertie and Quelle. Overall, the number of insolvencies in the retail trade increased by only 9% approximately in 2009, significantly less than in other sectors with high double-digit increases. However, in the process, there were names that wrote retail trade history. The discussion has thus been rekindled about the significance of the department stores and will put new challenges before real estate companies in particular, which nevertheless also offer opportunities.

The financial crisis has allowed defects in the positioning and strategy of some commercial enterprises to openly emerge. On the other hand, convincing trading concepts were able to chalk up increases in turnover and gain market shares. Many well-positioned suppliers are using the current market phase for location optimisations. Several internationally established concepts have accessed the German market in 2009. Textile and shoe discounters, but also the food trade are benefiting from the good leasing opportunities in small and medium-sized towns with new town-centre concepts. The retail trade location of Germany is demanding, but offers a local structure unique in Europe.

The vacancy rates in B- and ancillary sites as well as in A-sites of structurally weak towns have risen further. A greater fluctuation was recorded in A-sites of towns with a by and large positive overall forecast due to tenant insolvencies. As spaces falling vacant were absorbed relatively quickly by the market, letting performance and rents in A-sites in 2009 can be described as stable to slightly declining overall. However, many of the department store spaces threatening to become vacant are not yet in the range of offers and therefore it remains to be seen how the letting market performs in the next few years.

Market for office spaces

The consequences of the economic and financial crisis were clearly felt on the German office markets in 2009.

In the nine most important German office locations of Berlin, Düsseldorf, Essen, Frankfurt, Hamburg, Cologne, Leipzig, Munich and Stuttgart, approximately 2.6 million m² of office space were transacted in 2009 according to the big broking houses - approximately 900,000 m² or almost 26% less than in 2008. However, although the decrease in the take-up turns out to be very strong compared with the previous year, the office markets have fared better than expected. The markets have progressively strengthened in the course of the year 2009 and should now have reached a stable level. The take-up in 2009 has thus roughly dropped back to the level of 2005 and is almost 35% below that of the boom year 2000.

With the exception of Leipzig (take-up approximately 110,000 m², +24 %) the take-up in the "Big Nine" decreased considerably. The highest turnover was once again achieved in Munich at approximately 540,000 m² (– 31%), followed by Frankfurt at approximately 420,000 m² (– 29%) and Berlin at approximately 410,000 m² (– 12%). Düsseldorf recorded the greatest losses at approximately 220,000 m² (– 48 %). Viewed across all the locations of the "Big Nine", vacancies have increased by approximately 700,000 m² in 2009 to currently a good 9.1 million m² (+ 8%). The vacancy rates range here from approximately 4.5% in Essen through almost 14% in Frankfurt up to 16% in Leipzig. In parallel, the spaces under construction have decreased significantly by 25%. Except for Düsseldorf and Leipzig, prime rents fell by approximately 5% on average last year. Munich recorded the greatest decrease at approximately – 9 %. At the same time, an increase in the rent incentives on offer was observed. In some cases, the effective rents are up to 15% below the nominal contract rents.

The German property investment market

According to details from the large German broking houses, the nationally registered investment turnover in commercial properties, at slightly over €10 billion in 2009, was approximately 50% below the result of the previous year and almost 85% below the result of the record year 2007. In the six most important German investment locations of Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne and Munich, a transaction volume of a good €5.8 billion was recorded. This corresponds to a decrease by approximately 37% in comparison with 2008. The locations with the highest turnover in 2009 were Berlin and Munich at approximately €1.3 billion in each case.

After the investment turnover had caved in dramatically in the first half-year 2009 at approximately -70% compared with the previous year, a distinct recovery with the first signs of returning normality was ascertained in the second half-year 2009. Core properties are predominantly sought-after; it is almost impossible to market B-sites and older buildings in the inventory. Approximately 88% of the commercial investment turnover in 2009 was apportioned to individual transactions, whereas only 12% was invested in portfolios.

This demonstrates that buyers are concentrating on the quality of properties again to a greater extent and the approach of purchasing as much volume as possible has been pushed into the background. In 2007, the share of portfolio deals was still at over 60%.

Both office properties with a total turnover of a good €3.7 billion (approximately 35%) and retail trade properties, in which approximately €3.3 billion was invested (approximately 31%), were in the spotlight. A good 7% of the transaction volume was apportioned to logistics properties. In the area of retail trade properties, shopping centres and commercial buildings in A1 locations were the most sought-after asset categories. The transaction volume in the case of commercial buildings even rose slightly in 2009 in comparison with 2008. The main buyers are strategic equity investors such as open-ended funds, insurance companies, pension funds, family offices and private individuals. The dominance of German investors is again significantly pronounced at over 80%. Foreign investors had a much lower propensity to invest in 2009. They have reduced their investment portfolio in Germany on balance.

The net prime yields for German top office properties have not only stabilised at 5% to 5.5% in 2009, but have even fallen again slightly at some locations in the fourth quarter. The increased interest in core properties leased for the long-term results in greater competition. The yields of commercial buildings in the A1 locations of pedestrian zones have remained largely stable due to the high degree of protection from inflation and the non-duplicatable locations.

Economic report

Corporate strategy and control system

The objectives of the company are value-creating growth through expansion of the property portfolio and generation of an attractive dividend for the shareholders. Properties used for retail trade in first-class locations of German regional centres and medium-sized towns, retail centres and office buildings at established locations represent investment priorities. The strategy is based on active portfolio and acquisition management with a streamlined organisational structure.

The company's control system is geared to making a contribution to target achievement. It ranges from standardised capital expenditure accounts for individual properties through to an integrated budget and medium-term plan at the company level (earnings, asset and cash flow plan). Monthly controlling reports provide a timely indication of possible deviations from plan; appropriate target-actual analyses are used for the drawing up of alternative courses of action.

Key ratios in each investment decision are the internal rate of return (IRR) as well as annual earnings and cash flow contributions. At the company level, the funds from operations (FFO) and the net asset value (NAV) in particular are important control measurements in addition to operational value drivers such as rent development, vacancy rate and maintenance expenditure. Controlling reports and scorecards ensure the intra-company transparency of the trend of these ratios during the year.

For improvement of the external transparency and also international comparability of the development of earnings of our company, we have changed the profit and loss account in this year's financial statements. We explicitly show the item "Net rental incomes" for the first time, which results from the gross rental incomes less ongoing operating expenses and maintenance expenses. Also separately shown in accordance with the EPRA standard is the result from the sale of investment properties.

Earnings, financial and asset situation in accordance with IFRS

HAMBORNER has performed well in 2009 in an overall difficult market environment and can look back on a satisfactory financial year. The operational business development corresponded to the expectations to the greatest possible extent. Net rental incomes at €19.9 million were above the previous year by 13.7% (€17.5 million). The new acquisitions of the last two financial years had an impact here in particular.

The operating results amounted to €10.4 million after €14.1 million in the previous year. The decrease is solely accounted for in the other operating income, which was exceptionally high in the previous year due to the sale of the 14.1% share in Wohnbau Dinslaken GmbH and the book profit achieved hereby of approximately €11.2 million. Administrative and personnel costs developed positively from the point of view of profit. In spite of the increased volume of business, the expenses for this at €3.5 million overall were below the previous year by 13.1% (€4.0 million). Depreciations amounted to €7.3 million in total and were thus also considerably below the previous year (€10.3 million). We enter our properties in the balance sheet at the amortised acquisition and construction costs and therefore show scheduled depreciations that represent €6.6 million in the reporting year in comparison with €5.6 million in the previous year. In the previous year, however, we had additionally recorded €4.7 million of non-scheduled depreciations from the revaluation of properties. In the reporting year, these non-scheduled depreciations amounted to just €0.7 million, which furthermore are offset by write-ups amounting to approximately €1.3 million, which are entered under the other operating income.

The earnings before income and taxes (EBIT) amounted to €10.9 million after €21.4 million in the previous year. On this occasion, a significantly lower result from the sale of properties has also had an impact. In the previous year, portfolio properties were sold with book profits amounting to €6.7 million. The corresponding value amounted to €0.4 million in the reporting year.

The financial result amounted to – €5.0 million in the reporting year (previous year: – €2.9 million). Reduced interest income amounting to €0.5 million (previous year: €1.7 million) was offset significantly by the interest payments from the acquisition financing amounting to – €5.5 million (previous year: – €4.6 million). After deduction of the financial result and taxes amounting to approximately – €0.8 million (previous year: – €1.5 million) from the EBIT, a positive profit for the financial year of €5.1 million arises (previous year: €17.3 million).

The "investment properties" in the balance sheet, including the differences from the additions and disposals as well as from the above-mentioned write-ups and write-downs, show a value of €257.4 million, compared with €223.3 million in the previous year.

On the liabilities side of the balance sheet, financial liabilities and derivative financial instruments amount to €113.7 million and are €22.6 million above the previous year (€91.1 million). If the financial liabilities are related to the fair values of the portfolio, an LTV (loan to value) of 34.3% arises (previous year 31.1 %). The balance sheet equity capital decreased by

€4.8 million to €155.3 million. The company thus has a balance sheet equity ratio of 52.0% (previous year: 56.9%).

As well as the high equity ratio, HAMBORNER has liquid assets amounting to €37.9 million (previous year: €54.0 million). A net financial debt of €75.7 million (previous year: €37.1 million) arises taking into account these liquid funds. €). A debt-equity ratio of just 29.1% (previous year: 16.4% is calculated from this in relation to the total non-current assets.

The markedly positive earnings situation as well as the comfortable financial and asset situation of the company in a difficult market environment endorse the measures and strategy of recent years. The concentration of the business activity on commercial properties, the adjustment of the portfolio with respect to activities not conforming to the strategy as well as the reinvestment of the resources in easily-to-let retail trade and office properties ensure sustainable and stable cash flows.

The conservative accounting of properties at acquisition and construction costs is also advantageous in phases of economic weakness. The influencing of results through write-ups or write-downs due to revaluations is far lower than with accounting at market values and therefore the result is less volatile overall. Furthermore, the high liquid funds and the low net indebtedness are proof for the financially rock-solid state of the company.

Earnings, financial and asset situation in accordance with the German Commercial Code

The individual financial statements of the company are prepared in accordance with both the requirements of the German Commercial Code (HGB) and in accordance with the requirements of the International Financial Reporting Standards (IFRS). Differences result essentially from the evaluation of the properties, the valuation and disclosure of the Südinvest 107 special securities fund terminated in 2008 as well as from the treatment of the special account with reserve characteristics.

The revenues from property management amount to €24.2 million in the reporting year after €21.3 million in the previous year. The expenses for the management of properties amount to approximately €5.1 million and are thus above the previous year by approximately €0.8 million. Both the increase in the revenues and in the management costs is attributable to the expansion of our property portfolio through the investments.

The company's individual financial statements under commercial law show a result for ordinary activities amounting to €8.3 million in the financial year 2009 (previous year: €62.3 million). After taxes on income and profit, a profit for the financial year to the extent of €7.1 million arises (previous year: €56.3 million). With the termination of the special securities fund Südinvest 107 (capital gain €45.7 million) and the sale of our participation in Wohnbau Dinslaken GmbH (book profit €11.2 million), the results of the previous year were affected to a considerable extent by special transactions that complicate a comparison with the reporting year. The income tax charge of the previous year were also characterised significantly by the tax burden for the special influences and the provision concluded for expected tax arrears payments arising from a tax field audit. The normalised tax expenses of the reporting year amount to €1.2 million (previous year: €6.0 million). Including the profit carried forward from the previous year, the unappropriated surplus amounts to €27.2 million (previous year taking into account a transfer into other retained earnings: €28.1 million).

The financial position of the company is still sound. Liquid funds decreased by €16.1 million mainly due to the outflow of equity capital for our investments and through the disbursement of dividend for the financial year 2008 and amount to €37.9 million. The investment activity of the company is financed in part with borrowed funds. Therefore, the liabilities to banks rose by €20.5 million and amount to €105.8 million.

The balance sheet total increased by €16.4 million and amounts to €300.4 million. As a result of the investments of the reporting year, the balance sheet fixed assets increased by €33.6 million or 14.7% to €261.5 million. On the other hand, the current assets including the items for deferred income decreased by €17.2 million. On the liabilities side, the equity capital fell by €0.9 million to €86.9 million. Likewise, the special account with reserve characteristics developed in a downward direction. It amounts to €92.4 million (previous year: €95.6 million). The equity capital and the medium- and long-term borrowed funds cover the fixed assets in full. As of December 31, 2009, the company has a balance sheet equity ratio of 49.4%.

Overall opinion on the economic position

Overall, the Managing Board assesses the economic position of the company to be good on the date of the preparation of the management report. As the business development in the first weeks of the new financial year is going in accordance with expectations in the case of turnover from rents and leases, the Managing Board assumes future developments will remain positive overall.

Business development in the property sector

Overview of the HAMBORNER property portfolio

The HAMBORNER property portfolio comprised 57 portfolio properties at the end of the reporting year.

The properties are predominantly in large and medium-sized towns at 40 different locations in Germany and have a total usable floor space of 182,484 m^2, of which 172,404 m^2 are commercially used and 10,080 m^2 are used as residential space. More detailed information on the year of purchase, location, size, nature of the respective use and on the fair value of all the properties can be found in the following portfolio register.

Additional information with the respective property data is also retrievable on the Internet at **www.hamborner.de**.


SCHLESWIG-
HOLSTEIN
MECKLENBURG-
WESTPOMERANIA
HAMBURG
Hamburg
BREMEN
Oldenburg
Bremen
Lüneburg
LOWER SAXONY
Meppen
BERLIN
Berlin
Osnabrück
Hanover
Minden
Rheine
Herford
Münster
BRANDENBURG
SAXONY-
ANHALT
NRW
Gütersloh
Dinslaken
Geldern
Oberhausen
Hamm
Moers
Dortmund
Duisburg
Essen
Krefeld
Wuppertal
Kassel
Leverkusen
Lüdenscheid
Solingen
Erfurt
SAXONY
Cologne
Freital
Düren
St. Augustin
THURINGIA
HESSEN
Neuwied
Frankfurt
Wiesbaden
RHINELAND-
PALATINATE
SAARLAND
Kaiserslautern
Mosbach
Erlangen
BAVARIA
Augsburg
BADEN-WÜRTTEMBERG
Freiburg
Villingen-Schwenningen

Property portfolio register (position at: December 31, 2009)

Year of purchase	Property		Building use	Property size m²	Usable floor space m²
1976	Solingen	Friedenstraße 64	T	27,344	7,933
1981	Cologne	von Bodelschwingh-Straße 6	T	7,890	2,630
1982	Frankfurt	Cronstettenstraße 66	O	1,246	1,828
1982	St. Augustin	Einsteinstraße 26	C	8,610	2,417
1986	Frankfurt	Königsteiner Straße 69a and 73 – 75	T	6,203	2,639
1987	Lüdenscheid	Wilhelmstraße 9	T	136	425
1980	Krefeld	Krützpoort 1	O	1,056	1,417
1982	Krefeld	Emil-Schäfer-Straße 22 – 24	C	5,196	2,793
1983	Wiesbaden	Kirchgasse 21	T / R	461	1,202
1983	Moers	Homberger Straße 41 – 41c	T / R	1,291	2,079
1984	Frankfurt	Steinweg 8	T / O / R	167	607
1984	Essen	Hofstraße 10 – 12	T / O	2,320	2,266
1984	Duisburg	Rathausstraße 18 – 20	T / O / R	4,204	2,310
1985	Solingen	Kirchstraße 14 – 16	T / R	1,119	3,059
1987	Oberhausen	Marktstraße 69	T / R	358	522
1988	Dortmund	Westfalendamm 84 – 86	O / R	1,674	2,633
1988	Wuppertal	Turmhof 6	T / O / R	403	1,324
1989	Duisburg	Fischerstraße 91	T / R	421	625
1991	Hamm	Weststraße 11	T / O / R	407	946
1991	Oberhausen	Marktstraße 116	T / R	461	1,339
1991	Dortmund	Königswall 36	T / O / R	1,344	2,846
1991	Erfurt	Neuwerkstraße 2	T / O / R	579	2,231
1992	Erfurt	Marktstraße 2	T / O / R	495	1,371
1992	Erfurt	Marktstraße 7 – 9	T / O / R	365	566
1995	Berlin	Schloßstraße 23	T / R	305	542
1996	Duisburg	Fischerstraße 93	T / R	421	433
1996	Hanover	Karmarschstraße 24	T / O / R	239	831
1997	Augsburg	Bahnhofstraße 2	T / O / R	680	1,437
1998	Dinslaken	Neustraße 60 – 62 / Klosterstraße 8 – 10	T / O / R	633	1,210
1999	Kaiserslautern	Fackelstraße 12 – 14 / Jägerstraße 15	T / O / R / U	853	1,433
1999	Kassel	Quellhofstraße 22	T	5,000	1,992
2000	Gütersloh	Berliner Straße 29 – 31	T / R	633	1,292
2001	Hamburg	An der Alster 6	O	401	1,459
2002	Düren	Wirtelstraße 30	T / R	202	518
2002	Osnabrück	Große Straße 82 – 83	T	322	750
2003	Leverkusen	Wiesdorfer Platz 33	T / R	809	588
2004	Oldenburg	Achternstraße 47 / 48	T	413	847
2006	Krefeld	Hochstraße 123 – 131	T	1,164	3,457
2006	Minden	Bäckerstraße 8 – 10	T / R	982	1,007
2007	Münster	Johann-Krane-Weg 21 – 27	O	10,87	9,424
2007	Neuwied	Allensteiner Straße 61 and 61a	T	8,188	3,548
2007	Freital	Wilsdruffer Straße 52	T	15,555	7,940
2007	Geldern	Bahnhofstraße 2	T	12,390	8,749
2007	Lüneburg	Am Alten Eisenwerk 2	T	13,319	4,611

Rents 2009 (incl. rent guarantees)	Weighted residual term of rental agreements (in months)	Fair value *	Discounting rate in %	Capitalisation rate in %	Other notes
1,379,406	124	15,000,000	6.40	7.65	Leasehold property
296,746	47	3,720,000	7.10	6.55	
355,713	48	5,780,000	6.75	5.90	
307,951	132	3,660,000	6.80	8.25	
325,767	46	4,380,000	7.00	6.75	
66,000	51	950,000	5.85	6.50	
72,187	56	920,000	8.20	7.50	
156,750	16	1,450,000	8.25	8.50	
540,974	102	11,010,000	5.65	5.00	
229,303	17	2,790,000	7.20	7.00	
316,242	47	5,720,000	5.10	4.85	
292,345	49	3,510,000	7.20	6.80	
178,831	45	2,150,000	7.80	7.00	
374,401	23	4,280,000	7.25	6.75	
119,309	49	1,150,000	7.90	7.00	
281,610	72	3,920,000	6.70	6.40	
246,389	51	3,250,000	6.50	6.35	
80,001	36	1,000,000	7.65	7.10	
96,094	12	940,000	8.20	7.50	
104,959	13	1,400,000	7.30	7.20	
314,283	83	4,460,000	6.80	6.60	
180,723	56	2,160,000	7.85	6.85	
148,941	62	1,950,000	7.50	6.75	
193,059	34	1,240,000	7.80	6.60	
212,160	72	3,920,000	5.65	5.35	
51,943	14	630,000	7.30	7.00	
269,784	72	4,530,000	5.45	5.40	
454,519	41	6,900,000	6.10	5.75	
167,955	58	2,220,000	7.10	6.90	
448,935	28	7,050,000	6.60	5.80	
182,310	72	2,290,000	7.70	7.50	
348,392	60	3,680,000	6.55	5.75	Leasehold property
208,871	36	3,730,000	6.50	5.85	
181,095	9	2,290,000	7.60	6.40	
306,000	108	5,620,000	6.10	5.60	
154,501	40	2,520,000	6.55	6.10	
243,600	99	4,160,000	6.40	5.90	
503,873	49	8,280,000	6.45	6.20	
346,985	59	4,750,000	6.20	5.90	
1,005,363	32	14,720,000	6.90	6.60	
334,000	68	4,700,000	8.25	7.40	
738,453	142	10,110,000	6.30	7.15	
813,615	118	8,320,000	6.50	6.90	Acquisition of heritable building right in 2012
428,790	142	5,910,000	6.30	7.05	

Property portfolio register (position at: December 31, 2009)

Year of purchase	Property		Building use	Property size m²	Usable floor space m²
2007	Meppen	Am Neuen Markt 1	T	13,111	10,205
2007	Mosbach	Hauptstraße 96	T	5,565	6,493
2007	Villingen-Schwenningen	Auf der Steig 10	T	20,943	7,270
2007	Rheine	Emsstraße 10 – 12	T / O / R	909	2,295
2007	Bremen	Hermann-Köhl-Straße 3	O	9,994	7,157
2007	Osnabrück	Sutthauser Straße 285 / 287	O	3,701	3,833
2007/08	Bremen	Linzer Straße 7, 9 + 9a	O	9,276	10,141
2008	Herford	Bäckerstraße 24 – 28	T	1,054	1,787
2008	Freiburg	Robert-Bunsen-Straße 9a	T	26,926	9,253
2009	Münster	Martin-Luther-King-Weg 18 – 28	O	17,379	13,799
2009	Hamburg	Fuhlsbüttler Straße 107 – 109	T / O / R	1,494	2,961
2009	Hamburg	Ziethenstraße 10	C / O / R	3,349	2,095
2009	Duisburg	Kaßlerfelder Kreisel	T	10,323	5,119
	Total			**271,070**	**182,484**

O Office spaces, medical practices
T Commercial spaces (retail trade, self-service markets, emporia, catering)
C Other commercial and production spaces
S Storage areas
R Residential spaces
U Undeveloped reserve areas

* According to the Jones Lang LaSalle valuation report, valuation date December 31, 2009
** Pro rata temporis rents as from transfer of ownershipg

	Rents 2009 (incl. rent guarantees)		Weighted residual term of rental agreements (in months)	Fair value *	Discounting rate in %	Capitalisation rate in %	Other notes
	949,040		118	13,490,000	6.50	6.90	Co-ownership share
	603,825		118	8,430,000	6.50	7.05	
	339,465		37	3,530,000	8.35	7.35	
	336,555		54	5,250,000	6.30	6.25	
	614,345		36	9,730,000	7.00	6.70	
	478,312		47	6,810,000	6.90	6.65	
	1,160,813		31	16,000,000	6.80	6.70	
	275,208		81	4,220,000	6.85	6.10	
	1,535,223	**	36	22,180,000	6.90	6.65	
	431,526	**	25	6,900,000	6.50	5.90	
	156,000	**	31	1,970,000	7.90	7.50	
	930,210		102	7,570,000	6.75	7.30	Leasehold property
	251,615	**	161	8,740,000	7.20	6.90	
	22,121,264			**307,940,000**			

Development of rental and leasing income

The rental and leasing income amounted to approximately €22.5 million in the reporting year and has thus increased considerably by approximately €2.7 million compared with the year 2008 due to the new investments. However, on a comparative basis – i.e. in the case of properties that were in the portfolio throughout the years 2008 and 2009 – net rents at €18.2 million overall were slightly below the previous year's level (€18.6 million). Uncollectable receivables in the reporting year 2009 were again at a low level at approximately €36,000.

The overall vacancy rate in the financial year 2009 has increased slightly compared with the previous year (2.1%) to 3.5%. The vacancies predominantly relate to spaces in recently purchased properties, for which there are rent guarantees. The revised economic vacancy rate (including income from rent guarantees) is just 1.1%.

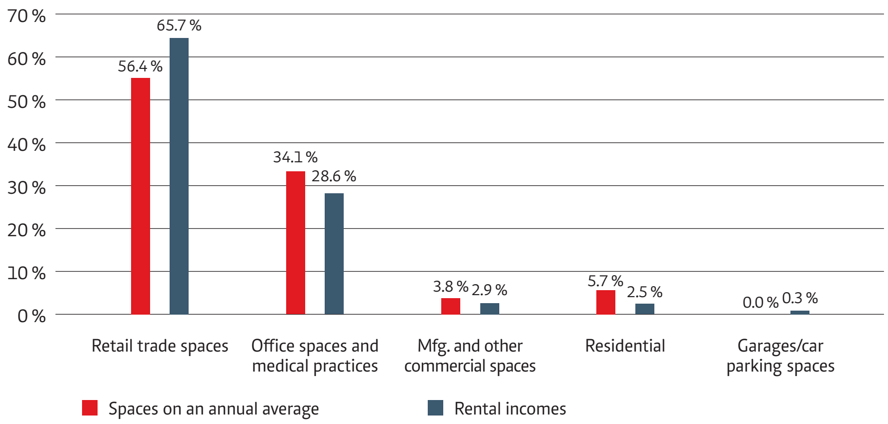
The following table gives an overview regarding the company's ten biggest tenants:

Company		Rent income in % *
1.	Kaufland Group	22.6
2.	EDEKA	6.4
3.	Telefónica O2	3.6
4.	Douglas	3.0
5.	German Federal Employment Agency	3.0
6.	REWE	2.9
7.	Nordsee	2.6
8.	FLYLINE	2.4
9.	OAS	2.1
10.	ORSAY	1.9
Total		**50.5**

* according to share in the rental income

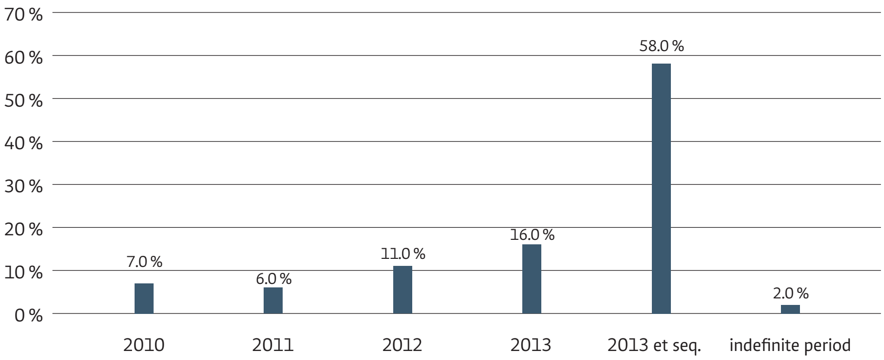
We obtain the greatest part of the rental income from spaces used for retail trade, which have certainly turned out to be largely reliable for letting in the last few years as well.

The portfolio breaks down as follows in 2009 by types of usage and contribution to the rental income:



The residual term of our commercial rental agreements weighted according to rental income amounts to 5.8 years. The weighted residual term for the office sector represents 3.2 years and approximately 7.2 years for retail trade spaces. Approximately 60% of the contractual rental income does not expire until 2014 and later:

Rental agreement expiries *



* rental agreement expiries in relation to rental income

Rent incomes constitute the key earnings source for our company. The pursuit of the development of their structure, the rental agreement expiries, the vacancy rates, the rent arrears and deficiencies are integral parts of the monthly controlling reports.

Building and property maintenance

The objective of the building and property maintenance at HAMBORNER is the continuous care and optimisation of the managed properties. Regular property inspections constitute the most important module in this regard in order to detect existing defects on the spot in good time and rectify them . At the same time, these regular inspections are also used to identify possible measures for improvement and to incorporate them into the long-term maintenance plans.

As in the past, numerous individual measures to the roofing, the façades and the building technology installations were also used in the 2009 financial year within the framework of the planned maintenance to upgrade the components in question for energy saving and thus to improve the rentability of the buildings for the long term. The co-ordination and carrying out of alterations within the framework of new or follow-up rental agreements constitute a further substantial part of the daily tasks in building maintenance. In this regard we have also succeeded in the financial year examined in implementing the measures in the required time and cost framework and in handing over the spaces recently leased for the long term in accordance with the agreement.

In the financial year 2009, the maintenance expenditure amounted to approximately €1.3 million (previous year: €1.1 million). The expansion of the REWE market in Cologne, Von-Bodelschwingh-Straße 6, envisaged by us together with the tenant has been delayed . Contrary to the original plan for this project, the necessary agreements, particularly with the City of Cologne, have been delayed , so that the anticipated commencement of construction had to be postponed to the year 2010. Therefore, only the planning costs for the renovation and expansion have accrued in the past financial year.

The modernisation of the MAN workshop in St. Augustin, Einsteinstraße 26, the replacement of the heating system in the C+C hypermarket in Freiburg, Robert-Bunsen-Straße 9a and the replacement of ventilation equipment in the Hamburg property, Fuhlsbüttler Straße 107-109 serve as examples of the measures successfully implemented in the financial year 2009. The expenditure associated with these measures amounts to over €500,000 in total. In addition, work was also co-ordinated and monitored by the structural engineering department in the past financial year which was the responsibility of the sellers of various properties and covered via purchase price retentions or guarantees.

Performance of the property portfolio

The historical acquisition and construction costs of our properties listed in the portfolio register amounted to €308.4 million overall at the end of 2009. Use was made in the IFRS balance sheet of the option in accordance with IAS 40 (30) in conjunction with (56), so that the stock properties were shown with the amortised acquisition or construction costs determined in accordance with IAS 16. The amount stated in the balance sheet is €254.3 million as of 31 December 2009.

We had our property portfolio valued by an external expert again at the end of 2009. Jones Lang LaSalle was commissioned to determine the market value of the property portfolio and to document it in the form of an expert report. The valuation was carried out on the basis of the internationally recognised "International Valuation Standards" (IVSC) and the guidelines of the "Royal Institution of Chartered Surveyors" (RICS) regarding the valuation of assets.

"The market value is the estimated value for which a property is exchanged between a willing buyer and a willing seller on the valuation date, whereby each of the parties has acted independently after proper marketing, knowledgeably, prudently and without obligation."

The definition above corresponds to that of the "fair value model", as found in the International Financial Reporting Standards under IAS 40.

The valuation was carried out on the basis of a discounted cash flow (DCF) process. The cash flows to be expected in each case were determined for a consideration period of 11 years – 2010 to 2020 – within the DCF process. 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 on the valuation date.

When determining the cash flows, the rent income was always reduced by the property-specific costs and not those apportionable to the tenant. In addition, the expected expenses for maintenance or modernisation as well as the expected administrative expenditure were deducted. In the case of agreements still with long-term contract periods, rent increases were taken into account on the basis of indexations in individual cases. Rent forecasts were prepared if rental agreements terminated within the consideration period. They were discounted on the valuation date for calculation of the cash value of future cash flows. The discounting rates range between 5.1% and 8.35% and take into account the respective property-specific risks.

We have indicated the 2009 rent incomes as an important value for determination of the net cash flows, the discounting rates and the capitalisation rates separately for each stock property in the preceding property list. The fair values determined by Jones Lang LaSalle are also individually listed.

A total market value amounting to €307.9 million is calculated for the HAMBORNER property portfolio overall, which is €34.8 million above the previous year's portfolio value. The difference arises from fair value disposals amounting to €0.5 million through sales, from fair value additions through purchases amounting to €39.8 million as well as from a fair value reduction in the asset portfolio year-on-year due to a revaluation of approximately €4.5 million on balance.

The continuing strained situation on the property markets is reflected in the fair value calculations for the properties, which results in a tendency for lower valuations. In this environment, the value of the HAMBORNER property portfolio appeared to be very stable. Moreover, on the basis of our conservative accounting at amortised acquisition and construction costs – and not at higher market values – we depreciate our portfolio according to the schedule, so that revaluation reductions are borne by the hidden reserves, but do not inevitably have a negative impact on the result. However, there is even write-up potential with constant or increasing fair values for properties subjected to a non-scheduled depreciation in previous years. Due to the comparatively stable performance of our portfolio, we have therefore recorded write-ups amounting to €1.3 million in the reporting year, which are offset by non-scheduled depreciations to the extent of just €0.7 million. The overall result is therefore positively influenced by approximately €0.6 million in total.

Successful new investments at HAMBORNER

The objective of our company remains profitable growth. As the transactions markets have only slowly got off the ground again in 2009, we have consciously acted cautiously in the reporting year, as in the previous year , and conserved our high liquidity. Due to the crisis in the property and financial markets, the range of offers for quality properties was rather small in the first half of the year 2009. Many owners have either simply not put their properties up for sale at all due to the market imponderables, have offered problem properties or, in the case of good properties, have gone into the market with clearly excessive price ideas. Since the third quarter of 2009, however, a perceptible increase in quality and quantity of the offerings has been seen.

New investments, including additional purchase expenses, to the extent of €40.0 million, were transacted in the financial year 2009. Conforming to the strategy, we have concentrated with the new investments on commercial buildings in A1 locations, specialist stores in highly frequented locations and high-quality office properties.

In 2008, purchase agreements had already been recorded for two mixed-usage properties in Hamburg and a further office building in an excellent position in Münster. All properties transferred into our ownership at the start of 2009. Furthermore, a recently constructed retail centre with long-term rental agreements was purchased in the second half of the year in a highly frequented position in the Duisburg location. Transfer of ownership was in August 2009.

More specifically, the following new investments were transacted in the financial year 2009 with transfer of ownership:

City	Address	Use	Space in m²	Rental income p.a. in T€
Hamburg	Fuhlsbüttler Straße	Office / Commercial	2,961	472
Hamburg	Ziethenstraße	Office / Manufacturing	2,095	170
Münster	Martin-Luther-King-Weg	Office	13,799	1,709
Duisburg	Kaßlerfelder Kreisel	Commercial	5,119	659

The new investments were financed for 40% from own funds and otherwise through the acceptance of bank loans. Depending on the developments on the property transactions market, HAMBORNER will grow further in the asset categories of office and retail trade properties in 2010.

In 2009, a purchase agreement had already been concluded regarding a recently constructed office property, fully let for the long-term, in Erlangen at a purchase price of €14.8 million. This property transferred into the ownership of the company in the middle of February 2010.

Sales from the asset portfolio

We sold one portfolio property in the financial year 2009. The office building located in the pedestrian zone of Bad Oeynhausen no longer matched our current requirement profile due to the property size, high residential ratio and associated high administration requirement. The property was sold at a price in line with market conditions with a slight book profit to the extent of €23,000.

We will continue to monitor the market intently in order to sell further portfolio properties where appropriate, which are classified as no longer conforming to the strategy, for instance due to the position, tenant structure, property size, the administration requirement or potential for a rent increase.

Explanatory notes on the property portfolio

As of December 31, 2009, the company had a property portfolio of 4,738,669 m² overall. This involves predominantly agricultural areas or forest land, which were acquired during our earlier mining period. The portfolio of this existing holding that still remains today is located in the area of the municipalities of Dinslaken, Hünxe and Duisburg. Only 204,404 m², or 4.3% of the total portfolio, is apportionable to developed inner-city properties, which were acquired from scratch after mining was discontinued. The portfolio register contains more detailed information on these properties.

The property portfolio as of December 31, 2009 breaks down as follows by types of usage compared with the previous year:

in m²	31.12.2009	31.12.2008
Properties with business or commercial premises	204,404	172,185
Undeveloped residential properties *	4,600	4,600
Undeveloped commercial and industrial sites	6,000	6,000
Land for agriculture and forestry	4,523,665	4,548,905
Total	**4,738,669**	**4,731,690**

* identified by means of the development plan or suitable for building in accordance with Section 34 of the German Federal Building Code [BauGB]

The areas shown as land for agriculture and forestry with approximately 4.5 million m² are for the large part in the peripheral outer area. In this regard, there are also only occasionally prospects for future rezoning to commercial or residential building land in the long-term. The undeveloped real estate was valued at the original acquisition and construction costs in the balance sheet (at approximately €0.52/m² on average).

In 2009 the financial year we sold land areas of approximately 25,000 m² from our existing holding and in the process achieved income to the extent of approximately €0.4 million. The five sales in total involve land in Duisburg-Beeck, Duisburg-Marxloh and Dinslaken.

Investments

The company shares in Montan GmbH Assekuranz-Makler, Düsseldorf, were sold at the start of 2009. Thus, HAMBORNER has also divested itself of its last investment against the background of the REIT conversion.

Workforce

Our employees shape the image of the company for our clients and business partners. They have contributed quite considerably in their respective assignment areas to the success of our company in the 2009 financial year as well, with great personal commitment and a high willingness to assume responsibility.

HAMBORNER employed 25 employees on an annual average, including the two members of the Managing Board. The remuneration arrangements for the members of the Managing Board are shown in detail in the remuneration report.

Proposal for the appropriation of profits

The basis for the dividend distribution is the unappropriated surplus under commercial law. The profit for the financial year determined in accordance with the provisions of the German Commercial Code amounted to €7,076,050.31 in the reporting year. An unappropriated surplus of €27,236,550.31 arises in addition to the profit carried forward from the previous year to the extent of €20,160,500.

The Managing Board will propose to the general shareholders' meeting of the company on 10 June 2010 the distribution of a dividend of €0.37 for each no-par-value share from the unappropriated surplus of the 2009 financial year amounting to €27,236,550.31 and the carrying forward of the remaining amount of €18,811,650.31 to new account.

Risk report

Principles of our risk policy

As a property company operating across Germany, HAMBORNER is exposed to various risks that can negatively affect the net worth, financial position and earnings of the company. To reduce the risks, we have tailored our business policy to avoid from the outset business lines with a particularly high-risk potential. In this regard, we have not involved ourselves again in 2009, as in the past, in highly speculative financial transactions or property developer schemes. We assume proportionate, manageable and controllable risks, provided that an adequate appreciation in value can be expected from the opportunities counterbalancing them.

Risk management

In order to delimit the risk-associated encumbrances, we have implemented a risk management system for the prompt identification and handling of risks that could be of significance for the economic position of the company. It conforms to the requirements specified by the German Law on Control and Transparency in the Corporate Sector (KonTraG) and is subject to a regular review. Appropriate adjustments or extensions are undertaken in the event of changing economic conditions. The early risk detection system is subject to evaluation by the statutory auditor within the framework of the annual audit of the annual financial statements.

The company's risk management system is tightly linked into operational procedures – particularly the planning and controlling processes – and comprises several stages. Of central importance in this regard is the risk inventory, with the help of which the possible individual risks are recorded, analysed and assessed in terms of probability of occurrence, the possible level of loss and in respect of the associated exposure potential. In addition, measures for risk management and contemporaneous risk handling are laid down and the internal responsibilities defined. Reporting, streamlined organisational structures and transparent decision-making channels ensure that the Managing Board is directly included in all risk-relevant transactions.

The processes of the accounting system are only executed by our own qualified employees. The company prepares and communicates interim reports in addition to annual reports. The half-yearly financial statements are subject to an audit review by the company's statutory auditor. In the valuation of the "investment properties" and the determination of the company's pension obligations, we call in additional experts for the annual financial statements. The four-eye principle taking into consideration appropriate signature rules is applied to all significant transactions. There is clear functional separation within the company between technical and commercial building management as well as the accounting. Standardised and certified EDP programmes are employed in the finance and accounting system. For the internal EDP equipment, there are firm access rules for read and write permissions commensurate with the individual areas of responsibility of the respective employees.

Representation of the individual risks

We describe below the risks that can have serious repercussions on the net worth, financial position and earnings of the company.

Risks of future macroeconomic development

HAMBORNER is affected by the economic and political environment. The German economy is in a recovery phase after the deep downturn, the sustainability of which is still very uncertain however. Against this background, the market environment also continues to be difficult for our company. By virtue of our business model and our capital position, we certainly consider ourselves well positioned even under these economic conditions, which are generally still unsatisfactory.

Risks of the market in the property sector

We expect good demand again for the current financial year for our properties in A1 locations of the pedestrian zones. It remains to be seen how the general economic environment will develop for office buildings in 2010. There are still vacancy risks for outdated office spaces or properties in second-rate locations used for retail trade.

Regardless of economic risks, the property industry is subject to distinct market cycles, which can have an adverse impact on the retention of value and rentability of the properties held in the portfolio. We try to anticipate this risk through intensive observation of the market and close contact with our tenants, and endeavour to minimise risks of a loss of rent by concluding contracts with as long a term as possible with tenants with a good credit rating.

General letting risks

Through the broad regional dispersal of our property portfolio over 40 locations at the moment, we attempt to keep the consequences of specific negative local influences, as can arise through the construction of oversized shopping centres, for example, to a minimum for the entire portfolio. In addition, a good location and the greatest possible flexibility of use are important criteria for us when purchasing properties. Moreover, we endeavour to limit the letting risks through regular monitoring and improvement of the structural quality of the properties. The self-management of all the stock properties enables us to react quickly to a probable change of tenant with selective subsequent lettings.

The aforesaid measures for the minimisation of the letting risk have contributed to the fact that we have been able to achieve a very high occupancy rate in past years. The vacancy rate amounted to 3.5 % on average in the financial year 2009, which represents a low level. We ensure a good occupancy rate in the case of new investments. Furthermore, rent guarantees cover letting risks in some cases.

Risks of a loss of rent

We reduce the risk of rent losses, particularly due to tenants' inability to pay, by means of an efficient debt management system, the regular monitoring and review of the creditworthiness of our tenants and the agreement of rent securities that are appropriate to the risk. Uncollectable receivables amounted to approximately€ €36,000 in the 2009 financial year and thus represented 0.2 % of our annual rental income. An increase in uncollectable receivables cannot be ruled out for the current financial year, depending on ongoing economic developments. However, major rent losses are not discernible at present due to our tenant structure. The Kaufland Group is our biggest single tenant with a share of approximately 22.6 % of the total rental volume. In view of the creditworthiness of this tenant and the location of the properties, we consider the resulting risk to be manageable.

Valuation risk

The retention of value of our properties is checked annually using the generally recognised DCF process. We had the valuation for our commercial property portfolio carried out by an independent third party again at the end of 2009. Detailed information on the valuation of our property portfolio can be found in the section "Performance of the portfolio". A need for extraordinary depreciations to the extent of €0.7 million ensued in the financial statements in accordance with IFRS for the 2009 financial year on the basis of the valuations carried out. On the other hand, a reversal of impairment adjustment amounting to €1.3 million was made for a total of nine properties subjected to non-scheduled depreciation in previous years. Influences may arise on the valuation of properties in the future as well by the application of different discount interest rates as a result of changes in the general risk assessment, the interest rate level or property-specific risks.

Financial Risks

The asset and financial structure of our company is still extremely sound. Financial liabilities and derivative financial instruments amounted to €113.7 million at the end of the reporting year. The balance sheet equity ratio of the company in individual financial statements in accordance with IFRS amounts to 52 % at the end of the year under review. For the financing of our growth, additional borrowed funds will also be raised in the future to an appropriate extent. Therefore, the development of the interest rate level is of corresponding importance for the company. In order not to be subject to short-term interest rate risks, we have financed our investments at terms fixed for the long term, via interest rate hedges in some cases. You will find further details on the interest rate hedging transactions in the notes to the financial statements under the section "Financial liabilities and derivative financial instruments".

The risks resulting from the financial instruments relate to credit, liquidity and market risks. Credit risks exist in the form of risks of default for financial assets. This risk subsists to the extent of the book values of the financial assets as a maximum. For derivatives, this is the sum of all the positive market values and, for primary financial instruments, the sum of the book values. If risks of default exist, they are taken into account by means of value adjustments.

Liquidity risks constitute refinancing risks and thus risks of a fulfilment of existing obligations to pay when due. 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 the medium-term plan, which covers a period of five years.

With registration of the new Articles of Association, HAMBORNER is retroactively a REIT public limited company as of January 1, 2010. As such, it is exempt from German corporation and trade tax. Under the REIT status, therefore, the tax risks quoted in the past due to the "interest barrier" or the claiming of the "prerogative of extended trade tax reduction" do not apply for the company.

In order to maintain the REIT status over a long period, the company has to comply with precisely laid down criteria. This includes above all the fact that the free float must be at least 15 %, no investor may directly hold more than 10 % of the shares, at least 75 % of the assets must rank among the immovables, 90 % of the year-end result in accordance with the German Commercial Code is to be distributed and the equity capital may not fall below 45 % of the fair value of the immovables. We counteract the risk of losing the REIT status by means of our internal monitoring and controlling system. We monitor the development of the decisive ratios for the classification as a REIT company, particularly the development of the REIT equity ratio in accordance with Section 15 of the German REIT Act [REITG], which at 67.2 % on the reporting date of December 31, 2009 is considerably above the required minimum equity ratio of 45 %.

Legal risks

Within the framework of its business activity, HAMBORNER is not currently involved in any significant court cases or threatened legal disputes.

We had already obtained knowledge in 2007 of a possible compensation claim against various other companies amounting to approximately €1.3 million on account of subsidence. It should not be ruled out that HAMBORNER will also be included in a possible action in this connection.

Subsidence risks

Potential risks continue to exist from our former mining activity, e.g. due to mining-related damage or shaft stabilisation. The associated economic risk and the extent of possible refurbishment work that may become necessary were determined and assessed by an expert in 2005. For possible additional safety measures that become necessary in the long-term due to altered water drainage in the area of our former coal fields, we will increase our subsidence provisions in the long term to approximately €1.6 million overall.

The possible compensation claim mentioned under "Legal risks" relates to a coal field located in Duisburg. As a former co-owner, HAMBORNER is liable for claims from the old mining industry to an extent of 50 %, so that a pro rata claim should not be ruled out. Therefore, in the financial statements in accordance with IFRS and in the individual financial statements of the company under commercial law , a provision amounting to €0.7 million had already been created in the annual financial statements for 2006 as a precaution.

No other contaminated land risks, e.g. due to soil pollution, exist according to today's information. An inspection of the register of contaminated sites has been carried out at the respective municipalities with regard to our entire developed and undeveloped property holdings. No significant risks were found in this regard.

Summarised assessment of the risk situation

No risks jeopardising the portfolio currently discernible

In the overall assessment there are currently no risks jeopardising the HAMBORNER portfolio, either from the income and asset or the liquidity standpoint.

Forecast report

Orientation of the company

HAMBORNER is a commercial real estate company operating nationwide and will also maintain this orientation in the future. With the conversion into a REIT, the requirements that ensue from the German REIT Act apply in the future. These relate in particular to the object of the company as well as compliance with requirements relating to capital and company law. The latter includes a minimum equity ratio of 45 % on a fair value basis.

In view of our excellent capital position and also against the background of the REIT conversion, we consider ourselves very well positioned in the present difficult market environment and well equipped for further growth. We can and will use market opportunities that present themselves, effecting acquisitions depending on the ongoing price and market development. Our strategy is therefore geared to the medium and long term. We will also maintain the sound financing structure in the future and finance investments with an appropriate deployment of borrowed funds of approximately 60 %.

Parallel to the expansion of the portfolio, the optimisation of the inventory through sales will be a permanent task. This relates primarily to older, mainly smaller properties no longer conforming to the strategy.

Expected economic environment

The German Federal Bank expects a continuation of the macroeconomic recovery process in the next two years, but is only guardedly optimistic overall. After a decrease in the GDP by approximately 5 % in 2009, an increase of 1.6 % is forecast for 2010 and 1.2 % in 2011. The labour market remained comparatively stable in the economic crisis, though a prolonged negative adjustment is expected in spite of the upturn. Therefore, the number of unemployed people could increase from approximately 3.4 million in 2009 through 3.8 million in 2010 to 4.2 million in 2011. On the other hand, consumer prices will probably only increase moderately in the coming years, namely by about 0.9 % in 2010 and approximately 1.0% in 2011.

Future situation in the industry

Letting market

Even if the whole economy has returned to slight growth again, the recovery will occur rather slowly in the next two years and will have no major positive effects on the letting markets. We expect comparable take-ups both for the retail trade and office markets. The bulk of the rental price adjustments will probably be carried out in 2009, even if the prime rents will ease further in individual cases. A tenants' market with extensive rent incentives will still remain. As only a few new projects were started in 2009, the range of offers for modern office spaces will reach its peak in the current year.

Investment market

The improved market sentiment and a stabilising financing environment will stimulate investment turnover in 2010. We expect an increasing transaction volume towards €15 billion. Thus, the commercial investment market is returning to the normality of the long-term average both in terms of the transaction volume and the transaction structure (small to medium-sized individual investments), the property type (core properties with a long lease term) and the group of investors (German equity investors orientated for the long-term).

Anticipated business development

In the recent deep recession HAMBORNER proved to be very sound and comparatively independent of the crisis. For 2010 and 2011 as well, we expect a stable operating business development with a slowly recovering market environment. The rent incomes constitute the key earnings source on the basis of the business model as a long-term portfolio holder. For 2010 we expect a further increase in the rent incomes compared with the previous year, attributable in particular to the new acquisitions transferred in 2009 and to the purchase recorded in December. With an ongoing growth course of the company, we also expect continuously increasing total rental income in the following years.

With respect to the economic vacancy rate and the rent losses, we expect a low level in the future as well. No major rental agreements expire in 2010 for which it has so far not been possible to conclude follow-up agreements; moreover our main tenants enjoy good creditworthiness. In the case of the spaces available for subsequent letting in 2011, we are confident of achieving agreement extensions or new lettings in good time. It appears overall that our company has a sound foundation due to the income secured by letting, particularly from the retail trade sector.

In the wake of the REIT conversion and the associated long-lasting exemption of the company from corporation and trade tax, the hidden reserves of the company are to be determined and taxable only once. The precise extent of the tax burden from the final levying of taxes has not yet been established, but will probably be in the order of €17 to 20 million. There is an outflow of liquidity to the same extent due to the tax payment, whereas the effect on results will be considerably lower due to the simultaneous release of the balance sheet deferred taxes. As of December 31, 2009, the company shows €14.7 million of deferred tax liabilities and €2.2 million of deferred tax assets in the IFRS individual financial statements.

HAMBORNER finds itself well-positioned with respect to the competition through the REIT conversion, the structure of the property portfolio and due to the financial strength of the company. This does not preclude further pressure on property prices and thus on the valuation of the portfolio properties. With a continuing low interest rate level, however, this presents a favourable environment for additional purchases. Nevertheless, new acquisitions must satisfy our quality and yield requirements, so that timings of possible purchases and also portfolio adjustments through selective sales are not precisely predictable. The 2010 result is significantly encumbered, in accordance with expectations, due to the final levying of taxes specified above. However, this is a one-off fiscal-induced special effect. Operationally, we expect positive earnings for 2010 and subsequent years, which allow appropriate and, as far as possible, increasing distributions. This presupposes that we remain spared from significant unforeseeable reductions in earnings.

Final declaration on the report regarding relationships with affiliated companies (Art. 312 [AktG])

In accordance with Art. 312 of the German Stock Company Act [AktG], the Managing Board has prepared a report for the 2009 financial year regarding the relationships with affiliated companies. The report contains the following final declaration:

"The Managing Board conclusively declares that, according to the circumstances that were known to it on the date when the legal transaction was carried out, the company secured an appropriate consideration in the case of each legal transaction."

Report on additional information under company law (Art. 289 Para. 4 of the German Commercial Code [HGB])

Composition of the subscribed capital

As of 31 December 2009, the subscribed capital of the company stood at €22,770,000. The share capital is divided into 22,770,000 no-par-value shares, to which a computed amount of €1 per share is apportionable. The shares are fully paid-up. The company is authorised to issue global certificates for shares. The shareholder's entitlement to securitization of his share is excluded. Each no-par-value share grants one vote in the general shareholders' meeting, but rights from shares which belong to a registrant or from which voting rights are allocated to him in accordance with Art. 22 Para. 1 Clause 1 No. 1 or No. 2 of the German Securities Trading Act [WpHG], do not exist for the period for which the disclosure requirements in accordance with Art. 21 Para. 1 or Para. 1a of the German Securities Trading Act are not fulfilled.

Hereby excluded in accordance with Art. 28 Clause 2 of the German Securities Trading Act are entitlements in accordance with Art. 58 Para. 4 of the German Stock Company Act and Art. 271 of the German Stock Company Act if the notification was not wilfully omitted and the situation has been rectified. For the rights and obligations of shareholders, reference is made to the German Stock Company Act, particularly to the right herein to attend the general shareholders' meeting, Art. 118 Para. 1 of the German Stock Company Act, the right to obtain information in accordance with Art. 131 of the German Stock Company Act, the voting right in accordance with Art. 133 et seq. of the German Stock Company Act as well as the entitlement to participate in the unappropriated surplus, Art. 58 Para. 4 of the German Stock Company Act.

Restrictions that relate to voting rights or the transfer of shares

The shares issued by HAMBORNER are subject to no restrictions at all in this respect.

Participations in the capital that exceed 10% of the voting rights

Details of notifications regarding the existence of a participation are explained in the notes to the financial statements under "Other explanatory notes and compulsory details".

Shares with special rights that bestow controlling powers

No such special rights are contained in any of the shares issued by the company.

Nature of the voting right control if employees have an interest in the capital and do not exercise their control rights directly

HAMBORNER has no employee share programme. If employees have purchased shares, they exercise their rights arising therefrom directly themselves in accordance with the statutory requirements and the provisions of the Articles of Association.

Statutory requirements and provisions of the Articles of Association regarding the appointment and removal of members of the Managing Board and the amendment of the Articles of Association

Members of the Managing Board are appointed by the Supervisory Board for a maximum of five years pursuant to Art. 84 Para. 1 of the German Stock Company Act. A repeated appointment or extension of the term of office is permitted, for a maximum of five years in each case. If a necessary member of the Managing Board is missing, the court has to appoint the member in urgent cases at the request of a party involved, pursuant to Art. 85 of the German Stock Company Act. The Managing Board of the company consists of several members, in accordance with Art. 7 Para. 1 of the Articles of Association, whose number the Supervisory Board determines. The Supervisory Board may nominate one member as Chairman in the process, pursuant to Art. 84 Para 2 of the German Stock Company Act. Furthermore, it may withdraw the appointment as a member of the Managing Board and the nomination as Chairman of the Executive Board in accordance with Art. 84 Para. 3 of the German Stock Company Act if a compelling reason exists.

Any amendment to the Articles of Association requires a resolution of the general shareholders' meeting pursuant to Art. 179 of the German Stock Company Act. In the process, the general shareholders' meeting may delegate the authority for amendments to the Supervisory Board which only relate to the wording (Art. 179 Para. 1 Clause 2 of the German Stock Company Act). The authority is delegated to the Supervisory Board pursuant to Art. 12 Para. 3 of the Articles of Association of the company. An extraordinary resolution of the general shareholders' meeting is required for the amendment to the Articles of Association, which entails at least three quarters of the share capital represented in the voting (Art. 179 Para. 2 Clause 1 of the German Stock Company Act). In accordance with Art. 179 Para. 2 of the German Stock Company Act, the Articles of Association may stipulate other controlling interests and provide for additional requirements.

Powers of the Managing Board for the issuing of shares or for a share buy-back

The Articles of Association contain specifications for the share capital of the company in Art. 3. In order to allow the company price-preserving reaction possibilities to market circumstances and above all to establish the possibility of a short-term and flexible reaction that is customary in the market and industry to requirements of the capital market or in the case of acquisitions, the Managing Board was authorised as follows in the context of the general shareholders' meeting on 5 June 2008

a) to increase the share capital of the company, with the agreement of the Supervisory Board, once only or several times until 4 June 2013, by up to €2,270,000 nominally by issuing new no-par-value shares made out to bearer against a cash contribution (Authorised Capital I) and to offer them to the shareholders for subscription.

Creation of authorised capital

b) to increase the share capital of the company, with the agreement of the Supervisory Board, once only or several times until 4 June 2013, by up to €9,080,000 overall by issuing new no-par-value shares made out to bearer (Authorised Capital II) and to exclude the legal subscription right of shareholders in certain cases with the agreement of the Supervisory Board.

An action for annulment against these resolutions and against the voting of the general shareholders' meeting for the ratification of the acts of the executive bodies was made pending at Duisburg Regional Court. The above-mentioned authorisation for the creation of the authorised capital I+II was again confirmed by the general shareholders' meeting on 9 June 2009 for this reason. The pending legal action was determined in favour of the company in every respect in the meantime. There are no powers of the Managing Board to buy back own shares.

Fundamental arrangements of the company which are conditional on a change of control as a result of a takeover offer, and consequences following from this
The company has not concluded such arrangements.

The company's agreements for compensation which are reached with the members of the Managing Board or employees in the event of a takeover offer
There are no agreements for compensation of this kind.

Declaration on the company management (Art. 289a [HGB])

The declaration on the company management in accordance with Art. 289a of the German Commercial Code [HGB] is publicly accessible on the Internet at www.hamborner.de in the area "Investor Relations/Corporate Governance/ Unternehmensführung.

Remuneration of the Managing Board and Supervisory Board

Corporate Governance and transparent company management also means for us, as a stock exchange-listed company , reporting comprehensively on the emoluments of the Managing Board and Supervisory Board. The remuneration report summarises the principles that apply when determining the remuneration of the Managing Board of the company and explains the extent and structure of the Managing Board's emoluments. The principles and extent of the remuneration of the Supervisory Board are also described.

The remuneration report conforms to the recommendations of the German Corporate Governance Code and includes details that are in accordance with the requirements of German commercial law, as extended by the German Disclosure of Managing Board Remuneration Act (VorstOG), a component part of the notes to the financial statements in accordance with Art. 285 of the German Commercial Code or of the management report in accordance with Art. 289 of the German Commercial Code.

Remuneration of the Managing Board

Stipulation of the Managing Board remuneration is carried out by the entire Supervisory Board on the suggestion of the Executive Committee.

The extent of the Managing Board remuneration is geared to the size of the company, its economic and financial situation and to the long-term success of the company. The remuneration of the Managing Board is performance-related and takes into account the functions and the contribution of the respective member of the Managing Board. The remuneration for members of the Managing Board consists of fixed and results-related components. The non-profit-related parts consist of a fixed allowance and additional benefits (e.g. company car). The fixed allowance is paid monthly as a salary as a basic remuneration.

The remuneration of active members of the Managing Board for the 2009 financial year is made up as follows on the basis of the existing service contracts and the associated, separately concluded results-related profit-sharing arrangements:

in T€	Fixed remuneration	Variable remuneration	Other *	Total
Dr. Rüdiger Mrotzek	135	149	28	312
Hans Richard Schmitz	144	150	29	323
Total	**279**	**299**	**57**	**635**

* Other emoluments include monetary benefits from the personal use of company cars and contributions to insurance policies.

A lump-sum settlement to the level of the cash value of the fixed remunerations to be paid up to the normal expiration of the contract is due to both members of the Managing Board in the event of an early termination of service contracts. According to the recommendations of the German Corporate Governance Code, the indemnifications are limited to a maximum of two annual remuneration packages including additional benefits.

Also following the recommendations of the German Corporate Governance Code, the profit-related (variable) remuneration due to the Managing Board, which is paid out once a year as a profit-sharing bonus, is primarily dependent on the long-term development of the FFO from the 2010 financial year. In addition, the development of the NAV and the attainment of individually agreed targets are included in the calculation. The structure of the Managing Board remuneration is subject to a periodic review by the Supervisory Board.

The total remunerations of former members of the Managing Board of the company amounted to €431,000 in the reporting year. This includes a residual profit-sharing bonus for the 2008 financial year paid to a retired member of the Managing Board. The pensions provisions formed for this group of people amount to €3,547,000 .

Pension commitments

With agreements from July 2009, an occupational pension scheme was granted to the directors, with effect from January 1, 2010 and March 1, 2010 respectively, in the form of an employer-financed defined benefit based on contributions implemented by means of the covered benevolent fund. The commitment applies for the duration of the service contracts with a monthly amount of €1,250 each.

Miscellaneous

Loans were not granted to members of the Managing Board by the company. No member of the Managing Board received benefits or corresponding commitments from a third party in the past financial year with regard to his activity as a member of the Managing Board.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated in Art. 13 of the Articles of Association. Supervisory Board remuneration is geared to the size of the company, the functions and the responsibility of the members of the Supervisory Board and depends significantly on the economic success of the company. The fixed remuneration amounts to €15,000 and the variable remuneration to €500 per €0.01 by which the undiluted earnings per share exceed the amount of €0.15. The variable remuneration is limited to twice the fixed remuneration. The Chairman of the Supervisory Board receives twice the remuneration, his deputies one and a half times. Members of the Supervisory Board who have only belonged to the Supervisory Board during part of the financial year are entitled to the remuneration pro rata temporis. Members of the Supervisory Board who belong to one of the three committees formed receive an additional remuneration of €2,000 per financial year.

Twice this remuneration is due to the respective committee chairman. Three committees exist at the moment: the Executive, Audit and Nominating Committees. The members of the Nominating Committee waive the remuneration due to them as long as the committee does not meet.

The relevant remuneration of the Supervisory Board for the 2009 financial year is calculated as follows:

in T€	**Fixed remuneration**	**Variable remuneration**	**Total**
Dr. Eckart John von Freyend	34	7	41
Dr. Marc Weinstock	29	5	34
Robert Schmidt	19	4	23
Volker Lütgen	17	4	21
Edith Dützer	17	4	21
Hans-Bernd Prior	15	4	19
Total	**131**	**28**	**159**

Furthermore, members of the Supervisory Board received no additional remunerations or benefits in the reporting year for services personally provided, particularly consultancy and mediation services. Members of the Supervisory Board receive no loans or advances from the company.

D & O insurance

The company concluded a pecuniary loss liability insurance policy (D & O insurance) for members of the Managing Board and members of the Supervisory Board. This covers pecuniary losses from the activity as a member of the executive bodies and supervisory bodies of the company. Further insured individuals were the officers of Hambornberg Immobilien- und Verwaltungsgesellschaft mbH up to its merger (insurance protection related here to the Managing Directors of the GmbH company). The sums insured amount to €5 million per insurance claim, but a maximum of €5 million per insurance year. From December 1, 2009, deductibles for Members of the Managing Board and Supervisory Board have been agreed as well in compliance with Art. 93 Para. 2 of the German Stock Company Act and Section 3.8 of the German Corporate Governance Code, amounting to at least 10 % of the claim and up to at least the level of one and a half times the annual fixed remuneration of the officer. The insurance protection does not apply in the event of wilful intent, so that protection previously granted lapses retroactively where applicable in the event of (subsequent) discovery and benefits provided are to be reimbursed to the insurer. The annual insurance premium currently amounts to €11,400 plus insurance tax.

Supplementary report

On January 4, 2010, the REIT Articles of Association approved by the general shareholders' meeting in June 2009 were lodged with the Duisburg County Court for registration. Registration ensued on February 18, 2010. As a result, HAMBORNER is a REIT AG retroactively as of January 1, 2010 with appropriate Articles of Association and the full business name of HAMBORNER REIT AG.

On December 22, 2009 a purchase agreement for an office building in Erlangen-Tennenlohe was registered. The property transferred into the ownership of our company in the middle of February 2010. A purchase price of €14.8 million in total was payable for this transaction.

No further transactions of particular importance have occurred since the end of the financial year.

Duisburg, February 19, 2010

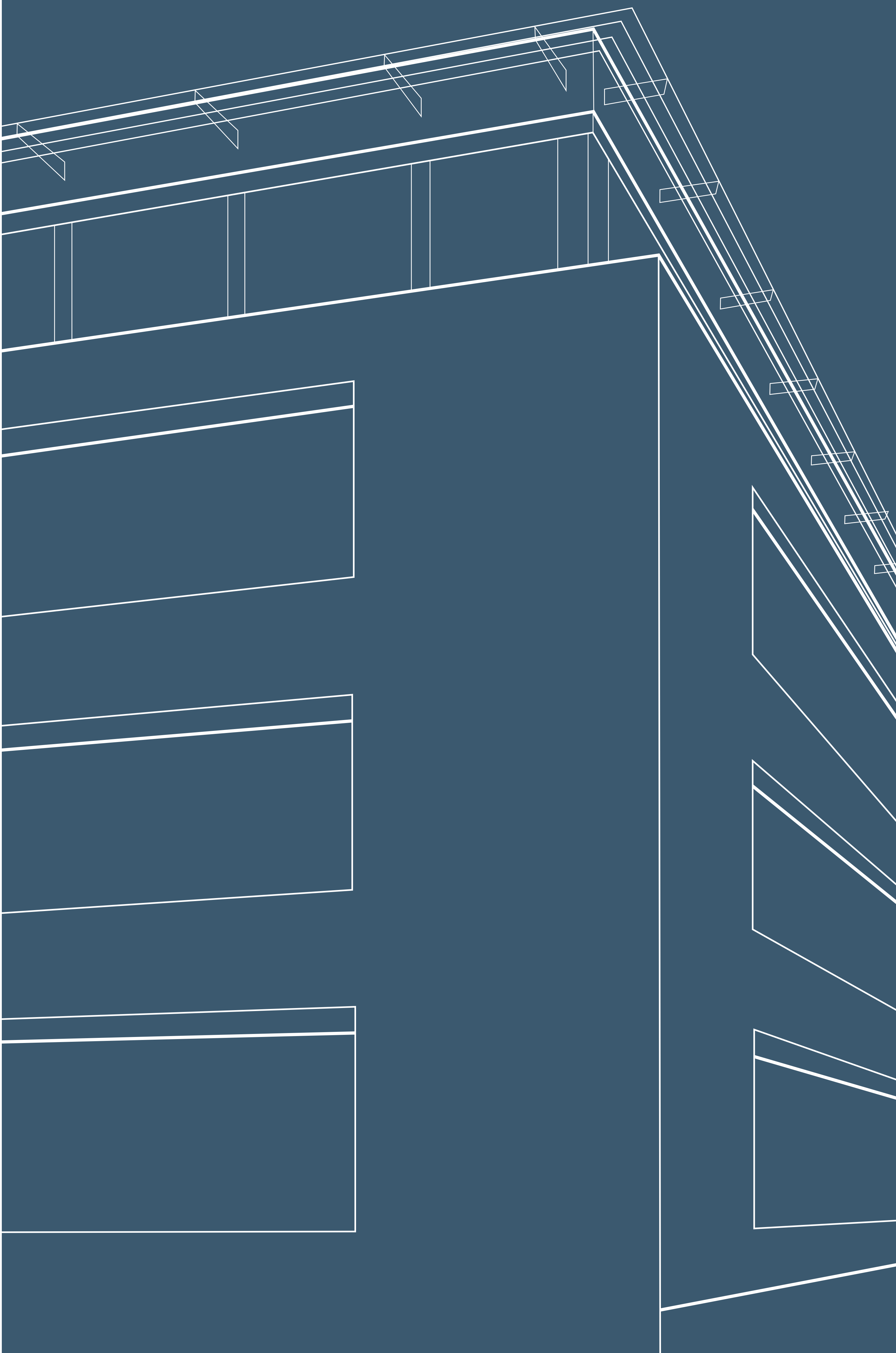
The Managing Board

Dr. Rüdiger Mrotzek Hans Richard Schmitz

RE[I]T

[I] = in|i|ti|a|tive [ɪ'nɪʃətiv], n.
(the power or right to begin something)

Financial statements in accordance with IFRS

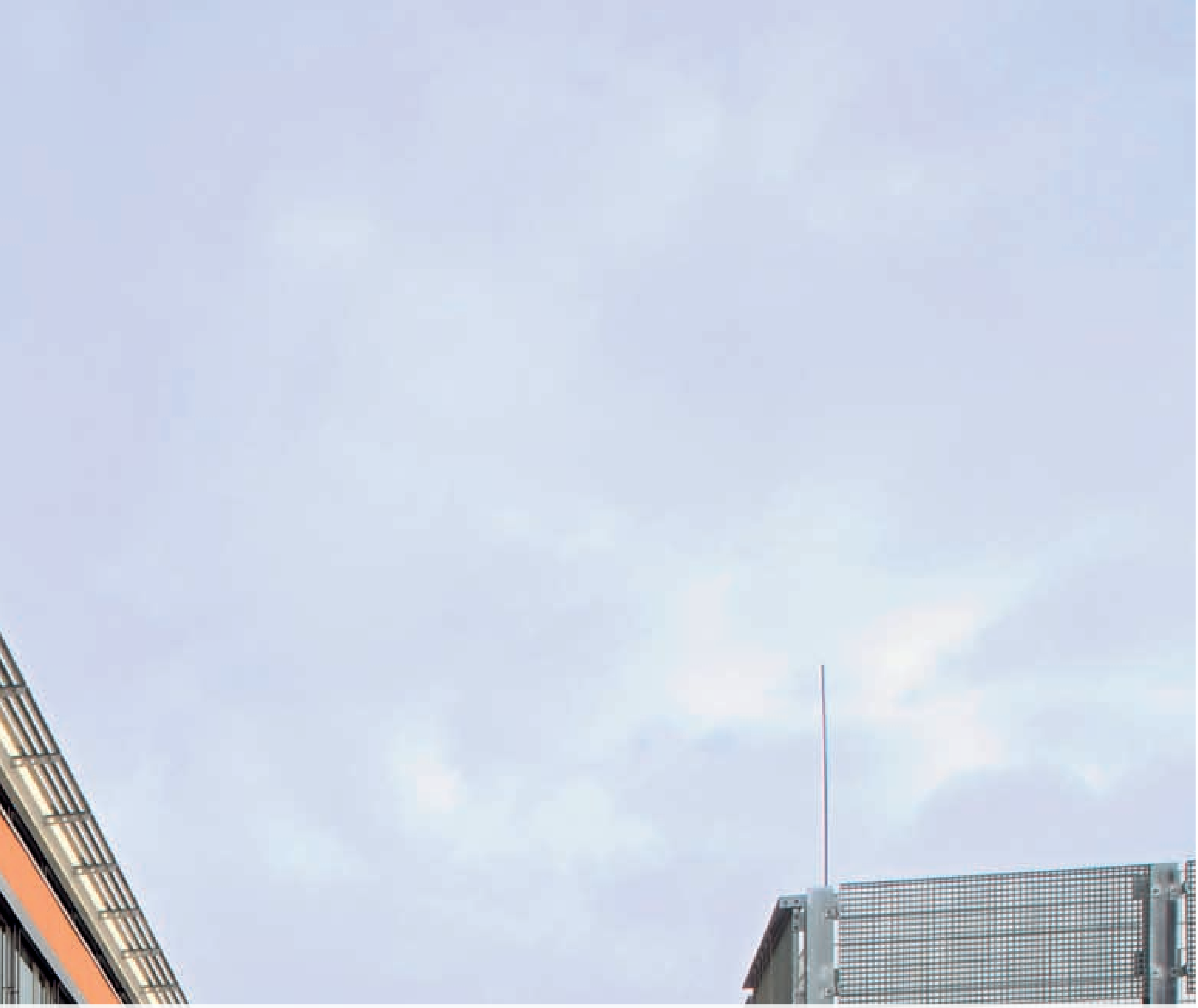


Keeping the initiative and systematically continuing growth as a REIT

Growth course is systematically pursued as a REIT

REITs are attractive investment targets for investors orientated to distribution and yield. HAMBORNER REIT AG has good opportunities to continue to grow at above-average levels in view of its access to the equity market.

It has been possible to expand the property assets of HAMBORNER REIT AG with high-quality properties at attractive locations in recent years and today these amount to approximately €325 million. This corresponds to an increase of approximately 75 % in the last three years. In view of the sound financial funding, the company is very well equipped for further growth.



HAMBORNER still active in the market

HAMBORNER REIT AG is constantly seeking quality properties for the expansion of its property portfolio. There is particular interest in the acquisition of the following commercial properties:

- Commercial buildings used for retail trade in A1 locations (pedestrian zones), nationally at locations with more than 60,000 inhabitants, property volume €5 to 30 million.
- Self-service markets and self-service department stores in central town centre locations or highly frequented edge-of-town sites with usable floor areas of more than 2,000 m², nationally at locations with more than 60,000 inhabitants, property volume €5 to 30 million.
- Modern office buildings constructed from 1990 year on or redeveloped in central town centre locations of German cities with more than 200,000 inhabitants, property volume €10 to 30 million.
- Specialist stores in central town centre sites or highly frequented edge-of-town sites with usable floor areas of more than 5,000 m² (DIY specialist stores of more than 10,000 m²), nationally at locations with more than 60,000 inhabitants, property volume €5 to 30 million.
- Portfolios in the aforementioned asset classes, volume €50 to 200 million.

Profit and loss account for the period from 1 January to 31 December 2009

in T€	Notes	2009	2008
Income from rents and leases		22,451	19,725
Income from passing on incidental costs to tenants		2,419	1,873
Current operating expenses		– 3,666	– 3,026
Property and building maintenance		– 1,264	– 1,109
Net rental incomes	(1)	**19,940**	**17,463**
Administrative expenditure	(2)	– 751	– 1,042
Personnel costs	(3)	– 2,740	– 2,973
Amortisations of intangible assets, tangible fixed assets and properties held as a financial investment	(4)	– 7,268	– 10,257
Other operating income	(5)	2,128	12,475
Other operating expenses	(6)	– 872	– 1,587
		– 9,503	**– 3,384**
Operating result		**10,437**	**14,079**
Result from the sale of properties	(7)	434	6,689
Results from investments	(8)	13	643
Earnings before income and taxes (EBIT)		**10,884**	**21,411**
Interest income		489	1,717
Interest payments		– 5,508	– 4,644
Financial result	(9)	**– 5,019**	**– 2,927**
Earnings before tax (EBT)		**5,865**	**18,484**
Taxes on income and profit	(10)	– 792	– 1,517
Result from activities to be continued		**5,073**	**16,967**
Result from activities to be discontinued	(11)	0	374
Profit for the financial year		**5,073**	**17,341**
Profit carried forward from previous year		35,165	53,922
Dividend		– 7,970	– 7,970
Transfer into other retained earnings		0	– 28,128
Unappropriated surplus		**32,268**	**35,165**
Earnings per share (in €)	(12)	0.22	0.76
of which, from activities to be continued		0.22	0.75
of which, from activities to be discontinued		0.00	0.01

Statement of income and expense recognised in equity

in T€	Notes	Jan 1. to Dec 31, 2009	Jan 1. to Dec 31, 2008
Net profit for the financial year		5,073	17,341
Price adjustment of securities from securities fund		0	– 217
Adjustment of book values of participations to the fair value		0	129
Adjustment of the revaluation reserve due to divestment	(5)	– 129	0
Unrealised profits/losses (-) from the revaluation of derivative financial instruments	(20)	– 1,728	– 4,739
Income/expense (-) recognised in equity		– 1,857	– 4,827
Total result		**3,216**	**12,514**

Assets

in T€	Notes	Dec 31, 2009	Dec 31, 2008
Non-current assets			
Intangible assets	(13)	6	12
Tangible fixed assets	(13)	151	176
Properties held as a financial investment	(14)	257,386	223,342
Financial assets	(15)	38	38
Other assets	(16)	365	366
Deferred tax assets	(16)	2,170	1,914
		260,116	**225,848**
Current assets			
Trade receivables and other assets	(16)	487	799
Income tax receivables	(16)	44	557
Bank deposits and cash balances	(17)	37,942	54,012
		38,473	**55,368**
Non-current assets held for disposal	(18)	0	130
		38,473	**55,498**
Total assets		**298,589**	**281,346**

Equity and liabilities

in T€	Notes	Dec 31, 2009	Dec 31, 2008
Equity capital	(19)		
Subscribed capital		22,770	22,770
Retained earnings			
Legal reserve		2,277	2,277
Other retained earnings		104,575	104,575
Revaluation reserve		– 6,594	– 4,737
		100,258	102,115
Unappropriated surplus		32,269	35,165
		155,297	**160,050**
Non-current liabilities and provisions			
Financial liabilities and derivative financial instruments	(20)	109,052	87,350
Deferred tax liabilities	(21)	14,708	15,188
Trade accounts payable and other liabilities	(23)	4,075	3,784
Provisions for pensions	(24)	5,603	5,780
Other provisions	(25)	702	678
		134,140	**112,780**
Current liabilities and provisions			
Financial liabilities	(20)	4,620	3,754
Income tax liabilities	(22)	402	660
Trade accounts payable and other liabilities	(23)	1,877	1,823
Other provisions	(25)	2,253	2,279
		9,152	**8,516**
Total equity capital, liabilities and provisions		**298,589**	**281,346**

Cash flow statement

in T€	Notes	Jan 1 to Dec 31, 2009	Jan 1 to Dec 31, 2008
Cash flow from operating activity	(28)		
Annual result before tax (EBT)		5,865	18,919
Write-downs/write-ups (-)		6,002	9,312
Financing costs		5,006	2,081
Change in provisions		– 180	– 59
Book profits/losses (offset) from the disposal of tangible fixed assets, investment properties and non-current assets held for disposal		– 434	– 6,741
Book profits/losses (offset) from the disposal of financial assets		– 677	– 11,477
Other non-cash expenditure (+) / income (-)		– 4	3,711
Change in receivables and other assets		– 115	– 923
Change in liabilities		– 1,040	– 1,426
Dividend received		13	643
Interest inflows		641	1,720
Tax payments		– 948	– 5,477
		14,129	**10,283**
Cash flow from investment activity	(29)		
Investments in intangible assets, tangible fixed assets and investment properties		– 39,349	– 36,309
Proceeds from disposals of tangible fixed assets, investment properties and non-current assets held for disposal		985	15,417
Investments in financial assets		– 20	0
Proceeds from disposals of financial assets		698	62,601
Net cash outflow of funds from the discontinuation of the special share fund Südinvest 107		0	– 13
		– 37,686	**41,696**
Cash flow from financing activity	(30)		
Dividend payments		– 7,970	– 7,970
Inflow of funds from the acceptance of financial liabilities		23,800	37,713
Outflow of funds for the repayment of financial liabilities		– 3,257	– 37,027
Interest outflows		– 5,086	– 3,714
		7,487	**– 10,998**
Changes in the cash fund		**– 16,070**	**40,981**
Cash fund on 1 January		**54,012**	**13,031**
Bank deposits and cash balances		54,012	13,031
Cash fund on 31 December		**37,942**	**54,012**
Bank deposits and cash balances		37,942	54,012

Statement of changes in the equity capital

in T€		Retained earnings			Unappropriated surplus			
	Sub-scribed capital	Legal reserve	Other retained earnings	Revalua-tion reserve	Carry-forward	Surplus	Appro-priation of profits	Total equity capital
Position at 1 January 2008	**22,770**	**2,277**	**76,447**	**90**	**1,554**	**52,226**	**142**	**155,506**
Carry-forward to new account					52,226	– 52,226		0
Distribution of profit for 2007					– 7,828		– 142	– 7,970
Transfer into other retained earnings			28,128		– 28,128			0
Income/expenses directly entered in the equity capital				– 4,827				– 4,827
Surplus for the financial year Jan 1 - Dec 31, 2008						17,341		17,341
Overall result Jan 1 - Dec 31, 2008				**– 4,827**		**17,341**	**0**	**12,514**
Position at 31 December 2008	**22,770**	**2,277**	**104,575**	**– 4,737**	**17,824**	**17,341**	**0**	**160,050**
Carry-forward to new account					17,341	– 17,341		0
Distribution of profit for 2008					– 7,969			– 7,969
Income/expenses directly entered in the equity capital				– 1,857				– 1,857
Surplus for the financial year Jan 1 - Dec 31, 2009						5,073		5,073
Overall result Jan 1 - Dec 31, 2009				**– 1,857**		**5,073**		**3,216**
Position at 31 December 2009	**22,770**	**2,277**	**104,575**	**– 6,594**	**27,196**	**5,073**	**0**	**155,297**

Fixed asset movement schedule

in T€	Acquisition and construction costs			
	Position Jan 1, 2009	Additions	Disposals	Position Dec 31, 2009
Intangible assets	97	2	0	99
Tangible fixed assets	801	6	18	789
Properties held as a financial investment	272,883	40,558	1,794	311,647
Financial assets				
Other loans	50	20	21	49
Overall	**273,831**	**40,586**	**1,833**	**312,584**

in T€	Acquisition and construction costs					
	Position Jan 1, 2008	Additions	Disposals	Profit-neutral adjustments to fair value	Realloca-tions as per IFRS 5	Position Dec 31, 2008
Intangible assets	102	0	5	0	0	97
Tangible fixed assets	818	34	51	0	0	801
Properties held as a financial investment	231,040	19,357	0	0	22,486	272,883
Financial assets						
Participations	578	0	577	129	– 130	0
Other loans	67	0	17	0	0	50
Overall	**232,605**	**19,391**	**650**	**129**	**22,356**	**273,831**

Value adjustments					Residual book values	
Position Jan 1, 2009	**Additions (depreciations for the financial year)**	**Write-ups**	**Disposals**	**Position Dec 31, 2009**	**Position Dec 31, 2008**	**Position Dec 31, 2009**
85	8	0	0	93	12	6
625	32	0	19	638	176	151
49,541	7,228	1,266	1,242	54,261	223,342	257,386
12	0	0	1	11	38	38
50,263	**7,268**	**1,266**	**1,262**	**55,003**	**223,568**	**257,581**

Value adjustments						Residual book values	
Position Jan 1, 2008	**Additions (depreciations for the financial year)**	**Write-ups**	**Disposals**	**Realloca-tions as per IFRS 5**	**Position Dec 31, 2008**	**Position Dec 31, 2007**	**Position Dec 31, 2008**
80	10	0	5	0	85	22	12
644	31	0	50	0	625	174	176
29,338	10,215	945	0	10,933	49,541	201,702	223,342
0	0	0	0	0	0	578	0
13	0	0	1	0	12	54	38
30,075	**10,256**	**945**	**56**	**10,933**	**50,263**	**202,530**	**223,568**

Notes to the financial statements

Principles for the preparation of the financial statements

General principles

In implementation of the resolutions of the general shareholders' meeting dated 8 June 2009, HAMBORNER AG was converted into a REIT company with effect from 1 January 2010 by registration of a company on 18 February 2010 and now trades under the name HAMBORNER REIT AG.

The company had already been registered as a Pre-REIT with the German Federal Central Tax Office since 29 June 2009, but in this regard was not yet deemed to be a REIT company within the meaning of Art. 1 of the German REIT Act.

HAMBORNER REIT AG acquires ownership or easement rights for German and foreign immovable property within the meaning of Art. 3 of the German REIT Act for use, management or realisation, with the exception of existing German residential properties. Investments in partnerships and public limited companies within the meaning of Art. 3 of the German REIT Act may also be acquired, held, managed and realised. The registered office of the company is in Duisburg (Germany). It is entered in the Commercial Register at Duisburg County Court (Amtsgericht) under HRB 4.

The obligation for the preparation of consolidated financial statements lapses with the merger of the subsidiary Hambornberg Immobilien- und Verwaltungs-GmbH with the parent company with effect from 1 October 2009. However, as a stock exchange-listed public limited company, HAMBORNER REIT AG voluntarily prepares and publishes individual financial statements according to the requirements of the IFRS in accordance with Art. 325 Para. 2a of the German Commercial Code [HGB]. The management report in accordance with Art. 289 HGB is disclosed with the individual IFRS financial statements.

The individual financial statements as of 31 December 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as they are to be applied in the European Union, and with the provisions under commercial law to be observed in addition in accordance with Art. 325 Para. 2a HGB. The IFRS entail the IFRS issued by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), the interpretations of the International Financial Reporting Committee (IFRIC) as well as those of the Standing Interpretations Committee (SIC). All standards and interpretations issued by the International Accounting Standards Board (IASB) and applicable at the time of preparation of the financial statements are applied, provided that they have been adopted by the EU (endorsement). The individual financial statements of the company comply with the IFRS in this respect.

The financial statements were prepared in Euro (€). All amounts are shown in thousands of Euro (T€) – unless otherwise stated. Minor differences may arise with computations of totals and percentage figures due to rounding.

The Managing Board prepared the financial statements at 31 December 2009 and the management report for the year 2009 on 19 February 2010 and released them for submission to the Supervisory Board.

The present individual financial statements as of 31 December 2009 are based essentially on the same accounting and valuation methods and calculation rules as the consolidated financial statements in the previous year. For the purposes of the first-time preparation of the individual IFRS financial statements, the previous balance sheet preparation for the IFRS consolidated financial statements was continued and the amounts indicated as comparable figures of the previous year. The balance sheet as of 31 December 2009 is broken down by maturities in accordance with IAS 1 (51). In order to improve the clarity of the presentation, various items of the balance sheet and income statement have been summarised and explained in the notes to the financial statements. The income statement was adjusted for better presentation of the earnings situation on the basis of the breakdown suggestions customary for real estate companies of the European Public Real Estate Association (EPRA).

Additional items were included in the income statement or a reclassification between individual items undertaken for the improvement of the significance of the earnings situation.

The expenses and income from the sale of properties are no longer entered under the other operating income in the income statement, but presented separately. This results in the following adjustments of the comparable figures of the previous year:

Adjustments of the previous year	T€
Other operating income	– 6,737
Other operating expenses	48
Result from the sale of properties	6,689

Administrative expenses that were included in the other operating expenses in previous years are shown separately. The following adjustments of the comparable figures of the previous year result from this:

Adjustments of the previous year	T€
Other operating expenses	1,042
Administrative expenses	– 1,042

A further adjustment relates to the income from the rent guarantees, which were entered under the other operating income in previous years.

The following adjustments of the comparable figures of the previous year should be applied here:

Adjustments of the previous year	T€
Revenue from rents and leases	288
Other operating income	– 288

The individual financial statements according to the provisions of the IFRS in accordance with Art. 325 Para. 2a HGB are also lodged with the operator of the electronic German Federal Gazette, as are the annual financial statements under commercial law. The IFRS financial statements are then published there. The financial statements are available for download on the Internet site www.hamborner.de. In addition, they may be requested from HAMBORNER REIT AG, Goethestraße 45, 47166 Duisburg.

The company is included in the consolidated financial statements of HSH Nordbank AG and HSH Real Estate AG. HSH Nordbank AG, Hamburg/Kiel, prepares the consolidated financial statements for the largest and HSH Real Estate AG, Hamburg for the smallest group of companies. The consolidated financial statements of HSH Nordbank AG and HSH Real Estate AG are published in the electronic German Federal Gazette.

Amended or new IFRS and disclosure, approach or valuation changes arising therefrom

Compared with the consolidated financial statements as of 31 December 2008, the standards and interpretations specified below have changed or were applied for the first time due to their subsequent assumption into EU legislation or the coming into effect of the regulation:

- Amendment of IAS 1: "Presentation of financial statements"
- Amendment of IAS 23: "Borrowing costs"
- Amendments to IAS 32: "Financial instruments: presentation" and IAS 1: "Presentation of financial statements"
- Amendments to IAS 39: "Financial instruments: recognition and measurement" and IFRIC 9: "Reassessment of embedded derivatives"
- Collective standard to amend various International Financial Reporting Standards (2006-2008)
- Amendments to IFRS 1: "First-time adoption of the International Financial Reporting Standards" and IAS 27: "Consolidated and separate individual financial statements in accordance with IFRS"
- Amendments to IFRS 2: "Share-based payment"
- Amendments to IFRS 7: "Financial instruments: disclosures"
- IFRS 8: "Operating segments"
- IFRIC 13: "Customer loyalty programmes"

The individual financial statements include a statement of income and accumulated earnings in addition to the profit and loss account, commensurate with the requirements of the revised IAS 1, "Presentation of financial statements". Both the year-end result and the profit-neutral statement of changes in the equity capital are shown in this statement for all the earnings and expenses entered in the financial year.

In the annual improvements project, small, non-urgent but necessary amendments are consolidated in a collective standard for amendments to various IFRS. A significant part relates to changes in the presentation, recording and valuation of financial statement items. A smaller part merely represents editorial changes, which have hardly any consequences for the balance sheet preparation.

The segment reporting in accordance with IFRS 8 is based on the approach of the management and thus follows the management and reporting of the existing segments used in the company. As HAMBORNER only operates in one business sector and in just one geographical segment, no segment reporting was prepared, as in previous years.

All the other standards to be applied compulsorily as from 1 January 2009 have no significant repercussions for the individual financial statements of HAMBORNER.

The following revised or reissued standards and interpretations already adopted by the IASB were not yet applied compulsorily in the financial year 2009:

- Amendments to IFRS 1: (restructured version): "First-time adoption of the International Reporting Standards" *
- Amendments to IFRS 2: "Share-based payment"
- Amendments to IFRS 3: "Business combinations" *
- IFRS 9: "Financial instruments"
- Amendments to IAS 24: "Related party disclosures"
- Amendments to IAS 27: "Consolidated and separate individual financial statements in accordance with IFRS" *
- Amendments to IAS 32: "Financial instruments: presentations"
- Amendments to IAS 39: "Financial instruments: recognition and measurement" *
- Collective standard to amend various International Financial Reporting Standards (2007-2009)
- IFRIC 12: "Service concession arrangements" *
- Amendments to IFRIC 14: "IAS 19 - the limitation of a performance-related asset, minimum funding requirements and their interaction"
- IFRIC 15: "Agreements for the construction of real estate" *
- IFRIC 16: "Hedges of a net investment in a foreign business operation" *
- IFRIC 17: "Distributions of non-cash assets to owners" *
- IFRIC 18: "Transfers of assets from customers" *
- IFRIC 19: "Extinguishing financial liabilities with equity instruments"

No use was made of the possibility of applying the standards and interpretations ahead of time, which had already been incorporated into EU legislation on the balance sheet date. HAMBORNER anticipates that no significant effects on the net worth, financial position and earnings will arise in the future from the application of the standards and interpretations issued on the balance sheet date.

* already adopted into EU law

Accounting and valuation methods

Intangible assets

Intangible assets are valued at acquisition cost, reduced by scheduled linear depreciations. The depreciations correspond to the economic life, which amounts to three to eight years.

Tangible fixed assets

Tangible fixed assets are valued at acquisition or construction cost, reduced by scheduled linear depreciations. We show proceeds from asset retirements under the other operating income (profits) or the other operating expenses (losses).

Properties held as a financial investment

Properties held as a financial investment are valued by exercising the option in accordance with IAS 40 (30) in conjunction with (56) for amortised acquisition or construction costs, taking into account linear depreciations. All undeveloped and developed properties as well as buildings and parts of buildings which are held for the attainment of future rental income, for the attainment of profits from appreciations in value and/or for an as yet undetermined use, are regarded as investment properties. They are not intended for administrative purposes or for short-term trade in the context of the normal business activity. Scheduled depreciations are carried out on a linear basis over the economic life. The result from the sale of the "properties held as financial investments" is presented in the profit and loss account in a separate item.

For determination of the fair value to be indicated in the notes to the financial statements in accordance with IAS 40, we had our property portfolio valued by an independent expert at the end of 2009 in accordance with internationally recognised standards. Calculation of the property market values was carried out by means of the discounted cash flow (DCF) method. The cash flows to be expected in each case for the respective property were determined for a consideration period of eleven years – 2010 to 2020 – within the DCF process. The market value of properties results from the sum of the discounted cash flows of the overall planning period before tax plus the residual value also discounted on the valuation date. Risk-adjusted interest rates of 5.1 % to 8.35 % were applied for the discounting. Please refer to the section "Performance of the portfolio" in the management report for further information.

Non-scheduled write-downs and write-ups of intangible assets, tangible fixed assets and properties held as a financial investment

The recoverability of the amounts stated in the balance sheet is audited in sequence in the case of all intangible assets, tangible fixed assets and properties held as a financial investment. In addition, an audit of assigned values is carried out if events or changes to circumstances indicate that the book value shown in the balance sheet no longer appears achievable. Where the achievable amount of these assets significantly falls below the book value on the financial statement date, this is taken into account by means of non-scheduled write-downs.

The net sales proceeds derived from an active market or – if higher – the cash value of estimated future cash flows from use are taken for the determination of the achievable amount. In the case of investment properties, the market value determined by an expert constitutes the yardstick for the value in use. If the reasons for non-scheduled write-downs undertaken in previous years no longer exist, write-ups are applied up to the amortised book values. The disclosure of non-scheduled write-downs is carried out under the item "Amortisations of intangible assets, tangible fixed assets and properties held as a financial investment". Write-ups are entered in the other operating income.

The result was reduced in the reporting year through non-scheduled write-downs amounting to €714,000 to adjust the reported residual book values to the fair values applicable as of Dec 31, 2009. On the other hand, a reversal of impairment adjustment for €1,266,000 was made for properties subjected to a non-scheduled write-down in previous years.

Financial assets

Financial assets are assessed at the fair value in their first valuation, in conformity with IAS 39, which takes into account the transaction costs on acquisition. The subsequent assessment depends on the category to which a financial asset is allocated.

- Loans and receivables are valued at amortised acquisition cost. Where necessary, identifiable individual risks are appropriately taken into account by means of value adjustments.

- Financial assets held until final maturity are valued at amortised acquisition cost or at the lower market value. The other loans included therein have a fixed term and are therefore valued applying the effective interest method.

Derivative financial instruments

HAMBORNER utilises derivative financial instruments in the form of interest rate swaps for the management of risks from interest rate fluctuations.

Derivative financial instruments are first shown in the balance sheet on the trading day. The valuation of interest rate derivative transactions which do not satisfy the requirements of hedge accounting was effected at market values. The disclosure of the profits and losses resulting from changes in market value is carried out in the profit and loss account within the financial result.

In the case of cash flow hedges that are used for the hedging of risks that have an impact on the amounts or the timeframe of future cash flows, changes in market value are entered in the equity capital (revaluation reserve) without affecting the operating result and taking into account deferred taxes, with presentation and documentation of adequate risk limitation efficiency. In the reporting year, changes in market value of - €1,729,000 were entered directly in the equity capital. The efficiency of cash flow hedges was determined in accordance with the dollar-offset method. As a result, the determination resulted in it being possible to take into account the changes to the assigned values in the equity capital. Positive market values of derivative financial instruments are shown under other assets, negative market values under financial liabilities.

The market values notified by the banks at the time result through discounting of the expected future cash flows over the residual term of the contracts on the basis of current market interest rates or yield curves. The valuation of derivatives is carried out as per stage 2. That means that factors flow into the underlying valuation models which are directly (i.e. as prices) or indirectly (i.e. in derivation from prices) monitored on active markets.

Non-current assets held for disposal

We have divested ourselves of existing investments in implementation of the strategic reorientation of the company. The book value of the participation in Montan GmbH, Assekuranz-Makler, Düsseldorf, was shown under this heading as of December 31, 2008. The investment was sold on January 29, 2009.

Provisions

Provisions were subdivided into long-term and short-term, in view of the maturity breakdown required in accordance with the IFRS standards, and shown accordingly.

Provisions for pensions

Pension provisions are calculated in accordance with the projected unit credit method, taking into account future remuneration and pension adjustments. The corridor approach permitted in accordance with IAS 19 is used for actuarial profits and losses. According to this, actuarial profits and losses - if they exceed 10% of the extent of the commitment - are allocated over the average remaining working period of the future claimants. The work service costs and the actuarial profits/losses to be entered for the current year are shown within the personnel costs, whereas the interest element included in the pension costs is shown within the interest charges. The pension obligations are determined taking into account the biometric calculation bases in accordance with Prof. Dr. Klaus Heubeck's 2005 G actuarial tables.

The following parameters form the basis of the calculations:

Parameter p. a. in %	**2009**	**2008**
Actuarial interest rate	5.1	5.8
Remuneration trend	2.0	2.1
Pension trend	1.6	2.0
Average fluctuation	0.0	0.0

Expenses for defined contribution plans are entered as expenditure and shown in the personnel costs.

Other provisions

The short-term provisions have been formed to the extent of the estimated utilisation (best estimate) without discounting and take into account all obligations identifiable on the balance sheet date which are based on business transactions or past events and the extent and/or maturity of which is uncertain. In the process, only third-party obligations are taken into account for which it is probable that an outflow of assets will result.

Provisions for liabilities that do not result in an encumbrance of assets in the subsequent year are formed to the extent of the cash value of the anticipated outflow of assets.

Liabilities

Liabilities are assessed at their fair value in the first valuation. The subsequent assessment is carried out at amortised acquisition cost. The book values of liabilities which are entered in the balance sheet at amortised acquisition cost constitute an appropriate approximate value for the fair value.

Liabilities are classified as long-term if the contract provides for redemption after twelve months.

Deferred taxes

Tax deferrals are carried out in the IFRS balance sheet on temporary differences between the assigned values of the assets and liabilities in the tax balance sheet and their book values (liability method) and shown as deferred tax assets or liabilities.

When determining the deferred taxes, the tax rates and tax regulations applicable to HAMBORNER on the financial statement reporting date are taken as a basis. The consequences of the REIT conversion are first entered in the balance sheet in the financial year 2010 on the date of the change of status with the registration as a REIT AG. Accordingly, for determination of the tax charges anticipated in the future, tax rates are enlisted that would be expected in the event of discontinuation of the temporary deviations and entry of the actual amount payable according to the tax status on the financial statement reporting date.

Deferred taxes are entered in the profit and loss account as tax proceeds or expenses, unless they relate to items directly entered in the equity capital, which do not affect the operating result. In this case, the deferred taxes are also entered in the equity capital without affecting the operating result.

Deferred tax assets are entered to the extent that it would be probable, according to the tax status on the financial statement reporting date, that a taxable income will become available against which the deductible temporary difference can be used.

Expenses and revenue recognition

The recording of turnover and other operating income essentially conforms to when the payments were made or, in the case of sale transactions, when all the relevant opportunities and risks in connection with the ownership were transferred to the buyer.

Operating expenses are entered with take-up of the payment or as expenditure on the causation date.

Explanatory notes on the profit and loss account

(1) Net rental incomes

The revenue from rents and leases of the properties shown in the balance sheet in accordance with IAS 40 amounts to €22,451,000 in the reporting year. An increase of €2,726,000 resulted overall year-on-year, which arises as the difference from the property acquisitions of the current year and of the previous year (€3,178,000), from rent losses as a result of property sales (- €485,000), from other rent decreases (- €372,000) and from increased earnings from rent guarantees (€405,000).

Charges for incidental costs passed on to tenants mainly entail heating costs, property levies and other incidental rental costs which are apportionable in accordance with the arrangements under leasing contract laws. The corresponding revenues increased by €546,000 in the reporting year. The increase in the revenues from charges passed on amounting to €564,000 arises as a balance from the change in the property portfolio, whereas the revenues from the passing on of incidental costs decreased by - €18,000 overall in the case of the other properties remaining in the portfolio.

in T€	2009	2008
Revenue from rents and leases		
Retail trade spaces	14,205	13,233
Office spaces and medical practices	6,176	4,636
Manufacturing and other industrial areas	627	627
Homes	536	695
Garages/car parking spaces	84	55
Other lettings and leasings (agricultural leasings, licensing agreements etc.)	130	191
Earnings from rent guarantees	693	288
Total	**22,451**	**19,725**
Income from the charge for incidental costs passed on to tenants	2,419	1,873
Total	**24,870**	**21,598**
Current operating expenses	-3,666	-3,026
Property and building maintenance	-1,264	-1,109
Net rental incomes	**19,940**	**17,463**

The ongoing operating expenses entail inter alia the expenses for energy, property levies, insurance premiums, ground rents and land taxes and may mainly be passed on to the tenants within the framework of arrangements under leasing contract laws. They increased by €640,000 as a result of the growth in the property portfolio and amount to €3,666,000. The expenses for property and building maintenance amount to €1,264,000 after €1,109,000 in the previous year.

in T€	2009	2008
Current operating expenses		
Energy, water and the like	1,451	1,235
Property levies	412	368
Land taxes	642	574
Ground rents	729	552
Insurance premiums	298	221
Rents and leases for third-party land	16	14
Other	118	62
Total	**3,666**	**3,026**
Property and building maintenance	1,264	1,109
Total	**4,930**	**4,135**

(2) Administrative expenditure

The item includes the Articles of Association-attributable costs for the general shareholders' meeting, Supervisory Board and statutory auditor as well as relevant costs of administration. It decreased year-on-year by a total of €291,000 and amounts to €751,000. The reduction arises mainly due to a decrease in the Supervisory Board remuneration, which is result-dependent to a substantial amount, and to the costs of the general shareholders' meeting.

The following fees for the appointed statutory auditor were entered as expenditure in the financial year:

in T€	2009	2008
Audit of financial statements	71	71
Other confirmation services	10	10
Tax consultancy services	124	52
Other services	16	24
Total	**221**	**157**

(3) Personnel costs/employees

Personnel costs fell by €233,000 overall compared with the previous year. Whereas wages and salaries decreased by €293,000, social security contributions and the expenditure for the pension scheme increased by €60,000. The main reason for the decrease in the salary expenses is a lump-sum settlement to a retired member of the Managing Board included in the previous year.

in T€	2009	2008
Wages and salaries	2,306	2,599
Social security and other pension costs	262	258
Expenditure for pension scheme/pension costs	172	116
Total	**2,740**	**2,973**

(4) Amortisations of intangible assets, tangible fixed assets and properties held as a financial investment

Amortisations in 2009 were below the value for the previous year by €2,989,000 and amounted to €7,268,000 . Of this, €7,228,000 is apportionable to "properties held as a financial investment". This includes non-scheduled depreciations amounting to €714,000 due to the adjustment of the residual book values shown as of Dec 31, 2009 to the applicable fair values.

(5) Other operating income

in T€	2009	2008
Income from the disposal of investments	677	11,223
Reversal of impairment adjustment	1,266	945
Write-ups of discounted housing loans	1	1
Remaining other operating income		
Receipt of indemnifications and reimbursements	20	144
Release of provisions	64	66
Charges passed on to tenants and leaseholders	66	55
Pension liability insurance	4	3
Other	30	38
Total	**184**	**306**
Total	**2,128**	**12,475**

The income from the disposal of investments in the reporting year consists of an earnout amounting to €548,000 for the sale completed in 2008 of our shares in Wohnbau Dinslaken GmbH as well as from the sale of shares in Montan GmbH amounting to €129,000. The difference between book value and fair value was already entered in the revaluation reserve in the previous year. The reversal of impairment adjustment arises from the adjustment of properties subjected to a non-scheduled write-down in previous years to the fair values determined by an expert as of Dec 31, 2009.

(6) Other operating expenses

The other operating expenses amount to €872,000 and are thus €715,000 below the value for the previous year. This decrease results mainly from a reduction in the legal and consultancy costs affected by special transactions in the previous year to the extent of €594,000 as well as from the lower allocation to the subsidence provision by €174,000 year-on-year.

(7) Result from the sale of properties

The result from the sale of properties amounts to €434,000 in the reporting year after €6,689,000 in the previous year. Whereas it was possible to sell two portfolio properties and one residential portfolio consisting of a total of seven properties in the previous year, sales in the year 2009 are limited to just one stock property and to smaller disposals from our undeveloped land ownership and existing holding.

(8) Results from investments

This item includes the income from investment in Montan GmbH Assekuranz-Makler for the financial year 2007/2008. The decrease year-on-year results from the discontinuation of the dividend of Wohnbau Dinslaken GmbH after sale of the investment.

(9) Financial result

After the sale of the special securities fund Südinvest 107 at the start of 2008 the financial result only includes interest income and payments. The interest income mainly consists of interest on overnight money or fixed-term deposits for investments with various banks. The large decrease in the general interest rate level, as well as the decrease in our liquidity after the outflow of the equity capital used for the property investments and the disbursement of the dividend for the year 2008, resulted in a decrease in this income – relative to the result from activities to be continued – by €1,228,000.

Interest payments increased by a total of €864,000 in the 2009 financial year as a result of the interest payments recognised as an expense in full in the reporting year for the property loans raised in the previous year and the pro rata interest expense for the loans added in the reporting year.

The interest payments included cash flows from interest rate hedging transactions carried out to the level of €2,499,000 on balance. The payments made by us on the basis of firmly-agreed interest rates with quarterly or half-yearly settlement amount to €3,924,000 in the reporting year (previous year: €3,204,000). The increase is attributable to the fact that the interest rate hedging transactions carried out in the previous year were utilised for a full year in the 2009 financial year for the first time and the interest rate hedges carried out in 2009 were taken into account pro rata temporis.

In return, we received variable interest in accordance with the agreements on the basis of the 3- or 6-month EURIBOR amounting to €1,425,000 (previous year: €3,165,000). Here, the decrease is mainly due to the general decline in the short-term interest rates. For further details and information on the interest rate hedging transactions we refer to the section "Financial liabilities and derivative financial instruments".

in T€	Total 2009	Activities to be discontinued 2009	Activities to be continued 2009	Total 2008	Activities to be discontinued 2008	Activities to be continued 2008
Income from securities including capital gains	0	0	0	277	277	0
Capital losses and amounts written off financial investments	0	0	0	– 20	– 20	0
Other interest and similar income	489	0	489	1,919	202	1,717
Interest and similar charges	– 5,508	0	– 5,508	– 4,644	0	– 4,644
Financial result	**– 5,019**	**0**	**– 5,019**	**– 2,468**	**459**	**– 2,927**

(10) Taxes on income and profit

in T€	2009	2008
Current income tax charge	1,204	5,998
Deferred taxes	– 411	– 4,475
Foreign withholding tax	– 1	– 6
Total	**792**	**1,517**

a) Income tax charge

The current income tax charge includes the corporation tax and business tax of the company for the financial year. The special transactions taken into account in the previous year have not recurred in the reporting year. This resulted in a decrease in the income tax burden by €725,000 to €792,000.

The tax rates and tax regulations applicable on the balance sheet date are used for determination of the deferred taxes.

The corporate tax rate to be applied to the result before taxes on income amounts to 15.8% in the reporting year (previous year: 15.8 %).

The expected tax charge arising upon application of the company's corporate tax rate can be linked to the actual tax charge as follows:

in T€	2009	2008
Result of the business activity from activities to be continued	5,866	18,484
Tax rate in %	15.8	15.8
Anticipated tax charge	928	2,925
+/- Tax effects from previous years	– 74	79
- Effect from tax-free incomes	– 96	– 1,586
+ Effect from non-deductible charges	15	18
+/- Effect from the income portions subject to trade tax (currently and deferred)	45	97
+/- Other effects	– 26	– 16
Taxes on income	**792**	**1,517**
Rate of taxation in %	**13.5**	**8.2**

b) Deferred taxes

The (credited) deferred taxes charged to the equity capital relate to the market valuation of the derivative financial instruments.

The development of the deferred taxes on the assets side and on the liabilities side is represented as follows in the reporting year:

Deferred taxes on the assets side in T€	Derivative financial instruments	Other provisions	Other	Write-down to the going concern value of investment properties	Total
Position at 1 January 2009	915	233	19	747	1,914
Reduction/increase in the profit for the financial year	0	4	0	– 73	– 69
Reclassification into the equity capital	325	0	0	0	325
Position at 31 December 2009	**1,240**	**237**	**19**	**674**	**2,170**

Deferred taxes on the liabilities side in T€	Accelerated tax write-downs	Pensions provisions	Other	Total
Position at 1 January 2009	15,127	21	40	15,188
Reduction/increase in the profit for the financial year	– 502	11	11	– 480
Position at 31 December 2009	**14,625**	**32**	**51**	**14,708**

(11) Result from activities to be discontinued

No result from activities to be discontinued is shown for the reporting year. The figures for the previous year relate to the income and expenses from our special securities fund Südinvest 107 up to its termination and break down as follows:

in T€	2009	2008
Other operating expenses	0	– 25
Realised exchange gains	0	257
Interest income	0	202
Earnings before tax	**0**	**434**
Taxes on income and profit	0	– 60
Result after tax	**0**	**374**

(12) Earnings per share

A surplus of €5,073,000 was achieved in the reporting year, which was lower by €12,268,000 compared with the previous year, primarily due to the discontinuation of the extraordinary income realised in the previous year through divestment and due to a fall in property sales.

		2009	2008
Number of shares in circulation	Thsd. units	22,770	22,770
Net result / consolidated surplus	T€	5,073	17,341
Dividend per share	€	0.37	0.35
Earnings per share as per IAS 33	€	0.22	0.76
of which, from activities to be continued	€	0.22	0.75
of which, from activities to be discontinued	€	0.00	0.01

Earnings per share are determined in compliance with IAS 33. According to this, the earnings per share are derived by the result for the period apportionable to the shareholders being divided by the weighted average number of shares. A dilution does not apply, e.g. through stock options or convertible bonds, as HAMBORNER has set up no such programmes. The diluted and undiluted earnings per share are therefore identical.

Explanatory notes to the balance sheet

(13) Intangible assets and tangible fixed assets

Intangible assets entail exploitation rights for systems and applications software acquired against payment, which are valued at acquisition cost and are depreciated on a straight-line basis over a useful life of three to eight years. This decrease in value is presented under the item "Amortisations of intangible assets, tangible fixed assets and investment properties". Non-scheduled value adjustments (reductions and increases) were not necessary in 2009.

We show the company's administrative building in Duisburg and the fixtures and equipment under tangible fixed assets.

The depreciation calculation for the administrative building uses a total useful life of 50 and a remaining useful life on the balance sheet date of 10 years as a basis.

The fixtures and equipment have an average useful life of between 3 and 15 years.

(14) Properties held as a financial investment

In the case of properties held as a finacial investment, additions of €40,558,000 were recorded in the financial year, which were apportioned to the properties acquired in the reporting year and prepayments on account thereof at €40,545,000 and to post-capitalisations for portfolio properties at €13,000.

In addition to smaller sales of undeveloped land from the existing portfolio, one property in Bad Oeynhausen was sold in the third quarter.

The following useful life ranges were applied in the reporting year:

Useful life ranges of non-current assets	Years
Business and office buildings	33 to 50
Other commercial constructions	40 to 50
Self-service markets	33 to 40

To adjust the amortised acquisition and construction costs shown in the balance sheet as of Dec 31, 2009 to the applicable fair values, the result was reduced through a non-scheduled depreciation amounting to €714,000. On the other hand, we carried out a reversal of impairment adjustment to the extent of €1,266,000 to properties subjected to a non-scheduled depreciation in previous years.

Investment properties developed as presented below in the reporting year:

in T€	2009	2008
Position at 1 January	223,342	201,702
+ Additions as a result of purchase	40,028	16,133
+ Additions as a result of prepayments	517	1,230
+ Additions as a result of subsequent investments	13	1,994
	40,558	19,357
– Disposals as a result of sales	– 552	0
– Disposals as a result of reclassifications	0	– 4,976
+ Additions as a result of reclassifications	0	16,529
	– 552	11,553
+ Reversal of impairment adjustment	1,266	945
– Depreciations for the financial year	– 7,228	– 10,215
Position at 31 December	**257,386**	**223,342**

The direct operating charges from leased and vacant investment properties amount to €4,930,000 (previous year: €4,135,000) in the reporting year. The entire inventory was leased out on the balance sheet date – apart from temporary partial vacancies in individual properties. Of this , €107,000 (previous year: €79,000) is apportionable to vacant spaces in the reporting year, including the undeveloped property holdings not leased out. The expenses apportionable to the unlet spaces are determined here according to the weighted percentage ratio, which is apportionable to the vacancies in relation to the total leased area.

Our commercial property portfolio was also valued by independent experts as of December 31, 2009 according to internationally acknowledged standards.

Taking into account the purchases and sales of the reporting year, a fair value of our developed property portfolio of €307,940,000 resulted as of December 31, 2009 (previous year: €273,100,000).

The property portfolio is valued in accordance with the discounted cash flow process. For further details on the valuation of our properties, we refer to the section "Performance of the portfolio" in the management report.

From one notarial deed of sale concluded in the reporting year, the transfer of ownership of a property was still outstanding on the balance sheet date, as the prerequisites for transfer were still not fully complied with. Purchase price payments amounting to €14.8 million in total were payable on transfer of ownership, which took place in the middle of February 2010.

The undeveloped property is shown in the balance sheet at the historical acquisition cost. A different value is not reliably determinable due to its structure (areas used for agricultural and silvicultural purposes).

(15) Financial assets

The other loans comprise predominantly long-term interest-free housing loans, which were assessed at cash value, and other loans to staff. Additions of €20,000 are offset by scheduled redemptions and repayments of €21,000 in the 2009 financial year.

(16) Trade receivables and other assets, deferred tax assets, income tax receivables

All receivables and other assets are shown in the balance sheet at the nominal value or at the lower fair value. Individual value adjustments on doubtful receivables were undertaken to the extent of €14,000. We do not make general value adjustments.

The other non-current assets primarily include paid development costs for the leasehold property in Solingen at €253,000 (previous year: €264,000) and the capitalised actuarial reserve for claims from pension liability insurance policies for pension obligations (€111,000 , previous year: €99,000). The existing pension liability insurance policies do not involve plan assets as per IAS 19.

The deferred tax claims essentially result from valuation differences with interest rate derivatives, investment properties and other provisions. They increased by €256,000 year-on-year to €2,170,000. Whereas the share in the deferred tax on the assets side apportionable to valuation differences of interest rate derivatives increased by €325,000, the deferred tax portion relating to the valuation differences of investment properties decreased by €72,000.

The receivables and other current assets break down as follows:

in T€	Dec 31, 2009	Dec 31, 2008
Trade receivables	77	197
Other	410	602
Total	**487**	**799**

Trade receivables relate without exception to receivables due from tenants and leaseholders. As of December 31, 2008, the breakdown included an indemnity claim amounting to €155,000, which has been payable and collected in the meantime on account of early termination of a tenancy. The other current assets essentially decreased due to the fall in accrued interest receivables and swap interest to the extent of €192,000.

The trade receivables shown were all due on the financial statement date and are thus overdue within less than 30 days following the balance sheet date.

The result of the reporting year was reduced by the write-off of receivables to the extent of €36,000 (previous year: €70,000). In the same period, we collected written-off receivables amounting to less than €1,000 (previous year: €11,000).

Income tax receivables amount to €44,000 (previous year: €557,000). They relate to reimbursement claims for the assessment period 2009. The item decreased by €513,000 due to collection of the reimbursement claims shown in the previous year for the assessment periods 2007 and 2008.

(17) Bank deposits and cash balances

in T€	Dec 31, 2009	Dec 31, 2008
Bank deposits	37,937	54,010
Cash balances	5	2
Total	**37,942**	**54,012**

The cash fund reduced by €16,070,000 due mainly to the outflow of the equity capital used for the property investments and the disbursement of the dividend for the financial year 2008.

(18) Non-current assets held for disposal

The previous year's valuation involves the book value of the investment in Montan GmbH Assekuranz-Makler, Düsseldorf. The investment was sold in January 2009.

(19) Equity capital

The development of the equity capital from 1 January 2008 until 31 December 2009 is shown in the statement of changes in the equity capital.

The subscribed capital amounts to €22.77 million and is divided into 22,770,000 no-par-value shares made out to bearer. The legal reserve amounts to €2,277,000.

The Managing Board was authorised, through the resolutions of the general shareholders' meeting of 5 June 2008, to increase the share capital of the company with the agreement of the Supervisory Board as follows:

- €2,270,000 (Authorised Capital I)
- €9,080,000 (Authorised Capital II).

Authorised allotments of 11,350,000 shares result from the authorised capital sums, which can be issued to the shareholders as no-par-value shares. The authorisation applies until 4 June 2013. The issued shares in the company would increase to 34,120,000 units in the event of full implementation of the authorised capital measures.

The company shows an unappropriated surplus amounting to €32,269,000 (previous year: €35,165,000) as of 31 December 2009. The Managing Board will propose a dividend distribution amounting to €8,424,900 to the general shareholders' meeting for the 2009 financial year. This corresponds to a dividend of €0.37 per no-par-value share. The dividend proposal is based on the unappropriated surplus of the company under commercial law amounting to €27,237,000.

The other retained earnings comprise the earnings achieved in the past – in so far as they were not distributed or carried forward to new account – and amount to €104,575,000.

The revaluation reserve includes the fair value changes from the valuation of derivatives in connection with hedging transactions (cash flow hedges), in so far as they were treated without affecting the operating result.

The objectives of our capital management are the securing of the company's continuation, the adequate return on capital and the maintenance of the debt repayment capability.

The control measurement here is essentially the equity ratio, which also constitutes an acknowledged key corporate figure with investors, analysts and banks.

	2009 T€	2008 T€	Change in %
Equity capital	155,297	160,050	– 3.0
Balance sheet total	298,589	281,346	6.1
Balance sheet equity ratio	**52.0 %**	**56.9 %**	**– 8.6**

In addition, compliance with the degree of equity capital coverage codified in accordance with Art. 15 of the German REIT Act is greatly important for the company for the maintenance of status as a Real Estate Investment Trust and is therefore subject to regular monitoring. The ratio amounted to 67.2 % as of 31 December 2009 (previous year: 77.1 %).

The Loan-to-Value (LTV) constitutes a key ratio in connection with the debt repayment capability. This indicator defines the relationship between mortgaging and the established value of our properties and was determined by us at 34.3 % (previous year: 31.1 %) on the balance sheet date.

Company law provisions essentially form the framework for the capital management, within which management of the capital structure is carried out, e.g. through a capital increase.

The capital management targets were achieved in the financial year.

(20) Financial liabilities and derivative financial instruments

Financial liabilities increased by €22,568,000 to €113,672,000. The increase arises as the balance from the raising of further loans for the financing of our property investments, through market value changes to the interest rate hedging derivatives concluded and due to scheduled redemption payments.

The loans amounted to €105.8 million on the balance sheet date. Both fixed-interest agreements over many years and – for the attainment of greater flexibility – interest rate agreements based on EURIBOR underlie the existing property loans. The interest rate risk was eliminated in the latter instances by concluding interest rate swaps, with which we obtain the EURIBOR and, on the other hand, pay an agreed fixed-rate interest over the swap term. The nominal hedging volume resulting from this amounted to €85.5 million on the balance sheet date and the market value for the interest rate hedging trans actions concluded was -€7.8 million. The term of the derivatives ends between 2013 and 2018 depending on the underlying loan transactions. A decrease in the revaluation reserve, by €1.7 million, resulted from the change in the market values of these interest rate swaps from €2.1 million taking into account deferred taxes of €325,000.

In addition, the company has held two further financial derivatives since the year 2000, with which a hedging relationship with a loan transaction is not provided. The nominal hedging volume of these derivatives stood at approximately €0.4 million on the balance sheet date. The term of the agreements ends in 2010. Liabilities were shown in the reporting year to the extent of €11,000 for possible risks that may arise from these derivatives. From the change in the market valuation of these interest rate swaps, an income amounting to €16,000 (previous year: expenditure of €8,000) arose in the reporting year, which is included in the interest income (previous year: interest payments).

Serial number	Type	Term until	Nominal value Dec 31, 2009 € million	Fair value T€
1	Interest rate swap	Apr. 2018	17.2	– 1,868
2	Interest rate swap	Apr. 2018	12.4	– 1,352
3	Interest rate swap	Dec. 2013	13.0	– 660
4	Interest rate swap	Dec. 2018	4.9	– 271
5	Interest rate swap	Oct. 2017	38.0	– 3,683
			85.5	– 7,834
6	Interest rate swap	Jun. 2010	0.1	– 3
7	Interest rate swap	Dec. 2010	0.3	– 8
			0.4	– 11
	Total		**85.9**	**– 7,845**

Land charges to the extent of €114.2 million chargeable to the company were entered on December 31, 2009.

The company had a line of credit amounting to €3 million up to December 31, 2009, which was secured by a further land charge. The credit line arrangement expired as of December 31, 2009. The land charge certificate has been returned to us in the meantime.

in T€	December 31, 2009		December 31, 2008	
	long-term	short-term	long-term	short-term
Financial liabilities	101,218	4,609	81,543	3,754
Derivative financial instruments	7,834	11	5,807	0
Total	**109,052**	**4,620**	**87,350**	**3,754**

The financial liabilities bear interest at interest rates of between 4.41% and 5.21%. The redemptions are effected quarterly, half-yearly or annually commensurate with the loan agreements.

Contractually agreed redemption payments:

in T€	Dec 31, 2009	Dec 31, 2008
Financial liabilities		
of which		
payable within one year	4,620	3,754
payable within two to five years	27,235	12,153
payable after five years	81,817	69,390
Total	**113,672**	**85,297**

HAMBORNER is exposed to various risks due to its business activity. The risk report, which is part of the management report, includes a detailed presentation of these risks and their management.

Derivative financial instruments in the form of interest rate swaps are used in the main for the management of interest rate risks. The risks resulting in connection with the use of these derivative financial instruments are the subject of risk management and control.

The risks resulting from the financial instruments relate to credit, liquidity and market risks. Credit risks exist in the form of risks of default for financial assets. This risk subsists to the extent of the book values of the financial assets as a maximum. For derivatives, this is the sum of all the positive market values and, for primary financial instruments, the sum of the book values. If risks of default exist, they are taken into account by means of value adjustments.

Liquidity risks constitute refinancing risks and thus risks of a fulfilment of existing obligations to pay when due. 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 the medium-term plan, which covers a period of five years.

The current liquidity requirements are compared with the actual data by means of daily, weekly and monthly budgetary accounts.

Sensitivity analyses are required for the presentation of market risks in accordance with IFRS 7. Both influences on the result as well as on the equity capital are to be shown through hypothetical changes in risk variables orientated to the past. Interest rate risks in particular are relevant for HAMBORNER in this regard.

Interest rate risks result from changes in the level of market interest rates. We limit such risks through the use of interest rate swaps. Sensitivity analyses, which show the consequences of changes in the level of market interest rates on interest payments, interest charges and income as well as on the equity capital, are carried out in compliance with IFRS 7. The following assumptions apply to this end:

Primary financial instruments with a fixed interest rate are only subject to interest rate risks if they are assessed at the fair value. Financial instruments that are valued at acquisition cost are not subject to interest rate risks. In the case of cash flow hedges for the hedging of interest-induced payment fluctuations, changes in the level of market interest rates have consequences on the reserve in the equity capital.

Therefore, these financial instruments are taken into account in the sensitivity analysis. Primary financial instruments with a variable interest rate should also be subjected to a sensitivity analysis, as they too are subject to a risk of a change in the market interest rate. In the sensitivity analysis, the indicative valuation was calculated as of the balance sheet date on the basis of the market value, taking into account accrued interest.

Sensitivity analysis

in T€	Dec 31, 2009	Dec 31, 2008
Market value of financial instruments on a floating-rate basis	**–7,845**	**–5,807**
Change in the revaluation reserve		
Interest rate + 1%	3,908	4,492
Interest rate - 1%	–4,272	–4,879
Profit and loss account		
Interest rate + 1%	1	5
Interest rate - 1%	–1	–5

Other information on financial instruments
As a result of the forthcoming sale, the participation in Montan GmbH Assekuranz-Makler, Düsseldorf was reclassified from the item "Investments" into the "Non-current assets held for disposal" as of December 31, 2008. The valuation under the current assets was carried out at the market value. The investment was sold in January 2009.

For short-term financial assets and liabilities that are not derivatives, the respective book value constitutes an appropriate approximation of the fair value within the meaning of the IFRS.

Additional details on financial instruments

		Valuation in accordance with IAS 39			Valuation in accordance with other standards	
in T€	**Dec 31, 2009**	**Fair value available for sale/ derivatives**	**Continued activities, loans and receivables**	**Continued activities held until final maturity**	**Fair value**	**Continued activities**
Assets						
Intangible assets	6					6
Tangible fixed assets	151					151
Properties held as a financial investment	257,386					257,386
Financial assets	38			38		
Long-term other assets	365			365		
Deferred tax assets	2,170					2,170
Short-term trade receivables and other assets	487		487			
Income tax receivables	44					44
Bank deposits and cash balances	37,942		37,942			
	298,589	**0**	**38,429**	**403**	**0**	**259,757**

Liabilities						
Equity capital	155,297					155,297
Long-term financial liabilities and trade accounts payable and other liabilities	113,128	7,834*	103,712			1,582
Deferred tax liabilities	14,708					14,708
Provisions for pensions	5,603					5,603
Other long-term provisions	701				701	0
Short-term financial liabilities and trade accounts payable and other liabilities	6,497	11	5,558			928
Liabilities from taxes on income	402					402
Other short-term provisions	2,253		331			1,922
	289,589	**7,845**	**109,601**	**0**	**701**	**180,442**

* Derivatives

	Valuation in accordance with IAS 39				Valuation in accordance with other standards	
in T€	Dec 31, 2008	Fair value available for sale/ derivatives	Continued activities, loans and receivables	Continued activities held until final maturity	Fair value	Continued activities
Assets						
Intangible assets	12					12
Tangible fixed assets	176					176
Properties held as a financial investment	223,342					223,342
Financial assets	38			38		
Long-term other assets	366		3	363		
Deferred tax assets	1,914					1,914
Short-term trade receivables and other assets	799		799			
Income tax receivables	557					557
Bank deposits and cash balances	54,012		54,012			
Non-current assets held for sale and assets from activities to be discontinued.	130	130				
	281,346	**130**	**54,814**	**401**		**226,001**

Liabilities						
Equity capital	160,050					160,050
Long-term financial liabilities and trade accounts payable and other liabilities	91,134	5,807*	83,575			1,752
Deferred tax liabilities	15,188					15,188
Provisions for pensions	5,780					5,780
Other long-term provisions	678				678	
Short-term financial liabilities and trade accounts payable and other liabilities	5,577		4,898			679
Liabilities from taxes on income	660					660
Other short-term provisions	2,279		277			2,002
	281,346	**5,807**	**88,750**	**0**	**678**	**186,111**

* Derivatives

The net result (profit +/loss -) from financial assets and liabilities is made up as follows:

in T €	2009	2008
available for disposal	14	1,078
Derivatives	15	– 8
Liabilities at amortised acquisition cost	– 4,607	– 2,343

(21) Deferred tax liabilities

Deferred tax liabilities amount to €14,708,000 following €15,188,000 in the previous year. They relate quite predominantly to the special account with reserve characteristics under commercial and tax law. The decrease arises essentially from the change to this special account.

(22) Liabilities from taxes on income

Liabilities from taxes on income decreased by €258,000 to €402,000. They relate to business taxes for the year 2008 amounting to €160,000 as well as expected additional payment amounts for corporation tax and solidarity surcharge for the year 2009 at €242,000.

(23) Trade accounts payable and other liabilities

The trade accounts payable and other liabilities amount to a total of €5,953,000 as of December 31, 2009. Of this, €1,877,000 is payable within the next 12 months. The valuation increased by €344,000 overall compared with last year. The addition arises as the balance figure from the change in various single items. There are trade accounts payable amounting to €68,000 on the balance sheet date. The value is thus around €538,000 below the value for the previous year. The decrease is mainly attributable to the settlement of outstanding invoices for consultation services, which were shown under the trade accounts payable as of December 31, 2008.

(24) Provisions for pensions

There are occupational pension scheme commitments for eligible current and former employees and surviving dependents. These commitments are performance-related commitments in accordance with IAS 19. The Projected Unit Credit Method forms the basis of the valuation of the provision. It is not just the pensions and purchased pension rights known on the balance sheet date that are taken into account with this project unit credit method, but also increases in salaries and pensions to be expected in the future. A normal retirement age of 62 or 63 years forms the basis for the determination of the provision.

Expenses from the commitments are apportioned over the length of service of employees in accordance with expert actuarial opinion and consist of the work service costs and the actuarial profits or losses recorded for the current year, which are shown under personnel costs, as well as the interest expense, which has an influence on the financial result. Interest payments from pension obligations amounted to €381,000 in 2009 (previous year: €375,000).

Actuarial losses not yet entered on the balance sheet date amounting to €1,380,000 are disregarded for the avoidance of greater volatility in compliance with the corridor approach permitted in accordance with IAS 19 with the funding of pensions provisions. These losses are only taken into account in application of the corridor approach, in so far as they exceed the thresholds of the corridor defined in IAS 19 (10% of the "actual defined pension obligation"). The corridor threshold represents €698,000 on the balance sheet date. A corridor transgression of €682,000 follows from this for the year 2009, which should be apportioned over the expected average remaining working period of the beneficiaries. This pro rata loss, which is still not taken into account, should only be offset in the associated period in each case, in accordance with IAS 19. From this, an amount of €179,000 will be taken into account in 2010. Actuarial losses amounting to €80,000 have had an impact in the reporting year from the corridor transgression of the year 2008.

Development of pensions provisions in the reporting year:

in T€	2009	2008	2007	2006	2005
Balance sheet value on 1 January	5,780	5,923	6,140	6,330	6,415
Ongoing work service costs	11	11	41	40	67
Interest expense	381	375	317	320	336
Actuarial profits/losses entered for the current year	80	83	13	0	0
Pension payments	– 649	– 612	– 588	– 550	– 488
Balance sheet value on 31 December	**5,603**	**5,780**	**5,923**	**6,140**	**6,330**
Actuarial losses not recorded	1,380	1,060	1,174	777	670
Defined Benefit Obligation (DBO) at the year-end	6,983	6,840	7,097	6,917	7,000
Experience-based adjustment of plan liabilities	199	171	641	82	132

The movements in the cash value of the performance-related obligation are constituted as follows:

in T€	2009	2008	2007	2006	2005
Cash value on 1 January (Defined Benefit Obligation)	6,840	7,097	6,917	7,000	6,938
Work service costs	11	11	41	40	67
Interest expense	381	375	317	320	336
Actuarial profits/losses	400	– 31	410	107	147
Pension payments	– 649	– 612	– 588	– 550	– 488
Cash value on 31 December (Defined Benefit Debentures)	**6,983**	**6,840**	**7,097**	**6,917**	**7,000**

HAMBORNER paid contributions of €143,000 (previous year: €145,000) to the statutory pension insurance in the reporting year, which should be regarded as a defined contribution pension scheme. In addition, contributions to direct insurance policies amounting to €11,000 (previous year: €12,000) were assumed by the company. The company assumes no additional obligations beyond the settlement of contribution payments with defined contribution schemes. Charges are entered in personnel costs.

Pension payments amounting to €649,000 are expected in the 2010 financial year.

(25) Other provisions

The maturities of the other provisions break down as follows:

	Jan 1, 2009				Dec 31, 2009	of which	
in T€	Overall	Alloca-tions	Claim	Releases	Overall	long-term	short-term
Provisions for							
Bonuses	559	514	559	0	514	0	514
Mining damage	1,378	37	14	0	1,401	701	700
Provisions linked to the Articles of Association and legal form	406	211	406	0	211	0	211
Legal and consultancy expenses	195	241	167	28	241	0	241
Outstanding invoices	276	331	241	35	331	0	331
Other	143	206	93	0	256	0	256
Total	**2,957**	**1,540**	**1,480**	**63**	**2,954**	**701**	**2,253**

The provisions for bonus obligations are around €45,000 below the value for the previous year and amount to €514,000. The decrease is mainly attributable to employee fluctuation within the group of people eligible for a bonus.

The provisions for mining damage relate to the potential risks from our former mining activity, which continue to a limited extent. In this respect we refer to the more comprehensive explanations in the risk report, which is an integral part of the integrated management report.

Mining-related provisions are long-term provisions that are shown in the balance sheet at their settlement value discounted on the balance sheet date. A rate of interest of 6.0% (previous year: 6.0%) with a residual term of up to 22 years (previous year: 23 years) is taken as a basis here as the discount factor. The allocation made in the reporting year amounts to €37,000 and arises from the term-dependent compounding of the provision. The €14,000 shown as a drawing relates to expenses for shaft protection measures and for the management of the affected pits and coal fields.

The provisions for obligations linked to the Articles of Association and legal form include remunerations for the Supervisory Board and statutory auditor's fees. We refer to marginal number (2) for further details on the statutory auditor's fees within the meaning of Art. 314 Para. 1 No. 9 of the German Commercial Code.

The provisions for outstanding invoices increased by €54,000 year-on-year and amount to €331,000. Amounts for maintenance expenses not yet invoiced and for operating costs were deferred, in so far as they relate to the year 2009.

(26) Contingent liabilities and financial obligations

The other financial obligations after the balance sheet date result from four long-term leasehold contracts and are constituted as follows:

Agreement term up to	Payment obligation (in T€ p.a.)	Charge passed on to tenants (in T€ p.a.)
31 December 2034	184	184
31 March 2060	113	0
30 June 2012 *	228	0
30 June 2023	210	0
Total	**735**	**184**

* The heritable building right transfers into our ownership on June 30, 2012 against payment of €3.2 million on the basis of contractual agreements.

Furthermore, there are no additional contingent liabilities, third-party liabilities or other financial obligations.

(27) Leasing relationships

All rental agreements that HAMBORNER has concluded with its tenants are classified as operating leasing in accordance with IFRS, as all opportunities and risks associated with the ownership remain with the company. Accordingly, HAMBORNER is the lessor in all operating leasing relationships (tenancies) of varied construction for investment properties.

Within the framework of operating leasing, investment properties at the book value of €254.8 million (previous year: €220.7 million) were leased out as of December 31, 2009.

HAMBORNER will receive the following minimum leasing payments from existing non-cancellable operating leasing relationships from commercial letting:

in T€	2009	2008
up to one year	18,425	18,377
longer than one year up to five years	61,055	58,104
over five years	50,362	45,407
	129,842	**121,888**

The minimum leasing payments comprise rent incomes up to the agreed expiration of the contract or up to the earliest possible termination date of the lessee (tenant), regardless of whether a termination or non-utilisation of an extension option is actually to be expected.

There were conditional rent payments in the reporting period only to an insignificant extent.

Explanatory notes to the cash flow statement

The development of cash flows is shown in the cash flow statement, separated according to cash inflows and money outflows from the operating activity, the investment activity and the financing activity.

The cash fund comprises cash balances and bank deposits. There are time deposits amounting to €19.0 million invested, which are payable by March 2010 at the latest. As of the reporting date, the liquid funds of HAMBORNER reduced by €16.1 million compared with the previous year to €37.9 million.

The cash flow statement was prepared in accordance with the provisions of IAS 7. There are no influences from exchange rate movements or from changes in the consolidation scope at HAMBORNER.

(28) Cash flow from operating activity

The cash flow statement is attached to the year-end result before tax (EBT).

As in previous years, HAMBORNER achieved a high positive cash flow of €14.1 million from the operating activity. The book profits from the sale of tangible and financial fixed assets were eliminated from the cash flow of the operating income.

Operating cash flow per share developed as below:

		2009	2008
Number of shares in circulation	Thsd. units	22,770	22,770
Operating cash flow	T€	14,129	10,283
Operating cash flow per share	€	0.62	0,45

(29) Cash flow from investment activity

The disbursements for investments in tangible fixed assets and in intangible fixed assets or the payments received from corresponding sales do not correspond to the additions or disposals shown in the development of fixed assets. They also include the investments and disposals not yet impacting on cash flow. The investments not impacting on cash flow result essentially from purchase price retentions and a payment of land transfer tax not yet due.

The cash flow from investment activity resulted in a cash outflow of €37.7 million in the previous financial year (in the previous year a cash inflow of €41.7 million). Whereas the cash flow of the previous year was essentially influenced by the sale of the special securities fund and the investment in Wohnbau Dinslaken GmbH, the cash flow of the current year is characterised by the further expansion of the property portfolio of the company and the disbursements associated with that.

(30) Cash flow from the financing activity

The cash flow from the financing activity amounting to €7.5 million arises in the main from the borrowing for the properties acquired in 2009 amounting to €23.8 million taking into account interest payments and scheduled loan repayments. In addition, approximately €8.0 million was distributed to the shareholders of the company, as in the previous year.

(31) Cash flow from activities to be discontinued

The cash flow statement for the previous year also includes cash inflows and outflows of the securities fund Südinvest 107 shown in the income statement and in the balance sheet as "Activities to be discontinued". The cash flows from the fund resulting therefrom break down as follows:

in T€	2009	2008
Cash flow from operating activity	0	1,405
Cash flow from investment activity	0	50,784
Cash flow from financing activity	0	0
Cash flow from activities to be discontinued	**0**	**52,189**

Other explanatory notes and compulsory details

Events after the balance sheet date

On January 4, 2010 the REIT Articles of Association approved by the general shareholders' meeting in June 2009 were lodged with the Duisburg County Court for registration. Registration ensued on February 18, 2010. As a result, HAMBORNER is a REIT AG retroactively as of January 1, 2010 with appropriate Articles of Association and the full business name of HAMBORNER REIT AG.

On December 22, 2009 a notarial deed of sale was concluded for an office property in Erlangen. The property transferred into our ownership in the middle of February 2010. Purchase price payments of €14.8 million in totalhave been payable for this purchase in the meantime.

Assumptions and estimates

In the preparation of the annual financial statements, assumptions have been made and estimates used which have had an impact on the reporting and extent of the assets, liabilities, income and expenses shown in the balance sheet. These assumptions and estimates essentially relate to the determination of useful life ranges, the retention of value of properties and buildings, receivables and investments, the appropriation and the valuation of provisions as well as the realisability of deferred taxes on the assets side. Actual values may deviate from the assumptions and estimates made in individual cases. Changes are taken into account at the time of better cognisance with an effect on the operating result.

Employees

The number of employees (excluding the Managing Board) amounted on an annual average to:

	2009	2008
Commercial property management	6	5
Technical property management	5	5
Administration	12	14
Total	**23**	**24**

Corporate governance

In December 2009, the Managing Board and Supervisory Board submitted an updated declaration of compliance and made it publicly accessible on the Internet at www.hamborner.de in the section Investor Relations/Corporate Governance. The declaration of compliance is also published in the present annual report 2009 with full wording.

Notification regarding the existence of an investment

According to Art. 11 Para. 4 of the German REIT Act, no investor may directly hold 10 % or more of the shares or shares to an extent that he has 10 % or more of the voting rights. On the balance sheet date on December 31, 2009 no shareholders were known to the company whose direct shareholding exceeded 10 % of the share capital.

There are indirect participations in the capital of the company which indirectly attain or exceed 10 % of the voting rights, as follows:

The State of Schleswig Holstein and the Free and Hanseatic City of Hamburg jointly hold a participation of 52.71 % (12,003,164 voting rights) in the voting capital of the company indirectly via HSH Finanzfonds AöR according to notifications dated June 30, 2009/July 1, 2009. Of this, all voting rights of the following subsidiaries are attributable to them in accordance with Art. 22 Para. 1 Clause 1 No. 1 of the German Securities Trading Act:

- HSH Nordbank AG
- HSH Real Estate AG
- HSH RE 2.-7. Beteiligungs GmbHs (consisting of six companies)

The investments were effected on the basis of a capital increase at HSH Nordbank AG, which was registered on 25 June 2009 and through which the registrants have acquired a dominant position at HSH Nordbank. According to notifications dated July 20, 2009 in accordance with Art. 27a of the German Securities Trading Act, the attainment of the majority shareholding pursues no strategic objectives with regard to the issuer and was effected only by allocation of the investment of HSH Nordbank AG in accordance with Art. 22 Para. 1 Clause 1 No. 1, Para. 3 of the German Securities Trading Act.

HSH RE recently informed us on December 16, 2009 that the voting rights share of HSH RE Beteiligungs GmbH in HAMBORNER Aktiengesellschaft had fallen below the threshold of 50 % on December 15, 2009 and amounted to 0 % (0 voting rights) on that day. The respective voting rights share of the companies HSH RE 2. Beteiligungs GmbH, HSH RE 3. Beteiligungs GmbH, HSH RE 4. Beteiligungs GmbH, HSH RE 5. Beteiligungs GmbH and HSH RE 6. Beteiligungs GmbH on December 15, 2009 each exceeded the thresholds of 3 % and 5 % and amounts to 9 % (2,049,300 voting rights) per company on that day. On that day 5.32 % of the voting rights (1,211,019 voting rights) is attributable to HSH RE 7. Beteiligungs GmbH with transgression of the corresponding thresholds. All the companies are subsidiaries of HSH Real Estate AG, which thus indirectly holds a shareholding of 50.32 % of the shares (11,457,519 voting rights).

In addition, we have had notifications in accordance with Art. 21 Para. 1 of the German Securities Trading Act since 6 February 2009, according to which Professor Dr. Theo Siegert of Düsseldorf has indirectly held 6.15 % (1,400,000 units in absolute terms) of the voting rights since November 28, 2008 via de Haen Carstanjen & Söhne GmbH, Düsseldorf. Furthermore, 5.45 % (1,240,000 units in absolute terms) of the shares in the voting capital of our company are attributable to him indirectly via SIEGERT & CIE GmbH, Düsseldorf, as from 18 December 2008. Overall, he therefore indirectly holds a participation that, at 11.6 % (2,640,000 votes in absolute terms), exceeds the threshold of 10 % of the voting rights shares.

HAMBORNER is included in the consolidated financial statements of HSH Nordbank AG and of HSH Real Estate AG. HSH Nordbank AG, Hamburg/Kiel, prepares the consolidated financial statements for the largest group of companies and HSH Real Estate AG, Hamburg, prepares the consolidated financial statements for the smallest group of companies. The consolidated financial statements of HSH Nordbank AG and of HSH Real Estate AG are published in the electronic German Federal Gazette.

Relationships with associated companies and persons in the 2009 financial year

The company has a current account at HSH Nordbank AG, which showed a balance of €471.20 in our favour on December 31, 2009.

Other transactions subject to disclosure have not arisen in the 2009 financial year.

Customary market conditions and terms formed the basis for all supply and service relationships with associated companies and persons.

The remuneration to persons in key positions of our company, which is declarable in accordance with IAS 24, entails the remuneration of the Managing Board and Supervisory Board. Members of the Managing Board were remunerated as follows in the 2009 financial year:

in T€	2009	2008
Payments due in the short term	578	547
Payments after termination of the employment relationship	24	0
Payments on the occasion of the termination of employment	0	257
Total	**602**	**804**

In addition, contributions amounting to €57,000 accrued for the pension scheme, health and nursing care insurance as well as remunerations in kind in the form of the use of company cars. The previous year's valuation included the one-off remuneration to be paid contractually to a retired member of the Managing Board.

The present financial statements take into account payments due in the short term to the active members of the Supervisory Board amounting to €159,000 (previous year: €354,000).

Remuneration of the Managing Board and Supervisory Board

The remuneration of the Managing Board and Supervisory Board, as well as the fundamentals of the remuneration system, are presented in detail in the remuneration report, which is a component part of the management report.

The total remunerations of the active Managing Board amounted to€635,000 in the reporting year. Former members of the Managing Board and their surviving dependents received emoluments amounting to €431,000. The pensions provisions formed for this group of people amount to€3,547,000.

The emoluments of the members of the Supervisory Board amount to €159,000 for the financial year.

Executive bodies of the company and their mandates

Supervisory Board

Dr. Josef Pauli, Essen
Honorary Chairman

Dr. Eckart John von Freyend, Bad Honnef
Chairman

Shareholder of Gebrüder John von Freyend Verwaltungs- und Beteiligungsgesellschaft m.b.H.

External mandates:
- Finum AG * (chairmanship) (until Nov 26, 2009)
- Finum Finanzhaus AG * (chairmanship) (as from Nov 27, 2009)
- Hahn-Immobilien-Beteiligungs AG *
- IVG Immobilien AG * (as from Oct 15, 2009)
- Konzeptplus AG * (chairmanship until March 26, 2009)
- Litos AG * (until March 26, 2009)
- VNR Verlag für die Deutsche Wirtschaft AG *
- Investment AG für langfristige Investoren TGV* (as from March 30, 2009)

Dr. Marc Weinstock, Kelkheim-Fischbach
Deputy Chairman

Chairman of the Managing Board of HSH Real Estate AG

External mandates:
- LB Immo Invest GmbH ** (Deputy Chairman as from May 6, 2009)
- DSK Deutsche Stadt- und Grundstücksentwicklungsgesellschaft mbH ** (Chairman)
- BIG BAU-INVESTITIONSGESELLSCHAFT mbH ** (Deputy Chairman)
- Pirelli RE Asset Management Deutschland GmbH **
- H/H-Capital Management GmbH **
- BIT – Beteiligungs- & Investitions-Treuhand AG * (as from Aug 21, 2009)

Volker Lütgen, Wentorf
Managing Director of HSH Capitalpartners GmbH

Robert Schmidt, Datteln
Managing Director Evonik Immobilien GmbH

External mandates:
- HSH Real Estate AG * (until Oct 31, 2009)
- THS GmbH **
- Wohnbau Dinslaken GmbH ** (Deputy Chairman)

Edith Dützer ***, Moers
Clerical employee

Hans-Bernd Prior ***, Dinslaken
Technician

Committees of the Supervisory Board

Executive Committee
Dr. Eckart John von Freyend (Chairman)
Dr. Marc Weinstock
Volker Lütgen
Robert Schmidt

Audit Committee
Dr. Marc Weinstock (Chairman)
Robert Schmidt
Edith Dützer

Nominating Committee
Dr. Eckart John von Freyend (Chairman)
Dr. Marc Weinstock
Volker Lütgen
Robert Schmidt

Managing Board

Dr. Rüdiger Mrotzek, Hilden
Director for finance/accounting, taxes, properties, EDP, risk management/monitoring

Hans Richard Schmitz, Bonn
Director for legal matters, personnel, investor relations/public relations, corporate governance, insurance

Duisburg, 19 February 2010

The Managing Board

Dr. Rüdiger Mrotzek Hans Richard Schmitz

* Membership of other Supervisory Boards to be constituted by law
** Membership of comparable domestic and foreign monitoring bodies
*** Member of the Supervisory Board for employees

Declaration of the Board of Management

We declare, to the best of our knowledge, that the individual financial statements convey a picture of the net worth, financial position and earnings of the company corresponding to the actual circumstances in accordance with the accounting principles to be applied and that, in the management report, the course of business including the operating results and the position of the company are portrayed in such a way that a picture corresponding to the actual circumstances is conveyed and the significant opportunities and risks for the probable development of the company are described.

Duisburg, 19 February 2010

The Managing Board

Dr. Rüdiger Mrotzek   Hans Richard Schmitz

Independent Auditors' Report

To the HAMBORNER REIT AG (formerly: HAMBORNER Aktiengesellschaft), Duisburg

We have audited the individual financial statements – comprising the income statement, the statement of income and expense recognized in equity, the balance sheet, the cash flow statement, the statement of changes in equity, the fixed asset movement schedule and the notes to the financial statements – together with the bookkeeping system, and the management report of the HAMBORNER REIT AG (formerly: HAMBORNER Aktiengesellschaft), Duisburg, for the business year from January 1, 2009 to December 31, 2009. The maintenance of the books and records and the preparation of the individual financial statements and management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 325 Abs. 2a HGB ("German Commercial Code") are the responsibility of the Company's management. Our responsibility is to express an opinion on the individual financial statements, together with the bookkeeping system, and on the management report based on our audit.

We conducted our audit of the individual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the individual financial statements in accordance with the applicable financial reporting framework and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the individual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the individual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the individual financial statements of the HAMBORNER REIT AG (formerly: HAMBORNER Aktiengesellschaft), Duisburg, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 325 Abs. 2a HGB and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with these requirements. The management report is consistent with the individual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 1, 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Harnacke)	(Lüdke)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REI[T]

[T] = tra|di|tion [trəˈdɪʃn], n.
(a custom, opinion, or belief handed down to posterity)

Supplementary information

Tradition as a building block for a successful company history

HAMBORNER is building on a successful company history

The company has been engaged in property transactions for just under 60 years with commitment and experience. Having emerged from the mining period after being founded as a mining concern in 1953, the mining activities were transferred to Ruhrkohle AG at the end of the 1960s. HAMBORNER was henceforth operated as a real estate and asset management company of the Julius Thyssen family. The sale of 95.4% of the shares in Rhein-Lippe Wohnbaugesellschaft was carried out in 1981 and the special share fund "Südinvest" was launched in 1990, and was managed very successfully by the company.

In 2006 the Thyssen family decided to dispose of its shares in the company and a change of the principal shareholder ensued with the entry of HSH Real Estate. This was the start of the reorientation of HAMBORNER, which then concentrated on its real core business: real estate. Under new company management, the special share fund was terminated and a new growth course pursued with the liquidity gained therefrom.

After the introduction of the German REIT Act in Germany at the beginning of 2007, the direction and the next objective were clear for HAMBORNER, which was already established appropriately in large part. In the following three years, further portfolio adjustments, sales of smaller, non-REIT-compliant investments as well as the merger of the Hambornberg subsidiary cleared the way for the transformation into HAMBORNER REIT AG.

Thus, a further piece of company history was written retroactively as of January 1, 2010 . We are looking forward to being able to continue the tradition of a successful property corporation in the future as well in a "new shell".

Quality is our tradition

HAMBORNER is traditionally a soundly managed company. The focal points are the expansion and active management of a high-quality property portfolio.

The logo of the new HAMBORNER REIT AG shows that the focus remains on this traditional approach, since:

The future needs a solid foundation

And a REIT company provides such a foundation. Moreover, inter alia, a Real Estate Investment Trust has to:

- keep a mandatory minimum equity ratio of 45%,
- show at least 75% immovable property in the consolidated financial statements under the assets,
- generate at least 75% of the sales revenues and other operating income directly from the property transactions.

Important terms and abbreviations

AktG	German Stock Company Act
Cash flow	Cash balance from the inflow and outflow of liquid funds within a period
Cash flow statement	The cash flow statement makes the cash flows in the company transparent. Transactions impacting on liquidity are classified by operating, investment and financing activities.
Corporate Governance	Principles of responsible company management and control geared to the long-term creation of value
DAX	The most important German share index established by Deutsche Börse AG. It shows the development of the 30 biggest German public limited companies, in terms of their market capitalisation and stock exchange turnover.
Declaration of compliance	Declaration by the Managing Board and Supervisory Board in accordance with Art. 161 of the German Stock Company Act for implementation of the recommendations of the Government Commission for the German Corporate Governance Code
Deferred taxes	Items on the assets side and/or on the liabilities side to offset the difference between the tax liability actually assessed and the economic tax burden caused due to balance sheet preparation under commercial law
Derivative	A financial instrument whose value is derived predominantly 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	Designated sponsors are specialised financial service providers that counterbalance temporary imbalances between supply and demand in individual shares in the electronic trading system Xetra. The negotiability of a share is meant to be improved through placing bid and ask limits.
DIMAX	Share index published by the banking firm Ellwanger & Geiger, which combines German property shares
EBDA	Earnings before depreciation and amortization
EBIT	Earnings before interest and tax (only taxes on income)
EBITDA	Earnings before interest, taxes, depreciation and amortization (only taxes on income)
EPRA	European Public Real Estate Association – European association of property companies quoted on the stock market. Financial analysts, investors, auditors and consultants are also represented here, in addition to companies.
Fair value	The amount (fair value) at which knowledgeable and willing parties would be prepared to exchange an asset at normal market conditions or to discharge a liability
FFO	Funds from operations: key figure of the operational management of the company. Corresponds to the net income, less the profits or losses from the sale of properties and plus the depreciations for wear and tear of the property.
GDP	Gross Domestic Product: measurement of the economic performance of a national economy, i.e. the combined value of all goods and services that are produced in the domestic market within a specific period
HGB	German Commercial Code
Ifo	Ifo Institut für Wirtschaftsforschung [Ifo Institute for Economic Research], Munich
IFRS	International Financial Reporting Standards: International accounting provisions issued by the International Accounting Standards Board (IASB). These are compulsorily applied by capital market-orientated companies and groups and are intended to facilitate better comparability in the international environment.
Investment properties	All undeveloped and developed properties as well as buildings and parts of buildings which are held for the attainment of future rental income and/or profits from appreciations in value to third parties and/or for an as yet undefined use. They are not intended for administrative purposes or for short-term trade in the context of the normal business activity.
Loan-To-Value	The LTV is normally defined as the ratio of the loan amount in relation to the fair or market value of specific assets.
Market capitalisation	Market value of a public limited company. Current share price multiplied by the number of shares

MDAX	Mid-cap index: German second-line index, in which 50 shares from traditional, non-technology non-heavy sectors are combined which follow the DAX shares with regard to market capitalisation and stock exchange turnover
Net Asset Value (NAV)	The net asset value reflects the economic equity capital of the company. It is determined from the market values of group assets – essentially the value of properties – net of the borrowed capital.
Performance	Measurement of the yield of an investment in a specific period. It is composed of the performance, the profit distribution and the yield of the liquid funds within a period and is normally expressed as a percentage.
REIT	Abbreviated form for Real Estate Investment Trust. Stock exchange-listed company that invests solely in properties. Facilitates indirect investment in properties for the investor through the purchase of shares. The greater part of the profit is distributed and taxation is effected exclusively at investor level (tax transparency).
Risk management	Systematic process with the aim of identifying potential risks in the company at an early stage, evaluating them and, where appropriate, introducing necessary preventive measures
SDAX	Small-cap index: German share index that, as a second-line index, includes the 50 most important shares - after the DAX and MDAX. The "S" for "small-cap" refers to smaller companies with low market capitalisation and stock exchange turnover.
Volatility	Statistical measurement of the fluctuation margin of a rate of exchange or price, particularly of securities or currencies
VorstAG	German Act for the Appropriateness of Management Remuneration
VorstOG	German Disclosure of Managing Board Remuneration Act
WpHG	German Securities Trading Act

Note

The present report contains statements directed at the future, e.g. on macroeconomic developments in Germany, on the future situation of the property industry and on our own probable business development. These statements are based on current assumptions and estimates of the Managing Board, which were carefully made on the basis of all of the information available at the present time. Should the assumptions underlying the statements and forecasts not come true, actual results may differ from those currently anticipated.

This report also appears in German. The consolidated financial statements were prepared and adopted in German. The English publication is a translation of the German financial statements. The German version shall prevail.

Publisher's note

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HAMBORNER REIT AG

Financial Calendar 2010/2011

25 March 2010	Annual report 2009
12 May 2010	Interim report for 1st quarter 2010
10 June 2010	Annual general shareholders' meeting 2010
11 June 2010	Payment of dividend for the 2009 financial year
12 August 2010	Interim report for 1st half-year 2010
11 November 2010	Interim report for 3rd quarter 2010
29 March 2011	Annual report 2010
12 May 2011	Interim report for 1st quarter 2011
17 May 2011	Annual general shareholders' meeting 2011

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