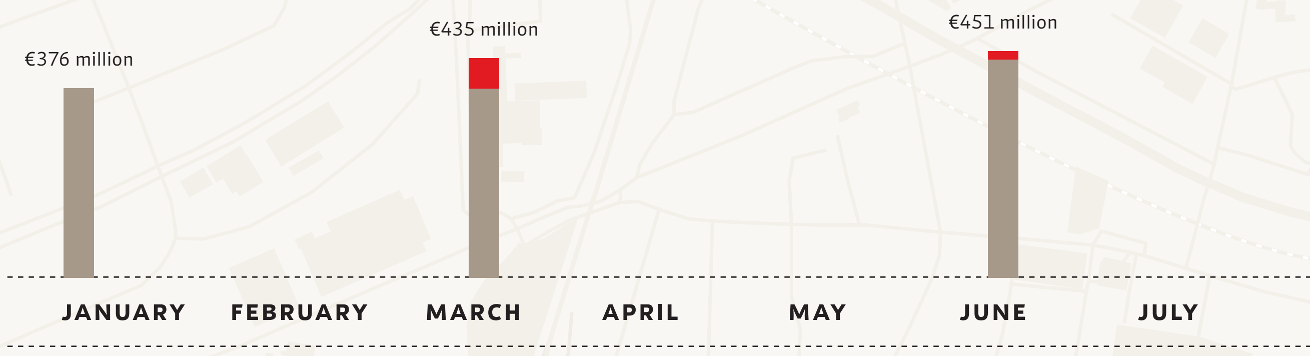
hamborner
REIT
ZUKUNFT BRAUCHT SUBSTANZ

ANNUAL REPORT 2011

VALUE-ADDING **GROWTH**



January

- Starting portfolio value in 2011: €376 million
- Transfer of office building in Brunnthal

February

- Re-placement of HSH shares
- Free float increases

March

- Transfer of three properties in Bad Homburg, Regensburg and Leipzig
- Inclusion in the SDAX

May

- Signing of purchase agreement for "Sass am Markt" office building in Langenfeld

June

- Signing of purchase agreements for office building in Offenburg and OBI in Aachen
- Transfer of ownership of "Sass am Markt" commercial building in Langenfeld

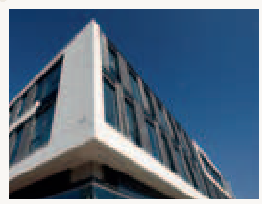
KEY FIGURES AT A GLANCE (IFRS)

€ thousand			
From the statement of comprehensive income	**2011**	**2010***	**2009***
Income from rents and leases	32,160	25,026	22,451
Net rental income	28,244	22,124	19,940
Operating profit	14,888	12,528	10,517
Net finance costs	-7,964	-6,308	-5,019
EBITDA	26,225	20,697	16,966
EBDA	16,970	11,611	11,155
EBIT	17,120	14,755	10,964
Funds from operations (FFO)	16,029	12,163	9,701
Net profit for the year	7,865	5,669	5,153
From the statement of financial position			
Total assets	462,493	406,143	299,035
Non-current assets	435,641	322,067	260,562
Equity	215,131	223,467	154,364
Equity ratio in %	46.5	55.0	51.6
REIT equity ratio in %	55.7	74.4	66.8
Loan-to-value (LTV) in %	39.1	19.3	22.9
On HAMBORNER shares			
Earnings per share in €	0.23	0.22	0.23
Funds from operations (FFO) per share in €	0.47	0.36	0.43
Stock price per share in € (XETRA)			
Highest share price	8.10	8.48	8.60
Lowest share price	6.10	7.03	5.41
Year-end share price	6.40	7.77	8.14
Dividend per share in €	0.40	0.37	0.37
Dividend yield in relation to the year-end share price in %	6.3	4.8	4.6
Price/FFO ratio	13.6	21.8	19.1
Market capitalisation at year-end	218,368	265,112	185,348
Other data			
Fair value of property portfolio	504,432	376,150	307,940
Net asset value (NAV)	299,328	298,144	234,688
Net asset value per share in €	8.77	8.74	10.31
Number of employees at year-end including Managing Board	28	24	24

* Restatement of prior-year figures in accordance with IAS 8

PROPERTY LOCATIONS

MÜNSTER
Martin-Luther-King-Weg 18 – 28



ERLANGEN
Allee am Röthelheimpark 11 – 15

FREIBURG
Lörracher Strasse 8

INGOLSTADT
Despagstraße 3

● Portfolio ● Transferred in 2011 ● Notarised in 2011, transfer of ownership later

FOCUS ON HIGH-GROWTH, MEDIUM-SIZED CITIES

HAMBORNER REIT AG continued its corporate strategy focusing on value-adding growth in the 2011 financial year. Starting from its traditional investment focus on North Rhine-Westphalia, the company is focusing in particular on high-yield commercial property in the south and southwest of Germany. In doing so, it is looking specifically at prosperous medium-sized cities such as Erlangen or Freiburg with attractive risk/reward potential. Here, HAMBORNER is targeting buildings in its three property classes: large-scale retail properties, commercial properties in prime locations and high-quality office buildings.

HAMBORNER was highly active on the transaction market in 2011 and invested around €122 million in total. This annual report presents some of the high-yield properties acquired in recent years in medium-sized but high-growth locations as proof of the successful implementation of its strategy.

AUGUST
- Transfer of two commercial properties in Erlangen and Offenburg

SEPTEMBER
- Signing of purchase agreement for "NuOffice" in Munich
- Sale of office property in Krefeld

OCTOBER

NOVEMBER
- Transfer and opening of new E-Center in Freiburg

DECEMBER
- Value of portfolio reaches €504 million
- Sale of three commercial properties in Erfurt and around 102 hectares of undeveloped land

Growth

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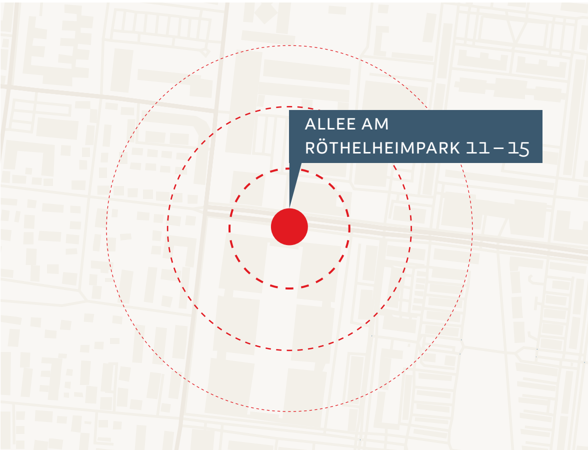
ERLANGEN



Our “Campus Röthelheimpark” project completed in 2011 is situated in the district of the same name, approximately 2.5 km from the centre of Erlangen and is an attractive spot for office tenants and commercial operators.

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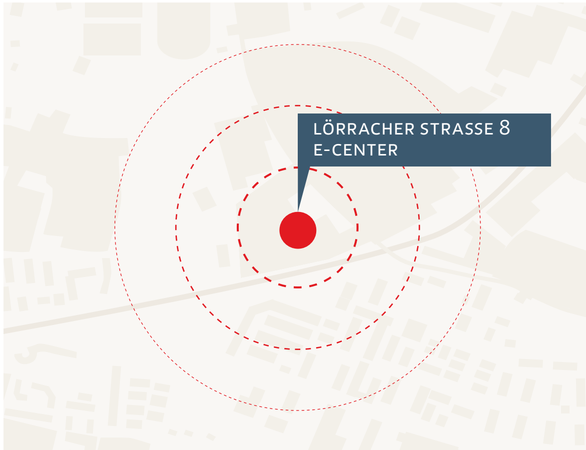
FREIBURG



Opened in November 2011, the E-Center is situated in the Lörracher Strasse commercial area, around five minutes’ drive from the centre of Freiburg. EDEKA has staked a long-term claim to the site with an 18-year lease.

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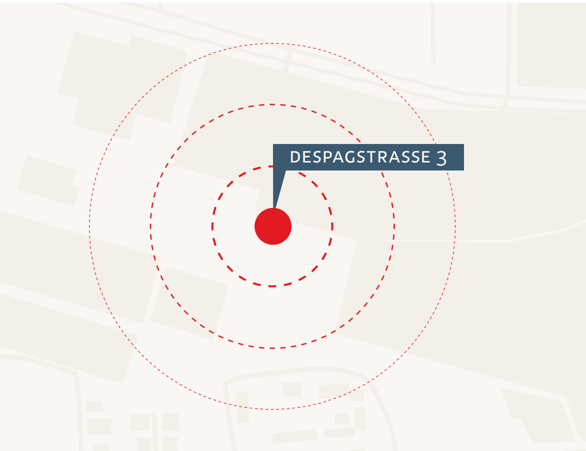
INGOLSTADT



Our office property in Ingolstadt is the German headquarters of the software developer Kaspersky Labs GmbH and has excellent infrastructure connections to the northeast of Ingolstadt, not far from the A9 autobahn. The city centre is just five minutes' drive away.

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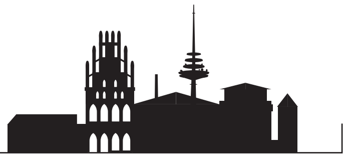
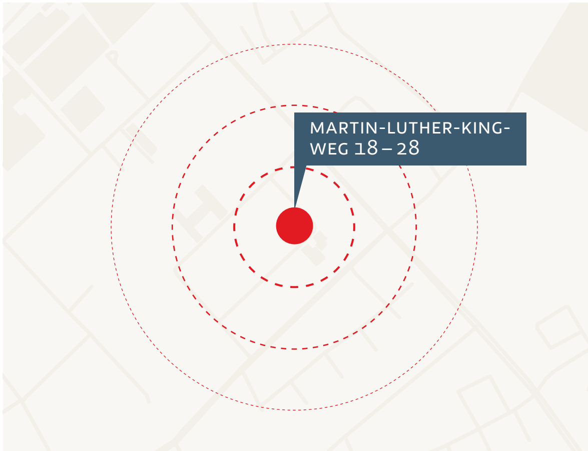
MÜNSTER





The "Deilmann Park" office property is located around 3.5 km to the south of the city centre in the Loddenheide commercial district and borders directly on the well-known Friedenspark. The connections to both the A1 and the city centre are excellent.

SEPARATE FINANCIAL STATEMENTS (IFRS)

* also part of the notes

ADDITIONAL INFORMATION

ALLEE AM RÖTHELHEIMPARK 11–15

ERLANGEN

POPULATION GROWTH 2005 TO 2010

Erlangen +2.4%

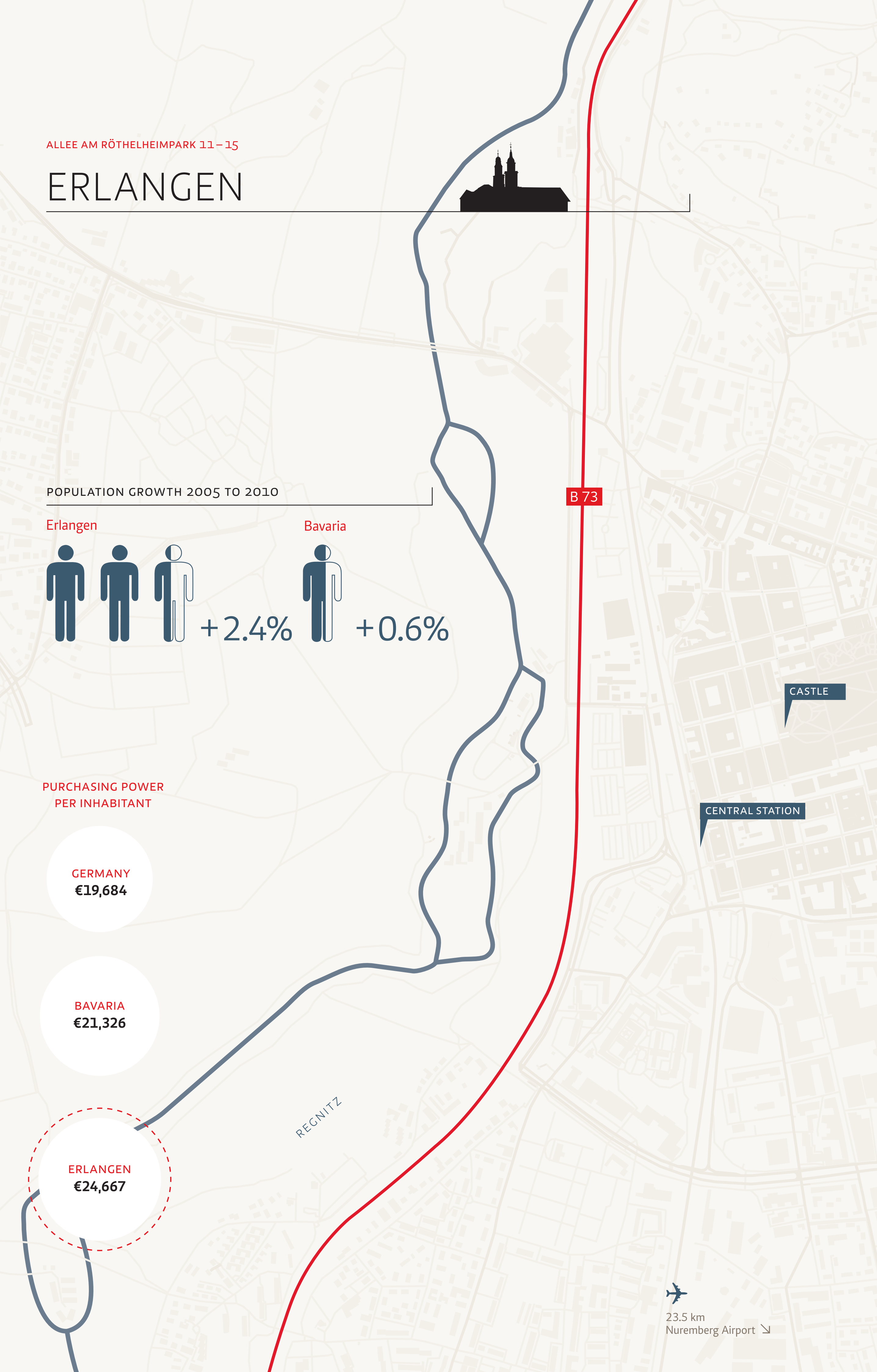
Bavaria +0.6%

PURCHASING POWER PER INHABITANT

GERMANY €19,684

BAVARIA €21,326

ERLANGEN €24,667



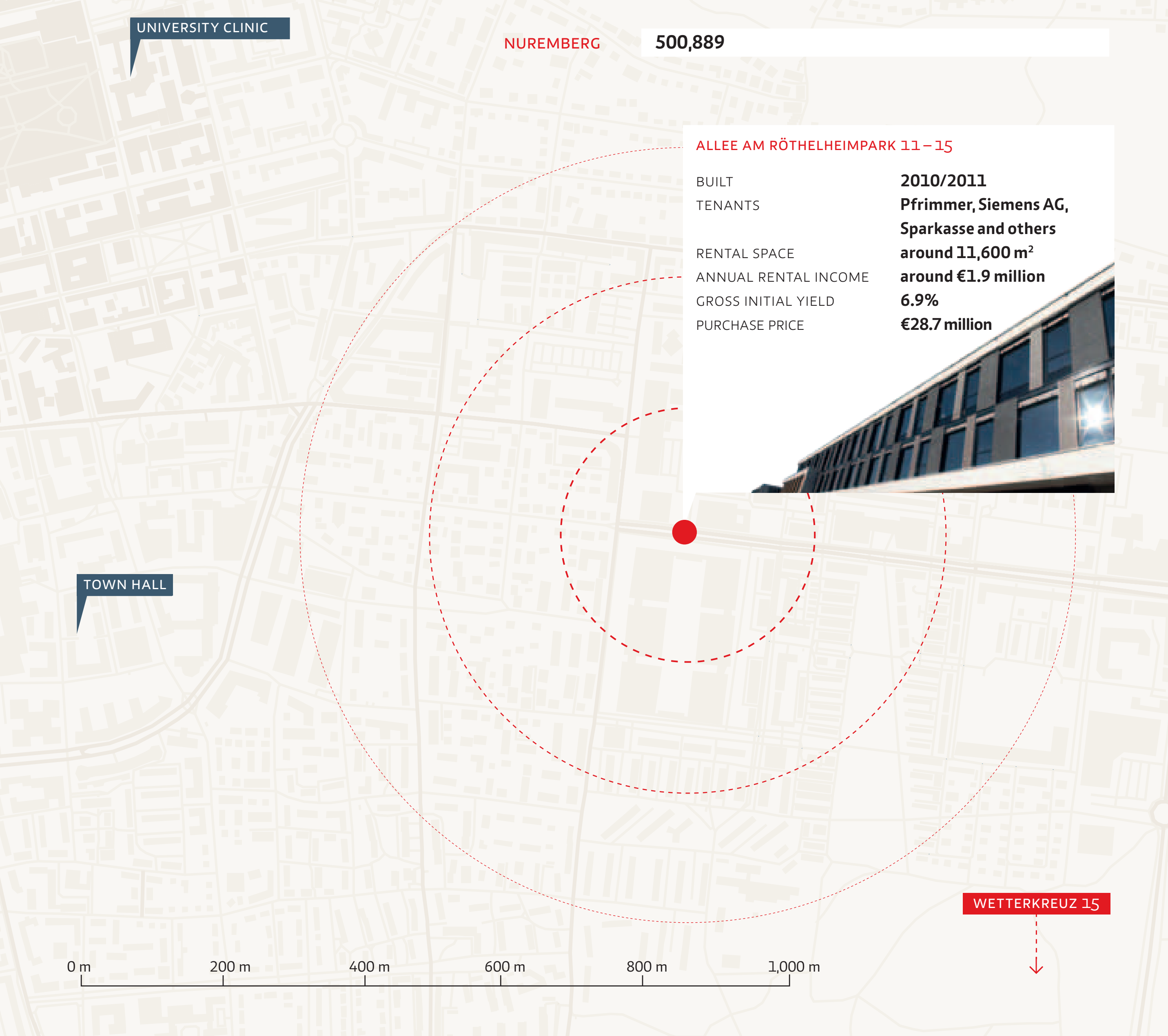
FORECAST LOCATION RANKING OF FUTURE PROSPECTS – TOP 10

1. MUNICH, COUNTY	6. INGOLSTADT, CITY
2. MUNICH, STATE CAPITAL	7. FRANKFURT/MAIN, CITY
3. ERLANGEN, CITY	8. WOLFSBURG, CITY
4. STARNBERG, COUNTY	9. ULM, UNIVERSITY CITY
5. BÖBLINGEN, COUNTY	10. DÜSSELDORF, CITY

■ BEST PROSPECTS ■ VERY GOOD PROSPECTS

POPULATION

ERLANGEN	105,635
FÜRTH	115,264
NUREMBERG	500,889



ALLEE AM RÖTHELHEIMPARK 11–15

BUILT	**2010/2011**
TENANTS	**Pfrimmer, Siemens AG, Sparkasse and others**
RENTAL SPACE	**around 11,600 m^2**
ANNUAL RENTAL INCOME	**around €1.9 million**
GROSS INITIAL YIELD	**6.9%**
PURCHASE PRICE	**€28.7 million**

HANS RICHARD SCHMITZ
MANAGING BOARD OF HAMBORNER REIT AG

DR RÜDIGER MROTZEK
MANAGING BOARD OF HAMBORNER REIT AG

LETTER TO SHAREHOLDERS

Dear Shareholders,

Economically speaking, 2011 was a very difficult year. The last twelve months have been dominated by the financial problems beleaguering the euro, the uncertainty felt by many economic players in Germany and abroad and the extremely volatile response on the stock markets.

We are therefore all the more delighted to be able to present to you today an annual report with excellent results that demonstrates the solidity of HAMBORNER REIT AG even in highly challenging economic times.

The 2011 financial year was largely defined by further growth thanks to attractive investments. From January to December, eight properties with a total investment volume of €122.0 million were transferred to our portfolio, bringing its value to €504.4 million as at 31 December 2011. We have therefore achieved our growth target and profitably invested the funds provided by you in the capital increase of autumn 2010. Properties were transferred to us in Brunnthal, Bad Homburg, Leipzig, Langenfeld, Erlangen, Offenburg, Regensburg and Freiburg and we signed agreements for two further properties in Aachen and Munich as well. We were also successful in shaking out our portfolio and, by the end of the year, disposed of four smaller properties in Erfurt and Krefeld that were no longer consistent with our strategy and 102 hectares of undeveloped land.

The company's growth is also reflected in its key figures. In 2011, we generated an operating result of €14.9 million and a net profit for the year of €7.9 million (IFRS). Rental income climbed by around 29% in total and FFO (funds from operation), the key indicator for our management system, amounted to around €16.0 million, an increase of approximately 32% as against the previous year. In light of this healthy business performance, we will propose the distribution of an 8.1% higher dividend of €0.40 per share at the Annual General Meeting for the 2011 financial year. Based on the share price at the end of the year of €6.40, this means a dividend yield of 6.3%.

We are also optimistic for 2012. The investments of recent months and its solid, long-term financing structure allow HAMBORNER REIT AG to look to its own future positively even if the general economic uncertainty persists. The decisions made and measures taken in recent years have created the foundation for further cash flow growth.

In this spirit, we wish to thank our employees for their excellent work of the past months. We are looking forward to the new financial year and hope that you will continue to accompany us.

Dr Rüdiger Mrotzek

Hans Richard Schmitz

DR ECKART JOHN VON FREYEND
THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Work in the past year focused on the investment of the funds provided by the capital increase at the end of 2010 in suitable properties. HAMBORNER REIT AG's success in this has been impressive. A portfolio of more than €500 million in individually selected, high-quality properties with fantastic earnings is a good starting point for further growth guided by quality and investor interests. Unfortunately, the stock markets have not yet sufficiently rewarded the portfolio's quality performance. One of the main reasons for this was undoubtedly the resurgent financial and debt crisis, which took its toll on almost all property securities. As soon as confidence returns to the capital markets, indirect property investments will no doubt gather pace again. I believe this will mean good prospects for the REIT.

Changes in the Supervisory Board and the Managing Board

Following the re-placement of the shares in HAMBORNER REIT AG held by HSH Real Estate AG in the first quarter of 2011, Mr. Volker Lütgen resigned his office effective from the end of the Annual General Meeting on 17 May 2011. The Annual General Meeting elected Dr Bernd Kottmann to the Managing Board in his place. Dr David Mbonimana, who was appointed as a member of the Supervisory Board by court order, was also confirmed in his office by the Annual General Meeting. The Annual General Meeting also filled the remaining vacant position on the company's Supervisory Board by electing Ms. Bärbel Schomberg. Ms. Edith Dützer resigned from her position as employee representative on the Supervisory Board as at 31 December 2011 as she is leaving the company in 2012. The employees elected Mr. Dieter Rolke as their representative on the Supervisory Board on 13 December 2011.

In its meeting on 22 March 2012, the Supervisory Board extended the appointment of the members of the Managing Board by a further five years.

Monitoring management and cooperation with the Managing Board

In the 2011 reporting year, we regularly advised the Managing Board on its management of the company and intensively monitored its work. In doing so, we received detailed information on all significant business transactions and forthcoming decisions. The Managing Board reported comprehensively and in a timely manner, both verbally and in writing, on the strategic orientation of the company and all relevant aspects of business planning including financial, investment and personnel planning. We were also informed in detail about the economic situation, the profitability of the company and the course of the transactions, including the risk position and risk management. We paid particular attention to the investment of the funds from the capital increase in suitable properties.

There were five meetings of the Supervisory Board in the 2011 financial year. We also passed resolutions on two urgent matters outside meetings. These concerned the purchase of properties. Between the meetings, as Chairman of the Supervisory Board, I had regular contact with the Managing Board. I discussed the growth strategy with the Managing Board and was informed of the current developments in the business situation and key forthcoming decisions.

Main activities of the Supervisory Board

The revenue, earnings and personnel development of the company, the financial position, the letting rate and the status of purchases and sales were explained to us in detail by the Managing Board in all meetings and then discussed together. Furthermore, we intensively discussed various specific issues with the Managing Board in our meetings.

At the accounts meeting of 23 March 2011, the Supervisory Board approved the separate IFRS financial statements and the commercial law annual financial statements of HAMBORNER REIT AG as at 31 December 2010 following its own review and discussion of significant aspects with the auditor Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. We also endorsed the Managing Board's proposal for the appropriation of profits. In addition, we resolved the agenda of the 2011 Annual General Meeting. All members of the Supervisory Board took part in the meeting.

The subject of the Supervisory Board meeting on 17 May 2011 held before the Annual General Meeting was the agenda of the subsequent Annual General Meeting. All members of the Supervisory Board took part in this meeting.

There was then a further meeting of the Supervisory Board after the Annual General Meeting on 17 May 2011. Dr Kottmann was elected as the Deputy Chairman of the Supervisory Board at this meeting. Furthermore, the members of the committees were adjusted on account of the elections to the Supervisory Board that had just taken place. All members of the Supervisory Board took part in this meeting.

At its meeting on 15 September 2011, the Supervisory Board discussed a peer group analysis commissioned by the Managing Board. As part of the presentation of possible investment properties by the Managing Board, I advised the Supervisory Board of a possible conflict of interests as I am a member of the supervisory board for the seller and am involved in a different project in the immediate vicinity of the potential investment property. I declared to the Supervisory Board that I, as the Chairman of the Supervisory Board, could not receive reports or information, vote in resolutions or take part in Supervisory Board or committee meetings concerning the acquisition of the property in question.

The budget and medium-term planning of the company for the period 2012 – 2016 was the main topic of the planning meeting on 15 November 2011. The planned revenue and earnings trend was discussed intensively with the Managing Board. The Supervisory Board also approved the disposal of the three commercial properties in Erfurt. Furthermore, the declaration of compliance in accordance with section 161 of the German Stock Corporation Act was adopted.

Committee report

Some of the work of the Supervisory Board is performed by committees. The Supervisory Board again formed three committees in the 2011 financial year. The Executive Committee met once. The subject of this meeting was Managing Board matters. The Audit Committee met four times in the 2011 financial year with the auditor present. It discussed the 2010 annual financial statements in detail and had the 2011 quarterly and half-year interim reports explained by the Managing Board. In addition, it discussed the preparations for the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor, including the granting of the audit mandate and determining the focus of the audit. The Nomination Committee met once in the reporting year. It discussed nominations for candidates for election to the Supervisory Board. The Supervisory Board was informed comprehensively about the activity of the committees by the respective Chairman at the start of each meeting.

Corporate governance and the declaration of compliance

The Supervisory Board and the Managing Board again intensively discussed the further development of internal corporate governance in the year under review. We report on this with the Managing Board in the corporate governance report for 2011 in accordance with item 3.10 of the German Corporate Governance Code (GCGC). With the exception of the matter described above, there were no conflicts of interest among our members within the meaning of item 5.5.3 GCGC. A declaration of independence in accordance with item 7.2.1 GCGC was obtained from the auditor.

The Supervisory Board and the Managing Board published an updated declaration of compliance with the German Corporate Governance Code in December 2011 in accordance with section 161 of the German Stock Corporation Act. This declaration of compliance can be accessed by the public on the company's website at www.hamborner.de in the section Investor Relations/Corporate Governance.

Adoption of the annual financial statements (HGB and IFRS)

The annual financial statements for 2011 were discussed at length with the auditor on 22 March 2012, first in the Audit Committee and then in 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 examined and discussed the annual financial statements under commercial law and the separate IFRS financial statements of the company in accordance with section 325(2a) of the German Commercial Code with the management report and the proposal for the appropriation of profits in detail. There were no objections, with the result that the Supervisory Board approved the HGB and IFRS financial statements for 2011 at its meeting on 22 March 2012. The 2011 annual financial statements under commercial law prepared by the Managing Board were thus adopted. The Supervisory Board has endorsed the proposal of the Managing Board for the distribution of the unappropriated surplus.

Unqualified audit opinion

The annual financial statements of the company as at 31 December 2011 prepared by the Managing Board in accordance with the rules of the German Commercial Code, the German Stock Corporation Act and the German REIT Act plus the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), the management report and the proposal for the appropriation of profits were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The Supervisory Board had commissioned the audit in line with the resolution of the Annual General Meeting of 17 May 2011. The auditor granted unqualified audit opinions for both sets of financial statements.

Dependent company report

The dependent company report to be prepared by the Managing Board in accordance with section 312 AktG has been audited by the auditor and issued with the following unqualified audit opinion:

"Having duly examined and assessed this report, we confirm that the factual statements made in the report are correct."

The auditor's representatives were also available to provide further explanation of this report at the Supervisory Board meeting on 22 March 2012. The Supervisory Board approved the audit result of the auditor after its own review. There were also no grounds for objections to the statement by the Managing Board at the end of the dependent company report.

Our thanks

The Supervisory Board wishes to thank the Managing Board and all employees and express its appreciation for their strong personal commitment, performance and ongoing dedication. As a result of your efforts, we again achieved an excellent result in the past financial year. Our thanks also go to our shareholders for the trust they have shown in us.

Duisburg, 22 March 2012

The Supervisory Board

Dr Eckart John von Freyend
(Chairman)

The Managing Board and the Supervisory Board

The Managing Board

Dr Rüdiger Mrotzek, Hilden
born 1957,
member of the Managing Board since 8 March 2007,
appointed until 7 March 2018,
responsible for Finance / Accounting, Taxes, Asset Management, Technology / Maintenance, IT, Risk Management / Controlling

Hans Richard Schmitz, Duisburg
born 1956,
member of the Managing Board since 1 December 2008,
appointed until 31 December 2017,
responsible for Portfolio Management, Legal, Investor Relations / Public Relations, Human Resources, Corporate Governance, Insurance

Supervisory Board

Dr Josef Pauli, Essen
– Honorary Chairman –

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

Dr Bernd Kottmann, Wachtberg
– Deputy Chairman –
Management consultant

Christel Kaufmann-Hocker, Düsseldorf
Management consultant

Dr David Mbonimana, Seevetal
Member of the Managing Board of HSH Real Estate AG

Robert Schmidt, Datteln
Managing Director of Vivawest GmbH
Managing Director of Vivawest Wohnen GmbH
Managing Director of THS GmbH

Bärbel Schomberg, Königstein
Managing Partner
Schomberg & Co Real Estate Consulting GmbH

Mechthilde Dordel, Oberhausen*
Clerical employee

Hans-Bernd Prior, Dinslaken*
Technician

Dieter Rolke, Oberhausen*
Clerical employee

* Employee representative

Corporate Governance

The term corporate governance means a responsible approach to company management and control geared towards the creation of sustainable value added. Key aspects of good corporate governance include efficient cooperation between the Managing Board and the Supervisory Board, respecting shareholder interests and transparent corporate communications.

In this section, in line with the recommendations of item 3.10 of the German Corporate Governance Code as amended 26 May 2010 and still in effect, the Managing Board and the Supervisory Board have reported on the adoption of corporate governance guidelines at HAMBORNER.

Corporate governance report

The Managing Board and Supervisory Board of HAMBORNER Transparency have always attached great importance to transparency and good corporate governance. For this reason, we regularly and comprehensively inform our shareholders, all other capital market participants, financial market analysts, the relevant media and our employees as well about the position of the company and any significant changes in a timely manner. We use a number of possible information and communications channels for this purpose.

In particular, these include our annual report, the regular quarterly and half-yearly interim reports, disclosures under capital market legislation such as ad hoc and directors' dealings disclosures, and also participation in events with financial analysts or the publication of press releases on current topics concerning the company. We primarily use the Internet for the distribution of information. We provide all the above corporate information to interested members of the public on our website.

Since the German Corporate Governance Code came into effect, 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 in a timely manner. The objective was, and always is, to ensure a good, responsible and sustainable corporate development in the interests of all stakeholders.

The Code as such was recently one of the subjects discussed at the Supervisory Board meeting on 15 November 2011. At this meeting, the Supervisory Board made preparations for the declaration of compliance to be issued for the current financial year and, in this context, intensively discussed the Code and its implementation at HAMBORNER.

HAMBORNER continues to attach great importance to its goal of the appropriate representation of women in management positions within the company and on the Supervisory Board. Thus, the company appointed Ms. Bärbel Schomberg, a proven expert in the real estate industry, to the HAMBORNER Supervisory Board from 17 May 2011. Although the company currently operates exclusively in Germany, HAMBORNER is standing by its objective of nominating an international candidate for the Supervisory Board in the medium term.

The Managing Board and the Supervisory Board of the company adopted the following declaration of compliance in December 2011 in accordance with section 161 AktG. It states that the company has complied with the recommendations of the German Corporate Governance Code in the reporting year with minor exceptions. Please see the comments on the deviations from the code's recommendations in the text of the declaration of compliance:

Current declaration of compliance from December 2011

Declaration of the Managing Board and the Supervisory Board
of HAMBORNER REIT AG
on the recommendations of the
Government Commission for the German Corporate Governance Code
in accordance with section 161 AktG

"The Managing Board and the Supervisory Board of HAMBORNER REIT AG declare that HAMBORNER REIT AG has complied with the recommendations of the Government Commission for the German Corporate Governance Code (Code) as amended 26 May 2010 with the exception of the recommendation in item 4.2.1 sentence 1 since issuing its last declaration of compliance in December 2010."

Explanation: Item 4.2.1 of the Code recommends that the Managing Board should have a chairman or spokesperson. A chairman or spokesperson has not and will not be appointed as the Managing Board consists of just two people.

The Managing Board and the Supervisory Board will publish its next declaration of compliance in December 2012.

Duisburg, December 2011

The Managing Board The Supervisory Board

Internet information for our shareholders

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

In addition, shareholders can find information on the dates of recurring publications of financial reports and the Annual General Meeting in the section "Investor Relations/Financial Calendar". Furthermore, our website provides our shareholders with detailed information prior to the Annual General Meeting and on the past financial year with the annual report.

In addition, we also make other information about the company and published by it available here to all interested parties, including notifications in accordance with the German Securities Trading Act and the German Securities Prospectus Act, press releases and an up-to-date company presentation.

Cooperation between the Managing Board and the Supervisory Board

The Managing Board and Supervisory Board work together closely for the good of the company. The Managing Board regularly and comprehensively informs the Supervisory Board of all relevant issues of business planning, the course of transactions and the position of the company, including the risk situation, in a timely manner. Matters of strategic orientation and ongoing development are discussed jointly between the Supervisory Board and the Managing Board. In accordance with the Rules of Procedure and the company's Articles of Association, key Managing Board decisions require the approval of the Supervisory Board.

No consultancy or other service or work agreements were concluded between the company and individual members of the Supervisory Board in the 2011 financial year.

In the Supervisory Board meeting on 15 September 2011, the Supervisory Board discussed potential investment properties. The Chairman of the Supervisory Board, Dr John von Freyend, advised the other members of a possible conflict of interests regarding one property presented in this context by the Managing Board. Dr John von Freyend works for the seller as a member of its supervisory board and is also involved in a different project in the immediate vicinity of the potential investment property. For this reason, he declared to the Supervisory Board that he, as the Chairman of the Supervisory Board, could not receive reports or information, vote in resolutions, join discussions or take part in Supervisory Board or committee meetings concerning the acquisition of the property in question.

There were no other potential or actual conflicts of interests on the part of members of the Managing Board and the Supervisory Board that would have required immediate disclosure to the Supervisory Board in the reporting period.

Directors' dealings

In accordance with section 15a of the German Securities Trading Act (WpHG), the members of the Managing Board and the Supervisory Board and persons who perform management duties at an issuer of shares must disclose any purchases or sales of the company's securities if the total value of the transactions by the person performing management duties and related parties of that person reaches or exceeds €5,000 within a calendar year. The company was notified of the following transactions carried out in the 2011 reporting year:

2011	Person subject to disclosure requirements	Function	No.	Price	Total volume	Type of transaction
24 February	Hans Richard Schmitz	The Managing Board	6,700	€7.45	€49,915	Purchase
24 February	Dr Rüdiger Mrotzek	The Managing Board	3,000	€7.42	€22,260	Purchase
15 March	Hans Richard Schmitz	The Managing Board	2,300	€7.40	€17,020	Purchase
18 May	Hans Richard Schmitz	The Managing Board	340	€7.25	€2,465	Purchase
18 May	Dr Eckart John von Freyend	Supervisory Board	2,000	€7.34	€14,680	Purchase
23 May	Hans Richard Schmitz	The Managing Board	2,660	€7.30	€19,418	Purchase
30 May	John von Freyend Future KG	company closely related to person with management responsibilities	703	€7.22	€5,076	Sale
30 May	John von Freyend Future KG	company closely related to person with management responsibilities	1,797	€7.22	€12,974	Sale
31 May	John von Freyend Future KG	company closely related to person with management responsibilities	2,000	€7.25	€14,500	Purchase
7 June	Dr Rüdiger Mrotzek	The Managing Board	1,000	€7.05	€7,050	Purchase
8 August	Dr Eckart John von Freyend	Supervisory Board	7,500	€6.45	€48,375	Purchase
11 August	Dr Rüdiger Mrotzek	The Managing Board	3,000	€6.25	€18,750	Purchase
11 August	Hans Richard Schmitz	The Managing Board	5,000	€6.25	€31,250	Purchase
15 November	Robert Schmidt	Supervisory Board	10,000	€6.30	€63,000	Purchase

The company did not receive any further notifications of transactions by management personnel in accordance with section 15a WpHG in the reporting year.

All these notifications can be viewed at all times on our website www.hamborner.de under Investor Relations/Notifications/Directors' Dealings.

There were no holdings subject to disclosure requirements in accordance with item 6.6 of the German Corporate Governance Code as at 31 December 2011.

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 the Supervisory Board are shown in the notes to the IFRS financial statements on page 99 and related party information can be found on page 98.

Responsible risk management

Good corporate governance also includes the responsible handling of risks by the company. Systematic risk management within the framework of our value-oriented corporate governance ensures that risks are recognised and assessed early on and that risk positions are optimised. The company's risk detection system is also subject to review by the auditor. It is developed on an ongoing basis and adapted in line with changing economic conditions. Please see the risk report for details of risk management and the current risk position.

The auditor Deloitte & Touche

The auditor proposed for election for the 2011 financial year at the Annual General Meeting, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, submitted its declaration of independence in accordance with item 7.2.1 of the German Corporate Governance Code in a letter dated 23 March 2011. It was agreed with the auditor that the Chairman of the Audit Committee should be informed immediately of any grounds for exclusion or a lack of impartiality arising during the audit if these are not immediately rectified. Furthermore, it was agreed that the Chairman of the Supervisory Board and the Chairman of the Audit Committee should be informed immediately if specific findings or incidents arise in performing the audit of the financial statements which could be of significance for the proper performance of the duties of the Supervisory Board. This includes the discovery of facts that contain inaccuracies in the declarations on the Code issued by the Managing Board and the Supervisory Board.

Remuneration Report

also part of the management report

The principles of transparent corporate governance are intended to promote and strengthen the confidence of national and international investors and customers, employees and the public at large in the management and monitoring of listed companies. To this end, the German Corporate Governance Code stipulates the disclosure of the remuneration granted to members of the Managing Board and members of the Supervisory Board.

Remuneration of the Managing Board

Managing Board remuneration is determined by the entire Supervisory Board on the suggestion of the Executive Committee.

The amount of Managing Board remuneration is based on the size of the company, its economic and financial situation and its long-term success. The remuneration of the Managing Board is performance-based and takes into account the activities and contributions of the respective members of the Managing Board. The remuneration for members of the Managing Board consists of fixed and earnings-based components. The non-performance-based components consist of fixed remuneration and additional benefits (e.g. a company car). The fixed remuneration is paid monthly as a salary. There is no profit sharing, pre-emption rights or other share-based remuneration.

The remuneration of the active members of the Managing Board on the basis of current service agreements broke down as follows for the 2011 financial year:

€ thousand	Fixed remuneration	Variable remuneration	Other remuneration*	Total
Dr Rüdiger Mrotzek	150	200	59	409
Hans Richard Schmitz	150	200	51	401
Total	**300**	**400**	**110**	**810**

* Other remuneration includes benefits in kind from the private use of company cars, insurance benefits and pension costs.

Members of the Managing Board are appointed for a maximum of five years. In the event of the early termination of their service agreements, both members of the Managing Board will be entitled to severance pay in the amount of the present value of their regular fixed remuneration to be paid until the time their agreements would expire under normal circumstances. In line with the recommendations of the German Corporate Governance Code, compensation is limited to a maximum of two years' remuneration including additional benefits. Ordinary termination has not been contractually agreed during the term of the respective service agreements. Also in line with the recommendations of the German Corporate Governance Code, the earnings-based (variable) remuneration owed to the Managing Board, which is paid annually as a bonus, is primarily dependent on the long-term development in funds from operations (FFO). The development of net asset value (NAV) and the attainment of individually agreed targets are also included in the calculation. The structure of Managing Board remuneration is subject to regular review by the Supervisory Board and was approved by the shareholders at the 2010 Annual General Meeting.

The total remuneration of former members of the Managing Board of the company amounted to €407 thousand in the 2011 financial year. The pension provisions recognised for this group of people amount to €4,362 thousand.

Pension commitments

By way of agreements from 2009, an occupational pension scheme was established for the members of the Managing Board effective 1 January 2010 and 1 March 2010 respectively, in the form of an employer-financed contribution-based benefit obligation. This obligation applies to the duration of the service agreements and, by way of resolution of the Supervisory Board dated 23 March 2011, has consisted of a monthly amount of currently €2,500 each since 1 January 2011.

Miscellaneous

No loans were granted to members of the Managing Board by the company. No members of the Managing Board received benefits or corresponding commitments from third parties in the past financial year for their work as members of the Managing Board.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated in Article 13 of the Articles of Association. Supervisory Board remuneration is based on the size of the company, the duties and responsibilities of the members of the Supervisory Board and depends significantly on the economic performance of the company. The fixed remuneration amounts to €15,000 and the variable remuneration to €500 per euro cent by which basic earnings per share exceed the amount of €0.15. The calculation takes into account the number of shares outstanding at the end of the reporting period. The variable remuneration is limited to twice the fixed remuneration. The Chairman of the Supervisory Board receives twice the remuneration, his deputy one and a half times. Members of the Supervisory Board who have been on the Supervisory Board for only part of the financial year are entitled to their remuneration pro rata temporis. Members of the Supervisory Board on one of the three committees formed receive additional remuneration of €2,000 per financial year. The respective committee chairmen receive twice this remuneration. There are currently three committees: the Executive, Audit and Nomination Committee.

The relevant remuneration of the Supervisory Board for the 2011 financial year is calculated as follows:

€ thousand	Fixed remuneration	Variable remuneration	Total
Dr Eckart John von Freyend	38.0	8.0	46.0
Dr Bernd Kottmann	19.1	3.8	22.9
Christel Kaufmann-Hocker	17.0	4.0	21.0
Volker Lütgen	6.4	1.5	7.9
Dr David Mbonimana	22.1	4.7	26.8
Robert Schmidt	19.0	4.0	23.0
Bärbel Schomberg	11.9	2.5	14.4
Mechthilde Dordel	15.0	4.0	19.0
Edith Dützer	15.0	4.0	19.0
Hans-Bernd Prior	17.0	4.0	21.0
Total	**180.5**	**40.5**	**221.0**

In addition, in accordance with Article 13(3) of the Articles of Association, the company reimburses the members of the Supervisory Board for expenses incurred in the execution of their office. The members of the Supervisory Board received no further remuneration or benefits beyond this in the reporting year for services provided personally, including in particular consultancy and mediation services. The members of the Supervisory Board do not receive loans or advances from the company.

D&O insurance

The company has taken out D&O insurance for the members of the Managing Board and members of the Supervisory Board. This covers losses as a result of work as a member of the executive and supervisory bodies of the company. The sums insured amount to €7.5 million per claim per financial year, not exceeding €7.5 million per insurance year. In accordance with section 93(2) of the German Stock Corporation Act and item 3.8 of the German Corporate Governance Code, deductibles for members of the Managing Board and Supervisory Board have also been agreed, amounting to at least 10% of the claim and up to at least one and a half times the annual fixed remuneration of the officer. The insurance cover does not apply in the event of wilful intent, such that cover previously granted lapses retroactively where applicable in the event of (subsequent) discovery and benefits provided must be reimbursed to the insurer. The annual insurance premium currently amounts to €12.5 thousand plus insurance tax.

Sustainability at HAMBORNER

HAMBORNER REIT AG has a long history. Founded in 1953 and emerging from the mining industry, the company has extensive experience in the acquisition and management of commercial property. The aspect of sustainability is nothing new to us. A long-term and sustainable outlook is an integral component of our corporate philosophy. It is the foundation of the company's success and a prerequisite for keeping the value of portfolio stable and generating sustainable cash flows.

"THE FUTURE NEEDS A SOLID FOUNDATION" – this motto highlights HAMBORNER's focus in its dealings with its properties, tenants, employees, shareholders and business partners. It is the guiding principle in our strategic sustainability concept.

Strategic sustainability concept

At HAMBORNER REIT AG, we set great store by the long-term outlook of our company's actions and decisions. Sustainability applies not just to ecological aspects, but also the four dimensions of ecology, social affairs, the economy and governance.

Ecology

As a property owner, our goal is that our properties satisfy tenant requirements in the long term. The issues of energy consumption and greenhouse gases are not just becoming ever more important to us as a property owner, but are also increasingly relevant in terms of minimising operating costs for our tenants as well. We therefore regularly review our portfolio and perform maintenance work taking into account improved energy efficiency. This is the only way to guarantee that our properties stay attractive and modern, thereby ensuring their long-term letting viability.

Model property: NuOffice, Munich

HAMBORNER acquired the NuOffice in Munich in September 2011. Still under construction, the building will receive platinum LEED certification and will therefore be one of the first properties in Germany in this top category. The LEED certification system from the US stands for Leadership in Energy and Environmental Design and, for more than 15 years, has set global standards for the development and planning of what are known as green buildings – buildings that satisfy extreme ecological conditions. The NuOffice was developed in cooperation with the Fraunhofer Institute and, once completed, will satisfy the highest energy standards. The building's primary energy requirements are estimated at 83 kWh per m^2/year with a total primary energy requirement of 750 MWh per year.

Model property: E-Center, Freiburg

In Freiburg, HAMBORNER acquired a newly built EDEKA store with an 18-year lease in November 2011. It was built using state-of-the-art technology and guarantees compliance with the German Renewable Energies Heat Act. Its heating relies on a geothermal groundwater system. The investment cost of this system was around €175,000 and it is expected to result in annual savings of up to €34,000 compared to conventional heating systems. Commissioned as a single project, it was ensured that all work was largely performed by tradespeople and companies from around the property and in its close catchment area.

We keep a close eye on developments, not just for new properties but in our existing portfolio as well. In this context, we first analysed the energy passes available to us for 42 properties. 48% of these buildings are heated by gas, 36% by district heating, 12% by oil and 4% by heat pumps/combined heat and power. 20 properties exceeded energy expectations, eleven properties matched them and eleven properties reported below-average values. The energy passes reported a total value of 33,036 MWh/a for total consumption (heating and electricity). This corresponds to CO_2 emissions of 12,538 t/a. Our goal is to increase energy efficiency in our buildings through corresponding measures and thereby reduce CO_2 emissions.

In 2011, the costs for the environmentally friendly modernisation of the properties in our portfolio amounted to around €0.8 million. This largely went towards the planned refurbishment with heat insulation of two flat-roofed buildings in Freiburg and Freital. These and other smaller measures performed in 2011 are helping to reduce our energy consumption and therefore operating costs for our tenants. A major project planned for 2012 is the energy refurbishment of our portfolio property in Dortmund, Königswall. Further information on this and the planned maintenance work of the past reporting year can be found on page 49 of this annual report.

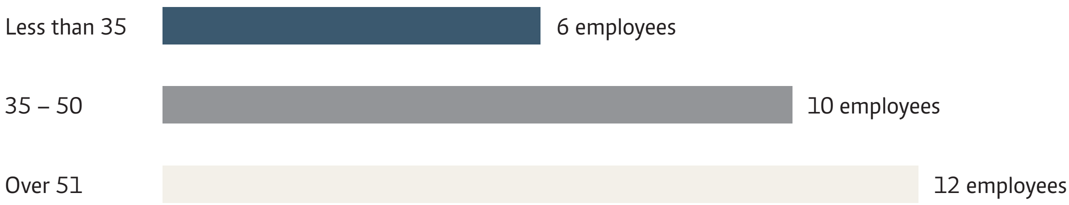
Social affairs

As our company grows, so too does its social responsibility. Internally, this relates to our employees, who face ever higher requirements. The entire property portfolio is managed by HAMBORNER itself, i.e. all the company's key services are currently performed by 28 employees. This means that motivated employees who do their work dependably and competently are essential to the success of the company. Accordingly, we see it as our corporate duty to offer corresponding opportunities for further training and development, provide incentives to foster employee initiative and, at the same time, create a balanced work environment with, for example, flexible working hours. Each employee is given the same opportunities, irrespective of age, sex or other criteria.

Ratio of female / male employees:

Average sick days per employee in 2011:

Age structure



We are also aware of our social responsibility outside the company. This can be seen not just by our fair treatment of tenants, i.e. our understanding of their individual requirements and systematically maintaining good relations with them, but also in our fair conduct with all other contractual partners. Through our properties we are also a part of their respective cities and communities, and we therefore feel just as responsible for protecting and maintaining a harmonious cityscape. Therefore it is only natural to us, for example when carrying out refurbishments, that we respect the corresponding city and preservation statutes and guarantee the protection of historically valuable façades. We also support – sometimes with our tenants – city marketing associations that safeguard and promote their respective sites.

HAMBORNER is also a member of various organisations that aim to foster and guarantee the issues of sustainability, corporate governance and general communication and understanding in the property sector, in addition to corresponding political work on committees.

Memberships:

Economy

The decisions made in the first two dimensions looked at of ecology and social affairs mutually affect each other. In conjunction with the third dimension, economic sustainability, they help to ensure the development of HAMBORNER's property portfolio and thereby its long-term success. Economic criteria, such as a long-term financing structure, a permanently low vacancy rate, the positive trend in the value of the portfolio and a stable dividend policy, are described in detail elsewhere in this annual report. Ultimately, it is a primary goal of HAMBORNER REIT AG to generate an attractive return for its investors as a for-profit, listed company, taking into account all aspects relevant to sustainability.

Governance

A further key requirement for the success of a listed company is governance. This includes compliance with legal and internal regulations in accordance with stated compliance guidelines and management in line with the specifications of the Corporate Governance Code. The commitment of the Managing Board and the Supervisory Board to the current Corporate Governance Code and information beyond this are described in the corporate governance report on page 17 of this annual report.

In addition to statutory compliance regulations, HAMBORNER also regularly reviews and revises its internal processes and guidelines in order to optimise employees' sense of identity with their work and the internal and external responsibilities this entails.

HAMBORNER Shares

General position in the share market

Developments on the capital market were shaped by a more than difficult climate in 2011. After a promising start to the year, the DAX fell by around 15% in total over the year as a whole. The events in Japan and above all the uncertainty triggered by the European debt crisis, which cast a pall over markets from the first quarter, resulted in a steady downward trend on the stock markets and therefore a new two-year low on Germany's benchmark index in September. The biggest losses hit stocks in the energy sector, heavy industry and the finance sector. Bank securities suffered from fears regarding the stability of the currency union in particular. The market capitalisation of all DAX 30 companies shrank by around €140 billion in 2011. Second-tier stocks also slumped heavily. The MDAX fell around 12%, the SDAX around 15%.

Property shares did not escape this development. Concern over possible refinancing problems at properties companies coupled with the expectation of drastic cutbacks in lending by banks in order to meet stricter equity requirements left heavy footprints on this sector's performance. The DIMAX published by Ellwanger & Geiger lost approximately 12% over the year, the EPRA index roughly 13%.

The debt crisis will continue to be a dominant issue in 2012 as well. While the situation has eased somewhat as a result of the massive intervention by the European Central Bank, the euro zone's problems have not been solved yet. Based on this, it is difficult to forecast market development at this time. Analyst opinion varies greatly.

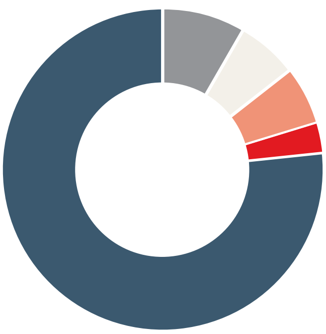
HAMBORNER Shares

HAMBORNER shares are traded on the stock markets of Frankfurt/Main, Düsseldorf, Berlin, Munich, Hamburg, Stuttgart and Hanover. The shares are listed under the security identification number 601300 (ISIN: DE0006013006). They meet the international transparency requirements of the Deutsche Börse Prime Standard.

The company has mandated WestLB AG and, since February 2011, HSBC Trinkaus & Burkhardt AG, both headquartered in Düsseldorf, as its designated sponsors. This ensures that HAMBORNER shares can be traded at all times on the basis of ongoing bid and ask prices. The total annual turnover of our shares amounted to around 10.8 million in 2011 (previous year: 3.8 million). The average daily trading volume increased to approximately 42,000 shares per day (previous year: 15,000).

Since the capital increase in October 2010 and the re-placement of the shares of the former majority shareholder HSH Real Estate AG, the shareholder structure of HAMBORNER has become significantly more international and was as follows as at 31 December 2011:

Shareholder structure as at 31 December 2011



76.22%	Free float
8.76%	Professor Siegert, Düsseldorf
6.16%	Ruffer LLP, London
5.82%	Asset Value Investors Limited, London
3.04%	Allianz Global Investors KAG mbH, Frankfurt

ISIN: DE0006013006
SCN: 601300

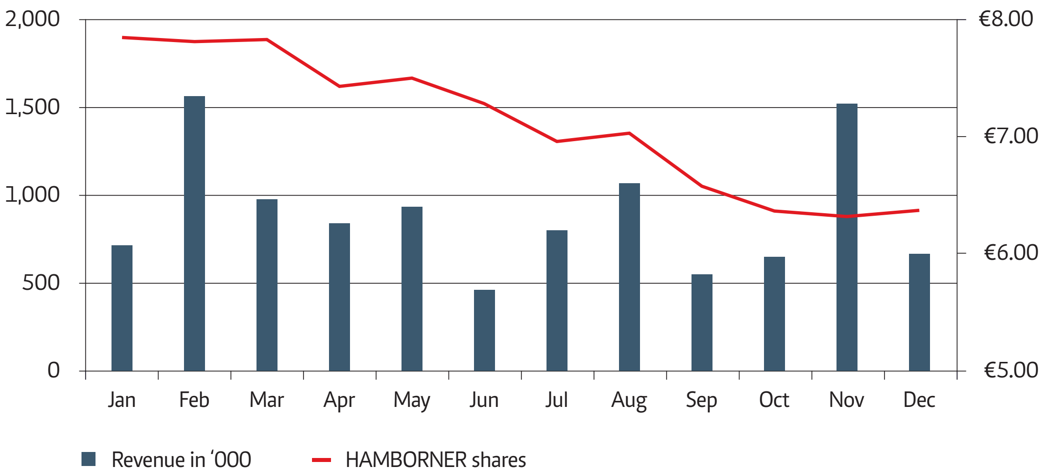
HAMBORNER share price (XETRA)

Closing price:	€6.40
High:	€8.10
Low:	€6.10

Share performance of HAMBORNER shares in 2011

The price of HAMBORNER's shares initially developed very well at the start of 2011, but soon bowed to pressure on the stock markets – pressure coming from the disaster in Japan and the growing uncertainty in the euro zone. They closed at €7.03 as at 30 June 2011. Following a brief recovery in July, the markets slumped again in fear of a renewed recession and the extent of the debt crisis and our shares – in spite of the company's highly positive operating performance – again took several hits. They closed at €6.40 as at 31 December 2011. This marks a drop of 17.6% on the closing price for 2010 and a 27% knockdown on NAV. Market capitalisation amounted to €218.4 million as at 31 December 2011.

Development of HAMBORNER shares



HAMBORNER	-18%
E&G DIMAX	-12%
EPRA Index	-13%
DAX	-15%

HAMBORNER shares at a glance

		2011	2010	2009
Issued capital	€ million	34.12	34.12	22.77
Market capitalisation*	€ million	218.4	265.1	185.3
Year-end share price	€	6.40	7.77	8.14
Highest share price	€	8.10	8.48	8.60
Lowest share price	€	6.10	7.03	5.41
Dividend per share	€	0.40	0.37	0.37
Total dividend	€ million	13.65	12.62	8.42
Dividend yield*	%	6.3	4.8	4.6
Price/FFO ratio*		13.6	21.8	19.1

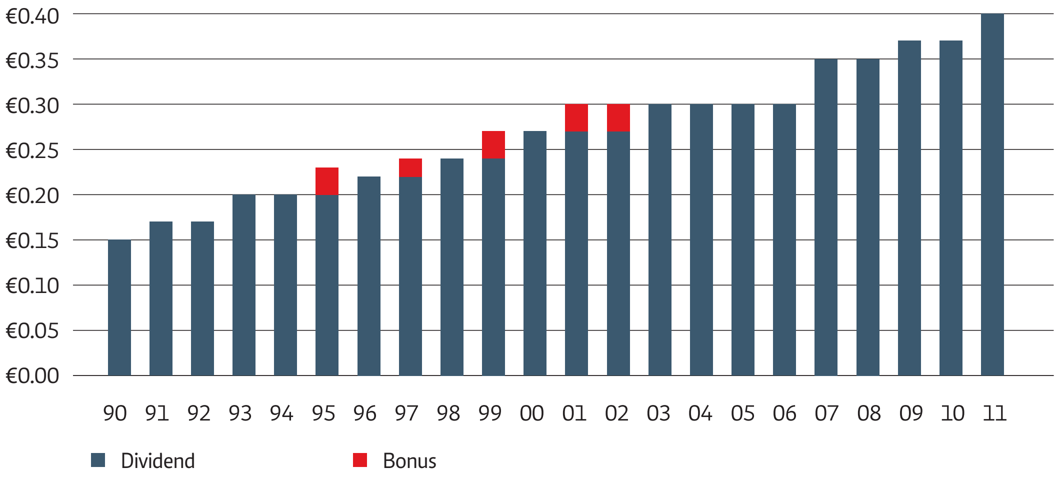
* Basis: year-end XETRA

Dividend development at HAMBORNER

A dividend of €0.40 per share will be proposed to the Annual General Meeting on 15 May 2012 for the 2011 financial year. This corresponds to a year-on-year dividend increase of 8.1%. Based on the share price at the end of 2011, this represents a dividend yield of 6.3%.

HAMBORNER has steadily increased its dividend in past years from €0.15 to €0.40 per share.

Dividend development



If the company's situation permits, we also intend to maintain high distribution ratios and to increase the dividend further in future.

Investor and public relations

An intensive dialogue with the capital market is a matter of high importance at HAMBORNER. In our investor relations work, we seek an open and continuous exchange of information with all capital market participants. Our goal is to communicate a solid, transparent picture of our company, enable a fair company valuation and shore up confidence in the company.

Given the changes and the uncertainty on the international capital markets, we have stepped up our communications with analysts and institutional investors even more. We have regularly presented our business performance and corporate strategy at roadshows, capital market conferences in Germany and abroad, a number of one-on-one talks and quarterly conference calls. We have also welcomed some interested investors at our premises to give them the chance to form their own impressions of our properties as part of a tour. In 2011, private investors were also given the chance to get to know us and ask their questions personally at events in Leipzig, Essen and Bonn.

The development in the liquidity of our shares has been gratifying. Turnover was at an encouragingly high level as compared to previous years. In March 2011, this resulted in HAMBORNER's shares being included in the SDAX. They are expected to be listed in the EPRA index in the first half of 2012.

Public relations work is an important element in our communications concept as well. We attach great importance to an ongoing dialogue with the financial, industry and business press and the relevant associations. This is why we report openly, promptly and reliably on our investments and the situation of the company.

All information is available in English and German on our Internet site www.hamborner.de. There, interested investors can also sign up for our newsletter to receive the latest information on HAMBORNER REIT AG directly by e-mail.

In 2012, we will actively continue our investor relations activities and will be happy to provide you with information and answer your questions at events, in personal interviews or by telephone.

Investor Relations:
Sybille Albeser
Tel: +49 (0) 203 54405-32
Fax: +49 (0)203 54405-49
E-mail: s.albeser@hamborner.de

Transparent EPRA reporting

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

Overview of EPRA figures

€ thousand	31 Dec. 2011	31 Dec. 2010
EPRA NAV	299,328	298,144
EPRA NNNAV	281,154	288,427
FFO (similar to EPRA net income)	16,029	12,163
EPRA net initial yield	6.0%	6.1%
EPRA topped-up net initial yield	6.0%	6.1%
EPRA vacancy rate	2.0%	2.4%

Net asset value

HAMBORNER has again commissioned Jones Lang LaSalle of Frankfurt/Main to calculate the market and fair value of its property portfolios. After the net asset value (NAV) was calculated for the first time in 2007 using the current fair values of properties, the properties have since been measured subsequently each year. The measurement method used is consistent with the principles of the International Valuation Standards. NAV is the benchmark for the asset strength of an enterprise and is a key indicator for us in our value-oriented company management, including as compared to other companies. It is our objective to increase NAV through value-adding measures.

HAMBORNER's NAV was calculated at €8.77 per share at year-end. This is a slight increase as against the previous year (€8.74 per share). The foundation for this development is the market value stability of our properties. With a year-end share price of €6.40, NAV per share was at a 27.1% discount (previous year: 11.1%).

The table below shows the calculation of NAV:

€ thousand		31 Dec. 2011	31 Dec. 2010
	Non-current assets	435,641	322,067
+	Current assets	26,852	84,076
–	Non-current liabilities and provisions*	-220,399	-151,240
–	Current liabilities	-14,237	-22,413
	Reported NAV*	**227,857**	**232,490**
+	Hidden reserves of non-current assets**	71,471	65,654
	NAV	**299,328**	**298,144**
	NAV per share in €	**8.77**	**8.74**
–	Derivative financial instruments	-12,726	-9,023
–	Hidden reserves on financial liabilities	-5,448	-694
	NNNAV	**281,154**	**288,427**
	NNNAV per share in €	**8.24**	**8.45**

* Not including derivative financial instruments
** Calculation of hidden reserves in the property portfolio based on the Jones Lang LaSalle fair value measurement; our own assumptions used for agricultural and forest space

FFO

FFO (funds from operations) is a financial ratio calculated on the basis of the separate IFRS financial statements and an indicator of the company's long-term performance. It is therefore similar to EPRA net income. It is used in value-orientated corporate management to show the funds generated which are available for investments and dividend distributions to shareholders. FFO is calculated as follows:

€ thousand		2011	2010
	Net rental income	28,244	22,124
–	Administrative expenses	-919	-811
–	Staff costs	-2,838	-2,564
+	Other operating income*	351	446
–	Other operating expenses	-845	-724
+	Interest income	408	268
–	Interest expenses	-8,372	-6,576
	FFO	**16,029**	**12,163**
	FFO per share in €	**0.47**	**0.36**

* Adjusted for reversals of write-downs

HAMBORNER calculates its FFO conservatively without proceeds from disposals. FFO amounted to €16.0 million for 2011, up approximately 32% on the previous year (€12.2 million). The FFO yield (FFO in relation to the NAV at year-end) is approximately 5.4%.

Net initial yield

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

	€ thousand	2011	2010
	Fair value of property portfolio (net)	504,432	376,150
–	Property held for sale	-5,552	0
+	Incidental costs of acquisition	32,310	21,360
	Fair value of property portfolio (gross)	531,190	397,510
	Annualised rental income	35,251	27,045
–	Non-transferable property costs	-3,322	-2,768
	Annualised net rental income	31,929	24,277
+	Adjustments for rental incentives	0	0
	Topped-up annualised rental income	31,929	24,277
	Net initial yield	**6.0%**	**6.1%**
	Topped-up net initial yield	**6.0%**	**6.1%**

Vacancy rate

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

€ thousand	2011	2010
Annualised standard market rent for vacant space	714	643
Annualised standard market rent for portfolio as a whole	35,142	26,706
Vacancy rate	**2.0%**	**2.4%**

CONTENTS

MANAGEMENT REPORT

SPECIALIST MEDICAL CENTRE,
Hildegard-von-Bingen-Strasse 1

LÖRRACHER STR. 8, E-CENTER

FREIBURG

HISTORY

1120
Market founded by Konrad von Zähringen

around 1200
Construction begins on cathedral (consecrated 1513)

1258
The "Hosanna", the oldest bell, is cast; it is still one of the cathedral's bells today.

1368
Freiburg comes under Habsburg protection

1457
Founding of university

1498
Imperial Diet under Maximilian I, Holy Roman Emperor.

1677 – 1697
Freiburg is a French fortress.

1770
Marie Antoinette travels through Freiburg on bridal voyage, Freiburg becomes part of Baden Margravate

1845
Freiburg – Offenburg train line opens.

1946 – 1952
Seat of government of the State of Baden

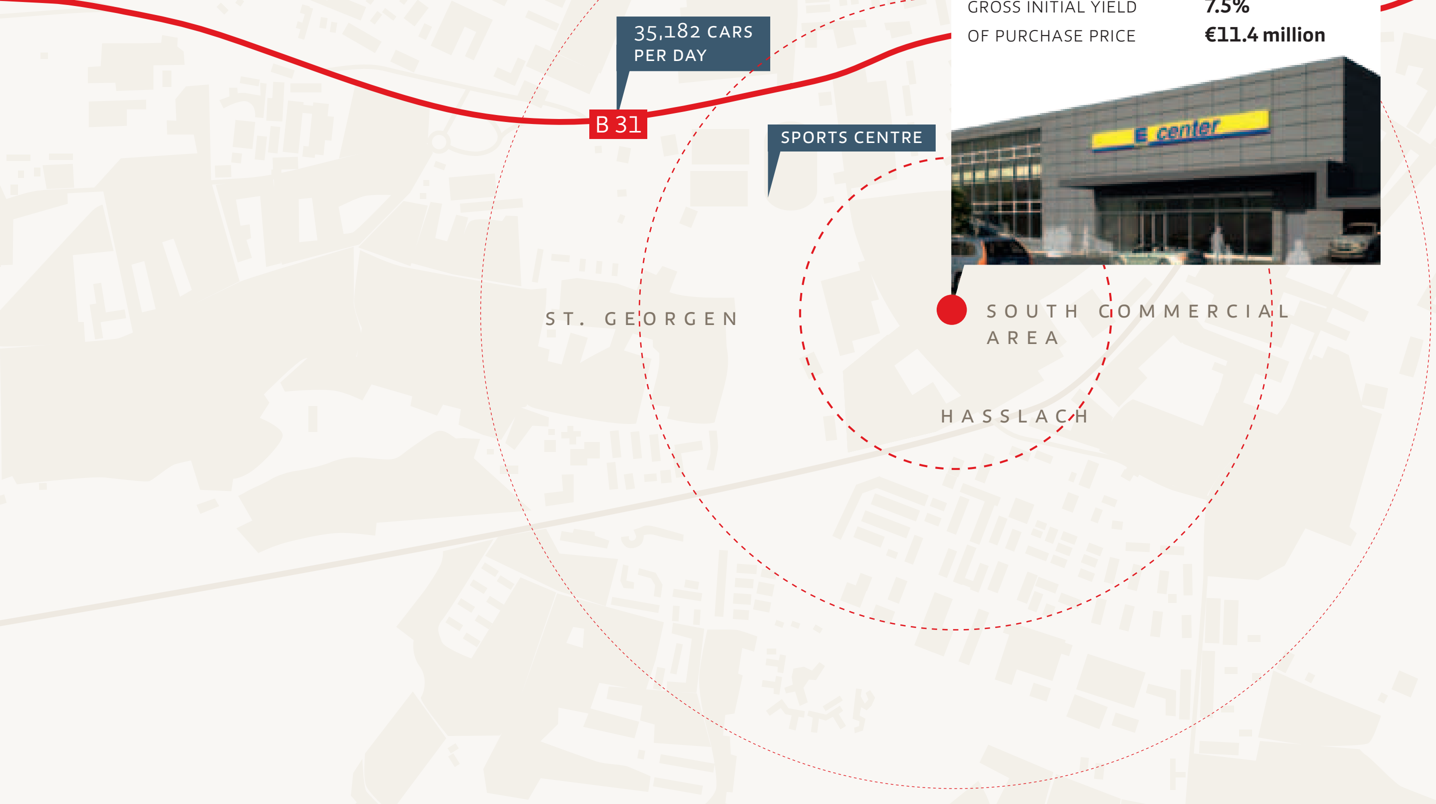
since 1952
Seat of the Freiburg Regional Council

B 31a

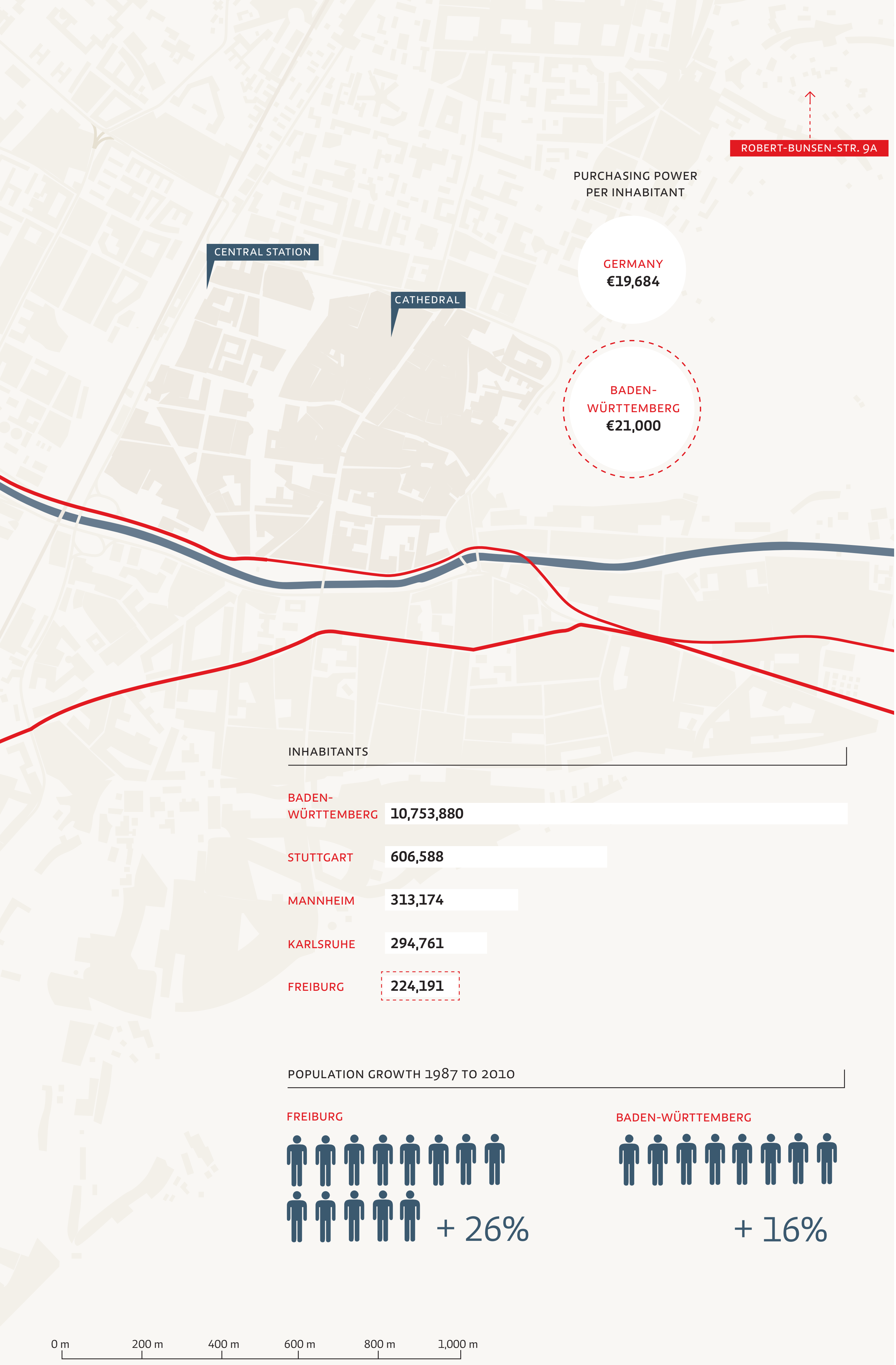
DREISAM

LÖRRACHER STR. 8, E-CENTER

BUILT	**2011/2012**
TENANT	**EDEKA**
RENTAL SPACE	**around 4,000 m²**
ANNUAL RENTAL INCOME	**€860,000**
GROSS INITIAL YIELD	**7.5%**
OF PURCHASE PRICE	**€11.4 million**



↙ 73 km
EuroAirport
Basel Mulhouse Freiburg



PURCHASING POWER PER INHABITANT

GERMANY **€19,684**

BADEN-WÜRTTEMBERG **€21,000**

INHABITANTS

BADEN-WÜRTTEMBERG	**10,753,880**
STUTTGART	**606,588**
MANNHEIM	**313,174**
KARLSRUHE	**294,761**
FREIBURG	**224,191**

POPULATION GROWTH 1987 TO 2010

FREIBURG + 26%

BADEN-WÜRTTEMBERG + 16%

General Economic Conditions

Economic environment

The German economy grew in the past year in spite of the European debt crisis. According to the Federal Statistical Office, gross domestic product (GDP) increased by 3.0% in 2011. In particular, this growth was driven by private consumer spending, which rose by 1.6%. However, the global economic downturn reached Germany as well by the end of the year. According to the Federal Statistical Office, GDP contracted by around 0.25% in the final quarter of 2011. By contrast, the German labour market continued to develop positively until the end of the year. On average, 2.976 million people were unemployed in 2011 according to the Federal Employment Agency. This corresponded to an average unemployment rate of 7.1%. Thus, unemployment was at its lowest level since 1991. Consumer prices saw their strongest rise in Germany since 2008. The average rate of inflation was 2.3%, according to the Federal Statistical Office. The main reasons for this were price increases for energy and food.

Situation on the property market in Germany

Retail property market

The good labour market figures and income trend had a positive effect on consumer sentiment and therefore retail spending in Germany. In the past year, retail companies in Germany posted nominal sales increases of between 2.7% and 2.9% as compared to 2010, according to the Federal Statistical Office. Adjusted for inflation, sales are believed to be between 1.1% and 1.3% higher than in the previous year.

Demand for retail space in Germany continues undiminished. In addition to national retailers, international ones also advanced their expansion in 2011. The international companies are now no longer focusing their expansion just on the top ten locations, but are also increasingly targeting smaller locations as well. As the space on offer in prime locations is still limited, a number of international retailers are attempting to buy their way into top city centre locations with key money. Demand for space primarily centres on small-scale rentals up to 250 m². Almost half of rental agreements concluded fall into this category. However, spaces exceeding 2,000 m² are also very much in demand. According to major brokers, the textile industry was the biggest demand group renting space in 2011. The telecommunications and electronics industry increased its share significantly in 2011 as the second-biggest sector.

Rents for shops in prime locations in Germany's city centres became slightly more expensive compared to last year and, according to broker reports, rose by an average of 0.5% to 1.0%. The big winners here were metropolises. In Germany's 14 most populated cities, rents at the best sites in pedestrianised areas grew by an average of 2.2% as against September 2010. Retail rents in prime locations rose or remained stable in around 80% of cities with a population of more than 40,000. However, this development should not disguise the fact that there are still cities experiencing negative trends in rents and that there are B locations – even in A cities – struggling with vacancies.

Office space market

In spite of the financial and currency crisis and falling forecasts for ongoing economic performance, the office rental markets did not lose any momentum in 2011. The situation at most companies is still encouragingly stable. According to the major brokers, with take-up of around 3.6 million m² at the nine most important German office locations (Berlin, Düsseldorf, Essen, Frankfurt/Main, Hamburg, Cologne, Leipzig, Munich and Stuttgart), the previous year's figure was outperformed by almost 18% in 2011, the third-best result on record. Barring Düsseldorf, take-up in the Big Nine was on the rise, in some cases considerably so. Munich again enjoyed the highest take-up at approximately 880,000 m² (up 47%), followed by Berlin (550,000 m², up 7%) and Hamburg (roughly 540,000 m², up 6%). Stuttgart recorded the biggest percentage increase at 55%.

Looking at all Big Nine locations, vacancies declined by approximately 5% in 2011 to currently more than 8.7 million m². Vacancy rates ranged from around 4% in Essen to 7% in Munich and approximately 13% in Frankfurt/Main. While the volume of construction barely changed in 2011, the space still available on the rental market declined by 12%, hence only around 40% of the current construction volume is now available for rental.

Except for Essen and Leipzig, which each enjoyed a stable trend, peak rents rose in all Big Nine locations. By far the highest increase was in Munich at 10%.

German property investment market

According to information from the major German broking houses, the nationally registered investment sales in commercial properties rose by around 20% year-on-year to roughly €23.5 billion. Significantly higher sales were only seen in the boom years of 2006 and 2007. In spite of the turbulence on the financial markets, investors still greatly value German properties, as shown by the fact that the fourth quarter of 2011 was its strongest in terms of sales in spite of all uncertainty.

As in the previous year, the biggest share of investments in 2011 was accounted for by retail properties (around €11.0 billion, share of approximately 46%). This was followed by office properties (approximately €7 billion, share of around 30%). Third place went to logistics properties at around 5%. Approximately 84% of commercial investment sales in 2011 related to individual transactions, while the share of portfolio transactions fell to 16%. More than a third (34%) of total sales related to foreign investors who still see Germany as a safe haven, particularly in times of difficulty. However, compared to potential alternatives, property as an investment class currently seems irreplaceable for German investors as well (66%).

The dominant investor group in the past year was asset/fund managers at around 20% as a result of several large-volume transactions (including the Metro portfolio and CentrO shopping centre). In addition, open-ended property funds and special funds also accounted for around 20%. Around 14% related to project developers – an increase of 180% as against the previous year and therefore also a reflection of the industry's more positive outlook, whereby purely speculative construction projects tend to be rarer on account of restrictive lending policies at banks. The oft-cited flight by private investors to real assets can be seen by the almost 60% increase year-on-year in investments by this group (around 12% of the total transaction volume).

The focus of property investors is defined by a risk-minimising investment strategy – therefore properties in good locations with solvent tenants and long-term leases – as a result of which peak rents for prime commercial property of all asset classes stabilised at their respective prior-year levels. Net peak yields for top offices remained below 5% in Munich, Hamburg and Frankfurt/Main.

Economic Report

Corporate strategy

The corporate strategy of HAMBORNER is geared towards value-adding growth through the yield-driven expansion of its commercial property portfolio in the fields of large-scale retail, high street commercial properties and offices, while at the same time maintaining its regional diversification. Its objective is to further increase the profitability of the property portfolio by acquiring additional high-yield properties. To increase profitability, it will sell properties with well below-average absolute fair values and properties at locations with less promising prospects, replacing them with properties with a higher fair value and significantly better cost-income structures.

Through this objective, the company intends to generate higher yields and reduce its portfolio risks with the aim of achieving a consistent and attractive dividend distribution in future.

Specifically, HAMBORNER's strategic objectives are to be achieved with the following measures:

Focus on large-scale retail properties in high-footfall, high street properties and high-quality office buildings

Within its property portfolio, HAMBORNER focuses on a balanced mix of the following three property classes: large-scale retail properties in locations with high footfall which afford tenants an excellent market positioning, commercial high street properties in the pedestrian zones of cities with high purchasing power and high-quality office buildings. Large-scale retail properties offer a steady cash flow, thus forming the basis for ongoing dividend distributions. High street properties in prime locations offer potential for appreciation in value. Office properties usually have index-linked rents, and therefore offer greater protection against inflation.

Growth and expansion of the company's property portfolio

The company plans to expand its property portfolio on an ongoing basis by acquiring further commercial properties. The future investment volume per property is expected to be in a range of between €10 million and €40 million. The company also plans to optimise its portfolio through targeted measures. To increase profitability, portfolio properties with a low fair value or at locations with less-promising prospects will be sold. These are essentially properties with a fair value of less than €5 million that incur high costs in proportion to their rental income. The aim is to replace these properties with ones with a higher fair value and at attractive locations with significantly better cost-income structures. This active portfolio and acquisition management is limited to just the company's own portfolio. The business strategy does not include project development or services for third parties.

Focus on medium-sized cities and regions in Germany with long-term growth prospects

HAMBORNER's strategy is to hold commercial properties throughout Germany. It is not currently planning to acquire assets outside Germany. The company plans to make future purchases of commercial properties in south and southwest Germany in particular as these regions promise long-term growth and allow the company to increase the regional diversity of its portfolio. Investments in the former East Germany will only be implemented on a selective basis and in the metropolitan regions.

In our opinion, focusing on properties in medium-sized cities has the advantage that market prices in these regions are less volatile and higher returns are usually possible here than in conurbations. There is also, we find, a better selection of suitable properties and a lower level of competition, as large and professional competitors in particular are rare on these markets and therefore rarely affect market prices. This way, the development in market prices, cash flows from rental operations and the returns generated in these target markets are more stable overall and can be planned better. However, both generally and in the office sector in particular, we do not rule out the possibility of exploiting good acquisition opportunities for commercial properties in Germany's major conurbations – also taking into account the sustainability aspect.

Leveraging acquisition opportunities while retaining a healthy financing structure and ongoing distributions of attractive dividends

HAMBORNER's healthy financing structure with its low loan-to-value ratio (LTV) and high equity ratio helps it to leverage acquisition opportunities in the current market environment. The company also plans to finance the growth of its property portfolio with a balanced mix of equity and debt capital moving forwards. Its REIT equity ratio will be maintained above the legally required minimum of 45% at around 50%. As a REIT company, HAMBORNER is also required to distribute 90% of its net income as determined under commercial law.

Management system

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

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

Result of operations (IFRS)

HAMBORNER systematically continued its strategy of profit-driven growth in 2011 and again enjoyed a successful financial year. The good operating performance of recent years continued and was in line with expectations. Net rental income amounted to €28.2 million (previous year: €22.1 million), another double-digit rise of 27.7% (previous year: 11.0%). This was primarily due to the new acquisitions in the last two years.

The operating result amounted to €14.9 million after €12.5 million in the previous year. In particular, this rise of 18.8% is due to higher net rental income. Another positive factor was that in spite of the higher business volume, administrative expenses and staff costs rose only moderately to a total of €3.8 million as against the previous year (€3.4 million). Depreciation and amortisation was up 31.0% year-on-year as a result of new additions. We recognise our properties at amortised cost and therefore report depreciation, which amounted to €10.5 million in the reporting year as against €7.7 million in the previous year. Impairment losses recognised on properties in previous years were reversed in the amount of €1.4 million in the reporting year and reported in other operating income. There were no impairment losses in 2011.

Net income from the disposal of properties was stable year-on-year at €2.2 million (previous year: €2.2 million). EBIT amounted to €17.1 million, up 16.0% on the previous year (€14.8 million).

Net finance costs amounted to €-8.0 million in the reporting year (previous year: €-6.3 million). Interest expenses of €-8.4 million (previous year: €-6.6 million), resulting in particular from acquisition financing were offset by interest income of €0.4 million that was up slightly as against the previous year (€0.3 million). After deducting net finance costs and income taxes of around €-1.3 million (previous year: €-2.8 million) from EBIT, net income for the year amounted to €7.9 million (previous year: €5.7 million). The taxes essentially resulted from the tax audit performed in the period under review for the 2007 to 2009 period and relate to additional payments in connection with the company's exit taxation on attaining REIT status. By way of the tax assessments issued on the basis of the external audit, the taxation of HAMBORNER for the years prior to it becoming exempt is now final and absolute.

Net assets and financial situation (IFRS)

A carrying amount of €435.2 million was reported for investment property after €321.5 million in the previous year. Cash and cash equivalents totalled €18.7 million (previous year: €83.6 million) as at 31 December 2011. The proceeds from the capital increase implemented in the previous year have therefore already largely been invested in the expansion of the property portfolio as at the end of the reporting period. The company has also concluded purchase agreements for properties worth €58.2 million that had not yet been transferred at the end of the reporting period.

On the equity and liabilities side of the statement of financial position, equity was down slightly by €8.4 million to €215.1 million (previous year: €223.5 million). The company therefore has an accounting equity ratio of 46.5% (previous year: 55.0%). Financial liabilities and derivative financial instruments amount to €228.9 million, up €64.8 million on the previous year (€164.1 million). After deducting cash and cash equivalents from financial liabilities, net financial debt amounts to €197.5 million (previous year: €71.4 million). Based on total non-current assets, the company therefore has a gearing ratio of 45.3% (previous year: 22.2%). Comparing net financial liabilities to portfolio fair value, the company has an LTV ratio of 39.1% (previous year: 19.3%).

The financial position of the company remains sound. Cash and cash equivalents declined by €64.9 million as against the previous year to €18.7 million. Outgoing payments (€131.6 million), essentially due to investments in the property portfolio, were offset by loan proceeds of €79.2 million.

The company's financing requirements for the 2012 financial year are secured by future rent payments, income from the disposal of portfolio properties and the proceeds from loan agreements already in place.

The company's highly positive result of operations and its comfortable net asset and financial situation uphold the measures and strategy of recent years. The concentration of business activities on commercial properties, the elimination of properties no longer consistent with the company's strategy from the portfolio and the reinvestment of funds in attractive retail and office property ensure sustainable and stable cash flows. The conservative accounting for property at cost is also advantageous. The effect on earnings of impairment losses and their reversal is much lower than when accounting at fair value, which makes the company's results less volatile overall. Furthermore, the company's high cash and cash equivalents and low net debt are also proof of its fundamentally solid financial position.

Result of operations (HGB)

The company prepares its financial statements both in accordance with the regulations of the German Commercial Code (HGB) and in accordance with International Financial Reporting Standard (IFRS) regulations. The main differences relate to the measurement of property, pension provisions, accounting for derivative financial instruments and, as far as the prior-year figures are concerned, the treatment of the costs of the capital increase.

Income from property management amounted to €35.2 million in the reporting year (previous year: €27.4 million). The costs of the management of our properties were around €7.3 million (previous year: €5.5 million). The increases in both income and management costs is essentially due to the growth of our property portfolio as a result of further investments. Also as a result of the new acquisitions, write-downs were up 35.0% year-on-year at €10.6 million (€7.8 million). Write-downs on properties recognised in previous years were reversed in the amount of €28 thousand in the reporting year (previous year: €117 thousand). By contrast, other operating expenses declined by €3.5 million to €2.0 million. This was due to the costs of the capital increase recognised in expenses in line with HGB in the previous year. Operating earnings were therefore up by €6.2 million at €15.2 million.

Mainly as a result of the partial debt financing of property acquisitions, the financial result fell by €–1.9 million to €–8.2 million. The company closed the 2011 financial year with a HGB result from ordinary activities of €7.0 million (previous year: €2.7 million). In the year under review, the additional payments anticipated as a result of the external audit for the years 2007 to 2009 since completed contributed €1.3 million to tax expenses for 2011. Including extraordinary expenses (€79 thousand), from the distribution of remeasurement differences on pension obligations as a result of the introduction of the German Accounting Law Modernization Act (BilMoG) as at 1 January 2010, earnings after taxes (net income for the year) amounted to €5.6 million (previous year: €0.6 million).

Taking into account the profit carried forward from the previous year (€6.8 million) and a withdrawal from other revenue reserves (€1.2 million), the net retained profits amount to €13.6 million (previous year: €19.4 million).

Net assets and financial situation (HGB)

Total assets rose by €54.9 million to €463.1 million. As a result of the investments of the reporting year, fixed assets were up by €117.7 million or 36.4% to €441.5 million. Current assets including prepaid expenses declined by €62.8 million to €21.6 million, due mainly to the use of equity for property acquisitions in the year under review. Equity decreased by €7.0 million to €229.3 million. The company's investments were again financed with debt capital to an appropriate degree. Liabilities to banks therefore rose by €61.4 million to €216.4 million. The equity and medium- and long-term debt capital cover fixed assets in full. As at 31 December 2011, the company's equity ratio was 49.5% (previous year: 57.9%).

Please see the comments on the IFRS result of operations, financial position and net assets situation for information on the financial situation.

Overall statement on the economic situation

Overall, the Managing Board feels that the economic position of the company is good at the time of the preparation of the management report. As business performance in the initial weeks of the new financial year was in line with expectations in terms of revenue from rents and leases, the Managing Board assumes that future developments will remain positive overall.

Business development in the property sector

Overview of the HAMBORNER property portfolio

The HAMBORNER property portfolio comprised 69 portfolio properties as at the end of the year under review.

The properties are predominantly in large- and medium-sized cities at 51 locations in Germany and have total useable space of 274,252 m², 264,515 m² of which is used commercially and 9,737 m² is used as residential space. More detailed information on the year of purchase, location, size, nature of the respective use and the fair value of all properties can be found in the list of properties below.

Further information and the respective property data can also be found on the Internet at www.hamborner.de.


SCHLESWIG-HOLSTEIN
MECKLENBURG-WESTERN POMERANIA
HAMBURG
Hamburg
BREMEN
Bremen
Oldenburg
Lüneburg
LOWER SAXONY
Meppen
BERLIN
Berlin
Osnabrück
Hanover
Rheine
Minden
Herford
Münster
Lemgo
BRANDENBURG
NRW
Gütersloh
SAXONY-ANHALT
Dinslaken
Geldern
Kamp-Lintfort
Moers
Oberhausen
Dortmund
Duisburg
Essen
Krefeld
Langenfeld
Hilden
Wuppertal
Kassel
SAXONY
Leverkusen
Lüdenscheid
Solingen
Leipzig
Erfurt
Freital
Cologne
Düren
Aachen
St. Augustin
THURINGIA
HESSEN
Neuwied
Bad Homburg
Frankfurt
Wiesbaden
RHINELAND-PALATINATE
SAAR-LAND
Kaiserslautern
Erlangen
Mosbach
BAVARIA
Regensburg
Stuttgart
Ingolstadt
Offenburg
BADEN-WÜRTTEMBERG
Augsburg
Munich
Brunnthal
Freiburg
Villingen-Schwenningen
Portfolio
Transferred in 2011
Notarised in 2011, transfer of ownership later

List of properties (as at 31 December 2011)

Year of purchase	Property		Building use	Plot size m²	Useable space m²
1976	Solingen	Friedenstr. 64	B	27,344	7,933
1981	Cologne	Von-Bodelschwingh-Strasse 6	B	7,890	2,630
1982	Frankfurt/Main	Cronstettenstr. 66	O	1,246	1,828
1982	St. Augustin	Einsteinstr. 26	C	9,127	2,417
1986	Frankfurt/Main	Königsteiner Str. 73–77	B	6,203	2,639
1987	Lüdenscheid	Wilhelmstr. 9	B	136	425
1982	Krefeld	Emil-Schäfer-Strasse 22–24	C	5,196	2,793
1983	Wiesbaden	Kirchgasse 21	B/R	461	1,202
1983	Moers	Homberger Strasse 41	B/R	1,291	2,079
1984	Frankfurt/Main	Steinweg 8	B/O	167	607
1982	Essen	Hofstr. 10 and 12	B/O	2,320	2,266
1983	Duisburg	Rathausstr. 18–20	B/O/R	4,204	2,309
1985	Solingen	Kirchstr. 14–16	B/R	1,119	3,046
1987	Oberhausen	Marktstr. 69	B/R	358	523
1988	Dortmund	Westfalendamm 84–86	O/R	1,674	2,633
1988	Wuppertal	Turmhof 6	B/O/R	403	1,320
1989	Duisburg	Fischerstr. 91	B/R	421	625
1991	Oberhausen	Marktstr. 116	B/R	461	1,337
1991	Dortmund	Königswall 36	B/O/R	1,344	2,846
1991	Erfurt	Neuwerkstr. 2	B/O/R	579	2,231
1992	Erfurt	Marktstr. 2	B/O/R	495	1,375
1992	Erfurt	Marktstr. 7–9	B/O	365	566
1995	Berlin	Schlossstr. 23	B/R	305	542
1996	Duisburg	Fischerstr. 93	B/R	421	433
1996	Hanover	Karmarschstr. 24	B/O/R	239	831
1997	Augsburg	Bahnhofstr. 2	B/O/R	680	1,438
1999	Dinslaken	Neustrasse 60/62/Klosterstr. 8–10	B/O/R	633	1,207
1999	Kaiserslautern	Fackelstr. 12-14 / Jägerstr. 15	B/O/R/U	853	1,423
1999	Kassel	Quellhofstr. 22	B	5,000	1,992
2000	Gütersloh	Berliner Str. 29–31	B/R	633	1,292
2001	Hamburg	An der Alster 6	O	401	1,323
2002	Düren	Wirtelstr. 30	B/R	202	479
2002	Osnabrück	Grosse Str. 82/83	B	322	750
2003	Leverkusen	Wiesdorfer Platz 33	B/R	809	668
2004	Oldenburg	Achternstr. 47/48	B	413	847
2006	Krefeld	Hochstr. 123–131	B	1,164	3,457
2006	Minden	Bäckerstr. 8–10	B/R	982	1,020
2007	Münster	Johann-Krane-Weg 21–27	O	10,787	9,528
2007	Neuwied	Allensteiner Str. 61/61a	B	8,188	3,501
2007	Freital	Wilsdruffer Strasse 52	B	15,555	7,940
2007	Geldern	Bahnhofstr. 8	B	12,391	8,749
2007	Lüneburg	Am Alten Eisenwerk 2	B	13,319	4,611
2007	Meppen	Am Neuen Markt 1	B	13,111	10,205
2007	Mosbach	Hauptstr. 96	B	5,565	6,493

Rents 2011 (incl. rent guarantees)	Weighted residual term of rental agreements in months	Fair value*	Discount rate in %	Capitalisation rate in %	Other comments
1,465,381	100	15,170,000	6.40	7.00	Leasehold property
272,051	180	6,120,000	6.60	6.40	
359,457	29	5,790,000	6.85	5.90	
300,000	108	3,650,000	6.75	8.25	
335,323	22	4,420,000	7.00	6.60	
66,000	27	880,000	6.25	6.25	
163,890	55	1,620,000	7.80	8.50	
558,188	78	11,130,000	5.60	5.00	
210,877	24	2,760,000	7.35	7.20	
323,631	55	6,900,000	5.10	4.85	
285,314	34	3,530,000	7.15	6.80	
172,636	24	2,040,000	8.25	7.00	
277,898	21	3,800,000	7.75	6.85	
84,971	25	1,130,000	7.90	7.10	
281,610	48	3,890,000	6.85	6.50	
231,447	71	2,970,000	6.75	6.45	
83,201	72	1,000,000	7.30	7.10	
107,630	41	1,360,000	8.00	7.40	
330,067	60	4,010,000	6.85	6.60	
171,355	32	2,250,000 ***	–	–	Available for sale
141,391	38	2,040,000 ***	–	–	Available for sale
89,080	43	1,262,200 ***	–	–	Available for sale
216,480	48	4,150,000	5.65	5.20	
40,843	14	600,000	6.80	7.00	
245,830	54	4,750,000	5.50	5.25	
457,847	77	7,140,000	6.20	5.75	
167,063	40	2,190,000	7.10	6.90	
431,086	70	7,110,000	6.80	5.80	
189,167	48	1,620,000	9.25	8.50	
351,315	46	3,750,000	6.30	5.75	Leasehold property
253,078	28	3,760,000	6.35	5.85	
127,043	48	1,920,000	6.95	6.40	
306,000	84	5,960,000	6.10	5.60	
137,117	–	2,390,000	6.90	6.10	Sublet
243,600	75	4,450,000	6.40	5.80	
503,873	25	8,420,000	6.70	5.90	
278,648	109	4,620,000	6.30	5.90	
1,114,808	38	15,060,000	7.00	6.60	
315,902	67	5,080,000	7.95	7.10	
738,453	118	10,140,000	6.80	7.15	
813,615	94	8,290,000	6.70	6.90	Partly leasehold property
428,790	118	5,820,000	6.85	6.95	
949,040	94	13,440,000	6.50	6.90	Partial ownership
603,825	94	8,280,000	6.80	6.95	

List of properties (as at 31 December 2011)

Year of purchase	Property		Building use	Plot size m²	Useable space m²
2007	Villingen-Schwenningen	Auf der Steig 10	B	20,943	7,270
2008	Rheine	Emsstr. 10–12	B/O/R	909	2,308
2008	Bremen	Hermann-Köhl-Strasse 3	O	9,994	7,157
2008	Osnabrück	Sutthauser Strasse 285–287	O	3,701	3,833
2008	Bremen	Linzer Str. 7–9a	O	9,276	10,141
2008	Herford	Bäckerstr. 24–28	B	1,054	1,787
2008	Freiburg	Robert-Bunsen-Strasse 9a	B	26,926	9,253
2009	Münster	Martin-Luther-King-Weg 18–28	O	17,379	13,791
2009	Hamburg	Fuhlsbüttler Str. 107–109	B/O/R	1,494	2,960
2009	Hamburg	Ziethenstr. 10	C/O/R	3,349	2,095
2009	Duisburg	Kasslerfelder Kreisel	B	10,323	5,119
2010	Erlangen	Wetterkreuz 15	O	6,256	7,343
2010	Hilden	Westring 5	B	29,663	10,845
2010	Kamp-Lintfort	Moerser Str. 247	B	1,324	2,093
2010	Stuttgart	Stammheimer Str. 10	B	6,853	6,395
2010	Ingolstadt	Despagstr. 3	O/B	7,050	5,623
2010	Lemgo	Mittelstr. 24–28	B	2,449	4,759
2011	Brunnthal	Eugen-Sänger-Ring 7	B/C	6,761	6,721
2011	Bad Homburg	Louisenstr. 53–57	O/B	1,847	3,232
2011	Leipzig	Brandenburger Str. 21	B	33,916	11,139
2011	Regensburg	Hildegard-von-Bingen-Str. 1	O/B	3,622	8,998
2011	Langenfeld	Solinger Str. 5–11	B	4,419	6,295
2011	Offenburg	Hauptstr. 72/74	B	1,162	5,150
2011	Erlangen	Allee am Röthelheimpark 11–15	O/B	10,710	11,600
2011	Freiburg	Lörracher Str. 8	B	8,511	3,987
				394,668	**274,252**

O Office space, medical practices
B Business space (retail, shops, department stores, food services)
C Other commercial and production space
R Residential space
U Undeveloped reserve space

* According to the Jones Lang LaSalle appraisal as at 31 December 2011
** Pro rata temporis rents from transfer of ownership
*** Contractually agreed sale price

Rents 2011 (incl. rent guarantees)	Weighted residual term of rental agreements in months	Fair value*	Discount rate in %	Capitalisation rate in %	Other comments
355,377	73	3,500,000	7.00	7.35	
338,044	32	5,160,000	6.85	6.30	
583,616	71	9,060,000	7.20	6.70	
508,469	34	6,850,000	6.75	6.65	
1,168,521	16	15,070,000	7.25	6.70	
275,208	56	4,210,000	6.35	6.10	
930,210	78	8,130,000	7.15	6.90	Leasehold property
1,699,046	21	22,140,000	6.60	6.50	
449,580	38	7,000,000	6.30	5.80	
170,181	62	1,940,000	8.20	7.50	
670,599	137	9,030,000	7.00	6.80	
1,079,501	63	15,360,000	6.80	6.60	
898,978	147	11,920,000	6.60	7.20	
250,397	94	3,400,000	6.60	6.70	
1,200,000	198	16,860,000	6.30	6.85	
887,248	97	12,930,000	6.60	6.40	
484,547	108	8,270,000	6.80	6.40	
902,351 **	99	12,090,000	7.10	7.50	
652,119 **	41	14,140,000	6.75	6.00	
671,928 **	154	12,190,000	6.50	6.85	
1,012,763 **	81	21,490,000	6.75	6.25	
551,725 **	111	17,790,000	6.50	6.15	
216,735 **	74	7,910,000	6.40	6.10	
662,719 **	125	29,180,000	6.75	6.25	
140,944 **	214	12,150,000	6.35	6.90	
31,985,625		**504,432,200**			

Development of rental and leasing income

Rental and leasing income amounted to approximately €32.2 million in the reporting year and has therefore increased significantly by around €7.1 million as against 2010 due to the new investments. On a like-for-like basis – i.e. comparing the properties that were held in the portfolio throughout 2010 and 2011 – net rents were stable year-on-year overall at €22.5 million (previous year: €22.5 million). Uncollectable receivables and write-downs also remained at a very low level in the 2011 reporting year at around €56 thousand (previous year: €69 thousand).

The overall vacancy rate in the 2011 financial year was down year-on-year at 1.8% (previous year: 2.5%). The vacancies also include space in recently purchased properties for which rent guarantees are in place. The adjusted economic vacancy rate (including income from rent guarantees) was just 1.3% (previous year: 1.5%).

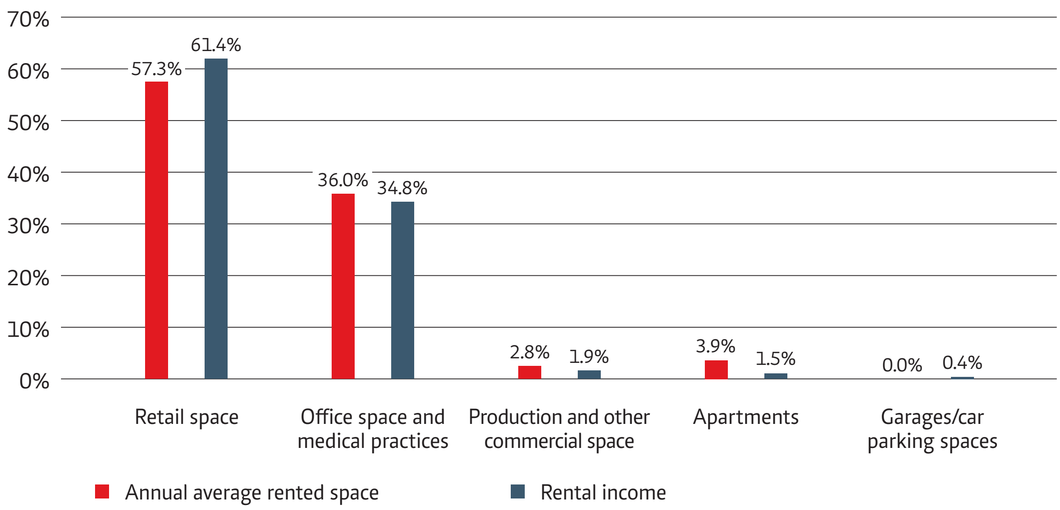
The following table provides an overview of the company's ten biggest tenants

Company	**Rental income in %***
1. Kaufland Group	13.0
2. EDEKA Group	10.4
3. OBI	5.0
4. AREVA NP GmbH	2.8
5. SFC Energy AG	2.6
6. Telefónica O_2	2.3
7. REWE	2.2
8. German Federal Employment Agency	2.1
9. dm-Markt	2.0
10. Kaspersky Labs GmbH	2.0
Total	**44.4**

* According to share of annualised rents

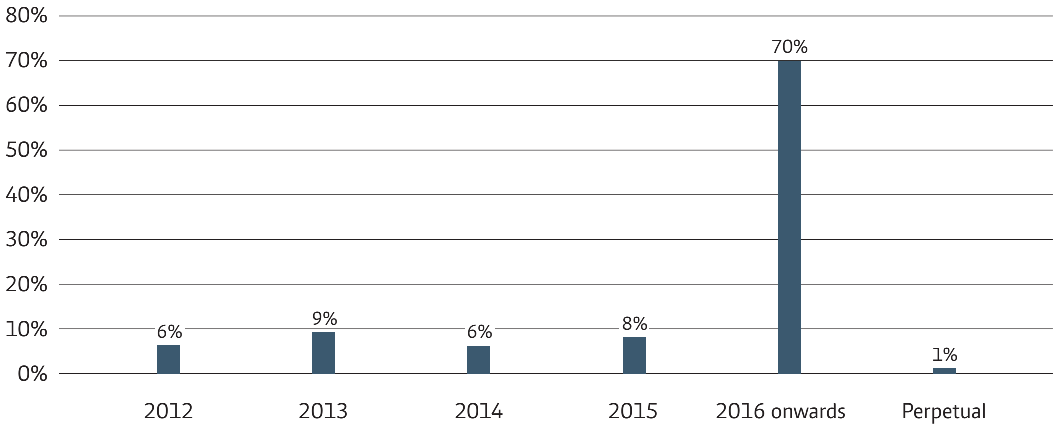
We generate most of our rental income from retail space, which has already proved largely reliable in terms of letting in past years.

The 2011 portfolio breaks down by types of use and contributions to rental income as follows:



The residual term of our commercial rental agreements weighted according to rental income is 7.1 years. The weighted residual term for the office sector is 4.5 years, 6.1 years for commercial properties and approximately 10.4 years for retail space. Around 70% of contractually agreed rental income does not expire until 2016 or later:

Expiry of rental agreements*



* Expiring rental agreements in relation to rental income

Rent income is the company's key source of income. Tracking the development of its structure, the expiry of rental agreements, vacancy rates, rent in arrears and defaulted rent are central components of monthly controlling reports.

Building and property maintenance

The objective of building and property maintenance at HAMBORNER is the ongoing care for and optimisation of the properties managed. The most important elements of this are regular property inspections to identify any defects on site in a timely manner and have them rectified. At the same time, these regular inspections can also be used to identify potential improvements and to incorporate them into long-term maintenance planning. As in the past, extensive work was done in individual projects in the 2011 financial year as part of planned maintenance on roofs, façades and building services facilities to enhance the energy efficiency of the properties in question and thereby improve their long-term letting prospects. A further key day-to-day task in building maintenance is the coordination and performance of conversion work for new and follow-on rental agreements.

Maintenance expenses in the 2011 financial year amounted to around €2.6 million (previous year: €1.7 million). There were also measures eligible for capitalisation of around €2.0 million (previous year: €0.1 million). The rise in total spending as against the previous year is essentially due to the planned extension of the REWE store in Cologne and the refurbishment of the roofs of the C+C wholesale store in Freiburg and the Kaufland store in Freital. The total cost of the refurbishment of the two roofs was around €750 thousand. HAMBORNER incurred total expenses of around €2.6 million for the extension and modernisation project for the portfolio building in Cologne. A new 15-year lease was agreed with REWE, resulting in a significant increase in the fair value of the property. The implementation of this can therefore be seen as an example of successful project development within the company's own portfolio.

HAMBORNER is planning the full refurbishment of the office building in Dortmund, Königswall, in the 2012 financial year. This will essentially include the energy refurbishment of the windows and façades, upgrading the building in line with current fire safety requirements and an overhaul of the common areas and the main staircase. The project reflects the policy HAMBORNER has been practicing for years of the sustainable management of its properties, which is playing an ever greater role in today's discussions of sustainability. Total expenses for this project are expected to amount to around €700 thousand. Work to prepare for its implementation is currently going ahead and the project is expected to begin in summer 2012.

Performance of the property portfolio

The historical cost of the properties listed in our portfolio amounted to €503.7 million at the end of 2011 (previous year: €374.8 million). The option provided under IAS 40 (30) in conjunction with (56) was exercised in the IFRS statement of financial position. Accordingly, portfolio properties are reported at amortised cost as calculated in accordance with IAS 16. Their carrying amount as at 31 December 2011 was €435.9 million (previous year: €315.4 million).

Our property portfolio was again valued by a third-party expert as at the end of 2011. Jones Lang LaSalle was commissioned to calculate the market value of the property portfolio and to document this in an expert report. The portfolio was measured on the basis of the generally recognised International Valuation Standards (IVS) and the guidelines of the Royal Institution of Chartered Surveyors (RICS).

These state that market value "is the estimated 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 above definition is the same as that of the "fair value model", as found in the International Financial Reporting Standards under IAS 40. The valuation was performed on the basis of a discounted cash flow (DCF) process. In the DCF process, the cash flows expected were calculated for a standard analysis period of ten years – 2012 to 2021. A capitalised residual value is forecast on the basis of the respective long-term net proceeds for the end of the ten-year planning horizon. The market value of a property is derived from the sum of the discounted cash flows of the overall planning period plus the residual value also discounted to the measurement date.

When calculating cash flows, rental income was always reduced by the property-specific costs that cannot be allocated to tenants. In addition, the expected expenses for maintenance or modernisation and the expected administrative expense were deducted. Rent increases based on indexation were taken into account in specific cases for long-term contracts. Rent forecasts were prepared if rental agreements were terminated within the period of analysis. They were discounted to the measurement date to calculate the present value of future cash flows. The discount rates range between 5.1% and 9.3% and take into account the respective property-specific risks.

The fair values calculated by Jones Lang LaSalle are shown separately for each property in the list of properties above. Also shown separately is rental income as a key factor in determining net cash flows, the discount rates and capitalisation rates. The total market value of HAMBORNER's property portfolio calculated thus amounted to €504.4 million, an increase of €128.3 million on the previous year's portfolio value.

The difference is due to additions to fair value from acquisitions of €127.0 million, fair value disposals due to sales of €1.0 million and a net year-on-year increase in the fair value of the portfolio of around €2.3 million.

The remeasurement of the properties as at 31 December 2011 highlights the stable value of HAMBORNER's property portfolio. Moreover, owing to our conservative accounting at amortised cost – and not at higher market values – we recognise depreciation on our portfolio with the result that any losses on remeasurement are deducted from hidden reserves, but do not necessarily negatively affect earnings. However, there is the potential for reversals of write-downs recognised on properties in previous years if fair values remain constant or rise. Thanks to the stable performance of our portfolio, we therefore recognised reversals of impairment losses of €1.4 million in the reporting year (previous year: €2.1 million). There were no impairment losses as at 31 December 2011 (previous year: €0.3 million). This therefore had a net positive influence on total earnings of €1.4 million (previous year: €1.8 million).

Successful new investments at HAMBORNER

Our corporate strategy is geared towards value-adding growth through the yield-driven expansion of our commercial property portfolio in the fields of large-scale retail, high street commercial properties and offices, while at the same time maintaining regional diversification. In line with this strategy, new investments of €122.0 million, not including incidental costs of acquisition, were performed in the 2011 financial year (previous year: €64.6 million). In line with our strategy, the new investments focused on the asset classes described above. As a result of purchase agreements concluded in the previous year, one high street store in the pedestrian zone of Bad Homburg v. d. Höhe, one office property in Brunnthal, one OBI store in Leipzig, one medical practice in Regensburg, one EDEKA store in Freiburg and a retail and office centre in Erlangen were transferred to our portfolio in the reporting year. Furthermore, purchase agreements were concluded for two high street retail properties in the pedestrian zones of Langenfeld and Offenburg with risks and rewards to be transferred in 2011.

Specifically, the new investments entailing transfer to our portfolio in the 2011 financial year were as follows:

City	Address	Asset class	Space in m²	Rental income p.a. in € thou.	Purchase price in € million
Bad Homburg	Louisenstr. 53–57	High street	3,232	849	13.7
Brunnthal	Eugen-Sänger-Ring 7	Office/production	6,721	912	12.0
Leipzig	Brandenburger Str. 21	Retail	11,139	890	11.6
Regensburg	Hildegard-von-Bingen-Str. 1	Office/medical practice	8,998	1,437	21.0
Freiburg	Lörracher Str. 8	Retail	3,987	860	11.4
Erlangen	Allee am Röthelheimpark 11–15	Office/retail	11,600	1,916	28.1
Langenfeld	Solinger Str. 5–11	High street	6,295	1,147	16.3
Offenburg	Hauptstr. 72/74	High street	5,150	520	7.9
			57,122	**8,531**	**122.0**

Moreover, further purchase agreements for an OBI store in Aachen and the "NuOffice" property in Munich worth around €55.0 million were notarised in 2011. Specifically, these properties are as follows:

City	Address	Asset class	Space in m²	Expected rental income p.a. in € thou.	Expected transfer of ownership
Aachen	Debyestrasse	Retail	11,431	1,020	2012
Munich	Domagkstrasse 10	Office	around 12,000	2,294	2013

Portfolio disposals

We sold four portfolio properties in the 2011 financial year. An office building in Krefeld no longer satisfied our requirement profile on account of its size and lack of appreciation potential. The property was sold at a book profit of €0.4 million.

Furthermore, an agreement was concluded in the reporting year for the sale of three commercial buildings in Erfurt. The properties, which are no longer consistent with the company's strategy, are being sold for a total price of €5.6 million. The risks and rewards will not be transferred until 2012. They have therefore been reclassified to "Non-current assets held for sale" as at 31 December 2011.

In future, we intend to sell further portfolio properties no longer considered to fit strategy, for instance due to their location, tenant structure, property size, administration requirements or potential for rent increases.

Information on the property portfolio

In the 2011 financial year we successfully continued the sale of our land used for agricultural and forestry purposes. We sold land with a total area of around 1.0 million m² from our existing holdings in two transactions, generating income of around €2.6 million in the process. The two sales firstly related to land predominantly used for agricultural purposes of around 0.9 million m² and secondly to space of around 0.1 million m² that was sold as part of a reallocation process by the city of Dinslaken.

After these disposals, the company had a property portfolio of around 1.8 million m² as at 31 December 2011 that breaks down by type of use as follows:

in m²	31 December 2011	31 December 2010
Properties with business or commercial premises	328,002	257,592
Undeveloped residential properties*	2,850	4,600
Undeveloped commercial and industrial sites	4,078	6,000
Land for agriculture and forestry	1,420,235	2,437,434
Total	**1,755,165**	**2,705,626**

* Identified by 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 of approximately 1.4 million m² were acquired during our former mining operations. It is predominantly freehold property held jointly by the municipalities of Hünxe, Dinslaken and Duisburg. In this regard, there are also only occasionally prospects for future re-zoning as commercial or residential land in the long-term.

Undeveloped land is reported at its original cost. It has an average notional value of €0.91/m².

Staff

Our employees shape the company's image in the eyes of our clients and business partners. With the utmost dedication and strong sense of responsibility, they have made a vital contribution to the success of our company in their respective areas.

HAMBORNER employed an average of 25 people over the year, including the two members of the Managing Board (previous year: 24). The remuneration regulations for the members of the Managing Board are described in detail in the remuneration report.

Proposal for the appropriation of profits

The basis for the dividend distribution is the net retained profit under commercial law. The net income for the reporting year calculated in accordance with the provisions of the German Commercial Code amounted to €5,639,883.57. Taking into account the profit carried forward from the previous year of €6,793,296.48 and a withdrawal from other revenue reserves of €1,214,819.95, the net retained profits amount to €13,648,000.00.

At the Annual General Meeting of the company on 15 May 2012, the Managing Board will propose using the unappropriated surplus for the 2011 financial year of €13,648,000.00 to distribute a dividend of €0.40 per share.

Supplementary Report

On 4 January 2012, HAMBORNER signed a loan agreement of €20.0 million to finance the property in Munich acquired by way of notarised purchase agreement dated 23 August 2011. It will be utilised when the purchase price falls due at the earliest. Commitment interest will not be incurred until mid-2013.

The purchase price for a property sale not yet due as at the end of the reporting period of €2.2 million was received on 21 February 2012.

There were no further transactions of particular significance since the end of the financial year.

Risk Report

Principles of our risk policy

As a property company operating across Germany, HAMBORNER is exposed to various risks that can negatively influence the net assets, financial position and results of operations of the company. To reduce the risks, we have always tailored our business policy to avoid business areas with particularly high risk potential. In this regard, as in the past, we again did not participate in highly speculative financial transactions or property developer schemes in 2011. We take appropriate, manageable and controllable risks if the rewards offsetting them can be expected to give rise to adequate appreciation in value.

Risk management

In order to restrict risk, we have implemented a risk management system for the timely identification and handling of risks that could be of significance to the economic position of the company. It complies with the legal specifications and is subject to regular review. It is adjusted or added to appropriately in line with changing economic conditions. The early risk detection system is examined by the auditor as part of the annual audit of the financial statements.

The company's risk management system is closely integrated in operational procedures – particularly the planning and controlling processes – and comprises several levels. 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, possible loss and the associated exposure potential. In addition, measures for risk management and timely risk handling are outlined 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. Accounting processes are performed exclusively 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 review by the company's auditor.

When preparing the annual financial statements, we rely on expert appraisals for the measurement of investment property and to calculate the company's pension obligations. The dual control principle, taking into account appropriate signature regulations, is applied to all significant transactions. There is clear functional separation within the company between technical and commercial building management and accounting. Moreover, monthly reports on business performance are prepared and submitted to decision-makers. These serve as a basis on which to identify deviations from operative targets and initiate any countermeasures. The finance and accounting system uses standardised and certified IT program. For internal IT equipment, there are strict access regulations for read and write authorities in line with the individual areas of responsibility of the respective employees.

Presentation of individual risks

The risks that could have a substantial effect on the net assets, financial position and results of operations of the company are described below.

Risks of future macroeconomic development

HAMBORNER is influenced by the economic and political environment. Impeded by the debt crisis and the slowdown in economic momentum, short-term growth prospects in Europe have bleakened considerably. However, the duration and sustainability of this trend is unknown. The market environment for our company is also dependent on the ongoing development of the economy as a whole. However, given our business model and our capital resources, we feel we are well positioned, even under these difficult economic conditions.

Market risks in the property sector

We expect continuing high demand in the current financial year for our properties in prime high street locations. It remains to be seen how the general economic environment will develop for office buildings in the coming years. There are still vacancy risks for outdated office space or retail properties in second-rate locations.

Regardless of economic risks, the property industry is subject to distinct market cycles that can have an adverse effect on the value and rentability of the properties held in the portfolio. We try to anticipate this risk through intensive observation of the market and by maintaining 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 of good credit rating.

General letting risks

Through the broad regional diversification of our property portfolio currently including over 51 locations, we attempt to keep the consequences of specific negative local influences, such as can arise due to the construction of oversized shopping centres, 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 letting risks through regular monitoring and improvement of the structural quality of the properties. The self-management of all the portfolio properties enables us to react quickly to a probable change of tenant with selective subsequent lettings.

The above measures for minimising the letting risk have meant that we have been able to achieve a very high occupancy rate in past years. The average vacancy rate in the 2011 financial year was low at 1.8% (previous year: 2.5%). 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 efficient receivables management, 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 and individual value adjustments amounted to approximately €56 thousand in the 2011 financial year (previous year: €69 thousand), thus representing 0.2% (previous year: 0.3%) 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 13.0% of the total rental volume. In view of the credit standing of this tenant and the location of the properties, we consider the resulting risk to be manageable.

Valuation risks

The value of our properties is checked annually using the generally recognised DCF method. Our commercial property portfolio was again measured by an independent third party at the end of 2011. Detailed information on the valuation of our property portfolio can be found in the section "Performance of the property portfolio". The measurement of the property portfolio did not give rise to any impairment requirements in the IFRS financial statements for the 2011 financial year (previous year: €0.3 million). By contrast, impairment losses of €1.4 million were reversed on a total of eight properties written down in previous years (previous year: €2.1 million). The measurement of properties can also be affected by the use of different discount rates in future as a result of changes in general risk assessment, interest rates or risks specific to properties.

Financial risks

The asset and financial structure of our company remains extremely sound. Financial liabilities and derivative financial instruments amounted to €228.9 million as at the end of the reporting year. The company's equity ratio in the separate IFRS financial statements was 46.5% as at the end of the financial year. Further borrowed funds will also be raised in future to finance our growth to an appropriate extent. The development in interest rates is therefore of corresponding significance to the company. In order not to be subject to short-term interest rate risks, we have arranged fixed, long-term conditions for financing our investments. In order to hedge against interest rate fluctuations on our floating rate loans with a nominal value of €96.3 million, we have concluded interest swap agreements as part of our risk management system. Further information on interest rate hedges using financial instruments can be found in the notes on the accounting policies and under note (18).

The risks resulting from financial instruments relate to credit, liquidity and market risks. There are credit risks in the form of risks of default on financial assets. The maximum value of this risk is the carrying amount of the financial assets. For derivatives, this is the sum of all the positive fair values and, for primary financial instruments, the sum of the carrying amounts. 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 medium-term planning, which covers a period of five years.

There are market risks at HAMBORNER due to potential changes in the market interest rate in particular. The company finances its operating activities using borrowed funds and equity capital within the framework of the limits permitted under the German REIT Act. For floating rate financial instruments, changes in market interest rates can result in fluctuations of interest payments and the measurement of the derivative financial instruments used.

Tax risks

The external tax audit for the years 2007–2009 that began in April 2011 has been concluded. The auditor's findings were taken into account in these annual financial statements by way of provision of €1.3 million. The risks of exit taxation in connection with HAMBORNER achieving REIT status are therefore covered.

HAMBORNER has been a REIT stock corporation since 1 January 2010. As such, it is exempt from German corporation and trade tax. Under the REIT status, therefore, the tax risks cited in the past due to the "interest barrier" or claiming the "prerogative of extended trade tax reduction" do not apply at the company. In order to maintain REIT status over a sustained period, the company must comply with certain legal criteria. In particular, free float must be at least 15%, no investor can directly hold more than 10% of the shares, at least 75% of the assets must be immovables, 90% of the annual result in accordance with the German Commercial Code must be distributed and the equity capital must not fall below 45% of the fair value of the immovables. We counteract the risk of losing REIT status by means of our internal monitoring and controlling system. We monitor the development of the key indicators for classification as a REIT company, particularly the development of the REIT equity ratio in accordance with section 15 of the German REIT Act, which at 55.7% as at 31 December 2011 was considerably above the required minimum equity ratio of 45%.

Legal risks

In the context of its business activities, HAMBORNER is not currently involved in any significant court cases or threatened legal disputes.

Since 2007, we have been aware of a possible claim for compensation against various other companies amounting to approximately €1.3 million owing to subsidence. It cannot be ruled out that HAMBORNER will also be included in a possible action in this connection. As a former co-owner of a coal field in Duisburg long since disused, the company is 50% liable, which means that pro rata utilisation cannot be ruled out. Therefore, in the company's IFRS financial statements and its commercial law annual financial statements, a provision of €0.7 million was recognised at the end of 2006 as a precaution.

Subsidence risks

In addition to the possible claim for compensation described under legal risks, there are also other potential risks from our former mining activities, e.g. due to subsidence damage or shaft stabilisation. The associated economic risk and the extent of possible clean-up work that may become necessary were determined and assessed by an expert in 2005. In the long term, we will increase our subsidence provisions to a total of around €1.6 million by compounding for possible additional safety measures required in the long term due to altered water drainage in the area of our former coal fields.

There are no other contaminated land risks that could require cleaning up, e.g. due to soil pollution, according to current 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.

Summary assessment of the risk situation

In the overall assessment, there are currently no risks jeopardising HAMBORNER as a going concern in terms of income, asset or liquidity standpoints.

Forecast Report

Orientation of the company

HAMBORNER is a nationwide commercial real estate company and will remain so in future as well. On conversion into a REIT, the requirements arising from the German REIT Act have applied since the start of 2010. These relate in particular to the object of the company and compliance with the requirements in terms of company law and capital. The latter includes a minimum equity ratio of 45% on a fair value basis. Given our excellent capital resources, we feel we are very well positioned in terms of competition and well equipped for further growth. We will take advantage of market opportunities as they arise.

Our strategy is geared to the medium to long term. We will also maintain our sound financing structure in future and finance investments with an appropriate use of borrowed funds of up to around 60%. Parallel to the expansion of the portfolio, the optimisation of the portfolio through disposals will be an ongoing task. This relates primarily to older, mainly smaller properties no longer consistent with strategy.

Expected economic environment

The general economic conditions in Europe are currently defined by a high level of uncertainty on the part of market participants. The debt crises in some euro nations and not knowing whether the efforts by the countries concerned to deal with these problems will be successful are also hampering the German economy. Following an increase in economic performance of around 3.0% in the past financial year, growth is therefore expected to slow tangibly to around 0.6% in 2012. However, this forecast assumes that market participants' jitters gradually diminish somewhat and that the debt crisis does not flare up again. The German economy could then return to growth and gross domestic product (GDP) could climb by around 1.8% in 2013.

The general consensus is that consumer prices will rise less sharply in the coming years than in 2011. After a rise in the cost of living of 2.3% in 2011, significantly lower growth rates of 1.8% or 1.5% are anticipated for the subsequent years. The German labour market developed positively until the end of 2011. In spite of the debt crisis and the current downturn in economic growth, this trend is currently expected to continue.

Future situation in the industry

Letting market

Given the forecast economic conditions, we are assuming lower office take-up in 2012 than in the previous year. However, a definite slump is not currently discernible. We are anticipating slight increases in letting rates on the market for retail space.

Given the general decline in construction activity for office property, prime rents are set to remain largely stable. We are forecasting a further rise in retail rents in the coming years.

Investment market

In a dwindling economic environment overcast by an anticipated lack of alternatives with market interest rates at historically low levels, demand for safe property investments will remain highly dynamic in 2012 as well. In particular, the yield gap between core property investments and long-term government bonds, which was over three percentage points at the end of 2011 for prime office property, will ensure that demand for German property investments remains high.

The conditions for the German investment markets, especially for core properties, will therefore be positive overall in 2012 as well. There are many indications that a transaction volume of around €20 billion will be possible again. As, unlike in Germany, there will probably be a recession in many European countries, Germany's already strong position is set to improve even further. Yield are expected to stabilise. However, it also cannot be ruled out that they may dip again slightly in isolated cases owing to the tough competition for top properties.

As the medium-term growth prospects for the German economy are positive and Germany is increasingly being seen as a safe haven for investments, the share of international, high-equity investors should rise again.

Anticipated business development

In the last few years, and especially in the recent times of economic difficulty, HAMBORNER has proved to be very sound and comparatively unscathed by the crisis. For 2012 and 2013 as well, we are forecasting a stable business performance with rising FFO on the basis of a presumably volatile market environment. Given the company's business model, rent income is our key source of earnings as a long-term portfolio holder. We anticipate a further year-on-year rise in rental income for 2012. In particular, this is due to the new acquisitions transferred to us in 2011 and the purchase of the OBI store in Aachen that has already been notarised but will not be transferred until 2012. With NuOffice in Munich – the company's biggest acquisition to date with an annual rent volume of around €2.3 million – scheduled to join our portfolio in early 2013, we have created the foundations for further growth in rents beyond 2012.

We are forecasting that the economic vacancy rate will remain at a low level. We assume that by far the majority of the rental agreements expiring in 2012 and 2013 will be prolonged or that new tenants will be quickly found. We do not expect any fundamental change in default on rent in the coming years as our main tenants are of good credit standing. Overall, our company has a solid foundation thanks to its secure letting income, particularly in the retail sector.

HAMBORNER's transformation into a REIT, the structure of its property portfolio and its financial strength have left it well positioned in terms of the competition. This does not preclude fluctuations in property prices and therefore effects on the value of its portfolio properties. However, with interest rates remaining at a low level or rising only moderately, this presents a favourable environment for additional purchases in future. Nevertheless, new acquisitions must meet our quality and yield requirements, which means that the timing of possible purchases and also portfolio adjustments through selective disposals cannot be predicted precisely.

Overall, we expect a further increase in the operating results for 2012 and subsequent years, allowing appropriate and, as far as possible, rising distributions. This presupposes that we are spared from significant, unforeseeable reductions in earnings.

Final Statement on the Dependent Company Report (Section 312 of the German Stock Company Act)

In accordance with section 312 of the Aktiengesetz (AktG – German Stock Corporation Act), the Managing Board has prepared a dependent company report for the 2011 financial year. The report contains the following declaration:

"There were no reportable transactions in the financial year."

Report on Additional Information under Company Law (Section 289 (4) HGB)

Composition of issued capital

As at 31 December 2011, the issued capital of the company amounted to €34,120,000 and was fully paid up. The share capital is divided into 34,120,000 no-par-value shares, each with a nominal amount of €1 per share. The company is authorised to issue global certificates for shares. Shareholders are not entitled to securitisation of their shares. Each share grants one vote at the Annual General Meeting, whereby the rights of shares held by persons subject to disclosure requirements or that are assigned to such persons in accordance with section 22(1) sentence 1 no. 1 or no. 2 of the German Securities Trading Act (WpHG) do not apply in the period in which the disclosure requirements of section 21(1) or (1a) WpHG are not met.

In accordance with section 28 sentence 2 WpHG, this does not apply to rights in accordance with section 58(4) AktG and section 271 AktG if disclosure was not deliberately forgone and this has been rectified. Please refer to the German Stock Corporation Act for information on the rights and obligations of shareholders, including in particular the right to participate in the Annual General Meeting (section 118(1) AktG), the right to information (section 131 AktG), voting rights (section 133 et seq. AktG) and the right to participate in profits (section 58(4) AktG).

Restrictions relating to voting rights or the transfer of shares

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

Capital holdings exceeding 10% of voting rights

Information on disclosures on the existence of such holdings can be found in the notes to the financial statements under "Other information and required disclosures".

Shares with special rights bestowing control

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

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

HAMBORNER does not have an employee share programme. If employees have purchased shares, they exercise their rights arising from them directly in accordance with the statutory regulations and the provisions of the Articles of Association.

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

In accordance with section 84(1) AktG, members of the Managing Board are appointed by the Supervisory Board for a maximum of five years. A repeat appointment or extension of the term of office is permitted for a maximum of five years in each case. In accordance with Article 7(1) of the Articles of Association, the Managing Board of the company consists of several members, the number of which is determined by the Supervisory Board.

The Supervisory Board can also appoint one member as the Chairman of the Managing Board in accordance with section 84(2) AktG. Furthermore, it can revoke the appointment of a member of the Managing Board and the appointment as its Chairman for cause in accordance with section 84(3) AktG. If a necessary member of the Managing Board is lacking, the court must appoint this member in urgent cases at the request of a party involved in accordance with section 85 AktG.

Any amendment to the Articles of Association requires a resolution of the Annual General Meeting in accordance with section 179 AktG. The Annual General Meeting can delegate to the Supervisory Board the authority to make amendments that relate only to the wording (section 179(1) sentence 2 AktG). This authority has been transferred to the Supervisory Board in accordance with Article 12(3) of the Articles of Association of the company. An amendment to the Articles of Association requires a qualified majority resolution by the Annual General Meeting comprising at least three quarters of the share capital represented in the vote (section 179(2) sentence 1 AktG). In accordance with section 179(2) AktG, the Articles of Association can stipulate other capital majorities and additional requirements.

Authority of the Managing Board to issue shares

Article 3 of the Articles of Association contains information on the share capital of the company. To allow the company the opportunity to react to market events while safeguarding the share price and, in particular, to allow it to react to capital market requirements and acquisitions flexibly, at short notice and in a manner consistent with market and industry practices, the Annual General Meeting on 17 May 2011 authorised the Managing Board

a) to increase the share capital of the company, with the approval of the Supervisory Board, on one or several occasions by up to a total of €3,412,000 by issuing new bearer shares to be offered to shareholders against cash contributions (Authorised Capital I) until 16 May 2016,

b) to increase the share capital of the company, with the approval of the Supervisory Board, on one or several occasions by up to a total of €13,648,000 by issuing new bearer shares against cash contributions (Authorised Capital II) until 16 May 2016 and, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights.

Authority of the Managing Board to buy back shares

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

The Managing Board was therefore authorised by the Annual General Meeting on 17 May 2011 to acquire shares of the company until 16 May 2016. The authorisation is limited to the acquisition of shares accounting for not more than 10% in total of the lower of share capital at the time of the resolution by the Annual General Meeting on this authorisation or at the time that this authorisation is exercised. The authorisation can be exercised in full or in part, and in the latter case on several occasions. The authorisation cannot be used by the company for the purposes of trading in its own shares.

At the discretion of the Managing Board, the shares will be acquired on the stock exchange, by way of a public offering to all shareholders of the company or by way of a public invitation to all shareholders of the company to submit offers for sale.

Significant arrangements of the company subject to a change of control following a takeover bid and their repercussions

The company has not concluded any such arrangements.

Agreements by the company with the Managing Board or employees for compensation in the event of a takeover bid

There are no agreements for compensation of this kind.

Corporate governance declaration in accordance with section 289a HGB

HAMBORNER REIT AG has presented the key elements of its corporate governance structures in its corporate governance declaration: the declaration of compliance of the Managing Board and Supervisory Board, key corporate management practises exceeding legal requirements, the operating procedures of the Managing Board and the Supervisory Board and the composition and operating procedures of their committees. The corporate governance declaration can be found on our website at www.hamborner.de in the section Investor Relations/Corporate Governance/Corporate Governance Declaration.

Remuneration of the Managing Board and the Supervisory Board

Detailed information on the remuneration system and the remuneration of the Managing Board and the Supervisory Board can be found in our corporate governance report from page 20 onwards. The statements found there are part of the management report.

Duisburg, 29 February 2012

The Managing Board

Dr Rüdiger Mrotzek Hans Richard Schmitz

The management report contains forward-looking statements. 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. If the assumptions on which statements and forecasts are based are not accurate, the actual results may differ from those currently anticipated.

CONTENTS

SEPARATE FINANCIAL STATEMENTS (IFRS)

INGOLSTADT,
Despagstrasse 3

DESPAGSTRASSE 3

INGOLSTADT

AUDI PLANT

GROSS DOMESTIC PRODUCT

UPPER FRANCONIA	€30.7 billion
LOWER BAVARIA	€34.6 billion
LOWER FRANCONIA	€38.4 billion
SWABIA	€53.8 billion
UPPER BAVARIA	€175.9 billion

TRAIN STATION

HINDENBURG PARK

INHABITANTS

INGOLSTADT	125,088
AUGSBURG	264,708
MUNICH	1,353,186

70 km
Munich Airport

DESPAGSTRASSE 3

BUILT	2008
TENANT	Kaspersky
RENTAL SPACE	5,600 m²
ANNUAL RENTAL INCOME	€887,200
GROSS INITIAL YIELD	7.8%
PURCHASE PRICE	€11.1 million

A 9

INDUSTRIAL AREA

HISTORY

806
First mention

1234
Work begins on St. Moritz Church

1472
Founding of university

1516
Bavarian Purity Law for beer

1945
Arrival of Audi

1989
Major city

POPULATION GROWTH 2004 TO 2009

INGOLSTADT +3.1%

BAVARIA +0.6%

PURCHASING POWER PER INHABITANT

GERMANY €19,684

BAVARIA €21,326

INGOLSTADT €22,724

DANUBE

0 m 200 m 400 m 600 m 800 m 1,000 m

Statement of Comprehensive Income for the period from 1 January to 31 December 2011

€ thousand	Note	2011	2010
Income from rents and leases		32,160	25,026
Income from passing on incidental costs to tenants		3,247	2,701
Current operating expenses		-4,598	-3,895
Land and building maintenance		-2,565	-1,708
Net rental income	(1)	**28,244**	**22,124**
Administrative expenses	(2)	-919	-811
Staff costs	(3)	-2,838	-2,564
Amortisation and depreciation expense for intangible assets, property, plant and equipment and investment property	(4)	-10,523	-8,031
Other operating income	(5)	1,769	2,534
Other operating expenses	(6)	-845	-724
		-13,356	**-9,596**
Operating earnings		**14,888**	**12,528**
Net income from the sale of properties	(7)	2,232	2,227
Earnings before interest and taxes (EBIT)		**17,120**	**14,755**
Interest income		408	268
Interest expenses		-8,372	-6,576
Net finance costs	(8)	**-7,964**	**-6,308**
Earnings before taxes (EBT)		**9,156**	**8,447**
Income taxes	(9)	-1,291	-2,778
Net profit for the year		**7,865**	**5,669**
Profit carryforward from the previous year		29,689	32,444
Distribution		-12,625	-8,424
Withdrawal from other revenue reserves		1,215	0
Unappropriated surplus		**26,144**	**29,689**
Earnings per share (€)	(10)	0.23	0.22

Statement of Other Comprehensive Income

€ thousand	Note	1 January to 31 December 2011	1 January to 31 December 2010
Net profit for the year as per statement of comprehensive income		7,865	5,669
Unrealised gains/losses (-) on the revaluation of derivative financial instruments	(18)	-3,703	-1,189
Actuarial gains/losses (-) on defined benefit obligations	(21)	109	-883
Reversal of deferred taxes on actuarial losses		0	-446
Reversal of deferred taxes on derivative financial instruments		0	-1,240
Income/expense (-) recognised in other comprehensive income		-3,594	-3,758
Comprehensive income		**4,271**	**1,911**

Statement of Financial Position – Assets

€ thousand	Note	31 Dec. 2011	31 Dec. 2010	1 Jan. 2010
Non-current assets				
Intangible assets	(11)	23	37	6
Property, plant and equipment	(11)	169	130	151
Investment property	(12)	435,190	321,505	257,386
Financial assets	(13)	27	28	38
Other assets	(14)	232	367	365
Deferred tax assets		0	0	2,616
		435,641	**322,067**	**260,562**
Current assets				
Trade receivables and other assets	(14)	2,672	435	487
Income tax receivables	(14)	9	12	44
Bank balances and cash in hand	(15)	18,685	83,629	37,942
Non-current assets held for sale	(16)	5,486	0	0
		26,852	**84,076**	**38,473**
Total assets		**462,493**	**406,143**	**299,035**

Statement of Financial Position – Equity and Liabilities

€ thousand	Note	31 Dec. 2011	31 Dec. 2010	1 Jan. 2010
Equity	(17)			
Issued capital		34,120	34,120	22,770
Capital reserves		64,285	64,267	0
Retained earnings				
Legal reserve		0	0	2,277
Other retained earnings		105,638	106,853	104,576
Revaluation surplus		-15,056	-11,462	-7,704
		90,582	95,391	99,149
Unappropriated surplus				
Profit carryforward		17,064	24,020	27,292
Net profit for the year		7,865	5,669	5,153
Withdrawal from other revenue reserves		1,215	0	0
		26,144	29,689	32,445
		215,131	**223,467**	**154,364**
Non-current liabilities and provisions				
Financial liabilities	(18)	209,551	139,694	101,218
Derivative financial instruments	(18)	12,726	9,023	7,834
Deferred tax liabilities		0	0	14,708
Trade payables and other liabilities	(20)	2,867	3,150	4,075
Pension provisions	(21)	7,122	7,571	6,983
Other provisions	(22)	859	825	702
		233,125	**160,263**	**135,520**
Current liabilities and provisions				
Financial liabilities	(18)	6,672	15,376	4,609
Derivative financial instruments	(18)	0	0	11
Income tax liabilities	(19)	1,289	0	402
Trade payables and other liabilities	(20)	3,233	4,726	1,876
Other provisions	(22)	3,013	2,311	2,253
Liabilities in connection with non-current assets held for sale	(23)	30	0	0
		14,237	**22,413**	**9,151**
Total assets		**462,493**	**406,143**	**299,035**

Statement of Cash Flows

€ thousand	Note	1 Jan. – 31 Dec. 2011	1 Jan. – 31 Dec. 2010
Cash flow from operating activities	(26)		
Earnings before taxes (EBT)		9,156	8,447
Net finance costs and net income from equity investments		7,964	6,308
Write-downs/reversals of write-downs (-)		9,099	5,942
Change in provisions		-12	-454
Gains (-)/losses (+) (net) on the disposal of property, plant and equipment and investment property		-2,232	-2,246
Other non-cash expenses (+)/income (-)		-70	-80
Change in receivables and other assets not attributable to investing or financing activities		-24	126
Change in liabilities not attributable to investing or financing activities		264	-471
Interest received		504	185
Tax payments		2	-16,927
		24,651	**830**
Cash flow from investing activities	(27)		
Investments in intangible assets, property, plant and equipment and investment property		-131,637	-69,429
Proceeds from disposals of property, plant and equipment and investment property		1,292	3,795
Investments in financial assets		0	0
Proceeds from disposals of financial assets		7	10
		-130,338	**-65,624**
Cash flow from financing activities	(28)		
Dividends paid		-12,625	-8,425
Cash inflow from the borrowing of financial liabilities		79,245	52,605
Cash outflow from the repayment of financial liabilities		-17,690	-3,584
Interest payments		-8,187	-5,840
Proceeds from the capital increase		0	79,450
Payments for the costs of the capital increase		0	-3,725
		40,743	**110,481**
Changes in cash and cash equivalents		**-64,944**	**45,687**
Cash and cash equivalents on 1 January		**83,629**	**37,942**
Bank balances and cash in hand		83,629	37,942
Cash and cash equivalents on 31 December		**18,685**	**83,629**
Bank balances and cash in hand		18,685	83,629

Statement of Changes in Equity

€ thousand	Issued capital	Capital reserves	Retained earnings			Unappropriated surplus			Total equity
			Legal reserve	Other retained earnings	Revaluation surplus	Carry forward	Net profit for the period	Withdrawal from other revenue reserves	
Balance at 1 January 2010	**22,770**	**0**	**2,277**	**104,576**	**-6,594**	**27,196**	**5,073**	**0**	**155,298**
Adjustment under IAS 8					-1,110	96	80		-934
Balance at 1 January 2010 restated	**22,770**	**0**	**2,277**	**104,576**	**-7,704**	**27,292**	**5,153**	**0**	**154,364**
Carryforward to new account						5,153	-5,153		0
Transfer of legal reserve			-2,277	2,277					0
Profit distribution for 2009						-8,425			-8,425
Capital increase	11,350	68,100							79,450
Costs of capital increase		-3,833							-3,833
Income/expense (-) recognised in other comprehensive income					-3,758				-3,758
Net profit for the year 1 Jan. – 31 Dec. 2010							5,669		5,669
Comprehensive income 1 Jan. – 31 Dec. 2010					**-3,758**		**5,669**	**0**	**1,911**
Balance at 31 Dec. 2010	**34,120**	**64,267**	**0**	**106,853**	**-11,462**	**24,020**	**5,669**	**0**	**223,467**
Carryforward to new account						5,669	-5,669		0
Profit distribution for 2010						-12,625			-12,625
Costs of capital increase		18							18
Income/expense (-) recognised in other comprehensive income					-3,594				-3,594
Withdrawal from other revenue reserves				-1,215				1,215	0
Net profit for the year 1 Jan. – 31.12.2011							7,865		7,865
Comprehensive income 1 Jan. – 31 Dec. 2011					**-3,594**		**7,865**		**4,271**
Balance at 31 Dec. 2011	**34,120**	**64,285**	**0**	**105,638**	**-15,056**	**17,064**	**7,865**	**1,215**	**215,131**

Statement of changes in assets*

€ thousand	Cost				
	Balance at 1 Jan. 2011	Additions	Disposals	Reclassification under IFRS 5	Balance at 31 Dec. 2011
Intangible assets	139	2	9	0	132
Property, plant and equipment	792	88	39	0	841
Investment property	381,143	129,451	2,038	-11,247	497,309
Financial assets	39	0	7	0	32
Total	**382,113**	**129,541**	**2,093**	**-11,247**	**498,314**

€ thousand	Cost			
	Balance at 1 Jan. 2010	Additions	Disposals	Balance at 31 Dec. 2010
Intangible assets	99	41	1	139
Property, plant and equipment	789	21	18	792
Investment property	311,647	71,558	2,062	381,143
Financial assets	49	0	10	39
Total	**312,584**	**71,620**	**2,091**	**382,113**

* Component of the notes

	Write-downs					Residual carrying amounts	
Balance at 1 Jan. 2011	Additions (write-downs in the financial year)	Reversals of write-downs	Disposals	Reclassification under IFRS 5	Balance at 31 Dec. 2011	Balance at 31 Dec. 2010	Balance at 31 Dec. 2011
102	16	0	9	0	109	37	23
662	48	0	38	0	672	130	169
59,638	10,459	1,418	799	-5,761	62,119	321,505	435,190
11	0	6	0	0	5	28	27
60,413	**10,523**	**1,424**	**846**	**-5,761**	**62,905**	**321,700**	**435,409**

	Write-downs				Residual carrying amounts	
Balance at 1 Jan. 2010	Additions (write-downs in the financial year)	Reversals of write-downs	Disposals	Balance at 31 Dec. 2010	Balance at 31 Dec. 2009	Balance at 31 Dec. 2010
93	10	0	1	102	6	37
638	31	0	7	662	151	130
54,261	7,990	2,089	524	59,638	257,386	321,505
11	0	0	0	11	38	28
55,003	**8,031**	**2,089**	**532**	**60,413**	**257,581**	**321,700**

Notes to the financial statements

Principles of financial statement preparation

General information
HAMBORNER REIT AG is a listed corporation (SCN 601300) headquartered in Duisburg, Germany. It is entered in the Commercial Register of Duisburg District Court under HRB 4. By way of the resolutions of the Annual General Meeting of 9 June 2009, HAMBORNER AG was transformed into a REIT company effective 1 January 2010 on entry in the Commercial Register on 18 February 2010 and is now HAMBORNER REIT AG. It is therefore also subject to the provisions of the German act on German real estate stock corporations with listed shares (REITG – German REIT Act).

HAMBORNER REIT AG acquires ownership or rights of use to immovable properties in Germany and abroad within the meaning of section 3 of the German REIT Act for use, management or disposal, with the exception of residential properties in Germany. It can also acquire, hold, manage and dispose of equity investments in partnerships and corporations within the meaning of section 3 of the German REIT Act. As a REIT company, HAMBORNER has been exempt from both corporation tax and trade tax since 1 January 2010.

As a listed REIT stock corporation, HAMBORNER REIT AG prepares and publishes separate financial statements within the meaning of section 325(2a) of the Handelsgesetzbuch (HGB – German Commercial Code) in accordance with the provisions of the International Financial Reporting Standards (IFRS). The management report in accordance with section 289 HGB is published with the IFRS separate financial statements in the electronic Federal Gazette.

The separate financial statements as at 31 December 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union at the end of the reporting period and the additional provisions of commercial law in accordance with section 325(2a) HGB. IFRS include the IFRS passed by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All the standards and interpretations issued by the IASB and effective as at the time of the preparation of the financial statements have been applied to the extent that they have been endorsed by the EU. Thus, the separate financial statements of the company comply with IFRS.

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

The Managing Board prepared the separate financial statements at 31 December 2011 and the management report for 2011 on 29 February 2012 and approved them for submission to the Supervisory Board.

The separate financial statements prepared in accordance with IFRS in line with section 325(2a) HGB and the HGB annual financial statements have been submitted to the operator of the electronic Federal Gazette. The IFRS financial statements will then be published there. The financial statements are available for download on the Internet at www.hamborner.de. They can also be requested from HAMBORNER REIT AG, Goethestrasse 45, 47166 Duisburg, Germany.

Accounting policies

Barring the changes described below, these separate financial statements as at 31 December 2011 are based on the same accounting policies as the separate financial statements for the previous year. The statement of financial position as at 31 December 2011 is structured by maturity in accordance with IAS 1(60). Items that have been compiled in the statement of financial position and the statement of comprehensive income are explained in the notes. To improve the presentation of financial performance, the statement of comprehensive income was adjusted in line with the structural proposals of the European Public Real Estate Association (EPRA) recommended for property companies.

Changes in accounting policies
Since 1 January 2011, to allow a transparent presentation of our pension obligations in the statement of financial position, we have exercised the option provided under IAS 19(93A) to recognise actuarial gains and losses outside profit or loss in the year in which they arise, waiving the previously used corridor method of IAS 19(92). Full recognition of pension obligations as at the end of reporting periods allows for more reliable and more relevant information. The prior-year figures shown in this report have been restated retroactively in accordance with the regulations of IAS 8 as follows and, if they affect earlier periods, the opening statement of financial position for 2010 has been amended:

As at 1 January 2010, there was an actuarial loss not yet realised under the corridor method of €1,380 thousand, which was retroactively recognised in the revaluation surplus of the opening statement of financial position for 2010. In addition, the revaluation surplus rose by €446 thousand on account of the deferred taxes on this amount recognised outside profit and loss before 1 January 2010. Furthermore, the actuarial losses of €176 thousand recognised in staff costs as at 1 January 2010 in prior periods were reclassified from the unappropriated surplus to the revaluation surplus.

An actuarial loss of €883 thousand was calculated for the 2010 financial year, which led to a further reduction of the revaluation surplus. Applying the corridor method, actuarial losses for the 2010 financial year totalling €179 thousand cancelled under IAS 8 were offset against profit or loss. This retrospectively reduced staff costs and increased the net income for the year. In total, pension provisions were increased by €2,084 thousand* as at 31 December 2010 and amount to €7,571 thousand after adjustment for the amended accounting method.

In these separate financial statements, the statement of comprehensive income, the statement of other comprehensive income, the figures in the statement of financial position as at 31 December 2010 and the figures in the statement of financial position as at 1 January 2010, the statement of cash flows, the statement of changes in equity and the affected ratios were restated for the retrospective changes.

Retaining the corridor method would have increased staff costs by €459 thousand in the reporting period. The restatement increased earnings per share by €0.01 (previous year: €0.00).

Amended or new standards or interpretations and the resulting changes in accounting policies

As compared to the separate financial statements as at 31 December 2010, the following standards and interpretations have been amended or were effective for the first time as a result of their endorsement in EU law or the coming into effect of the regulation. The new or revised standards and interpretations had no material influence on the reported amounts.

Standard/ interpretation	Name	Nature of change
IFRS 1	First-time Adoption of International Financial Reporting Standards	Additional exemptions for first-time adopters
IAS 24	Related Party Disclosures	Change in the definition of related parties; introduction of exemptions for defined disclosure requirements for companies controlled, jointly controlled or significantly influenced by government
IAS 32	Financial Instruments: Presentation	Classification of Rights Issues
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Prepaid contributions for minimum funding requirements
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	New interpretation
Annual IFRS improvement project (2010)	Various	The amendments essentially relate to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13

* Actuarial loss as at 1 January 2010 of €1,380 thousand plus amount from recalculation of €883 thousand less €179 thousand from offsetting in profit or loss in 2010.

The following standards and interpretations already passed, amended or issued by the IASB were not yet effective for the 2011 financial year:

Standard/interpretation	Name	Nature of change	Effective date
IFRS 1	First-time Adoption of International Financial Reporting Standards	Additional exemptions for first-time adopters	1 July 2011
IFRS 7	Financial Instruments: Disclosures	Additional disclosures for transfers of financial assets	1 July 2011
IFRS 7	Financial Instruments: Disclosures	Changes to improve disclosures on offsetting of financial assets and financial liabilities	1 January 2013
IFRS 7	Financial Instruments: Disclosures	Amendment demanding disclosures on first-time adoption of IFRS 9	1 January 2015
IFRS 9	Financial Instruments	Classification of financial instruments (issued 2009); accounting for financial liabilities and derecognition (issued 2010)	1 January 2015
IFRS 10	Consolidated Financial Statements	New standard; replaces current versions of IAS 27 and SIC 12	1 January 2013
IFRS 11	Joint Arrangements	New standard; replaces IAS 31 and SIC 13	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	New standard; additional disclosure requirements for a reporting entity's involvement in subsidiaries, joint arrangements, associates and unconsolidated SPEs/ structured entities	1 January 2013
IFRS 13	Fair Value Measurement	New standard; harmonises regulations on the measurement of fair value. This standard applies when other standards require measurement at fair value	1 January 2013
IAS 1	Presentation of Financial Statements	Amendments relating to presenting comprehensive income	1 July 2012
IAS 12	Income Taxes	Limited amendment relating to the recovery of underlying assets	1 January 2012
IAS 19	Employee Benefits	Change in treatment of defined benefit plans and termination benefits	1 January 2013
IAS 27	Separate Financial Statements	Owing to the introduction of IFRS 10, the standard now only applies to separate financial statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	Standard replaces previous version of IAS 28 (2003) Investments in Associates	1 January 2013
IAS 32	Financial Instruments: Reporting	Changes to improve disclosures on offsetting of financial assets and financial liabilities	1 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	New interpretation	1 January 2013

The option to apply standards and interpretations early was not exercised. HAMBORNER anticipates that the adoption of the standards and interpretations released at the end of the reporting period will not have any significant effect on its net assets, financial position and results of operations in future.

Segment reporting in accordance with IFRS 8 is based on the management approach and is therefore consistent with the management and reporting system used in the company for its segments. As in previous year, as HAMBORNER only operates in one business segment and one geographical segment, it did not prepare a segment report. Internal reporting is also based on the figures of IFRS accounting.

Assumptions and estimates

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

Intangible assets

Intangible assets are measured at cost less straight-line amortisation. Amortisation is recognised in line with the economic life, which is between three and eight years.

Property, plant and equipment

Property, plant and equipment are measured at cost less straight-line depreciation. The company's administrative building in Duisburg and operating and office equipment are reported under property, plant and equipment. Depreciation for the administrative building is based on a total useful life of 50 years and a remaining useful life at the end of the reporting period of eight years. The operating and office equipment has an average useful life of between three and fifteen years.

Gains on disposals are reported under "Other operating income" (gains) or "Other operating expenses" (losses).

Investment property

Investment property is measured at amortised cost less straight-line depreciation in accordance with the option under IAS 40 (30) in conjunction with (56). All land, buildings and parts of buildings already developed and under development held to generate future rental income, gains from appreciation or for an as yet undetermined use are classified as investment property. They are not intended for administrative purposes or for short-term trade in the context of the normal business activities. Depreciation is recognised on a straight-line basis over the economic life. The results from the sale of the investment property are shown separately in the statement of comprehensive income.

The following useful lives were applied in the reporting year:

Useful lives of non-current assets	Years
Commercial and office buildings	33 to 50
Other commercial buildings	40 to 50
Self-service shops	33 to 40

To calculate the fair value to be disclosed in the notes in accordance with IAS 40, we had our property portfolio valued by an independent expert at the end of 2011. The market values of property were calculated in line with internationally recognised standards using the discounted cash flow (DCF) method. Under this method, the market value of a property is calculated as the total of the discounted cash flows for the entire planning period, usually ten years (2012 to 2021), plus the residual value of the property calculated on the basis of its long-term free cash flow, also discounted to the measurement date. Capitalisation rates of between 4.9% and 8.5% (previous year: 4.9% and 8.5%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 5.1% and 9.3% (previous year: 4.8% and 9.0%). For further information please see "Performance of the property portfolio" in the management report.

Impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment and investment property

The recoverability of the carrying amounts of all intangible assets, property, plant and equipment and investment property is reviewed regularly. In addition, the carrying amounts are reviewed if events or changes in circumstances indicate that it may no longer be possible to recover the recognised carrying amount. If the recoverable amount of these assets is significantly less than the carrying amount at the end of the reporting period, this is shown by the recognition of impairment losses.

The recoverable amount is determined using the higher of net disposal proceeds derived from an active market and the present value of the estimated future cash flows from the use of the asset. For investment property, the market value as determined by an expert constitutes the standard for the value in use. If the reasons for impairment losses recognised in previous years no longer apply, they are reversed up to the amortised carrying amounts of the respective assets. Impairment losses are reported under "Amortisation and depreciation expense for intangible assets, property, plant and equipment and investment property". Reversals are recognised in "Other operating income".

Leases

Leases in which the risks and rewards incidental to ownership of a leased asset remain with the lessor are classified as operating leases in line with IAS 17. Payments made or received for operating lease are recognised in profit or loss over the term of the lease. This includes all leases for properties at HAMBORNER.

If the significant risks and rewards incidental to ownership of a leased asset are transferred to the lessee, these are classified as finance leases. There are no leases of this kind at HAMBORNER.

Financial assets

In accordance with IAS 39, financial assets are measured at fair value including transaction costs for acquisitions on first-time recognition. Subsequent measurement is determined by the category to which a financial asset is allocated.

- Loans and receivables are measured at amortised cost. Any identifiable specific risks are taken into account appropriately by way of write-downs.

- Financial assets held to maturity are measured at the lower of amortised cost and fair value. The "Other loans" included here have a fixed term and are therefore measured using the effective interest method.

Derivative financial instruments

HAMBORNER uses derivative financial instruments in the form of interest rate swaps to manage risks from interest rate fluctuations.

Derivative financial instruments are recognised for the first time on the trade date. For cash flow hedges used to hedge risks affecting the amount or timing of future cash flows, any changes in market value are recognised in equity (revaluation surplus) and hedge effectiveness is documented. The effectiveness of cash flow hedges is determined in line with the dollar-offset method. Here, this resulted in it being possible to take the changes in carrying amounts directly to equity. Derivative financial instruments that are assets are reported under "Other assets", those that are liabilities are reported separately under "Financial liabilities". HAMBORNER has been tax-exempt at company level since achieving REIT status. The deferred taxes recognised for changes in market value in interest rate derivatives in the past were therefore reversed in equity in the previous year.

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

Bank balances

Bank balances comprise call money with an initial remaining term of less than three months. They are recognised at nominal amount.

Non-current assets held for sale

Non-current assets are classified as held for sale if a sale is highly likely in the next twelve months. The items held for sale reported under this item are carried at the lower of carrying amount and fair value less costs to sell. Depreciation is no longer recognised from the time of reclassification.

Provisions

Provisions are classified as non-current or current in line with the maturity structure required under IFRS and reported accordingly.

Pension provisions

Pension provisions are calculated using the projected unit credit method, taking into account future adjustments in salaries and pensions. They are calculated using the biometric data of the 2005 G Heubeck mortality tables.

The following parameters were applied:

Parameters p.a. (%)	2011	2010
Interest rate	4.7	4.1
Salary trend	2.0	2.0
Pension trend	1.8	1.6

Actuarial gains and losses from experience adjustments and changes in assumptions are recognised in the revaluation surplus in the year in which they arise. The service cost is reported in staff costs, the interest expense included in pension expenses in interest expenses.

Expenses for defined contribution plans are recognised as an expense and reported in staff costs.

Other provisions

Current provisions are recognised in the amount of expected utilisation (best estimate) without discounting and take into account all obligations identifiable at the end of the reporting period based on transactions or past events for which the amount or timing is uncertain. This includes only third-party obligations for which an outflow of assets is likely.

Provisions for obligations that will not result in a reduction of assets in the subsequent year are recognised in the amount of the present value of the forecast outflow of assets.

Financial liabilities

Liabilities are measured at fair value taking into account transaction costs on first-time recognition. Subsequent measurement is at amortised cost using the effective interest method. Liabilities are classified as non-current if the agreements provide for repayment after twelve months.

Recognition of expenses and revenue

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

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

Notes on the statement of comprehensive income

(1) Net rental income

Income from rents and leases for properties recognised in accordance with IAS 40 climbed by €7,134 thousand to €32,160 thousand in the reporting year. This rise was due to rent increases due to additions to properties in the current year and the previous year (€7,241 thousand), rent losses as a result of property disposals (€-87 thousand) and declines in like-for-like rents of €-20 thousand.

Charges for incidental costs passed on to tenants mainly include heating costs, property charges and other incidental rental costs that can be reallocated under the lease agreements. The corresponding income increased by €546 thousand in the reporting year. At €527 thousand, the increase in income from charging expenses on to tenants was due to the net change in the property portfolio. The income from charging incidental costs on to tenants for the other properties remaining in the portfolio increased by a total of €19 thousand.

€ thousand	**2011**	**2010**
Income from rents and leases		
Retail space	19,507	15,443
Office space and medical practices	11,058	7,896
Production and other commercial space	603	598
Apartments	468	512
Garages/car parking spaces	136	87
Other lettings and leases (agricultural leases, licensing agreements etc.)	190	187
Income from rent guarantees	198	303
Total	**32,160**	**25,026**
Income from passing on incidental costs to tenants	3,247	2,701
Total	**35,407**	**27,727**
Current operating expenses	-4,598	-3,895
Land and building maintenance	-2,565	-1,708
Net rental income	**28,244**	**22,124**

A table showing the ten largest tenants can be found on page 48. At €4.6 million, HAMBORNER generated more than 10% of its rental income with the Kaufland Group in the 2011 financial year.

Current operating expenses include energy expenses, property charges, insurance premiums, ground rents and land taxes and can mostly be passed on to the tenants under the terms of their rental agreements. They increased by €703 thousand to €4,598 thousand as a result of additions to the property portfolio. The expenses for property and building maintenance amounted to €2,565 thousand after €1,708 thousand in the previous year. The increase of €857 thousand essentially relates to expenses that cannot be capitalised for the conversion work on the property at Von-Bodelschwingh-Str. 6, Cologne, and other instances of major work planned, including roof refurbishments.

€ thousand	**2011**	**2010**
Current operating expenses		
Energy, water etc.	2,035	1,691
Property charges	484	422
Land taxes	995	693
Ground rents	757	735
Insurance premiums	218	326
Others	109	28
Total	**4,598**	**3,895**
Land and building maintenance	2,565	1,708
Total	**7,163**	**5,603**

(2) Administrative expenses

The item includes the costs for the Annual General Meeting, the Supervisory Board and the auditor as stipulated in the Articles of Association and actual costs of administration. The rise of €108 thousand is mainly due to higher Supervisory Board remuneration.

The following fees were recognised for the appointed auditor in the financial year:

€ thousand	2011	2010
Audits of financial statements	70	70
Other assurance services	10	165
Tax advisory services	29	-28
of which from the reversal of provisions recognised in the previous year €0 thousand (previous year: €-28 thousand)		
Other services	10	9
Total	**119**	**216**

Other assurance services in the previous year mainly include fees in connection with the capital increase, which were offset against capital reserves. The tax advisory services in the reporting year relate to the external audit performed in 2011. Other services include travel and other expenses in connection with the mandates granted of €5 thousand (previous year: €6 thousand).

(3) Staff costs

Staff costs increased by €274 thousand as against the previous year to €2,838 thousand. The increase essentially results from the rise in wages and salaries as a result of the reversal of a provision recognised in the previous year for bonuses for 2009 not utilised and the hiring of employees in the fourth quarter of the reporting year in response to employee departures in the spring of 2012.

€ thousand	2011	2010
Wages and salaries	2,478	2,242
Social security contributions and expenses	261	261
Retirement benefit expenses/ pension expenses	99	61
Total	**2,838**	**2,564**

(4) Amortisation and depreciation expense for intangible assets, property, plant and equipment and investment property

The depreciation and amortisation expense for 2011 increased by €2,492 thousand on the previous year's figure to €10,523 thousand. €10,459 thousand of this related to investment property (previous year: €7,990 thousand). Write-downs recognised in the previous year (€294 thousand) owing to the adjustment in the reported residual carrying amounts in line with fair value were not incurred in the reporting year.

(5) Other operating income

€ thousand	2011	2010
Reversal of impairment losses	1,418	2,089
Income from compensation and refunds	149	169
Reversal of provisions	34	134
Charges passed on to tenants and leaseholders	116	60
Others	52	82
Total	**1,769**	**2,534**

The reversal of impairment losses relates to the adjustment of properties written down in previous years in line with the fair values determined by expert opinion as at 31 December 2011.

(6) Other operating expenses

Other operating expenses rose by €121 thousand to €845 thousand. This item mainly includes legal and consulting costs of €288 thousand (previous year: €123 thousand) and costs of public relations work of €154 thousand (previous year: €95 thousand).

(7) Net income from the sale of properties

In the reporting year, we generated net income from the disposal of properties of €2,232 thousand after €2,227 thousand in the previous year. In addition to an office building in Krefeld, we sold space held jointly totalling around 1.0 million m² predominantly used for agricultural and forestry purposes from our old undeveloped holdings in 2011.

(8) Net finance costs

Net finance costs consist solely of interest income and expenses. The interest income amounts to €408 thousand and mainly consists of interest on call money or fixed-term deposits at various banks. In spite of the fact that interest rates are still generally low, interest income climbed by €140 thousand as a result of the higher cash holdings in 2011 as against the previous year owing to the proceeds from the capital increase in October 2010.

Interest expenses increased by a total of €1,796 thousand to €8,372 thousand in the 2011 financial year as a result of the interest payments recognised in profit or loss for the property loans borrowed in the previous year and the pro rata interest expense for the additional loans of the reporting year.

The interest expenses on interest rate hedges amounted to €2,592 thousand. The payments we make quarterly on the basis of agreed interest rates amounted to €3,733 thousand in the reporting year (previous year: €3,800 thousand). The decline is due to the reduction in interest-bearing swaps.

In return, we received variable interest in line with agreements on the basis of three-month EURIBOR of €1,141 thousand (previous year: €669 thousand). The increase resulted from the rise in non-current interest. For further information on interest rate hedges, please see "Financial liabilities and derivative financial Instruments".

(9) Income taxes

€ thousand	2011	2010
Income tax expense in the previous year	2	-21
Effects of exit tax	57	16,577
Income tax expense from external audit	1,232	0
Deferred taxes	0	-13,778
Total	**1,291**	**2,778**

a) Income tax expense

At €1,232 thousand, income tax expense includes back taxes due to the external audit conducted in the reporting year. In addition, €57 thousand was incurred for the retroactive withdrawal of tax exemptions granted for exit taxation (section 3 no. 70 of the Einkommensteuergesetz (EStG – German Income Tax Act) from the sale of land in 2011.

b) Deferred taxes

As a result of the company achieving REIT status and the tax exemption at company level this entailed, no further deferred taxes have been reported since 1 January 2010.

The statement of reconciliation for the reported tax expenses is as follows:

€ thousand	2011	2010
Result of business activities	9,156	8,447
Tax rate in %	0.0	0.0
Forecast tax expense	0	0
+/– Tax effects in previous years	2	-21
+/– Effects of exit tax/external audit	1,289	2,799
Income tax expense	**1,291**	**2,778**

The income taxes reported in both the year under review and the previous year relate solely to prior financial years.

(10) Earnings per share

The net profit for the year amounted to €7,865 thousand, up €2,196 thousand on the figure for the previous year.

Earnings per share amount to €0.23 and are calculated in line with IAS 33. Thus, earnings per share are determined by dividing the net income for the period attributable to the shareholders by the weighted average number of shares in the financial year.

Earnings per share are not diluted by, for example, stock options or convertible bonds as HAMBORNER has not created any such programmes. The basic and diluted earnings per share are therefore the same.

		2011	2010
Weighted average number of shares outstanding	thousands	34,120	25,258
Net earnings/net profit for the year	€ thousand	7,865	5,669
Earnings per share	€	0.23	0.22

Notes to the statement of financial position

(11) Intangible assets and property, plant and equipment

Intangible assets include acquired rights of use to system and application software.

The carrying amount of the company's administrative building in Duisburg reported under property, plant and equipment amounted to €125 thousand as at the end of the reporting period.

(12) Investment property

Additions to investment property amounted to €129,451 thousand in the financial year. €127,491 thousand of this relates to property acquired in the reporting year and advance payments plus an amount of €1,960 thousand capitalised for previous portfolio assets.

An office building in Krefeld was sold in the reporting period. We also sold space held jointly of around 0.9 million m² predominantly used for agricultural and forestry purposes from our undeveloped land holdings and further space of around 0.1 million m² in 2011.

Furthermore, three buildings in Erfurt were reclassified to "Non-current assets held for sale" as at 31 December 2011 (see note (16)).

€1,418 thousand in impairment losses recognised on properties in previous years were reversed as at 31 December 2011. No impairment losses were required in the reporting year.

Investment property developed as follows in the reporting year:

	€ thousand	2011	2010
	Balance at 1 January	321,505	257,386
+	Additions due to acquisition	124,011	67,397
+	Additions due to advance payments	3,480	4,092
+	Additions due to subsequent investments	1,960	69
		129,451	71,558
–	Disposals due to sales	-1,239	-1,538
–	Disposals due to reclassification	-5,486	0
		-6,725	-1,538
+	Reversals of impairment losses	1,418	2,089
–	Write-downs for the financial year	-10,459	-7,990
	Balance at 31 December	**435,190**	**321,505**

The direct operating expenses for let and vacant investment property amounted to €7,163 thousand (previous year: €5,603 thousand) in the reporting year. With the exception of temporary, partial vacancies in individual properties, the entire inventory was let at the end of the reporting period. €134 thousand of the above amounts related to vacant space including the undeveloped property holdings not let in the reporting year (previous year: €120 thousand). The expenses relating to the unlet space are calculated according to the weighted percentage ratio accounted for by vacancies in relation to total rental space.

The commercial property portfolio was also measured by an independent expert as at 31 December 2011 in line with internationally recognised standards.

Taking into account the additions, disposals and reclassifications to "Non-current assets held for sale" in line with IFRS 5 in the reporting year, the market value of the developed property portfolio amounted to €498,880 thousand as at 31 December 2011 (previous year: €376,150 thousand).

The property portfolio is measured using the discounted cash flow method. For further information on the measurement of our properties, please see "Performance of the property portfolio".

As at 31 December 2011, there were purchase price obligations totalling €57.2 million arising from notarised land purchase agreements for properties not yet transferred to HAMBORNER.

The undeveloped property holdings are recognised at cost. No other value can be reliably determined on account of their structure (predominantly agricultural and forestry land).

(13) Financial assets

The financial assets relate solely to other loans. These predominantly include long-term interest-free housing loans, which are measured at present value, and other loans to staff.

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

All receivables and other assets are carried at amortised cost. Write-downs on doubtful debts amounted to €9 thousand (previous year: €55 thousand). Furthermore, the result for the reporting year was reduced by the derecognition of receivables of €47 thousand (previous year: €14 thousand).

At €232 thousand (previous year: €243 thousand), other non-current assets relate solely to development costs paid for the leasehold property in Solingen.

The receivables and other current assets break down as follows:

€ thousand	2011	2010
Trade receivables	78	62
Receivables from land sales	2,180	0
Others	414	373
Total	**2,672**	**435**

The receivables from land sales relate to a purchase price receivable from the sale of undeveloped land.

The trade receivables reported were all due at the end of the reporting period and will therefore be overdue within less than 30 days of the end of the reporting period.

Income tax receivables amounted to €9 thousand (previous year: €12 thousand). They mainly relate to a corporation tax asset in accordance with section 37(1) of the Körperschaftsteuergesetz (KStG – German Corporate Income Tax Act), which will be paid to us in six annual instalments until 2017.

(15) Bank balances and cash in hand

Cash and cash equivalents were down by €64,944 thousand due mainly to the outflow of funds used for property investments and the payment of the dividend for the 2010 financial year.

€ thousand	2011	2010
Bank balances	18,683	83,623
Cash in hand	2	6
Total	**18,685**	**83,629**

(16) Non-current assets held for sale

The non-current assets held for sale relate to three properties in Erfurt for which a package purchase agreement was concluded in December 2011 but which had not yet been transferred as at the end of the reporting period.

(17) Equity

The development of the equity from 1 January 2010 to 31 December 2011 is shown in the statement of changes in equity. As at 31 December 2011, the issued capital of the company amounted to €34.12 million and was divided into 34,120,000 no-par-value bearer shares.

By way of the resolutions of the Annual General Meeting on 17 May 2011, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the company as follows:

- €3,412 thousand (Authorised Capital I)
- €13,648 thousand (Authorised Capital II)

The authorised capital amounts give rise to 17,060,000 authorised shares that can be issued to shareholders as no-par-value shares. The authorisation remains in effect until 16 May 2016. On full performance of the authorised capital measures, the number of shares in the company outstanding would increase to 51,180,000.

The Managing Board was also authorised to acquire own shares in the company. The authorisation is limited to the acquisition of shares accounting for not more than 10% in total of the lower of share capital at the time of the resolution by the Annual General Meeting on this authorisation or at the time that this authorisation is exercised. The authorisation is therefore limited to 3,412,000 shares and until 16 May 2016.

The company reported an unappropriated surplus of €26,144 thousand (previous year: €29,689 thousand) as at 31 December 2011. The Managing Board will propose the distribution of a dividend of €13,648,000 for the 2011 financial year at the Annual General Meeting. This corresponds to a dividend of €0.40 per share. The dividend proposal is based on net retained profits for the company under commercial law of €13,648 thousand.

The other retained earnings include earnings generated in the past to the extent that these have not been distributed or carried forward to new account. Under the Managing Board's proposal for the appropriation of earnings, €1,215 thousand was withdrawn from other retained earnings as at 31 December 2011, bringing their amount to €105,638 thousand as at the end of the reporting period.

The revaluation surplus includes the fair value changes from the remeasurement of derivatives in connection with cash flow hedges in the amount of €-12,726 thousand (previous year: €-9,023 thousand) and actuarial losses on defined benefit obligations accrued as at 31 December 2011 in the amount of €-2,330 thousand (previous year: €-2,439 thousand).

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

The main control parameter for this is the equity ratio, a business ratio also recognised by investors, analysts and banks.

€ thousand	2011	2010	Change in%
Equity	215,131	223,467	-3.7%
Total assets	462,493	406,143	13.9%
Accounting equity ratio	**46.5 %**	**55.0 %**	**-8.5 percentage points**

In addition, compliance with the equity ratio codified in section 15 of the German REIT Act is a matter of great importance to the company and the maintenance of its status as a real estate investment trust, and is therefore subject to ongoing monitoring. This indicator was 55.7% as at 31 December 2011 (previous year: 74.4%). The decline in the equity coverage ratio essentially relates to the investments in the property portfolio, which were financed pro rata by loans.

A key figure in connection with solvency is the loan-to-value (LTV) ratio. This defines the ratio of net financial liabilities to the calculated value of the company's properties. The figure was 39.1% as at 31 December 2011 (previous year: 19.3%).

The framework for the capital management within which the capital structure is managed, e.g. by capital increases, is defined by the provisions of company law.

The capital management targets were achieved in the financial year.

(18) Financial liabilities and derivative financial instruments

Financial liabilities increased by a net amount of €61,153 thousand to €216,223 thousand, mainly as a result of further borrowing for property financing. Derivative financial instruments declined by €3,703 thousand as a result of changes in market value to €-12,726 thousand. The property loans in place are based on both long-term fixed-rate interest agreements and – to enable greater flexibility – interest rate agreements based on EURIBOR. The interest rate risk was eliminated in these instances by concluding interest rate swaps, with which we receive EURIBOR and pay a constant fixed rate of interest over the entire term of the swap.

At the end of the reporting period, the nominal hedge volume of the interest rate swaps was €96.3 million. Depending on the underlying loan transactions, the term of the derivatives ends between 2013 and 2021. The change in the fair values of interest rate derivatives recognised in equity of €3.7 million resulted in a decline in the fair value changes in derivatives in the revaluation surplus to €-12,726 thousand.

No.	Type	Maturity	Nominal value at 31 Dec. 2011 € million	Fair value € thou
1	Interest rate swap	Apr. 2018	16.0	-2,467
2	Interest rate swap	Apr. 2018	11.6	-1,787
3	Interest rate swap	Dec. 2013	12.1	-585
4	Interest rate swap	Dec. 2018	4.6	-590
5	Interest rate swap	Oct. 2017	35.4	-5,219
6	Interest rate swap	Nov. 2021	16.6	-2,078
Total			**96.3**	**-12,726**

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

€ thousand	31 Dec. 2011			31 Dec. 2010		
	current	non-current		current	non-current	
	Less than 1 year	2 – 5 years	More than 5 years	Less than 1 year	2 – 5 years	More than 5 years
Financial liabilities	6,672	25,652	183,899	15,376	29,059	110,634
Derivative financial instruments	0	585	12,141	0	708	8,316
Total	**6,672**	**26,237**	**196,040**	**15,376**	**29,767**	**118,950**

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

€ thousand	31 Dec. 2011			31 Dec. 2010		
	Less than 1 year	2 – 5 years	More than 5 years	Less than 1 year	2 – 5 years	More than 5 years
Financial liabilities	12,655	51,602	201,104	18,611	44,719	121,882
Derivative financial instruments	2,799	9,399	3,456	2,809	9,528	3,913
Total	**15,454**	**61,001**	**204,560**	**21,420**	**54,247**	**125,795**

All loans are secured by real property. On 31 December 2011, there were land charges of €233.0 million chargeable to the company. In addition, the rent receivables on the collateralised properties have usually been assigned to the lending banks by way of undisclosed assignment.

The non-current property loans bear interest at interest rates of between 3.53% and 5.21% (average interest rate: 4.48%). In line with loan agreements, repayments are made monthly, quarterly, semi-annually or annually.

HAMBORNER is exposed to various risks on account of its business activities. The risk report, which is a component 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 mainly used to manage interest rate risks. The risks resulting in connection with the use of these derivative financial instruments are subject to risk management and control.

The risks resulting from financial instruments relate to credit, liquidity and market risks. There are credit risks in the form of risks of default on financial assets. The maximum value of this risk is the carrying amount of the financial assets. For derivatives, this is the sum of all the positive fair values and, for primary financial instruments, the sum of the carrying amounts. 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 used to forecast the future liquidity situation. The expected liquidity requirements are scheduled in medium-term planning, which covers a period of five years.

Liquidity requirements are calculated using daily, weekly and monthly forecasts.

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

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

Primary financial instruments with a fixed interest rate are only subject to interest rate risks if they are measured at fair value. Financial instruments measured at cost are not subject to interest rate risks. In the case of cash flow hedges used to hedge fluctuations due to interest rates, changes in market interest rate levels can affect the revaluation surplus in equity. Therefore, these financial instruments are taken into account in the sensitivity analysis. In the sensitivity analysis, the indicative measurement was calculated on the basis of the market value, taking into account accrued interest.

Change in revaluation surplus in € thousand	**2011**	**2010**
Interest rate +1%	4,639	4,163
Interest rate -1%	-5,837	-4,472

Primary financial instruments with a variable interest rate are also subject to sensitivity analyses, as they too are subject to the risk of changes in market interest rates. In the previous year, this related to a floating-rate bridge loan of €10,080 thousand that was replaced as at 30 June 2011.

Effect on profit or loss in € thousand	**2011**	**2010**
Interest rate +1%	–	50
Interest rate -1%	–	-50

Fair value of financial assets and liabilities measured at amortised cost

Except for financial liabilities, the carrying amounts of the financial assets and liabilities in the statement of financial position constitute a good approximation of the fair value.

The fair values of financial liabilities are equal to the present values of the payments associated with the liabilities, taking into account the current interest rate parameters as at the end of the reporting period.

€ thousand	**31 Dec. 2011**		**31 Dec. 2010**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities	216,223	221,671	155,070	155,764

Additional disclosures on financial instruments

In the annual financial statements, financial instruments are classified in line with their respective items on the statement of financial position. The following table shows the reconciliation of items on the statement of financial position to IAS 39 categories.

		Measurement under IAS 39			Measurement under other standards
€ thousand	**31 Dec. 2011**	**Fair value, available-for-sale/ derivatives**	**Amortised cost, loans and receivables**	**Amortised cost, held-to-maturity**	**Amortised cost**
Assets					
Intangible assets	23				23
Property, plant and equipment	169				169
Investment property	435,190				435,190
Financial assets	27			27	
Non-current other assets	232				232
Current trade receivables and other assets	2,672		2,574		98
Income tax receivables	9				9
Bank balances and cash in hand	18,685		18,685		
Non-current assets held for sale	5,486				5,486
	462,493	**0**	**21,259**	**27**	**441,207**
Equity and liabilities					
Equity	215,131				215,131
Non-current financial liabilities, trade payables and other liabilities	225,144	12,726*	210,575		1,843
Pension provisions	7,122				7,122
Other non-current provisions	859				859
Current financial liabilities, trade payables and other liabilities	9,905		9,109		796
Income tax liabilities	1,289				1,289
Other current provisions	3,013				3,013
Liabilities in connection with non-current assets held for sale	30		26		4
	462,493	**12,726**	**219,710**	**0**	**230,057**

* Derivatives designated as hedges

€ thousand	31 Dec. 2010	Measurement under IAS 39 Fair value, available-for-sale/ derivatives	Measurement under IAS 39 Amortised cost, loans and receivables	Measurement under IAS 39 Amortised cost, held-to-maturity	Measurement under other standards Amortised cost
Assets					
Intangible assets	37				37
Property, plant and equipment	130				130
Investment property	321,505				321,505
Financial assets	28			28	
Non-current other assets	367			367	
Current trade receivables and other assets	435		435		
Income tax receivables	12				12
Bank balances and cash in hand	83,629		83,629		
	406,143	**0**	**84,064**	**395**	**321,684**

Equity and liabilities					
Equity	223,467				223,467
Non-current financial liabilities, trade payables and other liabilities	151,867	9,023*	141,433		1,411
Pension provisions	7,571				7,571
Other non-current provisions	825				825
Current financial liabilities, trade payables and other liabilities	20,102		17,678		2,424
Other current provisions	2,311		2,311		
	406,143	**9,023**	**161,422**	**0**	**235,698**

* Derivatives designated as hedges

(19) Income tax liabilities

The income tax liabilities reported as at 31 December 2011 essentially include anticipated subsequent payments on account of the external tax audit for the years 2007 to 2009 performed in the reporting year. They relate almost exclusively to the increase in the exit taxation triggered by the attainment of REIT status arising from the findings of the external audit.

(20) Trade payables and other liabilities

The trade payables and other liabilities amounted to a total of €6,100 thousand as at 31 December 2011. €3,233 thousand of this is payable within the next twelve months. The amount recognised declined by €1,776 thousand overall as against the previous year. The drop mainly relates to the change in various purchase price and land transfer tax obligations. Trade payables increased by €37 thousand to €58 thousand at the end of the reporting period.

(21) Pension provisions

There are pension commitments for eligible current and former employees and their surviving dependents. These are defined benefit commitments within the meaning of IAS 19. Provisions are measured using the projected unit credit method. In addition to the pensions and acquired claims known at the end of the reporting period, the projected unit credit method also takes into account forecast increases in salaries and pensions and makes assumptions regarding inflation. Provisions are calculated assuming a normal retirement age of 63.

Commitments for pension expenses are distributed over the period of service of employees on the basis of actuarial calculations and broken down into current service cost, amortisation of actuarial gains and losses and interest expenses in accordance with IAS 19. While interest expenses are taken to net finance costs, the other items (except for actuarial gains and losses) are reported under staff costs. In 2011, the interest expense from pension obligations amounted to €298 thousand (previous year: €341 thousand).

Actuarial gains and losses are recognised in other comprehensive income. The actuarial gains that arose in 2011 amounted to €109 thousand (previous year: losses of €883 thousand). Cumulative actuarial losses amounted to €2,330 thousand (previous year: €2,439 thousand) as at the end of the reporting period.

Development of pension provisions in the reporting year:

€ thousand	2011	2010	2009	2008	2007
Carrying amount 1 January (= present value 1 January)	7,571	6,983	6,840	7,097	6,917
Current service cost	17	13	11	11	41
Interest expense	298	341	381	375	317
Actuarial gains (-)/losses recognised for the current year	-109	883	400	-31	410
Pension payments	-655	-649	-649	-612	-588
Carrying amount 31 December (= present value 31 December)	**7,122**	**7,571**	**6,983**	**6,840**	**7,097**

Defined benefit obligation (DBO) as at year-end	7,122	7,571	6,983	6,840	7,097
Experience adjustment on plan liabilities	201	226	199	171	641

In the year under review, HAMBORNER paid contributions of €149 thousand (previous year: €143 thousand) deemed as a defined contribution pension scheme to statutory pension insurance. In addition, the company paid direct insurance premiums of €10 thousand (previous year: €10 thousand) and premiums for reinsured provident funds of €60 thousand (previous year: €28 thousand). The company has no obligations other than its payment obligations under defined contribution schemes. The expenses are recognised in staff costs.

Pension payments amounting to €661 thousand are forecast in the 2012 financial year.

(22) Other provisions

The maturities structure for other provisions is as follows:

	1 Jan. 2011				31 Dec. 2011	of which	
€ thousand	**Total**	**Additions**	**Utilisation**	**Reversals**	**Total**	**non-current**	**current**
Provisions for							
Bonuses	625	668	633	0	660	0	660
Subsidence damage	1,525	35	1	0	1,559	859	700
Provisions relating to the Articles of Association and legal form of the company	225	305	253	0	277	0	277
Legal and consultancy expenses	30	166	27	3	166	0	166
Outstanding invoices	488	1,107	723	136	736	0	736
Others	243	455	212	12	474	0	474
Total	**3,136**	**2,736**	**1,849**	**151**	**3,872**	**859**	**3,013**

The provision for bonus obligations assumes that the expected bonus payments in 2012 for 2011 will be €35 thousand higher than in the previous year at €660 thousand.

The provisions for subsidence damage relate to the potential risks from our former mining activities. Please see the more detailed information in the risk report, which is a component of the management report.

Provisions relating to mining activities are predominantly non-current provisions carried at their probable settlement amount at the end of the reporting period. An interest rate of 5.2% (previous year: 5.3%) was assumed for discounting over a remaining term of 19 years (previous year: 20 years). The interest earned on this provision resulted in a rise as against the previous year of €34 thousand to €1,559 thousand as at 31 December 2011.

The provisions for obligations relating to the Articles of Association and legal form of the company include remuneration for the Supervisory Board and fees for auditors. Please see note (2) for further information on fees for auditors within the meaning of section 285 no. 17 in conjunction with section 325(2a) HGB.

The provisions for outstanding invoices increased by €248 thousand year-on-year to €736 thousand. Provisions for maintenance expenses not yet invoiced and operating costs were recognised to the extent that these relate to 2011.

The miscellaneous provisions essentially include tenant refunds for outstanding operating cost invoices for the 2011 reporting year (€150 thousand), provisions for outstanding holidays (€102 thousand) and the costs of the annual report (€70 thousand).

(23) Liabilities in connection with non-current assets held for sale

There are liabilities of €30 thousand in connection with properties held for sale. These result from rent deposits in particular.

(24) Contingent liabilities and financial obligations

On 31 December 2011, there were obligations arising from notarised land purchase agreements to pay a total purchase price of €57.2 million. The obligations are payable on transfer of ownership of the properties in 2012 and 2013.

The purchase prices for the property in Langenfeld acquired in the reporting year and the property in Lemgo acquired in the previous year could rise if their vacancies are let by the seller within 24 months of notarisation of the respective purchase agreement. The purchase price for the property in Lemgo will also increase if sales-based rent in excess of the minimum rent is payable for leased retail space in the first three years after the handover of the business premises instead of the agreed minimum rent.

The NuOffice property in Munich had not been completed at the time the purchase agreement was signed. The provisionally calculated purchase price can still change by the time it becomes due. If the total amount of the contractually agreed net annual basic rent by this date is greater or less than the net annual basic rent estimated in the purchase agreement, the purchase price will increase or decrease by an amount calculated using a factor stipulated in the purchase agreement based on the calculated difference in rent.

In exit taxation for attainment of REIT status, the hidden reserves on developed and undeveloped land were only 50% included in the basis for tax assessment – provided that the requirements for this were met. If any of this land, for which tax benefits were granted, is sold by 31 December 2013, these tax benefits will be withdrawn retroactively.

The other financial obligations after the end of the reporting period result from four long-term leasehold contracts and are as follows:

Maturing on	Payment obligation (in € thou p.a.)	Passed on to tenants (in € thou p.a.)
31 December 2034	204	204
31 March 2060	113	0
30 June 2012*	114	0
30 June 2023	210	0
Total	**641**	**204**

* The lease will become our property on 30 June 2012 at the latest against payment of €3.2 million on the basis of contractual agreements.

There are no further contingent liabilities, contingencies or other financial obligations.

(25) Leases

All rental agreements that HAMBORNER has concluded with its tenants are classified as operating leases under IFRS as all the risks and rewards of ownership remain with the company.

Under operating leases, investment property with a carrying amount of €435.9 million (previous year: €315.4 million) was let as at 31 December 2011.

HAMBORNER will receive the following contractually guaranteed rent payments (minimum lease payments) from its current commercial rental agreements:

€ thousand	2011	2010
up to one year	34,319	25,670
between two and five years	109,987	76,755
more than five years	100,600	67,061
Total	**244,906**	**169,486**

The minimum lease payments include rent income until the end of the agreed lease or until the tenant's earliest possible termination date, regardless of whether termination or non-utilisation of a prolongation option is actually expected.

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

Notes on the statement of cash flows

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

The cash and cash equivalents comprise cash in hand and bank balances. As at the end of the reporting period, cash and cash equivalents decreased by €64.9 million as against the previous year to €18.7 million. The reported bank balances include security deposits of €198 thousand and deposits of purchase price retentions of €1.5 million.

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

(26) Cash flow from operating activities

The statement of cash flows is based on earnings before taxes (EBT) for the year.

The previous year's cash flow from operating activities was essentially influenced by tax payments – particularly for exit tax – totalling €16.9 million. There were no similar extraordinary factors in the reporting year.

Operating cash flow per share developed as below:

		2011	2010
Cash flow from investing activities	thousand	34,120	34,120
Number of shares outstanding	€ thousand	24,651	830
Operating cash flow per share	€	0.72	0.02

(27) Cash flow from investing activities

The payments for investments in property, plant and equipment and intangible fixed assets do not correspond to the additions shown in the statement of changes in non-current assets. These also include non-cash investments essentially resulting from retention of purchase price.

The cash flow from investing activities mainly resulted in a cash outflow of €130.3 million due to acquisitions in the financial year (previous year: €65.6 million).

The proceeds from the sale of land of €2.2 million had not yet been recognised in cash as at the end of the reporting period.

(28) Cash flow from financing activities

The positive cash flow from financing activities of €40.7 million is due to proceeds from financial loans of €79.2 million.

As at 31 December 2011, the company had an unutilised credit line of €10 million that can be used for the short-term interim financing of properties that match our strategy and ensures that the company will be able to act at any time when purchase opportunities arise.

The company also had total funds not yet utilised of €20.1 million at its disposal from concluded loan agreements. These funds can be accessed at short notice on fulfilment of the payout requirements.

Other information and required disclosures

Events after the end of the reporting period

On 4 January 2012, HAMBORNER signed a loan agreement of €20.0 million to finance the property in Munich acquired by way of notarised purchase agreement dated 23 August 2011. It will be utilised when the purchase price falls due at the earliest. Commitment interest will not be incurred until mid-2013.

The purchase price for a property sale not yet due as at the end of the reporting period of €2.2 million was received on 21 February 2012.

Employees

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

	2011	2010
Commercial property management	6	6
Technical property management	4	4
Administration	13	12
Total	**23**	**22**

Corporate governance

In December 2011, the Managing Board and Supervisory Board issued an updated declaration of compliance and published it on the Internet at www.hamborner.de under Investor Relations/Corporate Governance. The full declaration of compliance has also been published in this 2011 Annual Report.

Notification of the existence of an equity holding

Under section 11(4) of the German REIT Act, investors are not permitted to directly hold 10% or more of shares or shares to such an extent that they hold 10% or more of voting rights. As at the end of the reporting period on 31 December 2011, the company was not aware of any shareholders with a direct shareholding of more than 10% of share capital.

We received the following notifications in accordance with section 21(1) WpHG on 26 January 2012:

The share of voting rights held by Sumitomo Trust & Banking Co., Ltd., Tokyo, Japan, exceeded the threshold of 3% on 21 December 2010 and amounted to 3.07% (1,046,397 voting rights) at this date. 3.07% (1,046,397 voting rights) of this amount is attributable to it in accordance with section 22(1) sentence 1 no. 1 WpHG. The votes attributed to it are held by the following companies that it controls and that themselves hold a share of voting rights of 3% or more:

- Nikko Asset Management Co., Ltd.

The share of voting rights held by Nikko Asset Management Co., Ltd., Tokyo, Japan, exceeded the threshold of 3% on 21 December 2010 and amounted to 3.07% (1,046,397 voting rights) at this date.

We received the following notification in accordance with section 21(1) WpHG on 28 February 2011:

The share of voting rights held by LRI Invest S.A., Munsbach, Luxembourg, exceeded the threshold of 3% on 24 February 2011 and amounted to 3.05% (1,039,566 voting rights) at this date.

We received the following notifications in accordance with section 21(1) WpHG on 2 March 2011:

The shares of voting rights held by:

- the Free and Hanseatic City of Hamburg, Hamburg, Germany
- the State of Schleswig Holstein, Kiel, Germany,
- HSH Finanzfonds AöR, Hamburg, Germany,
- HSH Nordbank AG, Hamburg and Kiel, Germany
- and HSH Real Estate AG, Hamburg, Germany,

each fell below the thresholds of 30%, 25%, 20%, 15%, 10%, 5% and 3% on 28 February 2011 and each amounted to 0% (0 voting rights) at this date.

The shares of voting rights held by HSH RE 2.–6. Beteiligungs GmbHs, Hamburg, Germany, (five companies) fell below the thresholds of 5% and 3% on 28 February 2011 and amounted to 0% (0 voting rights) at this date.

The share of voting rights held by HSH RE 7. Beteiligungs GmbH, Hamburg, Germany, fell below the threshold of 3% on 28 February 2011 and amounted to 0% (0 voting rights) at this date.

We received the following notifications in accordance with section 21(1) WpHG on 14 June 2011:

The share of voting rights held by TEC Düsseldorf GbR, Düsseldorf, Germany, exceeded the threshold of 3% on 9 June 2011 and amounted to 4.10% (1,400,000 voting rights) at this date.

The share of voting rights held by Siegert & Cie. GmbH, Düsseldorf, Germany, fell below the threshold of 3% on 9 June 2011 and amounted to 2.02% (690,000 voting rights) at this date.

We received the following notification in accordance with section 21(1) WpHG on 21 July 2011:
The share of voting rights held by LRI Invest S.A., Munsbach, Luxembourg, fell below the threshold of 3% on 20 July 2011 and amounted to 2.91% (993,899 voting rights) at this date.

We received the following notification in accordance with section 21(1) WpHG on 11 August 2011:
The share of voting rights held by Laris GbR, Düsseldorf, Germany, exceeded the threshold of 3% on 9 August 2011 and amounted to 4.51% (1,540,000 voting rights) at this date.

We received the following notification in accordance with section 21(1) WpHG on 24 October 2011:
The share of voting rights held by Dexia S.A., Brussels, Belgium, fell below the threshold of 3% on 20 October 2011 and amounted to 0.62% (212,250 voting rights) at this date. 0.62% (212,250 voting rights) of this amount is attributable to it in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with sentence 2 WpHG.

We received the following notifications in accordance with section 21(1) WpHG on 3 November 2011:
The share of voting rights held by Augur Financial Holding V S.A., Luxembourg, Luxembourg, fell below the threshold of 3% on 5 July 2011 and amounted to 0% (0 voting rights) at this date.

The share of voting rights held by Augur Financial Holding V S.A., Luxembourg, Luxembourg, exceeded the threshold of 3% on 24 February 2011 and amounted to 3.05% (1,039,566 voting rights) at this date. 3.05% (1,039,566 voting rights) of this amount is attributable to it through LRI Invest S.A. in accordance with section 22(1) sentence 1 no. 1 WpHG.

The share of voting rights held by Augur FIS, Luxembourg, Luxembourg, fell below the threshold of 3% on 5 July 2011 and amounted to 0% (0 voting rights) at this date.

The share of voting rights held by Augur FIS, Luxembourg, Luxembourg, exceeded the threshold of 3% on 24 February 2011 and amounted to 3.05% (1,039,566 voting rights) at this date. 3.05% (1,039,566 voting rights) of this amount is attributable to it through LRI Invest S.A. and Augur Financial Holding V S.A. in accordance with section 22(1) sentence 1 no. 1 WpHG.

We received the following notifications in accordance with section 21(1) WpHG on 30 November 2011 / 2 December 2011:
The share of voting rights held by Sumitomo Mitsui Trust Holdings, Inc., Tokyo, Japan, exceeded the threshold of 3% on 1 April 2011 and amounted to 3.83% (1,308,393 voting rights) at this date. 3.83% (1,308,393 voting rights) of this amount is attributable to it through Nikko Asset Management Co. Ltd. and The Sumiomo Trust & Banking Co., Ltd. in accordance with section 22(1) sentence 1 no. 1 WpHG.

The share of voting rights held by Sumitomo Mitsui Trust Holdings, Inc., Tokyo, Japan, fell below the threshold of 3% on 24 November 2011 and amounted to 2.91% (991,616 voting rights) at this date. 2.91% (991,616 voting rights) of this amount is attributable to it in accordance with section 22(1) sentence 1 no. 1 WpHG.

The share of voting rights held by The Sumitomo Trust & Banking Co. Ltd., Tokyo, Japan, fell below the threshold of 3% of voting rights on 24 November 2011 and amounted to 2.91% (991,616 voting rights) at this date. 2.91% (991,616 voting rights) of this amount is attributable to it in accordance with section 22(1) sentence 1 no. 1 WpHG.

The share of voting rights held by Nikko Asset Management Co., Ltd., Tokyo, Japan, fell below the threshold of 3% of voting rights on 24 November 2011 and amounted to 2.91% (991,616 voting rights) at this date.

We received the following notifications in accordance with section 21(1) WpHG on 23 December 2011:
The share of voting rights held by F. Van Lanschot Bankiers N.V., ’S-Hertogenbosch, the Netherlands, exceeded the thresholds of 3% and 5% on 11 October 2010 and amounted to 9.99% (3,407,913 of 34,120,000 voting rights) at this date. These voting rights were attributable to F. Van Lanschot Bankiers N.V. in accordance with section 22(1) sentence 1 no. 1 WpHG. All voting rights attributed to F. Van Lanschot Bankiers N.V. were held by the following company controlled by it, which held a share of voting rights in HAMBORNER REIT AG of 3% or more:

- Kempen & Co. N.V.

The share of voting rights held by Lanschot N.V., ’S-Hertogenbosch, Netherlands, fell below the thresholds of 5% and 3% on 28 October 2010 and amounted to 0.00% (1,314 voting rights) at this date. These voting rights are attributable to F. Van Lanschot Bankiers N.V. in accordance with section 22(1) sentence 1 no. 1 WpHG.

We received the following notifications in accordance with section 21(1) WpHG on 2 January 2012:

The share of voting rights held by Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt/Main, Germany, exceeded the threshold of 3% of voting rights on 30 December 2011 and amounted to 3.04% (1,036,200 voting rights) at this date. 0.49% (166,800 voting rights) of this amount is attributable to it in accordance with section 22(1) sentence 1 no. 6 WpHG.

According to the voting right notifications we received, there were no indirect equity investments in the capital of the company indirectly amounting to or exceeding 10% of the voting rights as at 31 December 2011:

Related party disclosures for the 2011 financial year

There were no reportable transactions with related parties in the 2011 financial year.

Remuneration of the Managing Board and the Supervisory Board

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

The remuneration paid to persons in key positions at our company that is reportable under IAS 24 comprises the remuneration of the active Managing Board and the Supervisory Board. Total remuneration for active members of the Managing Board amounted to €810 thousand in the reporting year. This comprises remuneration and other short-term benefits of €700 thousand (previous year: €598 thousand) and pension allowances, contributions to employer-financed benefit obligations and non-cash remuneration in the form of the use of a company car totalling €110 thousand. The remuneration of the members of the Supervisory Board is current and amounts to €221 thousand for the financial year.

Former members of the Managing Board and their surviving dependents received payments of €407 thousand. The pension provisions recognised for this group of people amount to €4,362 thousand.

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:
- AVECO Holding AG* (from 25 August 2011)
- EUREF AG*
- FMS Wertmanagement AöR**
- GSW Immobilien AG* (Chairman)
- Hahn-Immobilien-Beteiligungs AG*
- Investment AG für langfristige Investoren TGV*
- VNR Verlag für die Deutsche Wirtschaft AG*

Dr Bernd Kottmann, Wachtberg (from 17 May 2011)
Deputy Chairman
Management consultant

Christel Kaufmann-Hocker, Düsseldorf
Management consultant
External mandates:
- Max Mothes GmbH** (until 25 February 2011)
- Stiftung Mercator GmbH**

Volker Lütgen, Wentorf (until 17 May 2011)
Broker, Volker Lütgen Immobilien

Dr David Mbonimana, Seevetal
Deputy Chairman (until 17 May 2011)
Member of the Managing Board of HSH Real Estate AG
External mandates:
- LB Immo Invest GmbH **

Robert Schmidt, Datteln
Managing Director at Vivawest GmbH
Managing Director at Vivawest Wohnen GmbH
Managing Director at THS GmbH
External mandates:
- Vestische Wohnungsgesellschaft mbH ** (Chairman) (from 8 February 2011)
- Wohnbau Dinslaken GmbH **

Bärbel Schomberg, Königstein (from 17 May 2011)
Managing partner at Schomberg & Co. Real Estate Consulting GmbH
External mandates:
- Bilfinger Berger Facility Services GmbH**
- WGF Westfälische Grundbesitz und Finanzverwaltung AG* (until 31 December 2011)
- WISTA Management GmbH**

Mechthilde Dordel ***, Oberhausen
Commercial employee

Edith Dützer ***, Moers (until 31 December 2011)
Commercial employee

Hans-Bernd Prior ***, Dinslaken
Technical employee

Dieter Rolke***, Oberhausen (from 1 January 2012)
Commercial employee

Committees of the Supervisory Board

Executive Committee

Dr Eckart John von Freyend (Chairman)
Dr Bernd Kottmann (from 17 May 2011)
Dr David Mbonimana (until 17 May 2011)
Robert Schmidt
Bärbel Schomberg (from 17 May 2011)

Audit Committee

Dr Bernd Kottmann (Chairman) (from 17 May 2011)
Dr David Mbonimana (Chairman) (until 17 May 2011)
Christel Kaufmann-Hocker
Robert Schmidt
Hans-Bernd Prior

Nomination Committee

Dr Eckart John von Freyend (Chairman)
Dr Bernd Kottmann (from 17 May 2011)
Volker Lütgen (until 17 May 2011)
Dr David Mbonimana
Bärbel Schomberg (from 17 May 2011)

The Managing Board

Dr Rüdiger Mrotzek, Hilden
Director for Finance/Accounting, Taxes, Asset Management, Technology/Maintenance, IT, Risk Management/Controlling

Hans Richard Schmitz, Duisburg
Director for Portfolio Management, Legal, Investor Relations/Public Relations, HR, Corporate Governance, Insurance

Duisburg, 29 February 2012

The Managing Board

Dr Rüdiger Mrotzek   Hans Richard Schmitz

* Membership of other statutory supervisory boards
** Membership of similar executive bodies in Germany and abroad
*** Employee member of the Supervisory Board

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Duisburg, 29 February 2012

The Managing Board

Dr Rüdiger Mrotzek　　Hans Richard Schmitz

Audit Opinion

To HAMBORNER REIT AG, Duisburg

We have audited the separate financial statements – comprising the statement of comprehensive income, the statement of recognised income and expense, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the financial statements – together with the bookkeeping system and the management report of HAMBORNER REIT AG, Duisburg, for the financial year from 1 January 2011 to 31 December 2011. The bookkeeping system and the preparation of the separate financial statements and the management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to section 325(2a) HGB are the responsibility of the Managing Board of the company. Our responsibility is to express an opinion on the separate financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the separate financial statements in accordance with section 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 separate 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 bookkeeping system, the separate 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 separate financial statements and the 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 separate financial statements of HAMBORNER REIT AG, Duisburg, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to section 325 (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 separate 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, 29 February 2012

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Harnacke)	(Pfeiffer)
Auditor	Auditor

MARTIN-LUTHER-KING-WEG 18 – 28

MÜNSTER

MUSEUM OF ART

JOHANN-KRANE-WEG 21 – 27

AASEE

GROSS DOMESTIC PRODUCT

SWITZERLAND	€399.8 billion
INDONESIA	€531.9 billion
NORTH RHINE-WESTPHALIA	€534.0 billion
TURKEY	€558.4 billion

LIFE EXPECTANCY

MÜNSTER

Women 83.1 years

Men 76.3 years

GERMANY

Women 80.1 years

Men 74.5 years

PURCHASING POWER PER INHABITANT

GERMANY
€19,684

NRW
€19,921

MÜNSTER
€21,991

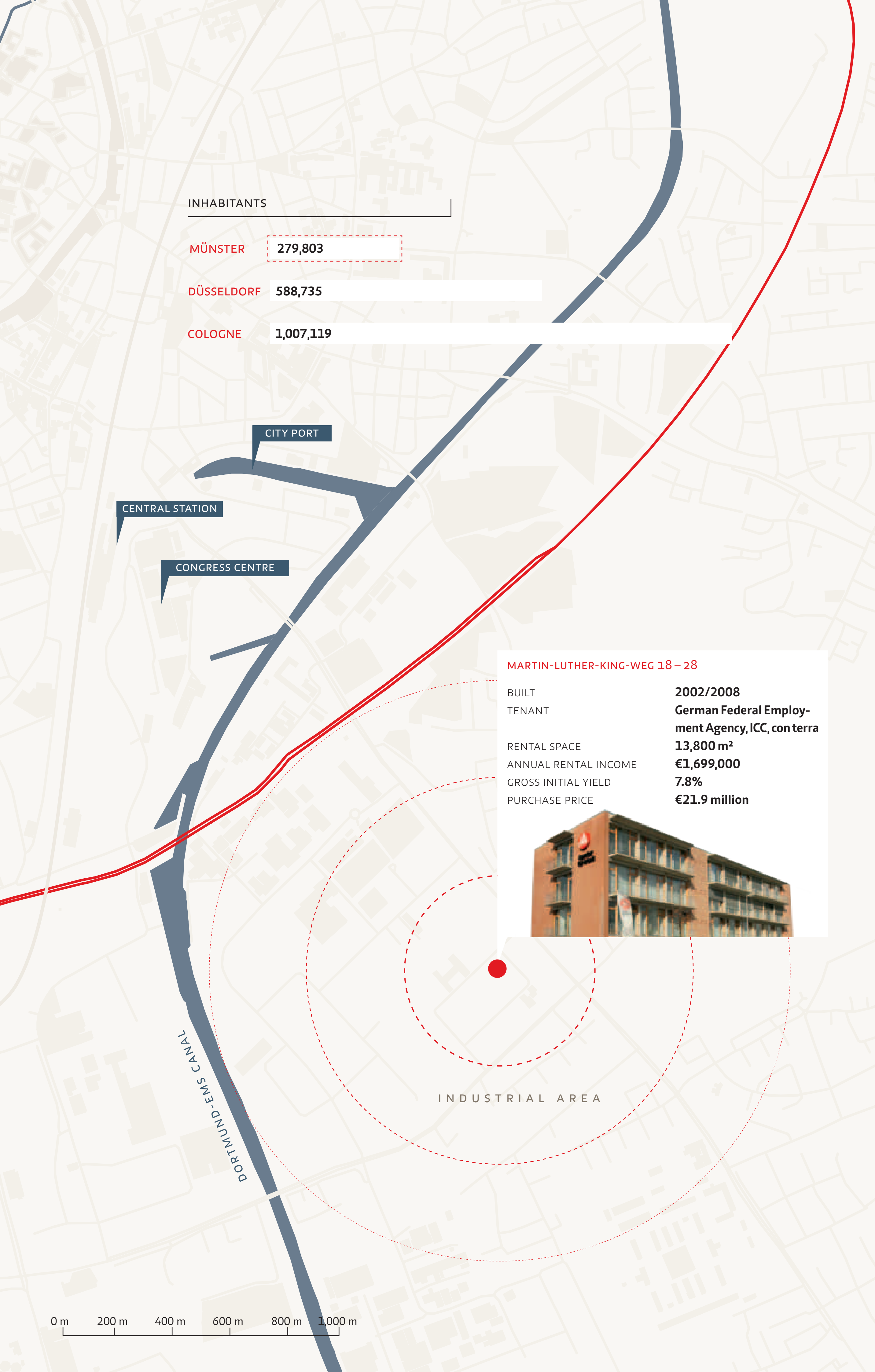
B 51

POPULATION GROWTH 2009 TO 2010

MÜNSTER +5%

NRW –1%

120 km
Düsseldorf Airport



INHABITANTS

MÜNSTER	279,803
DÜSSELDORF	588,735
COLOGNE	1,007,119

MARTIN-LUTHER-KING-WEG 18 – 28

BUILT	**2002/2008**
TENANT	**German Federal Employment Agency, ICC, con terra**
RENTAL SPACE	**13,800 m²**
ANNUAL RENTAL INCOME	**€1,699,000**
GROSS INITIAL YIELD	**7.8%**
PURCHASE PRICE	**€21.9 million**

REIT information

As a REIT company, HAMBORNER has been exempt from German corporation and trade tax since 1 January 2010. In order to retain this status, the regulations of the German REIT Act must be complied with and a declaration to this effect issued by the Managing Board.

In connection with the annual financial statements in line with section 264 HGB and our separate IFRS financial statements in line with article 325(2) HGB, the Managing Board issues the following declaration of compliance with the requirements of sections 11 to 15 of the German REIT Act and the calculation of the composition of income in respect to income subject to and not subject to income tax for the purposes of section 19(3) and section 19a of the German REIT Act as at 31 December 2011.

Section 11 of the German REIT Act: free float

In accordance with section 11(1) of the German REIT Act, a REIT company must maintain at least 15% of its shares in free float on a sustained basis. As at 31 December 2011, HAMBORNER's free float according to the notifications of voting rights we have received was 76.61%. We notified the BaFin of this by way of letter dated 5 January 2012.

In accordance with section 11(4) of the German REIT Act, shareholders are not permitted to directly hold 10% or more of shares or shares to such an extent that they hold 10% or more of voting right. On the basis of voting right notifications received from shareholders in accordance with section 21(1) and section 26 (1) and (2) WpHG, according to our knowledge no shareholder directly holds 10% or more shares to such an extent that they hold 10% or more of voting rights.

Section 12 of the German REIT Act: asset and income requirements

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

As at the end of the 2011 financial year, 96.8% of HAMBORNER's total assets were immovable assets.

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

This requirement was met in full in the reporting year.

Section 13 of the German REIT Act: distribution to investors

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

Provided that the Annual General Meeting approves the dividend proposal, the company will distribute a dividend to its shareholders amounting to €13.6 million, thus using its full HGB net income for the financial year.

Section 14 of the German REIT Act: exclusion of real estate trading
According to this regulation, a REIT company cannot conduct trades with its immovable assets if the income from these assets constitutes more than half of the value of the average portfolio of immovable assets within the last five years as a REIT company.

The company has sold approximately 1.8% of its average portfolio of immovable assets since its transformation into a REIT.

Section 15 of the German REIT Act: minimum equity
The equity of a REIT company calculated in accordance with section 12(1) of the German REIT Act must not fall below 45% of the amount of immovable assets in the separate financial statements.

The equity of HAMBORNER modified in line with the provisions of the German REIT Act, which for the purposes of this regulation takes into account the fair value of the immovable assets in accordance with IAS 40, was 55.7% as at 31 December 2011.

Section 19 of the German REIT Act: composition of income in terms of income subject to and not subject to income tax
Under this regulation, the partial income rule in line with section 3(40) of the German Income Tax Act and the resulting 95% tax exemption in line with section 8b of the German Corporation Tax Act do not apply to the distributions of a REIT company. However, these tax exemptions are granted if the REIT company distributes profits subject to tax at the level of the REIT company.

Subject to the approval of the Annual General Meeting, HAMBORNER will distribute a dividend not subject to taxation of €13.6 million.

HAMBORNER does not hold any shares in REIT service companies, with the result that the relevant asset and income requirements are not relevant.

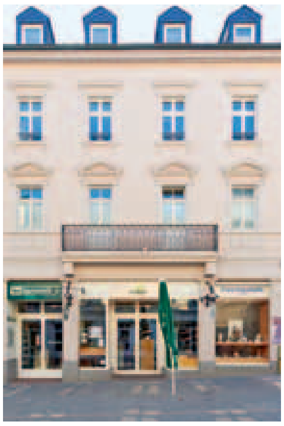
Duisburg, 29 February 2012

The Managing Board

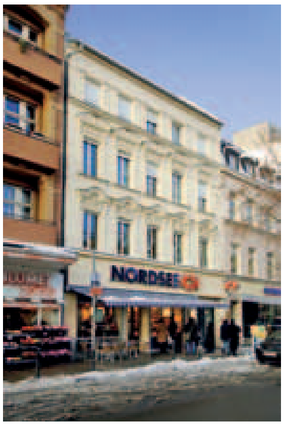
Dr Rüdiger Mrotzek Hans Richard Schmitz

The REIT declaration was audited by the auditor in accordance with section 1(4) of the German REIT Act on 29 February 2012.

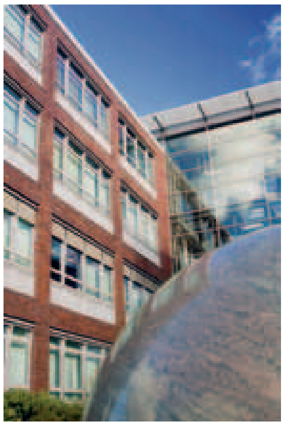
Examples of properties



BAD HOMBURG
LOUISENSTRASSE



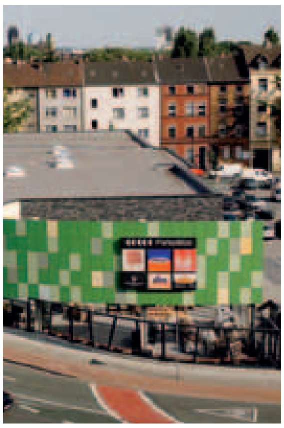
BERLIN
SCHLOSSSTRASSE



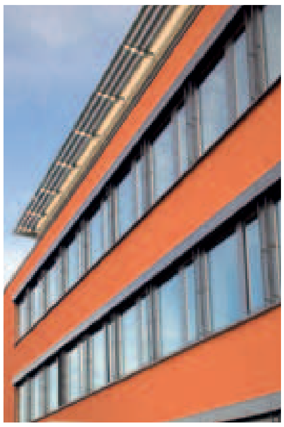
BREMEN
HERMANN-KÖHL-STRASSE

BREMEN
LINZER STRASSE

BRUNNTHAL
EUGEN-SÄNGER-RING



DUISBURG
KASSLERFELDER KREISEL



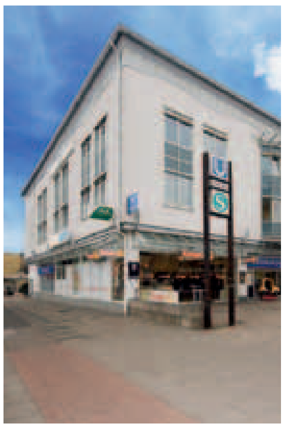
ERLANGEN
AM WETTERKREUZ

ERLANGEN
ALLEE AM RÖTHELHEIMPARK

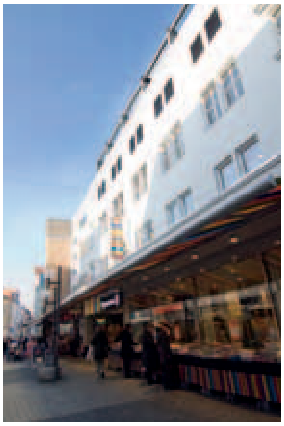
FRANKFURT/MAIN
CRONSTETTENSTRASSE

FRANKFURT/MAIN
STEINWEG

FREIBURG
LÖRRACHER STRASSE



HAMBURG
FUHLSBÜTTLER STRASSE

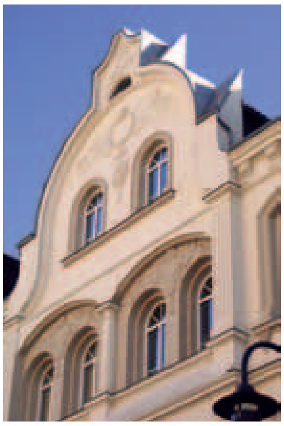


HERFORD
BÄCKERSTRASSE

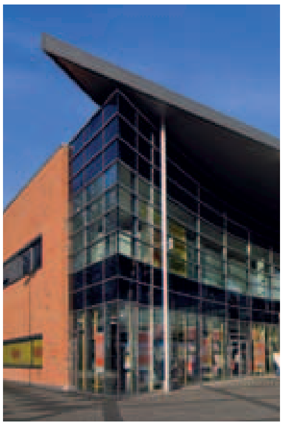
HILDEN
WESTRING

INGOLSTADT
DESPAGSTRASSE

LANGENFELD
SOLINGER STRASSE

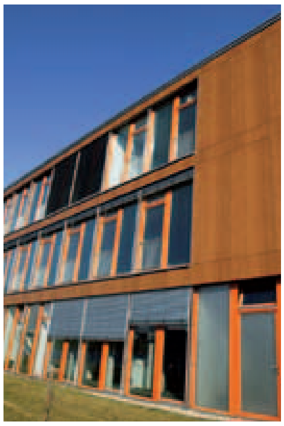


LEVERKUSEN
WIESDORFER PLATZ



MEPPEN
AM NEUEN MARKT

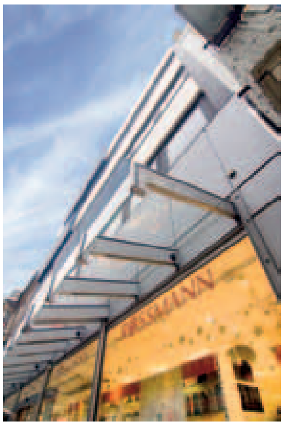
MINDEN
BÄCKERSTRASSE



MÜNSTER
JOHANN-KRANE-WEG

OFFENBURG
HAUPTSTRASSE

OSNABRÜCK
SUTTHAUSER STRASSE



RHEINE
EMSSTRASSE

STUTTGART
STAMMHEIMER STRASSE

Important Terms and Abbreviations

AktG	Aktiengesetz – German Stock Corporation Act.
GDP	Gross domestic product: indicator of the economic performance of an economy, i.e. the combined value of all goods and services generated by a country within a specific period.
Cash flow	Net total of the inflows and outflows of cash in a period.
Compliance	Implies compliance with laws and regulations in companies in addition to voluntary codes. The entirety of the principles and measures employed by a company in compliance with certain regulations and therefore to avoid violations in a company is referred to as the compliance management system.
Corporate governance	Principles of responsible corporate governance and control geared to the long-term creation of value added.
DAX	The most important German share index established by Deutsche Börse AG. It shows the development of the 30 biggest German stock corporations in terms of market capitalisation and stock exchange turnover.
DCF method	Discounted cash flow method – method used to determine value e.g. the fair value of real estate. It is based on the financial concept of discounting cash flows to determine the capital value.
GCGC	German Corporate Governance Code – a set of regulations devised by the Government Commission of the Federal Republic of Germany for listed companies intended to promote good and responsible corporate governance.
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 sponsors	Designated sponsors are specialist financial service providers that counteract 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 comprises German property shares.
EBDA	Earnings before depreciation and amortisation.
EBIT	Earnings before interest and tax (only taxes on income).
EBITDA	Earnings before interest, taxes, depreciation and amortisation (only taxes on income).
Declaration of compliance	Declaration by the Managing Board and the Supervisory Board in accordance with section 161 of the German Stock Corporation Act on the implementation of the recommendations of the Government Commission for the German Corporate Governance Code.
EPRA	European Public Real Estate Association – European association of listed property companies. Financial analysts, investors, auditors and consultants are also represented here in addition to companies.
Fair value	Fair value or market value, the value at which knowledgeable and willing parties would be prepared to exchange an asset at normal market conditions or to settle a liability.
FFO	Funds from operations: key ratio for the operating business of the company. The FFO is used within the framework of value-oriented corporate management to present the funds generated, which are available to shareholders for investments, repayments and dividend distributions.
HGB	Handelsgesetzbuch – German Commercial Code.
IFRS	International Financial Reporting Standards: international accounting regulations issued by the International Accounting Standards Board (IASB). These must be applied by listed companies and groups and are intended to facilitate better comparability in the international environment.
Investment property	All undeveloped and developed properties plus buildings and parts of buildings are held to generate future rental income or profits from appreciation in value in respect of third parties or for an as yet undefined use. They are not intended for administrative purposes or for short-term trade in the context of the ordinary business activities.
Statement of cash flows	The statement of cash flows transparently shows a company's cash flows. Transactions affecting cash are classified according to operating, investing and financing activities.
Deferred taxes	Deferred tax assets and liabilities to offset the difference between the actual tax liabilities and the tax liabilities due to accounting under commercial law.
LEED	Leadership in Energy and Environmental Design – a standard developed in the United States of America for the development and planning of highly ecological buildings.

Vacancy rate	The company calculates its vacancy rate as target rent for the vacant space in relation to total target rent. In calculating the economic vacancy rate, the rental losses for vacancies are adjusted for contractual rent guarantee claims.
Vacancy rate (EPRA)	The EPRA vacancy rate is calculated using the annualised rent for vacant space at standard market rents for the portfolio as a whole as at the end of the reporting period.
Loan-to-value	Represents the financial liabilities of the company as a proportion of the fair value of its property portfolio, taking into account cash and cash equivalents.
Market capitalisation	Market value of a stock corporation. Current share price multiplied by the number of shares.
MDAX	Mid-cap index: German share index listing the 50 companies in conventional industries that follow those listed in the DAX in terms of market capitalisation and stock exchange turnover.
Net asset value (NAV)	The net asset value reflects the economic equity of the company. It is determined by the fair values of the company's assets – essentially the value of properties – net of the borrowed capital.
Net initial yield	The net initial yield is an indicator calculated according to EPRA standards that reflects the yield on the property portfolio. It is calculated by dividing annualised rental income as at the end of the reporting period less non-transferrable costs by the fair value of the property portfolio including incidental costs of acquisition.
Prime Standard	Deutsche Börse market segment for stock corporations that satisfy particularly high international transparency standards.
Triple net asset value (NNNAV)	Net asset value less deferred taxes for hidden reserves between the carrying amount and fair value, taking into account the difference in value between the fair value and carrying amount of debt.
REIT	Abbreviated form for real estate investment trust. Listed company that invests solely in property. Facilitates indirect investment in properties for investors through the purchase of shares. The majority of its profit is distributed and taxation occurs at investor level only (tax transparency).
REIT equity ratio	Corresponds to the equity coverage ratio in accordance with section 15 in conjunction with section 12(1) sentence 2 of the German REIT Act, i.e. the ratio of equity (on a fair value basis) to the fair value of immovable assets. The equity on fair value basis is calculated from the total reported equity and hidden reserves. At HAMBORNER, immovable assets consist of the property portfolio of the company and undeveloped land, consisting primarily of agricultural land and forests.
Risk management	Systematic process intended to identify and assess potential risks in a company at an early stage, introducing necessary preventive measures where appropriate.
SDAX	Small-cap index: German share index that, as a small-cap index, includes the 50 most important equities after the DAX and MDAX. The "S" for "small-cap" refers to smaller companies with low market capitalisation and stock exchange turnover.
WpHG	Wertpapierhandelsgesetz – German Securities Trading Act.

Note

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

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FINANCIAL CALENDAR 2012/2013

29 March 2012	Annual report 2011
10 May 2012	Interim report for 1st quarter 2012
15 May 2012	Annual General Meeting 2012
16 May 2012	Payment of dividend for the 2011 financial year
9 August 2012	Interim report for 1st half 2012
8 November 2012	Interim report for 3rd quarter 2012
27 March 2013	Annual report 2012
6 May 2013	Interim report for 1st quarter 2013
7 May 2013	Annual General Meeting 2013

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