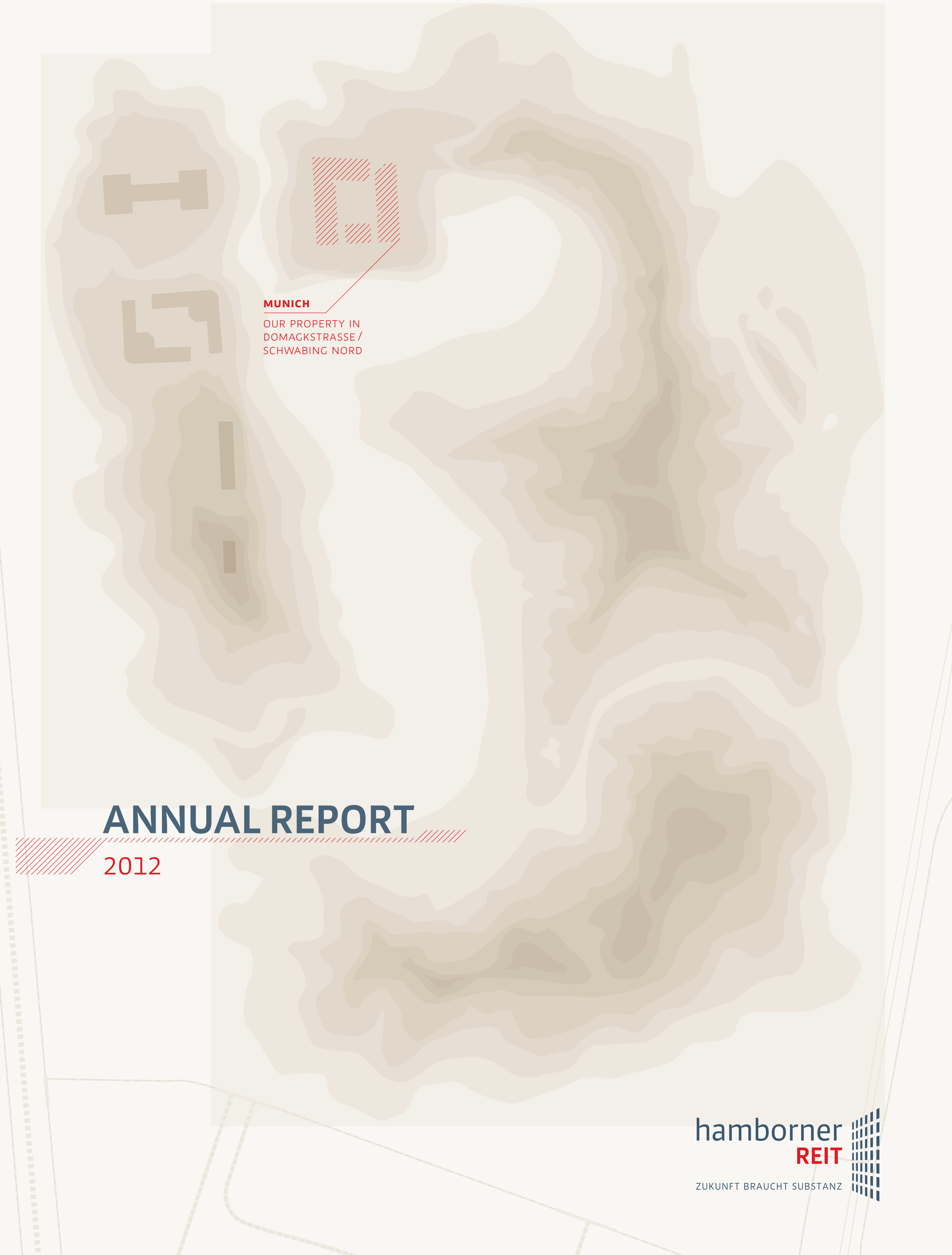

ANNUAL REPORT
2012

hamborner
REIT
ZUKUNFT BRAUCHT SUBSTANZ

PROPERTY LOCATIONS

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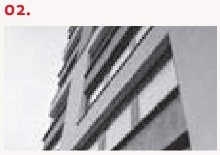

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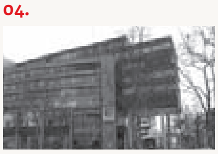

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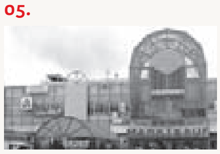


06.

01. HAMBURG
SANDER DAMM / KURT-A.-KÖRBER-CHAUSSEE

02. BERLIN
TORGAUER STRASSE 12–15

03. AACHEN
DEBYESTRASSE 20

04. KARLSRUHE
MENDELSSOHNPLATZ 1 / RÜPPURRER STRASSE 1

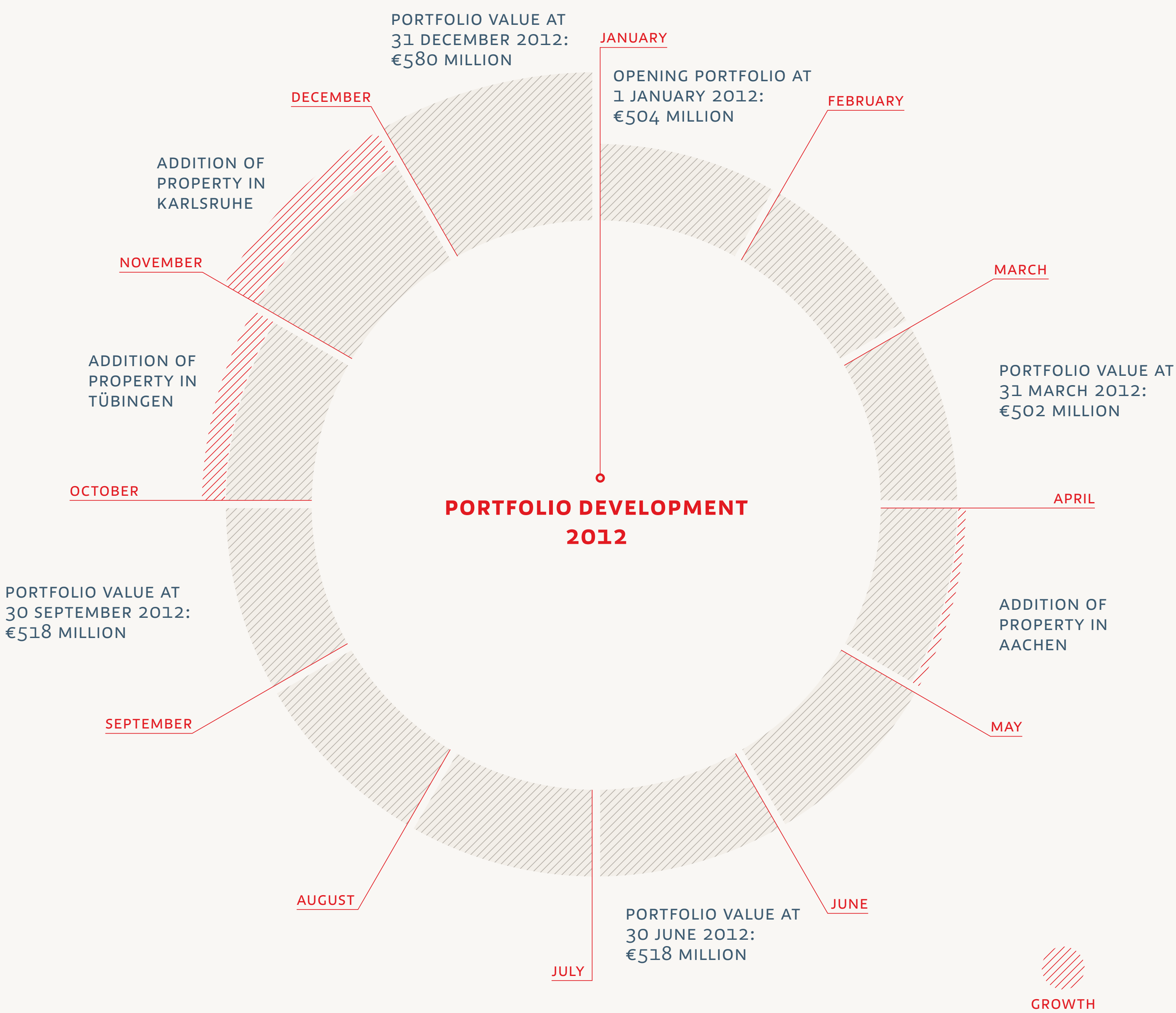
05. TÜBINGEN
EUGENSTRASSE 72–74

06. MUNICH
DOMAGKSTRASSE 10

KEY FIGURES AT A GLANCE (IFRS)

€ THOUSAND			
From the income statement	**2012**	**2011**	**2010**
Income from rents and leases	36,993	32,160	25,026
Net rental income	33,229	28,244	22,124
Operating result	17,509	14,888	12,528
Financial result	–10,627	–7,964	–6,308
EBITDA	30,381	26,225	20,697
EBDA	19,729	16,970	11,611
EBIT	18,393	17,120	14,755
Funds from operations (FFO)	18,877	16,029	12,163
Net profit for the year	7,741	7,865	5,669
From the statement of financial position			
Total assets	541,437	462,493	406,143
Non-current assets	511,352	435,641	322,067
Equity	276,752	215,131	223,467
Equity ratio in %	51.1	46.5	55.0
REIT equity ratio in %	60.3	55.7	74.4
Loan-to-value (LTV) in %	34.2	39.1	19.3
On HAMBORNER shares			
Earnings per share in €	0.20	0.23	0.22
Funds from operations (FFO) per share in €	0.41	0.47	0.36
Stock price per share in € (XETRA)			
Highest share price	7.60	8.10	8.48
Lowest share price	6.35	6.10	7.03
Year-end share price	7.48	6.40	7.77
Dividend per share in €	0.40	0.40	0.37
Dividend yield in relation to the year-end share price in %	5.3	6.3	4.8
Price / FFO ratio	18.2	13.6	21.8
Market capitalisation at year-end	340,290	218,368	265,112
Other data			
Fair value of investment property portfolio	579,510	504,432	376,150
Net asset value (NAV)	371,823	299,328	298,144
Net asset value per share in €	8.17	8.77	8.74
Number of employees at year-end including Managing Board	26	28	24

HIGHLIGHTS 2012



JANUARY

Portfolio value as at 1 January 2012: €504 million

FEBRUARY

Publication of provisional figures for 2011

MARCH

Sale of three properties no longer consistent with strategy in Erfurt

Inclusion in the EPRA Index

APRIL

Addition of OBI DIY store in Aachen

MAY

Annual General Meeting

JUNE

Resolution to utilise authorised capital

JULY

Capital increase successfully placed, net issue proceeds of €71.4 million

AUGUST

Signing of purchase agreement for E-Center in Tübingen

SEPTEMBER

Signing of purchase agreement for OBI DIY store in Hamburg

OCTOBER

Signing of purchase agreement for property in Karlsruhe

Addition of E-Center in Tübingen

NOVEMBER

Signing of purchase agreement for office property on EUREF Campus in Berlin

Addition of property in Karlsruhe

DECEMBER

Portfolio value as at 31 December 2012 €580 million

FROM THE IDEA TO HANDING OVER THE KEY:

HOW OUR GROWTH STRATEGY BECOMES A REALITY

In recent years, HAMBORNER REIT AG has steered a successful course for growth and expanded its property portfolio by around €400 million since 2006.

Even though we do not carry out our own project developments on account of the orientation of our core business, as a property company we invest in the office sector and in large-scale retail – not exclusively, but very happily – in properties whose creation we can watch from when the foundations are laid, throughout the entire construction phase until the tenants move in. As a result, this procedure allows us to acquire attractive and modern property that we know exactly and that precisely matches our own requirements and those of our tenants.

At the start of each section in this annual report, we would like to present to you three of these current new construction projects, which we acquired directly from the project developers in Berlin, Munich and Aachen, thereby giving you an insight into how we make our successful growth strategy a reality.

THE THREE PHASES OF PROPERTY ACQUISITION

HAMBORNER REIT AG utilises a structured process to acquire project developments. This process allows us to identify the right properties for our growth strategy.

PHASE 01

THE CONSIDERED PROPERTY SELECTION

PHASE 02

THE MONITORED CONSTRUCTION PROCESS

PHASE 03

FINAL TRANSFER OF OWNERSHIP

BERLIN

p. 40

PHASE 01: THE CONSIDERED PROPERTY SELECTION

MUNICH

p. 70

PHASE 02: THE MONITORED CONSTRUCTION PROCESS

AACHEN

p. 106

PHASE 03: FINAL TRANSFER OF OWNERSHIP

CONTENTS

AN INTERVIEW WITH THE MEMBERS OF HAMBORNER'S MANAGING BOARD, **DR RÜDIGER MROTZEK** AND **HANS RICHARD SCHMITZ**, TOGETHER WITH PROJECT DEVELOPER AND MANAGING DIRECTOR OF EUREF AG, **REINHARD MÜLLER**

IN 2012, HAMBORNER ACQUIRED AN OFFICE BUILDING ON THE EUREF CAMPUS IN BERLIN. AN INTERVIEW WITH THE MEMBERS OF THE MANAGING BOARD, DR RÜDIGER MROTZEK AND HANS RICHARD SCHMITZ, TOGETHER WITH THE MANAGING DIRECTOR OF EUREF AG, REINHARD MÜLLER.

INTERVIEW

»WE FIND THERE IS A PARTICULAR CHARM TO MONITORING A NEW CONSTRUCTION PROJECT FROM EARLY ON FOR A VARIETY OF REASONS.«

Why do you even rely on the expertise of project developers for the planned expansion of your portfolio?

DR MROTZEK »It has always been the position of HAMBORNER REIT AG to only hold property. We have profound experience in this area and have specialised in it with our relatively small team. Naturally we handle our own smaller developments and conversions in the context of modernisation on work on the properties in our portfolio. However, our business model does not involve major projects of our own that, in addition to tying up a lot of capital and high staff capacity, also entail a corresponding development risk. So we are happy to work with competent partners for whom we can grant the security of a rapid sale after completion by signing early, which also helps the developers to finance such projects. This creates a win-win situation for both sides, which ultimately means a profitable transaction for both sides.«

How does HAMBORNER forge contacts with suitable project developers in general?

SCHMITZ »Thanks to our many years in business we have built up an excellent network of brokers, project developers and, not least, the expansion managers for our tenants. Large retail chains often like to develop their properties themselves in line with the specific demands, but then want a fast exit so that they can use their committed capital for the further expansion of their actual business. Examples of such properties include the EDEKA stores in Stuttgart and Freiburg acquired in 2011. And in the final analysis, one should not underestimate the reputation that a company enjoys on the market when it comes to acquiring new properties. We have an extremely solid financial situation and so we can keep to our agreements and commitments with no ifs or buts. Market participants notice this and like it, which has been known to lead to more business with the same project developer.«

As a project developer, what are the key criteria that matter to you for a cooperation with a property company such as HAMBORNER?

MÜLLER »At EUREF Campus, we care about sustainability in all areas starting with the certification of the building through to choosing the tenants. It is important to us that our partners also share in the overall concept of EUREF Campus. And HAMBORNER was a good fit because it also attaches a great deal of importance to sustainability in its investments. Naturally, dependability also plays a major role, as does the investment horizon. HAMBORNER satisfies both of these criteria as an experienced and long-term portfolio operator.«

HANS RICHARD SCHMITZ

How important is the timing of the start of a cooperation to the successful implementation of the individual phases through to the final handover?

DR MROTZEK »We find there is a particular charm to monitoring a new construction project from early on for a variety of reasons. For one thing, we monitor the construction process from the start by implementing our own controlling system, which ensures that we have achieved the contractually agreed quality when we hand the property over. This means that any problems that come up during the construction phase can be solved together early on to the satisfaction of everyone involved. It also allows us to influence the tenant structure within an agreed framework and to design it according to our own concepts and demands. And last but not least, the conditions are undoubtedly a little more attractive when you conclude a purchase agreement early on.«

MÜLLER »In HAMBORNER we have found a professional partner who trusts in our construction expertise, but would still like the assurances that we can provide with rent guarantees, for example. HAMBORNER is an innovative company that clearly saw the opportunities of the location early on and that looked at the overall concept ahead of time.«

Why did you opt for a property in the major city of Berlin in this case, which goes against HAMBORNER's usual purchase profile of focusing on medium-sized cities and regions?

SCHMITZ »Even though we are generally very happy to invest in what are known as medium-sized locations, and do so for the most part, we do not rule out large cities if the property in question is right for our overall strategy. The sustainability issue is playing an ever greater role in the office property sector. And we can clearly see that this is becoming an ever more important selection criterion for our tenants. But specific investments in a building's sustainability and energy efficiency or in general measures to get certification should not be underestimated, and often only pay off for larger office buildings. In turn, these properties tend to be in larger cities – for risk reasons as well. In addition, international institutional investors also want international certificates. The best known standard in this regard is LEED. The EUREF Campus 12–13 building will achieve LEED gold certification at minimum. If the overall concept for a micro location convinces us – as is the case with EUREF Campus and NuOffice in Munich – then we are also happy to invest in the major cities.«

Have there been particular challenges in the cooperation to date?

DR MROTZEK »In investing in the newly built EUREF Campus 12–13 building, we were effectively the first investor and front-runner for the entire EUREF site. Naturally there are always particular challenges, initial uncertainties or even diverging notions in the beginning, and these are things that have to be sorted out in a purchase agreement. This begins with the development of the site as a whole and continues through contractual details for individual tenants to an agreement on when the purchase price has to be paid. But as you can see, we're here together in Berlin today looking proudly and confidently at our shared project. An important aspect in the entire process is that we maintain trust between business partners through ongoing talks and open discussion at all times. We recognise the other side's contributions and this allows us to work together constructively towards our common goals.«

»SUCCESSFULLY SIGNING THE DEAL HAS CONFIRMED OUR STRATEGY OF DEVELOPING EUREF CAMPUS AS EUROPE'S MOST SUSTAINABLE OFFICE PROPERTY LOCATION.«

MÜLLER »I can only agree. There were a lot of challenges within the process that could only be overcome through positive and goal-oriented cooperation. We are proud to welcome HAMBORNER at EUREF Campus as one of our first investors. Successfully signing the deal has confirmed our strategy of developing EUREF Campus as Europe's most sustainable office property location. Work to build a further office property will begin this year.«

How important is the subject of sustainability to you in this project and in general?

MÜLLER »EUREF Campus is already one of the lighthouse projects in Europe for sustainable urban development today. While other people are still talking about the energy turnaround, our current project developments show what's possible with a micro smart grid. Sometimes you just have to do something, and that's the only way we'll manage the energy turnaround as well. You see, in my opinion there is no longer any alternative for project developers today.«

What other criteria do buildings such as EUREF Campus 12-13 have to meet to find a place in HAMBORNER's portfolio?

SCHMITZ »Overall, a property always has to meet several criteria for us. Firstly of course, the location has to be right and appear to be assured a good future from today's perspective. Third-party usability is a key concept here. In an office building we pay special attention to making sure that it can always be used by several tenants independently of each other. Furthermore, a building has to have the right structural fabric, which is less of an issue for newer properties than it is for older ones. Then we only buy fully let properties with tenants with good credit scores on as long-term a lease as possible. As a property manager, it is vital to HAMBORNER to generate stable, long-term cash flows from its properties, which allow us as a listed company to reliably pay out attractive dividends to our shareholders.«

Are HAMBORNER and EUREF planning further projects together?

MÜLLER »By 2018 we will build around 12 to 15 more sections on EUREF Campus that can be sold individually. We will be investing a total of around €600 million in this location. We would naturally be delighted to have HAMBORNER on board again as an end investor for one or more other buildings. Moreover, long-term business relationships have also always been a part of our sustainable business strategy and will remain so in future. In the end, you have to justify the trust placed in you by investors, banks and business partners every day.«

HAMBORNER »We can only agree with that.«

DR RÜDIGER MROTZEK

GASOMETER ON THE EUREF SITE IN BERLIN

DR RÜDIGER MROTZEK
MEMBER OF THE MANAGING BOARD
OF HAMBORNER REIT AG

HANS RICHARD SCHMITZ
MEMBER OF THE MANAGING BOARD
OF HAMBORNER REIT AG

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS, FRIENDS OF OUR COMPANY,

Even though the first few months of the 2013 financial year are already over – at the time of this 2012 annual report – and operating activities are well under way, we are more than happy to take another look back at 2012 with you. The past year was again highly successful for HAMBORNER and we are delighted to present you with this comprehensive and transparent report on the corresponding facts and figures.

The economy as a whole was still characterised by financial problems, uncertainty and challenges concerning the euro in 2012. Thanks to its solid structure, however, HAMBORNER REIT AG remained virtually unaffected by these external influences and continued its growth thanks to the considerable trust of its investors.

In July 2012 we carried out a capital increase in a not entirely straightforward market environment and in doing so generated net issue proceeds of around €71.4 million. More than 85% of pre-emption rights were exercised. We were also able to attract a series of new investors through targeted communications work and as a result of our growing presence on the market. We also kept our promise to quickly reinvest the funds generated in profitable projects. We are particularly delighted that we succeeded in signing the purchase agreements for all the projects we identified in the context of the capital increase by the end of 2012. Two of these properties were also already added to our portfolio before the end of 2012 – the E-Center in Tübingen and the mixed-use city complex in Karlsruhe.

In total, we added three properties with a combined fair value of €76.7 million to our books in 2012 and also signed agreements for two further properties in Hamburg and Berlin worth €50.4 million. These properties, like NuOffice in Munich acquired in 2011, will be transferred to us on completion in 2013. As at 31 December 2012 the value of our portfolio was €580 million.

This growth is also reflected in our figures. In 2012 we generated an operating result of €17.5 million and a net profit for the year of €7.7 million (IFRS). Rental income climbed by around 15% in total and FFO (funds from operations), the key indicator for our management system, rose by around 18% to €18.9 million. In light of this healthy business performance, at the Annual General Meeting we will propose the distribution of a dividend of €0.40 per share for the 2012 financial year, the same amount as last year despite the greater number of shares. Based on the share price at the end of the year of €7.48, this means a dividend yield of 5.3%.

For HAMBORNER REIT AG, the investments of recent months and its solid, long-term financing structure are a foundation from which to look to 2013 with optimism and largely free of the overall economic uncertainties. With your support and the help of our employees, who have worked both tirelessly and excellently in the last few months, we have created the basis for further cash flow growth.

In return we offer all of you our thanks. We hope that you will remain with us in 2013 as well.

Dr Rüdiger Mrotzek

Hans Richard Schmitz

DR ECKART JOHN VON FREYEND
CHAIRMAN OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

The Supervisory Board of HAMBORNER REIT AG is delighted to report yet another successful financial year for the company. Thanks to a further capital increase in the summer of last year, HAMBORNER REIT AG has successfully continued its ambitious growth trajectory. The portfolio of now almost €600 million offers investors an attractive investment opportunity in commercial property. And German real estate investment trusts, commonly known as REITs, are meeting with growing interest in general both nationally and internationally. This comes as no surprise in light of the sometimes negative real rates of interest. Equity strength and consistently high distribution ratios will therefore also remain key quality features of HAMBORNER REIT AG in future.

Changes in the Supervisory Board and the Managing Board

Mr Hans-Bernd Prior resigned his mandate as employee representative in the Supervisory Board as at 31 December 2012 and became an executive on 1 January 2013. The employees elected Mr Dieter Rolke to fill this vacancy as their representative on the Supervisory Board on 11 December 2012.

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

We intensively and regularly monitored the work of the Managing Board again in 2012 and in doing so received detailed information on all significant business transactions and forthcoming decisions. The Managing Board reported to us comprehensively and in a timely manner at all times, both verbally and in writing, on the orientation of the company and all relevant aspects of business planning including financial, investment and personnel planning. We were also informed about the economic situation, the profitability of the company and the course of the transactions, including the risk position and risk management. In the past financial year, we paid particular attention to the capital increase implemented in summer 2012 and the subsequent investment of the funds obtained.

There were five meetings of the Supervisory Board in the 2012 financial year. We also passed resolutions on two investment decisions outside meetings. Furthermore, in my capacity as the Chairman of the Supervisory Board, I was in regular contact with the Managing Board in order to remain informed of the current developments in the business situation, key transactions and 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 22 March 2012, the Supervisory Board approved the separate IFRS financial statements and the commercial law annual financial statements of HAMBORNER REIT AG as at 31 December 2011 following its own review and discussion of significant aspects with the auditor Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. In doing so we endorsed the Managing Board's proposal for the appropriation of profits.

In addition, we resolved the agenda of the 2012 Annual General Meeting and extended the appointment of Managing Board members. Owing to the possible conflict of interests reported to the Supervisory Board in 2011 arising from my position on the Supervisory Board of EUREF AG and investment in buildings on the EUREF site, I did not participate in the discussions leading to the purchase of the office property "EUREF Campus 12-13" in Berlin. Otherwise, all members of the Supervisory Board took part in the meeting.

There was then a further meeting of the Supervisory Board after the Annual General Meeting on 15 May 2012. This meeting was devoted to possible acquisitions and the discussion of a capital increase to finance this growth. All members of the Supervisory Board took part in this meeting.

In the meeting on 29 June 2012, which took the form of a conference call, we approved the resolution of the Managing Board to partially utilise the authorised capital. All the members of the Supervisory Board took part in this meeting as well.

In the meeting on 13 September 2012, following intensive discussion, the Supervisory Board approved the purchase of the property "EUREF Campus 12-13" in Berlin in my absence. The acquisition of the OBI DIY store in Hamburg was also resolved. Furthermore, the Supervisory Board approved Rules of Procedure for the Audit Committee. Eight members of the Supervisory Board took part in this meeting.

The planning meeting on 15 November 2012 focused on budget and medium-term planning for 2013 to 2017. The planned revenue and earnings trend was discussed intensively with the Managing Board. Furthermore, the declaration of compliance in accordance with section 161 of the German Stock Corporation Act was adopted. All members of the Supervisory Board took part in this meeting.

Committee report

Some of the work of the Supervisory Board is performed by committees. The Supervisory Board again formed three committees in the 2012 financial year. The Executive Committee met twice, to discuss and pass resolutions on Managing Board matters.

The Audit Committee met five times in the 2012 financial year, four of which with the auditor present. It discussed the 2011 annual financial statements in detail and the 2012 quarterly and half-year interim reports were explained by the Managing Board. In addition, the Audit Committee 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, determining the focus of the audit and devising Rules of Procedure for the Audit Committee. The fifth meeting of the Audit Committee dealt with the amendment of the Articles of Association due to the capital increase performed.

The Nomination Committee did not meet in the reporting year. The Supervisory Board was informed comprehensively about the activities 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 2012 in accordance with item 3.10 of the German Corporate Governance Code (GCGC). With the exception of the matter described above concerning the acquisition of "EUREF Campus 12-13", 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 both March and December 2012 in accordance with section 161 of the German Stock Corporation Act. These declarations 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 2012 annual financial statements (HGB and IFRS)

On 20 March 2013, in the presence of the auditor, the Supervisory Board examined and discussed the annual financial statements under German commercial law and the separate IFRS financial statements of the company in accordance with section 325(2a) of the German Commercial Code, together with the management report and the proposal for the appropriation of profits, in detail. In preparation, all members of the Supervisory Board received copies of the audit reports early. The certifying auditors reported at length on the audit results and were available to the Supervisory Board to answer supplementary questions and provide information in the discussion.

There were no objections to the HGB and IFRS financial statements presented, with the result that the Supervisory Board approved them at its meeting on 20 March 2013. The 2012 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 2012 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 15 May 2012. The auditor granted unqualified audit opinion for both sets of financial statements.

Our thanks

The Supervisory Board wishes to thank the Managing Board and all employees and express its appreciation for their strong personal commitment. Together, they again achieved an excellent result in the past financial year as a result of their ongoing dedication.

We would particularly like to thank our shareholders for the trust they have shown in us, and we hope for a continuing positive cooperation in the future.

Duisburg, 20 March 2013

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
Managing Director at HSH Real Estate GmbH

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

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

Mechthilde Dordel, Oberhausen*
Clerical employee

Wolfgang Heidermann, Raesfeld*
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 on 15 May 2012, the Managing Board and the Supervisory Board have reported on the adoption of corporate governance guidelines at HAMBORNER.

Corporate Governance Report

Compliance and the implementation of good corporate governance are matters of high importance at HAMBORNER. Using a range of possible information and communications channels, we regularly and comprehensively inform our shareholders, all other capital market participants, financial market analysts, the relevant media and our employees about the position of the company and any significant changes in a timely manner.

In particular, this includes our annual report and the regular quarterly and half-yearly interim reports. We also publish ad hoc disclosures, reports on changes in voting rights and directors' dealings notifications early in line with the requirements of capital market law. Furthermore, we publish press releases on current issues concerning the company and regularly take part in financial market events or visit our investors in roadshows. We primarily use the Internet to disseminate significant information and always post all important documents on our website in a timely manner.

Since the German Corporate Governance Code came into effect, the Managing Board and Supervisory Board have regularly discussed its recommendations and – as far as possible and necessary – implemented them in a timely manner. The objective was and is to always 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 2012. 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.

The appropriate representation of women in supervisory board and management positions is still a component of the Code's recommendations and at HAMBORNER. Thus, the Supervisory Board currently consists of a total of nine members, six of whom are men and three women.

The issue of the independence of members of the Supervisory Board took on particular significance in the company in 2012. Within the meaning of the recommendation in the current Corporate Governance Code, a supervisory board member is not to be considered independent in particular if he / she has personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. In the opinion of the Supervisory Board, the employee representatives on the Supervisory Board are independent. All the members of the Supervisory Board would be independent by this definition. A majority independence of the Supervisory Board will also be maintained in future. Temporary conflicts of interests of individual members of the Supervisory Board are described in detail below.

The Code also recommends that the Audit Committee of the Supervisory Board handles the effectiveness of the internal audit department and compliance. Corresponding compliance guidelines were set out at HAMBORNER in 2012 and all employees received training. Furthermore, an internal audit system was implemented that was outsourced to an external audit firm.

Basic information on the cooperation and intensive discussion between the Managing Board and the Supervisory Board can be found on our website as part of the corporate governance declaration.

Owing to the deviation from item 5.4.6 of the Corporate Governance Code (remuneration of members of the Supervisory Board) on 22 March 2012, the Managing Board and the Supervisory Board issued two declarations of compliance in accordance with section 161 AktG in 2012. These state that the company has complied with the respective recommendations of the German Corporate Governance Code in effect in the reporting year with minor exceptions. Please see the comments on the deviations from the respective code's recommendations in the text of the declaration of compliance:

Current declaration of compliance from December 2012*

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 wording of the declaration of compliance from March 2012 can be found on our website under Corporate Governance

"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 on 15 May 2012 with the exception of the recommendation in item 4.2.1 sentence 1 since issuing its last declaration of compliance in March 2012."

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 2013.

Duisburg, December 2012

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 information 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 2012 financial year.

In its meeting on 13 September 2012, the Supervisory Board discussed and resolved the purchase of the property "EUREF Campus 12-13" in Berlin. The Chairman of the Supervisory Board, Dr John von Freyend, had advised the other members of the Supervisory Board of a possible conflict of interests as regards this property in 2011 when it was initially considered for investment. Dr John von Freyend works for the seller as a member of its Supervisory Board and is also involved in other projects in the immediate vicinity of "EUREF Campus 12-13". For this reason, he, as the Chairman of the Supervisory Board, did not receive reports or information or take part in discussions or Supervisory Board or committee meetings concerning this matter. He also did not participate in the resolution to acquire the property.

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 2012 reporting year:

2012	PERSON SUBJECT TO DISCLOSURE REQUIREMENTS	FUNCTION	FINANCIAL INSTRUMENT	NO.	PRICE	TOTAL VOLUME	TYPE OF TRANS-ACTION
10 January	Christian Mrotzek	Natural person closely related to person with management responsibilities	Shares	1,000	€6.619	€6,619	Purchase
10 July	Hans Richard Schmitz	Managing Board	Pre-emption right	14,001	€0.021	€294	Purchase
12 July	Dr Rüdiger Mrotzek	Managing Board	Pre-emption right	11,750	€0.001	€12	Purchase
12 July	Christian Mrotzek	Natural person closely related to person with management responsibilities	Pre-emption right	200	€0.001	€0	Purchase
16 July	Robert Schmidt	Supervisory Board	Shares	3,334	€6.500	€21,671	Purchase
16 July	Dr Eckart John von Freyend	Supervisory Board	Shares	5,000	€6.500	€32,500	Purchase
16 July	John von Freyend Future KG	Company closely related to person with management responsibilities	Shares	2,000	€6.500	€13,000	Purchase
16 July	Dr Rüdiger Mrotzek	Managing Board	Shares	12,000	€6.500	€78,000	Purchase
16 July	Hans Richard Schmitz	Managing Board	Shares	13,000	€6.500	€84,500	Purchase
16 July	Christian Mrotzek	Natural person closely related to person with management responsibilities	Shares	400	€6.500	€2,600	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 2012.

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 103 and related party information can be found on page 102.

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-orientated 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 2012 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 8 March 2012. 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 containing 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 members of the Managing Board in the 2012 financial year

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 2012 financial year:

€ THOUSAND	FIXED REMUNERATION	VARIABLE REMUNERATION	OTHER REMUNERATION*	TOTAL
Dr Rüdiger Mrotzek (previous year:)	150 (150)	225 (200)	59 (59)	434 (409)
Hans Richard Schmitz (previous year:)	150 (150)	225 (200)	52 (51)	427 (401)
Total **(previous year:)**	**300** **(300)**	**450** **(400)**	**111** **(110)**	**861** **(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 €426 thousand in the 2012 financial year. The pension provisions recognised for this group of people amount to €5,074 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 defined 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 members of the Managing Board from the 2013 financial year onwards

New regulations will apply to the remuneration of the Managing Board from 2013 on entry into effect of the service agreements concluded in the 2012 financial year. The system of Managing Board remuneration will be geared in particular and more strongly than in the past to providing incentives for successful management of the company designed to sustainable create value added. The remuneration system will motivate the members of the Managing Board to dedicate themselves to and for the company in the long term.

A further aim is that remuneration is consistent with the size and economic situation, success and future prospects of the company. On the one hand, special achievements should be rewarded appropriately, while on the other the failure to achieve targets should result in a tangible reduction in remuneration.

In order to gear the remuneration of the members of the Managing Board towards the goal of sustainable value added, a significant portion of remuneration will be delayed: Based on 100% attainment of goals, 40% of total remuneration will be granted as share-based payment with a retention period of three years.

More than 50% of variable remuneration will be set on the basis of multi-year target parameters. The remuneration of members of the Managing Board is also closely linked to the interests of shareholders in an attractive long-term investment, in that half of long-term share-based remuneration is pegged to the performance in the price of HAMBORNER shares relative to the EPRA / NAREIT Europe ex UK Index over several years.

In calculating the attainment of goals for variable remuneration components, adjustments are narrowly limited to extraordinary, previously unknown issues.

The system and amount of Managing Board remuneration are set and regularly reviewed by the full Supervisory Board at the proposal of the Executive Committee of the Supervisory Board.

From the 2013 financial year onwards, the remuneration system for the Managing Board will consist of the following components:

Fixed remuneration

Fixed remuneration amounts to €200,000 and is paid in twelve equal instalments. The amount of fixed remuneration is reviewed by the Supervisory Board every two years.

Short-term variable remuneration (bonus)
In the event of 100% attainment of targets, the short-term variable remuneration (bonus) will amount to €125,000, dependent on target agreements and the achievement of the FFO stipulated in the budget.

The bonus will not be paid if targets are missed by more than 50%. The bonus is capped at 200% of the regular amount, i.e. a maximum of €250,000. Furthermore, the Supervisory Board can adjust the bonus for target achievement by up to 20% in either direction in light of the personal performance by the member of the Managing Board.

Long-term, share-based remuneration
Non-vesting share commitments will be granted from the 2013 financial year onwards. The annual target amount for individual Managing Board members on 100% target achievement is €130,000. The Supervisory Board can adjust this target amount by up to 20% in either direction in light of the personal performance by the member of the Managing Board.

Half of the set target amount is linked to the development in absolute FFO and FFO per share as well as the like-for-like development of the value of the portfolio over the past three years. The Supervisory Board shall stipulate the degree of target attainment, which can vary between 0% and 200% (cap). The attainment of goals determines the actual cash value of the commitment and the resulting number of share commitments.

For the other half of the set target amount, the Supervisory Board shall initially grant a number of share commitments equivalent to the cash value of half of the target amount on the commitment date. The Supervisory Board shall also stipulate a target system (target value for 100% and target corridor) for the performance in the price of HAMBORNER shares relative to the EPRA / NAREIT Europe ex UK Index. After the end of the three-year retention period, the Supervisory Board shall determine the relative performance of HAMBORNER shares as against the index. This will result in a degree of target attainment that can vary between 0% and 200% (cap). If targets are achieved by more than 100%, the Managing Board members shall receive an additional cash payment in line with the amount by which targets are exceeded. In the event of targets being achieved by less than 100%, a number of share commitments corresponding to the shortfall will be forfeit.

After the end of the three-year blocking period, the beneficiary shall receive, at the discretion of Hamborner REIT AG, one HAMBORNER share per share commitment or the equivalent value in cash.

Obligation to hold shares in the company
Each member of the Managing Board is required to hold 200% of his fixed remuneration in shares of the company while serving as a member of the Managing Board. This shall be determined as the average value of fixed remuneration for the last four years. This will be documented for the first time in 2017 after a start-up phase and thereafter updated annually.

Pension
HAMBORNER provides each member of the Managing Board with a company pension in the form of an employer-funded defined contribution pension by way of reinsured provident fund. This commitment is valid for the duration of the service agreement with a respective annual amount of €30,000.

Termination benefits for the Managing Board
In the event of the Supervisory Board revoking the appointment of a member of the Managing Board, the member of the Managing Board shall receive the present value (basis: 4%) of fixed remuneration that would have been earned by the regular end of contract as compensation for early termination, whereby compensation cannot exceed the value of total remuneration including benefits for two years.

Furthermore, the member of the Managing Board shall receive variable, pro rata temporis remuneration up to the time of his dismissal. If the member of the Managing Board still has share commitments subject to retention period as at the time of his departure, they expire at the end of the second trading day after publication of the results for the past financial year. At this time the company can at its discretion transfer one HAMBORNER share per share commitment or settle the commitment in cash.

In the event of a change of control – i.e. if one or more shareholders acting in concert acquire 30% or more voting rights in HAMBORNER REIT AG and are therefore required to issue a public takeover bid, HAMBORNER becomes a dependent company by concluding a company agreement within the meaning of section 291 AktG or if HAMBORNER merges with another company – each member of the Managing Board shall have the right to terminate his employment agreement if the change of control would mean a significant change to his position, such as through a change in the strategy of the company or a change in the activities of the member of the Managing Board.

In exercising this right of termination, each member of the Managing Board has a claim to compensation in the amount of the total annual remuneration to the end of the original service agreement, not to exceed total remuneration for three years. The share-based remuneration components committed in the past remain unaffected. Any retention periods end on the day of departure. At this time the company can at its discretion transfer one HAMBORNER share per share commitment or settle the commitment in cash.

There is no claim to compensation if the respective member of the Managing Board receives benefits from third parties in connection with the change of control. There is also no right to termination if the change of control occurs within twelve months of the member of the Managing Board retiring.

This remuneration system, in effect from 2013 onwards, was approved by a large majority at the Annual General Meeting on 15 May 2012.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated in Article 13 of the Articles of Association. The remuneration of the Supervisory Board takes into account the size of the company and the duties and responsibilities of the members of the Supervisory Board.

By way of resolution of the Annual General Meeting on 15 May 2012, the members of the Supervisory Board shall receive fixed annual remuneration of €22,500 payable at the end of the financial year from the 2012 financial year onwards. The Chairman of the Supervisory Board receives double the remuneration, his deputy one and a half times. In addition, each member of the Supervisory Board receives a fee of €500 for attendance at meetings.

Members of the Supervisory Board who sit on the Executive or Audit Committee receive additional annual remuneration payable at the end of the financial year of €5,000 per committee; the committee chairman receives double this additional remuneration.

Members of the Supervisory Board who sit on the Nomination Committee receive additional annual remuneration payable at the end of the financial year, if the committee has met in that financial year, of €2,500; the committee chairman receives double this additional remuneration.

Members of the Supervisory Board who have been on the Supervisory Board or committee for only part of the financial year receive remuneration pro rata temporis.

The relevant remuneration of the Supervisory Board for the 2012 financial year is as follows:

€ THOUSAND	FIXED REMUNERATION	ATTENDANCE FEES	TOTAL
Dr Eckart John von Freyend	55.0	2.5	57.5
Dr Bernd Kottmann	48.8	2.5	51.3
Christel Kaufmann-Hocker	27.5	2.5	30.0
Dr David Mbonimana	22.5	2.5	25.0
Robert Schmidt	32.5	2.0	34.5
Bärbel Schomberg	27.5	2.5	30.0
Mechthilde Dordel	22.5	2.5	25.0
Hans-Bernd Prior	27.5	2.5	30.0
Dieter Rolke	22.5	2.5	25.0
Total	**286.3**	**22.0**	**308.3**

The fixed remuneration for the 2011 financial year was €15,000 and the variable remuneration €500 per euro cent by which basic earnings per share exceeded 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 was limited to twice the fixed remuneration. The Chairman of the Supervisory Board received double the remuneration, his deputy one and a half times that amount. Members of the Supervisory Board who had been on the Supervisory Board for only part of the financial year were entitled to their remuneration pro rata temporis. Members of the Supervisory Board on one of the three committees formed received additional remuneration of €2,000 per financial year. The respective committee chairmen received twice this remuneration.

The relevant remuneration of the Supervisory Board for the 2011 financial year was:

€ 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. As in the previous year, 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

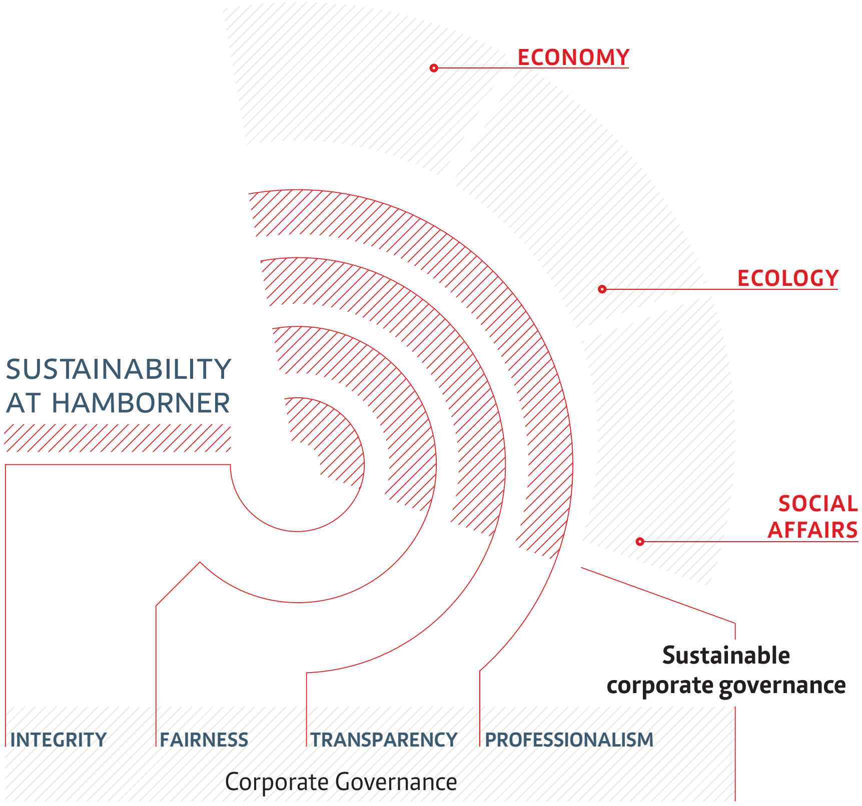
As an asset manager for commercial property, sustainable management is the basis of HAMBORNER's success. We rely not just on the purely technical optimisation of our property, rather we also take into account the socio-cultural components of the respective property in addition to the energy efficiency of the building and the use of durable materials. Properties used for commercial purposes especially must fit the cityscape, so as not to be seen as "foreign bodies", and they have to be equally easy to reach for everybody with local public transport. Both the ecological and the social aspect of sustainability are the basis for ongoing business success. Only if you generate stable cash flows can you maintain and increase the value of your portfolio, leverage potential and secure long-term corporate success.

The core business of HAMBORNER REIT AG is the long-term and sustainable management of office and retail property. We closely follow the sustainability guidelines for the real estate industry of the industry association ZIA, to which we have made a voluntary commitment. With the aim of addressing different aspects of sustainability, ZIA developed seven clusters defining sustainable action for various activities within the real estate industry – "Creating", "Operating & Letting", "Investing", "Financing", "Utilisation", "Consulting" and "Research & Teaching". The "Operating & Letting" is key to HAMBORNER REIT AG as a commercial property manager, and forms the foundation for our concept of sustainability.

Strategic sustainability concept

In terms of our properties and our sustainable management system, we operate in line with the three dimensions of economy, ecology and social affairs. But this "trinity" alone is no promise of long-term success. Compliance with statutory and internal regulations in accordance with defined guidelines and corporate governance as per the requirements of the Corporate Governance Code are the prerequisites for our activities as a listed and responsible company. For these reasons, we regularly review internal processes, guidelines and outside changes in the law in order to always adapt our business activities in line with the latest and best possible standards. Further information on these issues can be found in the corporate governance report from page 19 and on our homepage.

The following diagram reflects the sustainability concept at HAMBORNER REIT AG: The four principles of integrity, fairness, transparency and professionalism form the essential foundation of our sustainable corporate governance in each of the three sustainability dimensions, "economy", "ecology" and "social affairs". Compliance with these principles is the requirement for our sustainable business success and responsible action in respect of the environment and society.



Economy

Economic criteria, such as the financing structure, a low vacancy rate, a positive trend in the value of the property portfolio or stable cash flows that guarantee a reliable dividend policy, are described in detail elsewhere in this annual report. They are the basis of our sustainable corporate governance, without which the socially increasingly necessary observance of ecological and social sustainability aspects would not be possible. 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.

Ecology

As a property owner, our goal is to ensure 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 property portfolio and perform maintenance work, taking into account improved energy efficiency, where this is economically reasonable. This is the only way to guarantee that our properties are always attractive, thereby ensuring their long-term letting viability at fair prices.

Maintenance / refurbishment / modernisation:
We conducted extensive maintenance work in 2012. The expenses for environmentally friendly modernisation activities amounted to around €0.8 million. Some of the more extensive work related to our property in Dortmund, Königswall:

DORTMUND

Built in 1956, the office property in Dortmund has been in HAMBORNER's portfolio since 1991 and has essentially been let to the main tenant Verdi on a long-term lease for several years. In coordination with our tenants, comprehensive work was carried out in recent months in the areas of fire safety and energy refurbishment. All the windows and external doors were replaced, a composite heat insulation system was installed in the façade and parts of the roof insulation were renovated. These measures will mean significant energy savings in the future. The total investment costs were around €1.4 million. Furthermore, we prolonged the lease with our main tenant by a further five years. When contracting the construction work, we largely commissioned local firms from the area.

Further information on maintenance work can be found on page 55 of this annual report.

New properties:
Sustainability is a key issue for us when acquiring new properties as well.

NuOffice

We acquired NuOffice, the office property in Munich that was then still being built (see also page 70) in 2011. The building was completed at the end of 2012 and added to HAMBORNER's portfolio at the start of 2013. In the next few months the building will receive platinum LEED certification and will therefore be one of the first properties in Germany in this top category. The building's primary energy requirements are estimated at 83 kWh per m²/year with a total primary energy requirement of 750 MWh per year.

EUREF

In November 2012, HAMBORNER acquired a new office building on EUREF Campus in Berlin-Schöneberg – another state-of-the-art property designed for sustainability and energy efficiency. The new HAMBORNER property will receive gold LEED certification at minimum and is part of the EUREF office and science campus currently under development. The campus stands for ecologically and economically sustainable solutions and will position itself as a unique centre in all of Europe for innovation and future projects. The use of solar and wind power, biogas, geothermics and a micro smart grid are expected to allow a virtually CO_2-neutral operational energy supply and low consumption costs. Thanks to its optimal traffic connections, the site can also be reached effortlessly by public transport.

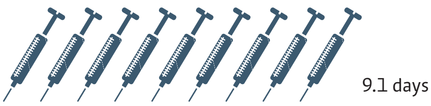
Energy sourcing:
In recent years, the costs of energy provision in Germany have more than doubled. Price volatility is increasing. The energy issue is becoming more and more complex; price structures are increasingly non-transparent. In 2012, we therefore began the strategic bundling of energy sourcing and concluded corresponding agreements. This means savings benefits for electricity and gas for our tenants and reduces our own administrative expenses.

Social affairs

Employees:
With the advancing growth of HAMBORNER REIT AG, the company's employees also face ever increasing requirements. At present, a total of 24 employees manage our property portfolio and perform all services required for a listed company. A crucial factor for the ongoing success of the company is therefore dependable, motivated and competent staff that helps the company to achieve its goals and secures the future positive development of HAMBORNER. We therefore create the means to ensure and enhance performance standards with corresponding training programmes. Job descriptions, guidelines and coordination talks, combined with short decision-making paths and a flat hierarchy, provide employees with a framework in which they can do their jobs quickly and successfully. Furthermore, our employees enjoy flexible working hours that allow them to strike a balance between their working and private lives.

Ratio of female / male employees:

Average sick days per employee in 2012:



Age structure

Tenants and business partners:
HAMBORNER has a social responsibility in its cooperation with tenants and other business partners. It is therefore only natural that as far as possible we, as a fair and reliable partner, approach different requirements and wishes individually to devise shared solutions.

Cities and communities:
Our properties are part of their respective cities and communities, and therefore also add to their respective cityscapes. It therefore matters to us, when carrying out refurbishments for example, that we respect the corresponding city and preservation statutes and guarantee the protection of historic façades. This ensures the preservation of a consistent cityscape – which is in our interests as well – and aids the ideal integration of our properties into their surroundings. In general city marketing activities as well, we play our part on a case-by-case basis to enhance the attractiveness of city centres and thereby footfall for our properties in pedestrianised areas.

Organisations and interest groups:
HAMBORNER is a member of various organisations that aim firstly to foster and guarantee the issues of sustainability, corporate governance and general communication by, and understanding for, the property sector and secondly to perform corresponding political work on committees.

Memberships:

ZIA

INITIATIVE CORPORATE GOVERNANCE® DER DEUTSCHEN IMMOBILIENWIRTSCHAFT

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EPRA

Institut der deutschen Wirtschaft Köln

DIRK Deutscher Investor Relations Verband e.V.

DEUTSCHES AKTIENINSTITUT

HAMBORNER SHARES

General situation on the share market

After a difficult year in 2011, the capital market – contrary to most analyst opinions at the start of the year – developed positively overall in 2012. The DAX started at around 5,900 points and reached its high to date in the first quarter at around 7,200 points. However, resurgent euro jitters drove it back down to its initial levels for the year from the end of March. Following the European Central Bank's signal concerning its support for the euro area at the start of June and the German Federal Constitutional Court's approval of the ESM, the DAX recovered again significantly from the middle of the year. Institutional investors regained confidence in the German equities market and shares with high dividend yields especially enjoyed their favour. The DAX closed at 7,612 points at the end of December, thereby posting growth of around 30% over 2012 as a whole. The MDAX climbed by around 34%, the SDAX by around 20%.

Property shares also largely recovered from the price slumps of previous years in 2012. In particular, international investors focused on residential property shares, some of which posted considerable growth. The performance of property indices also reflected the upturn in the segment: The DIMAX published by Ellwanger & Geiger gained around 31% over the year; the EPRA Index published by the European Public Real Estate Association in Brussels around 18%.

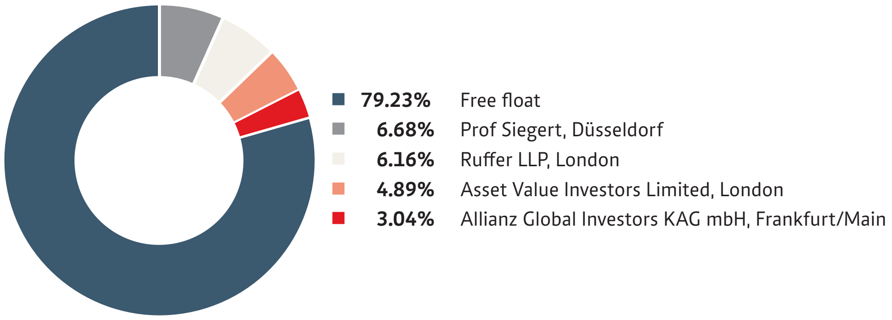
The extent to which shareholders can look forward to further price surges in 2013 after a strong year on the markets in 2012 remains to be seen. The forecasts for interest development, the monetary policy of central banks, the European debt crisis and the global economy are inconsistent. However, they were more amicable at the start of 2013 than in recent years.

HAMBORNER shares

HAMBORNER shares are traded on the stock markets of Frankfurt/Main and Düsseldorf in addition to the electronic trading system XETRA. 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 commissioned HSBC Trinkaus & Burkhardt AG, Düsseldorf, as its designated sponsor. 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 was around 17.7 million in 2012 (previous year: around 10.9 million). The average daily trading volume increased to approximately 69,000 shares per day (previous year: around 42,000).

Shareholder structure as at 31 December 2012



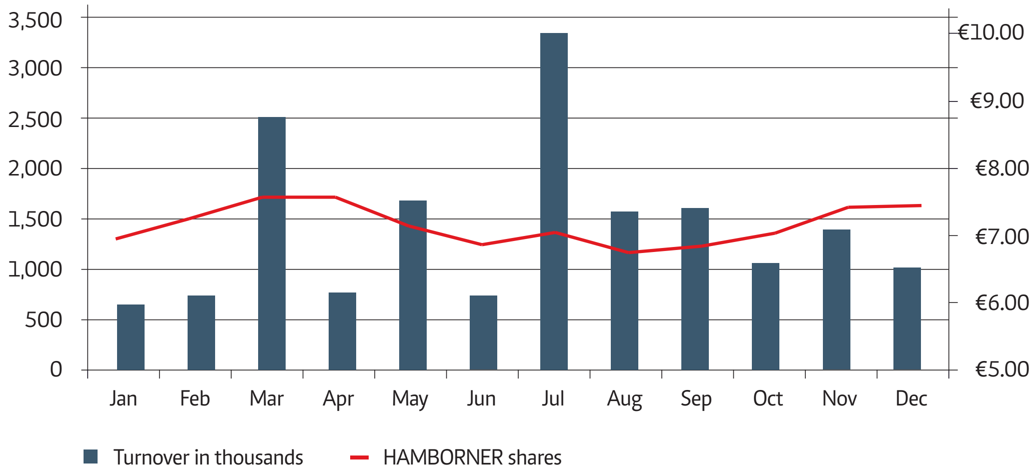
ISIN: DE0006013006
SCN: 601300

Source: Voting right notifications in accordance with section 21 WpHG and other company information

Share performance of HAMBORNER shares in 2012

The price of HAMBORNER shares also developed very positively in the opening months of 2012 in line with the general upswing on the capital markets. In the first quarter, they rose by almost 20%. As the year progressed, share performance was influenced by the usual setbacks after payment of the dividend of 40 cents in May 2012 and the capital increase in July 2012. In the final quarter of the year, HAMBORNER's shares compensated for these effects and enjoyed a stable rising trend until the end of the year. They closed at €7.48 as at 31 December 2012. This corresponds to growth of around 17% on the previous year. Market capitalisation as at the end of the year was €340.3 million (previous year: €218.4 million); the markdown compared to NAV was around 8% (previous year: around 27%).

Development of HAMBORNER shares



HAMBORNER shares at a glance

		2012	2011	2010
Issued capital	€ million	45.49	34.12	34.12
Market capitalisation*	€ million	340.3	218.4	265.1
Year-end share price	€	7.48	6.40	7.77
Highest share price	€	7.60	8.10	8.48
Lowest share price	€	6.35	6.10	7.03
Dividend per share	€	0.40	0.40	0.37
Total dividend	€ million	18.20	13.65	12.62
Dividend yield*	%	5.3	6.3	4.8
Price / FFO ratio*		18.2	13.6	21.8

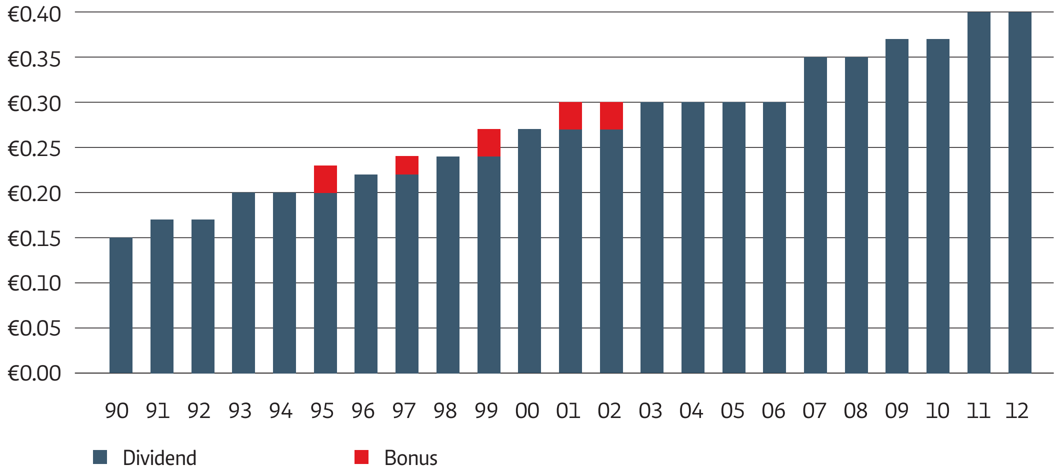
* Basis: year-end XETRA

Dividend development at HAMBORNER

A dividend of €0.40 per share will be proposed to the Annual General Meeting on 7 May 2013 for the 2012 financial year. The dividend per share will remain stable in spite of the capital increase and the associated increase in share capital. Based on the share price at the end of 2012, this represents a dividend yield of 5.3%.

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 therefore regularly seek an open and continuous exchange of information with all capital market participants. Our goal is to give you, our investors, a solid, transparent picture of our company, enable a fair company valuation and shore up confidence in the company.

In 2012, we again communicated very intensively with analysts and institutional investors. We held a total of more than 20 roadshows in eight European countries and also attended a number of capital market and specialist conferences. We presented our business performance and corporate strategy in a number of one-on-one talks and quarterly conference calls as well. We welcomed several interested investors at our premises in 2012 as well to give them the chance to form their own impressions of our properties as part of a tour. Private investors were also given the chance to get to know us at corresponding events in 2012 and to contact us by telephone or e-mail.

The development in the liquidity of our shares has also remained positive. Turnover was at an encouragingly high level as compared to previous years and continued to rise further. After the inclusion of the shares in the SDAX in 2011, we were also pleased to see them added to the EPRA Index – which is of particular interest to many international investors – in March 2012.

Public relations work remains an important element in our communications concept as well. We have continued our ongoing dialogue with the financial, industry and business press and the relevant associations. We report openly, promptly and reliably on our investments, the situation of the company or market opinion in press releases and interviews. In doing so, we have observed a growing response in media tracking in recent years.

Furthermore, all key and up-to-date 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.

We will actively continue our investor relations work in 2013. We will be happy to provide you with information on the current performance of the company and answer your questions at roadshows, events, in personal interviews or by telephone.

Investor Relations:
Sybille Schlinge
Tel.: +49 (0) 203 / 54405-32
Fax: +49 (0) 203 / 54405-49
E-mail: s.schlinge@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. 2012	31 DEC. 2011
EPRA NAV	371,823	299,328
EPRA NNNAV	341,615	281,154
FFO (similar to EPRA earnings)	18,877	16,029
EPRA net initial yield	5.9%	6.0%
EPRA topped-up net initial yield	5.9%	6.0%
EPRA vacancy rate	2.9%	2.0%

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 €8.17 per share at year-end (previous year: €8.77 per share). With a year-end share price of €7.48, NAV per share was at an 8.4% discount (previous year: 27.1%).

The table below shows the calculation of NAV:

€ THOUSAND		31 DEC. 2012	31 DEC. 2011
	Non-current assets	511,352	435,641
+	Current assets	30,085	26,852
–	Non-current liabilities and provisions	–234,729	–220,399
–	Current liabilities	–14,751	–14,237
	Reported NAV*	**291,957**	**227,857**
+	Hidden reserves of non-current assets**	79,866	71,471
	NAV	**371,823**	**299,328**
	NAV per share in €	**8.17**	**8.77**
–	Derivative financial instruments	–15,205	–12,726
–	Hidden reserves on financial liabilities	–15,003	–5,448
	NNNAV	**341,615**	**281,154**
	NNNAV per share in €	**7.51**	**8.24**

* 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 / AFFO

FFO (funds from operations) is a financial ratio calculated on the basis of the IFRS financial statements and an indicator of the company's long-term performance. It is therefore similar to EPRA earnings. It is used in value-orientated corporate management to show the funds generated which are available for investments and dividend distributions to shareholders. In addition to FFO, we have calculated adjusted funds from operations (AFFO) for the first time in the reporting year by adjusting for maintenance and modernisation expenses capitalised and not recognised as an expense. FFO / AFFO are calculated as follows:

€ THOUSAND		2012	2011
	Net rental income	33,229	28,244
–	Administrative expenses	–993	–919
–	Personnel costs	–2,868	–2,838
+	Other operating income*	346	351
–	Other operating expenses*	–676	–845
+	Interest income	347	408
–	Interest expenses*	–10,508	–8,372
	FFO	**18,877**	**16,029**
–	Capitalised expenditure	–1,269	–1,960
	AFFO	**17,608**	**14,069**
	FFO per share in €	**0.41**	**0.47**
	AFFO per share in €	**0.39**	**0.41**

* Adjusted for reversals of write-downs and non-recurring effects in the measurement of provisions for mining damage

HAMBORNER calculates its FFO conservatively without proceeds from disposals. FFO amounted to €18.9 million for 2012, up approximately 17.7% on the previous year (€16.0 million). The FFO yield (FFO in relation to the NAV at year-end) is approximately 5.1%.

Net initial yield

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		2012	2011
	Fair value of investment property portfolio (net)	579,510	504,432
–	Property held for sale	0	–5,552
+	Incidental costs of acquisition	37,950	32,310
	Fair value of investment property portfolio (gross)	617,460	531,190
	Annualised rental income	40,023	35,251
–	Non-transferable property costs	–3,508	–3,322
	Annualised net rental income	36,515	31,929
+	Adjustments for rental incentives	11	0
	Topped-up annualised rental income	36,526	31,929
	Net initial yield	**5.9%**	**6.0%**
	Topped-up net initial yield	**5.9%**	**6.0%**

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	31 DEC. 2012	31 DEC. 2011
Annualised standard market rent for vacant space	1,151	714
Annualised standard market rent for portfolio as a whole	40,059	35,142
Vacancy rate	**2.9%**	**2.0%**

PROJECT FACTS

LOCATION BERLIN-SCHÖNEBERG, EUREF CAMPUS, CLOSE TO SÜDKREUZ STATION

COMPLETION SPRING 2013

RENTABLE SPACE 12,600 M²

TYPE OF USE OFFICE

CERTIFICATION LEED GOLD

01.1
BASIS IS ALWAYS THE PURCHASE PROFILE

01.2
ALL A QUESTION OF THE RIGHT CONTACTS

01.3
NO PURCHASE WITHOUT DUE DILIGENCE

PHASE 01
THE CONSIDERED PROPERTY SELECTION

BERLIN
EUREF CAMPUS
TORGAUER STRASSE 12–15
10829 BERLIN
[SCHÖNEBERG]

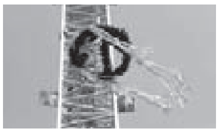
WWW.EUREFCAMPUS.DE

01.1
BASIS IS ALWAYS THE PURCHASE PROFILE

Every investment decision begins with basic considerations such as asset class, purchase price, return and micro and macro location. HAMBORNER's strategy defines clear key criteria here that a property must satisfy before further steps are taken.

01.2
ALL A QUESTION OF THE RIGHT CONTACTS

An extensive network is essential for our business. Good contacts with project developers, brokers, tenants and industry experts help us to find out about exciting properties early on. Trusting and fair collaboration then often forms the basis for further projects with proven partners.



01.3
NO PURCHASE WITHOUT DUE DILIGENCE

If a property fits our purchase profile and our investment team has looked at the general data, we sign an exclusivity agreement and undertake an intensive examination of the project. In addition to commercial aspects, this essentially focuses on legal and technical due diligence.

THIS IS HOW WE SECURED A PIONEERING OFFICE PROPERTY IN BERLIN

GENERAL ECONOMIC CONDITIONS

Economic environment

The German economy grew only slightly in the past year, primarily on account of the euro debt crisis and the global economic downturn. According to the Federal Statistical Office, gross domestic product (GDP) climbed by only 0.7% in 2012 after growth of 3.0% in 2011. From October to December 2012, GDP even contracted by 0.5% as against the previous quarter, according to Federal Statistical Office information, which means that the German economy is on the threshold of recession. Against this backdrop, the German government predicted only moderate growth in its annual economic report for 2013 and is not anticipating a recovery until the second half of the year after a weak start.

According to the Federal Statistical Office, consumer prices rose by 2.0% in 2012 after 2.3% in the previous year. Other than food prices, inflation was largely driven by energy prices in particular, which increased by around 5.7%. The German labour market saw stable development in 2012. An average of 2.897 million people were unemployed over the year according to the Federal Employment Agency. This corresponds to an average unemployment rate of 6.8%.

Situation on the property market in Germany

Retail property market

In 2012 (January to November), retail companies in Germany posted nominal sales increases of between 1.9% and 2.1% as against 2011, according to Federal Statistical Office information. Adjusted for inflation, sales are believed to be between 0.1% and 0.3% lower than in the previous year.

Demand for retail space in Germany continues undiminished. According to a recent market report, around 6.5 million m² of sales space is currently being sought in Germany. International retailers in particular drove forward their expansion in 2012. 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. According to major brokers, the textile industry was the biggest demand group for rentals in 2012. The catering / food industry increased its share significantly in 2012 as the second-biggest sector.

Rents for shops in prime locations in Germany's city centres became more expensive compared to last year and, according to broker reports, rose by an average of 1.5% to 2.0%. The big winners here were metropolises. This confirms the theory that the bigger the city, the higher the rent increases. On the other hand, major cities have significantly greater volatility than small / medium-sized cities. In the small / medium-sized cities, rents are developing moderately with low fluctuation ranges in sales, supply and demand.

Office space market

In spite of the expected decline in sales space, office markets performed very well overall in 2012. The positive development on the labour market played a crucial role in this. The fact that the record results of the previous year were not repeated was expected, especially in light of the debt and euro crisis. According to the major brokers, take-up at the nine most important German office locations (Berlin, Düsseldorf, Essen, Frankfurt / Main, Hamburg, Cologne, Leipzig, Munich and Stuttgart) was down on the previous year's figure by almost 12% in 2012 at around 3.25 million m². Barring Frankfurt (+20%) and Berlin (+/–0%), take-up in the Big Nine was in decline, significantly so in some cases. Munich again enjoyed the highest take-up at approximately 720,000 m² (down 19%), followed by Berlin (around 550,000 m²) and Frankfurt (roughly 520,000 m²). Stuttgart saw the biggest percentage decline at 32%.

Looking at all Big Nine locations, vacancies declined by approximately 9% in 2012 to currently more than 7.9 million m². Vacancy rates ranged from almost 5% in Essen to 7% in Munich (not including surrounding area) and approximately 13% in Frankfurt / Main. The new construction volume fell to its lowest level in five years in 2012. Leases have been arranged for only around 35% of current construction volumes.

Except for Berlin, Frankfurt, Cologne, Munich and Essen, which each enjoyed a largely stable trend, peak rents rose in the other Big Nine locations. By far the highest increase was in Stuttgart at 8%.

German property investment market

According to information from the major German broking houses, the nationally registered investment sales in commercial properties rose by around 9% year-on-year to roughly €25.5 billion in 2012. Significantly higher sales were only seen in the boom years of 2006 and 2007. With sales of more than €10 billion, the last three months of 2012 were by far the best quarter of the last five years, dominated by spectacular portfolio deals such as the sale of TLG Immobilien and the Karstadt package as well as major individual transactions such as the sale of the Welle and the Palais Quartier in Frankfurt. In spite of the turbulence on the financial markets, German property is therefore still highly sought after among investors.

The biggest share of investments in 2012 was accounted for by office properties (share of approximately 42%). This was followed by retail properties (share of around 30%), of which shopping centres and retail park properties were the most popular types of use with almost 50% and around 25% respectively. Third place went to logistics properties at around 7%. Approximately 77% of commercial investment sales in 2012 related to individual transactions, while the share of portfolio transactions rose significantly to 23% (previous year: around 16%). Over 40% of total sales related to foreign investors (2011: around 34%) who still see Germany as a safe haven, particularly in times of difficulty. However, compared to the alternatives, property as an investment class currently seems irreplaceable for German investors as well.

The Big Six locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne and Munich) posted a transaction volume of around €14 billion in 2012, increasing what was already a very good result in the previous year by 17%. Above all, investors focused on Berlin (which saw a sales increase of around 70%), Munich (up 26%) and Frankfurt (up 9%).

The dominant investors in the past year were asset / fund managers with a share of around 30%, followed by institutional investors such as insurance companies and pension / government funds at almost 15%.

Given the very high demand, returns came under pressure again towards the end of the year and slid at all locations. Peak rents for office properties were again lowest in Munich (4.6%), followed by Hamburg (4.7%) and Frankfurt (4.8%).

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 secure the profitability of the property portfolio in the long term by acquiring high-yield properties. To increase profitability, it also sells 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 high 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. The aspect of "sustainability" is increasingly gaining in significance for office properties in particular. 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 fully index-linked rents and therefore offer greater protection against inflation, though this cannot be ruled out.

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 €50 million. The company also plans to optimise its portfolio through targeted measures. To ensure long-term 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 more 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 terms of the size classes of cities, the focus is on large-scale retail properties and high street properties in cities of more than 60,000 people and office properties in cities with populations of more than 100,000. 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, this does not rule out the possibility that we will take advantage of opportunities to acquire office properties with good sustainability credentials in the major German conurbations as well.

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.

Capital increase

On the basis of the authorisation granted by the Annual General Meeting on 17 May 2011 and the resolution of the Managing Board with the approval of the Supervisory Board on 29 June 2012, HAMBORNER increased its share capital by issuing 11,373,333 new shares against cash contributions. After the capital increase was entered in the commercial register on 18 July 2012, the issued capital of the company rose from €34,120,000 to €45,493,333. The new shares are entitled to dividends in full from 1 January 2012. The net issue proceeds of €71.4 million have been and will be used for the further growth of the company. In particular, this will facilitate financing for the acquisition of further properties in line with the investment strategy and increase HAMBORNER's strategic flexibility within its acquisition projects.

Report on result of operations, net asset situation and financial position (IFRS)

HAMBORNER systematically continued its strategy of profit-driven growth in 2012 and again enjoyed a successful financial year. The good operating performance of recent years continued and was in line with expectations.

Result of operations (IFRS)

Net rental income amounted to €33.2 million (previous year: €28.2 million) – another double-digit rise of 17.6% (previous year: 27.7%). This was primarily due to the new acquisitions in the last two years.

The operating result was €17.5 million after €14.9 million in the previous year. In particular, this rise of 17.6% is due to higher net rental income. Another positive factor was that, in spite of the higher business volume, administrative expenses and personnel costs remained constant year-on-year at a total of €3.9 million (previous year: €3.8 million). Depreciation and amortisation was up 16.8% year-on-year as a result of new additions. We recognise our properties at amortised cost and therefore report depreciation, which amounted to €12.3 million in the reporting year as against €10.5 million in the previous year. Impairment losses recognised on properties in previous years were reversed in the amount of €0.3 million in the reporting year (previous year: €1.4 million) and reported in other operating income. As in the previous year, there were no impairment losses.

We generated net income from the disposal of investment property of €0.9 million (previous year: €2.2 million). EBIT amounted to €18.4 million, up 7.4% on the previous year (€17.1 million).

The Financial result amounted to €10.6 million in the year under review, a rise of €2.6 million as against the previous year's figure (€8.0 million). The reduction is primarily due to the further increase in the funds borrowed to finance the company's growth and the associated interest expenses (€11.0 million as at 31 December 2012 after €8.4 million in the previous year). Interest expenses were offset by interest income of €0.4 million (previous year: €0.4 million). After deducting financial result and income taxes from EBIT, the net profit for the year amounted to €7.7 million (previous year: €7.9 million).

Net asset situation and financial position (IFRS)

A carrying amount of €510.8 million was reported for investment property after €435.2 million in the previous year. Bank deposits and cash balances totalled €29.3 million (previous year: €18.7 million) as at 31 December 2012. As a result of the properties in Tübingen and Karlsruhe transferred in the fourth quarter of 2012, some of the funds generated by the capital increase were already invested before the end of the reporting year. HAMBORNER has also concluded purchase agreements for properties worth around €90.5 million that had not yet been transferred at the end of the reporting period. Advance payments of €4.0 million had been made for these properties as at the end of the reporting period.

On the equity and liabilities side of the statement of financial position, equity rose by €61.7 million as a result of the capital increase to €276.8 million (previous year: €215.1 million). The company therefore has an accounting equity ratio of 51.1% (previous year: 46.5%). Financial liabilities and derivative financial instruments amounted to €245.9 million, up €17.0 million on the previous year (€228.9 million). After deducting bank deposits and cash balances from financial liabilities, net financial debt amounted to €201.4 million (previous year: €197.5 million). Based on total non-current assets, the company therefore has a gearing ratio of 39.4% (previous year: 45.3%). Taking into account the cash deposits by tenants to which the company has limited access (€0.2 million), net financial debt to the property portfolio measured at fair value produces a loan-to-value ratio of 34.2% (previous year: 39.1%).

The financial position of the company remains sound. Bank deposits and cash balances rose by €10.6 million as against the previous year to €29.3 million. The financial situation in 2012 was mainly influenced by the net issue proceeds of €71.4 million from the capital increase in July. Furthermore, in addition to the cash flow from operating activities (€27.5 million), the company also received €20.1 million from the borrowing of loans for the pro rata financing of property acquisitions. Cash inflows were essentially offset by payments of €88.4 million for property acquisitions and dividend payments of €13.6 million.

In particular, the company's financing requirements for the 2013 financial year are secured by future rent payments and the proceeds from loan agreements already in place.

The company's highly positive result of operations and its comfortable net asset situation and financial position 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.

Report on result of operations, net asset situation and financial position (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, the recognition of reinstated property assets, pension provisions, the measurement of provisions for mining damage, accounting for derivative financial instruments and the treatment of the costs of the capital increase.

Result of operations (HGB)

Income from property management amounted to €40.2 million in the reporting year (previous year: €35.2 million). The costs of the management of our properties were around €8.2 million (previous year: €7.3 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, depreciations were up 16.4% year-on-year at €12.3 million (€10.6 million). Impairments on properties recognised in previous years were reversed in the amount of €124 thousand in the reporting year (previous year: €28 thousand). By contrast, other operating expenses climbed by €2.6 million to €4.6 million. This was due in particular to the costs of the capital increase recognised as expenses in line with HGB. Operating results were therefore down by €0.7 million at €14.5 million.

Mainly as a result of the partial debt financing of property acquisitions, the financial result fell by €2.3 million to €-10.5 million. The company closed the 2012 financial year with a HGB result from ordinary activities of €4.0 million (previous year: €7.0 million). 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 and income taxes (€25 thousand), the net income for the year amounted to €3.9 million (previous year: €5.6 million).

Including the withdrawal from other revenue reserves (€14.3 million), the net retained profits amounted to €18.2 million (previous year: €13.6 million).

Net asset situation and financial position (HGB)

Total assets rose by €77.9 million to €541.0 million. As a result of the investments in the reporting year, fixed assets were up by €69.2 million or 15.7% to €510.7 million. Current assets including prepaid expenses rose by €8.7 million to €30.3 million, due mainly to the capital increase in the year under review. Equity decreased by €64.2 million as a result of the capital increase to €293.5 million. The company's investments were again financed with debt capital to an appropriate degree. Liabilities to banks therefore rose by €14.6 million to €231.0 million. The equity and medium- and long-term debt capital cover fixed assets in full. As at 31 December 2012, the company's equity ratio was 54.3% (previous year: 49.5%).

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 53 locations in Germany and have total useable space of 309,930 m², 301,598 m² of which is used commercially and 8,332 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.

List of properties (as at 31 December 2012)

YEAR OF PURCHASE	PROPERTY		BUILDING USE	PLOT SIZE IN M²	USEABLE SPACE IN M²
1976	Solingen	Friedenstr. 64	B	27,344	7,933
1981	Cologne	Von-Bodelschwingh-Strasse 6	B	7,890	3,050
1982	Frankfurt/Main	Cronstettenstr. 66	O	1,246	1,828
1982	St. Augustin	Einsteinstr. 26	C	9,127	2,417
1982	Krefeld	Emil-Schäfer-Strasse 22–24	C	5,196	2,793
1982	Essen	Hofstr. 10 and 12	B/O	2,320	2,266
1983	Wiesbaden	Kirchgasse 21	B/R	461	1,203
1983	Moers	Homberger Strasse 41	B/R	1,291	2,079
1983	Duisburg	Rathausstr. 18–20	B/O/R	4,204	2,309
1984	Frankfurt/Main	Steinweg 8	B/O	167	607
1985	Solingen	Kirchstr. 14–16	B/R	1,119	2,941
1986	Frankfurt/Main	Königsteiner Str. 73–77	B	6,203	2,639
1987	Lüdenscheid	Wilhelmstr. 9	B	136	425
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
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	8,748
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
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

RENTS 2012 (INCL. RENT GUARANTEES)	WEIGHTED RESIDUAL TERM OF RENTAL AGREEMENTS IN MONTHS	FAIR VALUE*	DISCOUNT RATE IN %	CAPITALI-SATION RATE IN %	OTHER COMMENTS
1,472,012	88	15,170,000	6.40	7.00	Leasehold property
435,402	168	6,160,000	6.60	6.40	
377,059	16	5,980,000	6.70	5.90	
300,000	96	3,610,000	7.00	8.25	
165,442	43	1,620,000	7.45	8.50	
287,910	33	3,530,000	7.15	6.80	
577,590	66	11,160,000	5.55	5.00	
215,954	29	2,720,000	7.65	7.20	
166,821	18	2,040,000	8.15	7.00	
336,668	91	6,920,000	5.00	4.75	
272,928	47	3,640,000	7.85	6.85	
348,702	130	4,950,000	6.80	6.60	
66,000	15	860,000	6.75	6.25	
86,481	49	1,040,000	7.85	7.10	
281,610	36	3,820,000	6.85	6.50	
232,764	59	2,970,000	6.65	6.45	
83,201	60	980,000	7.70	7.10	
106,340	29	1,300,000	8.75	7.40	
328,368	90	4,640,000	6.38	6.60	
229,440	36	4,190,000	5.85	5.20	
37,296	38	580,000	7.15	7.00	
246,380	42	4,850,000	5.55	5.45	
463,493	63	7,170,000	6.10	5.75	
159,722	28	2,160,000	7.10	7.00	
376,271	31	7,000,000	6.80	5.75	
193,056	36	1,450,000	9.25	8.50	
364,296	34	3,770,000	6.35	5.75	Leasehold property
251,755	16	3,720,000	6.35	5.85	
128,006	36	1,910,000	7.25	6.50	
312,503	112	5,960,000	5.80	5.60	
18,350	–	2,320,000	7.05	6.20	Sublet
243,600	63	4,450,000	6.45	5.80	
535,779	13	8,440,000	6.70	5.90	
272,085	96	4,620,000	6.45	5.90	
1,156,657	38	15,080,000	7.05	6.60	
384,000	54	5,030,000	7.70	7.00	
738,453	106	10,010,000	7.30	7.30	
813,615	82	11,400,000	6.70	6.75	
428,790	106	5,820,000	7.30	7.20	
949,040	82	13,420,000	6.85	6.85	Partial ownership
603,825	82	8,290,000	7.00	6.95	
341,047	61	3,080,000	7.00	6.90	
336,831	88	5,130,000	6.75	6.30	
527,111	35	9,110,000	7.75	6.70	

List of properties (as at 31 December 2012)

YEAR OF PURCHASE	PROPERTY		BUILDING USE	PLOT SIZE IN M²	USEABLE SPACE IN M²
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	1,786
2008	Freiburg	Robert-Bunsen-Str. 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	Bad Homburg	Louisenstr. 53–57	O/B	1,847	3,232
2011	Brunnthal	Eugen-Sänger-Ring 7	O/C	6,761	6,721
2011	Leipzig	Brandenburger Str. 21	B	33,916	11,139
2011	Regensburg	Hildegard-von-Bingen-Str. 1	O/B	3,622	8,998
2011	Freiburg	Lörracher Str. 8	B	8,511	3,987
2011	Erlangen	Allee am Röthelheimpark 11–15	O/B	10,710	11,553
2011	Langenfeld	Solinger Str. 5–11	B	4,419	6,294
2011	Offenburg	Hauptstr. 72/74	B	1,162	5,150
2012	Aachen	Debyestr./Trierer Str.	B	36,299	11,431
2012	Tübingen	Eugenstrasse 72–74	B	16,035	13,000
2012	Karlsruhe	Mendelssohnplatz 1/Rüppurrerstr. 1	O/B	10,839	15,152
				456,402	**309,930**

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 2012
** Pro rata temporis rents from transfer of ownership

Rents 2012 (incl. rent guarantees)	Weighted residual term of rental agreements in months	Fair value*	Discount rate in %	Capitali-sation rate in %	Other comments
526,302	28	6,850,000	6.80	6.65	
1,187,392	10	14,770,000	7.50	6.70	
275,208	47	4,260,000	6.40	6.10	
930,210	66	8,240,000	6.80	6.70	Leasehold property
1,706,732	23	22,140,000	6.55	6.50	
494,908	43	7,010,000	6.30	5.80	
170,181	33	1,940,000	8.50	7.50	
670,679	125	9,020,000	7.10	6.80	
1,079,501	51	15,280,000	6.85	6.60	
898,978	135	11,930,000	6.70	7.20	
250,397	47	3,400,000	6.70	6.70	
1,200,000	186	16,850,000	6.30	6.75	
877,185	85	12,890,000	6.60	6.40	
481,611	95	8,270,000	6.65	6.40	
847,321	52	15,340,000	6.30	5.70	
912,490	87	12,000,000	7.40	7.50	
889,528	142	12,200,000	6.55	6.85	
1,457,526	70	21,430,000	6.90	6.25	
860,000	202	12,210,000	6.40	6.85	
1,904,688	109	29,180,000	7.00	6.25	
1,107,327	96	17,500,000	6.60	6.15	
557,036	62	8,030,000	6.40	6.10	
759,333 **	171	16,100,000	6.90	7.00	
318,548 **	204	23,520,000	6.10	6.55	
210,701 **	97	37,080,000	6.60	6.25	
36,826,435		**579,510,000**			

Development of rental and leasing income

Rental and leasing income amounted to €37.0 million in the reporting year and has therefore increased significantly by €4.8 million as against 2011 due to the new investments. On a like-for-like basis – i.e. comparing the properties that were held in the portfolio throughout 2011 and 2012 – net rents were up around 0.7% year-on-year overall at €27.1 million (previous year: €26.9 million). Uncollectable receivables and individual value adjustments in the reporting year remained low at around €40 thousand (previous year: €56 thousand).

The overall vacancy rate in the 2012 financial year was roughly stable on the previous year at 1.9% (1.8%). 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 1.7% (previous year: 1.3%).

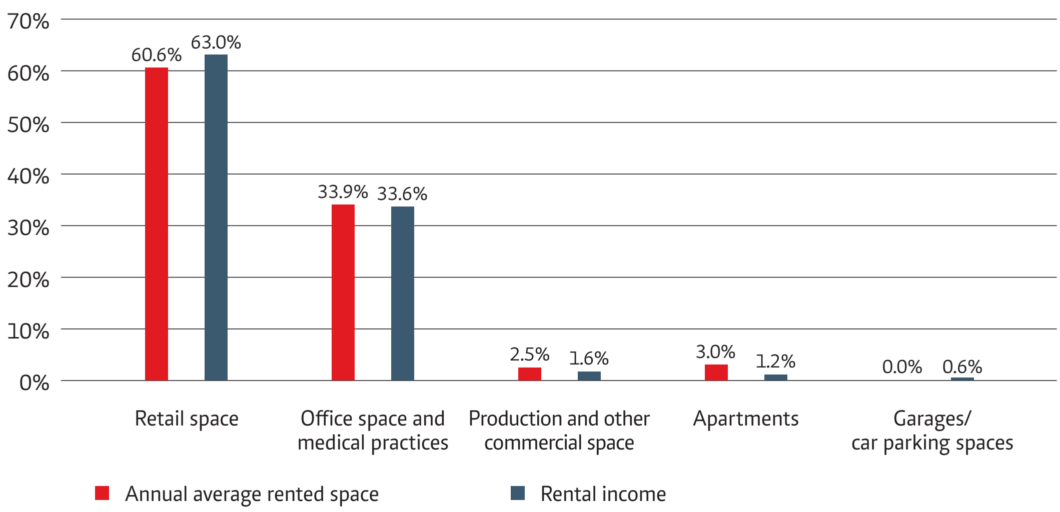
The following table provides an overview of the company's ten biggest tenants

COMPANY	RENTAL INCOME IN % *
1. EDEKA Group	17.4
2. Kaufland Group	11.6
3. OBI	7.0
4. AREVA NP GmbH	2.5
5. SFC Smart Fuel Cell AG	2.3
6. Telefonica O2	2.0
7. REWE	2.0
8. German Federal Employment Agency	1.9
9. Kaspersky Labs GmbH	1.8
10. Douglas Holding AG	1.6
Total	**50.1**

* According to share of annualised rents

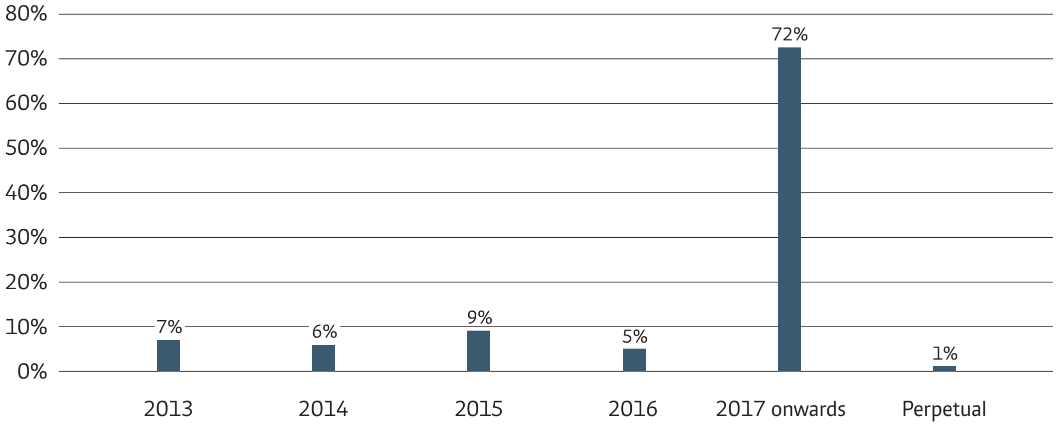
We generate most of our rental income from retail space, which has already proved largely reliable in terms of letting in past years.

The 2012 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 7.2 years. The weighted residual term for the office sector is 3.9 years, 8.2 years for commercial properties and approximately 10.7 years for retail space. Around 72% of contractually agreed rental income does not expire until 2017 or later:

Rental agreement expiries*



* Expiring rental agreements in relation to rental income

Rental 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 2012 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 2012 financial year amounted to around €2.1 million (previous year: €2.6 million). There were also measures eligible for capitalisation of around €1.3 million (previous year: €2.0 million). The full refurbishment of our office building in Dortmund, Königswall, was completed in the 2012 financial year. This essentially included 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 practising 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 amounted to a total of €1.4 million. Other major work in 2012 included conversion and extension work to commercial space in Bad Homburg (€322 thousand) and the refurbishment of the roof and parking deck of a Kaufland store in Mosbach (€171 thousand).

Performance of the property portfolio

The historical cost of the properties listed in our portfolio amounted to €575.8 million at the end of 2012 (previous year: €503.7 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. The carrying amount of the investment property as at 31 December 2012 was €510.8 million (previous year: €435.2 million).

Our property portfolio was again valued by a third-party expert as at the end of 2012. 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 eleven years – 2013 to 2022. 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 5.00% and 9.25% 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 are 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 was €579.5 million, an increase of €75.1 million on the previous year's portfolio value.

The difference is due to additions to fair value from acquisitions of €79.9 million (€3.2 million of which for the acquisition of the leasehold property in Geldern), fair value disposals due to sales of €5.5 million and a net year-on-year increase in the fair value of the portfolio of around €0.7 million.

The remeasurement of the properties as at 31 December 2012 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 €0.3 million in the reporting year (previous year: €1.4 million). As in the previous year, no impairment losses were required.

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, in addition to the acquisition of the leasehold property in Geldern (purchase price: €3.2 million), new investments amounted to €75.2 million in the 2012 financial year (previous year: €122.0 million), not including incidental costs of acquisition. In line with our strategy, the new investments focused on the asset classes descried above. Specifically, an OBI store in Aachen, an EDEKA store in Tübingen and an office and retail property in Karlsruhe were transferred in the reporting year:

CITY	ADDRESS	ASSET CLASS	SPACE IN M²	EXPECTED RENTAL INCOME P.A. IN € THOU.	PURCHASE PRICE IN € MILLION
Aachen	Debyestr./Trierer Str.	Retail	11,431	1,020	16.0
Tübingen	Eugenstrasse 72–74	Retail	13,000	1,500	22.2
Karlsruhe	Mendelssohnplatz 1/Rüppurrerstr. 1	Office/retail	15,152	2,463	37.0
			39,583	**4,983**	**75.2**

Moreover, further purchase agreements for an OBI store in Hamburg and an office property on EUREF Campus in Berlin worth around €50.4 million were notarised in 2012. The purchase agreement for NuOffice in Munich had already been notarised in 2011. Specifically, the properties acquired as at 31 December 2012 but not yet transferred were as follows:

CITY	ADDRESS	ASSET CLASS	SPACE IN M²	EXPECTED RENTAL INCOME P.A. IN € THOU.	EXPECTED TRANSFER OF OWNERSHIP
Hamburg	Kurt-A.-Körber-Chaussee 9/11	Retail	10,200	1,248	2013
Berlin	Torgauer Str. 12–15	Office	12,700	2,225	2013
Munich	Domagkstrasse 10–16	Office	12,250	2,361	2013

Portfolio disposals

Three office buildings in Erfurt, for which a corresponding purchase agreement was concluded in the previous year, were transferred in the first quarter of 2012. The properties no longer consistent with the strategic concept of the company were sold for a price of €5.6 million, generating a contribution to earnings of €17 thousand. The properties were reported under "Non-current assets held for sale" in the previous year.

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 2012 financial year, we successfully continued the sale of our land used for agricultural and forestry purposes. Firstly, we sold around 0.6 million m² of space predominantly used for agricultural purposes, generating a book profit of €0.9 million. Secondly, an agreement to sell a further 5,300 m² of undeveloped land was concluded as at the end of the reporting year. The sale price was €0.4 million. The residual carrying amount as at 31 December 2012 of €2.8 thousand was reclassified to "Non-current assets held for sale".

The company had a property portfolio of around 1.3 million m² as at 31 December 2012 that breaks down by type of use (prior-year figures also shown) as follows:

IN M²	31 DEC. 2012	31 DEC. 2011
Properties with business or commercial premises	401,610	328,002
Undeveloped residential properties*	2,850	2,850
Undeveloped commercial and industrial sites	4,078	4,078
Land for agriculture and forestry	852,947	1,420,235
Total	**1,261,485**	**1,755,165**

* 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 0.9 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 €0.67 / 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: 25). 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 €3,907,745.78. Taking into account the withdrawal from other revenue reserves of €14,289,587.42, net retained profits amounted to €18,197,333.20.

At the Annual General Meeting of the company on 7 May 2013, the Managing Board will propose using the unappropriated surplus for the 2012 financial year of €18,197,333.20 to distribute a dividend of €0.40 per share.

SUPPLEMENTARY REPORT

Further loan agreements for a total of €33.3 million were concluded in January and February 2013. Together with loan funds of €63.1 million not yet utilised as at the end of the reporting period, the average interest rate on these loans is 2.99% as against 4.42% on existing financial liabilities.

Ownership of the office property "NuOffice" in Munich was transferred to us on 1 January 2013. The total purchase price was €40.1 million. Loans of €14.0 million not yet utilised as at 31 December 2012 were paid out in this context.

On receipt of the purchase price payment of €0.4 million, the undeveloped land reported under "Non-current assets held for sale" was transferred to the buyer on 9 January 2013.

As of 31 January 2013, the lease with the tenant Konsum for the Erlangen property, Allee-am-Röthelheimpark, was terminated early against payment of compensation by the tenant of €1.0 million. The new tenant for this space is Aldi Süd.

There have been 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 2012. 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 audit of the annual financial statements.

The company's risk management system is closely integrated into 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 programmes. 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.

An internal audit that was outsourced to a third-party audit firm was conducted in the year under review to assess the appropriateness and effectiveness of the internal control system. As part of the internal audit, the Managing Board of HAMBORNER selects the processes and areas to be audited in coordination with the audit committee.

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 uncertainty over further economic developments, short-term growth prospects have bleakened in Europe. The duration and sustainability of this trend is unforeseeable at this time. 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 53 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 was 1.9% in the 2012 financial year (previous year: 1.8%), which represents a low level. We ensure a good occupancy rate in the case of new investments. Furthermore, rent guarantees cover letting risks in some cases.

Risks of a loss of rent

We reduce the risk of rent losses, particularly due to tenants' inability to pay, by means of 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 €40 thousand in the 2012 financial year (previous year: €56 thousand), thus representing 0.1% (previous year: 0.2%) of our annual rental income. An increase in uncollectable receivables cannot be ruled out for the current financial year as well, depending on ongoing economic developments. However, major rent losses are not discernible at present due to our tenant structure. The EDEKA Group is our biggest single tenant with a share of approximately 17.4% 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 2012. Detailed information on the valuation of our property portfolio can be found in the section "Performance of the property portfolio". As in the previous year, the measurement of the property portfolio did not give rise to any impairment requirements in the IFRS financial statements for the 2012 financial year. By contrast, impairment losses of €0.3 million were reversed on a total of three properties written down in previous years (previous year: €1.4 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 €245.9 million as at the end of the reporting year. The company's equity ratio in the separate IFRS financial statements was 51.1% 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 €93.2 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.

Risk of loss of REIT status

HAMBORNER has been a REIT stock corporation since 1 January 2010. As such, it is exempt from German corporation and trade tax. 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 60.3% as at 31 December 2012 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.

Subsidence risks

There are potential risks from our former mining activities, e.g. due to subsidence damage or shaft stabilisation, on account of the possible future discontinuation of large-scale dewatering activities in the Ruhr area. 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. The provisions for mining currently amount to €1.6 million under IFRS (HGB: €1.4 million) and will increase to a total of around €1.8 million in the medium to long term as a result of interest earned.

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 – taking into account the equity ratio to be maintained at company level. 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

According to the monthly report by Deutsche Bundesbank, economic prospects in Germany dimmed in December 2012. Economic activity is even expected to have declined over the winter of 2012 / 2013. The main factors here are the recession in the euro zone and the slowdown of the global economy. However, Deutsche Bundesbank believes there is reason to assume that the economic downturn in Germany will not last long. The requirements for this will be that the reforms in the euro area continue to make headway, that the global economy regains some momentum and that there are no big, nasty surprises.

According to the December report, after expansion in real GDP of 0.7% in 2012, economic growth in Germany could slow to 0.4% in 2013 and then rise to 1.9% in 2014. Inflation in consumer prices in this scenario could amount to 1.5% in 2013 and 1.6% in 2014 after 2.0% last year. Deutsche Bundesbank is forecasting a slight rise in the average unemployment rate for 2013 to around 7.2%. As the economic situation improves, the unemployment rate could drop back down to roughly 7.0% in 2014.

Future situation in the industry

Letting market

Even if only moderate economic growth is forecast for 2013, both sentiment and the corporate situation will remain stable and could even be modestly optimistic. In light of the forecast general economic conditions, similar office space sales to 2012 are expected for the current year. 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 also forecasting stable rents on average in the retail segment in the coming years, with significant growth in rent in isolated cases. It is equally true for both the office and the retail letting markets that decision-making processes are taking notably longer and decisions to relocate or let new space are being considered for even longer and leases negotiated all the more intensively.

Investment market

Even in 2012 it was seen that Germany is a safe haven in times of difficulty. Germany's position could continue to improve further in 2013 thanks to its economic strength. The interest landscape is fully expected to remain attractive for investors geared towards debt capital and the consistently high risk premium also advocates an investment in German property (measured against ten-year German government bonds).

On this basis, we are currently assuming stable investment sales of around €25 billion in 2013. A rise in transaction volumes is also possible if investor interest in value added and opportunistic investments picks up again due to a lack of core products. Even if returns are mostly believed to have bottomed out, it cannot be ruled out that they will slide further in isolated cases.

Anticipated business development

In the last few years, and in the recent times of economic difficulty as well, HAMBORNER has proved to be very sound and comparatively unscathed by the crisis. For 2013 and 2014, 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 2013. In particular, this is due to the new acquisitions transferred to us in 2012 and the purchases that have already been notarised but will not be transferred until 2013. These include NuOffice in Munich, the office building on the EUREF Campus in Berlin and the OBI store in Hamburg currently under construction. The annual rental volume of these three properties is around €5.8 million and will serve as a foundation for further rent growth in the next two years.

We are forecasting that the vacancy rate will remain at a low level. We assume that by far the majority of the rental agreements expiring in 2013 and 2014 will be prolonged or that new tenants will be quickly found. One office lease in Bremen for around 3,800 m² ended in mid-January 2013. We are currently in the process of re-letting this space in smaller lot sizes. A moderate rise in the overall vacancy rate for 2013 as against the very low figure of 1.9% in 2012 can therefore not be ruled out.

We also expect a low level 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.

In terms of expenses, there will be an increase in write-downs in particular in the coming years as a result of new acquisitions and in interest expenses due to pro rata debt financing.

HAMBORNER's REIT status, 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 as well. 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 2013 and subsequent years, allowing appropriate and attractive distributions. This presupposes that we are spared from significant, unforeseeable reductions in earnings.

REPORT ON ADDITIONAL INFORMATION UNDER COMPANY LAW (SECTION 289 (4) GERMAN COMMERCIAL CODE)

Composition of issued capital

As at 31 December 2012, the issued capital of the company amounted to €45,493,333 and was fully paid up. The share capital is divided into 45,493,333 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 already 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.

As part of its capital increase, HAMBORNER REIT AG issued a total of 11,373,333 new shares from Authorised Capital I and Authorised Capital II on 18 July 2012, thereby increasing its share capital to €45,493,333. Authorised Capital II therefore still amounted to €5,686,667 million as at 31 December 2012.

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 change of control

There were no such compensation agreements as at 31 December 2012.

Compensation agreements between the company and the Managing Board for the event of a change of control from 2013 are described in the remuneration report on page 26 of the annual report. There are no other compensation agreements with employees of the company.

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 practices 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.

In implementing the recommendations of the current Corporate Governance Code, we have also again published our corporate governance report (see also page 19) on our website in connection with the 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 23 onwards. The statements found there are part of the management report.

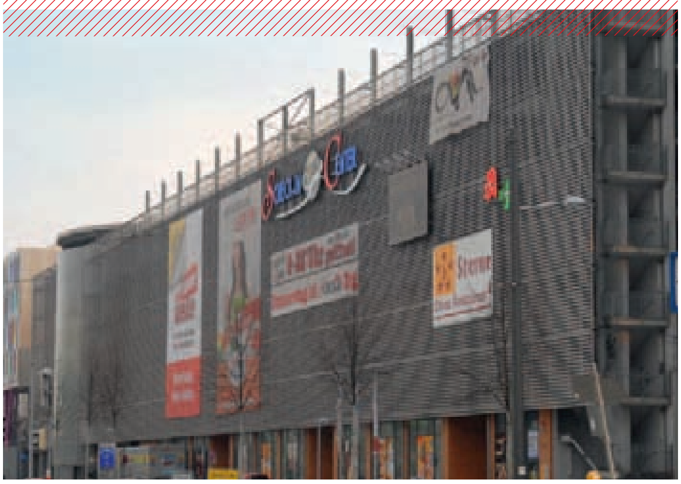
Duisburg, 28 February 2013

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.

KARLSRUHE



PROJECT FACTS

LOCATION MUNICH, PARKSTADT SCHWABING

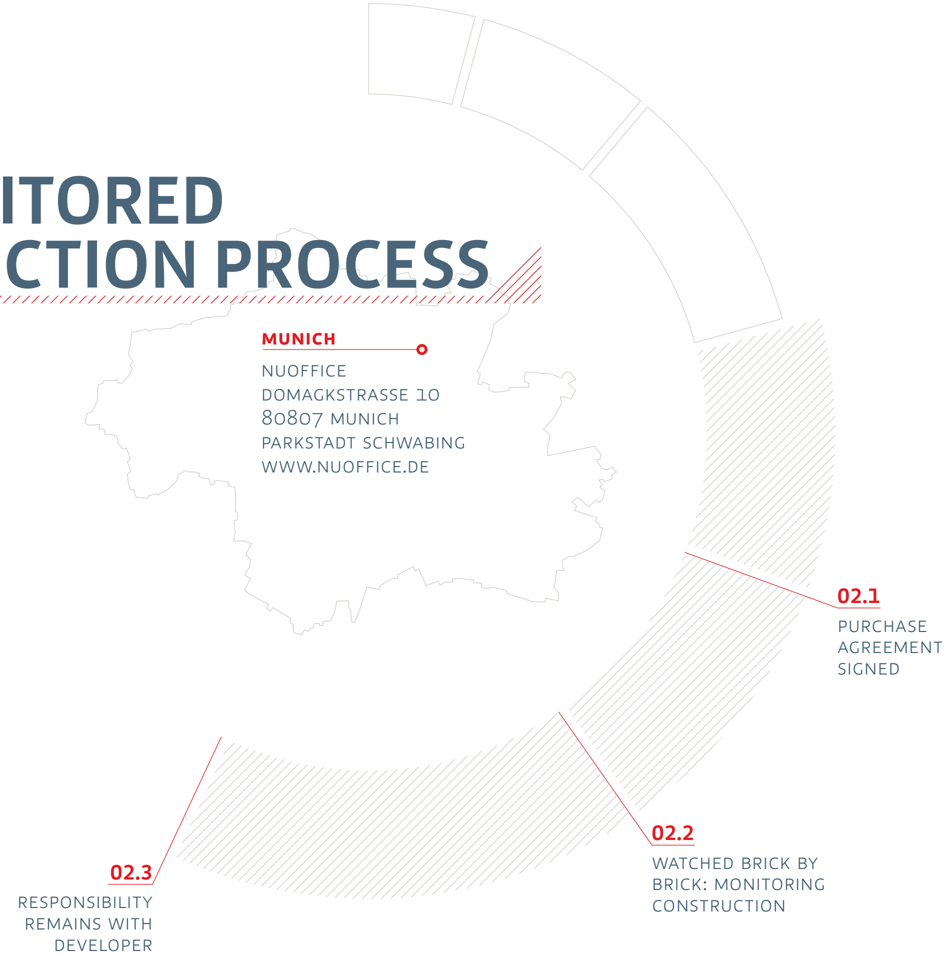
COMPLETION WINTER 2012

RENTABLE SPACE 12,500 M²

TYPE OF USE OFFICE / EXHIBITION SPACE

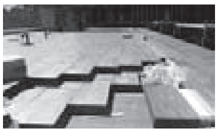
CERTIFICATION LEED PLATINUM

PHASE 02
THE MONITORED CONSTRUCTION PROCESS



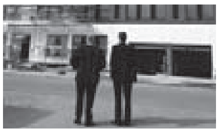
02.1
PURCHASE AGREEMENT SIGNED

After discussing all the relevant information on the planned project and thorough commercial, technical and legal due diligence, we are confident that the property is right for HAMBORNER. After successful negotiations to clarify the final details, we are delighted to sign the purchase agreement with the sellers.



02.2
WATCHED BRICK BY BRICK: MONITORING CONSTRUCTION

The foundations have been laid, the exciting phase of construction begins. Together with third-party experts, we monitor the entire construction phase and can solve any issues that may arise early on with the project developer. This guarantees us the contractually promised quality of the property and ensures that we are familiar with it from the start.



02.3
RESPONSIBILITY REMAINS WITH DEVELOPER

During the construction phase, risk and responsibility lie solely with the project developer. In return, when we sign the purchase agreement we provide early exit collateral on proper completion of the property, which quickly gives him liquidity for new projects. This creates a win-win situation for both parties.

THIS IS HOW A NEW OFFICE PROPERTY FOR HAMBORNER WAS CREATED IN MUNICH

INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012

€ THOUSAND	NOTE	2012	2011
Income from rents and leases		36,993	32,160
Income from passed-on incidental costs to tenants		3,416	3,247
Real estate operating expenses		–5,076	–4,598
Property and building maintenance		–2,104	–2,565
Net rental income	(1)	**33,229**	**28,244**
Administrative expenses	(2)	–993	–919
Personnel costs	(3)	–2,868	–2,838
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	(4)	–12,287	–10,523
Other operating income	(5)	1,345	1,769
Other operating expenses	(6)	–917	–845
		–15,720	**–13,356**
Operating result		**17,509**	**14,888**
Result from the sale of investment property	(7)	884	2,232
Earnings before interest and taxes (EBIT)		**18,393**	**17,120**
Interest income		347	408
Interest expenses		–10,974	–8,372
Financial result	(8)	**–10,627**	**–7,964**
Earnings before taxes (EBT)		**7,766**	**9,156**
Income taxes	(9)	–25	–1,291
Net profit for the year		**7,741**	**7,865**
Profit carryforward from the previous year		26,144	29,689
Dividends		–13,648	–12,625
Withdrawal from other retained earnings		14,290	1,215
Net retained profits		**34,527**	**26,144**
Earnings per share (€)	(10)	0.20	0.23

STATEMENT OF COMPREHENSIVE INCOME

€ THOUSAND	NOTE	1 JAN. TO 31 DEC. 2012	1 JAN. TO 31 DEC. 2011
Net profit for the year as per income statement		7,741	7,865
Unrealised gains / losses (–) on the revaluation of derivative financial instruments	(18)	–2,478	–3,703
Actuarial gains / losses (–) on defined benefit obligations	(21)	–1,361	109
Other comprehensive income		–3,839	–3,594
Total comprehensive income		**3,902**	**4,271**

STATEMENT OF FINANCIAL POSITION – ASSETS

€ THOUSAND	NOTE	31 DEC. 2012	31 DEC. 2011
Non-current assets			
Intangible assets	(11)	14	23
Property, plant and equipment	(11)	159	169
Investment property	(12)	510,834	435,190
Financial assets	(13)	24	27
Other assets	(14)	321	232
		511,352	**435,641**
Current assets			
Trade receivables and other assets	(14)	769	2,672
Income tax receivables	(14)	7	9
Bank deposits and cash balances	(15)	29,306	18,685
Non-current assets held for sale	(16)	3	5,486
		30,085	**26,852**
Total assets		**541,437**	**462,493**

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

€ THOUSAND	NOTE	31 DEC. 2012	31 DEC. 2011
Equity	(17)		
Issued capital		45,493	34,120
Capital reserves		124,279	64,285
Retained earnings			
Other retained earnings		91,348	105,638
Revaluation surplus		–18,895	–15,056
		72,453	90,582
Net retained profits			
Profit carryforward		12,496	17,064
Net profit for the year		7,741	7,865
Withdrawal from other retained earnings		14,290	1,215
		34,527	26,144
		276,752	**215,131**
Non-current liabilities and provisions			
Financial liabilities	(18)	222,990	209,551
Derivative financial instruments	(18)	14,838	12,726
Trade payables and other liabilities	(20)	2,013	2,867
Pension provisions	(21)	8,160	7,122
Other provisions	(22)	1,566	859
		249,567	**233,125**
Current liabilities and provisions			
Financial liabilities	(18)	7,707	6,672
Derivative financial instruments	(18)	367	0
Income tax liabilities	(19)	18	1,289
Trade payables and other liabilities	(20)	4,314	3,233
Other provisions	(22)	2,712	3,013
Liabilities in connection with non-current assets held for sale	(23)	0	30
		15,118	**14,237**
Total equity and liabilities		**541,437**	**462,493**

STATEMENT OF CASH FLOWS

€ THOUSAND	NOTE	1 JAN. – 31 DEC. 2012	1 JAN. – 31 DEC. 2011
Cash flow from operating activities	(26)		
Earnings before taxes (EBT)		7,766	9,156
Financial result		10,627	7,964
Depreciation, amortisation and impairment (+)/write-ups (–)		11,989	9,099
Change in provisions		657	–12
Gains (–)/losses (+) (net) on the disposal of property, plant and equipment and investment property		–934	–2,232
Other non-cash expenses (+)/income (–)		0	–70
Change in receivables and other assets not attributable to investing or financing activities		–303	–24
Change in liabilities not attributable to investing or financing activities		–1,279	264
Interest received		275	504
Tax payments		–1,293	2
		27,505	**24,651**
Cash flow from investing activities	(27)		
Investments in intangible assets, property, plant and equipment and investment property		–88,408	–131,637
Proceeds from disposals of property, plant and equipment and investment property		9,332	1,292
Proceeds from disposals of financial assets		6	7
Payments relating to the short-term financial management of cash investments		–15,000	0
		–94,070	**–130,338**
Cash flow from financing activities	(28)		
Dividends paid		–13,648	–12,625
Proceeds from borrowings of financial liabilities		20,050	79,245
Repayments of borrowings		–5,669	–17,690
Interest payments		–9,914	–8,187
Proceeds from the capital increase		73,926	0
Payments for the costs of the capital increase		–2,559	0
		62,186	**40,743**
Changes in cash and cash equivalents		**–4,379**	**–64,944**
Cash and cash equivalents on 1 January		**18,685**	**83,629**
Bank deposits and cash balances (with a remaining term of up to three months)		18,685	83,629
Bank deposits and cash balances		**18,685**	**83,629**
Cash and cash equivalents on 31 December		**14,306**	**18,685**
Bank deposits and cash balances (with a remaining term of up to three months)		14,306	18,685
Fixed-term deposits (with a remaining term of more than three months)		15,000	0
Bank deposits and cash balances		**29,306**	**18,685**

STATEMENT OF CHANGES IN EQUITY

€ THOUSAND	ISSUED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS		NET RETAINED PROFITS			TOTAL EQUITY
			OTHER RETAINED EARNINGS	REVALUATION SURPLUS	PROFIT CARRY-FORWARD	NET PROFIT FOR THE PERIOD	WITHDRAWAL FROM OTHER RETAINED EARNINGS	
As at 1 January 2011	**34,120**	**64,267**	**106,853**	**–11,462**	**24,020**	**5,669**	**0**	**223,467**
Carryforward to new account					5,669	–5,669		0
Distribution of profit for 2010					–12,625			–12,625
Costs of capital increase		18						18
Other comprehensive income				–3,594				–3,594
Withdrawal from other retained earnings			–1,215				1,215	0
Net profit for the year 1 Jan. – 31 Dec. 2011						7,865		7,865
Comprehensive income 1 Jan. – 31 Dec. 2011				**–3,594**		**7,865**		**4,271**
As at 31 December 2011	**34,120**	**64,285**	**105,638**	**–15,056**	**17,064**	**7,865**	**1,215**	**215,131**
Carryforward to new account					9,080	–7,865	–1,215	0
Distribution of profit for 2011					–13,648			–13,648
Capital increase	11,373	62,553						73,926
Costs of capital increase		–2,559						–2,559
Other comprehensive income				–3,839				–3,839
Withdrawal from other retained earnings			–14,290				14,290	0
Net profit for the year 1 Jan. – 31 Dec. 2012						7,741		7,741
Comprehensive income 1 Jan. – 31 Dec. 2012				**–3,839**		**7,741**		**3,902**
As at 31 December 2012	**45,493**	**124,279**	**91,348**	**–18,895**	**12,496**	**7,741**	**14,290**	**276,752**

STATEMENT OF CHANGES IN FIXED ASSETS*

€ THOUSAND	COST				
	BALANCE AS OF 1 JAN. 2012	ADDITIONS	DISPOSALS	RECLASSIFICATION UNDER IFRS 5	BALANCE AS OF 31 DEC. 2012
Intangible assets	132	8	0	0	140
Property, plant and equipment	841	34	24	0	851
Investment property	497,309	88,307	732	–3	584,881
Financial assets	32	0	6	0	26
Total	**498,314**	**88,349**	**762**	**–3**	**585,898**

€ THOUSAND	COST				
	BALANCE AS OF 1 JAN. 2011	ADDITIONS	DISPOSALS	RECLASSIFICATION UNDER IFRS 5	BALANCE AS OF 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**

* Component of the notes

Depreciation / amortisation / write-ups						Carrying amounts	
Balance as of 1 Jan. 2012	Additions (depreciation for the financial year)	Write-ups	Disposals	Reclassification under IFRS 5	Balance as of 31 Dec. 2012	Balance as of 31 Dec. 2011	Balance as of 31 Dec. 2012
109	17	0	0	0	126	23	14
672	43	0	23	0	692	169	159
62,119	12,227	299	0	0	74,047	435,190	510,834
5	0	3	0	0	2	27	24
62,905	**12,287**	**302**	**23**	**0**	**74,867**	**435,409**	**511,031**

Depreciation / amortisation / write-ups						Carrying amounts	
Balance as of 1 Jan. 2011	Additions (depreciation for the financial year)	Write-ups	Disposals	Reclassification under IFRS 5	Balance as of 31 Dec. 2011	Balance as of 31 Dec. 2010	Balance as of 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**

NOTES TO THE FINANCIAL STATEMENTS

Principles for the preparation of the financial statements

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 easement rights for German and foreign immovable property 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 (IFRSs). The management report in accordance with section 289 HGB is published with the IFRS separate financial statements in the Federal Gazette.

The separate financial statements as at 31 December 2012 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 Article 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 shown 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 as at 31 December 2012 and the management report for 2012 on 28 February 2013 and approved them for submission to the Supervisory Board.

The separate financial statements prepared in accordance with IFRS in accordance with section 325 (2a) HGB and the HGB annual financial statements have been submitted to the operator of the 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

These separate financial statements as at 31 December 2012 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 2012 is structured by maturity in accordance with IAS 1(60). Items that have been summarised in the statement of financial position and the income statement are explained in the notes. To improve the presentation of financial performance, the income statement was adjusted in line with the structural proposals of the European Public Real Estate Association (EPRA) recommended for property companies.

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

As against the separate financial statements as at 31 December 2011, 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 their coming into effect. The new or revised standards and interpretations had no material influence on the reported amounts.

STANDARD/ INTERPRETATION	NAME	NATURE OF AMENDMENT
IFRS 7	Financial Instruments: Disclosures	Extension of disclosure requirements for transactions in connection with the transfer of financial assets

The following new or revised standards and interpretations already issued by the IASB were not yet effective for the 2012 financial year: The option to apply standards and interpretations early was not exercised.

STANDARD / INTERPRETATION	NAME	NATURE OF AMENDMENT	EFFECTIVE DATE	EFFECTS
IFRS 1	First-time Adoption of IFRS	Amendments in relation to government loans at below-market rates of interest; amendment in relation to severe hyperinflation; deletion of references to fixed dates for first-time adopters of IFRS	1 January 2013	None
IFRS 7	Financial Instruments: Disclosures	Amendments to improve disclosures on offsetting of financial assets and liabilities	1 January 2013	None
IFRS 7	Financial Instruments: Disclosures	Change in mandatory effective date of IFRS 9 and amendments to transition disclosures	1 January 2015	See comments on IFRS 9
IFRS 9	Financial Instruments	Classification and measurement of financial instruments (published 2009); classification and measurement of financial liabilities and derecognition (published 2010)	1 January 2015	Under examination
IFRS 10	Consolidated Financial Statements	New standard including subsequent amendments for investment companies and transition regulations; replaces current versions of IAS 27 and SIC 12	1 January 2014	None
IFRS 11	Joint Arrangements	New standard including subsequent amendments for transition regulations; replaces IAS 31 and SIC 13	1 January 2014	None
IFRS 12	Disclosure of Interests in Other Entities	New standard including subsequent amendments for investment companies and transition regulations; extension of disclosure requirements for a reporting entity's involvement in subsidiaries, joint arrangements, associates and unconsolidated SPEs / structured entities	1 January 2014	None
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	January 2013	Extended disclosures in notes
IAS 1	Presentation of Financial Statements	Amendments relating to presentation of comprehensive income	1 July 2012	No significant effect, only amendment of presentation
IAS 12	Income Taxes	Deferred taxes: recovery of underlying assets	1 January 2013	None
IAS 19	Employee Benefits	Amendment in treatment of defined benefit plans and termination benefits	1 January 2013	None
IAS 27	Separate Financial Statements	Owing to the introduction of IFRS 10, the standard now only applies to separate financial statements	1 January 2014	None
IAS 28	Investments in Associates and Joint Ventures	Standard replaces previous version of IAS 28 (2003) Investments in Associates	1 January 2014	None
IAS 32	Financial Instruments: Presentation	Amendments to improve disclosures on offsetting of financial assets and liabilities	1 January 2014	None
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	New interpretation	1 January 2013	None
Annual IFRS-improvement project (2009 – 2011)	Various	Amendments essentially relate to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34	1 January 2013	No significant effect

Segment reporting

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

Assumptions and estimates

In preparing the annual financial statements, assumptions have been made and estimates used that effect 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, 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. Changes are taken into account when new information is available.

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 seven 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 or gains from appreciation or with an undetermined use are classified as investment property. They are not intended for administrative purposes or for short-term trade in the context of the ordinary 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 income statement.

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
Self-service shops	25 to 40

To calculate the fair value disclosed in the notes in accordance with IAS 40, our property portfolio was valued by an independent expert at the end of 2012. 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 (2013 to 2022), plus the residual value of the property calculated on the basis of its long-term free cash flow, also discounted to the measurement date. Discount rates of between 4.75% and 8.50% (previous year: 4.85% and 8.50%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 5.00% and 9.25% (previous year: 5.10 % and 9.25%). 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, impairment losses are recognised.

The recoverable amount is determined using the higher of fair value less cost to sell 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 is used as the value in use. If the reasons for impairment losses recognised in previous years no longer exist, they are reversed up to the amortised carrying amounts of the respective assets. Impairment losses are reported under "Amortisation of intangible assets, depreciation of property, plant and equipment and investment property". Write-ups 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 an operating lease are recognised in the income statement 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. This results in the recognition of the changes in carrying amounts in full in equity. Derivative financial instruments that are assets are reported under "Other assets", those that are liabilities are reported separately under "Financial liabilities".

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. As at 31 December 2012, bank balances included a fixed-term deposit of €15.0 million with an initial remaining term of five months. These items 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 assets classified as held for sale 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. (%)	2012	2011
Interest rate	3.1	4.7
Salary trend	0.0	2.0
Pension trend	2.0	1.8
Inflation	2.0	1.8

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 personnel costs, the interest expense included in pension expenses in interest expenses.

Expenses for defined contribution plans are recognised as an expense and reported in personnel 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 to the income statement

(1) Net rental income

Income from rents and leases for properties recognised in accordance with IAS 40 increased by €4,833 thousand to €36,993 thousand in the reporting year. The change was due to rent increases due to additions to investment properties in the current year and the previous year (€5,022 thousand), rent losses as a result of investment property disposals (€-387 thousand) and declines in rents (like-for-like) of €198 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 €169 thousand in the reporting year. €358 thousand of the increase in income from passed-on incidental costs to tenants was due to the net change in the investment property portfolio. The income from passed-on incidental costs to tenants for the other investment properties already included in the portfolio increased by a total of €189 thousand.

€ THOUSAND	2012	2011
Income from rents and leases		
Retail space	23,124	19,507
Office space and medical practices	12,329	11,058
Production and other commercial space	605	603
Apartments	434	468
Garages/car parking spaces	202	136
Other lettings and leases (agricultural leases, licensing agreements etc.)	164	190
Income from rent guarantees	135	198
Total	**36,993**	**32,160**
Income from incidental costs passed on to tenants	3,416	3,247
Total	**40,409**	**35,407**
Real estate operating expenses	−5,076	−4,598
Property and building maintenance	−2,104	−2,565
Net rental income	**33,229**	**28,244**

HAMBORNER generated more than 10% of its rental income with each of the Kaufland Group (€4.6 million) and the EDEKA Group (€4.2 million) in the 2012 financial year.

Real estate 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 €478 thousand to €5,076 thousand as a result of additions to the investment property portfolio. The expenses for property and building maintenance amounted to €2,104 thousand compared to €2,565 thousand in the previous year. The biggest operation in the reporting year was the energy refurbishment of the Dortmund property, Königswall. Of the €1,448 thousand in costs incurred for this operation in the 2012 financial year, €509 thousand related to expenses that cannot be capitalised.

€ THOUSAND	2012	2011
Real estate operating expenses		
Energy, water, etc.	2,445	2,035
Property charges	533	484
Land taxes	1,165	995
Ground rents	575	757
Insurance premiums	245	218
Miscellaneous	113	109
Total	**5,076**	**4,598**
Property and building maintenance	2,104	2,565
Total	**7,180**	**7,163**

(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 €74 thousand is mainly due to higher Supervisory Board remuneration.

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

€ THOUSAND	2012	2011
Audits of financial statements	76	70
Other assurance services	185	10
Tax advisory services	0	29
Other services	5	10
Total	**266**	**119**

Other assurance services in the reporting year mainly include fees in connection with the capital increase, which were offset against capital reserves. The tax advisory services in the previous year relate to the external audit performed in 2011.

(3) Personnel costs

With the headcount unchanged as against the previous year, personnel costs were virtually stable year-on-year at €2,868 thousand (€2,838 thousand).

€ THOUSAND	2012	2011
Wages and salaries	2,494	2,478
Social security contributions and related expenses	277	261
Retirement benefit expenses/pension expenses	97	99
Total	**2,868**	**2,838**

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

The depreciation and amortisation expense for 2012 was up €1,764 thousand on the previous year at €12,287 thousand. €12,227 thousand of this increase relates to investment property (previous year: €10,459 thousand). As in the previous year, no impairment was recognised due to adjustments of the carrying amounts in line with fair value measurement.

(5) Other operating income

€ THOUSAND	2012	2011
Reversal of impairment changes	299	1,418
Receipt of indemnifications and reimbursements	278	149
Reversal of provisions	705	34
Charges passed on to tenants and leaseholders	38	116
Others	25	52
Total	**1,345**	**1,769**

The reversal of impairment losses relates to the adjustment of properties impaired in previous years in line with the fair values determined by valuation experts as at 31 December 2012.

€700 thousand of the reversal of provisions in the reporting year related to the obligation for damages for mining operations no longer considered likely as described in note 22.

(6) Other operating expenses

Other operating expenses rose by €72 thousand to €917 thousand. This item essentially includes additions to the provision for mining damage of €241 thousand (previous year: €27 thousand) (see also note 22), legal and consulting costs of €235 thousand (previous year: €288 thousand) and costs of public relations work of €161 thousand (previous year: €154 thousand).

(7) Result from the sale of investment property

In the reporting year, we generated net income from the disposal of investment property of €884 thousand after €2,232 thousand in the previous year. In addition to three office buildings in Erfurt, we sold space held jointly totalling around 0.6 million m² predominantly used for agricultural purposes from our old undeveloped holdings in 2012.

(8) Financial result

Financial result consists solely of interest income and expenses. The interest income amounts to €347 thousand (previous year: €408 thousand) and mainly consists of interest on call money or fixed-term deposits at various banks.

Interest expenses increased by a total of €2,602 thousand to €10,974 thousand in the 2012 financial year as a result of the interest payments recognised in the income statement for the investment property loans borrowed in the previous year and the pro rata interest expense for the additional loans of the reporting year.

The interest expenses for interest rate hedges amounted to €3,386 thousand (previous year: €2,592 thousand). The payments we make quarterly on the basis of agreed interest rates amounted to €4,107 thousand in the reporting year (previous year: €3,733 thousand). The increase is due to a new interest rate hedge concluded as at the end of the previous year.

In return, we received variable interest in line with agreements on the basis of three-month EURIBOR of €721 thousand (previous year: €1,141 thousand). The decline is due to lower short-term interest rates. For further information on interest rate hedges, please see "Financial liabilities and derivative financial instruments".

(9) Income taxes

€ THOUSAND	2012	2011
Income tax expense in the previous year	0	2
Subsequent effects of exit tax	25	57
Income tax expense from external audit	0	1,232
Total	**25**	**1,291**

€25 thousand of the income tax expense 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 2012.

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

€ THOUSAND	2012	2011
Result of business activities	7,766	9,156
Tax rate in %	0	0
Forecast tax expense	0	0
+/– Tax effects in previous years	0	2
+/– Effects of exit tax/external audit	25	1,289
Income tax expense	**25**	**1,291**

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 €7,741 thousand and was down €124 thousand as against the previous year.

Earnings per share amounted to €0.20 and are calculated in line with IAS 33. Thus, earnings per share are determined by dividing the net profit for the period attributable to the shareholders by the weighted average number of shares in the financial year.

Earnings per share are not diluted by, for example, stock options or convertible bonds as HAMBORNER has no such programmes. The basic and diluted earnings per share are therefore the same.

		2012	2011
Weighted average number of shares outstanding	Thousands	39,309	34,120
Net earnings/net profit for the year	€ thousand	7,741	7,865
Earnings per share	€	0.20	0.23

Notes to the statement of financial position

(11) Intangible assets and property, plant and equipment

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

The carrying amount of the company's administrative building in Duisburg reported under property, plant and equipment amounted to €111 thousand as at the end of the reporting period.

(12) Investment property

Additions to investment property amounted to €88,307 thousand in the financial year. €81,530 thousand of this amount relates to property acquired in the reporting year and previous years, €5,608 thousand to advance payments for property not yet transferred to the company and €1,169 thousand to reinstated portfolio assets.

In the period under review we sold space of around 0.6 million m² predominantly used for agricultural purposes from our undeveloped land holdings.

Furthermore, a smaller plot of our undeveloped land holdings was reclassified to "Non-current assets held for sale" as at 31 December 2012 (see note (16)).

€299 thousand in impairment losses recognised on properties in previous years were reversed as at 31 December 2012. No impairment losses were required in the reporting year.

Investment property developed as follows in the reporting year:

€ THOUSAND	2012	2011
Balance as of 1 January	**435,190**	**321,505**
+ Additions due to acquisition	81,530	124,011
+ Additions due to advance payments	5,608	3,480
+ Additions due to subsequent investments	1,169	1,960
	88,307	**129,451**
– Disposals due to sales	–732	–1,239
– Disposals due to reclassification	–3	–5,486
	–735	**–6,725**
+ Reversals of impairment losses	299	1,418
– Depreciation and impairment charges for the financial year	–12,227	–10,459
Balance as of 31 December	**510,834**	**435,190**

The direct operating expenses for leased and vacant investment property amounted to €7,180 thousand (previous year: €7,163 thousand) in the reporting year. With the exception of temporary, partial vacancies in individual properties, the entire inventory was leased at the end of the reporting period. €221 thousand of the above amounts related to vacant space including the undeveloped property holdings not leased in the reporting year (previous year: €134 thousand). The expenses relating to the space not leased 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 2012 in line with internationally recognised standards.

Taking into account the additions and disposals in the reporting year, the market value of the developed property portfolio was €579,510 thousand as at 31 December 2012 (previous year: €498,880 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".

On 31 December 2012, there were purchase price obligations totalling €86.5 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 measured at present value. These predominantly include long-term interest-free housing loans and other loans to staff.

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

All receivables and other assets are carried at amortised cost. Write-downs on doubtful debts amounted to €21 thousand (previous year: €9 thousand). The result for the reporting year was reduced by the derecognition of receivables of €19 thousand (previous year: €47 thousand).

The €222 thousand (previous year: €232 thousand), other non-current assets included development costs paid for the leasehold property in Solingen and rental income from incentives (rent-free periods, construction subsidies) deferred over the term of the lease of €99 thousand (previous year: €0 thousand).

The receivables and other current assets break down as follows:

€ THOUSAND	2012	2011
Trade receivables	411	78
Receivables from disposals of land	0	2,180
Others	358	414
Total	**769**	**2,672**

The receivables from land disposals in the previous year related to a purchase price receivable from the sale of undeveloped land that was settled in the period under review.

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 €7 thousand (previous year: €9 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 five annual instalments until 2017.

(15) Bank deposits and cash balances

Bank deposits and cash balances break down as follows:

€ THOUSAND	2012	2011
Bank deposits	29,304	18,683
Cash balances	2	2
Total	**29,306**	**18,685**

Bank deposits included €11,791 thousand (previous year: €7,140 thousand) in demand deposits and €15,520 thousand (previous year: €11,070 thousand) in term deposits.

(16) Non-current assets held for sale

Non-current assets held for sales include undeveloped land in Dinslaken, for which a purchase agreement was concluded in December 2012 but which had not been transferred as at the end of the reporting period.

The three office buildings in Erfurt reported in the previous year were transferred in March 2012.

(17) Equity

The development of the equity from 1 January 2011 to 31 December 2012 is shown in the statement of changes in equity. As at 31 December 2012, the issued capital of the company amounted to €45.49 million and was divided into 45,493,333 no-par-value bearer shares.

By way of the resolutions of the Annual General Meeting on 17 May 2011, the Managing 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.

By way of resolution of the Managing Board, with the approval of the Supervisory Board, HAMBORNER increased its share capital by issuing 11,373,333 new shares (of which Authorised Capital I: 3,412,000 shares; Authorised Capital II: 7,961,333 shares) against cash contributions on 29 June 2012. As a result, the issued capital rose from €34,120,000 to €45,493,333. The new shares are entitled to dividends in full from 1 January 2012. The capital increase was entered in the commercial register on 18 July 2012.

As it was only partially utilised, Authorised Capital II still amounted to €5,687 thousand as at 31 December 2012.

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 has not yet utilised this authorisation.

The company reported a net retained profit of €34,527 thousand (previous year: €26,144 thousand) as at 31 December 2012. The Managing Board will propose the distribution of a dividend of €18,197 thousand for the 2012 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 German commercial law of €18,197 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, €14,290 thousand was withdrawn from other retained earnings as at 31 December 2012, resulting in an amount of €91,348 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 €–15,205 thousand (previous year: €–12,726 thousand) and actuarial losses on defined benefit obligations accrued as at 31 December 2012 in the amount of €–3,690 thousand (previous year: €–2,330 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	2012	2011	CHANGE IN %
Equity	276,752	215,131	+28.6%
Total assets	541,437	462,493	+17.1%
Reported equity ratio	**51.1%**	**46.5%**	**+4.6% percentage points**

In addition, compliance with the equity coverage 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 60.3% as at 31 December 2012 (previous year: 55.7%). The rise in the equity coverage ratio was essentially due to the capital increase performed in the reporting year.

A key figure in connection with solvency is the loan-to-value (LTV) ratio. This ratio is defined as net financial liabilities to the calculated value of the company's properties. The figure was 34.2% as at 31 December 2012 (previous year: 39.1%).

The framework for the management of the capital structure 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 €14,474 thousand to €230,697 thousand as a result of further borrowing for property financing. Derivative financial instruments declined by €2,479 thousand as a result of changes in market value to €–15,205 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 €93.2 million. Depending on the underlying loan transactions, the derivatives mature between 2013 and 2021. The change in the fair values of interest rate derivatives recognised in equity of €2.5 million resulted in a decline in fair value changes in derivatives in the revaluation surplus of €15.2 million.

NO.	TYPE	MATURITY	NOMINAL VALUE AT 31 DEC. 2012 € MILLION	FAIR VALUE € THOUSAND
1	Interest rate swap	Apr. 2018	15.4	–2,829
2	Interest rate swap	Apr. 2018	11.1	–2,050
3	Interest rate swap	Dec. 2013	11.6	–367
4	Interest rate swap	Dec. 2018	4.5	–764
5	Interest rate swap	Oct. 2017	34.0	–5,946
6	Interest rate swap	Nov. 2021	16.6	–3,249
Total			**93.2**	**–15,205**

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

€ THOUSAND	31 DEC. 2012			31 DEC. 2011		
	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	7,707	65,245	157,745	6,672	25,652	183,899
Derivative financial instruments	367	5,946	8,892	0	585	12,141
Total	**8,074**	**71,191**	**166,637**	**6,672**	**26,237**	**196,040**

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

€ THOUSAND	31 DEC. 2012			31 DEC. 2011		
PAYMENTS FOR INTEREST AND THE REPAYMENT OF	LESS THAN 1 YEAR	2–5 YEARS	MORE THAN 5 YEARS	LESS THAN 1 YEAR	2–5 YEARS	MORE THAN 5 YEARS
Financial liabilities	13,595	89,796	176,413	12,655	51,602	201,104
Derivative financial instruments	3,743	11,961	2,385	2,799	9,399	3,456
Total	**17,338**	**101,757**	**178,798**	**15,454**	**61,001**	**204,560**

All loans are secured by investment property. There were land charges of €253.0 million chargeable to the company for the financial liabilities reported as at 31 December 2012. 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: 4.42 %). 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 taken as a basis for the early identification of the future liquidity situation. The expected liquidity requirements are scheduled in medium-term planning, which covers a period of five years.

Liquidity requirements are calculated using daily, 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 € THOUSAND	2012	2011
Interest rate +1%	3,856	4,639
Interest rate -1%	–4,719	–5,837

Fair value of financial assets and liabilities measured at amortised cost

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

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 at the end of the reporting period.

€ THOUSAND	31 DEC. 2012		31 DEC. 2011	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial liabilities	230,697	245,700	216,223	221,671

Additional disclosures on financial instruments

In the separate financial statements, financial instruments are classified in line with the classification used for the statement of financial position. The following table shows the reconciliation of the items of the statement of financial position to IAS 39 categories. IFRS 7 applies to all assets and liabilities measured in accordance with IAS 39.

		MEASUREMENT IN ACCORDANCE WITH IAS 39			MEASUREMENT IN ACCORDANCE WITH OTHER STANDARDS
€ THOUSAND	31 DEC. 2012	FAIR VALUE, AVAILABLE-FOR-SALE / DERIVATIVES	AMORTISED COST, LOANS AND RECEIVABLES	AMORTISED COST, HELD-TO-MATURITY	AMORTISED COST
Assets					
Intangible assets	14				14
Property, plant and equipment	159				159
Investment property	510,834				510,834
Financial assets	24			24	
Non-current other assets	321				321
Current trade receivables and other assets	769		653		116
Income tax receivables	7				7
Bank deposits and cash balances	29,306		29,306		
Non-current assets held for sale	3				3
	541,437	**0**	**29,959**	**24**	**511,454**
Equity and liabilities					
Equity	276,752				276,752
Non-current financial liabilities, trade payables and other liabilities	225,003		223,379		1,624
Non-current derivative financial instruments	14,838	14,838 *			
Pension provisions	8,160				8,160
Other non-current provisions	1,566				1,566
Current financial liabilities, trade payables and other liabilities	12,021		8,581		3,440
Current derivative financial instruments	367	367 *			
Income tax liabilities	18				18
Other current provisions	2,712				2,712
	541,437	**15,205**	**231,960**	**0**	**294,272**

* Derivatives designated as hedges

	MEASUREMENT IN ACCORDANCE WITH IAS 39				MEASUREMENT IN ACCORDANCE WITH 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 deposits and cash balances	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	212,418		210,575		1,843
Non-current derivative financial instruments	12,726	12,726 *			
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

(19) Income tax liabilities

The income tax liabilities reported as at 31 December 2012 relate to 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 2012 in connection with the transformation into a REIT.

(20) Trade payables and other liabilities

The trade payables and other liabilities amounted to a total of €6,327 thousand as at 31 December 2012. €4,314 thousand of this amount is payable within the next twelve months. The amount recognised rose by €227 thousand year-on-year. The increase relates in part to the change in various purchase price and land transfer tax obligations. Trade payables climbed by €173 thousand to €231 thousand at the end of the reporting period.

(21) Pension provisions

There are pension scheme commitments for 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 vested 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 assumed 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 are broken down into current service cost, amortisation of actuarial gains and losses and interest expenses in accordance with IAS 19. While interest expenses are recognised in the financial result, the other items (except for actuarial gains and losses) are reported under personnel costs. In 2012, the interest expense from pension obligations amounted to €320 thousand (previous year: €298 thousand).

Actuarial gains and losses are recognised in other comprehensive income. Actuarial losses of €1,361 thousand were incurred in 2012 (previous year: gains of €109 thousand). Cumulative actuarial losses amounted to €3,690 thousand as at the end of the reporting period.

Development of pension provisions in the reporting year:

€ THOUSAND	2012	2011	2010	2009	2008
Carrying amount at 1 January (= present value at 1 January)	7,122	7,571	6,983	6,840	7,097
Current service cost	16	17	13	11	11
Interest expense	320	298	341	381	375
Actuarial gains (-) / losses recognised for the current year	1,361	–109	883	400	–31
Pension payments	–659	–655	–649	–649	–612
Carrying amount at 31 December (= present value at 31 December)	**8,160**	**7,122**	**7,571**	**6,983**	**6,840**

Defined benefit obligation (DBO) as at year-end	8,160	7,122	7,571	6,983	6,840
Experience adjustment on plan liabilities	32	201	226	199	171

In the year under review, HAMBORNER paid contributions of €148 thousand (previous year: €149 thousand) deemed as a defined contribution pension scheme to statutory pension insurance. In addition, the company paid direct insurance premiums of €7 thousand (previous year: €10 thousand) and premiums for employer-funded commitments of €60 thousand (previous year: €60 thousand). The company has no obligations other than its payment obligations under defined contribution schemes. The expenses are recognised in personnel costs.

Pension payments amounting to €601 thousand are forecast for the 2013 financial year.

(22) Other provisions

Other provisions break down as follows:

	1 JAN. 2012				31 DEC. 2012	OF WHICH	
€ THOUSAND	TOTAL	ADDITIONS	UTILISATION	REVERSALS	TOTAL	NON-CURRENT	CURRENT
Provisions for							
Bonuses	660	721	716	0	665	0	665
Mining damage	1,559	707	0	700	1,566	1,566	0
Provisions relating to the Articles of Association and legal form of the company	277	391	301	4	363	0	363
Legal and consulting expenses	166	124	166	0	124	0	124
Outstanding invoices	736	1,435	935	99	1,137	0	1,137
Miscellaneous	474	939	966	24	423	0	423
Total	**3,872**	**4,317**	**3,084**	**827**	**4,278**	**1,566**	**2,712**

The provision for bonus obligations assumes that the expected bonus payments in 2013 for 2012 will be €5 thousand higher than in the previous year and amounts €665 thousand.

The provisions for mining 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.

The provisions for mining damage rose by a net amount of €7 thousand year-on-year to €1,566 thousand as a result of reversals and additions. A provision of €700 thousand for possible claims for mining damages was reversed in the reporting year as utilisation is no longer expected. Also, HAMBORNER is 50% responsible for permanently stabilising three deep mining shafts. New information became available on the timing of the measures required and the associated costs, with the result that the related addition to mining provisions amounted to €181 thousand in the reporting year.

Provisions relating to mining activities are predominantly non-current provisions measured at their probable settlement amount at the end of the reporting period. Depending on their respective remaining term (between five and 22 years; previous year: 19 years), interest rates of between 1.9% and 4.2% (previous year: 5.2%) were assumed for discounting. The interest earned on this provision resulted in a rise of €466 thousand year-on-year as at 31 December 2012.

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 €401 thousand year-on-year to €1,137 thousand. Provisions for maintenance expenses not yet invoiced and operating costs were essentially recognised to the extent that these relate to 2012.

The miscellaneous provisions essentially include tenant refunds for outstanding operating cost invoices for the 2012 reporting year (€123 thousand), provisions for outstanding holidays (€96 thousand) and the costs of the annual report (€67 thousand).

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

There were no liabilities in connection with non-current assets held for sale as at 31 December 2012 (previous year: €30 thousand).

(24) Contingent liabilities and financial obligations

On 31 December 2012, there were obligations arising from notarised land purchase agreements to pay a total purchase price of €86.5 million. The obligations are payable on transfer of ownership of the properties, provisionally in 2013.

The purchase price for the property acquired in Langenfeld may rise if the vacant space is leased by the seller within 24 months of the respective purchase agreement.

NuOffice in Munich and the office property in Berlin 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 the factor stipulated in the purchase agreement based on the calculated difference in rent.

In the 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 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 three long-term leasehold contracts and are as follows:

MATURING ON	PAYMENT OBLIGATION (€ THOU. P.A.)	PASSED ON TO TENANTS (€ THOU. P.A.)
31 December 2034	204	204
31 March 2060	113	0
30 June 2023	210	0
Total	**527**	**204**

There are no further significant contingent liabilities 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.

Investment property with a carrying amount of €501.8 million (previous year: €435.9 million) was let under operating leases as at 31 December 2012.

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

€ THOUSAND	31 DEC. 2012	31 DEC. 2011
Up to one year	38,371	34,319
Between two and five years	124,305	109,987
More than five years	119,450	100,600
Total	**282,126**	**244,906**

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 to 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 bank deposits and cash balances with an initial remaining term of less than three months. The difference between cash and cash equivalents as at 31 December 2012 and the item in the statement of financial position "Bank deposits and cash balances" of €15.0 million is due to a fixed-term deposit with a remaining term of five months that is not included in cash and cash equivalents in accordance with IAS 7.7. As at the end of the reporting period, cash and cash equivalents rose by €4.4 million as against the previous year to €14.3 million. The reported bank deposits include security deposits to which the company has restricted access of €180 thousand.

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.

As in the previous year, cash flow from operating activities was not influenced by any significant extraordinary effects. The increase is essentially due to the expansion of the property portfolio.

Operating cash flow per share developed as follows:

		2012	2011
Number of shares outstanding	Thousands	45,493	34,120
Operating cash flow	€ thousand	27,505	24,651
Operating cash flow per share	€	0.60	0.72

(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 €94.1 million due to acquisitions in the financial year (previous year: €130.3 million).

(28) Cash flow from financing activities

The positive cash flow from financing activities of €62.2 million is due to net issue proceeds from the capital increase of €71.4 million.

The company also had total funds not yet utilised of €63.1 million at its disposal from concluded loan agreements. These funds can be accessed at short notice on fulfilment of the payout requirements.

Other notes and mandatory disclosures

Events after the end of the reporting period

Further loan agreements for a total of €33.3 million were concluded in January and February 2013. Together with loan funds of €63.1 million not yet utilised as at the end of the reporting period, the average interest rate on these loans is 2.99% as against 4.42% on existing financial liabilities.

Ownership of the office property "NuOffice" in Munich was transferred to us on 1 January 2013. The residual purchase price paid was €39.1 million. In this context, the company utilised €14.0 million of the loan funds not yet disbursed as at 31 December 2012.

The undeveloped land reported under "Non-current assets held for sale" was transferred on 9 January 2013. The sale price was €0.4 million.

The lease with the tenant Konsum for the Erlangen property, Allee-am-Röthelheimpark, was terminated early against payment of compensation by the tenant of €1.0 million. The new tenant for this space is Aldi Süd.

Employees

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

	2012	2011
Commercial property management	6	6
Technical property management	4	4
Administration	13	13
Total	**23**	**23**

Corporate Governance

In December 2012, 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 2012 Annual Report.

Notification of the existence of an equity investment

In order to obtain REIT status, 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 under section 11(4) of the German REIT Act. As at the end of the reporting period on 31 December 2012, the company was not aware of any shareholders with a direct shareholding of more than 10% of share capital.

We received the following notification 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% 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.

We received the following notification in accordance with section 21(1) WpHG on 20 March 2012:

The share of voting rights held by Asset Value Investors Limited, London, UK, fell below the threshold of 5% on 16 March 2012 and amounted to 4.89% (1,667,817 voting rights) on this date. 4.89% of the voting rights (1,667,817 voting rights) are attributable to the company in accordance with section 22(1) sentence 1 no. 6 WpHG.

We received the following notification in accordance with section 21(1) WpHG on 10 May 2012:

The share of voting rights held by Asset AVI FOCUSED EUROPEAN VALUE FUND, George Town, Cayman Islands, fell below the threshold of 3% on 9 May 2012 and amounted to 2.86% (974,170 voting rights) on this date. 2.86% of the voting rights (974,170 voting rights) are attributable to the company in accordance with section 22(1) sentence 1 no. 2 WpHG.

We received the following notifications in accordance with section 21(1) WpHG on 23 July 2012:

The share of voting rights held by Van Lanschot N.V., JN's-Hertogenbosch, Netherlands, exceeded the thresholds of 5% and 3% on 18 July 2012 and amounted to 9.99% (4,549,333 voting rights) on this date. 9.99% of the voting rights (4,549,333 voting rights) are attributable to the company in accordance with section 22(1) sentence 1 no. 1 WpHG through F. Van Lanschot Bankiers N.V. und Kempen & Co. N.V.

The share of voting rights held by Van Lanschot N.V., JN's-Hertogenbosch, Netherlands, fell below the thresholds of 5% and 3% on 20 July 2012 and amounted to 0.07% (30,000 voting rights) on this date. These voting rights are attributable to the company in accordance with section 22(1) sentence 1 no. 1 WpHG.

The share of voting rights held by F. Van Lanschot Bankiers N.V., JN's-Hertogenbosch, Netherlands, exceeded the thresholds of 3% and 5% on 18 July 2012 and amounted to 9.99% (4,549,333 voting rights) on this date. 9.99% of the voting rights (4,549,333 voting rights) are attributable to the company in accordance with section 22(1) sentence 1 no. 1 WpHG from Kempen & Co. N.V.

The share of voting rights held by F. Van Lanschot Bankiers N.V., JN's-Hertogenbosch, Netherlands, fell below the thresholds of 5% and 3% on 20 July 2012 and amounted to 0.07% (30,000 voting rights) on this date. These voting rights are attributable to the company in accordance with section 22(1) sentence 1 no. 1 WpHG.

The share of voting rights held by Kempen & Co. N.V., Amsterdam, Netherlands, exceeded the thresholds of 3% and 5% on 18 July 2012 and amounted to 9.99% (4,549,333 voting rights) on this date.

The share of voting rights held by Kempen & Co. N.V., Amsterdam, Netherlands, fell below the thresholds of 5% and 3% on 20 July 2012 and amounted to 0.07% (30,000 voting rights) on this date.

The share of voting rights held by Joh. Berenberg, Gossler & Co. KG, Hamburg, Germany, exceeded the thresholds of 3%, 5%, 10% and 15% on 18 July 2012 and amounted to 15% (6,824,000 voting rights) on this date.

The share of voting rights held by Joh. Berenberg, Gossler & Co. KG, Hamburg, Germany, fell below the thresholds of 3%, 5%, 10% and 15% on 20 July 2012 and amounted to 0% (0 voting rights) on this date.

We received the following notification in accordance with section 21(1) WpHG on 13 December 2012:
The share of voting rights held by Laris GbR, Düsseldorf, Germany, fell below the threshold of 3% on 11 December 2012 and amounted to 2.13% (970,000 voting rights) at this date.

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 2012:

Related party disclosures for the 2012 financial year
The related parties of HAMBORNER within the meaning of IAS 24 are only the members of the Managing Board, the Supervisory Board and their close relatives. There were no reportable transactions with related parties in the 2012 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 €861 thousand in the reporting year. This comprises remuneration and other short-term benefits of €750 thousand (previous year: €700 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 €111 thousand. The remuneration of the members of the Supervisory Board is due in the short term and amounted to €308 thousand for the financial year.

Former members of the Managing Board and their surviving dependents received payments of €426 thousand. The pension provisions recognised for this group of people amount to €5,074 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
Partner in Gebrüder John von Freyend Verwaltungs- und Beteiligungsgesellschaft m.b.H.
External mandates:
- AVECO Holding AG*
- Bundesanstalt für Immobilienaufgaben (BImA)** (from 1 March 2012)
- 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
Deputy Chairman
Management consultant

Christel Kaufmann-Hocker, Düsseldorf
Management consultant
External mandates:
- Stiftung Mercator GmbH**

Dr David Mbonimana, Seevetal
Managing Director of HSH Real Estate GmbH
External mandates:
- Amentum Capital Ltd.** (from 1 January 2012)

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)
- Wohnbau Dinslaken GmbH **

Bärbel Schomberg, Königstein
Managing Partner at Schomberg & Co Real Estate Consulting GmbH
External mandates:
- Bilfinger Berger Facility Services GmbH**
- WISTA Management GmbH** (until 31 December 2012)

Mechthilde Dordel***, Oberhausen
Clerical employee

Wolfgang Heidermann***, Raesfeld (from 1 January 2013)
Technician

Hans-Bernd Prior***, Dinslaken (until 31 December 2012)
Technician

Dieter Rolke***, Oberhausen (1 January 2012)
Clerical employee

Committees of the Supervisory Board

Executive Committee

Dr Eckart John von Freyend (Chairman)
Dr Bernd Kottmann
Robert Schmidt
Bärbel Schomberg

Audit Committee

Dr Bernd Kottmann (Chairman)
Wolfgang Heidermann (from 21 February 2013)
Christel Kaufmann-Hocker
Hans-Bernd Prior (until 31 December 2012)
Robert Schmidt

Nomination Committee

Dr Eckart John von Freyend (Chairman)
Dr Bernd Kottmann
Dr David Mbonimana
Bärbel Schomberg

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, 28 February 2013

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, 28 February 2013

The Managing Board

Dr Rüdiger Mrotzek Hans Richard Schmitz

PROJECT FACTS

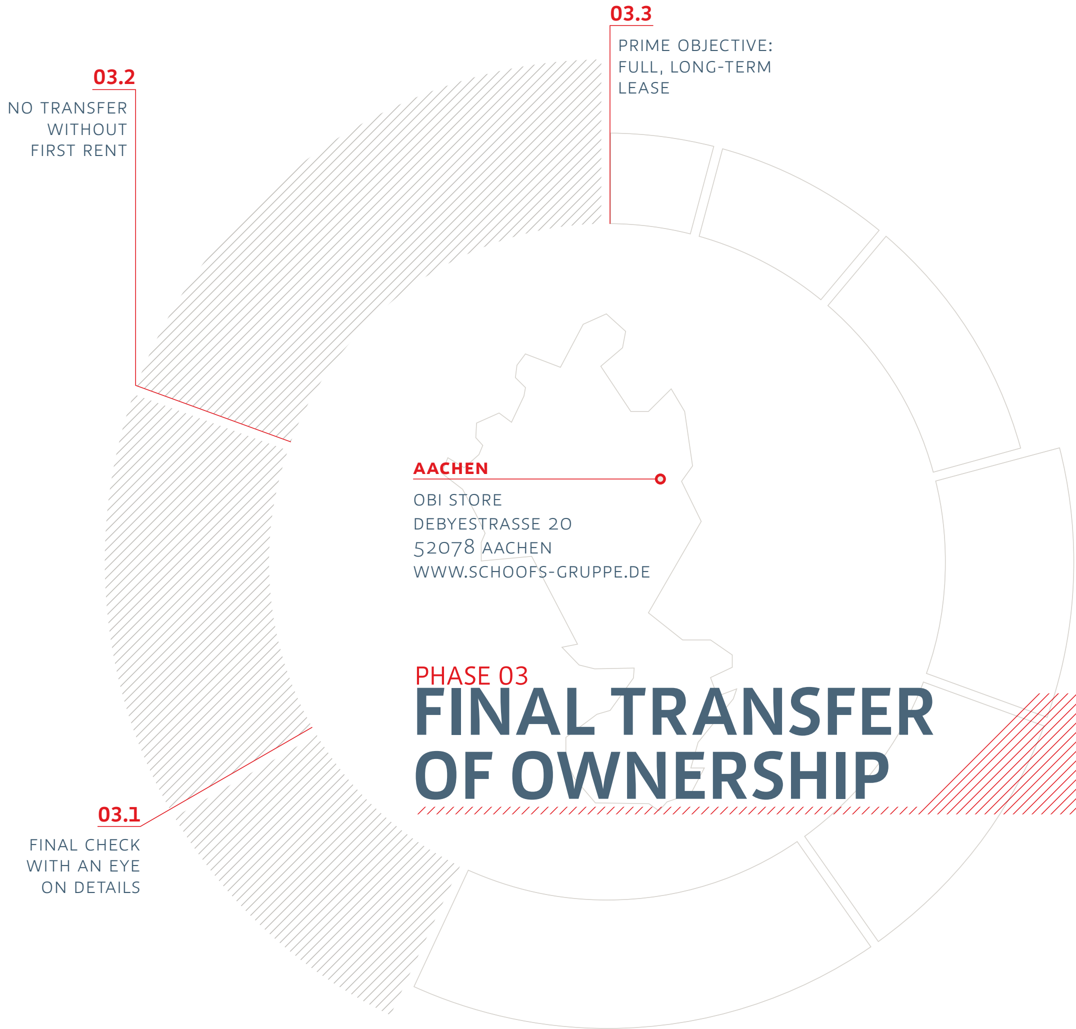
LOCATION AACHEN, ON THE B258, NEAR THE DEBYESTRASSE JUNCTION

COMPLETION
MARCH 2012

AREA 11,400 M²

TYPE OF USE
COMMERCIAL

CERTIFICATION
GREEN BUILDING



PHASE 03

FINAL TRANSFER OF OWNERSHIP

03.1 FINAL CHECK WITH AN EYE ON DETAILS

If the work on the property is complete inside and out, we perform the final inspection with the project developer, external building inspection partners and possibly the tenants. Any remaining defects are documented and processed so that the building can be occupied quickly.

03.2 NO TRANSFER WITHOUT FIRST RENT

Several months usually pass between signing the purchase agreement and the property being handed over. The handover requirements are contractually regulated and are only satisfied when the property has been accepted, the tenant has moved in and the first rent has been paid. That is when we pay the purchase price and the property becomes a part of the HAMBORNER portfolio.

03.3 PRIME OBJECTIVE: FULL, LONG-TERM LEASE

In the years that follow, our prime objective is to provide a professional management service for our new property and to maintain a close, trusting relationship with our tenants. This is because our properties are only attractive to tenants when they are in good and contemporary condition, which guarantees us a full, long-term lease.

THIS IS HOW A RETAIL PROPERTY BECAME PART OF OUR GROWTH STRATEGY IN AACHEN

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 terms of 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 2012.

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 2012, HAMBORNER's free float according to the notifications of voting rights that we have received was 77.56%. We notified the BaFin of this by way of letter dated 2 January 2013.

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 rights. 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 2012 financial year, 95.6% 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 to the disposal of immovable assets.

This requirement was met in full in the reporting year.

Section 13 of the German REIT Act: distribution to investors

In accordance with section 13(1) 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 on 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 €18.2 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 3.2% 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 60.3% as at 31 December 2012.

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 €18.2 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, 28 February 2013

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 28 February 2013.

IMPORTANT TERMS AND ABBREVIATIONS

AktG	*Aktiengesetz* – German Stock Corporation Act.
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.
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.
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).
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 / AFFO	Funds from operations / adjusted funds from operations: Key performance indicator for operating business and also a key control parameter of the company. The FFO is used within the framework of value-orientated corporate management to show the funds generated, which are available to shareholders for investments, repayments and dividend distributions in particular. Adjusted for maintenance and capitalisation expenditure in the financial year not recognised as an expense, this figure is known as AFFO.
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.
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.
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.
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.
Loan-to-value	Represents the financial liabilities of the company as a proportion of the fair value of its investment property portfolio, taking into account cash and cash equivalents.
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-transferable costs by the fair value of the investment 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.
Statement of cash flows	The statement of cash flows transparently shows a company's cash flows. Transactions affecting cash are classified according to operating, investing and financing activities.
Vacancy rate	The company calculates its vacancy rate as target rent for the vacant space 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.
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.

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

IMPRINT

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HAMBORNER REIT AG

FINANCIAL CALENDAR 2013 / 2014

27 March 2013	Annual report 2012
6 May 2013	Interim report for Q1 2013
7 May 2013	Annual General Meeting 2013
8 May 2013	Payment of dividend for the 2012 financial year
8 August 2013	Interim report for 1st half 2013
12 November 2013	Interim report for Q3 2013
26 March 2014	Annual report 2013
5 May 2014	Interim report for Q1 2014
6 May 2014	Annual General Meeting 2014

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AUDIT OPINION

To HAMBORNER REIT AG, Duisburg

We have audited the separate financial statements – comprising the income statement, the statement of comprehensive income, 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 the HAMBORNER REIT AG, Duisburg, for the financial year from 1 January 2012 to 31 December 2012. The bookkeeping 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 European Union (EU), and the additional requirements of German commercial law in accordance with section 325(2a) HGB are the responsibility of the company's management. Our responsibility is to express an opinion on the separate financial statements, together with the bookkeeping system, and on 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 books and records, 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 in accordance with 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, 28 February 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Harnacke)	(Pfeiffer)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)