hamborner REIT

ZUKUNFT BRAUCHT SUBSTANZ

ANNUAL REPORT
2015

SUCCESSFULLY GROWING

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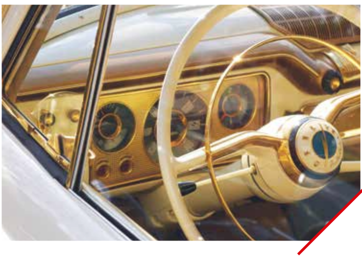

KEY FIGURES AT A GLANCE (IFRS)

€ thousand	2015	2014	2013
FROM THE INCOME STATEMENT			
Income from rents and leases	52,447	46,823	45,227
Net rental income	47,455	42,858	40,933
Operating result	23,634	19,893	20,416
Financial result	–13,293	–13,472	–12,249
EBITDA	45,936	48,422	37,149
EBDA	32,643	34,950	24,900
EBIT	27,068	30,581	20,770
Funds from operations (FFO)	29,209	24,555	23,786
Net profit for the year	13,775	17,109	8,521
FROM THE STATEMENT OF FINANCIAL POSITION			
Total assets	786,644	621,303	631,712
Non-current assets	752,046	607,779	596,302
Equity	406,074	270,195	271,744
Equity ratio in %	51.6	43.5	43.0
REIT equity ratio in %	61.5	53.1	52.5
Loan-to-value (LTV) in %	35.0	43.3	43.7
ON HAMBORNER SHARES			
Number of shares outstanding	62,002,613	45,493,333	45,493,333
Basic = Diluted earnings per share in €	0.25	0.38	0.19
Funds from operations (FFO) per share in €	0.47	0.54	0.52
Stock price per share in € (Xetra)			
Highest share price	11.41	8.29	7.58
Lowest share price	8.20	7.34	6.75
Year-end share price	9.61	8.12	7.34
Dividend per share in €	0.42	0.40	0.40
Dividend yield in relation to the year-end share price in %	4.4	4.9	5.4
Price/FFO ratio	20.4	15.0	14.1
Market capitalisation	595,845	369,406	333,921
OTHER DATA			
Fair value of property portfolio	899,816	717,490	691,830
Net asset value (NAV)	564,707	394,548	375,337
Net asset value per share in €	9.11	8.67	8.25
Number of employees including Managing Board	33	31	27

SUCCESSFULLY GROWING

The 2015 financial year was a highly successful one for our company. We have continued our growth and increased the value of our portfolio to around €900 million. Yet growth cannot be an end in itself: We are seeking to optimize our portfolio and our asset base in order to sustainably increase our earnings power. We are safeguarding our success – today and in the future.

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

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

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

Publishing this annual report today, we look back on the 2015 financial year and are delighted that we can once again report on the exceptionally positive operating performance of HAMBORNER REIT AG.

For HAMBORNER, 2015 was clearly defined by its ongoing growth. With the performance of two capital increases and gross issue proceeds of around €143 million, our investors have provided us with the funds that first allowed us to expand our portfolio to around €900 million with the acquisition of six high-return properties. The remaining scope for investment of between €100 million and €120 million is enough for us to reach the threshold of €1 billion for our property portfolio.

The company's growth and the good business performance in all areas are positively reflected in development of our key performance indicators, which are explained in depth in this annual report. We increased income from rents and leases by 12% and FFO by 19%. Not least as a result of the positive changes in the value of the existing portfolio of 3.6%, NAV per share increased by 5.1% to €9.11.

The closing price of our shares for the year rose significantly once again by 18.3% as against the previous year to €9.61. We will be proposing an increased dividend of €0.42 per share for the 2015 financial year at the Annual General Meeting on 28 April 2016. Based on the share price at the end of the year, this means a dividend yield of 4.4%.

Given the structure of our company, our solid financial situation and, not least, thanks to our employees, who are highly committed and do excellent work, we have positive expectations for 2016 as well.

At this point we would again like to thank all our investors for their confidence and, of course, our tenants and business partners for the outstanding cooperation. We hope that you will stick with us in 2016 as well and we look forward to talking with you.

Dr Rüdiger Mrotzek

Hans Richard Schmitz

TO OUR SHAREHOLDERS

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* also part of the management report

DR ECKART JOHN VON FREYEND
CHAIRMAN OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

LADIES AND GENTLEMEN,

The Supervisory Board of HAMBORNER REIT AG is delighted to again report a successful financial year for the company. The foundations for the further growth were laid with two capital increases in the past year. It is particularly gratifying that, in a highly competitive environment, we succeeded in investing a significant portion of the funds raised by the capital increases in attractive properties even before the end of 2015. HAMBORNER also made a good deal of progress selling smaller properties no longer consistent with strategy. In light of this, the Supervisory Board is optimistic for the 2016 financial year.

Changes in the Supervisory Board

The Deputy Chairman of the Supervisory Board, Dr Kottmann, and Dr Mbonimana stepped down from the Supervisory Board from the end of the Annual General Meeting on 7 May 2015. We would like to thank both gentlemen for their always constructive and untiring work on this executive body. On the same day the Annual General Meeting elected Mr Böge and Dr Linssen to the Supervisory Board.

Monitoring management and cooperation with the Managing Board

The Supervisory Board intensively and regularly monitored the work of the Managing Board again in the 2015 reporting year, and in doing so received detailed information on all significant business transactions and forthcoming decisions. The Managing Board reported comprehensively and in a timely manner at all times, both verbally and in writing, on the direction of the company and all relevant aspects of business planning including financial, investment and personnel planning. The Supervisory Board was also informed about the economic situation, the profitability of the company and the course of transactions, including the risk position and risk management.

There were seven meetings of the Supervisory Board in the 2015 financial year. We also passed resolutions on five urgent investment decisions and one decision in connection with the capital increase in February 2015 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 key transactions, forthcoming decisions and the current developments in the business situation.

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 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 18 March 2015, the Supervisory Board approved the separate IFRS financial statements and the annual financial statements of HAMBORNER REIT AG under German commercial law as at 31 December 2014, following its own review and discussion of significant aspects with the auditor Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. We endorsed the Managing Board's proposal for the appropriation of profits. We approved the acquisition of the retail property in Celle intended by the Managing Board. Additionally, we adopted the agenda for the 2015 Annual General Meeting and, in this context, named the candidates for the scheduled forthcoming elections to the Supervisory Board. As provided for by the law on the equal participation of women and men in management positions in the private and public sectors, the Supervisory Board set targets for itself and the Managing Board. The Managing Board was again granted non-vested share commitments and a bonus in the context of performance-based remuneration. In addition, we discussed the results of the review of our own activities by way of self-evaluation. All members of the Supervisory Board took part in this meeting.

The inaugural meeting of the Supervisory Board was held on 7 May 2015 after the Annual General Meeting. At this meeting Mr Schmidt was elected as the Deputy Chairman of the Supervisory Board and I was re-elected as its Chairman. Dr Linssen was elected to the Executive Committee and the other members were confirmed in office. Ms Kaufmann-Hocker, Mr Böge and Mr Heidermann were elected as members of the Audit Committee and Mr Schmidt was elected as its Chairman. Ms Schomberg, Mr Böge and Dr Linssen were elected as members of the Nomination Committee and I was elected as its Chairman. All members of the Supervisory Board took part in the meeting with the exception of Dr Linssen, who was out of country on a trip planned some time in advance.

At the meeting on 24 June 2015, which was held as a conference call, the Supervisory Board approved the resolution already adopted by the Managing Board on the utilisation of Authorised Capital II and Authorised Capital 2015 / II, and on the stipulation of the subscription ratio of three to one with a subscription price of €8.50 per share. All members of the Supervisory Board took part in this meeting.

At the meeting on 9 July 2015, which was again held as a conference call, the Supervisory Board approved the resolution already adopted by the Managing Board to increase the share capital by €11,959,948 from €50,042,665 to €62,002,613. Furthermore, owing to the capital increase, the Supervisory Board resolved to amend the Articles of Association. All members of the Supervisory Board again took part in this meeting.

The meeting on 4 September 2015 mainly addressed the status report of the Managing Board on the development of the investments in the 2007 financial year. All members of the Supervisory Board took part in the meeting with the exception of Mr. Böge, who was stuck in traffic.

The planning meeting on 11 November 2015 focused on the company's budget and medium-term planning for 2016 to 2020. 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 Aktiengesetz (AktG – German Stock Corporation Act) was adopted and the Rules of Procedure of the Supervisory Board were adapted in line with the amended German Corporate Governance Code. All members of the Supervisory Board took part in this meeting.

At its meeting on 8 December 2015 the Supervisory Board approved the largest single investment in the history of the company to date, the acquisition of the Haerder Center in Lübeck. All members of the Supervisory Board took part in this meeting as well.

Report by the committees

Some of the work of the Supervisory Board is performed by committees. There were three committees again in the 2015 financial year. The Executive Committee met three times. The first of these was on 27 January 2015 to discuss Managing Board matters and to prepare the resolution of the Supervisory Board on the dividend for the 2014 financial year. At its second meeting on 18 February 2015, the Executive Committee – on the basis of a corresponding authorisation by the Supervisory Board – approved the resolution of the Managing Board to increase the share capital of the company by €4,549,332 from €45,493,333 to €50,042,665 by issuing new shares with existing shareholders' pre-emption rights disapplied at an issue price of €8.993 per share. The meeting on 27 March 2015 discussed the possibility of further capital measures and authorised the Managing Board to make preliminary preparations.

The Audit Committee met four times in the 2015 financial year with the auditor in attendance on each occasion. It discussed the 2014 annual financial statements in detail and the 2015 quarterly and half-year interim reports were explained by the Managing Board. The Audit Committee also discussed the preparations for the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor. Furthermore, it issued the audit mandate and determined the focus of the audit. In addition, the Committee discussed the results of an internal audit that was outsourced to a third-party audit firm and also stipulated the audit issues for the next audit.

The Nomination Committee met twice in the reporting year. With the comprehensive support of a consulting firm, it focused on preparing candidate proposals for the Supervisory Board with regard to the forthcoming round of elections for the Supervisory Board. 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, together with the Managing Board, in the corporate governance report for 2015 in accordance with item 3.10 of the German Corporate Governance Code ("Code" for short). There were no conflicts of interest within the meaning of item 5.5.3 of the Code among our members. A declaration of independence in accordance with item 7.2.1 of the Code was obtained from the auditor.

The Supervisory Board and the Managing Board published an updated declaration of compliance with the Code in accordance with section 161 AktG in December 2015. This declaration of compliance can be accessed by the public on the company's website at www.hamborner.de in the section Investor Relations / Corporate Governance.

Adoption of the 2015 HGB annual financial statements (HGB) and approval of the IFRS separate financial statements

On 11 March 2016, in the presence of the auditor, first in the Audit Committee and then in the meeting of the Supervisory Board, the Supervisory Board examined and discussed in detail the annual financial statements under German commercial law and the separate IFRS financial statements of the company in accordance with section 325(2a) of the German Commercial Code, together with the management report and the proposal for the appropriation of profits. In preparation, all members of the Supervisory Board received copies of the audit reports early. The certifying auditors reported at length on the audit results and were available to the Supervisory Board to answer supplementary questions and provide information in the discussion.

There were no objections to the HGB and IFRS financial statements presented, with the result that the Supervisory Board approved them at its meeting on 11 March 2016. The 2015 annual financial statements under German 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 2015 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 7 May 2015. The auditor issued unqualified audit opinions 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 and their work. Together, they again achieved an excellent result in the past financial year as a result of their ongoing dedication.

Our thanks also go to our shareholders for the trust they have shown in us, and we hope for a continuing positive cooperation in the future.

Duisburg, 11 March 2016

Supervisory Board

Dr Eckart John von Freyend
Chairman

MANAGING BOARD AND SUPERVISORY BOARD

MANAGING BOARD

Dr Rüdiger Mrotzek, Hilden
born 1957,
member of the Managing Board
since 8 March 2007,
appointed until 7 March 2018,
Director for Finance / Accounting,
Controlling, Taxes, Portfolio Management,
HR, IT Risk Management and
Controlling, Investments

Hans Richard Schmitz, Duisburg
born 1956,
member of the Managing Board
since 1 December 2008,
appointed until 31 December 2017,
Director for Asset Management,
Technology / Maintenance, Legal,
Investor Relations / Public Relations,
Corporate Governance, Insurance

SUPERVISORY BOARD

Dr Eckart John von Freyend, Bad Honnef
– Chairman –
Partner in Gebrüder John von Freyend
Vermögens- und Beteiligungs-
gesellschaft m.b.H.

Robert Schmidt, Datteln
– Deputy Chairman –
Former Managing Director of Vivawest
GmbH, Vivawest Wohnen GmbH and
THS GmbH

Claus-Matthias Böge, Hamburg
Former Chairman of the Management
Board of Deutsche EuroShop AG

Christel Kaufmann-Hocker, Düsseldorf
Management consultant

Dr Helmut Linssen, Issum
Member of the Management Board
of the RAG Foundation

Bärbel Schomberg, Königstein
Managing Partner at 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 ("Code" for short) as amended on 5 May 2015, 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 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 post all important documents on our website in a timely manner.

Further information and the corporate governance declaration can be found on our homepage WWW.HAMBORNER.DE under Corporate Governance.

Since the Code came into effect, the Managing Board and Supervisory Board of HAMBORNER REIT AG 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 11 November 2015. 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 Government Commission for the German Corporate Governance Code published amendments to the Code in May 2015. The main changes primarily affect supervisory boards.

In line with the recommendations, the Supervisory Board must set a company-specific standard limit on the time spent as a member of the Supervisory Board. In November 2015 the Supervisory Board of HAMBORNER REIT AG therefore amended the Rules of Procedure of the Supervisory Board and set a standard limit of 15 years.

Furthermore, the revised Code recommends that the Supervisory Board ensures for each Supervisory Board candidates that the respective candidate can muster the expected time for his or her mandate. The Supervisory Board of HAMBORNER REIT AG has already considered this aspect in its selection of candidates in the past and will continue to pay attention to this in future through regular and close cooperation between the members and the various committees.

The Code also recommends the appropriate inclusion of women in appointments to Supervisory Board and management positions. In the past HAMBORNER already shared the relevance of this recommendation, which in 2015 was established in law by the Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector. At its meeting in March 2015 the Supervisory Board therefore set the following targets for the composition of the Managing Board and the Supervisory Board: The target for the composition of the Supervisory Board is a gender quota of 30%. The target for the composition of the Managing Board is a gender quota of 30%, which is intended to be implemented by 30 June 2017. The Supervisory Board currently consists of nine members in total, three of whom are women, and thus it already meets the target set for the Supervisory Board in full.

Gender quota: Targets for Managing Board and Supervisory Board set at 30%. Targets set at 20% for the two management levels below the Managing Board.

The Managing Board has also addressed the stipulations of the law on the equal participation of women and men in leadership positions and has set a gender quota target of 20% each for the two management levels below the Managing Board, to be implemented by 30 June 2017.

Considerable importance is also attached to the issue of the independence of members of the Supervisory Board. Within the meaning of the recommendation in the current 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 can give rise to 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.

The Code also recommends that the Audit Committee of the Supervisory Board handles the effectiveness of the internal audit department and compliance. The existing compliance guidelines were reviewed again by the Managing Board in 2015 and all employees received training. Furthermore, key business processes were submitted to an internal audit in the financial year under review. This audit was conducted by a third-party 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.

The Managing Board and the Supervisory Board issued the following declaration of compliance in accordance with section 161 AktG in December 2015. This states 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 recommendations of the Code in the text of the declaration of compliance:

Current declaration of compliance from December 2015
Declaration of the Managing Board and Supervisory Board
of HAMBORNER REIT AG
on the recommendations of the
Government Commission for the German Corporate Governance Code
in accordance with section 161 AktG

"The Managing Board and the Supervisory Board of HAMBORNER REIT AG declare that HAMBORNER REIT AG has complied with the recommendations of the Government Commission for the German Corporate Governance Code (Code) as amended on 5 May 2015, with the exception of the recommendation in item 4.2.1 sentence 1, since issuing its last declaration of compliance in December 2014, and will continue to do so in future."

Explanation: Item 4.2.1 sentence 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 the next declaration of compliance in December 2016.

Duisburg, December 2015

Managing Board 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, you can find information on the dates of recurring publications of financial reports and the Annual General Meeting in the section Investor Relations / Financial Calendar. Also, information on our planned roadshows and participation in conferences is now also posted here.

Our financial calendar:
WWW.HAMBORNER.DE
under Investor Relations

Our annual report and our interim reports, together with detailed explanations of the corresponding months under review, can also be viewed and downloaded on our website from the time of their publication. In addition, we 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 2015 financial year. There were no 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 thousand within a calendar year. The company was notified of the following transactions in the 2015 reporting year:

2015	Person subject to disclosure requirements	Function	Financial instrument	No.	Price	Total volume	Type of transaction
22 January	Robert Schmidt	Supervisory Board	Shares	28,334	€8.902	€252,216	Sale
6 July	Doris Weihermann	Natural person closely related to person with management responsibilities	Pre-emption right	17,751	€0.001	€18	Purchase
7 July	Dr Rüdiger Mrotzek	Managing Board	Shares	13,751	€8.500	€116,884	Purchase
7 July	Christian Mrotzek	Natural person closely related to person with management responsibilities	Shares	467	€8.500	€3,970	Purchase
8 July	Hans Richard Schmitz	Managing Board	Shares	12,000	€8.500	€102,000	Purchase
8 July	Doris Weihermann	Natural person closely related to person with management responsibilities	Shares	8,250	€8.500	€70,125	Purchase
8 July	John von Freyend Future KG	Legal entity closely related to person with management responsibilities	Shares	2,666	€8.500	€22,661	Purchase
8 July	Dr Eckart John von Freyend	Supervisory Board	Shares	6,748	€8.500	€57,358	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 with the filter Directors' Dealings.

There were no reportable holdings in accordance with item 6.6 of the Code as at 31 December 2015.

In compliance with the requirements of the German Investor Protection Improvement Act, a list of insiders including all relevant people is kept at the company.

The mandates of members of the Managing Board and the Supervisory Board are shown in the notes to the IFRS financial statements on pages 113 / 114 and related party information can be found on page 112.

Responsible risk management

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

The auditor Deloitte & Touche

The auditor proposed for election for the 2015 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 Code in a letter dated 19 March 2015. 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 2015 financial year

The system of Managing Board remuneration is geared in particular to providing incentives for successful management of the company designed to create sustainable value added. The remuneration system motivates the members of the Managing Board to dedicate themselves to and for the company in the long term.

Managing Board remuneration consists of fixed remuneration and short-term and long-term variable remuneration.

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, some of their pay is granted as long-term, share-based remuneration after a retention period of three years.

More than 50% of variable remuneration is 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 price performance 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.

The remuneration system is identical for both members of the Managing Board and consists of the following components:

Fixed remuneration
Fixed remuneration amounts to €210 thousand 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 thousand, dependent on the achievement of the FFO per share stipulated in the budget and personal targets. 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 thousand. 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-vested 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 thousand. The Supervisory Board can adjust this target amount by up to 20% in either direction based on the personal performance by the member of the Managing Board.

Half of the set target amount (LTI 1) is linked to development in absolute FFO and FFO per share and to the like-for-like development in the value of the portfolio over the past three years. The Supervisory Board determines 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 (LTI 2), 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 also determines 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 determines the relative performance of HAMBORNER shares as against the index. This results 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.

The value in excess of the cap will be disregarded if the closing price at the settlement date amounts to more than 200% (cap) of the closing price on the respective commitment date. Thus, the maximum amount for short-term variable remuneration and long-term, share-based remuneration of the members of the Managing Board totals €846 thousand in each case.

The members of the Managing Board receive the equivalent value of their share commitments in cash after the three-year retention period.

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 is 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 updated annually thereafter. The members of the Managing Board already fulfilled this obligation at the end of 2015.

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 thousand.

Termination benefits for the Managing Board

Members of the Managing Board are appointed for a maximum of five years. 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 his or her 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 or her dismissal. If the member of the Managing Board still has share commitments subject to the retention period as at the time of his or her departure, they expire at the end of the second trading day after publication of the results for the past financial year. The company will settle the commitment in cash at this time.

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 his 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. The company will settle the commitment in cash at this time.

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.

The remuneration granted to active members of the Managing Board on the basis of existing service agreements for the 2015 financial year broke down as follows:

	Dr Rüdiger Mrotzek				Hans Richard Schmitz			
€ thousand	**2015**	**2015 (min)**	**2015 (max)**	**2014**	**2015**	**2015 (min)**	**2015 (max)**	**2014**
Fixed remuneration	210	210	210	200	210	210	210	200
Benefits	28	28	28	28	42	42	42	46
Total	**238**	**238**	**238**	**228**	**252**	**252**	**252**	**246**
Short-term variable remuneration	***125**	**0**	**300**	***125**	***125**	**0**	**300**	***125**
Long-term variable remuneration	**130**	**0**	**546**	**130**	**130**	**0**	**546**	**130**
LTI 1 (2014) Plan ending 2017	–	–	–	65	–	–	–	65
LTI 2 (2014) Plan ending 2017	–	–	–	65	–	–	–	65
LTI 1 (2015) Plan ending 2018	65	0	312	–	65	0	312	–
LTI 2 (2015) Plan ending 2018	65	0	234	–	65	0	234	–
Total	**493**	**238**	**1,084**	**483**	**507**	**252**	**1,098**	**501**
Pension cost	30	30	30	30	30	30	30	30
Total remuneration under GCGC	**523**	**268**	**1,114**	**513**	**537**	**282**	**1,128**	**531**
Performance-based adjustment of the short-term variable remuneration	64	0	0	37	64	0	0	37
Total remuneration	**587**	**268**	**1,114**	**550**	**601**	**282**	**1,128**	**568**

* Based on 100% attainment of goals.

13,430 virtual share commitments were approved for the Managing Board for the 2015 financial year. They are subject to a three-year retention period. Their fair value as at the grant date was €130 thousand.

The table below shows the remuneration allocated for the 2015 financial year:

	Dr Rüdiger Mrotzek		Hans Richard Schmitz	
€ thousand	**2015**	**2014**	**2015**	**2014**
Fixed remuneration	210	200	210	200
Benefits	28	28	42	46
Total	**238**	**228**	**252**	**246**
Short-term variable remuneration	189	162	189	162
Long-term variable remuneration	–	–	–	–
Other	–	–	–	–
Total	**427**	**390**	**441**	**408**
Pension cost	30	30	30	30
Total remuneration	**457**	**420**	**471**	**438**

Other

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.

The total remuneration for former members of the Managing Board of the company and their surviving dependents amounted to €312 thousand in the 2015 financial year. The pension provisions recognised for this group of people amount to €4,197 thousand in accordance with IFRS (€3,116 thousand in accordance with HGB).

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.

Accordingly, the members of the Supervisory Board receive fixed annual remuneration payable at the end of a financial year of €22.5 thousand. The Chairman of the Supervisory Board receives double this remuneration, his deputy one and a half times this amount. In addition, each member of the Supervisory Board receives a fee of €0.5 thousand for attendance at meetings.

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

Members of the Supervisory Board on the Nomination Committee receive additional annual remuneration of €2.5 thousand if it convenes in the financial year, payable at the end of the financial year; the chairman of the committee 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 their remuneration pro rata temporis.

The relevant remuneration of the Supervisory Board for the 2015 financial year is as follows:

€ thousand	2015			2014		
	Fixed remuneration	Attendance fees	Total	Fixed remuneration	Attendance fees	Total
Dr Eckart John von Freyend	60.0	3.5	63.5	60.0	2.0	62.0
Claus-Matthias Böge	19.6	2.5	22.1	0.0	0.0	0.0
Dr Bernd Kottmann	17.8	0.5	18.3	51.3	2.0	53.3
Christel Kaufmann-Hocker	27.5	3.5	31.0	27.5	2.0	29.5
Dr Helmut Linssen	19.6	2.5	22.1	0.0	0.0	0.0
Dr David Mbonimana	8.7	0.5	9.2	25.0	1.5	26.5
Robert Schmidt	43.2	3.5	46.7	32.5	2.0	34.5
Bärbel Schomberg	30.0	3.5	33.5	30.0	2.0	32.0
Mechthilde Dordel	22.5	3.5	26.0	22.5	2.0	24.5
Wolfgang Heidermann	27.5	3.5	31.0	27.5	2.0	29.5
Dieter Rolke	22.5	3.5	26.0	22.5	2.0	24.5
Total	**298.9**	**30.5**	**329.4**	**298.8**	**17.5**	**316.3**

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 consulting or 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 sum insured was €7.5 million per claim as at 15 July 2015, not exceeding €7.5 million per insurance year. From 15 July 2015 the sum insured was increased to €15.0 million per claim and per insurance year. In accordance with section 93(2) AktG and item 3.8 of the 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 around €21.6 thousand plus insurance tax.

SUSTAINABILITY AT HAMBORNER

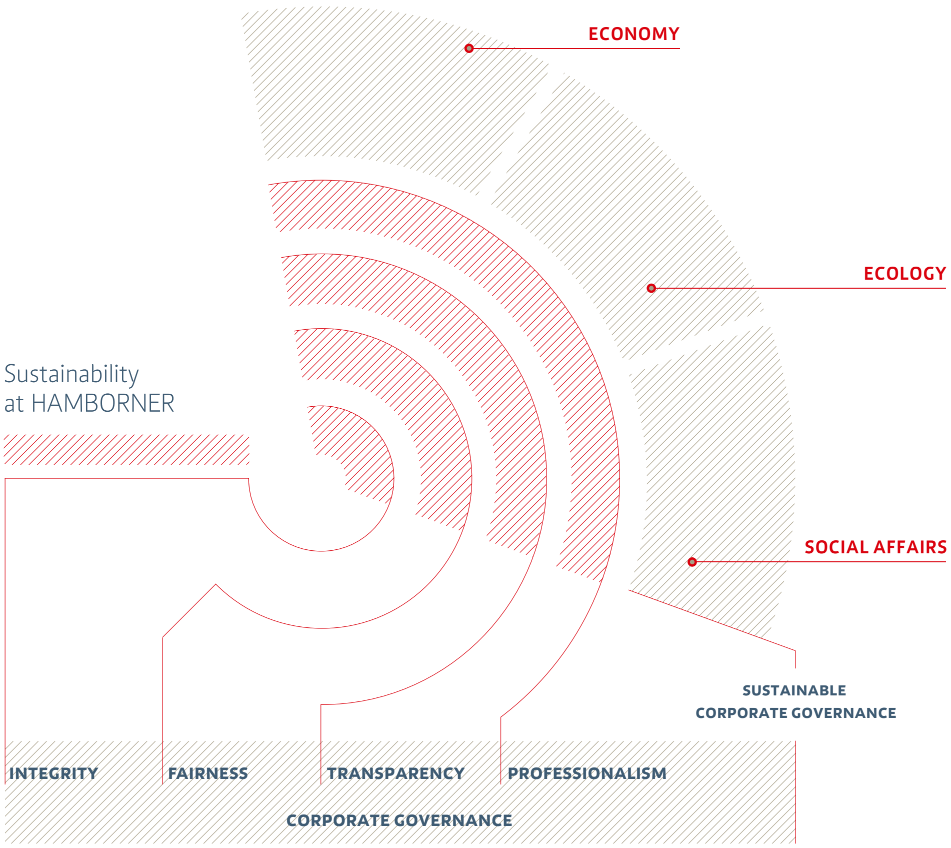
The success of a company is not measured by its revenue and income alone. Profitable growth is only possible in the long term by accepting responsibility for the environment and society.

As an SDAX company, HAMBORNER REIT AG is today a known player on the German capital market and a reliable partner in the property industry. In this capacity, we have the obligation to act responsibly – not just in business terms, but in respect of the environment and society as well. HAMBORNER bases its implementation of sustainable management on the specifications and guidelines of the German Property Federation (ZIA) and the Global Reporting Initiative (GRID) in addition to complying with the recommendations of the Government Commission for the German Corporate Governance Code. HAMBORNER is also a member of Initiative Corporate Governance der deutschen Immobilienwirtschaft.

The standards of the ZIA and GRID also define the content of our sustainability report. After we presented our independent sustainability report for the first time in October 2013, we published the second subsequent edition, which also includes our progress report, in September 2015.

STRATEGIC SUSTAINABILITY CONCEPT

The following diagram illustrates the sustainability concept of HAMBORNER REIT AG:



The detailed sustainability report is available on our website WWW.HAMBORNER.DE under HAMBORNER REIT / Sustainability. You can also contact us for a printed version.

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 a precondition for our sustainable business success and the basis of actions in respect of the environment and society.

SPECIAL ISSUES IN 2015

Detailed information and economic, ecological and social analyses in relation to the issue of sustainability at HAMBORNER can be found in our sustainability report. At this point we would therefore like to only briefly describe the most important aspects in sustainability in the 2015 financial year.

Portfolio optimisation and modernisation

We systematically continued to optimise our portfolio in 2015. We are still pursuing the strategy of acquiring larger properties while at the same time selling smaller ones with more intensive management requirements. In expanding our portfolio we strictly adhered to economic, ecological and sociocultural criteria that were applied to development projects, new buildings and the acquisition of existing properties. Of particular note is the property acquired in Neu-Isenburg in 2015, which has an alternative heating and cooling system and a state-of-the-art photovoltaic and solar thermal system. Furthermore, several of our existing properties were modernised in line with the latest energy standards during the year. Among other things, the property in Offenburg was equipped with a new, highly efficient cooling system.

DGNB gold certification: Aachen Job Centre

The process of obtaining gold certification from the German Sustainable Building Council (DGNB) is currently underway for the job centre in Aachen, which has been in the company's portfolio since March 2015. Performance in up to 40 sustainability criteria in the fields of ecology, economics, technology, processes and location will be checked over the course of the certification process. The property is also being reviewed in terms of its sociocultural and functional aspects.

Sustainable building: The office property in Aachen acquired in the year under review is receiving DGNB gold certification.

Location revitalisation: T-Damm Center, Berlin

Back in 2014 HAMBORNER signed a contract to buy the "T-Damm Center", which was still being built by the project developer / seller at the time. At the end of 2015 the project was completed and the space was handed over to the tenants. Following the property's transfer, HAMBORNER has been the owner of the property at the historic location in the centre of Berlin since early December. The listed building on Tempelhofer Damm was built in the 1920s and was originally used as a tram depot. At the end of the 1990s it was converted into a market hall, though it failed to attract customers as it did not connect to the main traffic axis on Tempelhofer Damm. As part of the extensive renovation of the market hall, the building's historic fabric was preserved and added to with a modern new section that now connects it with Tempelhofer Damm. In implementing this project both the identity of the location was preserved and modern expectations for retail properties were met.

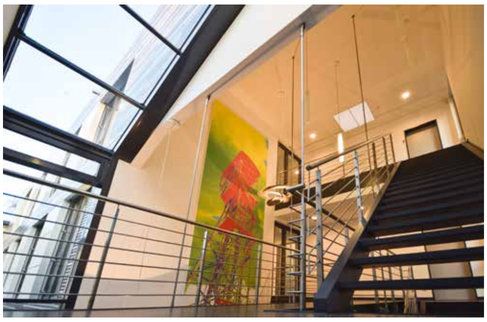
The revitalised T-Damm Center in Berlin was transferred to the HAMBORNER portfolio at the end of 2015.

Steeped in tradition: HAMBORNER's corporate headquarters

HAMBORNER will remain true to its name and its corporate headquarters in the Duisburg district of Hamborn in the future as well. The building at Goethestrasse 45, which has served as the company's headquarters since the early 1970s, was last year added to with a three-story extension. The HAMBORNER story, which now goes back more than 60 years, will be written here in the years ahead as well. Land already owned by the company was used for the extension. This not only meant lower costs, but it also avoids the unnecessary travel time that would have arisen from having offices at different locations.

Exterior view of the extension of the HAMBORNER administrative building

The extension was built according to modern energy standards and using high-quality and sustainable materials. The new part of the building was completed and we moved in at the end of 2015. This will now be followed by the renovation and energy retrofitting of the old building in 2016. The reconstruction and expansion of the administrative building will create a total of 24 additional offices and a social area for the company's employees, paving the way for further sustainable growth by the company.



Open and transparent: The extension of the HAMBORNER administrative building from the inside

HAMBORNER SHARES

General situation on the stock market

2015 was a volatile but ultimately successful trading year.

From January – after the parliamentary elections in Greece – the markets first watched the discussions about the possibility of restructuring the Greek state. This issue evolved into an ongoing conflict that quickly escalated and threatened to tear apart the entire euro area. Nevertheless, extensive credit programmes were resolved at European level and the ECB dramatically eased its monetary policy, also in order to counter potential deflation. Accordingly, the European key lending rate was deliberately left at a record low of 0.05% and a bond purchase programme of €1.5 trillion was launched.

Furthermore, geopolitical flashpoints such as Ukraine, Syria and Iraq caused unrest in 2015. China also made for substantial turbulence on the financial markets this year.

Despite these crises, the German benchmark index (DAX), while fluctuating considerably over the year, rose by 9.6% to 10,743.01 points. The price gains were thanks to a robust economic situation and, to a large extent, the central banks that energised the markets with a loose monetary policy. Even though economic concerns in China caused the DAX to slip briefly in the middle of the year, the DAX closed the year up for the fourth time in a row.

+9.6%
DAX in 2015

The indexes that follow the DAX, the MDAX and the SDAX, also posted significantly higher growth of 22.7% and 26.6% respectively in the past year.

+26.6%
SDAX in 2015

At the end of 2015 market experts were predominantly forecasting a positive overall performance on the stock market in 2016. Events will continue to be driven by low interest rates, with the result that equities will remain in a zone defined by high valuation and a lack of investment alternatives. According to many bank forecasts, investors must be prepared for greater volatility on the stock markets, which was already proved true at the beginning of the year. Although the forecast scenario assumes moderate economic growth, the safe distance from a possible slide into recession is regarded as still too slim. Nevertheless, given the positive economic assessment, many analysts assume that shares will be the most interesting and promising investment category in the current year.

Property shares benefited from the positive influence of low interest rates and the search for viable investment options again in 2015. Thus, the importance of property stocks in the stock indices has increased substantially in recent years. There is now one property company listed in the DAX, four in the MDAX and six in the SDAX.

The DIMAX property index compiled by the bank Ellwanger & Geiger, which tracks 64 listed property stocks, rose by more around 31% between 2 January 2015 and 30 December 2015 and therefore clearly outperformed the DAX. The FTSE EPRA / NAREIT Developed Europe ex UK Index, which is published by the European Public Real Estate Association in Brussels, gained around 15% over the year.

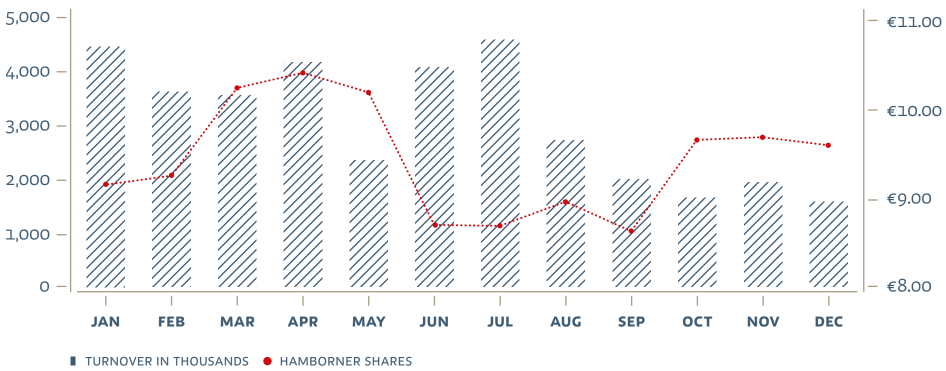
HAMBORNER REIT AG shares

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 securities identification number 601300 (ISIN: DE0006013006). They meet the international transparency requirements of Deutsche Börse's Prime Standard.

+64%
trading volume in HAMBORNER shares rises to 37.0 million

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 trading volume of our shares increased by 64% over the year – partly as a result of the capital increases – to around 37.0 million in 2015 after around 22.6 million in the previous year. The average trading volume climbed to around 146 thousand shares per day compared to 90 thousand in the previous year.

Development of HAMBORNER shares



Price performance of HAMBORNER shares in 2015

The performance of HAMBORNER's shares was positive over 2015, reaching their highest point for the current year of €11.41 in the middle of April 2015. The shares were therefore quoted well above NAV in the first half of the year, which was at €8.81 as at the end of the first quarter. After the capital increase at €8.50 per new share at the start of July 2015, the price fluctuated between €8.27 and €9.38 until the end of the third quarter. Volatility was essentially consistent with general stock market circumstances. The shares closed at a price of €8.65 as at 30 September 2015. The share price then shot up again in the last three months of the year, ultimately closing at €9.61 as at 31 December 2015. This corresponds to an increase of 18.3% as against the end of 2014 and is 5.5% above NAV per share as at 31 December 2015 (€9.11). Market capitalisation as at the end of the year was €595.8 million (previous year: €369.4 million).

+18.3 %
rise in share price relative to 2014 closing price. Closing share price on 31 December 2015: €9.61

Shareholder Structure as at 31 December 2015

Capital increases in February and July 2015

On 18 February 2015 the Managing Board and the Supervisory Board resolved a capital increase from authorised capital of 10% of the share capital. The 4,549,332 new shares were subscribed to at a subscription price of €8.99 per share by a fund of the RAG Foundation, Essen, which is therefore currently the company's single largest shareholder. The gross issue proceeds from the subscription to new shares amounted to €40.9 million. The Managing Board and the Supervisory Board next resolved a capital increase against cash contributions with shareholders' pre-emption rights in effect on 24 June 2015. Share capital was to be increased with the partial utilisation of authorised capital and the issue of up to 16,680,888 new shares. In line with the subscription ratio of three to one, shareholders had the opportunity to subscribe to one new share at a subscription price of €8.50 for every three shares already held. The subscription period ended on 8 July 2015. 11,959,948 shares, 71.7% of those on offer, were subscribed to in total.

Issue of 16.5 million shares in 2015

The company generated gross issue proceeds of €101.7 million from the capital increase. On entry of the new shares in the commercial register on 9 July 2015, the share capital of the company therefore increased by a further €11,959,948 to currently €62,002,613.

HAMBORNER shares at a glance

		2015	2014	2013
Issued capital	€ million	62.0	45.5	45.5
Market capitalisation*	€ million	595.8	369.4	333.9
Year-end share price	€	9.61	8.12	7.34
Highest share price	€	11.41	8.29	7.58
Lowest share price	€	8.20	7.34	6.75
Dividend per share	€	0.42	0.40	0.40
Total dividend	€ million	26.0	18.2	18.2
Dividend yield*	%	4.4	4.9	5.4
Price / FFO ratio*		20.4	15.0	14.1

* Basis: Xetra year-end share price

Dividend development at HAMBORNER

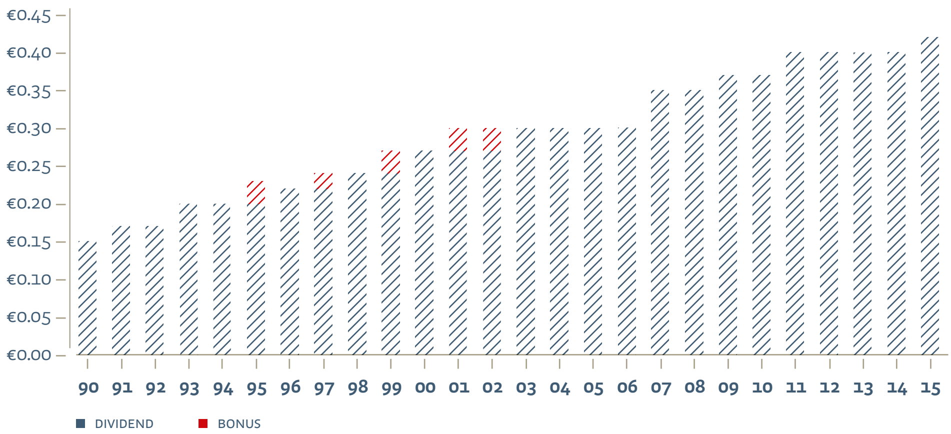
4.4 %
dividend yield

42 cents
dividend proposal to the 2016 Annual General Meeting

A dividend of €0.42 per share will be proposed to the Annual General Meeting on 28 April 2016 for the 2015 financial year. Based on the share price at the end of 2015, this represents a dividend yield of 4.4%.

HAMBORNER has steadily increased its dividend in previous years from €0.15 to €0.42 per share.

Dividend development



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

Investor and public relations

Active, continuous and transparent communication with the capital market is a matter of high importance at HAMBORNER. In our investor relations work we therefore regularly report on strategy, current business developments and our company's prospects for the future. Our goal is to give you, our investors, a solid, transparent impression of our company, enable a fair company valuation and shore up confidence in the company.

In 2015 we held roadshows on more than 25 days in Germany, at other European financial centres and in the United States, and attended a number of capital market and specialist conferences. Investors were also able to speak directly with the Managing Board in more than 130 individual interviews and in quarterly conference calls. Several interested investors were also able to form a personal impression of our properties as part of an individual property tour in 2015. Furthermore, the Managing Board and the investor relations department reported to private investors on development of the company at a special event as well, and answered questions in many personal talks and telephone calls.

>25
roadshow days and more than 130 individual interviews with investors in 2015

Analysts and investors were also provided with the latest news and publications not just in a direct dialogue but on the Internet through our newsletter too. It is particularly important for us is to adapt our website to the latest technical developments and the current requirements of new media and their users. We therefore fundamentally revised our website in the past 2015 financial year to provide you all the information in a new, fresher and clearer design. We have optimised all functions and layouts for use with mobile devices such as smartphones or tablets. So now you can have clear access to our corporate data at all times and even on the go.

Visit our new website optimised for mobile devices at WWW.HAMBORNER.DE

You can also use the contact form in the Investor Relations section to subscribe to our newsletter and receive information on HAMBORNER REIT AG directly by e-mail. Furthermore, we provide details of our planned roadshows and conference participation in advance in the financial calendar on our website.

Public relations work remains an important element in our communications concept. 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 the media in recent years.

We look forward to continuing our investor relations work in 2016 to provide you with information on our business performance promptly, transparently and comprehensively, to seek a dialogue with you and to answer your questions.

Contact for Investor Relations

Christoph Heitmann
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Fax: +49 203 54405-49
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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 development and market presence of the European property corporations. As in previous years, HAMBORNER reports in line with the standards recommended by EPRA to achieve the utmost transparency and comparability in determining key performance indicators.

Overview of EPRA figures

€ thousand	31 Dec. 2015	31 Dec. 2014
EPRA NAV	564,707	394,548
EPRA NNNAV	528,325	356,130
EPRA earnings	29,209	24,262
EPRA net initial yield	5.5%	5.7%
EPRA topped-up net initial yield	5.5%	5.7%
EPRA vacancy rate	1.5%	2.3%
EPRA cost ratio (including direct vacancy costs)	19.1%	19.2%
EPRA cost ratio (not including direct vacancy costs)	18.9%	18.7%

NAV / NNNAV

HAMBORNER has commissioned Jones Lang LaSalle GmbH, Frankfurt / Main, (JLL) to calculate the fair value of its property portfolio. Since the net asset value (NAV) was calculated for the first time in 2007 using the current fair values of properties, the properties have subsequently been measured each year. The measurement method used is consistent with the principles of the International Valuation Standards.

€ thousand	31 Dec. 2015	31 Dec. 2014
NAV*	**564,707**	**394,548**
– Derivative financial instruments	–8,240	–10,997
– Hidden reserves on financial liabilities	–28,142	–27,421
NNNAV	**528,325**	**356,130**
NAV per share in €	**9.11**	**8.67**
NNNAV per share in €	**8.52**	**7.83**

* See page 63 for NAV calculation

Net profit for the year

The figure "EPRA earnings" shows a property company's ability to make distributions from its sustainable operating income by adjusting net income for any measurement effects or the result of disposal activities. This indicator is therefore similar to the funds from operations (FFO) figure we report (see p. 62).

	€ thousand	31 Dec. 2015	31 Dec. 2014
	Earnings per IFRS income statement	**13,775**	**17,109**
+	Changes in value of investment property*	18,868	17,841
–	Profit or losses on disposal of investment properties	–3,434	–10,688
	EPRA earnings	**29,209**	**24,262**
	EPRA earnings per share in €	**0.47**	**0.53**
+/–	Adjustment for non-recurring effects from the remeasurement of provisions for mining damage	0	293
	Company specific adjusted earnings = FFO	**29,209**	**24,555**
	Company specific adjusted earnings per share = FFO per share in €	**0.47**	**0.54**

* Depreciation, impairment losses and reversals of impairment losses on property are recognised here on account of the recognition of property at depreciated cost.

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	31 Dec. 2015	31 Dec. 2014
	Fair value of investment property portfolio (net)	899,816	717,490
+	Incidental costs of acquisition	64,573	48,230
	Fair value of investment property portfolio (gross)	**964,389**	**765,720**
	Annualised rental income	58,245	47,683
–	Non-transferable property costs	–5,137	–4,355
	Annualised net rental income	**53,108**	**43,328**
+	Adjustments for rental incentives	11	11
	Topped-up annualised rental income	**53,119**	**43,339**
	Net initial yield	**5.5%**	**5.7%**
	Topped-up net initial yield	**5.5%**	**5.7%**

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. 2015	31 Dec. 2014
Annualised standard market rent for vacant space	873	1,079
Annualised standard market rent for portfolio as a whole	57,061	47,753
Vacancy rate	**1.5%**	**2.3%**

Cost ratio

The cost ratio is intended to allow comparisons of the relevant operating costs and administrative costs of listed property companies. The relevant costs include all expenses from the IFRS financial statements (not including depreciation, interest, or taxes) for the management of the property portfolio that cannot be reallocated or passed on. The relevant costs calculated thusly are then compared to the (possibly adjusted) income from rents and leases of the company.

€ thousand		2015	2014
	Administrative / operating expenses per IFRS income statement	28,134	26,607
+	Net service charge costs / fees	1,667	1,037
–	Other operating income / recharges intended to cover overhead expenses less any related profits	−398	−322
–	Investment property depreciation	−18,868	−17,841
–	Ground rent costs	−559	−543
	EPRA costs (including direct vacancy costs)	**9,976**	**8,938**
–	Direct vacancy costs	−100	−201
	EPRA costs (excluding direct vacancy costs)	**9,876**	**8,737**
	Gross rental income less ground rent costs	**52,243**	**46,619**
	EPRA cost ratio (including direct vacancy costs)	**19.1%**	**19.2%**
	EPRA cost ratio (excluding direct vacancy costs)	**18.9%**	**18.7%**

In the reporting year, as in the previous year, no costs were capitalised in connection with the administration of the property portfolio. General contractors are usually commissioned for the planning and performance of larger modernisation work eligible for capitalisation. To the extent that the company's own employees render key services in connection with these measures, the corresponding personnel expenses would be capitalised.

1/3 PREPARING GROWTH

In cooking, it's true that:
A dish can be only as good as its individual ingredients. Even a single mistake can ruin the flavour of an entire dish. As a responsible asset manager, HAMBORNER makes sure that every property suits its strategy and its portfolio.

1/3

Care and time: A lot of individual steps are needed to prepare a delicious meal.

Making something good even better
»A chef must be creative, reliable and resilient. To serve a large number of guests at the same time, the processes in the kitchen are precisely timed – and all roles are clearly assigned. That way everyone can concentrate on their own job and deliver a perfect result. Whatever your station, the quality of the ingredients has to be right. That means carefully selected produce, free from contaminants, fresh on the table. A good cook can prepare a delicious meal even from simple tools and ingredients. For me, perfection in cooking means making something good even better, giving grandmother's recipes a modern touch and having the courage to try new combinations. To do this, however, all the ingredients have to perfectly coordinated. Professional cooking takes time and passion. After all, if you don't understand your craft, even the best ingredients won't amount to much.«

HANNAH KREYMANN
Chef at "Lido" in Düsseldorf, in charge of vegetables and sides

INCOME FROM RENTS AND LEASES 2015

€52.4 million

AVERAGE VACANCY RATE

1.9%

Selling also a part of the portfolio strategy

»HAMBORNER's shares have among the highest dividends of any company in the property industry. By growing sustainably, we are strengthening our business – in 2015 we achieved all our investment objectives and further enhanced the value of our portfolio. This is not just about buying new properties, but also smaller ones no longer consistent with strategy. Because every property affects the overall portfolio: a property's type, location and capacity for third-party use are central factors in our strategy. A strong portfolio is the foundation of our success – in order to stand our ground against our competitors in the long term, we are building a professional and motivated team that covers all services with broad expertise. This keeps us close to the tenant at all times – and we can keep on achieving strong results.«

DR RÜDIGER MROTZEK
member of the Managing Board of HAMBORNER REIT AG

INGREDIENTS FOR A STRATEGICALLY PLANNED PORTFOLIO

69
PROPERTIES

55
LOCATIONS

€900 MILLION
IN PORTFOLIO VALUE

+ 3.6%
CHANGE IN FAIR VALUE OF EXISTING PORTFOLIO

Bon appétit

2/3

ACCOMPANYING GROWTH
ON PAGE 77

MANAGEMENT REPORT

02

BASIC INFORMATION ON THE COMPANY

BUSINESS MODEL OF THE COMPANY

Concentration on the asset classes large-scale retail, high street and office

As a listed stock corporation in the form of a real estate investment trust (REIT), HAMBORNER REIT AG operates in the property sector and has positioned itself as an asset manager for profitable commercial properties. The company has an attractive, diversified property portfolio that consists essentially of large-scale retail properties, high street properties and high-quality office buildings at established office locations. The company has generated stable rental income in recent years with its portfolio distributed throughout Germany and a high occupancy rate by market standards.

CORPORATE STRATEGY AND GOALS

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 safeguard the profitability of the property portfolio in the long term by acquiring high-yield properties. To increase profitability, it also sells properties with 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 locations, high street properties and high-quality office buildings

HAMBORNER's property portfolio concentrates on a balanced mix of the following three property classes: large-scale retail properties in locations with high footfall that afford tenants an excellent market positioning, high street properties located in pedestrianised areas of cities with high purchasing power and high-quality office buildings.

Large-scale retail properties offer a steady cash flow, thus forming the basis for ongoing dividend distributions. High street properties in prime locations offer potential for appreciation in value. Office properties usually have 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 €70 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.

€10 million to
€70 million
investment volume per property

This active portfolio and acquisition management is limited to just the company's own portfolio. Project development by the company itself is not part of its business strategy. It also does not perform 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 purchase commercial properties in south and southwest Germany in particular in future as these regions promise long-term growth and allow the company to increase the regional diversity of its portfolio. However, acquisition opportunities throughout the whole of Germany are considered.

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 the opinion of the company, 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. The company also believes that there is also a better selection of suitable properties and that the competition for these properties is generally not quite as high as in the major urban centres. The developments in market prices, cash flows from rental operations and the returns generated in these target markets are therefore also more stable overall and can be planned better. Basically, and especially in the field of office properties, the company also does not rule out the acquisition of commercial properties in major German conurbations given good purchase opportunities in terms of sustainability.

The REIT equity ratio is to be kept at around 50%

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

As a REIT company HAMBORNER, among other things, must distribute 90% of its HGB net income for the financial year and maintain a REIT equity ratio of 45%. In addition, the company is managed according to the performance indicators funds from operations (FFO) and net asset value (NAV) per share.

HAMBORNER's healthy financing structure with its relatively low loan-to-value ratio (LTV) and high equity ratio helps it to leverage acquisition opportunities in the current market environment. As the company is a REIT and must distribute most of its profits, the company plans to finance the growth of its property portfolio with a balanced mix of equity and debt capital moving ahead. The company strives to maintain a REIT equity ratio above the legally required minimum of 45% at around 50%.

MANAGEMENT SYSTEM

FFO and NAV per share: key management control parameters

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.

Our management at company level is based on the performance indicators calculated using IFRS figures of funds from operations (FFO) and net asset value (NAV) per share. In particular, key operating value drivers and factors influencing development of FFO include rental income, the vacancy rate, personnel expenses, maintenance and interest expenses. Improvements in efficiency due to growth are expressed by the operating cost ratio, i.e. the ratio of administrative and personnel expenses to rental income. The like-for-like development in the value of the portfolio significantly influences NAV as a performance indicator. Controlling reports and scorecards ensure internal transparency of developments in key ratios over the year. The remuneration of the Managing Board is also based in part on FFO per share (please see also the comments in the remuneration report). The calculation of the FFO and NAV figures is shown in the economic report.

ECONOMIC REPORT

ECONOMIC ENVIRONMENT

The German economy continued to grow in 2015, particularly as a result of strong domestic demand. According to Deutsche Bundesbank's December monthly report, consumer spending is being supported by higher income due to stronger employment growth and clear earnings increases. In addition, pressure on private household budgets has eased thanks to the decline in the price of crude oil.

According to the Federal Statistical Office, gross domestic product (GDP) climbed by 1.7% in 2015 after 1.6% in 2014. However, it also states that consumer prices rose by just 0.3% in 2015 after 0.9% in the previous year. The development in consumer prices was largely characterised by the 7.0% drop in energy prices. In particular, prices for food were up by 0.8% and for services by 1.2%. The development on the German labour market remained positive in 2015. An average of 2.8 million people were unemployed over the year according to the Federal Employment Agency. This corresponds to an average unemployment rate of 6.4%.

SITUATION ON THE PROPERTY MARKET IN GERMANY

Retail property market

According to the Federal Statistical Office, German retail sales were up by approximately 3% compared to the previous year in 2015. The sales growth of 2.7% in real terms is the highest increase in retail sales since 1994. Sales in the Internet and mail order segment again grew very strongly (up 9.0%). Food retailers saw a real increase of 2.3%. Textiles, clothing, footwear and leather goods retailers had to make do without any major surges in sales as their figures remained flat on the previous year after adjustment for inflation.

Despite excellent economic conditions and vibrant domestic demand, actors on the German retail rental market are still playing it cautious. Consumer confidence is at a high level and consumers are in a buying mood. However, all this does not mean that many retailers are not worried about online retail and profound structural changes. Making a long-term commitment to a site is therefore currently a big step for many tenants, who consider rentals very carefully and thoroughly examine alternatives on the market.

According to JLL, the rental market for high street properties posted an overall solid result in 2015, but take-up was still around 10% below the previous year's result. By contrast, the number of leases concluded is slightly higher. Small and mid-sized areas dominate rentals. Among tenants, there was mainly expansion by young fashion providers, which thus consolidated their traditional predominance in textile retail. Young fashion accounted for around a third of the entire fashion segment, which at just under 40% was significantly ahead of food services at roughly 20%. Those seeking new retail rentals focused on Germany's major cities (according to JLL, the big ten cities account for a market share of around 40%) – though mid-sized cities with good retail sales are also still desirable expansion targets.

On average, the rise in prime rents for high street retail properties slowed in the cities analysed by JLL. The average value for the second half of 2015 was an increase of 0.4%, while one year previously this had been 1.7%. The reason for this was declines in prime rents in smaller towns.

Office space market

For years the German office rental market lagged significantly behind developments in the investment sector in terms of growth and demand momentum. In 2015 the rise swept up both segments for the first time: Not only did the investment market post record figures in the past year, but office space take-up also reached a new high.

At 3.6 million m² according to JLL, take-up at the big seven German office locations (Berlin, Düsseldorf, Essen, Frankfurt / Main, Hamburg, Cologne, Munich and Stuttgart) in 2015 was around 20% higher than in the previous year and beat the last record from 2011 by around 7%. Even the five-year average was significantly surpassed by nearly 20%. The sales growth did not just focus on the top locations. Companies from the telecommunications / IT sector and industry in particular are predominantly focusing on secondary locations on account of the lower rents – but without having to make compromises in terms of the quality of area or features – and are thus ensuring growth across the board.

Düsseldorf (up 46%) and Berlin (up 43%) enjoyed considerable year-on-year sales growth, according to JLL. Berlin not only achieved an all-time high at approximately 880 thousand m², it also ousted Munich from the top spot for the first time. Double-digit increases were posted in Munich and Cologne as well. Hamburg, Stuttgart and Frankfurt ended the year with slight increases in sales.

According to JLL, cumulative vacancies in the big seven at the end of 2015 amounted to 5.7 million m² – below the 6 million m² line for the first time since 2002 and down around 16% on the previous year. Aggregated across all of the big seven, the vacancy rate at the end of 2015 was 6.4% – another record low.

Prime rents increased in all the above cities except Cologne and Düsseldorf over 2015, according to JLL. In aggregate terms, prime rents in 2015 were up around 3%. As rents also increased in B locations, average rents rose overall in 2015, and at a faster rate than prime rates at around 4%.

According to JLL, the completion of new space amounted to around 870 thousand m² in 2015 and was therefore approximately 12% lower than the previous year's level.

German property investment market

2015 highest ever annual result on record for commercial real estate investment market

With a transaction volume of around €55 billion – according to JLL – the highest ever annual result was achieved on the investment market for commercial properties in Germany, up 40% on an already very good previous year and the sixth rise in a row. The fact that all key asset classes enjoyed clear gains highlights the broad base of demand and the consistently high interest in German commercial property.

The largest share of investments in 2015, according to JLL, was accounted for by office properties (share of around 40%), followed by retail properties at around 30%. The remainder is distributed among mixed-use properties, hotel properties and warehouse / logistics properties with around 10% each. According to CBRE GmbH, Frankfurt / Main, (CBRE), the retail property segment was dominated by retail warehouse properties and inner-city commercial properties (each just under 35%). In the previous year, inner-city properties had been in third place with around 20%, behind the dominant retail warehouses, retail parks and shopping centres. This high result was substantially contributed to by several large package sales, including the acquisition of Galeria Kaufhof and Sportarena department stores by a joint venture between Hudson's Bay Company and Simon Property Group in the first half of 2015. The inner-city commercial properties that changed hands were predominantly located outside the top five cities of Berlin, Düsseldorf, Frankfurt, Hamburg and Munich, where a shortage of suitable properties is now becoming noticeable. Shopping centres accounted for a share of around 30% of the total transaction volume.

Approximately 65% of the commercial transaction volume related to individual transactions in 2015 according to JLL. The year-on-year increase in absolute terms is 30%, slightly below the growth of the market as a whole. By contrast, the portfolio volume grew significantly faster by almost 60%. Investors in Germany and abroad continue to prefer large-volume assets or portfolios. Together, the ten largest transactions in the year account for roughly €10 billion (around 18%).

Germany has established itself as an international marketplace for commercial properties. According to JLL, foreign investors make up more than half of the investment volume. The majority of the invested capital originates from North America, the UK and France. The biggest transactions in 2015 were also dominated by foreign capital. Just three of the top ten were by German buyers.

In particular, the big seven locations benefited from strong investment sales. The cumulative transaction volume across all seven of them, according to JLL, amounts to around €31 billion, an increase of 35% as against 2014. In Berlin alone, sales amounted to more than €8 billion. Such a high volume has never before been seen in a German city. Around a quarter of investments in the seven major German cities were therefore along the Spree river in 2015, according to JLL, and the increase over the previous year was more than 80%. There were positive growth rates in all other big seven cities as well, with the highest recorded by Stuttgart, Düsseldorf and Cologne after Berlin. But the major cities alone are not the only thing on the market. On the contrary, investments outside the big seven increased strongly compared to 2014, by more than 43% to almost €25 billion.

Prime rents down further due to high demand for properties

The unrelenting high demand for German commercial property is causing further declines in prime yields with a corresponding shortage on the supply side. According to JLL, net initial yields for office properties in investment centres in Hamburg and Munich slipped further, and have reached a new low at currently 3.65% in downtown Munich. In Berlin, Düsseldorf and Frankfurt, prime yields stabilised at the end of the year at the low level of 4.0% to 4.3%. Given the very limited product offerings for core properties in central locations, investors are expanding their investment focus to office strongholds in B locations, resulting in an at times significant decline in yields for well positioned properties in this segment. In the retail segment, net initial yields fell mainly in the large-scale retail properties segment. According to CBRE, the figure for shopping centres in prime locations declined by 20 basis points to 4.1% in the last quarter of the year. The decline for retail warehouses and DIY stores was 25 basis points to 6.0% and 6.3% respectively, for retail

Investment focus widening to B locations parks it was 15 basis points to 5.3%. For inner-city commercial properties in the prime locations of the top investment markets, the values remained stable as against the previous quarter at 3.8%.

BUSINESS PERFORMANCE

HAMBORNER has again enjoyed a successful financial year. The good operating performance of recent years continued and was largely in line with expectations. The most important events in the financial year were the two capital increases in February and July. The gross issue proceeds of €142.6 million form the foundations for further growth. Accordingly, investments amounted to €156.7 million in 2015 for the acquisition of six properties in Aachen, Celle, Fürth, Giessen, Berlin and Neu-Isenburg. In addition, the company disposed of four smaller properties no longer consistent with strategy in the reporting year. As a result of changes in the property portfolio and also of an increase in the market value of our properties on a like-for-like basis (up 3.6%), the fair value of the property portfolio rose by a net amount of €182.3 million to €899.8 million as at 31 December 2015. Furthermore, in the financial year the company signed two purchase agreements to acquire properties in Ditzingen and Lübeck with a total purchase price of €61.8 million, and agreements to sell four properties no longer consistent with strategy at a total price of €8.4 million. Ownership had not yet been transferred as at the end of the reporting period.

HAMBORNER also had a successful year in 2015 in terms of its rental performance. With a total rental volume of 43,349 m², new rentals accounted for 15,079 m² and follow-up leases or renewals for 28,270 m². 3,435 m² in new rentals related to the property at Linzer Str. in Bremen. Full occupancy was achieved in this property after the space was handed over to the tenants. Moreover, leases for 6,565 m² were signed with the University of Erlangen for the property in Wetterkreuz, Erlangen, as at the end of the year. The University of Erlangen has been using this space as a subtenant since 2013, and will now be HAMBORNER's direct tenant for a partial area of 4,998 m² effective 31 January 2016, and for the remaining area of 1,567 m² from 1 January 2020. There were no major new vacancies for which new tenants have not yet been found in the 2015 financial year.

The positive business performance is also reflected in the result of operations, net asset situation and financial position as presented below.

REPORT ON RESULT OF OPERATIONS, NET ASSET SITUATION AND FINANCIAL POSITION (IFRS)

Result of operations (IFRS)

+12.0%
rise in income from rents and leases

Income from rents and leases amounted to €52.4 million in the reporting year and has therefore increased by €5.6 million or 12.0% as against 2014 due to new investments in particular. On a like-for-like basis – i.e. comparing the properties that were held in the portfolio throughout 2014 and 2015 – income from rents and leases was up by €0.5 million or 1.0% year-on-year overall at €45.3 million. As expected, uncollectable receivables and individual value adjustments were at a low level in the reporting year at around €20 thousand (previous year: €15 thousand).

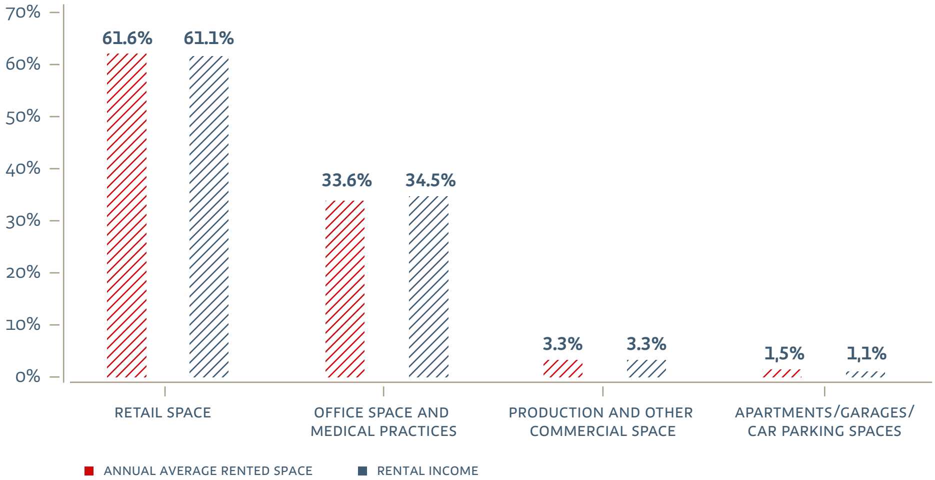
The economic vacancy rate including agreed rent guarantees was 1.9% (previous year: 2.3%), and therefore below the already low level of the previous year. Not including rent guarantees the vacancy rate was 2.1% (previous year: 2.5%).

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

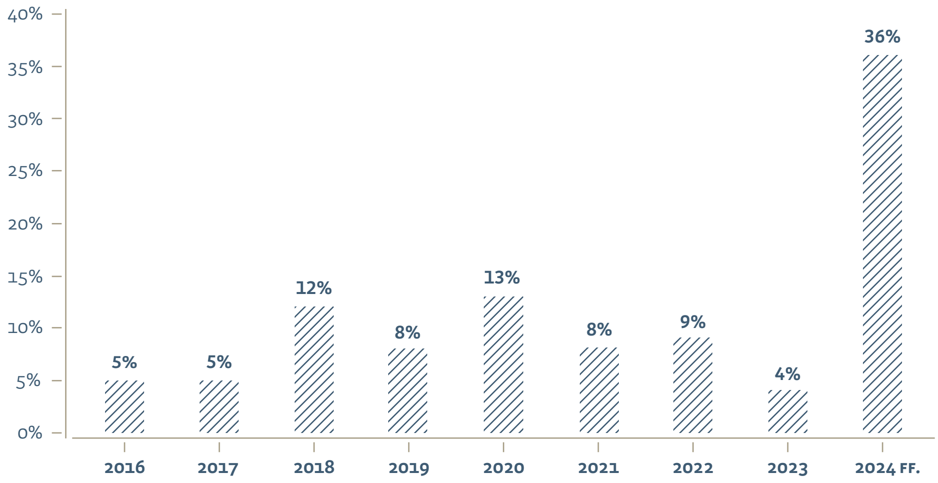
Company	Rental income in %*
1. EDEKA Group	13.6
2. Kaufland Group	9.0
3. OBI AG	7.1
4. real,- SB Warenhaus GmbH	5.3
5. German Federal Employment Agency, job centre	4.6
6. Rewe Group	2.2
7. C & A Mode GmbH & Co. KG	2.0
8. H & M Hennes & Mauritz B.V. & Co. KG	1.9
9. AREVA NP GmbH	1.7
10. SFC Smart Fuel Cell AG	1.7
Total	**49.1**

* 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 2015 portfolio breaks down by types of use and contributions to rental income as follows:



The chart below shows rental income in relation to leases expiring in the coming years:



6.9 years
is the average remaining term of our leases

The remaining term of our commercial rental agreements weighted according to rental income is 6.9 years. The weighted remaining term for the office sector is 4.8 years, 5.4 years for high street properties and approximately 9.5 years for large-scale retail space.

Total ***maintenance expenses*** amounted to around €2.6 million in the 2015 financial year (previous year: €2.2 million). There were also measures eligible for capitalisation of around €1.4 million (previous year: €4.0 million).

As in the past, extensive work was done in individual projects in the 2015 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 ensure their long-term letting prospects. A key task in building maintenance is the coordination and performance of conversion work for new and follow-on rental agreements.

Most of the more major renovation and revitalisation work at the following locations in 2015:

Biggest maintenance measure in 2015: leasehold improvements for new lease in Linzer Str., Bremen

The largest individual measures in the 2015 reporting year related to the conversion of an office building at Linzer Str. 7 in Bremen. The office building built in 1988 was converted and modernised for €0.9 million for the private educational institution FOM University of Applied Sciences for Economics and Management, a non-profit company. At the same site, the ground floors of the buildings Linzer Strasse 9 and 9a underwent conversion for €0.4 million and were handed over to the new office tenants. The funds invested for leasehold improvements in Linzer Str., Bremen, of €1.3 million in total resulted in costs of production eligible for capitalisation. Furthermore, we were able to create new and attractive rental space at our office locations in Despagstr., Ingolstadt, and Louisenstr. 66, Bad-Homburg, through conversion and modernisation work, and then to rent it to new tenants. The work resulted in maintenance expenses of €0.2 million. Other work in the area of large-scale retail with a maintenance expense of around €0.2 million related to the refurbishment of a refrigeration system in our property in Hauptstrasse, Offenburg.

Furthermore, the maintenance and modernisation work begun in previous years for the EDEKA Cash & Carry at Robert-Bunsen-Str. 9, Freiburg, was completed in the reporting year as planned. Costs eligible for capitalisation of €0.1 million were incurred for this work in 2015. The total costs paid by HAMBORNER from 2013 to 2015 amount to €3.9 million. In return, the tenant EDEKA extended its lease until 2029. Half of the expenses will be paid off in the form of a rent increase over the term of the lease.

The expansion of our administration building on the company's own land in Goethestrasse, Duisburg, was also completed in the reporting year. The new administrative building provides space for 24 employees. The production costs capitalised in the reporting year amounted to €1.8 million. The company is therefore taking the rising staffing needs of its growth into account.

As a result of a rise in income from rents and leases in particular, ***net rental income*** increased by 10.7% and amounted to €47.5 million (previous year: €42.9 million).

+10.7%
increase in net rental income

The ***operating result*** was €23.6 million after €19.9 million in the previous year. This rise of 18.8% is due in particular to the higher net rental income. ***Administrative and personnel expenses*** rose by 10.6% to a total of €5.0 million (previous year: €4.6 million). This resulted in an operating costs ratio of 9.6% (previous year: 9.7%). ***Depreciation and amortisation*** were up 5.8% year-on-year as a result of new additions in particular. We recognise our properties at depreciated cost and therefore report depreciation, which amounted to €18.8 million in the reporting year as against €16.6 million in the previous year. There were no impairment losses in the reporting year (previous year: €1.2 million). As in the previous year, there were no reversals of impairment losses recognised on properties in prior periods.

We generated a ***result from the sale of investment property*** of €3.4 million (previous year: €10.7 million). Details on this can be found on page 52.

As a result of the lower earnings contribution from the sale of properties, ***EBIT*** was down by €3.5 million at €27.1 million after €30.6 million in the previous year.

The ***financial result*** amounted to €13.3 million in the year under review and therefore improved by €0.2 million as against the previous year (€–13.5 million). The interest expenses included in the financial result thus decreased by €0.4 million, in particular as a result of discounting effects of the provisions for pensions and mining damage. By contrast, interest expenses on loans in connection with the financing of properties increased slightly by €0.1 million after additional debt capital was raised in the reporting year. After deducting the financial result from EBIT, the ***net profit for the year*** amounted to €13.8 million (previous year: €17.1 million).

Net asset situation (IFRS)

Properties account for around 96% of our assets.

The ***total assets*** of the company increased by €165.3 million to €786.6 million (previous year: €621.3 million) as at 31 December 2015, essentially as a result of the capital increases performed in the reporting year. Around 96% of assets are accounted for by our properties. The total property assets recognised at depreciated cost (including non-current assets held for sale) had a carrying amount as at 31 December 2015 of €754.8 million (previous year: €608.7 million) and break down as follows:

€ thousand	31 Dec. 2015	31 Dec. 2014
INVESTMENT PROPERTY		
Developed property assets	744,359	603,847
Advance payments / incidental costs of pending acquisitions	4,040	2,457
Undeveloped land holdings	425	545
	748,824	**606,849**
PROPERTY HELD FOR SALE		
Developed property assets	**5,977**	**1,830**
TOTAL REPORTED PROPERTY ASSETS	**754,801**	**608,679**

Unless stated otherwise, we use the term ***"property portfolio"*** below to refer to our developed property assets, which are shown under ***"Investment property"*** and ***"Non-current assets held for sale"*** in the statement of financial position.

Performance of the property portfolio

Third-party valuation of our property portfolio by JLL

Our property portfolio was again valued by a third-party expert as at the end of 2015. Jones Lang LaSalle, Frankfurt / Main, (JLL) 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 in conjunction with IFRS 13. The valuation was performed on the basis of a discounted cash flow (DCF) method. In the DCF method, the forecast cash flows were calculated for a standard analysis period of ten years – 2016 to 2025. A capitalised residual value is forecast on the basis of the respective long-term net proceeds for the end of the ten-year planning horizon. The market value of a property is derived from the sum of the discounted cash flows of the overall planning period plus the residual value also discounted to the measurement date.

When calculating cash flows, rental income was always reduced by the property-specific costs that cannot be allocated to tenants. In addition, the expected expenses for maintenance or modernisation and the expected administrative expenses were deducted. Rent increases based on indexation were taken into account in specific cases for long-term contracts. Rent forecasts were prepared if rental agreements are 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 4.10% and 7.95% and take into account the respective risks specific to the property.

The fair values calculated by JLL are shown separately for each property in the list of properties from page 54 of the annual report. Also shown separately are rental income as the key factor in determining net cash flows, the discount rates and capitalisation rates. The total market value of HAMBORNER's property portfolio calculated thus was €899.8 million, an increase of €182.3 million on the previous year's portfolio value. The difference is due to additions to fair value from acquisitions and investments in existing properties (subsequent capitalisation) of €164.7 million, fair value disposals of €8.0 million due to sales and a net year-on-year change in the fair value due to the remeasurement of the portfolio of around €25.6 million. This corresponds to a like-for-like rise in the value of the portfolio of 3.6%. The remeasurement and appreciation of the properties as at 31 December 2015 highlights the stable value of HAMBORNER's property portfolio.

Around € 900 million:
value of our portfolio as at 31 December 2015

We recognise our properties conservatively at depreciated cost, and not at their higher fair values. We therefore also recognise depreciation on our properties, with the result that both positive and negative changes in value are recognised in hidden reserves, but do not necessarily affect earnings. There were no impairment losses in the reporting year (previous year: €1.2 million).

Successful new investments

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, there were new investments in the 2015 financial year, not including incidental costs of acquisition, of €156.7 million (previous year: €31.9 million). In keeping with strategy, the new investments focused on the asset classes described above. Specifically, the following six properties were transferred to our portfolio in the reporting year:

€ 156.7 million
investment volume for acquisition of six properties

City	Address	Building use	Area in m²	Rental income p.a. in € thou.	Purchase price in € m
Aachen	Gut-Dämme-Str. 14 / Krefelder Str. 216	Office	10,059	1,709	26.8
Berlin	Tempelhofer Damm	Office and high street	6,226	1,294	20.2
Celle	An der Hasenbahn 3	Retail centre	25,709	2,334	35.2
Fürth	Gabelsbergerstr. 1	Retail centre	11,519	1,826	30.1
Giessen	Gottlieb-Damler-Str. 27	Retail centre	18,015	2,340	31.6
Neu-Isenburg	Schleussnerstr. 100–102	Retail centre and office	4,175	797	12.8
			75,703	**10,300**	**156.7**

In addition, two further purchase agreements were notarised in 2015 for a DIY store in Ditzingen (purchase price: €12.7 million) and for the Haerder Center in Lübeck (purchase price: €49.1 million). Specifically, the properties acquired as at 31 December 2015 but not yet transferred were as follows:

City	Address	Building use	Area in m²	Expected rental income p. a. in € thou.	Expected transfer of ownership
Ditzingen	Dieselstr.	DIY store	9,392	816	Q2 2016
Lübeck	Sandstr. 1	Shopping centre	13,289	3,252	Q1 2016

4 properties sold in the financial year

Portfolio disposals

After having already sold seven properties no longer consistent with strategy in the previous year, in 2015 we were again able to sell four smaller properties with intensive administration requirements, and thereby to streamline our portfolio. The property disposals in the financial year presented below comprise a total of eight commercial spaces and six residential units:

City	Address	Building use	Residual carrying amount in € thou.	Sale price in € thou.	Rental income p. a. in € thou.
Düren	Wirtelstr. 30	Residential and high street	1,830	1,830	128
Duisburg	Fischerstr. 91 + 93	Residential and high street	1,048	1,250	116
Krefeld	Emil-Schäfer-Str. 22–24	Other commercial space	792	1,350	168
St. Augustin	Einsteinerstr. 26	Other commercial space	994	3,150	300
			4,664	**7,580**	**712**

Furthermore, in 2015 we signed agreements to sell four further properties in Rathausstr., Duisburg, Neustr. / Klosterstr., Dinslaken, Quellhof, Kassel, and Kirchstr., Solingen. The total sale prices amount to €8.4 million. The properties in Duisburg, Dinslaken and Solingen were transferred to the portfolio in January 2016.

In future, we intend to sell portfolio properties no longer considered to fit strategy on account of their location, property size, administration requirements or potential for rent increases.

69 properties in
55 locations

Property portfolio as at 31 December 2015

After the changes described above, the HAMBORNER portfolio comprised 69 properties as at the end of the year under review. The properties are predominantly in large and medium-sized cities at 55 locations in Germany and have a total usable area of 425,130 m², 420,027 m² of which is used commercially and 5,103 m² of which is used as residential space. More detailed information on the year of purchase, location, size and type of use and the fair value of all properties can be found in the list of properties below.

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


SCHLESWIG-HOLSTEIN
LÜBECK
MECKLENBURG-WESTERN POMERANIA
HAMBURG
HAMBURG
OLDENBURG
BREMEN
BREMEN
LÜNEBURG
MEPPEN
LOWER SAXONY
BERLIN
BERLIN
CELLE
OSNABRÜCK
RHEINE
MINDEN
HERFORD
SAXONY-ANHALT
BRANDEN-BURG
MÜNSTER
LEMGO
GÜTERSLOH
GELDERN
NRW
OBERHAUSEN
DINSLAKEN
DORTMUND
DUISBURG
ESSEN
KASSEL
LEIPZIG
KREFELD
LÜDENSCHEID
SAXONY
HILDEN
LANGENFELD
SOLINGEN
THURINGIA
LEVERKUSEN
FREITAL
COLOGNE
SIEGEN
AACHEN
HESSE
GIESSEN
NEUWIED
KOBLENZ
BAD HOMBURG
FRANKFURT
WIESBADEN
NEU-ISENBURG
RHINELAND-PALATINATE
BAYREUTH
SAAR-LAND
KAISERSLAUTERN
MOSBACH
ERLANGEN
FÜRTH
BAVARIA
KARLSRUHE
REGENSBURG
DITZINGEN
STUTTGART
INGOLSTADT
OFFENBURG
TÜBINGEN
BADEN-WÜRTTEMBERG
AUGSBURG
VILLINGEN-SCHWENNINGEN
MUNICH
BRUNNTHAL
FREIBURG
PORTFOLIO
TRANSFERRED IN 2015
NOTARISED, TRANSFERRED AFTER 31 DECEMBER 2015
X SOLD IN 2015, TRANSFERRED AFTER 31 DECEMBER 2015

LIST OF PROPERTIES (AS AT 31 DECEMBER 2015)

Year of acquisition	Property		Building use	Property size m²	Useable area m²
1976	Solingen	Friedenstr. 64	B	27,344	7,933
1981	Cologne	Von-Bodelschwingh-Str. 6	B	7,890	3,050
1982	Essen	Hofstr. 10 and 12	B/O	2,320	2,266
1983	Wiesbaden	Kirchgasse 21	B/R	461	1,203
1983	Duisburg	Rathausstr. 18–20	B/O/R	4,204	2,231
1984	Frankfurt/Main	Steinweg 8	B/O	167	594
1985	Solingen	Kirchstr. 14–16	B/R	1,119	2,959
1986	Frankfurt/Main	Königsteiner Str. 69a, 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
1991	Dortmund	Königswall 36	B/O/R	1,344	2,846
1997	Augsburg	Bahnhofstr. 2	B/O/R	680	1,438
1999	Dinslaken	Neustr. 60/62, Klosterstr. 8–10	B/O/R	633	1,207
1999	Kaiserslautern	Fackelstr. 12–14, Jägerstr. 15	B/O/R/U	853	1,444
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	Osnabrück	Große Str. 82/83	B	322	750
2003	Leverkusen	Wiesdorfer Platz 33	B/R	809	675
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	9,540
2007	Neuwied	Allensteiner Str. 61/61a	B	8,188	3,501
2007	Freital	Wilsdruffer Str. 52	B	15,555	7,940
2007	Geldern	Bahnhofstr. 8	B	12,391	8,749
2007	Lüneburg	Am Alten Eisenwerk 2	B	13,319	4,611
2007	Meppen	Am neuen Markt 1	B	13,111	10,205
2007	Mosbach	Hauptstr. 96	B	5,565	6,493
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-Str. 3	O	9,994	7,154
2008	Osnabrück	Sutthauser Str. 285–287	O	3,701	3,827
2008	Bremen	Linzer Str. 7–9a	O	9,276	10,269
2008	Herford	Bäckerstr. 24–28	B	1,054	1,787
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	2,975
2009	Duisburg	Kaßlerfelder Kreisel	B	10,323	5,119

Rent in 2015 (incl. rent guarantees) in €	Weighted remaining term of leases in months	Fair value in €*	Discount rate in %	Capitalisation rate in %	Other comments
1,472,012	52	15,960,000	6.30	6.30	Leasehold property
435,402	132	6,330,000	6.00	5.75	
267,651	24	3,200,000	7.65	6.80	
591,265	30	12,240,000	5.20	4.50	
217,938	101	2,643,000 ***			Held for sale
386,227	45	8,310,000	4.10	3.70	
263,906	33	3,168,000 ***			Held for sale
348,702	94	5,120,000	6.30	5.90	
0	0	570,000	7.50	7.25	
54,388	13	880,000	7.95	7.25	
212,863	78	3,110,000	6.75	6.15	
355,015	67	4,780,000	6.45	6.05	
472,813	60	8,020,000	5.50	5.15	
165,070	52	1,935,000 ***			Held for sale
392,916	29	6,790,000	6.85	5.80	
193,056	0	700,000 ***			Held for sale
363,244	46	3,780,000	6.70	5.60	Leasehold property
255,047	20	4,290,000	5.65	5.30	
315,180	76	6,210,000	5.60	5.20	
83,016	44	1,470,000	6.60	6.25	
243,600	27	4,830,000	6.30	5.50	
545,058	25	8,680,000	6.50	5.60	
267,803	60	4,350,000	6.40	5.75	
1,064,293	19	15,590,000	6.85	6.25	
392,409	85	5,200,000	7.70	6.75	
783,647	70	10,220,000	7.25	7.00	
863,387	46	12,020,000	6.45	6.15	
455,031	70	6,440,000	6.80	6.50	
1,007,121	46	14,310,000	6.75	6.20	
640,763	46	7,100,000	7.70	6.90	
250,000	25	2,760,000	6.60	6.55	
306,934	65	4,800,000	6.65	6.25	
591,788	26	9,430,000	7.30	6.70	
345,528	40	6,780,000	6.70	6.65	
1,055,192	29	16,930,000	7.00	6.40	
264,600	25	4,000,000	6.70	6.00	
1,065,070	162	13,060,000	6.25	6.20	Leasehold property
1,694,113	30	23,500,000	6.20	6.00	
480,173	50	7,750,000	5.50	5.30	
670,479	93	9,160,000	6.65	6.30	

LIST OF PROPERTIES (AS AT 31 DECEMBER 2015)

Year of acquisition	Property		Building use	Property size m²	Useable area m²
2010	Erlangen	Wetterkreuz 15	O	6,256	7,343
2010	Hilden	Westring 5	B	29,663	10,845
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	4,127
2011	Erlangen	Allee am Röthelheimpark 11–15	O/B	10,710	11,639
2011	Langenfeld	Solinger Str. 5–11	B	4,419	6,264
2011	Offenburg	Hauptstr. 72/74	B	1,162	5,150
2012	Aachen	Debyestr. / Trierer Str.	B	36,177	11,431
2012	Tübingen	Eugenstr. 72–74	B	16,035	13,000
2012	Karlsruhe	Mendelssohnplatz 1 / Rüppurrerstr. 1	O/B	10,839	15,152
2013	Munich	Domagkstr. 10	O/B	5,553	12,257
2013	Berlin	Torgauer Str. 12–15	O/B	3,100	12,642
2013	Hamburg	Kurt-A.-Körber-Chaussee 9	B	20,330	10,408
2013	Bayreuth	Spinnereistr. 5a, 5b, 6–8	O/B	8,297	9,036
2014	Bad Homburg	Louisenstr. 66	B/O/R	1,447	3,240
2014	Koblenz	Löhrstr. 40	B/O/R	1,386	3,377
2014	Siegen	Bahnhofstr. 8	B	1,419	7,112
2015	Aachen	Gut-Dämme-Str. 14 / Krefelder Str. 216	O	3,968	10,059
2015	Celle	An der Hasenbahn 3	B	56,699	25,709
2015	Giessen	Gottlieb-Daimler-Str. 27	B	46,467	18,015
2015	Fürth	Gabelsbergerstr. 1	B	7,273	11,519
2015	Berlin	Tempelhofer Damm 198–200	O/B	6,444	6,226
2015	Neu-Isenburg	Schleussnerstr. 100–102	O/B	9,080	4,175
				603,758	**425,130**

O Office space, medical practices
B Business space (DIY stores, shopping centres, retail warehouses, food services, high street, department stores)
C Other commercial and production space
R Residential space
U Undeveloped reserve space

* As per JLL appraisal as at 31 December 2015
** Pro rata temporis rents from transfer of ownership
*** Contractually agreed purchase price

	Rent in 2015 (incl. rent guarantees) in €	Weighted remaining term of leases in months	Fair value in €*	Discount rate in %	Capitalisation rate in %	Other comments
	1,079,501	15	16,780,000	6.30	6.20	
	899,883	99	12,170,000	6.75	6.75	
	1,200,000	150	18,400,000	5.85	5.65	
	860,957	51	13,550,000	6.25	6.00	
	481,413	59	7,290,000	6.65	6.35	
	869,119	75	16,330,000	5.80	5.20	
	964,867	51	11,200,000	7.55	7.20	
	889,528	106	12,820,000	6.30	6.20	
	1,518,688	63	23,550,000	6.60	6.00	
	860,000	166	14,180,000	5.65	5.50	
	1,767,711	66	29,780,000	6.10	5.80	
	1,113,505	67	17,830,000	6.15	5.80	
	557,936	27	8,220,000	6.35	5.80	
	1,110,000	135	17,020,000	6.70	6.40	
	1,600,000	168	26,790,000	5.90	5.75	
	2,465,517	66	39,400,000	6.05	5.80	
	2,372,417	69	49,300,000	5.05	4.75	
	2,216,791	57	41,270,000	5.35	5.00	
	1,248,272	155	18,270,000	6.35	6.15	
	1,355,881	46	20,510,000	6.30	6.00	
	440,663	60	8,840,000	6.20	5.70	
	633,802	56	11,500,000	6.00	5.50	
	931,380	108	15,110,000	6.10	5.60	
	1,286,150 **	168	28,440,000	6.00	5.65	
	1,643,715 **	146	36,470,000	5.85	5.55	
	845,116 **	79	32,000,000	6.75	6.25	
	558,164 **	152	31,280,000	5.35	5.15	
	103,712 **	137	22,110,000	5.50	5.15	
	3,350 **	183	12,990,000	5.75	5.45	
	51,710,734		**899,816,000**			

Notes on undeveloped land holdings

As at 31 December 2015, the company had undeveloped land holdings of around 0.5 million m² after 0.8 million m² as at the end of the previous year. The land predominantly used for agriculture and forestry was acquired by the company during its former mining operations. It is mainly 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. We are therefore striving to gradually sell off these areas and to take advantage of disposal opportunities. In the financial year we were able to sell around 0.3 million m² of predominantly agricultural land at a sale price of €0.7 million.

The undeveloped land holdings are reported in the statement of financial position as investment property at the original cost of €0.4 million (previous year: €0.5 million). It has an average notional value of €0.85 per m².

Financial position (IFRS)

The company's financial situation is very comfortable. ***Cash and cash equivalents*** amounted to €27.1 million as at the end of the reporting period after €10.4 million as at 31 December 2014. In particular, the cash inflows in the financial year resulted from the net issue proceeds of the capital increases in February and July 2015 (€139.5 million), from operating activities (€42.8 million; previous year: €37.0 million) and from the borrowing of loans (€32.9 million). Payments essentially relate to investments in the property portfolio (€162.9 million), dividend payments for the 2014 financial year (€20.0 million) and interest and principal payments (€23.9 million).

1.6% to 1.9%
are the interest rates for the loans concluded in 2015

In particular, the funding requirements for the 2016 financial year are secured by the forecast proceeds from operating activities. Furthermore, the company has loans not yet utilised of €81.8 million at its disposal, which were concluded to finance the properties in Bad Homburg, Berlin, Celle, Fürth, Neu-Isenburg and Giessen. For a period of ten years, these loans will incur interest at between 1.58% and 1.87%.

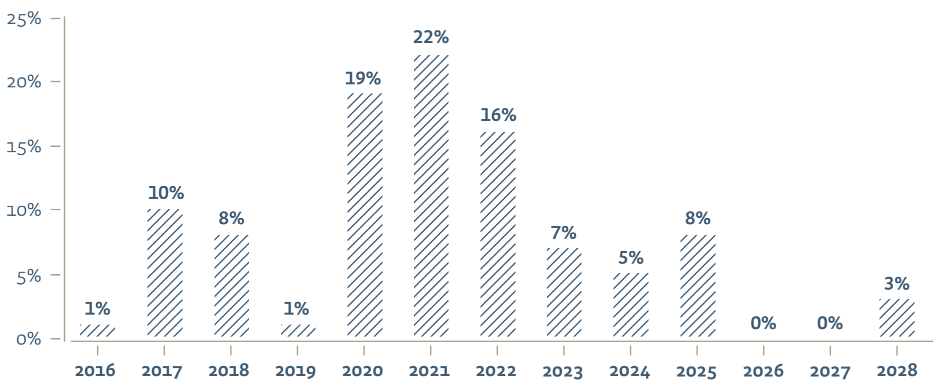
51.6%
accounting equity ratio

The financial structure of our company is still extremely solid. On the equity and liabilities side of the statement of financial position, ***equity*** rose by €135.9 million as a result of the capital increases in the reporting year to €406.1 million (previous year: €270.2 million). The company therefore has an accounting equity ratio of 51.6% (previous year: 43.5%). ***Financial liabilities and derivative financial instruments*** amount to €352.6 million, up €19.4 million on the previous year's figure (€333.2 million). In particular, the rise is due to the loans of €32.9 million borrowed in the reporting year for the pro rata debt financing of property acquisitions in Aachen, Koblenz and Siegen. The new borrowing was offset by scheduled repayments of €10.7 million in the reporting year. After deducting cash and cash equivalents from financial liabilities, net financial debt amounted to €317.2 million (previous year: €311.9 million). Based on total non-current assets, the company therefore has a gearing ratio of 42.2% (previous year: 51.3%). Comparing net financial liabilities to portfolio fair value, the company has an LTV ratio of 35.0% (previous year: 43.3%).

The development of interest rates is highly significant to the company in terms of its financial position. In order not to be subject to short-term interest rate risks, we have arranged fixed, long-term conditions for the financing of our investments. To hedge against interest rate fluctuations on our floating rate loans with a nominal value of €72.8 million, we have concluded interest swap agreements that form a hedge with the corresponding loans. The average interest rate of our loans, including loans concluded but not yet utilised, was 3.3% as at the end of the reporting period (previous year: 3.7%). Taking into account other loans agreed to finance properties in Ditzingen and Lübeck and the forthcoming refinancing over the next few years of existing loans with much higher interest rates than the current level, average interest rates are expected to decline further in future. The average remaining term of the loans utilised as at the end of the reporting period was 5.6 years (previous year: 6.0 years).

5.6 years: average remaining term of our loans

The very solid and comfortable financing structure of the company is shown by the maturity analysis below, which presents the annual refinancing requirements for expiring loans in relation to the total portfolio of loans borrowed as at the end of the reporting period.



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 management of the company is based on values calculated in accordance with IFRS.

The main differences in HGB and IFRS figures relate in particular to the measurement of property, the recognition of costs subsequently added to 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 increases, and to the classification and reporting. The main differences between the items of the statement of financial position and the income statement described in detail in the result of operations, net asset situation and financial position (IFRS) and in the HGB annual financial statements are as follows:

- ***Income from rents and leases:*** Income from rents and leases amounted to €52.3 million in the HGB financial statements, and was therefore €0.1 million below the IFRS figure. The difference essentially results from the reporting of the rent guarantees received, which are reported under other operating income in the HGB statements.

- ***Administrative expenses:*** The administrative expenses (€1.2 million) reported as an independent item in the IFRS income statement are included under other operating expenses in the HGB annual financial statements. By contrast to the IFRS financial statements, HGB does not separate administrative expenses and other operating expenses.

- ***Impairment losses:*** The IFRS impairment loss of €0.1 million for the property sold in Hamburg in the previous year does not exist under HGB. The HGB loss on disposal for the previous year (€0.4 million) was reported in other operating expenses. Furthermore, the impairment loss on the Leverkusen property recognised in the IFRS statements in the previous year was not required under HGB as it was not considered permanent according to the criteria of German commercial law.

- ***Costs of capital increases:*** The costs for capital increases (€3.1 million) recognised in equity under capital reserves in the IFRS financial statements are reported in profit or loss under other operating expenses in the HGB financial statements.

- ***Land and land rights:*** The carrying amount of properties in the HGB annual financial statements is €756.2 million, and therefore €7.4 million higher than the carrying amount of investment property in the IFRS financial statements. Among other things, €1.8 million of the difference relates to the extension of the company's administrative building in Duisburg. The capitalised costs of the administrative building are not assigned to property assets under IFRS, but rather to (other) property, plant and equipment. By contrast, under HGB they are reported with the rental property under land and land rights. Furthermore, the carrying amount of property held for sale (€6.0 million) is not reclassified to a separate item under HGB as is the case under IFRS, and is instead still reported under land and land rights until transferred.

- ***Equity:*** The HGB equity was €415.4 million as at the end of the reporting period, €9.3 million higher than the amount recognised under IFRS. The difference results firstly from various accounting differences in recent years. Secondly, it results from the revaluation surplus of €12.1 million reported in equity under IFRS, which includes the cumulative actuarial gains and losses of pension provisions and the remeasurement effects of derivative financial instruments. Derivatives are not recognised in equity under HGB regulations. Accordingly, the reported HGB equity ratio of 52.8% is 1.2 percentage points higher than the reported IFRS equity ratio.

- ***Liabilities to banks / financial liabilities and derivative financial instruments:*** The liabilities to banks in the HGB annual financial statements amount to €345.1 million. Under IFRS, however, financial liabilities and derivative financial instruments are reported in the amount of €352.6 million. €8.2 million of the deviation of €7.5 million results in particular from the HGB accounting regulations for derivatives. These state that the fair values of derivatives are not recognised if they form a hedge with the hedged item (loan).

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

Condensed result of operations (HGB)

Income from property management amounted to €58.0 million in the reporting year (previous year: €52.3 million). The ***costs of the management of our properties*** amounted to €10.8 million (previous year: €9.7 million). The increases in both income and management costs are due essentially to the changes in our property portfolio as a result of investments in the year under review and the previous year. Also as a result of the new acquisitions, ***depreciation*** was up 8.1% year-on-year at €19.0 million (€17.5 million). In addition to the costs for capital increases (€3.1 million) included in ***other operating expenses*** in the reporting year only, the €7.6 million year-on-year reduction in the ***operating result*** to €23.6 million (previous year: €31.2 million) is largely due to the book gains from the sale of properties of €10.9 million included under ***other operating income*** in the previous year. The corresponding earnings contribution from property sales in the year under review amounts to just €3.6 million.

Partly as a result of the loans borrowed in the reporting year, the ***financial result*** declined by €0.4 million to €–13.9 million. Taking into account the ***extraordinary expenses*** (€0.1 million) 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, the company closed the 2015 financial year with ***net income for the year*** of €9.7 million (previous year: €17.7 million).

Including the withdrawal from other revenue reserves (€16.4 million), the ***net retained profits*** amounted to €26.0 million (previous year: €20.0 million).

Condensed net asset situation and financial position (HGB)

The ***total assets*** of the company increased by €165.3 million as against the previous year to €786.3 million as a result of the capital increases performed in the reporting year. As a result of the changes in the property portfolio, ***fixed assets*** were up by €148.1 million at €756.5 million. ***Current assets*** including prepaid expenses were up by €17.2 million at €29.8 million. ***Equity*** decreased by €132.2 million essentially as a result of the capital increases to €415.4 million. ***Liabilities to banks*** rose by a net amount of €22.2 million to €345.1 million. Equity and medium- and long-term debt capital, including the loans not yet utilised (€81.8 million) cover fixed assets in full.

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

OVERALL STATEMENT ON THE ECONOMIC SITUATION

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

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.

PERFORMANCE INDICATORS

FFO

Funds from operations (FFO) 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 used in value-oriented corporate management to show the funds generated that are available for investments and dividend distributions to shareholders. Adjusting FFO for maintenance and modernisation expenses capitalised and not recognised as an expense results in adjusted funds from operations (AFFO). FFO / AFFO are calculated as follows:

	€ thousand	**2015**	**2014**
	Net rental income	47,455	42,858
–	Administrative expenses	–1,195	–1,109
–	Personnel expenses	–3,850	–3,452
+	Other operating income	988	714
–	Other operating expenses	–896	–984 *
+	Interest income	17	68
–	Interest expenses	–13,310	–13,540
	FFO	**29,209**	**24,555**
–	Capitalised expenditure	–1,443	–4,006
	AFFO	**27,766**	**20,549**
	FFO per share in €	**0.47**	**0.54**
	AFFO per share in €	**0.45**	**0.45**

* Adjusted for non-recurring effects in the remeasurement of provisions for mining damage

HAMBORNER generated an FFO of €29,209 thousand in the 2015 financial year (previous year: €24,555 thousand). With 16,509,280 more shares outstanding than in the previous year, this corresponds to FFO per share of 0.47 cents (previous year: 0.54 cents). The absolute increase as against the previous year of 19.0% is due in particular to higher rental income as a result of property acquisitions in 2014 and 2015. The slight increase in the FFO forecast in the previous year was therefore more significant than expected. This was due in particular to the income from rents and leases, which rose by 12.0% – also well above the previous year's forecast (4% to 5%) on account of the property acquisitions following the capital increases in the reporting year that were not included in the forecast.

+19.0%
year-on-year increase in FFO

NAV

Net asset value (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. Our goal is to increase NAV through value-adding measures.

€ thousand		31 Dec. 2015	31 Dec. 2014
	Non-current assets	752,046	607,779
+	Current assets	34,598	13,524
–	Non-current liabilities and provisions*	–343,022	–323,936
–	Current liabilities	–29,308	–16,175
	Reported NAV	**414,314**	**281,192**
+	Hidden reserves in "Investment property"	147,924	113,356
+	Hidden reserves in "Non-current assets held for sale"	2,469	0
	NAV	**564,707**	**394,548**
	NAV per share in €	**9.11**	**8.67**

* Not including derivative financial instruments

The growth in NAV of €170.2 million to €564.7 million is as a result in particular of the two capital increases performed in the reporting year and the appreciation of the property portfolio. With a correspondingly greater number of shares, NAV per share was up by 5.1% as against the previous year (€8.67) at €9.11. In this forecast we had assumed that the value of the portfolio would remain stable while the value of the like-for-like portfolio increased by 3.6% in the year-end remeasurement.

€9.11
NAV per share.
Increase of 5.1%
compared to previous year

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The basis for the dividend distribution is net retained profits under German commercial law (HGB). The net profit for the reporting year calculated in accordance with the provisions of the German Commercial Code was €9,647 thousand. Taking into account the withdrawal from other retained earnings of €16,394 thousand, net retained profits amounted to €26,041 thousand.

42 cents
Dividend to be distributed per share for shareholders in 2015.

At the Annual General Meeting of the company on 28 April 2016, the Managing Board will propose using the unappropriated surplus for the 2015 financial year of €26,041 thousand to distribute a dividend of €0.42 per share.

SUPPLEMENTARY REPORT

On receipt of the purchase price payments on 29 January 2016, the properties in Dinslaken, Duisburg and Solingen reported under non-current assets held for sale were transferred to the respective buyers.

A loan of €7.5 million with a term of ten years and an interest rate of 1.64% was agreed in February to finance the property in Ditzingen.

The purchase agreement for an office property in Münster at a purchase price of €6.1 million was closed on 10 February 2015. The property is adjacent to the building on Martin-Luther-King-Weg already owned by the company.

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

REPORT ON RISKS AND OPPORTUNITIES

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 asset situation, financial position and result 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 2015. 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. Opportunities that arise are not taken into account in this management system. The early risk detection system is examined by the auditor as part of the audit of the annual financial statements in accordance with section 317(4) HGB.

The company's internal risk management system is closely integrated into operational procedures – particularly the planning and controlling processes – and comprises several stages. This is described in more detail in a company policy. In this context, the risk inventory is of central importance. Based on business operations and the activities they entail, the risk inventory tracks the potential risks to which the company is exposed. These potential risks are divided into external and internal risk areas. In turn, the possible characteristics of the individual risk areas are assessed in terms of their risk impact (e.g. loss of assets, decreased income, higher expenses), their estimated probability, a possible threat to the company as a going concern, possible counterstrategies, leading indicators in place and options for obtaining information. Furthermore, responsibility for all individual characteristics of the risk fields is defined. Quarterly internal risk reporting focuses on selected material risks and those that pose a threat to the company as a going concern. The relevant analysis period covers the next two years. The basis for risk reporting is the respective approved planning. The possible impact of identified risks on the net asset situation and result of operations of the company are looked at in scenario analyses.

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-year 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 operational 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 was outsourced to a third-party audit firm to assess the appropriateness and effectiveness of the internal control system. As part of the internal audit, we select 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 asset situation, financial position and result of operations of the company are described below.

Risks of future macroeconomic development

HAMBORNER is influenced by the economic and political environment. They affect, for example, interest rate developments as well as the retail and office property markets, and therefore the company's direct market environment. Germany is currently in a good overall economic situation. However, the duration and sustainability of this situation is not foreseeable. But given our business model and our capital resources, we feel we are well positioned, even under these volatile economic conditions.

Market risks in the property sector

Regardless of economic risks, the property industry is subject to distinct market cycles that can have an adverse effect on the value and renting viability of the properties held in the portfolio. In addition, there are risks on the market for retail property in particular due to changes in the retail landscape, caused by demographic changes, reurbanisation, ageing and e-commerce. We try to anticipate this risk through intensive observation of the market and close contact with our tenants, and endeavour to minimise risks of a loss of rent by concluding contracts with as long a term as possible with tenants of good credit standing.

General letting risks

Even though bricks and mortar retail is facing increasing competition from online shopping, we expect continuing high demand in the current financial year for 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.

Through the broad regional diversification of our property portfolio, we attempt to keep the consequences of specific negative local influences, such as can arise due to the construction of 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 letting activities.

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 including rent guarantees was 1.9% in the 2015 financial year (previous year: 2.3%), which represents a very low level. We ensure a good occupancy rate in the event 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 €20 thousand in the 2015 financial year (previous year: €15 thousand). 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 13.6% 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 risk and risk of impairment losses as a result of falling market values

The value of our properties is reviewed annually using the generally recognised DCF method. Our commercial property portfolio was again measured by an independent third party at the end of 2015. Detailed information on the valuation of our property portfolio can be found in the section "Performance of the property portfolio". The measurement of properties can also be positively or negatively affected in future by the use of different discount rates as a result of changes in general risk assessment, interest rates or risks specific to properties.

Financial risks

Further borrowed funds will be raised in future as well to finance our growth to an appropriate extent. The development in interest rates is therefore of high significance to the company. In order not to be subject to short-term interest rate risks, we have arranged fixed, long-term conditions for the financing of our investments. We have concluded interest swap agreements to hedge against interest rate fluctuations on our floating rate loans with a nominal value of €72.8 million. Further information on interest rate hedges using financial instruments can be found in the notes on accounting policies and under note (17).

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 total of all the positive fair values and, for primary financial instruments, the total 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 of the market interest rate in particular. The company finances its operating activities using borrowed funds and equity 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 10% or more 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 equity 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 development of the key indicators for classification as a REIT company, particularly development of the REIT equity ratio in accordance with section 15 of the German REIT Act, which at 61.5% as at 31 December 2015 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.

Mining damage 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 was assessed by an expert in 2005. The provisions relating to mining currently amount to €2.5 million in accordance with IFRS (HGB: €2.1 million).

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.

REPORT ON OPPORTUNITIES

The current low-interest environment means opportunities for the company. The average interest rate on the loans concluded as at the end of the reporting period is 3.3% with a weighted remaining term on fixed interest agreements of 6.3 years. If the interest rate remains low in the coming years, there is a change that loans with expiring fixed interest agreements can be prolonged or refinanced at better terms. This would have a positive effect on the financial result and FFO.

HAMBORNER is growth-oriented, has an efficient organisational structure and core competence in portfolio management. As at 31 December 2015, we were represented at 55 locations with our properties. This is a good platform and opens up opportunities for further growth with a positive impact on rental income and FFO development. The low interest level benefits the growth strategy and improves the return on capital employed on account of the leverage effect on acquisitions.

Our company's rental income benefits from long-term leases with an average remaining term of around 6.9 years. In the event of a rise in consumer prices there will be potential increases in rental income on account of adjustments in line with this index usually included in rental agreements.

FORECAST REPORT

ORIENTATION OF THE COMPANY

Excellently positioned among the competition and well equipped for further growth

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 to primarily older, mainly smaller properties no longer consistent with strategy.

EXPECTED ECONOMIC ENVIRONMENT

According to Deutsche Bundesbank, the basis of the current growth of the German economy is mainly the buoyant domestic demand. According to the monthly report for December 2015, the driving factors behind this are the good labour market situation and significant growth in real disposable income in private households in particular. However, there is currently a strain on companies' international business, according to Deutsche Bundesbank, owing to weak demand from the emerging markets. However, the sales markets outside the euro area are expected to rebound, which should have a positive effect on exports.

Against this backdrop, the German economy could increase its real gross domestic product (GDP) by 1.8% in 2016 and by 1.7% in 2017, according to Deutsche Bundesbank. Deutsche Bundesbank expects the rate of inflation to rise in 2016 as against 2015 to 1.1%, and to 2.0% in 2017. Here it is assumed that crude oil prices will gradually lose their anti-inflationary effect. The good overall trend on the labour market is expected to continue. According to Deutsche Bundesbank's forecast for the economy as a whole, the unemployment rate in the next two years could remain at roughly its present level, at 6.4% in 2016 and 6.5% in 2017.

FUTURE SITUATION IN THE INDUSTRY

Letting market

The good economic situation in Germany, a robust labour market with a further increase in the number of people in work and office employees, and the positive sentiment in the German economy are reflected in the significant increase in office rental transactions. In recent years it was feared that the investment and rental markets were drifting apart because of rapidly rising investment sales and stagnating or only slight increases in rental transactions in the office segment. However, the rental markets matched the strong momentum on the investment markets in 2015, hence there has been no disconnect between the user and capital market.

Stable rental revenue at high level forecast for office and retail space

In 2016 the office sector is currently expected to see take-up stabilise at a high level. Overall, the supply of space is expected to decrease further as relatively little new office space will come onto the market in 2016 as well, with the result that the forecast demand will consume more vacancies. Given the limited supply, we expect to witness a moderate increase in rents in the coming years.

We are also forecasting stable to slight increases in rent revenues on average in the retail segment in the coming years, with significant outliers in either direction in isolated cases. High street property is still a rare commodity. In particular, the consistently strong interest from international retail corporations in pedestrianised areas on the German market will contribute towards a stabilisation on the markets.

Investment market

In light of the strong fundamentals for the German economy and the stronger momentum on the rental markets, the major brokerage houses are forecasting a transaction volume of around €50 billion in 2016. The only limiting factor here is the supply of products eligible for investment. Demand for German commercial property will also be unwaveringly high in 2016, especially as institutional investors in particular are increasingly turning to property investments.

Given the scarcity of core properties, it is expected that investors will slant their investment strategy even more towards opportunistic deals and properties with appreciation potential to make these marketable again, and to reposition them with active and capital-intensive asset management.

We anticipate a slight decline in peak rents for office properties by the end of 2016. Things are also turning downwards for retail property on account of the imbalance between strong demand and tight supply.

ANTICIPATED BUSINESS DEVELOPMENT

The targets and forecasts for the financial year were largely met or exceeded in some cases. Rental income increased by 12% over the previous year in 2015, coming in above the original forecast of between 4% and 5%. This is due to the two capital increases carried out and the resulting increased scope for acquisitions that was used for additional purchases. Thus, the absolute operating profit (FFO) also rose more than forecast, while FFO per share was notionally below the value for 2014 in 2015 due to the higher number of shares. NAV per share climbed from €8.67 to €9.11. In particular, the basis for this was the positive development of 3.6% in the value of our property portfolio on a like-for-like basis in 2015.

For the current 2016 financial year, we are assuming that the good business performance will continue with significant year-on-year increases in FFO again. With the same number of shares, the rise in FFO per share would by correspondingly significant. The main factor influencing FFO, our central control parameter, is still rental income, which is estimated to rise by 13% to 15% year-on-year in 2016 according to our current forecasts. In particular, this is due to the new acquisitions transferred to us in 2015 and the purchases in Lübeck, Ditzingen and Münster already notarised but not to be transferred until 2016. This forecast does not take into account other acquisitions or disposals not yet specified further.

After the capital increases in the past financial year and the subsequent investments, while maintaining the long-term target REIT equity ratio of 50%, the company still has scope for acquisitions of around €100 million to €120 million. Additional new acquisitions not yet specified further would have a further positive effect on rental income and the operating result. The extent of this crucially depends on the timing of new property additions. Even assuming that interest rates remain low or increase only moderately, further acquisitions are desirable. However, new acquisitions must satisfy our quality and yield requirements. In addition, the competition for profitable properties has increased markedly in the past year and is unlikely to wane in 2016. The timing of possible purchases and also further portfolio streamlining through selective disposals therefore cannot be predicted precisely.

The vacancy rate including rent guarantees was very low in 2015 at 1.9%. In connection with this, we expect a 2016 rate that is slightly higher than the previous year, but at the same low level. This also takes into account the addition of Haerder centre in Lübeck. The property will not be fully occupied when transferred to the portfolio, and will therefore have a temporary impact on the overall vacancy rate. We assume that by far the majority of the rental agreements expiring in 2016 will be prolonged or that new tenants will be quickly found. We also expect a low level of default on rent because, as in previous years, 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 cash expenses, there will be a significant increase in personnel expenses and interest expenses in subsequent years as a result of growth. In maintenance expenses as well, we are assuming a higher level than in previous years on account of the larger portfolio and the necessary improvements for tenants in the context of new leases

HAMBORNER's REIT status, the structure of its property portfolio and its financial strength have left it in a good competitive situation. This does not preclude further volatility of property prices and thus an impact on the valuation of the portfolio properties and therefore on net asset value (NAV).

One the basis of our earnings forecasts, we are assuming that an appropriate and attractive distribution will be possible for 2016 as well. This will require that we are spared from major, unforeseeable reductions in earnings. Assuming both this and a further stable development in the value of our like-for-like property portfolio, we are anticipating a slight increase in NAV for 2016 in addition to a significant rise in FFO.

REPORT ON ADDITIONAL INFORMATION UNDER COMPANY LAW (SECTION 289(4) HGB)

Composition of issued capital

As at 31 December 2015, the issued capital of the company amounted to €62,002,613 and was fully paid up. The share capital is divided into 62,002,613 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 certificates for their shares. Each share grants one vote at the Annual General Meeting, whereby the rights of shares held by persons subject to disclosure requirements or that are assigned to such persons in accordance with section 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.

62.0 million
shares outstanding as at 31 December 2015

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

There are no capital holdings of HAMBORNER shares that exceed 10% of the 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 HAMBORNER shares, they exercise their associated rights directly themselves in accordance with the statutory requirements and the provisions of the Articles of Association.

Statutory regulations and provisions of the Articles of Association for the appointment and dismissal of members of the 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 7 May 2015 authorised the Managing Board 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 €5,004,266 by issuing new bearer shares to be offered to shareholders against cash contributions (Authorised Capital 2015 / II) until 6 May 2020.

Authorised Capital 2015 / II

Furthermore, the Annual General Meeting on 7 May 2013 already authorised the Managing Board

Authorised Capital II

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 €18,197,333 by issuing new bearer shares against cash contributions (Authorised Capital II) until 6 May 2018 and, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases for a partial amount. This authorisation was partially exercised in February 2015 by the issue of 4,549,332 new shares against cash contributions with existing shareholders' pre-emption rights disapplied, and in July 2015 by the issue of 11,959,948 new shares against cash contributions with existing shareholders' pre-emption rights disapplied. Accordingly, Authorised Capital II still amounted to €1,688,053 as at 31 December 2015.

b) with the approval of the Supervisory Board, to issue bearer or registered warrant and convertible bonds ("bonds"), dated or undated, up to a total of €250,000,000 until 6 May 2018, and to grant the bearers or creditors ("bearers") of bonds conversion rights to new bearer shares of the company with a total pro rata amount of share capital of up to €22,746,666 in accordance with the more detailed conditions of the warrant or convertible bonds ("bond conditions").

Contingent Capital

c) in issuing warrant or convertible bonds, to contingently increase the share capital of the company by up to €22,746,666, divided into up to 22,746,666 bearer shares (Contingent Capital) and, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases for a partial amount.

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

Compensation agreements between the company and the Managing Board for the event of a change of control are described in the remuneration report on page 19 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 German Corporate Governance Code, we have also again published our corporate governance report (see also from page 12 onwards) 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 17 onwards. The statements found there are part of the management report.

Duisburg, 26 February 2016

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.

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ACCOMPANYING GROWTH

A fine wine needs time.

They do not just suddenly mature in the barrel – even caring for the vines affects the quality of a wine. Like any passionate winemaker, HAMBORNER accompanies its grow th with a refined strategy. A conversation about passion and method.

A short rest period for the vines: WILHELM WEIL, HANS RICHARD SCHMITZ and DR RÜDIGER MROTZEK take a walk through the late autumn vineyards.

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DR RÜDIGER MROTZEK
»Mr Weil, if you believe the forecast by the German Wine Institute, 2015 was a good and successful year for winemakers as well.«

WILHELM WEIL
»That's right. The long and warm summer was highly beneficial to the aroma of the grapes. This year has great potential. And we have seen once again, the really fantastic work is done by nature. We just help it along. Nevertheless, of course you need much more than just a warm summer for a good grape and the fine wine you end up with. From pruning the vines, bending them and cultivating the soil, right through to harvesting the grapes: On average we have to visit each vine 17 times a year.«

HANS RICHARD SCHMITZ
»Fortunately we don't have to look in on each of our properties quite as often. However, we attach great importance to a relationship of trust with our tenants. This also means that we personally take of their concerns as needed.«

Weingut Weil is a symbol of German Riesling culture. The bottles with the distinctive blue label are exported from Kiedrich in the Rheingau to the whole world.

WILHELM WEIL
»That's also why we are in season all year round: We start with the pruning in January. Old wood is removed, which thus determines the number of fruiting vines.«

DR RÜDIGER MROTZEK
»In business speak we would call that yield management in aid of quality.«

WILHELM WEIL
»Yes, exactly. High yield and high quality are mutually exclusive in viticulture.«

DR RÜDIGER MROTZEK
»Luckily we have a little more leeway there. With a dedicated team and a consistent strategy, we can have both: a profitable portfolio in addition to satisfied tenants and investors.«

HANS RICHARD SCHMITZ
»But in our business, growth cannot be an end in itself – that's why we make sure to grow from within. Our FFO has risen by around 19% in absolute terms – a success that we can pass on to our investors as well with a higher dividend distribution in 2016.«

AVERAGE PROPERTY VALUE IN 2015

€13.0 million

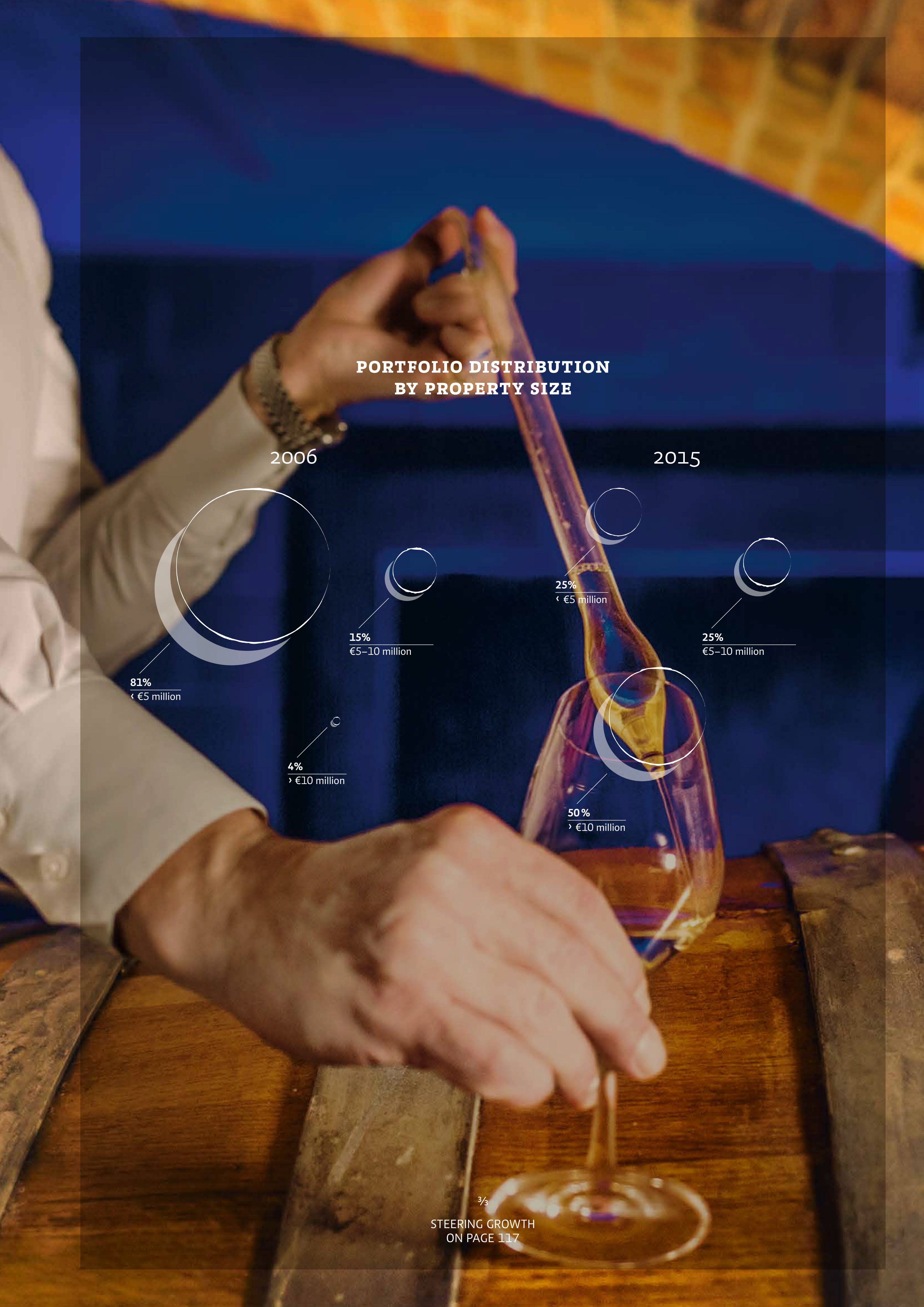
DR RÜDIGER MROTZEK
»Results that ultimately corroborate our portfolio strategy: We invest in high quality and high yield commercial properties at locations with potential.«

WILHELM WEIL
»We understand the importance of location in viticulture as well: The unmistakeable quality of each wine has its origins in the vineyard.«

HANS RICHARD SCHMITZ
»We see things similarly. What good is a great property if we can't find tenants for it? Around 98% of our units were rented in the past year – an extremely low vacancy rate that we are proud of.«

WILHELM WEIL
»We can do one better than that: Our vineyards are one hundred percent 'rented' – to the noble Riesling grape.«

PORTFOLIO DISTRIBUTION BY PROPERTY SIZE



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STEERING GROWTH
ON PAGE 117

SEPARATE FINANCIAL STATEMENTS (IFRS)

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* also part of the notes

INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

€ thousand	Note	2015	2014
Income from rents and leases		52,447	46,823
Income from passed-on incidental costs to tenants		5,722	5,650
Real estate operating expenses		−8,127	−7,371
Property and building maintenance		−2,587	−2,244
Net rental income	(1)	**47,455**	**42,858**
Administrative expenses	(2)	−1,195	−1,109
Personnel expenses	(3)	−3,850	−3,452
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	(4)	−18,868	−17,841
Other operating income	(5)	988	714
Other operating expenses	(6)	−896	−1,277
		−23,821	**−22,965**
Operating result		**23,634**	**19,893**
Result from the sale of investment property	(7)	3,434	10,688
Earnings before interest and taxes (EBIT)		**27,068**	**30,581**
Interest income		17	68
Interest expenses		−13,310	−13,540
Financial result	(8)	**−13,293**	**−13,472**
Net profit for the year		**13,775**	**17,109**
Earnings per share (€)	(9)	0.25	0.38

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

€ thousand	Note	2015	2014
Net profit for the year as per income statement		**13,775**	**17,109**
Items reclassified to profit or loss in future if certain conditions are met:			
Unrealised gains / losses (–) on the revaluation of derivative financial instruments	(17)	2,757	−157
Items not reclassified to profit or loss in future:			
Actuarial gains / losses (–) on defined benefit obligations	(20)	−126	−304
Other comprehensive income		**2,631**	**−461**
Total comprehensive income		**16,406**	**16,648**

STATEMENT OF FINANCIAL POSITION – ASSETS

€ thousand	Note	31 Dec. 2015	31 Dec. 2014
NON-CURRENT ASSETS			
Intangible assets	(10)	63	10
Property, plant and equipment	(10)	2,153	150
Investment property	(11)	748,824	606,849
Financial assets	(12)	753	495
Other assets	(13)	253	275
		752,046	**607,779**
CURRENT ASSETS			
Trade receivables and other assets	(13)	1,488	1,320
Cash and cash equivalents	(14)	27,133	10,374
Non-current assets held for sale	(15)	5,977	1,830
		34,598	**13,524**
Total assets		**786,644**	**621,303**

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

€ thousand	Note	31 Dec. 2015	31 Dec. 2014
EQUITY	(16)		
Issued capital		62,003	45,493
Capital reserves		247,259	124,279
Retained earnings		50,757	64,520
Net retained profits		46,055	35,903
		406,074	**270,195**
NON-CURRENT LIABILITIES AND PROVISIONS			
Financial liabilities	(17)	328,197	311,469
Derivative financial instruments	(17)	8,240	10,997
Trade payables and other liabilities	(18)	4,520	1,956
Pension provisions	(19)	7,220	7,452
Other provisions	(20)	3,085	3,059
		351,262	**334,933**
CURRENT LIABILITIES AND PROVISIONS			
Financial liabilities	(17)	16,138	10,760
Trade payables and other liabilities	(18)	11,526	4,557
Other provisions	(20)	1,644	858
		29,308	**16,175**
Total equity and liabilities		**786,644**	**621,303**

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

€ thousand	Note	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES	(23)		
Net profit for the year		13,775	17,109
Financial result		13,293	13,472
Depreciation, amortisation and impairment (+) / write-ups (–)		18,868	17,841
Change in provisions		422	224
Gains (–) / losses (+) (net) on the disposal of property, plant and equipment and investment property		–3,547	–10,861
Change in receivables and other assets not attributable to investing or financing activities		–173	–182
Change in liabilities not attributable to investing or financing activities		209	–623
Tax payments		0	–19
		42,847	**36,961**
CASH FLOW FROM INVESTING ACTIVITIES	(24)		
Investments in intangible assets, property, plant and equipment and investment property		–162,930	–40,574
Proceeds from disposals of property, plant and equipment and investment property		8,329	26,543
Payments for investments in non-current financial assets		0	–20
Proceeds from disposals of financial assets		4	5
Interest received		14	67
		–154,583	**–13,979**
CASH FLOW FROM FINANCING ACTIVITIES	(25)		
Dividends paid		–20,017	–18,197
Proceeds from borrowings of financial liabilities		32,900	0
Repayments of borrowings		–10,675	–9,276
Interest payments		–13,203	–13,289
Proceeds from capital increases		142,572	0
Payments for costs of capital increases		–3,082	0
		128,495	**–40,762**
Changes in cash and cash equivalents		**16,759**	**–17,780**
Cash and cash equivalents on 1 January		**10,374**	**28,154**
Cash and cash equivalents on 31 December		**27,133**	**10,374**

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 year	Withdrawal from other retained earnings	
As at 1 Jan. 2014	**45,493**	**124,279**	**81,565**	**–14,227**	**16,330**	**8,521**	**9,783**	**271,744**
Carryforward to new account					18,304	–8,521	–9,783	0
Distribution of profit for 2013 (€0.40 per share)					–18,197			–18,197
Other comprehensive income 1 Jan. to 31 Dec. 2014				–461				–461
Withdrawal from other retained earnings			–2,357				2,357	0
Net profit for the year 1 Jan. to 31 Dec. 2014						17,109		17,109
Total comprehensive income 1 Jan. to 31 Dec. 2014				**–461**		**17,109**		**16,648**
As at 31 Dec. 2014	**45,493**	**124,279**	**79,208**	**–14,688**	**16,437**	**17,109**	**2,357**	**270,195**
Carryforward to new account					19,466	–17,109	–2,357	0
Distribution of profit for 2014 (€0.40 per share)					–20,017			–20,017
Capital increases	16,510	126,062						142,572
Costs of capital increases		–3,082						–3,082
Other comprehensive income 1 Jan. to 31 Dec. 2015				2,631				2,631
Withdrawal from other retained earnings			–16,394				16,394	0
Net profit for the year 1 Jan. to 31 Dec. 2015						13,775		13,775
Total comprehensive income 1 Jan. to 31 Dec. 2015				**2,631**		**13,775**		**16,406**
As at 31 Dec. 2015	**62,003**	**247,259**	**62,814**	**–12,057**	**15,886**	**13,775**	**16,394**	**406,074**

STATEMENT OF CHANGES IN FIXED ASSETS*

€ thousand	Cost				
	As at 1 Jan. 2015	Additions	Disposals	Reclassification under IFRS 5	As at 31 Dec. 2015
Intangible assets	150	59	0	0	209
Property, plant and equipment	871	2,038	22	0	2,887
Investment property	706,403	169,731	7,921	−11,879	856,334
Total	**707,424**	**171,828**	**7,943**	**−11,879**	**859,430**

€ thousand	Cost				
	As at 1 Jan. 2014	Additions	Disposals	Reclassification under IFRS 5	As at 31 Dec. 2014
Intangible assets	146	4	0	0	150
Property, plant and equipment	855	52	36	0	871
Investment property	681,321	40,279	12,511	−2,686	706,403
Total	**682,322**	**40,335**	**12,547**	**−2,686**	**707,424**

* Component of the notes

Depreciation / amortisation / write-ups					Carrying amounts	
As at 1 Jan. 2015	Additions (depreciation / amortisation for the financial year)	Disposals	Reclassification under IFRS 5	As at 31 Dec. 2015	As at 31 Dec. 2014	As at 31 Dec. 2015
140	6	0	0	146	10	63
721	35	22	0	734	150	2,153
99,554	18,827	4,969	−5,902	107,510	606,849	748,824
100,415	**18,868**	**4,991**	**−5,902**	**108,390**	**607,009**	**751,040**

Depreciation / amortisation / write-ups					Carrying amounts	
As at 1 Jan. 2014	Additions (depreciation / amortisation for the financial year)	Disposals	Reclassification under IFRS 5	As at 31 Dec. 2014	As at 31 Dec. 2013	As at 31 Dec. 2014
133	7	0	0	140	13	10
720	37	36	0	721	135	150
85,898	17,797	3,285	−856	99,554	595,423	606,849
86,751	**17,841**	**3,321**	**−856**	**100,415**	**595,571**	**607,009**

NOTES TO 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. Since its transformation into a REIT as at 1 January 2010, it is 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, 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 2015 were prepared in accordance with IFRS as applicable in the European Union at the end of the reporting period and the additional provisions of commercial law in accordance with section 325 (2a) HGB. IFRS include the IFRS 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 2015 and the management report for 2015 on 26 February 2016 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 2015 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 2015 is structured by maturity in accordance with IAS 1(60). Items that have been summarised in the statement of financial position and the income statement are explained in the notes.

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

As against the separate financial statements as at 31 December 2014, 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:

Standard / interpretation	Name	Nature of amendment
Various	Annual IFRS improvement project (2011 – 2013)	Amendments relate essentially to IFRS 1, IFRS 3, IFRS 13, IAS 40
IFRIC 21	Levies	New interpretation; guidance on when to recognise a liability for a levy imposed by a government

The new or revised standards and interpretations had no material influence on the HAMBORNER financial statements.

The following standards and interpretations already passed, amended or issued by the IASB were not yet effective for the 2015 financial year: The option to apply standards and interpretations early was not exercised.

Standard/ interpretation	Name	Nature of amendment	Effective date	Material expected effect
IFRS 9	Financial Instruments	New standard; replaces IAS 39 as currently amended	1 January 2018	Under examination
IFRS 10	Consolidated Financial Statements	Clarification of the extent of gain or loss recognition in transactions with associates or joint ventures; changes in connection with consolidation exceptions for investment entities	1 January 2016	None
IFRS 11	Joint Arrangements	Compliance with IFRS 3 principles when acquiring an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, with the exception of those principles that conflict with the guidance in IFRS 11	1 January 2016	None
IFRS 12	Disclosure of Interests in Other Entities	Amendments in connection with consolidation exceptions for investment entities	1 January 2016	None
IFRS 14	Regulatory Deferral Accounts	New standard	1 January 2016	None
IFRS 15	Revenue from Contracts with Customers	New standard on the recognition of revenue from contracts with customers. The standard replaces IAS 11 and IAS 18 and various interpretations relating to this issue.	1 January 2018	None
IFRS 16	Leases	New standard; replaces IAS 17 as currently amended	1 January 2019	Under examination
IAS 1	Presentation of Financial Statements	Removing boundaries with regard to judgements by the preparer in the presentation of the financial statements	1 January 2016	None
IAS 7	Statement of Cash Flows	Amendments in connection with disclosures on changes in liabilities arising from financing activities	1 January 2017	None
IAS 12	Income Taxes	Amendments in the recognition of deferred tax assets for unrealised losses in assets at fair value	1 January 2017	None
IAS 16	Property, plant and equipment	Guidance on the use of methods of depreciation on property, plant and equipment; inclusion of certain bearer plants in the scope of IAS 16	1 January 2016	None
IAS 19	Employee Benefits	Clarification of the allocation of contributions from employees or third parties linked to service.	1 February 2015	None
IAS 27	Separate Financial Statements	Amendment allowing the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor again	1 January 2016	None
IAS 28	Investments in Associates and Joint Ventures	Compliance with IFRS 3 principles when acquiring an interest in a joint operation, with the exception of those principles that conflict with the guidance in IFRS 11; amendments in connection with consolidation exceptions for investment entities	1 January 2016	None
IAS 38	Intangible assets	Guidance on the use of methods of amortisation for intangible assets	1 January 2016	None
IAS 41	Agriculture	Inclusion of certain bearer plants in the scope of IAS 16	1 January 2016	None
Various	Annual IFRS improvement project (2010 – 2012)	Amendments relate essentially to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24	1 February 2015	None
Various	Annual IFRS improvement project (2012 – 2014)	Amendments relate essentially to IFRS 5, IFRS 7, IAS 19, IAS 34	1 January 2016	None

Segment reporting

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

Assumptions and estimates

In preparing the financial statements, assumptions have been made and estimates used that affect the reporting and amount of the recognised assets, liabilities, income and expenses. These assumptions and estimates essentially relate to the determination of useful lives, the fair 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 in individual cases. 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 for the old building and 33 years for the new building. The remaining useful lives at the end of the reporting period are four and 33 years respectively. The operating and office equipment has an average useful life of between three and 15 years.

The results of disposals of property, plant and equipment 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 HAMBORNER's own administrative purposes or for short-term trading in the context of the ordinary business activities. Depreciation is recognised on a straight-line basis over the economic life. A useful life of 33 years is assumed when a property is acquired. If this principle is contradicted by the actual circumstances (e.g. on account of age, quality, options for use of the building), the useful life is estimated differently accordingly. The remaining useful life is also reviewed in the context of major modernisation work. 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
Retail warehouses	33 to 40

To calculate the fair value disclosed in the notes in accordance with IAS 40, our developed property portfolio was valued by an independent expert at the end of 2015. The market values of property were calculated in line with internationally recognised standards using the discounted cash flow (DCF) method (level 3 of the measurement hierarchy in accordance with IFRS 13). Under this method, the market value of a property is calculated as the total of the discounted cash flows for the entire planning period, usually ten years (2016 to 2025), plus the residual value of the property calculated on the basis of its long-term free cash flow less costs to sell, also discounted to the measurement date. Discount rates of between 3.70% and 7.25% (previous year: 3.85% and 8.70%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 4.10% and 7.95% (previous year: 4.25% and 9.60%). For further information please see “Performance of the property portfolio” in the management report.

We used the respective carrying amounts for the fair values of the cost of acquisition for properties not yet transferred to us.

The fair value of our undeveloped land holdings was calculated using the market-based approach in accordance with level 2. The standard land values calculated in expert reports for similar properties and areas are used and risks deductions are charged in line with the particular characteristics of the properties. On average, the fair value of undeveloped land is €2.68 per m² in 2015 (previous year: €2.74 per m²).

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

The recoverability of the carrying amounts 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 less than the carrying amount at the end of the reporting period, this is shown by the recognition of impairment losses.

The recoverable amount is determined using the fair value as calculated by an expert before the deduction of transaction costs of a notional acquisition (gross capital value) as the value in use within the meaning of IAS 36.30. If the reasons for impairment losses recognised in previous years no longer exist, they are reversed up to the amortised carrying amounts of the respective assets. Impairment losses are reported under “Amortisation of intangible assets, depreciation of property, plant and equipment and investment property”. Reversals of impairment losses are recognised in “Other operating income”.

Leases

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. All properties are let under operating leases 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, provided that subsequent measurement is at amortised cost. Subsequent measurement is determined by the category to which a financial asset is allocated.

- Loans and receivables are measured at amortised cost. Any discernible 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. In these cases this resulted in the recognition of the changes in carrying amounts in full in equity. Asset and liability derivative financial instruments are reported in separate items of the statement of financial position.

The market values calculated by banks as at the end of the respective reporting period including the risk of default 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.

The fair value of the derivative financial instruments designated as hedging instruments is reported in full as a non-current asset or liability if the remaining term of the hedged item is longer than twelve months after the end of the reporting period, and as a current asset or liability if the remaining term is shorter.

Cash and cash equivalents

Cash and cash equivalents comprise call money with an initial remaining term of less than three months.

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:

Parameter p. a. in %	2015	2014
Interest rate	2.0	1.9
Pension trend	2.0	2.0
Inflation	2.0	2.0

Sensitivity analyses, which are shown under note 19, were performed to show the sensitivity of the parameters used that are considered significant. These sensitivity analyses should not be considered representative for the actual change in defined benefit pension obligations. It is thought unlikely that the deviations from assumptions will occur in isolation as the assumptions are related in some cases.

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 interest expenses included in pension expenses is reported in interest expenses.

Expenses for defined contribution plans are recognised as an expense and reported in personnel expenses.

Other provisions

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

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

Long-term, share-based Managing Board remuneration is measured with the fair value of the liability as at the end of each reporting period and on the settlement date. All changes in fair value are recognised in profit or loss.

Financial liabilities

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

Recognition of expenses and revenue

The recognition of revenue and other operating income is based on when services are rendered or, for sales transactions, when 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 €5,624 thousand to €52,447 thousand in the reporting year. The change was due to rent increases due to property additions in the reporting year and the previous year (€5,752 thousand), rent losses as a result of property disposals (€–593 thousand) and increases in rents (like-for-like) of €465 thousand.

HAMBORNER generated more than 10% of its rental income with the EDEKA Group (€7.4 million; previous year: €7.0 million) in the 2015 financial year.

€ thousand	2015	2014
INCOME FROM RENTS AND LEASES		
Retail space	31,869	27,591
Office space and medical practices	17,957	16,571
Production and other commercial space	1,736	1,854
Apartments	279	288
Garages / car parking spaces	303	219
Other lettings and leases (agricultural leases, licensing agreements, etc.)	179	160
Income from rent guarantees	124	140
Total	**52,447**	**46,823**
Income from passed-on incidental costs to tenants	5,722	5,650
Total	**58,169**	**52,473**
Real estate operating expenses	−8,127	−7,371
Property and building maintenance	−2,587	−2,244
Net rental income	**47,455**	**42,858**

Income from passed-on incidental costs to tenants mainly includes advances on billable heating and operating costs in addition to fractional amounts on heating and operating costs billed in the financial year. This income increased by €72 thousand in the reporting year. €571 thousand of the increase in income from passed-on incidental costs to tenants was due to the change in the investment property portfolio. By contrast, the income from reallocating incidental costs to tenants for the other properties in the portfolio increased by a total of €499 thousand.

Most of the ***real estate operating expenses*** can be passed on to the tenants under the terms of their rental agreements. They increased by €756 thousand to €8,127 thousand as a result of changes in the property portfolio.

€ thousand	2015	2014
REAL ESTATE OPERATING EXPENSES		
Energy, water, etc.	4,540	4,034
Land taxes	1,813	1,684
Other property charges	664	623
Ground rent costs	559	543
Insurance premiums	372	346
Miscellaneous	179	141
Total	**8,127**	**7,371**

The ***expenses for property and building maintenance*** amounted to €2,587 thousand compared to €2,244 thousand in the previous year. The costs relate predominantly to various minor planned measures and ongoing maintenance.

The direct operating expenses for our leased property were €10,714 thousand in the reporting year (previous year: €9,615 thousand). With the exception of temporary, partial vacancies in individual properties, the entire inventory was let at the end of the reporting period.

(2) Administrative expenses

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

€ thousand	2015	2014
Audits of financial statements	85	86
Other assurance services	524	10
Tax advisory services	10	0
Other services	0	9
Total	**619**	**105**

Other assurance services in the reporting year mainly include €513 thousand in fees in connection with the capital increase in July, which were offset against capital reserves.

(3) Personnel expenses

The increase in personnel expenses of €398 thousand to €3,850 thousand (previous year: €3,452 thousand) results in part from the higher headcount than in the previous year, general pay adjustments and the adjustment not yet recognised in cash of variable, long-term and share-based Managing Board remuneration (LTI), which was up accordingly as a result of the approximately 18% rise in the price of HAMBORNER shares as against 31 December 2014.

€ thousand	2015	2014
Wages and salaries	3,426	3,062
Social security contributions and related expenses	348	318
Retirement benefit expenses / pension expenses	76	72
Total	**3,850**	**3,452**

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

The depreciation and amortisation expense was up €1,027 thousand on the previous year at €18,868 thousand. €18,827 thousand of this increase relates to investment property (previous year: €17,797 thousand). In the previous year this item had included impairment losses on portfolio properties of €1,179 thousand. These were not required in 2015.

(5) Other operating income

Other operating income breaks down as follows:

€ thousand	2015	2014
Compensation for delayed transfer in Aachen	354	0
Compensation in connection with section 15a UStG	282	270
Reversal of provisions and accruals	74	157
Compensation for early lease termination	89	115
Other compensation and reimbursement	48	42
Charges passed on to tenants and leaseholders	73	36
Miscellaneous	68	94
Total	**988**	**714**

(6) Other operating expenses

Other operating expenses decreased by €381 thousand to €896 thousand. At €293 thousand, the decline is essentially due to the inflation-based adjustment of the provision for mining damage in the previous year. In the reporting year this item includes legal and consulting costs of €267 thousand (previous year: €195 thousand) and costs of public relations work of €142 thousand (previous year: €173 thousand). Furthermore, the item includes input tax adjustments due to the conclusion of VAT-exempt leases (section 15a of the Umsatzsteuergesetz (UStG – German VAT Act) of €280 thousand (previous year: €304 thousand), all of which (previous year: €270 thousand) was passed on to the tenants in question (see table under note (5)).

(7) Result from the sale of investment property

In the reporting year we generated net income from the disposal of property of €3,434 thousand after €10,688 thousand in the previous year. This resulted from the disposal of four (previous year: seven) properties from our portfolio and an area of around 263,000 m² (previous year: 92,000 m²) from our undeveloped land holdings.

(8) Financial result

The financial result consists solely of interest income and expenses. The interest income amounts to €17 thousand (previous year: €68 thousand) and mainly consists of interest on call money or fixed-term deposits at various banks.

At €365 thousand, the decline in interest expenses of €230 thousand to €13,310 thousand is due in particular to interest effects on both pension provisions and the on provisions for mining damage. By contrast, interest expenses from property loans rose by €143 thousand in 2015 as a result of new borrowing. €13,125 thousand of interest expenses relates to financial liabilities (previous year: €12,985 thousand).

The interest expenses for interest rate hedges amounted to €3,256 thousand (previous year: €3,217 thousand). The payments we make quarterly on the basis of agreed interest rates amounted to €3,273 thousand in the reporting year (previous year: €3,399 thousand).

In return, we received variable interest in line with agreements on the basis of three-month EURIBOR of €17 thousand (previous year: €182 thousand). For further details and information on interest rate hedges please see note 17.

(9) Earnings per share

The net profit for the year amounted to €13,775 thousand, down €3,334 thousand on the figure for the previous year.

Earnings per share amounted to €0.25 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.

		2015	2014
Weighted average number of shares outstanding	Thousands	55,186	45,493
Net earnings/net profit for the year	€ thousand	13,775	17,109
Earnings per share	€	0.25	0.38

NOTES TO THE STATEMENT OF FINANCIAL POSITION

(10) 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 was €1,942 thousand (previous year: €128 thousand) as at the end of the reporting period. The increase results from the extension of the administrative building to create additional office space.

(11) Investment property

Additions to investment property amounted to €169,731 thousand in the financial year. €164,248 thousand of this amount relates to property acquired in the reporting year and previous years, €4,040 thousand to incidental acquisition costs for property not yet transferred to the company and €1,443 thousand to costs subsequently added in the portfolio.

Investment property developed as follows in the reporting year:

€ thousand		2015	2014
As at 1 January		**606,849**	**595,423**
+	Additions due to acquisition	164,248	33,817
+	Additions due to advance payments	4,040	2,456
+	Additions due to costs subsequently added	1,443	4,006
		169,731	**40,279**
–	Disposals due to sales	−2,952	−9,226
–	Disposals due to IFRS 5 reclassifications	−5,977	−1,830
		−8,929	**−11,056**
–	Depreciation for the financial year	−18,827	−16,618
–	Impairment losses for the financial year	0	−1,179
		−18,827	**−17,797**
As at 31 December		**748,824**	**606,849**

Taking into account the additions and disposals in the reporting year, the fair value of investment property was €896,748 thousand as at 31 December 2015 (previous year: €720,205 thousand).

The fair value of investment property breaks down as follows:

€ thousand	2015	2014
Developed property portfolio	891,370	715,660
Incidental costs of pending acquisitions	4,040	2,456
Undeveloped land holdings	1,338	2,089
Total	**896,748**	**720,205**

(12) Financial assets

At €730 thousand (previous year: €470 thousand) financial assets essentially relate to cash security deposits by tenants. This item also includes other loans of €23 thousand (previous year: €25 thousand).

(13) Trade receivables and other assets

All receivables and other assets are carried at amortised cost. Individual value adjustments on doubtful debts amounted to €13 thousand in the reporting year (previous year: €0 thousand). Uncollectible receivables were derecognised in the amount of €7 thousand (previous year: €15 thousand).

At €190 thousand, non-current other assets included development costs paid for the leasehold property in Solingen.

Trade receivables and other current assets break down as follows:

€ thousand	2015	2014
Trade receivables	865	614
Others	623	706
Total	**1,488**	**1,320**

€120 thousand (previous year: €65 thousand) of trade receivables were past due and not impaired as at the end of the reporting period. €25 thousand (previous year: €14 thousand) of these were older than 60 days.

(14) Cash and cash equivalents

Cash and cash equivalents break down as follows:

€ thousand	2015	2014
Bank balances	27,132	10,372
Cash balances	1	2
Total	**27,133**	**10,374**

Bank balances include €25,023 thousand (previous year: €8,604 thousand) in demand deposits.

(15) Non-current assets held for sale

Non-current assets held for sale relate to four smaller properties no longer consistent with strategy in Dinslaken, Duisburg, Kassel and Solingen, for which purchase agreements were signed at the end of 2015 and that will not be transferred to the buyer until 2016. The fair value of these properties is €8,446 thousand and is equal to the contractually agreed sale prices.

The property in Düren for which the carrying amount was reported here in the previous year was transferred as at the end of the 2015 financial year.

(16) Equity

The development of equity from 1 January 2014 to 31 December 2015 is shown in the statement of changes in equity. As at 31 December 2015, the issued capital of the company amounted to €62,003 thousand and was divided into 62,003 thousand no-par-value bearer shares.

By way of resolution of the Annual General Meeting on 7 May 2015, the Managing Board was authorised until 6 May 2020, with the approval of the Supervisory Board, to increase the share capital of the company by €5,004 thousand (Authorised Capital 2015 / II): At the same time, the existing Authorised Capital I of €4,549 thousand was revoked.

Furthermore, by way of resolutions of the Annual General Meeting on 7 May 2013, the Managing Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the company by €18,197 thousand (Authorised Capital II): The authorisation remains in effect until 6 May 2018.

By way of resolution of the Managing Board, with the approval of the Supervisory Board, and on entry in the commercial register on 20 February 2015, the share capital was increased from Authorised Capital II by issuing 4,549,332 new shares against cash contributions with existing shareholders' pre-emption rights disapplied.

On entry in the commercial register on 9 July 2015 of the resolution of the Managing Board of 24 June 2015, approved by the Supervisory Board on the same date, there was a further increase in share capital from Authorised Capital II against cash contributions by way of the issue of 11,959,948 new shares. The shares were available to shareholders for subscription at a ratio of three to one.

The share capital was therefore increased from €45,493,333 to €62,002,613 in total in the 2015 financial year. As at 31 December 2015 the Managing Board therefore still has the following authorised capital at its disposal for increasing the share capital:

- €5,004 thousand (Authorised Capital 2015 / II)
- €1,688 thousand (Authorised Capital II)

Furthermore, on 7 May 2013, the Managing Board was authorised, with the approval of the Supervisory Board, to issue bearer or registered warrant and convertible bonds ("bonds"), dated or undated, up to a total of €250,000 thousand until 6 May 2018, and to grant the bearers or creditors ("bearers") of bonds conversion rights to new bearer shares of the company with a total pro rata amount of share capital of up to €22,747 thousand in accordance with the more detailed conditions of the warrant or convertible bonds ("bond conditions").

In issuing warrant or convertible bonds, the Managing Board is authorised to contingently increase the share capital of the company by up to €22,746 thousand, divided into up to 22,747 thousand bearer shares (Contingent Capital).

With the approval of the Supervisory Board, the Managing Board can disapply shareholders' statutory pre-emption rights in certain cases for a partial amount. The latter authorisations had not been used as at the end of the reporting period.

By way of the resolutions of the Annual General Meeting on 17 May 2011, 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 thousand shares and until 16 May 2016. The Managing Board has not yet utilised this authorisation.

The company reported net retained profits of €46,055 thousand (previous year: €35,903 thousand) as at 31 December 2015. The Managing Board will propose the distribution of a dividend of €26,041 thousand for the 2015 financial year at the Annual General Meeting. This corresponds to a dividend of €0.42 per share. The dividend proposal is based on net retained profits for the company under German commercial law of €26,041 thousand.

Following the capital increases in 2015, the capital reserves increased by €123.0 million to €247.3 million (previous year: €124.3 million) and include amounts generated when issuing shares in the context of capital increases that exceeded the notional value of the shares less the costs of capital increases.

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, €16,394 thousand was withdrawn from other retained earnings as at 31 December 2015, resulting in an amount of €50,757 thousand as at the end of the reporting period.

The revaluation surplus includes the negative fair values of derivatives in connection with cash flow hedges in the amount of €–8,240 thousand (previous year: €–10,997 thousand) and actuarial losses on defined benefit obligations accrued as at 31 December 2015 in the amount of €–3,817 thousand (previous year: €–3,691 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	**2015**	**2014**	**Change**
Equity	406,074	270,195	+50.3%
Total assets	786,644	621,303	+26.6%
Reported equity ratio	**51.6%**	**43.5%**	**+8.1 percentage points**

In addition, the company is required to comply with the equity coverage ratio of at least 45% codified in accordance with section 15 REITG in order to maintain its status as a real estate investment trust. Compliance with the REIT equity ratio is therefore subject to ongoing monitoring. The equity ratio was 61.5% as at 31 December 2015 (previous year: 53.1%).

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 35.0% as at 31 December 2015 (previous year: 43.3%).

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.

(17) Financial liabilities and derivative financial instruments

Financial liabilities increased by a net amount of €22,106 thousand to €344,335 thousand as a result of further borrowing for property financing. The fair value of derivative financial instruments rose by €2,757 thousand as a result of the shorter remaining term by one year and is €–8,240 thousand. The property loans in place are based on both long-term fixed-rate interest agreements and interest rate agreements based on EURIBOR. The interest rate risk was fully eliminated in these instances by concluding interest rate swaps, with which HAMBORNER receives EURIBOR and pays 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 €72.8 million. Depending on the underlying loan transactions, the derivatives mature between 2017 and 2021. The change in the fair values of interest rate derivatives recognised in equity of €2.8 million resulted in a rise in market value changes in derivatives in the revaluation surplus to €–8.2 million. There are no further derivative financial instruments other than the interest rate swaps shown above.

			31 Dec. 2015		31 Dec. 2014	
No.	Type	Maturity	Nominal value in € thousand	Fair value in € thousand	Nominal value in € thousand	Fair value in € thousand
1	Interest rate swap	October 2017	29,289	−2,452	30,938	−3,688
2	Interest rate swap	April 2018	9,627	−971	14,005	−1,881
3	Interest rate swap	April 2018	13,268	−1,339	10,161	−1,363
4	Interest rate swap	December 2018	3,959	−455	4,131	−584
5	Interest rate swap	November 2021	16,620	−3,023	16,620	−3,481
Total			**72,763**	**−8,240**	**75,855**	**−10,997**

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

€ thousand	31 Dec. 2015			31 Dec. 2014		
	Current	Non-current		Current	Non-current	
	less than 1 year	2 to 5 years	more than 5 years	less than 1 year	2 to 5 years	more than 5 years
Financial liabilities	16,138	152,971	175,226	10,760	109,290	202,179
Derivative financial instruments	0	5,217	3,023	0	7,516	3,481
Total	**16,138**	**158,188**	**178,249**	**10,760**	**116,806**	**205,660**

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. 2015			31 Dec. 2014		
	less than 1 year	2 to 5 years	more than 5 years	less than 1 year	2 to 5 years	more than 5 years
Financial liabilities	24,835	185,222	184,585	19,552	141,767	214,419
Derivative financial instruments	3,147	4,873	459	3,200	7,236	987
Total	**27,982**	**190,095**	**185,044**	**22,752**	**149,003**	**215,406**

All loans are secured by investment property. There were land charges of €423.7 million chargeable to the company for the financial liabilities reported as at 31 December 2015. 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 1.82% and 5.21% (average interest rate: 3.70%). Including loans concluded but not yet utilised, the average interest rate is 3.31%. In line with loan agreements, repayments are made monthly, quarterly 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 used to manage interest rate risks on floating-rate loans. The risks resulting in connection with the use of these 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 total of all the positive fair values and, for primary financial instruments, the total 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:

Interest rate risks regarding primary financial instruments with a fixed interest rate are reported only if they are measured at fair value. For financial instruments measured at amortised cost, changes in interest rates have no effect on accounting. For cash flow hedges used to hedge fluctuations due to interest rates, changes in market interest rates 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**	**2015**	**2014**
Interest rate +1%	1,446	2,247
Interest rate −1%	−2,538	−2,678

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 matched-term interest rate parameters at the end of the reporting period (level 2).

€ thousand	**31 Dec. 2015**		**31 Dec. 2014**	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	344,335	372,477	322,229	349,650

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.

31 Dec. 2015	Carrying amount	Measurement in accordance with IAS 39			Non-financial assets / liabilities
€ thousand		Amortised cost, held-to-maturity	Amortised cost, loans and receivables	Fair value, derivatives designated as hedges	
ASSETS					
Financial assets	753	753			
Current trade receivables and other assets	1,488		1,357		131
Cash and cash equivalents	27,133		27,133		
	29,374	**753**	**28,490**	**0**	**131**
EQUITY AND LIABILITIES					
Non-current financial liabilities	328,197		328,197		
Non-current derivative financial instruments	8,240			8,240	
Non-current trade payables and other liabilities	4,520		3,167		1,353
Current financial liabilities	16,138		16,138		
Current trade payables and other liabilities	11,526		6,170		5,356
	368,621	**0**	**353,672**	**8,240**	**6,709**

31 Dec. 2014	Carrying amount	Measurement in accordance with IAS 39			Non-financial assets / liabilities
€ thousand		Amortised cost, held-to-maturity	Amortised cost, loans and receivables	Fair value, derivatives designated as hedges	
ASSETS					
Financial assets	495	495			
Current trade receivables and other assets	1,320		1,188		132
Cash and cash equivalents	10,374		10,374		
	12,189	**495**	**11,562**	**0**	**132**
EQUITY AND LIABILITIES					
Non-current financial liabilities	311,469		311,469		
Non-current derivative financial instruments	10,997			10,997	
Non-current trade payables and other liabilities	1,956		783		1,173
Current financial liabilities	10,760		10,760		
Current trade payables and other liabilities	4,557		3,121		1,436
	339,739	**0**	**326,133**	**10,997**	**2,609**

(18) Trade payables and other liabilities

€ thousand	2015	2014
Trade payables	**268**	**202**
Other liabilities	**15,778**	**6,311**
Other purchase price retention	3,355	625
Land transfer tax liabilities	3,180	0
Security retention for rent guarantees	2,569	133
Outstanding invoices	2,303	1,924
Rental and leasing advances	1,494	1,565
Security deposits	730	470
VAT liabilities	656	597
Deferred investment subsidies	629	0
Supervisory Board remuneration	302	316
Audit fees	61	86
Miscellaneous	499	595
Total	**16,046**	**6,513**

€11,526 thousand (previous year: €4,557 thousand) of trade payables and other liabilities are due within one year.

(19) 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 pensions and assumed inflation.

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

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

As at 31 December 2015, the pension obligations are distributed among four (previous year: four) and eight (previous year: nine) surviving dependents.

The weighted average term of defined benefit obligations was around 11.0 years as at the end of the reporting period (previous year: around 11.0 years).

Pension provisions developed as follows:

€ thousand	2015	2014
Carrying amount 1 January (= present value 1 January)	7,452	7,491
Interest expenses	137	230
Actuarial gains (–) / losses recognised for the current year	126	304
(due to change in financial assumptions)	–67	(+1,012)
(due to experience adjustments)	193	(–708)
Pension payments	–495	–573
Total	**7,220**	**7,452**

The changes in the main actuarial assumptions would have had the following effects on the present value of pension obligations:

Change in pension provision € thousand	Increase	Decrease
Discounting rate (–0.5 / +0.5 percentage points) (previous year)	 438 (466)	 −396 (−420)
Inflation (+0.25 / –0.25 percentage points) (previous year)	 204 (200)	 −195 (−191)
Pension trend (+0.25 / –0.25 percentage points) (previous year)	 204 (200)	 −195 (−191)
Deviation in mortality from standard (–7.5% / +7.5%) (previous year)	 241 (248)	 −219 (−225)

The sensitivity calculations are based on the average term of the pension obligation calculated as at 31 December 2015. The calculations were performed in isolation for the actuarial parameters classified as significant in order to show the effects on the present value of pension obligations separately.

Pension payments from defined benefit commitments of €484 thousand are expected in the 2016 financial year (previous year: €487 thousand).

In the year under review, HAMBORNER paid contributions of €178 thousand (previous year: €168 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: €7 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 expenses.

(20) Other provisions

Other provisions break down as follows:

€ thousand	1 Jan. 2015	Additions	Utilisation	Reversals	31 Dec. 2015	of which non-current	of which current
PROVISIONS FOR							
Mining damage	2,505	14	0	25	2,494	2,494	0
Employee bonuses	282	348	309	1	320	0	320
Managing Board bonuses (STI)	323	379	323	0	379	0	379
Managing Board bonuses (LTI)	554	404	0	0	958	591	367
Reimbursements from operating costs not yet invoiced	111	373	65	3	416	0	416
Miscellaneous	142	105	85	0	162	0	162
Total	**3,917**	**1,623**	**782**	**29**	**4,729**	**3,085**	**1,644**

The provision for employee bonus obligations assumes that the expected bonuses for 2015 will be €38 thousand higher than in the previous year and amount to €320 thousand. In addition, there are provisions for long-term, share-based Managing Board bonuses (LTI) of €958 thousand (previous year: €554 thousand), €367 thousand of which was paid out in 2016 on the basis of the value of shares as at the end of the reporting period, and for short-term remuneration (STI) of €379 thousand (previous year: €323 thousand). The terms of the share-based remuneration as at the end of the reporting period was three months (long-term, share-based commitments for 2013), 15 months (long-term, share-based commitments for 2014) and 27 months (long-term, share-based commitments for 2015).

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. Provisions relating to mining activities are non-current provisions measured at their probable settlement amount at the end of the reporting period. Depending on their respective remaining term (between two and 19 years; previous year: between three and 20 years), interest rates of between 0.3% and 2.1% (previous year: between 0.4% and 2.0%) were assumed for discounting. The provision decreased slightly by a total of €11 thousand to €2,494 thousand as at 31 December 2015 owing to interest effects (maturity adjustment: €–28 thousand; interest rate adjustment: €14 thousand) and inflation-based adjustments (€26 thousand).

(21) Contingent liabilities and financial obligations

On 31 December 2015 there were obligations arising from notarised purchase agreements for two properties in Ditzingen and Lübeck to pay a total purchase price of €61.8 million.

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

Maturing on	Payment obligation (€ thou. p.a.)	Passed on to tenants (€ thou. p.a.)
30 June 2023	242	0
31 December 2034	204	204
31 March 2060	113	0
Total	**559**	**204**

There are no further significant contingent liabilities or other financial obligations.

(22) 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 €750.3 million (previous year: €605.7 million) was let under operating leases as at 31 December 2015.

The leases, which are essentially for office and retail space, are usually concluded for terms of between five and 15 years. Around 95% of our commercial leases contain indexation clauses that peg rents to development of the consumer price index. Rent deposits are usually agreed. The full reallocation of incidental costs is intended.

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

€ thousand	31 Dec. 2015	31 Dec. 2014
Up to one year	55,300	46,359
Between two and five years	176,298	149,823
More than five years	160,218	115,160
Total	**391,816**	**311,342**

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 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. Cash and cash equivalents amounted to €27.1 million as at the end of the reporting period after €10.4 million in the previous year.

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

On the basis of DRS 21, we have reclassified interest payments from cash flow from operating activities to cash flow from investing activities. Accordingly, the cash flow from operating activities reported in the previous year has been reduced by €67 thousand from €37,028 thousand to €36,961 thousand. The cash flow from investing activities was increased by the same amount from €–14,046 thousand to €–13,979 thousand.

(23) Cash flow from operating activities

The cash flow from operating activities was €42.8 million after €37.0 million in the previous year. The increase is largely due to higher rental income as a result of new investments.

Operating cash flow per share developed as follows:

		2015	2014
Number of shares outstanding	Thousands	62,003	45,493
Operating cash flow	€ thousand	42,847	36,961
Operating cash flow per share	€	0.69	0.81

(24) Cash flow from investing activities

The cash flow from investing activities essentially resulted in a cash outflow of €154.6 million (previous year: €14.0 million) due to acquisitions in the financial year (€162.9 million).

The payments for investments in intangible assets, property, plant and equipment and investment property do not correspond to the additions shown in the statement of changes in non-current assets. The reason for this is mainly the retention of purchase price and payments for the land transfer tax that are not yet due as at as at the end of the reporting period.

(25) Cash flow from financing activities

The cash flow from financing activities of €128.5 million (previous year: €–40.8 million) results in particular from the net issue proceeds of the capital increases performed in February and July 2015 (€139.5 million). Furthermore, there were cash inflows from the borrowing of loans of €32.9 million. Cash receipts are offset by payments for the dividend for 2014 (€20.0 million) and interest and principal payments (€23.9 million) on the loans borrowed for the pro rata financing of our properties.

The company also has total funds not yet utilised of €81.8 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

On receipt of the purchase price payments on 29 January 2016, the properties in Dinslaken, Duisburg and Solingen reported under non-current assets held for sale were transferred to the respective buyers.

A loan of €7.5 million with a term of ten years and an interest rate of 1.64% was agreed in February to finance the property in Ditzingen.

The purchase agreement for an office property in Münster at a purchase price of €6.1 million was closed on 10 February 2015. The property is adjacent to the building on Martin-Luther-King-Weg already owned by the company.

Employees

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

	2015	2014
Commercial property management	9	9
Technical property management	5	5
Administration	15	13
Total	**29**	**27**

Corporate governance

In December 2015, 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 2015 annual report.

Notification of the existence of an equity investment

In order to maintain REIT status, investors are not permitted to directly hold 10% or more of shares or 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 2015, the company was not aware of any shareholders with a direct shareholding of more than 10% of share capital.

In accordance with section 160(1) no. 8 AktG, the existence of equity investments reported to the company in accordance with section 21(1) or (1a) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) must be disclosed.

The following table shows the reportable equity investments of which the company was notified by 26 February 2016. The information was taken from the most recent notification from a reporting entity received by the company. All publications by the company on notifications of equity investments in the year under review and also until 26 February 2016 can be found on the HAMBORNER REIT AG website under Investor Relations / Notifications. Please note that the percentage and voting right information for equity investments may now be out of date on account of non-reportable acquisitions or sales of shares.

VOTING RIGHT NOTIFICATIONS

No	Reporting entity	Voting rights in accordance with sections 21, 22 WpHG (new)	Share of voting rights (new) in %	Threshold Affected	Share on instruments as defined by section 25(1) WpHG in % [4]	Date threshold affected	Allocation of voting rights as defined by section 22 WpHG	Entities to which 3% or more is assigned [5]
1	Deka Investment GmbH, Frankfurt/Main, Germany	4,549,332	9.09	Rise above 3%, 5%		20 February 2015	Yes [2]	RAG Foundation, Essen, Germany
	RAG Foundation, Essen, Germany	4,549,332	9.09	Rise above 3%, 5%		20 February 2015	No	
2	Prof Theo Siegert, Germany	2,300,000	4.60	Drop below 5%		20 February 2015	Yes [1]	
3	TEC Düsseldorf GbR, Düsseldorf, Germany	1,370,000	2.74	Drop below 3%		20 February 2015	No	
4	Kingdom of Belgium, Brussels, Belgium	2,522,668	5.04	Rise above 5%		8 June 2015	Yes [1]	Société Fédérale de Participations et d'Investissement/Federale Participatie – en Investeringsmaatschappij SA/NV ("SFPI/FPIM"), Brussels, Belgium
	Société Fédérale de Participations et d'Investissement/Federale Participatie – en Investeringsmaatschappij SA/NV ("SFPI/FPIM"), Brussels, Belgium	2,522,668	5.04	Rise above 5%		8 June 2015	Yes [1]	Belfius Bank SA/NV, Brussels, Belgium
	Belfius Bank SA/NV, Brussels, Belgium	2,522,668	5.04	Rise above 5%		8 June 2015	Yes [1]	Belfius Insurance NV/SA, Brussels, Belgium
	Belfius Insurance NV/SA, Brussels, Belgium	2,522,668	5.04	Rise above 5%		8 June 2015	Yes 1 = 2.03%	
5	BNP Paribas Investment Partners S.A., Paris, France	3,119,116	5.03	Rise above 5%		9 July 2015	Yes 1 = 5.03% 3 = 4.93%	BNP Paribas Investment Partners Belgium S.A.
	BNP Paribas Investment Partners UK Ltd, London, UK	1,548,903	3.10	Rise above 3%		13 April 2015	Yes [2]	BNP Paribas Investment Partners Belgium S.A.
6	BlackRock, Inc., New York, USA	1,869,652	3.02	Rise above 3%	0.27	5 February 2016	Yes: 3.02%	

[1] Assigned as per section 22(1) sentence 1 no. 1 WpHG
[2] Assigned as per section 22(1) sentence 1 no. 6 WpHG
[3] Assigned as per section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG
[4] Notification duty arose only from 26 November 2015
[5] Notification duty expired from 26 November 2015

Indirect equity holdings in the capital of the company that indirectly amount to or exceed 10% of the voting rights

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 2015.

Related party disclosures for the 2015 financial year

The only related parties of HAMBORNER within the meaning of IAS 24 are the members of the Managing Board, the Supervisory Board and their close relatives. There were no reportable transactions with related parties in the 2015 financial year.

Remuneration of the Managing Board and the Supervisory Board

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 €1,188 thousand in the reporting year (previous year: €1,118 thousand). In addition to current remuneration of €928 thousand (previous year: €858 thousand), non-current, share-based remuneration (LTI) amounts to €260 thousand (previous year: €260 thousand).

The LTI comprises virtual share commitments to be paid to the Managing Board in cash after a three-year retention period after the second trading day after publication of the results for the third year. The amount of the payment is calculated as the number of share commitments granted multiplied by the closing price of HAMBORNER shares on the Xetra trading system as at the end of the retention period. An increase in the price of HAMBORNER shares of more than 200% (cap) compared to the closing price on the respective commitment date shall be disregarded.

Furthermore, for half of the share commitments, the payout amount can be increased or reduced based on the relative performance of HAMBORNER shares compared to the EPRA / NAREIT Europe ex UK Index according to a target system stipulated by the Supervisory Board.

The fair value per vested share commitment as at the end of the reporting period is therefore essentially the closing price of the shares of the company on the last trading day of the financial year (€9.61; previous year: €8.12).

On the basis of the share commitments granted in 2015 and remeasurement effects, expenses of €404 thousand (previous year: €279 thousand) were recognised for share-based remuneration in the reporting year.

The number of virtual share commitments granted and still outstanding on 31 December 2015, and the closing price of hamborner shares on the respective commitment date, are presented below:

			Number of virtual share commitments granted	
	Share price at grant date	End of retention period	Dr Rüdiger Mrotzek	Hans Richard Schmitz
LTI 2013	7.10	March 2016	18,310	18,310
LTI 2014	7.70	March 2017	16,883	16,883
LTI 2015	9.68	March 2018	13,430	13,430

Virtual share commitments developed as follows:

	2015	**2014**
As at 1 January	70,386	36,620
Addition of virtual share commitments granted	26,860	33,766
As at 31 December	97,246	70,386

As the current remuneration system for the Managing Board, including the granting of virtual share commitments, has only been in effect since 2013, so far none of the share commitments have been paid out as at the end of the reporting period.

The remuneration of the members of the Supervisory Board is due in the short term and amounted to €329 thousand (previous year: €316 thousand) for the financial year.

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 pension provisions recognised for former Managing Board members and their surviving dependents amounted to €4,197 thousand as at the end of the reporting period. Post-employment benefits under these pension commitments amounted to €312 thousand in the reporting year.

EXECUTIVE BODIES OF THE COMPANY AND THEIR MANDATES

Supervisory Board

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)**
- EUREF AG* (Chairman)
- HAHN-Immobilien-Beteiligungs AG*
- Investment AG für langfristige Investoren TGV*

Dr Bernd Kottmann, Münster (until 7 May 2015)
Deputy Chairman
Management consultant

Robert Schmidt, Datteln
Deputy Chairman (from 7 May 2015)
Former Managing Director of Vivawest GmbH,
Vivawest Wohnen GmbH and THS GmbH
External mandates:
- Vestische Wohnungsgesellschaft mbH** (until 30 April 2015) (Chairman)
- Wohnbau Dinslaken GmbH** (until 30 April 2015)

Claus-Matthias Böge, Hamburg (from 7 May 2015)
Former Chairman of the Management Board
of Deutsche EuroShop AG
External mandates:
- Bijou Brigitte modische Accessoires AG *

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

Dr Helmut Linssen, Issum (from 7 May 2015)
Member of the Management Board
of the RAG Foundation
External mandates:
- RAG Aktiengesellschaft *
- RAG Deutsche Steinkohle AG *
- Vivawest GmbH ** (Chairman)
- Vivawest Wohnen GmbH ** (Chairman)
- Degussa Bank AG * (from 21 May 2015)

Dr David Mbonimana, Seevetal (until 7 May 2015)
Head of Strategy at HSH Nordbank AG
External mandates:
- Capcellence Mittelstandspartner GmbH**
- HGA Real Estate GmbH**
- HSH N Securities S. A.**

Bärbel Schomberg, Königstein
Managing Partner at Schomberg & Co
Real Estate Consulting GmbH
External mandates:
- DSR Deutsche Investment Kapitalanlagegesellschaft mbH*
- HAHN-Immobilien-Beteiligungs AG*

Mechthilde Dordel***, Oberhausen
Clerical employee

Wolfgang Heidermann***, Raesfeld
Technician

Dieter Rolke***, Oberhausen
Clerical employee

Committees of the Supervisory Board

Executive Committee
Dr Eckart John von Freyend (Chairman)
Dr Bernd Kottmann (until 7 May 2015)
Dr Helmut Linssen (from 7 May 2015)
Robert Schmidt
Bärbel Schomberg

Audit Committee
Dr Bernd Kottmann (Chairman) (until 7 May 2015)
Robert Schmidt (Chairman from 7 May 2015)
Claus-Matthias Böge (from 7 May 2015)
Wolfgang Heidermann
Christel Kaufmann-Hocker

Nomination Committee
Dr Eckart John von Freyend (Chairman)
Claus-Matthias Böge (from 7 May 2015)
Dr Bernd Kottmann (until 7 May 2015)
Dr Helmut Linssen (from 7 May 2015)
Dr David Mbonimana (until 7 May 2015)
Bärbel Schomberg

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

Managing Board
Dr Rüdiger Mrotzek, Hilden
Director for Finance / Accounting, Controlling,
Taxes, Portfolio Management, HR, IT,
Risk Management and Controlling, Investments

Hans Richard Schmitz, Duisburg
Director for Asset Management, Technology / Maintenance,
Legal, Investor Relations / Public Relations,
Corporate Governance, Insurance

Duisburg, 26 February 2016

Managing Board

Dr Rüdiger Mrotzek Hans Richard Schmitz

RESPONSIBILITY STATEMENT

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

Duisburg, 26 February 2016

Managing Board

Dr Rüdiger Mrotzek Hans Richard Schmitz

AUDIT OPINION

To HAMBORNER REIT AG, Duisburg

We have audited the separate financial statements – comprising the income statement and 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 HAMBORNER REIT AG, Duisburg, for the financial year from 1 January 2015 to 31 December 2015. 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 the management report based on our audit.

We conducted our audit of the separate financial statements in accordance with Article 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 asset situation, financial position and result of operations in the separate financial statements in accordance with the applicable financial reporting framework and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping system, the separate financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the separate financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the separate financial statements of the 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 asset situation, financial position and result 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, 26 February 2016

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Künemann)	(Neu)
Auditor	Auditor

3

3

STEERING GROWTH

If you rest, you rust.
Whether restoring a classic car or managing a business: You can't increase the value of an investment in the long term without enthusiasm and the drive to explore new territory.

3

3

Collectors' items as an investment

Vintage cars have been more than just collectors' items for a long time now. They are seen as a safe and profitable investment, especially in times oflow interest: If you invest in vintage car, you canexpect considerable appreciation. However, investors still have to overcome certain hurdles. This starts with the purchase.

Because not every old automobile is suitable as an investment: A vibrant brand, a verifiable history and its condition are important factors. The last two are particularly hard for laypeople to judge: what is shining on the outside might be nothing but rust on the inside. The value of a classic car alsolies in its rarity. You can find good deals usually only if you are well connected in the industry.

Growth also means recognising the potential of an investment.

Whether a vintage car or a property: Only professional work can preserve or even increase the value of an investment.

INVESTMENT IN SUSTAINABLE GROWTH

Appreciation needs capital: HAMBORNER laid the foundation for further sustainable organic growth with two capital increases in 2015.

Our network of agents, developers and partners gives us access to the most exciting properties on the market.

We invest in our properties: Asset management from a single source increases the value of our properties in the long term.

We always have an eye on the return. But property management is more than buying, renting and selling for us: We know our tenants and their wishes – and thus we promote long-term partnerships.

DIVIDEND PROPOSAL

42 cents

Enthusiasts need substantial start-up capital – plus there will be expenses for maintenance, repair, insurance. Vintage cars have to be professionally maintained and above all they need to be driven.

After all, the priority with these cars cannot be just the return – because only those who love them can turn classic cars into a good investment.

DIVIDEND DEVELOPMENT PER SHARE

2006	€0.30
2007	€0.35
2008	€0.35
2009	€0.37
2010	€0.37
2011	€0.40
2012	€0.40
2013	€0.40
2014	€0.40
2015	€0.42*

* dividend proposal of the Managing Board

ADDITIONAL INFORMATION

04

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 2015.

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 2015, HAMBORNER REIT AG's free float according to the notifications of voting rights that we have received was 76.24%. We notified the BaFin of this by way of letter dated 6 January 2016.

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 2015 financial year, 97.5% of the company'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 profit for the 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 carry-forward 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 €26.0 million, thus using its full HGB net profit for the 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 7.4% of its average portfolio of immovable assets in the last five years 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 fair value of its immovable assets.

The corresponding value at HAMBORNER as at 31 December 2015 was 61.5%.

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 €26.0 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, 26 February 2016

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 26 February 2016.

IMPORTANT TERMS AND ABBREVIATIONS

AktG	Aktiengesetz – German Stock Corporation Act
Capitalisation rate	The capitalisation rate is used to capitalise the long-term recoverable net return on an investment in perpetuity. This rate reflects growth (e.g. rent growth or inflation) and represents an appropriate market return for the property.
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.
Cost ratio (EPRA)	The cost ratio developed by the EPRA measures the cost / income structure of property companies and is intended to make them comparable on the basis of a uniform definition. It is the ratio of all operating costs (possibly adjusted for individual components) incurred in the management and operation of the property to income from rents and leases.
DAX	The most important German share index established by Deutsche Börse AG. It shows 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.
Derivative	A financial instrument whose value is derived predominantly from the price, price fluctuations and price expectations of an underlying asset, such as shares, interest-bearing securities or foreign currencies; often used as a hedging instrument.
Designated sponsor	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.
DGNB	German Sustainable Building Council – a non-profit organisation. One of its business areas is the DGNB certification system, which serves the planning and evaluation of sustainable buildings.
DIMAX	Share index published by the banking firm Ellwanger & Geiger, which comprises German property shares.
Discounting rate	The discounting rate is the return that investors expect when providing capital, taking into account the specific investment risk. It consists of a risk-free interest rate plus a market-specific and property- specific risk. The future cash flows of the respective analysis period are discounted to the measurement date using the discounting rate.
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. FFO is used in value-oriented corporate management to show the funds generated that are available for investments, repayments and dividend distributions to shareholders in particular. Adjusted for maintenance 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 trading in the context of ordinary business activities.
LEED	Leadership in Energy and Environmental Design – a standard developed in the United States of America for 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.
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.
Operating cost ratio	The operating cost ratio is the ratio of administrative and personnel expenses to rental income.
Prime Standard	Deutsche Börse market segment for stock corporations that satisfy particularly high international transparency standards.
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.
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.
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.

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FINANCIAL CALENDAR 2016 / 2017

22 March 2016	Annual report 2015
27 April 2016	Interim report for Q1 2016
28 April 2016	Annual General Meeting 2016
29 April 2016	Payment of dividend for the 2015 financial year
10 August 2016	Interim report for 1st half 2016
8 November 2016	Interim report for Q3 2016
28 March 2017	Annual report 2016
9 May 2017	Interim report for Q1 2017
10 May 2017	Annual General Meeting 2017

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