hamborner REIT

ZUKUNFT BRAUCHT SUBSTANZ

GETTING IT RIGHT.

ANNUAL REPORT 2016

KEY FIGURES AT A GLANCE (IFRS)

€ thousand	2016	2015	2014
FROM THE INCOME STATEMENT			
Income from rents and leases	61,818	52,447	46,823
Net rental income	56,008	47,455	42,858
Operating result	27,655	23,634	19,893
Financial result	– 14,309	– 13,293	– 13,472
EBITDA	54,462	45,936	48,422
EBDA	40,153	32,643	34,950
EBIT	31,730	27,068	30,581
Funds from operations (FFO)	36,078	29,209	24,555
Net profit for the year	17,421	13,775	17,109
FROM THE STATEMENT OF FINANCIAL POSITION			
Total assets	1,006,760	786,644	621,303
Non-current assets	922,819	752,046	607,779
Equity	561,311	406,074	270,195
Equity ratio in %	55.8	51.6	43.5
REIT equity ratio in %	67.8	61.5	53.1
Loan-to-value (LTV) in %	30.1	35.0	43.3
ON HAMBORNER SHARES			
Number of shares outstanding	79,717,645	62,002,613	45,493,333
Basic = diluted earnings per share in €	0.26	0.25	0.38
Funds from operations (FFO) per share in €	0.45	0.47	0.54
Stock price per share in € (Xetra)			
Highest share price	10.76	11.41	8.29
Lowest share price	8.36	8.20	7.34
Year-end share price	9.04	9.61	8.12
Dividend per share in €	0.43	0.42	0.40
Dividend yield in relation to the year-end share price in %	4.8	4.4	4.9
Price/FFO ratio	20.0	20.4	15.0
Market capitalisation	720,648	595,845	369,406
OTHER DATA			
Fair value of property portfolio	1,115,010	899,816	717,490
Net asset value (NAV)	768,486	564,707	394,548
Net asset value per share in €	9.64	9.11	8.67
Number of employees including Management Board	34	33	31

GETTING IT RIGHT.

We have had an exciting and highly successful year: in 2016 our portfolio clearly exceeded the one-billion-euro level. We owe this excellent business development to excellently located assets, shareholders who have confidence in our business situation and a team that is capable of achieving a great many things. We are using this solid foundation: We are continuing our growth trajectory in the coming year as well at a new level.

1

THE RIGHT MIX -
MEDLEY SWIMMING

VERSATILITY AND STAMINA

We master the disciplines of portfolio management like a medley swimmer masters her techniques.

P. 37

2

THE RIGHT PITCH -
VOICE

DISCIPLINE AND SELF-CONFIDENCE

We use our capital like an artist uses his skill.

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3

THE RIGHT ANALYSIS -
REVIEW

ROOM AND GROWTH

We are developing with our success and new challenges.

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THE MANAGEMENT BOARD OF HAMBORNER REIT AG

DR RÜDIGER MROTZEK
THE MANAGEMENT BOARD OF HAMBORNER REIT AG

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

Publishing our 2016 annual report today, we look back on an eventful year. HAMBORNER REIT AG continued the positive business performance of previous years and can report another successful financial year.

The focus of our business activities in 2016 was the systematic continuation of our growth strategy and the targeted optimisation of our property portfolio. HAMBORNER invested around €180 million in five modern and high quality properties in the past year. The purchase of the Haerder-Center in Lübeck and the Kurpfalz Center in Mannheim were the largest single acquisitions in the history of our company to date, and the value of our property portfolio rose to over €1 billion for the first time. At the same time, portfolio optimisation was further advanced by the sale of five smaller properties no longer consistent with strategy. As a result of changes in the property portfolio and an increase in the market value of our properties, the fair value of our portfolio rose by around €215 million to a total of €1,115 million.

The company's growth and the good business performance are reflected in the positive development of our key performance indicators. In 2016, we increased income from rents and leases by 17.9% and FFO by 23.5%. With a higher number of shares than in the previous year, FFO per share amounts to €0.45. NAV per share climbed by 5.8% to €9.64. At 1.3%, our vacancy rate is below the already extremely low level of the previous year.

The foundation stone for further value-adding growth was laid in September with the successful capital increase. By issuing 17.7 million new shares, we generated proceeds of approximately €160 million, thereby increasing our scope for acquisitions by around €320 million. Substantial portions of the proceeds have already been invested in high-yielding properties in recent months. Ownership of the properties will transfer to HAMBORNER in the course of 2017 or has already been transferred, and thus will contribute to a further increase in rental income and FFO. These investments and our solid, long-term financing structure form the basis from which to look ahead to 2017 with positive expectations.

Given the success of 2016 and our good business prospects, we will be proposing an increased dividend of €0.43 per share for the 2016 financial year at the Annual General Meeting on 10 May 2017. Based on the share price at the end of the year, this means a dividend yield of 4.8%.

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 accompany us on our journey ahead as well.

Dr Rüdiger Mrotzek

Hans Richard Schmitz

01 TO OUR SHAREHOLDERS

* 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 past reporting period was once again an extremely successful financial year for HAMBORNER REIT AG. After the company was already able to invest most of the proceeds from two capital increases in the previous year by the middle of 2016, HAMBORNER subsequently placed its largest capital increase to date on the market, thus creating the basis for the further profitable growth. As at the end of the financial year, the value of the property portfolio was already more than €1.1 billion. The rental income resulting from the additions to the portfolio and the remaining scope for investment give the Supervisory Board of HAMBORNER every cause for confidence in the 2017 financial year. However, the Supervisory Board and the Management Board are equally aware how much the relevant markets have developed to critical price levels.

Changes in the Supervisory Board and Management Board

Effective 31 December 2016, the Deputy Chairman of the Supervisory Board, Mr Robert Schmidt, stepped down from the Supervisory Board at his own request. He had been a member of the Supervisory Board since 2005, and since that time he worked tirelessly and always constructively on the Supervisory Board itself, and in particular the Audit Committee, which he chaired from 2015. The Supervisory Board would like to extend him its warmest thanks express its particular appreciation.

The Supervisory Board elected Ms Bärbel Schomberg as the Deputy Chairman of the Supervisory Board and extended the appointment of the members of the Management Board for a further five years at its meeting on 9 March 2017.

Monitoring management and cooperation with the Management Board

In the 2016 reporting year, we regularly advised the Management Board and intensively monitored its work. In doing so, we received detailed information on all significant business transactions and forthcoming decisions. The Management Board reported comprehensively and in a timely manner, both in writing and verbally, on the strategic 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. We paid particular attention to the capital increase in late summer 2016 and the investment of the funds available in suitable properties.

There were seven meetings of the Supervisory Board in the 2016 financial year. We also passed resolutions on six investment decisions and one divestment decision outside meetings on account of their urgency. Furthermore, in my capacity as the Chairman of the Supervisory Board, I was in regular contact with the Management 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 Management Board in all meetings and then discussed together. Furthermore, we intensively discussed various specific issues with the Management Board in our meetings.

At the accounts meeting of 11 March 2016, 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 2015, following its own review and discussion of significant aspects with the auditor Deloitte GmbH (formerly: Deloitte & Touche GmbH) Wirtschaftsprüfungsgesellschaft, Düsseldorf. We endorsed the Management Board's proposal for the appropriation of profits. We also adopted the agenda for the 2016 Annual General Meeting. The Management Board was again granted non-vested share commitments and a bonus in the context of performance-based remuneration. All members of the Supervisory Board took part in this meeting.

There was a further meeting of the Supervisory Board after the Annual General Meeting on 28 April 2016. In particular, the emerging changes in retail and the more challenging acquisition environment were discussed in addition to their effects on HAMBORNER. All members of the Supervisory Board took part in this meeting.

At the meeting on 25 July 2016, which was held as a conference call, the Supervisory Board authorised the Management Board to conclude all necessary agreements for a possible capital increase. All members of the Supervisory Board took part in this meeting.

The meeting on 8 September 2016 addressed mainly the status report of the Management Board on the development of the investments in the 2008 financial year. In addition, the Supervisory Board resolved to make adjustments to the Rules of Procedure of the Supervisory Board, the Audit Committee and the Management Board in line with the changes in the legal situation. All members of the Supervisory Board again took part in this meeting.

At the meeting on 12 September 2016, which was held as a conference call, the Supervisory Board approved the resolution already adopted by the Management Board on the utilisation of Authorised Capital II and on the stipulation of the subscription ratio of seven to two with a subscription price of €9.40 per share. All members of the Supervisory Board took part in the meeting with the exception of Mr Schmidt.

At the meeting on 27 September 2016, which was again held as a conference call, the Supervisory Board approved the resolution already adopted by the Management Board to increase the share capital by €17,715,032 from €62,002,613 to €79,717,645. Furthermore, owing to the capital increase, the Supervisory Board resolved to amend the Articles of Association. All members of the Supervisory Board took part in this meeting.

The planning meeting on 9 November 2016 focused on the company's budget and medium-term planning for 2017 to 2021. The planned revenue and earnings trend was discussed intensively with the Management Board. The declaration of compliance in accordance with section 161 AktG was also adopted. To fill the vacancy resulting from Mr Schmidt's departure as at 31 December 2016, Mr Böge was elected as the Chairman of the Audit Committee and a member of the Executive Committee effective 1 January 2017. All members of the Supervisory Board took part in this meeting.

Report by the committees

Some of the work of the Supervisory Board is performed by committees. There were three committees again in the 2016 financial year. The Executive Committee met four times. On 26 January 2016 to discuss Management Board matters and to prepare the resolution of the Supervisory Board on the dividend for the 2015 financial year. Management Board matters were discussed again on 11 March 2016. The meeting on 8 July 2016 discussed the possibility of increasing the capital subject to pre-emption rights with the Management Board and authorised the Management Board to make preliminary preparations. The meeting on 9 November 2016 was held jointly with the Nomination Committee and concerned the initial deliberations on how to fill the vacant position on the Supervisory Board from 1 January 2017.

The Audit Committee met four times in the 2016 financial year with the auditor in attendance on each occasion. It discussed the 2015 annual financial statements in detail and the 2016 quarterly and half-year reports were explained by the Management 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. Another area of focus was the effect of the *Abschlussprüfungsreformgesetz* (AReG – German Audit Reform Act) on the future work of the Committee and, in particular, HAMBORNER's obligation to re-tender the audit of the financial statements for the 2018 financial year.

As stated above, the Nomination Committee met once in the reporting year. The Supervisory Board was informed comprehensively about the activities of the committees by the respective chairman at the start of each meeting.

Corporate governance and the declaration of compliance

The Supervisory Board and the Management Board again intensively discussed the further development of internal corporate governance in the year under review. We report on this, together with the Management Board, in the corporate governance report for 2016 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 Management Board published an updated declaration of compliance with the Code in accordance with section 161 AktG in December 2016. 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 2016 HGB annual financial statements (HGB) and approval of the IFRS separate financial statements

On 9 March 2017, 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 9 March 2017. The 2016 annual financial statements under German commercial law prepared by the Management Board were thus adopted. The Supervisory Board has endorsed the proposal of the Management Board for the distribution of the unappropriated surplus.

Unqualified audit opinion

The annual financial statements of the company as at 31 December 2016 prepared by the Management Board in accordance with the rules of the German Commercial Code, the German Stock Corporation Act and the German REIT Act plus the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), the management report and the proposal for the appropriation of profits were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf.

The Supervisory Board had commissioned the audit in line with the resolution of the Annual General Meeting of 28 April 2016. The auditor issued unqualified audit opinions for both sets of financial statements.

Our thanks

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

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

Duisburg, 9 March 2017

The Supervisory Board

Dr Eckart John von Freyend
Chairman

MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD

Dr Rüdiger Mrotzek, Hilden
born 1957,
member of the Management Board
since 8 March 2007,
appointed until 7 March 2023,
Director for Finance / Accounting,
Controlling, Taxes, Portfolio Management,
Transaction Management, HR, IT,
Risk Management and Controlling,
Investments

Hans Richard Schmitz, Duisburg
born 1956,
member of the Management Board
since 1 December 2008,
appointed until 31 December 2022,
Director for Asset Management,
Technology / Maintenance, Legal,
Investor Relations / Public Relations,
Corporate Governance, Insurance,
Corporate Services

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
(until 31 December 2016)
– Deputy Chairman –
Former Managing Director of Vivawest
GmbH, Vivawest Wohnen GmbH and
THS GmbH

Bärbel Schomberg, Königstein
– Deputy Chairman – (from 9 March 2017)
Managing Partner at Schomberg & Co
Real Estate Consulting 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

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 Management 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 Management 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-year 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 use the Internet primarily 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 Management 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 9 November 2016. 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 did not publish any amendments to the Code in 2016. The most recent version of the Code is from May 2015 and remains valid. The Supervisory Board of HAMBORNER REIT AG implemented the amended recommendations of the Code back in 2015 and, among other things, set a company-specific standard limit on the time spent as a member of the Supervisory Board. The targets were set for the gender quota in the Supervisory Board, the Management Board and the two management levels below the Management Board.

The independence of the company's Supervisory Board members is still an issue of great importance. 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 Management Board in 2016 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 Management Board and the Supervisory Board can be found on our website as part of the corporate governance declaration.

The Management Board and the Supervisory Board issued the following declaration of compliance in accordance with section 161 AktG in December 2016. 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 2016
Declaration of the Management 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 Management 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 2015, and will continue to do so in future."

Explanation: Item 4.2.1 sentence 1 of the Code recommends that the Management Board should have a chairman or spokesperson. A chairman or spokesperson has not and will not be appointed as the Management Board consists of just two people.

The Management Board and the Supervisory Board will publish the next declaration of compliance in December 2017.

Duisburg, December 2016

The Management Board The Supervisory Board

Internet information for our shareholders

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

In addition, 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 quarterly 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 Management Board and the Supervisory Board

The Management Board and Supervisory Board work together closely for the good of the company. The Management 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 Management Board. In accordance with the Rules of Procedure and the company's Articles of Association, key Management 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 2016 financial year. There were no potential or actual conflicts of interests on the part of members of the Management Board and the Supervisory Board that would have required immediate disclosure to the Supervisory Board in the reporting period.

Directors' dealings

In accordance with Article 19 of the Market Abuse Regulation, the members of the Management Board and the Supervisory Board, and persons closely related to them, are required to report transactions in financial instruments of the company as soon as the total transactions by one person amount to or exceed €5,000 within one calendar year. The company was notified of the following transactions in the 2016 reporting year:

2016	Person subject to disclosure requirements	Function	Financial instrument	No.	Price	Total volume	Type of transaction
27 September 2016	D. Eckart John von Freyend	Supervisory Board	Shares	7,712	€9.4000	€72,493	Purchase
27 September 2016	Bärbel Schomberg	Supervisory Board	Shares	762	€9.4000	€7,163	Purchase
27 September 2016	Dr Rüdiger Mrotzek	Management Board	Shares	13,048	€9.4000	€122,651	Purchase
27 September 2016	Hans Richard Schmitz	Management Board	Shares	15,714	€9.4000	€147,712	Purchase
27 September 2016	John von Freyend Future KG	Legal entity closely related to person with management responsibilities	Shares	3,048	€9.4000	€28,651	Purchase
27 September 2016	Doris Weihermann	Natural person closely related to person with management responsibilities	Shares	2,358	€9.4000	€22,165	Purchase
18 November 2016	CMB Beteiligungs KG	Legal entity closely related to person with management responsibilities	Shares	2,000	€8.4695	€16,939	Purchase

The company did not receive any further notifications of transactions by management personnel in accordance with Article 19 of the Market Abuse Regulation 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.

In accordance with the provisions of Article 19(5) of the Market Abuse Regulation, the company keeps a list of all persons who perform management duties and persons closely related to them.

Individual members of the Management Board and the Supervisory Board of the company neither directly nor indirectly hold more than 1% of the shares issued by the company. There were therefore no reportable holdings in accordance with item 6.2 of the German Corporate Governance Code as at 31 December 2016.

In compliance with the requirements of Article 18 of the Market Abuse Regulations, a list of insiders including all relevant people with access to inside information is kept at the company.

The mandates of members of the Management Board and the Supervisory Board are shown in the notes to the IFRS financial statements on pages 117 / 118 and related party information can be found on page 116.

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

The auditor proposed for election for the 2016 financial year at the Annual General Meeting, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, submitted its declaration of independence in accordance with item 7.2.1 of the Code in a letter dated 7 March 2016. 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 Management Board and the Supervisory Board.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, has been HAMBORNER REIT AG's auditor since the 2008 financial year. The auditors responsible are Mr Künemann and Mr Neu, who have jointly been auditing HAMBORNER REIT AG as the auditors with overall responsibility since the 2015 financial year.

The auditor is only appointed for one year. Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, would be appointed as the auditor for the tenth time at the 2017 Annual General Meeting.

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 Management Board and members of the Supervisory Board.

Remuneration of the members of the Management Board in the 2016 financial year

The system of Management 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 Management Board to dedicate themselves to and for the company in the long term.

Management 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 Management Board towards the goal of sustainable value added, some of their pay is granted as long-term, share-based remuneration with a retention period ending during the third year after being granted.

More than 50% of variable remuneration is set on the basis of multi-year target parameters. The remuneration of members of the Management 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 Management 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 Management 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 Management Board.

Long-term share-based remuneration
Non-vested share commitments are granted. The annual target amount for individual Management 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 Management 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 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 Management 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 Management Board totals €846 thousand in each case.

The members of the Management Board receive the equivalent value of their share commitments in cash after the retention period.

Obligation to hold shares in the company

Each member of the Management Board is required to hold 200% of his fixed remuneration in shares of the company while serving as a member of the Management 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 Management Board already fulfilled this obligation at the end of 2015.

Pension

HAMBORNER provides each member of the Management 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 Management Board

Members of the Management Board are appointed for a maximum of five years. In the event of the Supervisory Board revoking the appointment of a member of the Management Board, the member of the Management 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 Management Board shall receive variable, pro rata temporis remuneration up to the time of his or her dismissal. If the member of the Management 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 Management 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 Management Board.

In exercising this right of termination, each member of the Management 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 Management 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 Management Board retiring.

The remuneration granted to active members of the Management Board on the basis of existing service agreements for the 2016 financial year broke down as follows:

	Dr Rüdiger Mrotzek				Hans Richard Schmitz			
€ thousand	**2016**	**2016 (min)**	**2016 (max)**	**2015**	**2016**	**2016 (min)**	**2016 (max)**	**2015**
Fixed remuneration	210	210	210	210	210	210	210	210
Benefits	28	28	28	28	21	21	21	42
Total	**238**	**238**	**238**	**238**	**231**	**231**	**231**	**252**
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 (2015) Plan ending 2018	–	–	–	65	–	–	–	65
LTI 2 (2015) Plan ending 2018	–	–	–	65	–	–	–	65
LTI 1 (2016) Plan ending 2019	65	0	312	–	65	0	312	–
LTI 2 (2016) Plan ending 2019	65	0	234	–	65	0	234	–
Total	**493**	**238**	**1,084**	**493**	**486**	**231**	**1,077**	**507**
Pension cost	30	30	30	30	30	30	30	30
Total remuneration under GCGC	**523**	**268**	**1,114**	**523**	**516**	**261**	**1,107**	**537**
Performance-based adjustment of the short-term variable remuneration	68	0	0	64	68	0	0	64
Total remuneration	**591**	**268**	**1,114**	**587**	**584**	**261**	**1,107**	**601**

* based on 100% attainment of goals

13,430 virtual share commitments were approved for the Management Board for the 2016 financial year. They are subject to a retention period. Their fair value as at the grant date was €130 thousand.

The table below shows the remuneration allocated for the 2016 financial year:

	Dr Rüdiger Mrotzek		Hans Richard Schmitz	
€ thousand	**2016**	**2015**	**2016**	**2015**
Fixed remuneration	210	210	210	210
Benefits	28	28	21	42
Total	**238**	**238**	**231**	**252**
Short-term variable remuneration	193	189	193	189
Long-term variable remuneration	173	–	173	–
Other	–	–	–	–
Total	**604**	**427**	**597**	**441**
Pension cost	30	30	30	30
Total remuneration	**634**	**457**	**627**	**471**

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

The total remuneration for former members of the Management Board of the company and their surviving dependents amounted to €312 thousand in the 2016 financial year. The pension provisions recognised for this group of people amount to €4,296 thousand in accordance with IFRS (€3,412 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 2016 financial year is as follows:

€ thousand	2016			2015		
	Fixed remuneration	Attendance fees	Total	Fixed remuneration	Attendance fees	Total
Dr Eckart John von Freyend	60.0	3.5	63.5	60.0	3.5	63.5
Claus-Matthias Böge	30.0	3.5	33.5	19.6	2.5	22.1
Dr Bernd Kottmann	0.0	0.0	0.0	17.8	0.5	18.3
Christel Kaufmann-Hocker	27.5	3.5	31.0	27.5	3.5	31.0
Dr Helmut Linssen	30.0	3.5	33.5	19.6	2.5	22.1
Dr David Mbonimana	0.0	0.0	0.0	8.7	0.5	9.2
Robert Schmidt	48.7	3.0	51.7	43.2	3.5	46.7
Bärbel Schomberg	30.0	3.5	33.5	30.0	3.5	33.5
Mechthilde Dordel	22.5	3.5	26.0	22.5	3.5	26.0
Wolfgang Heidermann	27.5	3.5	31.0	27.5	3.5	31.0
Dieter Rolke	22.5	3.5	26.0	22.5	3.5	26.0
Total	**298.7**	**31.0**	**329.7**	**298.9**	**30.5**	**329.4**

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 Management 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 from 1 January 2017 is €15.0 million per claim and not more than €30.0 million (previous year: €15 million) per insurance year. In accordance with section 93(2) AktG and item 3.8 of the Code, deductibles for members of the Management 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 €24 thousand (previous year: €22 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.

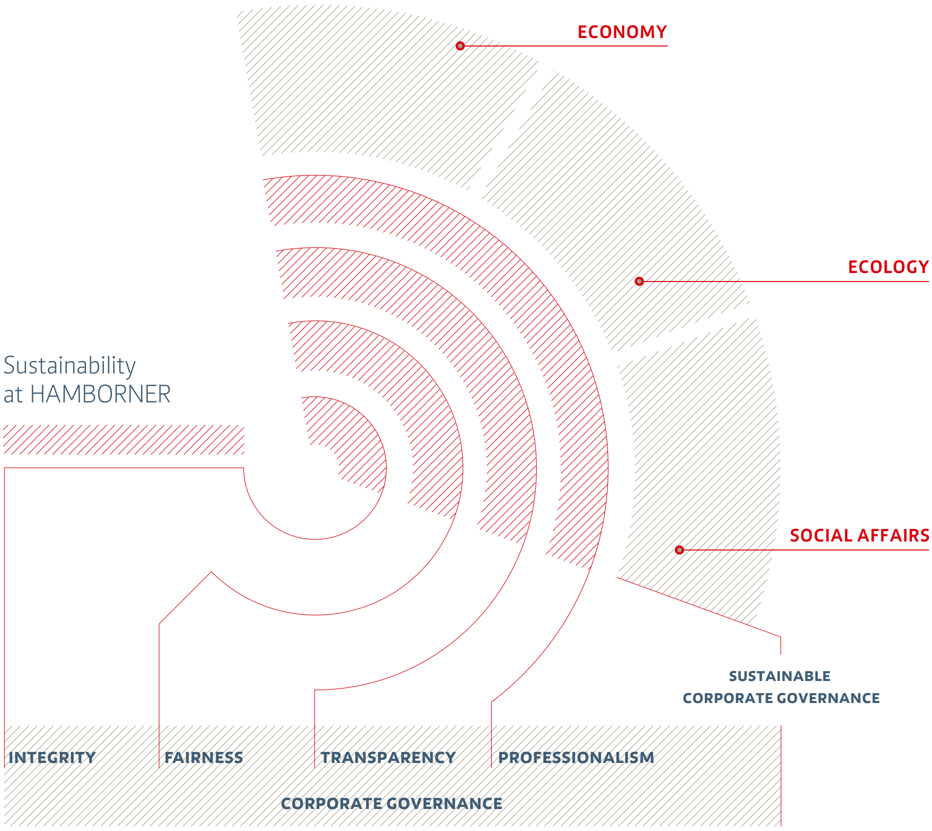
As an SDAX company, HAMBORNER REIT AG is today an established player on the German capital market and a reliable partner in the property industry. In this capacity, we have the obligation to act responsibly – not just in business terms, but in respect of society and the environment as well. HAMBORNER 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 third subsequent edition in October 2016. For the first time in 2016, we reported according to GRI G4, the fourth generation of the Global Reporting Initiative standard, which is replacing previous reporting in line with G3. Our disclosure of sustainability information is therefore still based on current and internationally recognised standards. In line with G4 reporting, there was a stronger focus on – and comprehensive analysis of – the key aspects and indicators relevant to sustainability at HAMBORNER. In addition, the recommendations of the ZIA Sustainability Code are still included in our reporting.

STRATEGIC SUSTAINABILITY CONCEPT

The detailed sustainability report can be accessed on our website WWW.HAMBORNER.DE under HAMBORNER REIT / Sustainability.

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



The four principles of integrity, fairness, transparency and professionalism form the essential foundation of our sustainable corporate governance in each of the three sustainability dimensions, “economy”, “ecology” and “social affairs”. Compliance with these principles is a precondition for our sustainable business success and the basis of actions in respect of the environment and society.

SPECIAL ISSUES IN 2016

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 2016 financial year.

Portfolio optimisation and modernisation

We systematically continued to optimise and modernise our portfolio in 2016 as well. 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. All the properties acquired in 2016 were selected taking into account aspects relevant to sustainability and satisfy modern building and energy standards.

The acquired Kurpfalz Center in Mannheim

The issue of sustainability is becoming more and more important, not just when acquiring new properties but also in the management of our property portfolio. Over the course of 2016, for instance, we once again increased our modernisation and maintenance spending year-on-year and modernised several properties in our portfolio. Of particular note is the comprehensive renovation of the roof of our property in Lübeck.

In total, HAMBORNER invested around €4.6 million in the modernisation and maintenance of its property portfolio in 2016 (previous year: around €4.0 million).

Renovation and extension of the HAMBORNER administrative building

HAMBORNER pledged its commitment to its traditional headquarters in Duisburg back in 2015 and added a three-story, state-of-the-art extension to its administrative building in the Hamborn district. The extension was built on the company's own property according to modern energy standards and using high-quality and sustainable materials. This part of the building was completed at the end of 2015 and employees were able to move in.

Exterior view of the extension of the HAMBORNER administrative building

This was followed by the renovation and energy retrofitting of the old building in 2016. The modernisation work on the building built in the 1950s was completed by the end of 2016. The reconstruction and expansion of the administrative building created 24 additional offices and a social area for the company's employees, paving the way for further sustainable growth by the company. The company's history of now more than 60 years will thus continue at the Hamborn location in the years ahead as well.

HAMBORNER SHARES

General situation on the stock market

2016 was a volatile year on the stock market that was rocked by a number of negative influences. The economic weakness in Asia, which caused the commodity markets and the price of oil in particular to slump, exacerbated investor concerns over the global economy and led to sharp drops in prices on the global financial markets in the spring. The German benchmark index (DAX), which had been at 10,743 points at the end of 2015, had its worst start to the year in 25 years and slid to 8,753 points by the middle of February.

However, after the weak start to the year, investor confidence in the financial markets increasingly returned, and the stock markets recovered significantly over the year. A number of external influences, such as the conflicts in the Middle East, international terrorism, the Brexit vote and presidential election in the US had at best short-term effects on the markets. Driven by solid economic data, good corporate figures and the predominantly expansive monetary policy of central banks, share prices rose continuously with minor fluctuations. By the end of December the DAX climbed to highest level for the year at 11,481 points, an increase of 6.9% over the year. The indexes that follow the DAX, the MDAX and the SDAX, also posted slight growth of 6.8% and 4.6% respectively in the past year.

+6.9%
DAX in 2016

+4.6%
SDAX in 2016

In recent years property shares have benefited in particular from the positive influence of low interest rates and the search for viable investment options. This trend initially continued in the first half of 2016. There were significant price increases for property sector shares. However, property shares were hit by growing uncertainty over ongoing interest rate developments in the second half of the year.

The DIMAX property index compiled by the bank Ellwanger & Geiger, which tracks 58 listed property stocks, was up by around 5% in 2016 and was therefore unable to continue the previous year's development, which saw it rise by 31%. The FTSE EPRA/NAREIT Europe ex UK Index, which is published by the European Public Real Estate Association in Brussels, gained only around 8% (previous year: 15%) over the year.

In the opinion of a vast majority of exchange experts, a volatile but ultimately positive development is expected on the stock markets in 2017 as well. The projected scenario assumes moderate economic growth with further potential for share prices. The financial markets are also likely to be affected by political and monetary policy decisions this year. Important elections will be held in Germany, France and the Netherlands in 2017 that, in the opinion of many experts, will shape the political landscape in Europe and are thus increasing nervousness on the financial markets. In addition, the course of the forthcoming Brexit negotiations and the policy of the new US president will likely have a significant influence on stock market events. However, the monetary policy decisions of central banks will presumably have much stronger market reactions. After the US Fed raised its prime rate in December 2016 and announced further interest hikes for 2017, the markets are anxiously waiting to see how European monetary policy will respond.

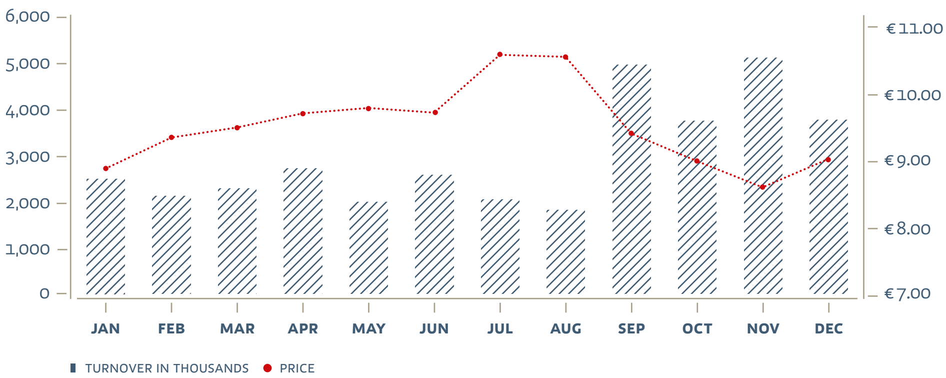
HAMBORNER REIT AG shares

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.

Consistently high trading volume for HAMBORNER shares in 2016

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. At around 36 million, the trading volume of our shares was roughly on par with the previous year's level in the 2016 financial year (around 37.0 million). The average trading volume per day was also virtually unchanged at around 140 thousand (previous year: around 146 thousand).

Development of HAMBORNER shares

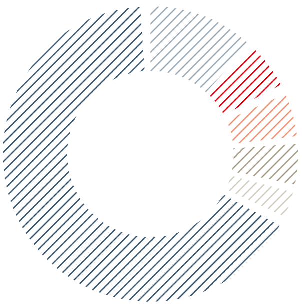


Price performance of HAMBORNER shares in 2016

In line with the general development of the stock market, the price performance of HAMBORNER shares was highly volatile in 2016. After losses in the year's first weeks of trading, the shares latched on to the positive market development and rose to their high for the year of €10.76 by the middle of August. The shares were therefore well above NAV, which was €8.93 as at the end of the first half of the year. In the second half of the year, in line with the general industry trend, the share price was pulled down by the uncertainty concerning a possible increase in interest rates. The entire property sector suffered price losses in the final quarter, due in part to the announced interest rate hike by the US Fed, and HAMBORNER's shares fell to their lowest level for the year at €8.36 by the beginning of December. However, the share price rose again by the end of the year, ultimately closing at €9.04 as at 31 December 2016. This corresponds to a decline of 5.9% compared to the year-end price for 2015 (€9.61).

Market capitalisation as at the end of the year was €720.6 million (previous year: €595.8 million).

Shareholder structure as at 31 December 2016



Capital increase in September 2016

The Management Board and the Supervisory Board of HAMBORNER REIT AG resolved a capital increase against cash contributions with pre-emption rights for shareholders on 12 September 2015. Share capital was to be increased with the partial utilisation of authorised capital and the issue of up to 17,715,032 new shares. In line with the subscription ratio of seven to two, shareholders had the opportunity to subscribe to two new shares at a subscription price of €9.40 for every seven shares already held. Around 92% of the shares available were subscribed to during the subscription period, which ended on 26 September 2016. The remaining share of around 8% was sold to institutional investors via the syndicate banks at a price of €9.40 per share by way of a private placement. The company therefore placed all new shares in the capital increase and generated gross proceeds of €166.5 million. On entry of the new shares in the commercial register on 27 September 2016, the share capital of the company was increased by €17,715,032 to currently €79,717,645.

Issue of
17.7 million
new shares in September 2016

HAMBORNER shares at a glance

		2016	2015	2014
Issued capital	€ million	79.7	62.0	45.5
Market capitalisation*	€ million	720.6	595.8	369.4
Year-end share price	€	9.04	9.61	8.12
Highest share price	€	10.76	11.41	8.29
Lowest share price	€	8.36	8.20	7.34
Dividend per share	€	0.43	0.42	0.40
Total dividend	€ million	34.3	26.0	18.2
Dividend yield*	%	4.8	4.4	4.9
Price / FFO ratio*		20.0	20.4	15

* Basis: Xetra year-end share price

Dividend development at HAMBORNER

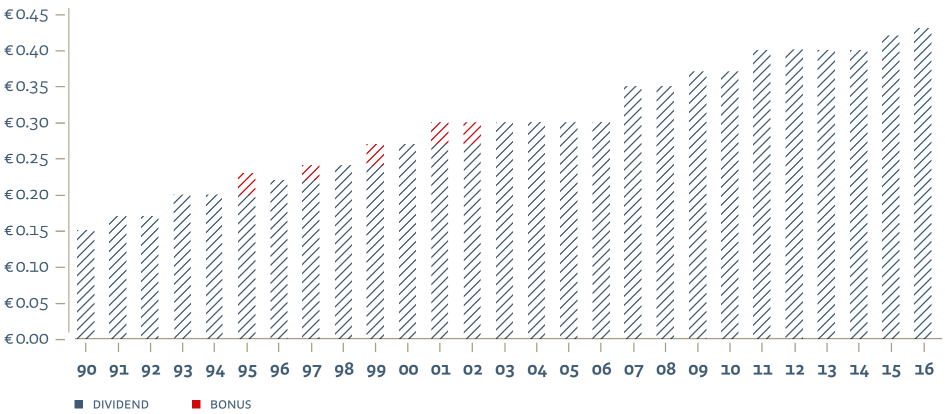
4.8 %
dividend yield

43 cents
dividend proposal to the 2017 Annual General Meeting

A dividend of €0.43 per share will be proposed to the Annual General Meeting on 10 May 2017 for the 2016 financial year. Based on the share price at the end of 2016, this represents a dividend yield of 4.8%.

HAMBORNER has steadily increased its dividend in previous years from €0.15 to €0.43 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 2016 we held roadshows on 25 days in Germany, at other European financial centres and in the United States, and attended a number of capital market and specialist conferences at home and abroad. Investors were also able to speak directly with the Management Board in around 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 individual property tours in 2016. Furthermore, the Management Board and the investor relations team reported to private investors on development of the company at special events as well, and answered questions in many personal talks and telephone calls.

25
roadshow days and around 130 individual interviews with investors in 2016

Analysts and investors were also provided with information on the company not just in a direct dialogue but on the Internet, too. The full overhaul of HAMBORNER's website shortly before the start of 2016 was well received by private and institutional investors. Our homepage www.hamborner.de now offers clear access to current company data and publication at all times. 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 publication dates and roadshow and conference planning in advance in the financial calendar on our website.

Visit our website at WWW.HAMBORNER.DE

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 our active investor relations work in 2017 to provide you with information on the performance of HAMBORNER REIT AG promptly, transparently and comprehensively. We will also continue to seek a dialogue with you and are happy to receive your questions, requests and suggestions.

Contact for Investor Relations

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e-mail: c.heitmann@hamborner.de

TRANSPARENT EPRA REPORTING

HAMBORNER REIT AG has been a member of EPRA since 2010. The European Public Real Estate Association is an organisation based in Brussels that represents the interests of the major European property companies to the public and supports 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. 2016	31 Dec. 2015
EPRA NAV	768,486	564,707
EPRA NNNAV	735,973	528,325
EPRA earnings	36,078	29,209
EPRA net initial yield	5.1%	5.5%
EPRA topped-up net initial yield	5.1%	5.5%
EPRA vacancy rate	1.5%	1.5%
EPRA cost ratio (including direct vacancy costs)	18.4%	19.1%
EPRA cost ratio (not including direct vacancy costs)	18.1%	18.9%

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. 2016	31 Dec. 2015
	NAV*	**768,486**	**564,707**
–	Derivative financial instruments	–5,513	–8,240
–	Hidden reserves on financial liabilities	–27,000	–28,142
	NNNAV	**735,973**	**528,325**
	NAV per share in €	**9.64**	**9.11**
	NNNAV per share in €	**9.23**	**8.52**

* See page 67 for NAV calculation

Net profit for the period

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. 66).

	€ thousand	31 Dec. 2016	31 Dec. 2015
	Earnings per IFRS income statement	**17,421**	**13,775**
+	Changes in value of investment property*	22,732	18,868
–	Profit or losses on disposal of investment properties	–4,075	–3,434
	EPRA earnings = FFO	**36,078**	**29,209**
	EPRA earnings per share in € = FFO per share in €	**0.45**	**0.47**

* 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. 2016	31 Dec. 2015
	Fair value of investment property portfolio (net)	1,115,010	899,816
+	Incidental costs of acquisition	80,690	64,573
	Fair value of investment property portfolio (gross)	**1,195,700**	**964,389**
	Annualised rental income	66,847	58,245
–	Non-transferable property costs	–6,174	–5,137
	Annualised net rental income	**60,673**	**53,108**
+	Adjustments for rental incentives	11	11
	Topped-up annualised rental income	**60,684**	**53,119**
	Net initial yield	**5.1%**	**5.5%**
	Topped-up net initial yield	**5.1%**	**5.5%**

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. 2016	31 Dec. 2015
Annualised standard market rent for vacant space	1,020	873
Annualised standard market rent for portfolio as a whole	66,707	57,061
Vacancy rate	**1.5%**	**1.5%**

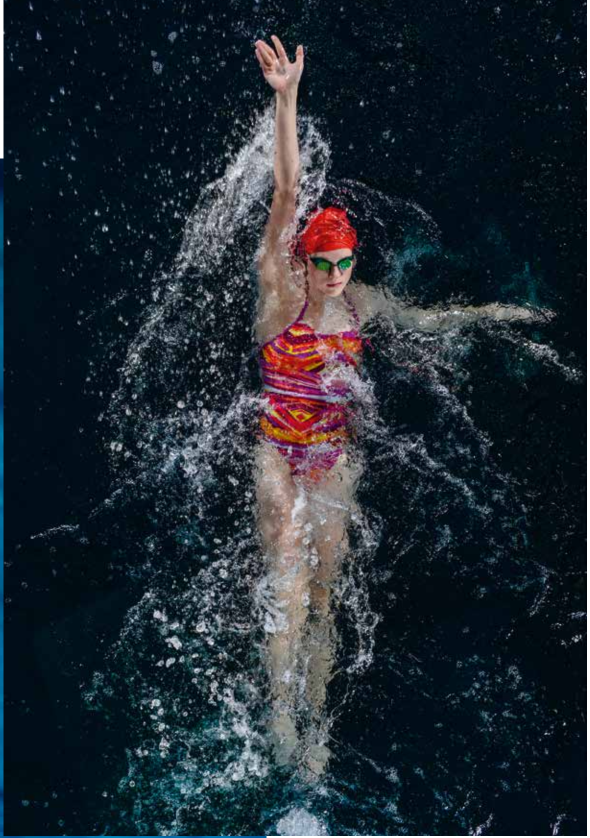
Cost ratio

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		2016	2015
	Administrative / operating expenses per IFRS income statement	32,469	28,134
+	Net service charge costs / fees	2,417	1,667
–	Other operating income / recharges intended to cover overhead expenses less any related profits	–252	–398
–	Investment property depreciation	–22,732	–18,868
–	Ground rent costs	–559	–559
	EPRA costs (including direct vacancy costs)	**11,343**	**9,976**
–	Direct vacancy costs	–203	–100
	EPRA costs (excluding direct vacancy costs)	**11,140**	**9,876**
	Gross rental income less ground rent costs	**61,614**	**52,243**
	EPRA cost ratio (including direct vacancy costs)	**18.4%**	**19.1%**
	EPRA cost ratio (excluding direct vacancy costs)	**18.1%**	**18.9%**

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.

ESSENTIAL: WANTING TO BE BETTER



Apply force, use momentum – this creates movement that takes you forward.

Medley swimming is considered the supreme discipline of swimming. Just as HAMBORNER has a broad portfolio, a medley swimmer has a particularly broad range of movements. In competition, they first swim butterfly, then backstroke, breaststroke and finally freestyle. Each stroke challenges the swimmer in a different way. And every move counts.

The time has almost come. Adjust your swimming cap, put on your goggles. Again and again. Then, on the starting block, the moment has arrived. Years of training, months of anticipation and ever-lasting desire flow into these seconds. Silence descends on the stands. A long whistle. On your marks. Starting signal. Dive.

25 METRES

»
In the crucial moment, years of training, experience and mental strength come to a point. Then you have to be ready to seize your opportunity.
«

The goal is always your personal best.

50 METRES

+++ BUTTERFLY 25.32 +++

Surface. Dive. Under water: silence. Above water the crashing hall. Control the force. Don't think. Every muscle driving you forward. Two more, then the turn. Touch the wall. Push off. Use the energy. On your back now. A different light. The flags on the ceiling. Pull. Breathe.

Change stroke

100 METRES

+++ BACKSTROKE 26.47 +++

The seconds vanish. Every move redetermines your success. A small mistake costs fractions of a second and in the end your victory. Being the favourite means pressure. And that drives you on.

Change stroke

150 METRES

+++ BREASTSTROKE 28.12 +++

Dive again. The will has a goal: Every movement has been done many times over and becomes purely automatic. Every muscle, every fibre programmed. The last turn. Practised a hundred thousand times. Do the right thing in the right moment. The body knows before the head decides.

Change stroke

200 METRES

+++ FREESTYLE 22.56 +++

Maintain your concentration. Breathing out under water, the gulp, the loneliness. The will to win is bundled into a last, painful act of strength. Out of the corner of the eye the other lane. Dangerously close. Give it your all one more time. Contact. First.

50 METRES

THE RIGHT DECISION IN THE RIGHT MOMENT

DR RÜDIGER MROTZEK
THE MANAGEMENT BOARD OF HAMBORNER REIT AG

Good portfolio management and successful property transactions demand comprehensive market knowledge and high flexibility. Last year, the acquisition of the Kurpfalz Center in Mannheim with an investment volume of €80 million was an exciting challenge. This was the biggest single acquisition of our company to date, and we completed the process in just a few weeks. We were successful in the end not least because of our expertise and efficiency.

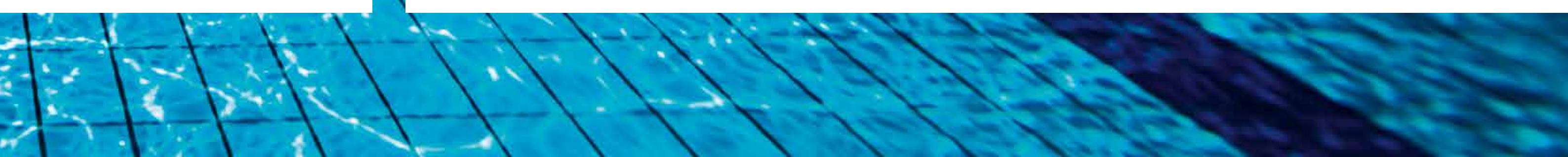
Balanced exposure in three asset classes – HAMBORNER REIT invests in large-scale retail property, office buildings and high street properties in prime city centre and district locations. In principle, we are striving to achieve a balanced three-way split in our portfolio. In the 2016 financial year we greatly expanded the high street and large-scale retail divisions in particular with the acquisition of the Haerder Center in Lübeck and the Kurpfalz Center in Mannheim. The addition of the O³ office complex in Cologne at the end of the year is an example of an attractive office space acquisition at an established location.

DIVERSIFICATION IS STRENGTH

What sets us apart from others is that, like a medley swimmer, we have mastered several disciplines. Diversification at different levels protects us against risks and raises our prospects for success. With 69 properties at 55 sites, our portfolio management also ensures balance and diversification in terms of location. We focus not just on A locations in Germany, but also prosperous B-cities in high-growth regions. Properties in such cities generally have a more favourable risk-return profile: the continuous influx of people ensures increased purchasing power and reduces the volatility of rent and value development.

ASSESS, ANALYSE, DECIDE

The market for high quality properties in Germany is competitive; high-yielding investment opportunities are being sought by domestic and foreign investors. Finding the right properties is not always easy. We are constantly and systematically searching for properties with intrinsic value in excellent locations, with tenants of good credit standing and long-term leases. We are aided in this by our good name and our expertise: We are able to scrutinise investment opportunities very quickly and rapidly complete the entire acquisition process. In doing so we offer our partners high transaction security. This pays off especially when competing for highly desirable properties.



NRW	24%
BW	21%
BY	19%
HE	09%
NI	07%
B	06%
SH	05%
HH	03%
RP	02%
HB	02%
SN	02%

69 PROPERTIES IN 55 CITIES

PORTFOLIO VALUE OF **€1,115,010,000**

AS AT 31 DEC. 2016

RENTAL INCOME BY ASSET CLASS

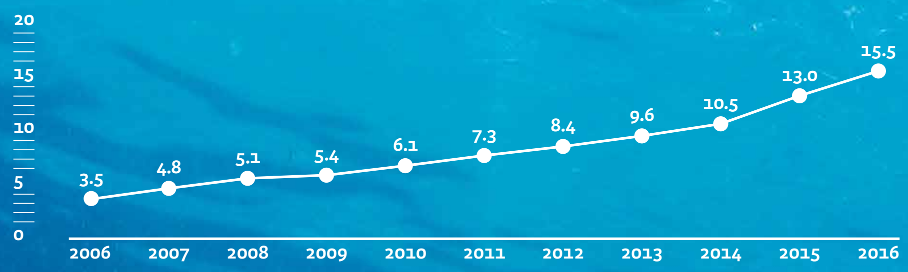
28%
OFFICE PROPERTIES

42%
LARGE-SCALE RETAIL

30%
HIGH STREET

AVERAGE PROPERTY VALUE

IN € MILLION



5
ACQUISITIONS IN 2016

PURCHASE AGREEMENTS SIGNED FOR
4
FURTHER PROPERTIES IN 2016

DISPOSAL OF
5
SMALLER PROPERTIES NO LONGER CONSISTENT WITH STRATEGY IN 2016

ASSET CLASSES

OFFICE PROPERTIES

LARGE-SCALE RETAIL

HIGH STREET PROPERTIES

VOICE - THE RIGHT PITCH
ON PAGE 81

02 MANAGEMENT REPORT

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 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 or good central locations in 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 €100 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 better cost / income structures.

€10 million to
€100 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.

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 at least 45%. In addition, the company is managed according to the performance indicators funds from operations (FFO) and net asset value (NAV) per share.

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

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

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.

FFO and NAV per share key management control parameters

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 per share as a performance indicator. Controlling reports and scorecards ensure internal transparency of developments in key ratios over the year. The remuneration of the Management 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

As in the preceding years, the economic situation in Germany was characterised by solid and steady economic growth in 2016. Gross domestic product increased by 1.9% in 2016 after 1.7% in the previous year. According to the Federal Statistical Office, in addition to the rise in domestic investment, particularly in the construction sector, private consumer spending thanks to higher income as a result of the strong rise in employment was once again the driving force.

It also states that consumer prices again rose only moderately by 0.5% in 2016 after 0.3% in the previous year. Energy prices were 5.4% lower on average in 2016 compared to 2015, which helped to slow inflation. Adjusted for energy products, the rate of inflation would have been significantly higher at 1.2%. The development on the German labour market remained positive in 2016. An average of 2.7 million people were unemployed over the year according to the Federal Employment Agency. This corresponds to an average unemployment rate of 6.1%.

SITUATION ON THE PROPERTY MARKET IN GERMANY

Retail property market

According to the Federal Statistical Office, German retail sales were up by approximately 2% compared to the previous year in 2016 after adjustment for inflation. Sales in the Internet and mail order segment again grew very strongly (up 5%). Food retailers saw a real increase of approximately 2%. 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 good economic conditions, 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 Jones Lang LaSalle GmbH, Frankfurt / Main, (JLL) the rental market reported a solid result in prime pedestrian zone locations in 2016, but was around 7% down on the previous year's figure, which was already in decline. By contrast, the number of leases concluded remained steady. Although new international concepts are still forcing their way onto the German market, the drop in take-up was not halted. Small and mid-sized areas still dominate rentals. The textile sector leads the way at around a third. For the first time, however, the budget clothing outlets surpassed young fashion to take the top spot. TK Maxx was the most active with ten rentals in 2016. Food services remained steady at 20%, as did healthcare / beauty (including household goods stores), which was again at approximately 15%. According to JLL, the ten biggest cities in Germany still had a market share of around 35%, though the share of new rentals in these cities is declining. Retail concepts increasingly focused on mid-sized and small cities.

The trend towards consistent prime rents, first seen in the first half of 2016, was confirmed for the year as a whole. Berlin alone experienced an increase in rents in 2016. Of the other locations analysed by JLL, 134 other towns and cities reported no increase, just 18 locations reported a rise of 7% on average, and in 21 cases rents were even down. As a result, the average rent for all 185 towns and cities analysed by JLL also rose only marginally by 0.1%.

Overall, the retail rental market was contracting while there was a rising trend on the retail investment market. In this specific situation of opposing demand trends on the rental and investment market for retail property, careful location and market analysis is becoming increasingly important. In particular, the calculation or correct assessment of a realistic, longer-term rent represents a "key success factor" for the sustainable profitability of retail property investments.

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 2016, however, the office rental market soared past the investment market. While the investment market experienced a slight decline in take-up, the office rental market reached a new all-time high.

At 3.9 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 2016 was around 9% higher than in the previous year, which had set the last record. The five-year average was significantly surpassed by around 24%. 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 thus ensured growth across the board.

Cologne (up 41%), Stuttgart (up 39%) and Frankfurt / Main (up 34%) enjoyed considerable year-on-year sales growth, according to JLL. Berlin not only achieved an all-time high at around 910 thousand m², it also ousted Munich from the top spot. Only Düsseldorf reported a drop in take-up.

The development on the office property markets in the big seven was aided by major contracts in particular in 2016. According to JLL, there were 34 major contracts in total of 10 thousand m² and more. This space alone added up to around 740 thousand m² – 18% of the overall figure.

Office vacancies declined to approximately 5.1 million m² across all big seven markets, according to JLL. Thus, the supply of space available at short notice has diminished by nearly 600 thousand m² within the past twelve months. The aggregate vacancy rate is currently only 5.5%. Only Frankfurt (9.1%) and Düsseldorf (8.1%) have vacancy rates well in excess of this figure. The lowest vacancy rate, at around 3.7%, is in Stuttgart. The Swabian metropolis and Berlin shared first place for the biggest reduction in vacancies at around 19%.

The good performance on the office property markets in the big seven, coupled with the high user demand, has led to a rise in rents, including both prime and average rents. Compared to the previous year, prime rents increased in six of the big seven, with the figure remaining stable only in Cologne. The growth ranged from 2% in Düsseldorf and Hamburg to 13% in Berlin.

According to JLL, new construction volumes rose by almost 28% over the course of 2016 to a total of 1.1 million m². As only 17% (190 thousand m²) of this volume was still available at the time of completion, this eased the supply side only slightly. Most of the space had already been allocated to tenants.

German property investment market

After six increases in a row with a record volume in 2015, until well into December it did not look as if the transaction volume on the German commercial property market would rise to €50 billion in 2016. However, an extraordinarily strong final dash with a number of large-volume individual and portfolio transactions ensured a dynamic end to the year. The decline as against 2015 was therefore around just 4% according to JLL. After 2007 (€54.7 billion) and 2015 (€55.1 billion), 2016 ranks third in the long-term statistics with a transaction volume of €52.9 billion. 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. Ultimately, the lower transaction volume year-on-year is due solely due to a shortage of supply.

The largest share of investments in 2016, according to JLL, was accounted for by office properties (share of around 45%), followed by retail properties at around 23%. The remainder is distributed among hotel properties and warehouse / logistics properties with around 9% each and mixed-use properties and specialist properties with around 7% each. According to CBRE GmbH, Frankfurt / Main, (CBRE), the retail property segment was dominated by retail centre properties and inner-city commercial properties (each just under 35%). In total, around €5 billion was invested in retail centres, specialist and food outlets in 2016, which corresponds to around 40%. This investment class therefore significantly increased its share once again compared to the previous year (34%). The shopping centre segment took second place with a total transaction volume of approximately €4 billion or around 30%, whereby properties outside the big seven locations were acquired especially with a total volume of €3.6 billion. €2.3 billion was invested in city centre high street properties, corresponding to just under 20%.

Approximately 65% of the commercial transaction volume related to individual transactions in 2016 according to JLL. Investors in Germany and abroad continue to prefer large-volume assets or portfolios. Transactions in excess of €100 million together account for around 50%.

Germany has established itself as an international marketplace for commercial properties. In the final quarter of the year in particular, international investors invested more again according to CBRE, and were responsible for 57% of the investment volume. Over the year as a whole, foreign investors accounted for 45% of the transaction volume, according to CBRE. In the previous year this figure had been 50%. Generally, foreign investors are looking for large-volume investment opportunities especially in Germany: seven of the ten largest transactions in 2016 were performed by international investors.

In 2016, according to JLL, the big seven German investment markets accounted for around 56% of the transaction volume for the whole of Germany (approximately €30 billion). While this is about 5% less than 2015 in terms of volume, the relative share has remained constant. With neither Berlin nor Munich taking the lead within the big seven over 2016, Frankfurt impressively re-emerged as the investment capital by the end of the fourth quarter. A number of large-volume transactions were completed, and more than €7 billion in total was invested, a 20% increase over 2015. Munich took second place at around €6.4 billion and an increase of 11%. Only then does Berlin appear in third place at approximately €5 billion – a drop of 38% though admittedly compared to the outstanding record year of 2015.

Strong demand ensured that initial yields declined further over the course of the year. On average for all the big seven, prime yields for office properties fell by just under 60 basis points to 3.6% in 2016, according to JLL. This is the strongest yield compression within one year for the past ten years. Yield compression was also observed in other asset classes as well, though it was not as pronounced there. Strong demand coupled with a marked shortage of good products was especially noticeable for retail centres. Initial yields here declined by 35 basis points to 4.9%. Yields for inner-city commercial properties fell to 3.5% on average. Shopping centre yields were also down by 25 points to 4.0%. By contrast, yields for individual specialist stores fell only slightly to 5.5%. On average across the big seven regions, yields on logistics properties were around 5.0%.

BUSINESS PERFORMANCE

HAMBORNER has again enjoyed a highly successful financial year. The excellent operating performance of recent years continued and was largely in line with expectations. The most important event in the financial year was the capital increase in September. The gross issue proceeds from this of €166.5 million form the foundations for further growth. Relative to purchase prices, €179.7 million was invested in 2016 for the acquisition of five properties in Lübeck, Ditzingen, Mannheim, Münster and Dortmund. In addition, the company disposed of five 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 4.1%), the fair value of the property portfolio rose by a net amount of €215.2 million to €1,115.0 million as at 31 December 2016. Furthermore, in the financial year, the company signed four further purchase agreements to acquire properties in Hanau, Kiel, Cologne and Passau with a total purchase price of €122.1 million, and an agreement to sell one property no longer consistent with strategy in Duisburg at a price of €9.5 million. Ownership had not yet been transferred as at the end of the reporting period.

HAMBORNER also had a successful year in 2016 in terms of its rental performance. With a total rental volume of 55,477 m², new rentals accounted for 10,169 m² and follow-up leases or renewals with existing tenants for 45,308 m². Among others, 2,022 m² in new rentals related to a fitness studio on the second floor of the Haerder Center in Lübeck. After renovation, the start of the lease is scheduled for the end of the first quarter of 2017. There were no major new vacancies for which new tenants have not yet been found in the 2016 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)

+17.9 %
rise in income from rents and leases

Income from rents and leases amounted to €61.8 million in the reporting year and has therefore increased by €9.4 million or 17.9% as against 2015 due to new investments in particular. On a like-for-like basis – i.e. comparing the properties that were held in the portfolio throughout 2015 and 2016 – income from rents and leases was up by €0.8 million or 1.8% year-on-year overall at €47.1 million. As expected, uncollectible receivables and individual value adjustments were at a low level in the reporting year at around €79 thousand (previous year: €20 thousand).

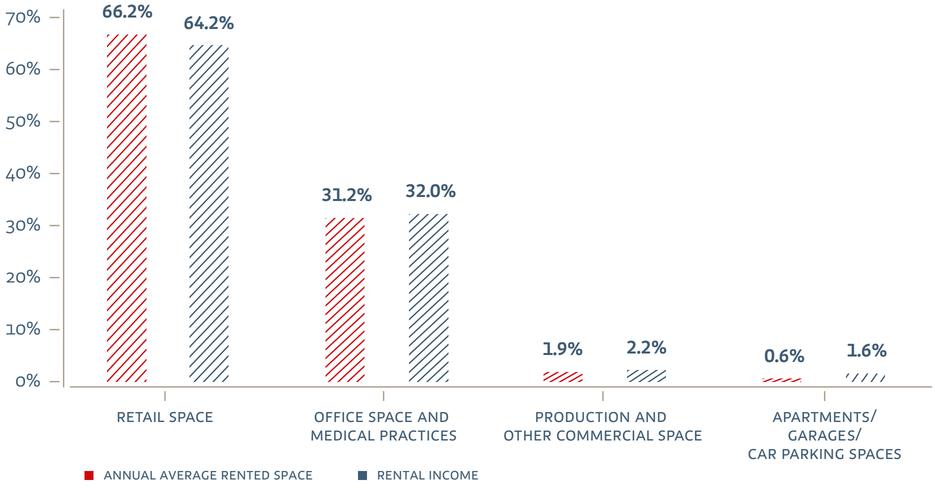
The economic vacancy rate including agreed rent guarantees was 1.3% (previous year: 1.9%), and therefore below the already very low level of the previous year. Not including rent guarantees, the vacancy rate was 1.6% (previous year: 2.1%).

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

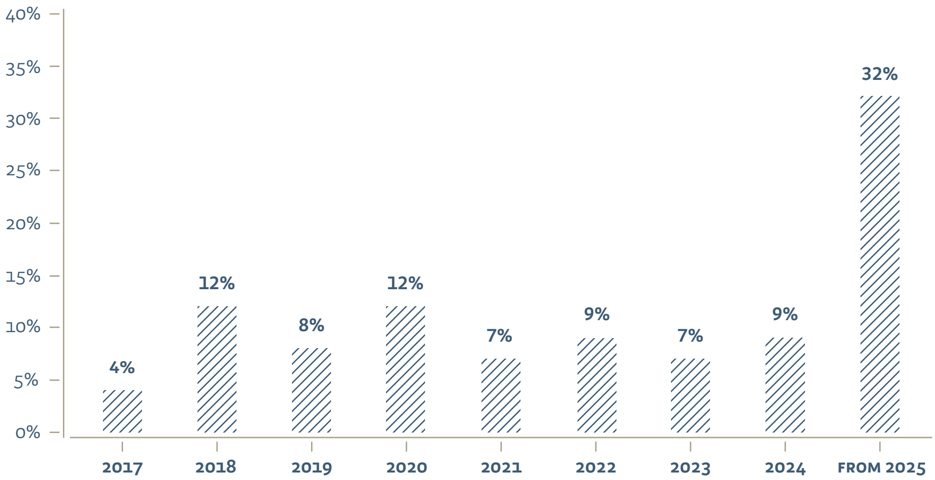
Company	Rental income in %*
1. EDEKA Group	11.3
2. Kaufland Group	7.2
3. real,- SB Warenhaus GmbH	6.7
4. OBI AG	6.4
5. German Federal Employment Agency, job centre	4.1
6. H & M Hennes & Mauritz B.V. & Co. KG	2.5
7. Rewe Group	2.3
8. C & A Mode GmbH & Co. KG	1.7
9. Telefonica O_2	1.5
10. SFC Smart Fuel Cell AG	1.4
Total	**45.1**

* 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 2016 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:



The remaining term of our commercial rental agreements weighted according to rental income is 6.7 years. The weighted remaining term for the office sector is 5.0 years, 5.0 years for high street properties and approximately 9.0 years for large-scale retail space.

6.7 years
is the average remaining term of our leases.

Total ***maintenance expenses*** amounted to around €2.8 million in the 2016 financial year (previous year: €2.6 million). There were also measures eligible for capitalisation of around €1.8 million (previous year: €1.4 million).

As in the past, extensive work was done in individual projects in the 2016 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 took place at the following locations in 2016:

Biggest maintenance measure in 2016: renovation of flat roof of Haerder Center in Lübeck

The biggest single measure in the 2016 reporting year was the refurbishment of the flat roof of the Haerder Center in Lübeck. The necessary investment was identified in the technical due diligence and taken into account in the purchase price calculation. The work, which was largely completed by the end of the year, resulted in costs eligible for capitalisation of €0.8 million in the year under review.

The drinking water supply and the emergency drainage of the flat roof were refurbished at the location of our "Westoria" retail centre in Giessen. The costs of the necessary work eligible for capitalisation also identified in technical due diligence amounted to €0.3 million.

Further office space conversion work related to "NuOffice" in Munich. As a result of an existing tenant increasing its space while at the same time prolonging its lease to ten years, work to combine and convert space led to costs eligible for capitalisation of €0.3 million.

At our property in Koblenz, we created three apartments in previously unused former office space. The production costs capitalised in the reporting year as well amounted to €0.2 million. Furthermore, we handed over office space to new tenants at our office locations in Osnabrück, Sutthauser Str., and Münster, Martin-Luther-King 18 to 28, following conversion and modernisation work. The work resulted in maintenance expenses of €0.2 million.

In addition, following the expansion of our administrative building on our own property in Duisburg last year, the existing building was comprehensively modernised and adapted in line with modern standards. The production costs capitalised in the reporting year amounted to €0.8 million.

+18.0%
increase in net rental income

As a result of a rise in income from rents and leases in particular, ***net rental income*** increased by 18.0% and amounted to €56.0 million (previous year: €47.5 million).

The ***operating result*** was €27.7 million after €23.6 million in the previous year. This rise of 17.0% is due in particular to the higher net rental income. ***Administrative and personnel expenses*** rose by 4.2% to a total of €5.3 million (previous year: €5.0 million). The operating cost ratio relative to income from rents and leases was therefore 8.5% (previous year: 9.6%). ***Depreciation and amortisation*** were up 20.5% 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 €22.7 million in the reporting year as against €18.9 million in the previous year. As in the previous year, there were no impairment losses or reversals of the same on properties in prior periods.

We generated a ***result from the sale of investment property*** of €4.1 million (previous year: €3.4 million). Details of this can be found on page 56.

EBIT accordingly increased by €4.6 million to €31.7 million after €27.1 million in the previous year.

The ***financial result*** is €−14.3 million in the year under review as against €−13.3 million in the previous year. The increase in the amount is due in particular to the interest expenses included in the financial result, which essentially rose as a result of loans borrowed in the reporting year for the pro rata financing of properties. After deducting the financial result from EBIT, the ***net profit for the year*** amounted to €17.4 million (previous year: €13.8 million).

Net asset situation (IFRS)

The ***total assets*** of the company increased by €220.1 million to €1,006.8 million (previous year: €786.6 million) as at 31 December 2016, essentially as a result of the capital increase performed in the reporting year. Around 92% 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 2016 of €923.4 million (previous year: €754.8 million) and break down as follows:

Properties account for around 92% of our assets.

€ thousand	31 Dec. 2016	31 Dec. 2015
INVESTMENT PROPERTY		
Developed property assets	907,054	744,359
Incidental costs of pending acquisitions	8,793	4,040
Undeveloped land holdings	402	425
	916,249	**748,824**
PROPERTY HELD FOR SALE		
Developed property assets	7,178	5,977
Undeveloped land holdings	16	0
	7,194	**5,977**
TOTAL REPORTED PROPERTY ASSETS	**923,443**	**754,801**

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

Our property portfolio was again valued by a third-party expert as at the end of 2016. 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).

Third-party valuation of our property portfolio by JLL

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 – 2017 to 2026. 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 4.05% and 8.30% and take into account the respective risks specific to the property.

Around €1.1 billion: value of our portfolio as at 31 December 2016

The fair values calculated by JLL are shown separately for each property in the list of properties from page 58 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 €1,115.0 million, an increase of €215.2 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 €190.3 million, fair value disposals of €11.6 million due to sales and a net year-on-year change in the fair value due to the remeasurement of the portfolio of around €36.5 million. This corresponds to a like-for-like increase in portfolio value of 4.1%, €10.5 million which of which is attributable to NuOffice in Munich, the office property on EUREF Campus in Berlin and the retail centre in Celle. The remeasurement and appreciation of the properties as at 31 December 2016 highlights the high quality of HAMBORNER's property portfolio.

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. As in the previous year, there were no impairment losses in 2016.

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 2016 financial year, not including incidental costs of acquisition, of €179.7 million (previous year: €156.7 million). In keeping with strategy, the new investments focused on the asset classes described above. The fair value of the properties added in 2016 amounts to €189.4 million in total as at 31 December 2016, and therefore €9.7 million more than the purchase prices. Specifically, the following five properties were transferred to our portfolio in the reporting year:

€179.7 million
investment volume for acquisition of five properties

City	Address	Building use	Area in m²	Rental income p.a. in € thou.	Purchase price in € m
Ditzingen	Dieselstr. 18	DIY store	10,036	887	13.7
Dortmund	Ostenhellweg 32–34	Office and high street	9,178	1,606	30.8
Lübeck	Königstr. 84–96	Shopping centre	13,257	3,302	49.1
Mannheim	Spreewaldallee 44–50	Retail centre	28,365	4,051	80.0
Münster	Martin-Luther-King-Weg 30/30a	Office	3,306	434	6.1
			64,142	**10,280**	**179.7**

Furthermore, four further purchase agreements for properties in Kiel, Hanau, Cologne and Passau with a total purchase price volume of €122.1 million were notarised in 2016. Ownership of these properties had not yet been transferred as at 31 December 2016. The properties in Kiel, Hanau und Passau are project developments still under construction.

City	Address	Building use	Expected rental income p.a. in € thou.	Purchase price in € m	Expected transfer of ownership
Hanau	Otto-Hahn-Str. 18	Retail centre	2,038	37.5	Q3 2017
Kiel	Kaistr. 66	Office	1,157	20.9	Q3 2017
Cologne	Am Coloneum 9/ Adolf-Grimme-Allee 3	Office	2,772	48.9	Q1 2017
Passau	Steinbachstr.	Retail centre	865	14.8	Q4 2017
			6,832	**122.1**	

5 properties
sold in the financial year.

Portfolio disposals

After having already sold various properties no longer consistent with strategy in the previous years, in 2016 we were again able to sell the following five smaller properties, thereby streamlining our portfolio.

City	Address	Building use	Residual carrying amount in € thou.	Sale price in € thousand	Rental income p. a. in € thou.
Dinslaken	Neustr. 60/62, Klosterstr. 8–10	Residential and high street	1,521	1,935	166
Duisburg	Rathausstr. 18–20	Residential and high street	1,492	2,643	218
Essen	Hofstr. 10 and 12	High street	1,639	3,264	268
Kassel	Quellhofstr. 22	Retail	696	700	0
Solingen	Kirchstr. 14–16	Residential and high street	2,268	3,168	267
			7,616	**11,710**	**919**

In addition, we signed an agreement in 2016 to sell a further property in Duisburg, Kasslerfelder Kreisel, for which ownership will be transferred in 2017. The sale price is €9.5 million.

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 at
55 locations

Property portfolio as at 31 December 2016

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 478,789 m², 476,125 m² of which is used commercially and 2,664 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.


KIEL
SCHLESWIG-HOLSTEIN
LÜBECK
MECKLENBURG-WESTERN POMERANIA
HAMBURG
HAMBURG
OLDENBURG
BREMEN
BREMEN
LÜNEBURG
MEPPEN
LOWER SAXONY
BERLIN
BERLIN
CELLE
OSNABRÜCK
RHEINE
MINDEN
SAXONY-ANHALT
BRANDEN-BURG
HERFORD
MÜNSTER
LEMGO
GÜTERSLOH
GELDERN
NRW
OBERHAUSEN
DORTMUND
DUISBURG
KREFELD
LEIPZIG
LÜDENSCHEID
SAXONY
HILDEN
LANGENFELD
SOLINGEN
THURINGIA
LEVERKUSEN
FREITAL
COLOGNE
SIEGEN
AACHEN
HESSE
GIESSEN
NEUWIED
KOBLENZ
BAD HOMBURG
HANAU
FRANKFURT
WIESBADEN
RHINELAND-PALATINATE
NEU-ISENBURG
BAYREUTH
MANNHEIM
SAAR-LAND
KAISERSLAUTERN
ERLANGEN
MOSBACH
FÜRTH
BAVARIA
KARLSRUHE
REGENSBURG
DITZINGEN
STUTTGART
INGOLSTADT
PASSAU
TÜBINGEN
OFFENBURG
BADEN-WÜRTTEMBERG
AUGSBURG
VILLINGEN-SCHWENNINGEN
MUNICH
BRUNNTHAL
FREIBURG
PORTFOLIO
TRANSFER OF OWNERSHIP IN 2016
NOTARISED, TRANSFER OF OWNERSHIP AFTER 31 DECEMBER 2016
X SOLD IN 2016, TRANSFER OF OWNERSHIP AFTER 31 DECEMBER 2016

LIST OF PROPERTIES (AS AT 31 DECEMBER 2016)

Year of acquisition	Property		Building use	Property size in m²	Useable area m²
1976	Solingen	Friedenstr. 64	B	27,344	7,933
1981	Cologne	Von-Bodelschwingh-Str. 6	B	7,890	3,050
1983	Wiesbaden	Kirchgasse 21	B/R	461	1,203
1984	Frankfurt / Main	Steinweg 8	B/O	167	594
1986	Frankfurt / Main	Königsteiner Str. 69a, 73–77	B	6,203	2,639
1987	Oberhausen	Marktstr. 69	B/R	358	523
1987	Lüdenscheid	Wilhelmstr. 9	B	136	499
1988	Dortmund	Westfalendamm 84–86	O/R	1,674	2,684
1991	Dortmund	Königswall 36	B/O/R	1,344	2,846
1997	Augsburg	Bahnhofstr. 2	B/O/R	680	1,438
1999	Kaiserslautern	Fackelstr. 12–14, Jägerstr. 15	B/O/R/U	853	1,444
2000	Gütersloh	Berliner Str. 29–31	B/R	633	1,292
2001	Hamburg	An der Alster 6	B	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	Minden	Bäckerstr. 8–10	B/R	982	1,020
2006	Krefeld	Hochstr. 123–131	B	1,164	3,457
2007	Münster	Johann-Krane-Weg 21–27	B	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	B	9,994	7,154
2008	Osnabrück	Sutthauser Str. 285–287	B	3,701	3,831
2008	Bremen	Linzer Str. 7–9a	B	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	B	17,379	13,791
2009	Hamburg	Fuhlsbüttler Str. 107–109	B/O/R	1,494	3,028
2009	Duisburg	Kasslerfelder Kreisel	B	10,323	5,119
2010	Erlangen	Wetterkreuz 15	B	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	Brunnthal	Eugen-Sänger-Ring 7	O/C	6,761	6,721

Rent in 2016 (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	40	16,210,000	6.30	6.15	Leasehold property
435,402	120	7,120,000	6.00	5.65	
591,510	52	13,010,000	4.85	4.25	
394,345	84	9,210,000	4.05	3.65	
348,702	82	5,350,000	6.15	5.65	
51,090	37	850,000	7.95	7.15	
14,000	54	510,000	7.25	7.00	
211,600	66	3,170,000	6.55	6.15	
356,438	55	5,060,000	6.45	5.95	
472,989	48	8,500,000	5.30	4.95	
402,760	17	6,870,000	6.80	5.75	
365,664	40	3,780,000	6.60	5.50	Leasehold property
253,713	41	4,550,000	5.55	5.20	
315,180	64	6,270,000	5.60	5.20	
70,015	2	1,450,000	8.25	6.25	
243,600	15	4,870,000	6.30	5.40	
270,803	48	4,500,000	6.35	5.70	
545,058	13	8,720,000	6.00	5.30	
1,168,850	13	16,890,000	6.75	6.10	
405,289	75	5,540,000	8.00	6.65	
783,647	58	10,750,000	7.25	6.85	
863,387	34	12,860,000	6.45	6.00	
455,031	58	6,750,000	6.80	6.35	
1,007,121	34	15,000,000	6.65	6.05	
640,763	34	6,870,000	8.30	6.90	
250,000	108	2,820,000	6.55	6.40	
312,403	55	4,790,000	7.25	6.45	
639,392	23	9,830,000	7.00	6.50	
380,033	32	6,720,000	6.70	6.60	
1,364,358	25	17,040,000	6.70	6.30	
264,600	13	3,940,000	6.70	6.00	
1,081,918	150	13,530,000	6.20	6.15	Leasehold property
1,622,933	56	24,740,000	6.10	5.85	
480,385	92	8,430,000	5.40	5.15	
670,279	81	9,450,000 **	–	–	Held for sale
1,183,686	45	17,080,000	6.35	6.10	
899,883	87	12,180,000	6.85	6.70	
1,200,000	138	19,740,000	5.70	5.40	
873,812	39	14,270,000	6.00	5.65	
481,413	47	7,490,000	7.25	6.35	
964,867	39	11,100,000	7.65	7.20	

LIST OF PROPERTIES (AS AT 31 DECEMBER 2016)

Year of acquisition	Property		Building use	Property size in m²	Useable area m²
2011	Bad Homburg	Louisenstr. 53–57	O/B	1,847	3,232
2011	Leipzig	Brandenburger Str. 21	B	33,916	11,139
2011	Regensburg	Hildegard-von-Bingen-Str. 1	O/B	3,622	8,998
2011	Langenfeld	Solinger Str. 5–11	B	4,419	6,264
2011	Erlangen	Allee am Röthelheimpark 11–15	O/B	10,710	11,639
2011	Offenburg	Hauptstr. 72/74	B	1,162	5,150
2011	Freiburg	Lörracher Str. 8	B	8,511	4,127
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	Bayreuth	Spinnereistr. 5a, 5b, 6–8	O/B	8,297	9,036
2013	Hamburg	Kurt-A.-Körber-Chaussee 9	B	20,330	10,408
2014	Bad Homburg	Louisenstr. 66	B/O/R	1,447	3,240
2014	Koblenz	Löhrstr. 40	B/O/R	1,386	3,359
2014	Siegen	Bahnhofstr. 8	B	1,419	7,112
2015	Aachen	Gut-Dämme-Str. 14/Krefelder Str. 216	B	3,968	10,059
2015	Celle	An der Hasenbahn 3	B	56,699	25,709
2015	Giessen	Gottlieb-Daimler-Str. 27	B	46,467	18,016
2015	Fürth	Gabelsbergerstr. 1	B	7,273	11,519
2015	Berlin	Tempelhofer Damm 198–200	O/B	6,444	6,225
2015	Neu-Isenburg	Schleussnerstr. 100–102	O/B	9,080	4,182
2016	Lübeck	Königstr. 84–96	O/B	13,200	13,257
2016	Ditzingen	Dieselstr. 18	B	10,036	10,036
2016	Mannheim	Spreewaldallee 44–50	B	28,400	28,365
2016	Münster	Martin-Luther-King-Weg 30/30a	B	3,300	3,306
2016	Dortmund	Ostenhellweg 32–34	O/B	9,175	9,178
				654,593	**478,789**

O Office space, medical practices
B Business space (DIY stores, shopping centres, retail centres, 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 2016
** Contractually agreed purchase price
*** Pro rata temporis rents from transfer of ownership

	Rent in 2016 (incl. rent guarantees) in €	Weighted remaining term of leases in months	Fair value in €*	Discount rate in %	Capitalisation rate in %	Other comments
	882,653	63	16,570,000	5.75	5.00	
	889,528	94	13,130,000	6.25	6.10	
	1,528,927	61	25,180,000	6.25	5.75	
	1,132,746	55	18,550,000	6.10	5.75	
	1,861,047	54	30,460,000	6.10	5.70	
	557,944	98	8,950,000	6.00	5.70	
	860,000	154	15,180,000	5.45	5.25	
	1,204,500	123	17,800,000	6.65	6.30	
	1,600,000	156	27,220,000	5.85	5.65	
	2,482,804	61	40,690,000	6.00	5.50	
	2,374,431	72	52,650,000	4.85	4.50	
	2,211,962	61	46,070,000	5.05	4.60	
	1,361,580	52	21,220,000	6.20	5.90	
	1,248,272	143	18,850,000	6.20	5.95	
	436,097	48	10,200,000	6.10	5.50	
	637,382	44	12,140,000	6.10	5.50	
	931,380	96	15,320,000	6.10	5.50	
	1,708,742	156	28,400,000	5.85	5.65	
	2,329,465	140	39,160,000	5.70	5.40	
	2,291,890	70	32,040,000	6.60	6.00	
	1,817,068	135	31,390,000	5.35	5.10	
	1,289,010	131	22,980,000	5.35	4.95	
	768,352	171	13,630,000	5.55	5.20	
	2,821,931 ***	41	54,370,000	6.20	5.30	
	458,304 ***	231	14,910,000	7.00	6.40	
	1,004,294 ***	93	80,660,000	5.05	4.75	
	60,815 ***	78	7,240,000	6.15	5.70	
	0 ***	82	32,240,000	5.25	4.90	
	61,560,057		**1,115,010,000**			

MANAGEMENT REPORT

Notes on undeveloped land holdings

The company had undeveloped land holdings of around 468 thousand m² as at 31 December 2016. 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 32 thousand m² of predominantly agricultural land in total at a sale price of €0.1 million.

Furthermore, an agreement for the sale of an additional 98 thousand m² at a sale price of €0.3 million was signed in November. Ownership transferred in January 2017.

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: €0.4 million). It has an average notional value of €1.09 per m².

Financial position (IFRS)

The company's financial situation is very comfortable. ***Cash and cash equivalents*** amounted to €75.3 million as at the end of the reporting period after €27.1 million as at 31 December 2015. In particular, the cash inflows in the financial year resulted from the net issue proceeds of the capital increase in September 2016 (€161.7 million), from operating activities (€51.0 million; previous year: €42.8 million) and from the borrowing of loans (€86.8 million). Payments essentially relate to investments in the property portfolio (€206.6 million), dividend payments for the 2015 financial year (€26.0 million) and interest and principal payments (€30.3 million).

1.2 % to 1.6 %
are the interest rates for the loans concluded as at 31 December 2016 but not yet utilised.

In particular, the funding requirements for the 2017 financial year are secured by the forecast proceeds from operating activities. Furthermore, the company had loans at its disposal not yet utilised of €127.0 million as at 31 December 2016, which were concluded to finance the properties in Ditzingen, Lübeck, Mannheim, Dortmund and Cologne. For a period of ten years, these loans will incur interest at between 1.20% and 1.64%.

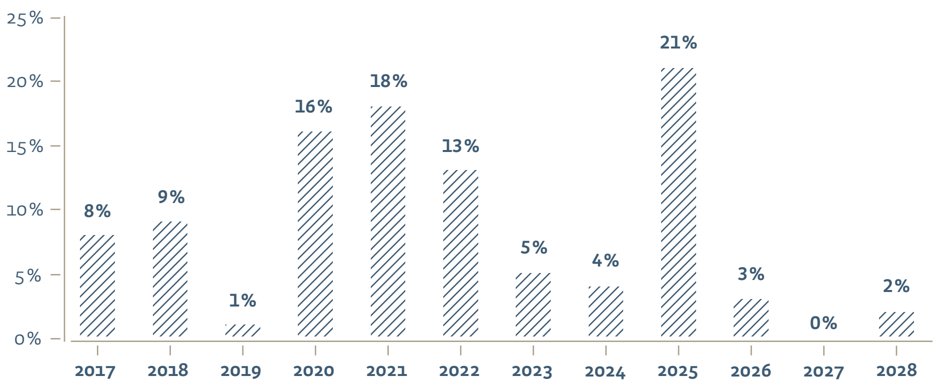
55.8 %
Reported equity ratio

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 €155.2 million as a result of the capital increase in the reporting year to €561.3 million (previous year: €406.1 million). The company therefore has an accounting equity ratio of 55.8% (previous year: 51.6%). ***Financial liabilities and derivative financial instruments*** amount to €420.0 million, up €67.4 million on the previous year's figure (€352.6 million). In particular, the rise is due to the loans of €86.8 million borrowed in the reporting year for the pro rata debt financing of property acquisitions. The new borrowing was offset by scheduled repayments of €16.6 million in the reporting year. After deducting cash and cash equivalents from financial liabilities, net financial debt amounted to €339.1 million (previous year: €317.2 million). Comparing net financial liabilities to portfolio fair value, the company has an LTV ratio of 30.1% (previous year: 35.0%).

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. We have concluded interest swap agreements to fully hedge against interest rate fluctuations on our floating rate loans with a nominal value of €69.4 million. The average interest rate of our loans, including loans concluded but not yet utilised, was 2.8% as at the end of the reporting period (previous year: 3.3%). Taking into account other loans agreed to finance properties under construction in Hanau, Kiel and Passau and those already completed plus 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 loans, including loans concluded but not yet utilised, was 6.4 years as at the end of the reporting period (previous year: 6.3 years).

6.4 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.



A new interest rate agreement lasting until the end of 2026 was agreed in the reporting year for a loan borrowed in 2007. The fixed interest rate previously agreed for this loan was scheduled to end as at 30 October 2017. At an outstanding amount of €25.7 million, the interest rate will drop from currently 5.16% to 1.1% from November 2017. With the refinancing for a further loan for which the agreed fixed interest rate would have expired at the end of July 2017 already regulated (loan amount of €9.0 million; 1.77% instead of 5.09%), all fixed interest agreements expiring in 2017 have already been renewed.

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 as applicable in the European Union. The management of the company is based on values calculated in accordance with IFRS.

The main differences in HGB and IFRS figures relate in particular to the 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:

- ***Administrative expenses:*** The administrative expenses (€1.3 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.

- ***Disposal of properties:*** The HGB residual carrying amounts of the properties sold in the reporting year were €96 thousand net less than the IFRS residual carrying amounts as at the date of the transfer of ownership. The difference relates in particular to the property in Kassel. While impairment losses had already been recognised on the property in previous years under IFRS and this gave rise to a minor book profit of €3 thousand, there was a book loss of €198 thousand under HGB recognised in other operating expenses.

- ***Costs of capital increases:*** The costs for capital increases (€4.9 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 €924.4 million, and therefore €8.2 million higher than the carrying amount of investment property in the IFRS financial statements. Among other things, €2.6 million of the difference relates to the company's administrative building in Duisburg. The capitalised costs of the administrative building are not assigned to property assets under IFRS, but rather to (other) property, plant and equipment. Under HGB they are reported with the rental property under land and land rights. Furthermore, the carrying amount of property held for sale (€7.2 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 €566.9 million as at the end of the reporting period, €5.6 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 €9.9 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 56.4% is 0.6 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 €415.3 million. Under IFRS, however, financial liabilities and derivative financial instruments are reported in the amount of €420.0 million. €4.8 million of the deviation of €5.6 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 €70.1 million in the reporting year (previous year: €58.0 million). The ***costs of the management of our properties*** amounted to €15.1 million (previous year: €10.8 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 20.1% year-on-year at €22.8 million (€19.0 million). This increased the ***operating result*** by €1.7 million as against the previous year to €25.3 million (previous year: €23.6 million).

As a result of the loans borrowed in the reporting year in particular, the ***financial result*** declined by €0.4 million to €–14.3 million (previous year: €–13.9 million). The company closed the 2016 financial year with a ***net profit*** of €11.0 million (previous year: €9.7 million).

Including the ***withdrawal from other revenue reserves*** (€23.3 million), the ***net retained profits*** amounted to €34.3 million (previous year: €26.0 million).

Condensed net asset situation and financial position (HGB)

The ***total assets*** of the company increased by €219.0 million as against the previous year to €1,005.2 million as a result of the capital increase performed in the reporting year in particular. As a result of the changes in the property portfolio, ***fixed assets*** were up by €170.8 million at €927.3 million. ***Current assets*** including prepaid expenses were up by €48.2 million at €78.0 million. ***Equity*** decreased by €151.5 million essentially as a result of the capital increase to €566.9 million. ***Liabilities to banks*** rose by a net amount of €70.3 million to €415.3 million. Equity and medium- and long-term debt capital, including the loans not yet utilised (€127.0 million), cover fixed assets in full.

Please see the comments on the IFRS financial 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 Management 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 Management 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		2016	2015
	Net rental income	56,008	47,455
–	Administrative expenses	–1,257	–1,195
–	Personnel expenses	–4,000	–3,850
+	Other operating income	723	988
–	Other operating expenses	–1,087	–896
+	Interest income	29	17
–	Interest expenses	–14,338	–13,310
	FFO	**36,078**	**29,209**
–	Capitalised expenditure	–1,828	–1,443
	AFFO	**34,250**	**27,766**
	FFO per share in € *	**0.45**	**0.47**
	AFFO per share in € *	**0.43**	**0.45**

* based on the number of shares at the end of the respective reporting period

HAMBORNER generated an FFO of €36.1 million in the 2016 financial year (previous year: €29.2 million). With 17,715,032 more shares outstanding than in the previous year, this corresponds to FFO per share of €0.45 (previous year: €0.47). As forecast in the previous year's annual financial statements, the absolute increase as against the previous year was up significantly by 23.5%. The increase is due in particular to 17.9% higher income from rents and leases as a result of property acquisitions in 2015 and 2016. The forecast published in the previous year's annual financial statements for the development in income from rents and leases (up by between 13% and 15%) was exceeded as a result of the property acquisition in Mannheim in particular, for which ownership transferred at the start of October.

+23.5%
year-on-year increase in FFO

NAV per share

Net asset value (NAV) per share 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 per share through value-adding measures.

	€ thousand	31 Dec. 2016	31 Dec. 2015
	Non-current assets	922,819	752,046
+	Current assets	83,941	34,598
–	Non-current liabilities and provisions*	–406,332	–343,022
–	Current liabilities*	–33,604	–29,308
	Reported NAV	**566,824**	**414,314**
+	Hidden reserves in "Investment property"	199,058	147,924
+	Hidden reserves in "Non-current assets held for sale"	2,604	2,469
	NAV	**768,486**	**564,707**
	NAV per share in €	**9.64**	**9.11**

* Not including derivative financial instruments

The growth in absolute NAV of €203.8 million to €768.5 million is as a result in particular of the capital increase 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 5.8% as against the previous year at €9.64 (€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 4.1% in the year-end remeasurement.

€9.64
NAV per share.
Increase of 5.8% compared to previous year

PROPOSAL FOR THE APPROPRIATION OF PROFITS

43 cents
dividend to be distributed per share for shareholders in 2016.

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 €10,973 thousand. Taking into account the withdrawal from other retained earnings of €23,306 thousand, net retained profits amounted to €34,279 thousand.

The Management Board will propose using the unappropriated surplus for the 2016 financial year of €34,279 thousand to distribute a dividend of €0.43 per share.

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 2016. 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 Management Board is directly included in all risk-relevant transactions. Accounting processes are performed exclusively by our own qualified employees. The company prepares and communicates quarterly 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 1.3% in the 2016 financial year (previous year: 1.9%), 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. Uncollectible receivables and individual value adjustments amounted to €79 thousand in the 2016 financial year (previous year: €20 thousand). An increase in uncollectible 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 11.3% 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 2016. 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 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 €69.4 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 67.8% as at 31 December 2016 was considerably above the required minimum equity ratio of 45%.

Legal risks

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

Subsidence risks

There are potential risks from our former mining activities, e.g. due to subsidence damage or shaft stabilisation, on account of the possible future discontinuation of large-scale dewatering activities in the Ruhr area. The associated economic risk was assessed by an expert in 2005. The provisions relating to mining currently amount to €2.5 million in accordance with IFRS (HGB: €2.3 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 2.8% with a weighted remaining term on fixed interest agreements of 6.4 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 2016, 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.

Discount rates can decline in the valuation of our properties as a result of changes in interest rates, in general risk assessment, or the assessment of risks specific to properties. This can lead to increases in the fair value of our properties and thus the company's NAV.

Our company's rental income benefits from long-term leases with an average remaining term of around 6.7 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 solid upswing on the German economy is mainly domestic demand. According to the monthly report for December 2016, the key factors behind this are the good labour market situation and rising income in private households in particular. However, the good general conditions for private consumer spending could deteriorate moving ahead, in particular as a result of reduced purchasing power among consumers due to rising energy prices.

Against this backdrop, the German economy could increase its real gross domestic product (GDP) by 1.8% in 2017 and by 1.6% in 2018, according to Deutsche Bundesbank. Deutsche Bundesbank expects the rate of inflation to rise in 2017 as against 2016 to 1.4%, and to 1.7% in 2018. It is assumed that the rate of inflation in 2016 was held back considerably by the fall in energy prices, but this effect will no longer be a factor in the years ahead. 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 could dip slightly in the next two years to at 5.9% in 2017 and 5.8% in 2018.

FUTURE SITUATION IN THE INDUSTRY

Letting market

On the basis of good economic fundamentals and a further rise in employment at service companies, we expect a positive trend in demand for office space in 2017. JLL is currently forecasting a sales volume of around 3.5 million m² for the big seven. In view of the slightly elevated, but moderate, new construction pipeline, pressure on average rents remains. Growth in rent in the top segment is expected to be around 3% in 2017 according to JLL.

We are also forecasting slight decreases 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, and international retail corporations are still particularly interested in pedestrianised areas on the German market. There is rising demand for small spaces, and sales space requirements are on the decline. The development of recent years is likely to continue. Bricks and mortar food outlets and household goods stores are performing well, non-foods (especially textiles) are under pressure and losing sales, online retail is still gaining market share in some product categories.

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 €45 billion to €50 billion in 2017. The only limiting factor here is the supply of products eligible for investment. Demand for German commercial property will also be unwaveringly high in 2017, especially as institutional investors in particular are increasingly turning to property investments.

We expect prime yields to track sideways in 2017. The time for zero interest rates appears to be over, at least in the US, and as inflation and yields on the bond markets rise, investors' focus will shift back to other financial market products, particularly government bonds. This will also ease the capital pressure on property. However, Germany still has its label as a safe haven and continues to offer good investment opportunities thanks to the relatively strong fundamentals for the economy and the property sector.

ANTICIPATED BUSINESS DEVELOPMENT

The targets and forecasts for the financial year were largely met or exceeded in some cases. Rental income increased by 17.9% over the previous year in 2016, coming in above the original forecast of between 13% and 15%. Reasons for this include the positive development in like-for-like rents (up 1.8%) and the addition of the Kurpfalz Center in Mannheim in early October 2016. In particular, the operating profit (FFO) rose significantly (by 23.5%) as a result of increases in rental income, while FFO per share for 2016 is slightly below the 2015 level due to the higher number of shares following the capital increase in the financial year. NAV per share climbed from €9.11 to €9.64. In particular, the basis for this was the positive development of 4.1% in the value of our property portfolio on a like-for-like basis in 2016.

For the current 2017 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, FFO per share would rise accordingly. The main factor influencing FFO, our central control parameter, is still rental income, which is estimated to rise by 16% to 18% year-on-year in 2017 according to our current forecasts. In particular, this is due to the new acquisitions transferred to us in 2016 and the purchases in Cologne, Berlin, Bamberg, Passau, Hanau and Kiel already notarised but for which ownership will not transfer until 2017. This forecast does not take into account other acquisitions or disposals not yet specified further.

Additional new acquisitions 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 2017. 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 2016 at 1.3%. We assume that by far the majority of the rental agreements expiring in 2017 will be prolonged or that new tenants will be quickly found. We are therefore expecting a high occupancy rate in 2017 as well, though a slight increase in the vacancy rate cannot be ruled out owing to the currently extremely low level. 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 2017 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 2017 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 per share for 2017 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 2016, the issued capital of the company amounted to €79,717,645 and was fully paid up. The share capital is divided into 79,717,645 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.

79.7 million
shares outstanding as at 31 December 2016

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 of the German Securities Trading Act (WpHG) do not apply in the period in which the disclosure requirements of section 21(1) or (1a) WpHG are not met. In accordance with section 28(1) sentence 2 WpHG, this does not apply to rights in accordance with section 58(4) AktG and section 271 AktG if disclosure was not deliberately forgone and this has been rectified. Please refer to the German Stock Corporation Act for information on the rights and obligations of shareholders, including in particular the right to participate in the Annual General Meeting (section 118(1) AktG), the right to information (section 131 AktG), voting rights (section 133 et seq. AktG) and the right to participate in profits (section 58(4) AktG).

Restrictions relating to voting rights or the transfer of shares

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

Capital holdings exceeding 10% of voting rights

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

Shares with special rights bestowing control

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

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

HAMBORNER does not have an employee share programme. If employees have purchased HAMBORNER shares, they exercise 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 Management Board and the amendment of the Articles of Association

In accordance with section 84(1) AktG, members of the Management Board are appointed by the Supervisory Board for a maximum of five years. A repeat appointment or extension of the term of office is permitted for a maximum of five years in each case. In accordance with Article 7(1) of the Articles of Association, the Management Board of the company consists of several members, the number of which is determined by the Supervisory Board. The Supervisory Board can also appoint one member as the Chairman of the Management Board in accordance with section 84(2) AktG. Furthermore, it can revoke the appointment of a member of the Management Board and the appointment as its Chairman for cause in accordance with section 84(3) AktG. If a necessary member of the Management Board is lacking, the court must appoint this member in urgent cases at the request of a party involved in accordance with section 85 AktG.

Any amendment to the Articles of Association requires a resolution of the Annual General Meeting in accordance with section 179 AktG. The Annual General Meeting can delegate to the Supervisory Board the authority to make amendments that relate only to the wording (section 179(1) 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 Management Board to issue shares

Article 3 of the Articles of Association contains information on the share capital of the company. To allow the company the opportunity to react to market events while safeguarding the share price and, in particular, to allow it to react to capital market requirements and acquisitions flexibly, at short notice and in a manner consistent with market and industry practices, the Annual General Meeting on 28 April 2016 authorised the Management Board:

Authorised Capital I

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 €6,200,261 by issuing new bearer shares against cash and non-cash contributions (Authorised Capital II) until 27 April 2021 and, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases for a partial amount.

Authorised Capital II

b) to increase the share capital of the company, with the approval of the Supervisory Board, on one or several occasions by up to a total of €24,801,045 by issuing new bearer shares against cash contributions (Authorised Capital II) until 27 April 2021. This authorisation was partially exercised in September 2016 by the issue of 17,715,032 new shares against cash contributions. Accordingly, Authorised Capital II still amounted to €7,086,013 as at 31 December 2016.

Contingent Capital

Furthermore, at the Annual General Meeting on 7 May 2013, the Management 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, 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, the Management Board can disapply shareholders' statutory pre-emption rights in certain cases for a partial amount.

Authority of the Management Board to buy back shares

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

The Management Board was therefore authorised by the Annual General Meeting on 28 April 2016 to acquire shares of the company until 27 April 2021. 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 Management Board, the shares will be acquired on the stock exchange by way of a public offering to all shareholders of the company or by way of a public invitation to all shareholders of the company to submit offers for sale.

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

The company has not concluded any such arrangements.

Agreements by the company with the Management Board or employees for compensation in the event of a change of control

Compensation agreements between the company and the Management Board for the event of a change of control are described in the remuneration report from page 21 of the annual report onwards. 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 Management Board and Supervisory Board, key corporate management practices exceeding legal requirements, the operating procedures of the Management 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 14 onwards) on our website in connection with the corporate governance declaration.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

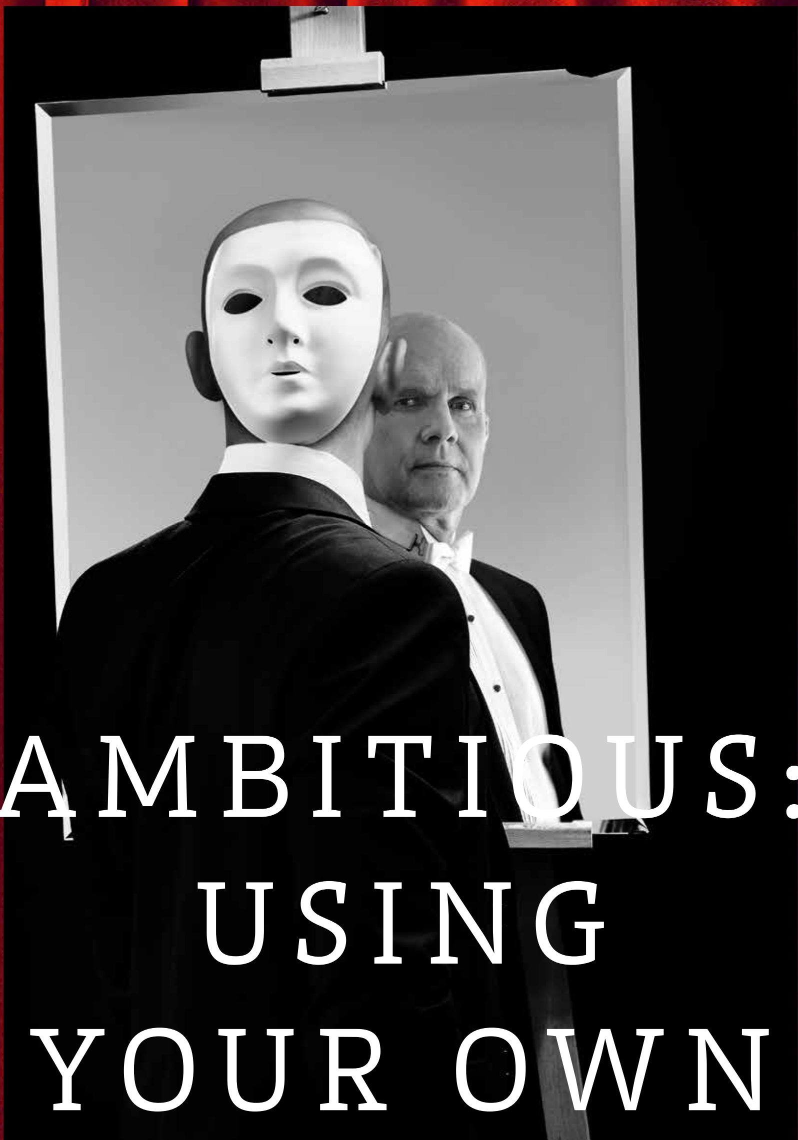
Detailed information on the remuneration system and the remuneration of the Management Board and the Supervisory Board can be found in our corporate governance report from page 19 onwards. The statements found there are part of the management report.

Duisburg, 22 February 2017

The Management 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 Management 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.



AMBITIOUS: USING YOUR OWN STRENGTHS

CAPABILITY IS CAPITAL. CAPITAL IS CAPABILITY.

HAMBORNER has been on a growth path for 10 years now. We have continuously adjusted our investment strategy. The constant growth in portfolio volume allows us to make ever larger individual investments in line with risk aspects. In our disposal activities as well, we still perform active portfolio management and sell mainly smaller properties with intensive administration requirements with many individual tenants that no longer fit our portfolio.

TENOR An opera singer's prowess is a multifaceted combination of artistic and personal elements. Some things can be practised – others cannot. Usually, a singer "finds" his vocal register over time and stays there as well. He improves his range, volume and breathing through constant practice.

HAMBORNER We too have expanded our volume: After four capital increases, two of which in 2015, and the rapid investment of the funds, we took another chance on capital market last year. By issuing 17.7 million new shares, we generated proceeds of approximately €160 million, thereby increasing our scope for investment by around €320 million. The funds are being used for acquisitions of further properties in accordance with our investment strategy.

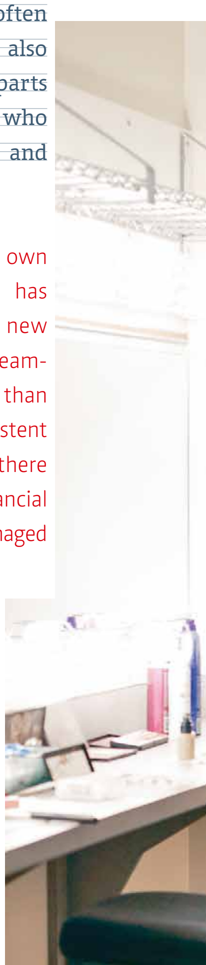
Just as an artist makes use of his capabilities, we systematically use the capital available to us to create sustainable value added.

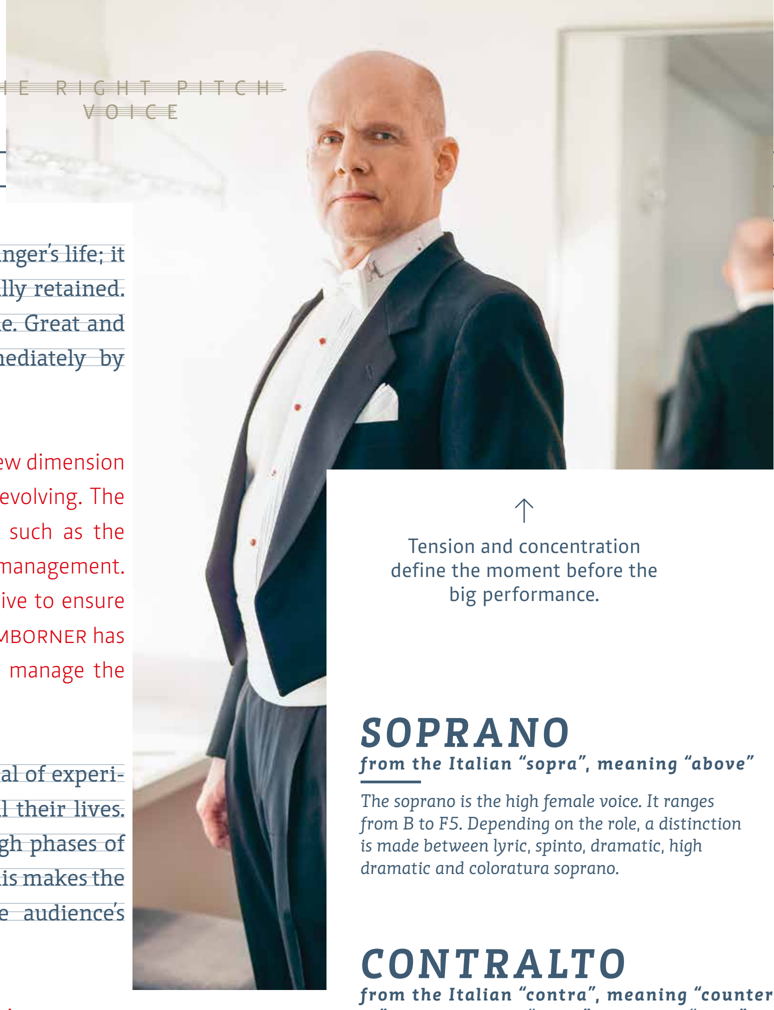
T The profession of opera singer demands a great deal of personal dedication and love for the opera. Discipline and self-control are key requirements for success. Something that the audience often does not notice is that opera singers also need to be physically fit. For long parts especially, only experienced singers who possess sufficient physical strength and stamina will do.

H We are gradually proving our own stamina. Since 2007 HAMBORNER has invested around a billion euro in new properties while at the same time streamlining its portfolio by selling more than 30 properties that are no longer consistent with strategy. Even the turbulence there has been since then, such as the financial and world economic crisis, has not managed to throw us off course.

HANS RICHARD SCHMITZ
THE MANAGEMENT BOARD OF HAMBORNER REIT AG

Timing is everything! A capital increase needs a long preparatory period during which the capital market environment is constantly changing. Sometimes it's like a roller coaster ride. This makes the moment of the announcement all the more exciting and the relief when all the shares are ultimately placed all the greater.





T A voice grows over the course of a singer's life; it also changes. But the timbre of a voice is usually retained. It is that which makes the singer unmistakable. Great and well-known voices can be recognised immediately by their timbre.

H HAMBORNER is changing as well: The new dimension of our properties means that what we do is evolving. The Haerder Center and large retail warehouses such as the Kurpfalz Center demand professional centre management. The goal is to keep areas modern and attractive to ensure continuous increases in customer footfall. HAMBORNER has the necessary platform and the expertise to manage the growing challenges.

T Even if opera singers have a great deal of experience, many artists suffer from stage fright all their lives. Even highly successful singers often go through phases of extreme agitation before big performances. This makes the joy over a successful performance and the audience's applause all the greater.

H Despite a difficult capital market environment at times in 2016, we were able to place all our new shares in our capital increase – the success rate of 100% speaks for itself. Our shareholders' confidence delights us and confirms our growth strategy.

↑
Tension and concentration define the moment before the big performance.

SOPRANO
from the Italian "sopra", meaning "above"

The soprano is the high female voice. It ranges from B to F5. Depending on the role, a distinction is made between lyric, spinto, dramatic, high dramatic and coloratura soprano.

CONTRALTO
from the Italian "contra", meaning "counter to" and the Latin "altus", meaning "high"

The contralto is the low female voice, similar to the male bass. It ranges from E to A5.

TENOR
from the Latin "tenere", meaning "to hold"

The tenor is the high male voice. It ranges from A to D4. Tenors combine head and chest voice. Tenor is sung in the subcategories tenor buffo, lyric tenor, heldentenor and character tenor.

BASS
from the Latin "bassus", meaning "low"

The bass is the lowest male voice in a composition. It ranges from C to G4. Distinctions are made between basso buffo, bass baritone, basso profondo and basso cantante.

»
When I sing, I can bring the full strengths of my voice to bear.
«

€ 9.04
YEAR-END CLOSING PRICE

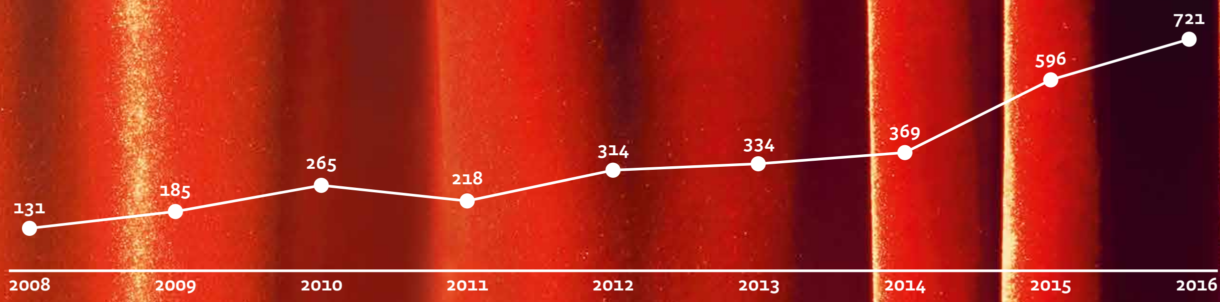
17,715,032
NEW SHARES ISSUED IN SEPTEMBER 2016

4.8 %
DIVIDEND YIELD

100 %
PLACEMENT

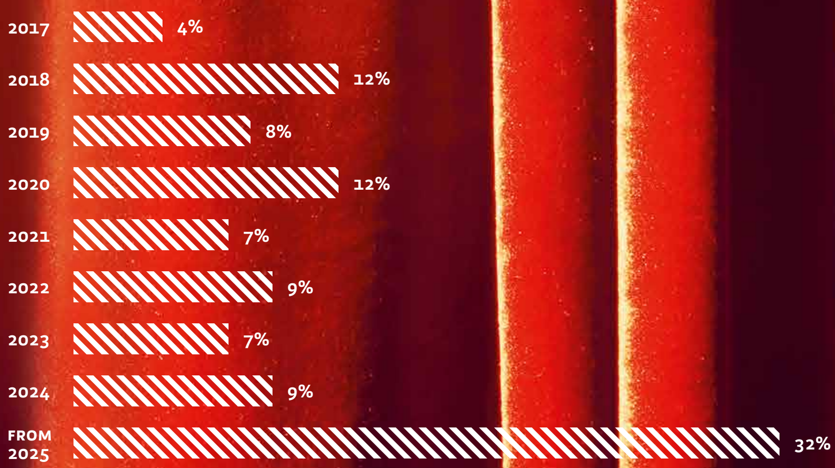
ISSUE PROCEEDS OF AROUND
€ 162 MILLION

DEVELOPMENT OF MARKET CAPITALISATION
IN € MILLION



REMAINING TERM OF LEASES BY ASSET CLASS IN YEARS

LEASES EXPIRING



32 EMPLOYEES

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THE RIGHT ANALYSIS - REVIEW
ON PAGE 121

03 SEPERATE FINANCIAL STATEMENTS (IFRS)

* also part of the notes

INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

€ thousand	Note	2016	2015
Income from rents and leases		61,818	52,447
Income from passed-on incidental costs to tenants		8,231	5,722
Real estate operating expenses		–11,207	–8,127
Property and building maintenance		–2,834	–2,587
Net rental income	(1)	**56,008**	**47,455**
Administrative expenses	(2)	–1,257	–1,195
Personnel expenses	(3)	–4,000	–3,850
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	(4)	–22,732	–18,868
Other operating income	(5)	723	988
Other operating expenses	(6)	–1,087	–896
		–28,353	**–23,821**
Operating result		**27,655**	**23,634**
Result from the sale of investment property	(7)	4,075	3,434
Earnings before interest and taxes (EBIT)		**31,730**	**27,068**
Interest income		29	17
Interest expenses		–14,338	–13,310
Financial result	(8)	**–14,309**	**–13,293**
Net profit for the year		**17,421**	**13,775**
Earnings per share (€)	(9)	0.26	0.25

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

€ thousand	Note	2016	2015
Net profit for the year as per income statement		**17,421**	**13,775**
Items reclassified to profit or loss in future if certain conditions are met:			
Unrealised gains / losses (–) on the revaluation of derivative financial instruments	(17)	2,727	2,757
Items not subsequently reclassified to profit or loss in future:			
Actuarial gains / losses (–) on defined benefit obligations	(20)	–520	–126
Other comprehensive income		**2,207**	**2,631**
Total comprehensive income		**19,628**	**16,406**

STATEMENT OF FINANCIAL POSITION – ASSETS

€ thousand	Note	31 Dec. 2016	31 Dec. 2015
NON-CURRENT ASSETS			
Intangible assets	(10)	488	63
Property, plant and equipment	(10)	3,017	2,153
Investment property	(11)	916,249	748,824
Advance payments on investment property	(11)	2,000	0
Financial assets	(12)	834	753
Other assets	(13)	231	253
		922,819	**752,046**
CURRENT ASSETS			
Trade receivables and other assets	(13)	1,412	1,488
Cash and cash equivalents	(14)	75,335	27,133
Non-current assets held for sale	(15)	7,194	5,977
		83,941	**34,598**
Total assets		**1,006,760**	**786,644**

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

€ thousand	Note	31 Dec. 2016	31 Dec. 2015
EQUITY	(16)		
Issued capital		79,718	62,003
Capital reserves		391,194	247,259
Retained earnings		90,399	96,812
		561,311	**406,074**
NON-CURRENT LIABILITIES AND PROVISIONS			
Financial liabilities	(17)	393,588	328,197
Derivative financial instruments	(17)	4,402	8,240
Trade payables and other liabilities	(18)	2,327	4,520
Pension provisions	(19)	7,387	7,220
Other provisions	(20)	3,030	3,085
		410,734	**351,262**
CURRENT LIABILITIES AND PROVISIONS			
Financial liabilities	(17)	20,876	16,138
Derivative financial instruments	(17)	1,111	0
Trade payables and other liabilities	(18)	11,158	11,526
Other provisions	(20)	1,570	1,644
		34,715	**29,308**
Total equity, liabilities and provisions		**1,006,760**	**786,644**

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

€ thousand	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES	(23)		
Net profit for the year		17,421	13,775
Financial result		14,309	13,293
Depreciation, amortisation and impairment (+) / write-ups (–)		22,732	18,868
Change in provisions		–680	422
Gains (–) / losses (+) (net) on the disposal of property, plant and equipment and investment property		–4,201	–3,547
Change in receivables and other assets not attributable to investing or financing activities		–274	–173
Change in liabilities not attributable to investing or financing activities		1,675	209
		50,982	**42,847**
CASH FLOW FROM INVESTING ACTIVITIES	(24)		
Investments in intangible assets, property, plant and equipment and investment property		–206,613	–162,930
Proceeds from disposals of property, plant and equipment and investment property		11,789	8,329
Proceeds from disposals of financial assets		4	4
Payments relating to the short-term financial management of cash investments		–50,000	0
Interest received		4	14
		–244,816	**–154,583**
CASH FLOW FROM FINANCING ACTIVITIES	(25)		
Dividends paid		–26,041	–20,017
Proceeds from borrowings of financial liabilities		86,770	32,900
Repayments of borrowings		–16,560	–10,675
Interest payments		–13,783	–13,203
Proceeds from capital increases		166,521	142,572
Payments for costs of capital increases		–4,871	–3,082
		192,036	**128,495**
Changes in cash and cash equivalents		**–1,798**	**16,759**
Cash and cash equivalents on 1 January		**27,133**	**10,374**
Cash and cash equivalents on 31 December		**25,335**	**27,133**
Cash and cash equivalents (with a remaining term of up to three months)		25,335	27,133
Fixed-term deposits (with a remaining term of more than three months)		50,000	0
Cash and cash equivalents		**75,335**	**27,133**

STATEMENT OF CHANGES IN EQUITY

€ thousand	Issued capital	Capital reserves	Retained earnings		Total equity
			Revaluation surplus	Other retained earnings	
As at 1 January 2015	**45,493**	**124,279**	**–14,688**	**115,111**	**270,195**
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
Net profit for the year 1 Jan. – 31 Dec. 2015				13,775	13,775
Other comprehensive income 1 Jan. – 31 Dec. 2015			2,631		2,631
Total comprehensive income 1 Jan. – 31 Dec. 2015			**2,631**	**13,775**	**16,406**
As at 31 December 2015	**62,003**	**247,259**	**–12,057**	**108,869**	**406,074**
Distribution of profit for 2015 (€0.42 per share)				–26,041	–26,041
Capital increases	17,715	148,806			166,521
Costs of capital increases		–4,871			–4,871
Net profit for the year 1 Jan. – 31 Dec. 2016				17,421	17,421
Other comprehensive income 1 Jan. – 31 Dec. 2016			2,207		2,207
Total comprehensive income 1 Jan. – 31 Dec. 2016			**2,207**	**17,421**	**19,628**
As at 31 December 2016	**79,718**	**391,194**	**–9,850**	**100,249**	**561,311**

STATEMENT OF CHANGES IN NON-CURRENT ASSETS*

€ thousand	Cost				
	As at 1 Jan. 2016	Additions	Disposals	Reclassification under IFRS 5	As at 31 Dec. 2016
Intangible assets	209	452	0	0	661
Property, plant and equipment	2,887	991	74	0	3,804
Investment property	856,334	198,842	3,487	–8,840	1,042,849
Advance payments on investment property	0	2,000	0	0	2,000
Total	**859,430**	**202,285**	**3,561**	**–8,840**	**1,049,314**

€ 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**

* also part of the notes

Depreciation / amortisation / write-ups					Carrying amounts	
As at 1 Jan. 2016	Additions (depreciation / amortisation for the financial year)	Disposals	Reclassification under IFRS 5	As at 31 Dec. 2016	As at 31 Dec. 2015	As at 31 Dec. 2016
146	27	0	0	173	63	488
734	127	74	0	787	2,153	3,017
107,510	22,578	1,842	–1,646	126,600	748,824	916,249
0	0	0	0	0	0	2,000
108,390	**22,732**	**1,916**	**–1,646**	**127,560**	**751,040**	**921,754**

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**

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 2016 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 Management Board prepared the separate financial statements as at 31 December 2016 and the management report for 2016 on 22 February 2017 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 2016 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 2016 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 2015, 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
IFRS 10	Consolidated Financial Statements	Amendments in connection with consolidation exceptions for investment entities
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
IFRS 12	Disclosure of Interests in Other Entities	Amendments in connection with consolidation exceptions for investment entities
IAS 1	Presentation of Financial Statements	Removing boundaries with regard to judgements by the preparer in the presentation of the financial statements
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
IAS 19	Employee Benefits	Clarification of the allocation of contributions from employees or third parties linked to service
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
IAS 28	Investments in Associates and Joint Ventures	Amendments in connection with consolidation exceptions for investment entities
IAS 38	Intangible Assets	Guidance on the use of methods of amortisation for intangible assets
IAS 41	Agriculture	Inclusion of certain bearer plants in the scope of IAS 16
Various	Annual IFRS improvement project (2010 – 2012)	Amendments relate essentially to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 / 38, IAS 24
Various	Annual IFRS improvement project (2012 – 2014)	Amendments relate essentially to IFRS 5, IFRS 7, IAS 19, IAS 34

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 2016 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 2	Share-Based Payment	Accounting for cash-settled share-based payment transactions; in particular calculation of fair value	1 January 2018	None
IFRS 4	Insurance Contracts	Reduction of effects of different first-time adoption dates for IFRS 9 and the successor standard to IFRS 4	1 January 2018	None
IFRS 9	Financial Instruments	New standard; replaces IAS 39 as currently amended	1 January 2018	See explanation
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	See explanation
IFRS 16	Leases	New standard; replaces IAS 17 as currently amended	1 January 2019	See explanation
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 40	Investment Property	Clarification of the reclassification of property to or from "investment property" in the event of a change in use	1 January 2018	None
Various	Annual IFRS improvement project (2014 – 2016)	Amendments relate essentially to IFRS 1, IFRS 12, IAS 28	1 January 2017 / 1 January 2018	None
IFRIC 22	Foreign Currency Transactions and Advance Consideration	New interpretation; clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency	1 January 2018	None

Effects of the introduction of IFRS 9 "Financial Instruments"

IFRS 9 regulates accounting for financial instruments and will replace the predecessor standard IAS 39. The main changes relate in particular to the classification regulations for financial assets, the regulations on the recognition of impairment and hedge accounting.

The amendments will not have any material effect on HAMBORNER. In particular, no material effect is expected on the accounting for the existing interest rate swaps. There could possibly be minor implications only in the area disclosures in the notes.

Effects of the introduction of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 will replace the currently applicable IAS 11 and IAS 18 and covers the recognition of revenue from contracts with customers. As leases are exempt from the regulations, the new provisions will not lead to any material changes in revenue recognition for HAMBORNER.

Effects of the introduction of IFRS 16 "Leases"

IFRS 16 regulates the accounting for leases and will replace the currently applicable IAS 17. While accounting for leases will remain virtually unchanged for lessors, accounting for lessees will change fundamentally. In future, lessees must recognise all leases on-balance sheet as a right of use. At the same time, future financial obligations arising from leases must be recognised as lease liabilities. As a result, the previous presentation of leases off-balance sheet will cease in future.

The introduction of IFRS 16 will not have any material accounting effects on HAMBORNER as a lessor in relation to leased properties.

As a lessee, the company must essentially recognise three leaseholds (see note 21) on-balance sheet in future. Beyond this, HAMBORNER is a lessee only in leases for small quantities of operating and office equipment of minor significance.

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 useful life, which is between three and eight years in principle. In the case of tender for a naming right, the useful life is 33 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less straight-line depreciation. The company's administrative building in Duisburg 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 three and 32 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. The property portfolio is depreciated over periods of between 33 and 50 years. Since 2007 a useful life of 33 years has been 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.

Properties added to the portfolio prior to 2007 are depreciated over a useful life of 40 or 50 years. The results from the sale of the investment property are shown separately in the income statement.

To calculate the fair value disclosed in the notes in accordance with IAS 40, our developed property portfolio was valued by an independent expert at the end of 2016. 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 (2017 to 2026), 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 3.65% and 7.20% (previous year: 3.70% and 7.25%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 4.05% and 8.30% (previous year: 4.10% and 7.95%). 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 risk deductions are charged in line with the particular characteristics of the properties. On average, the fair value of undeveloped land is €2.58 per m² in 2016 (previous year: €2.68 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. 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.

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. As at 31 December 2016, bank balances included a fixed-term deposit with an initial remaining term of five months to be repaid at the end of February 2017.

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 %	2016	2015
Interest rate	1.5	2.0
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 Management Board remuneration is measured with the fair value of the liability as at the end of each reporting period and on the settlement date. All changes in fair value are recognised in profit or loss.

Financial liabilities

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

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

Net rental income breaks down as follows:

€ thousand	2016	2015
INCOME FROM RENTS AND LEASES		
Retail space	39,412	31,869
Office space and medical practices	19,637	17,957
Production and other commercial space	1,320	1,736
Apartments	147	279
Garages / car parking spaces	855	303
Other lettings and leases (agricultural leases, licensing agreements, etc.)	229	179
Income from rent guarantees	218	124
Total	**61,818**	**52,447**
Income from passed-on incidental costs to tenants	8,231	5,722
Total	**70,049**	**58,169**
Real estate operating expenses	–11,207	–8,127
Property and building maintenance	–2,834	–2,587
Net rental income	**56,008**	**47,455**

Income from rents and leases for properties recognised in accordance with IAS 40 increased by €9,371 thousand to €61,818 thousand in the reporting year. The change was due to rent increases due to property additions in the reporting year and the previous year (€10,109 thousand), rent losses as a result of property disposals (€–1,573 thousand) and increases in rents (like-for-like) of €835 thousand.

HAMBORNER generated more than 10% of its rental income with the EDEKA Group (€7.7 million; previous year: €7.4 million) in the 2016 financial year.

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 €2,509 thousand in the reporting year. €2,133 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 €376 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 €3,080 thousand to €11,207 thousand as a result of changes in the property portfolio.

€ thousand	2016	2015
REAL ESTATE OPERATING EXPENSES		
Energy, water, etc.	4,701	3,491
Land taxes	2,118	1,813
Property / centre management, caretakers	1,959	865
Other property charges	821	664
Ground rent costs	559	559
Insurance premiums	503	372
Non-deductible input tax	230	184
Miscellaneous	316	179
Total	**11,207**	**8,127**

The ***expenses for property and building maintenance*** amounted to €2,834 thousand compared to €2,587 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 €14,041 thousand in the reporting year (previous year: €10,714 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	2016	2015
Audits of financial statements	110	85
Other assurance services	207	524
Tax advisory services	0	10
Total	**317**	**619**

Other assurance services relate to fees in connection with the capital increase in September 2016. The amount reported for the previous year includes €253 thousand in insurance expenses passed on in connection with the capital increase in July 2015. In accordance with IDW HFA 36, these expenses are no longer reported under auditor fees from the 2016 reporting year. The other assurance services reported in the previous year also include €11 thousand for the review of the half-year financial report, which is now reported under audits of financial statements.

(3) Personnel expenses

The €150 thousand increase in personnel expenses to €4,000 thousand (previous year: €3,850 thousand) results in particular from the higher headcount as against the previous year and general salary adjustments.

€ thousand	2016	2015
Wages and salaries	3,521	3,426
Social security contributions and related expenses	411	348
Retirement benefit expenses / pension expenses	68	76
Total	**4,000**	**3,850**

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

The depreciation and amortisation expense was up €3,864 thousand on the previous year at €22,732 thousand. €22,578 thousand of this increase relates to investment property (previous year: €18,827 thousand).

(5) Other operating income

Other operating income breaks down as follows:

€ thousand	2016	2015
Reversal of provisions and accruals	258	74
Other compensation and reimbursement	145	48
Compensation in connection with section 15a UStG	122	282
Charges passed on to tenants and leaseholders	54	73
Compensation for early lease termination	7	89
Compensation for delayed transfer in Aachen	0	354
Miscellaneous	137	68
Total	**723**	**988**

(6) Other operating expenses

Other operating expenses rose by €191 thousand to €1,087 thousand. This item includes costs of public relations work of €273 thousand (previous year: €142 thousand) and membership fees of €236 thousand (previous year: €267 thousand) in the year under review. 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 €300 thousand (previous year: €280 thousand) passed on to tenants (see table under note (5)) or compensated by corresponding rent adjustments.

(7) Result from the sale of investment property

In the reporting year we generated net income from the disposal of property of €4,075 thousand after €3,434 thousand in the previous year. This resulted from the disposal of five (previous year: four) properties from our portfolio and an area of around 32 thousand m² (previous year: 263 thousand m²) from our undeveloped land holdings.

(8) Financial result

The financial result consists solely of interest income and expenses. Interest income amounts to €29 thousand (previous year: €17 thousand).

€967 thousand of the €1,028 thousand increase in interest expenses to €14,338 thousand relates to property loans borrowed in the previous year and in 2016. €14,115 thousand of interest expenses relates to financial liabilities (previous year: €13,125 thousand).

The interest expenses for interest rate hedges amounted to €3,284 thousand (previous year: €3,256 thousand). The payments we make quarterly on the basis of agreed interest rates amounted to €3,284 thousand in the reporting year (previous year: €3,273 thousand).

In return, we received variable interest in line with agreements on the basis of three-month EURIBOR of €0 thousand (previous year: €17 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 €17,421 thousand, up €3,646 thousand on the figure for the previous year.

Earnings per share amounted to €0.26 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.

		2016	2015
Weighted average number of shares outstanding	Thousands	66,649	55,186
Net earnings / net profit for the year	€ thousand	17,421	13,775
Earnings per share	€	0.26	0.25

NOTES TO THE STATEMENT OF FINANCIAL POSITION

(10) Intangible assets and property, plant and equipment

At €439 thousand, intangible assets essentially comprise a naming right purchased in the reporting year in connection with the acquisition of the property in Lübeck. In particular, this item also includes acquired rights for the use of system and application software for our IT.

The carrying amount of the company's administrative building in Duisburg reported under property, plant and equipment was €2,660 thousand (previous year: €1,942 thousand) as at the end of the reporting period. The increase results from the renovation of the existing administrative building.

(11) Investment property / advance payments

Additions to ***investment property*** amounted to €198,842 thousand in the financial year. €188,221 thousand of this amount relates to property acquired in the reporting year and previous years, €8,793 thousand to incidental acquisition costs for property not yet transferred to the company and €1,828 thousand to costs subsequently added in the portfolio.

Investment property developed as follows in the reporting year:

€ thousand		2016	2015
As at 1 January		**748,824**	**606,849**
+	Additions due to acquisition	188,221	164,248
+	Additions to incidental costs of pending acquisitions	8,793	4,040
+	Additions due to costs subsequently added	1,828	1,443
		198,842	**169,731**
–	Disposals due to sales	–1,645	–2,952
–	Disposals due to IFRS 5 reclassifications	–7,194	–5,977
		–8,839	**–8,929**
–	Depreciation for the financial year	–22,578	–18,827
		–22,578	**–18,827**
As at 31 December		**916,249**	**748,824**

Taking into account the additions and disposals in the reporting year, the fair value of investment property was €1,115,307 thousand as at 31 December 2016 (previous year: €896,748 thousand).

The fair value of investment property breaks down as follows:

€ thousand	2016	2015
Developed property portfolio	1,105,560	891,370
Incidental costs of pending acquisitions	8,793	4,040
Undeveloped land holdings	954	1,338
Total	**1,115,307**	**896,748**

Advance payments on property relate to the property in Hanau for which the purchase agreement was signed in 2016. As agreed, an advance of €2,000 thousand was paid on the property under construction as at the end of the reporting period.

(12) Financial assets

At €815 thousand (previous year: €730 thousand) financial assets essentially relate to cash security deposits by tenants. This item also includes other loans of €19 thousand (previous year: €23 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 €85 thousand in the reporting year (previous year: €13 thousand). Uncollectible receivables were derecognised in the amount of €7 thousand (previous year: €7 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	2016	2015
Trade receivables	1,131	865
Others	281	623
Total	**1,412**	**1,488**

€95 thousand (previous year: €120 thousand) of trade receivables were past due and not impaired as at the end of the reporting period. €34 thousand (previous year: €25 thousand) of these were older than 60 days.

In addition to trade receivables, this item includes other current financial assets of €136 thousand.

(14) Cash and cash equivalents

Cash and cash equivalents break down as follows:

€ thousand	2016	2015
Bank balances	75,332	27,132
Cash balances	3	1
Total	**75,335**	**27,133**

Bank balances include €70,750 thousand (previous year: €25,023 thousand) in demand deposits.

(15) Non-current assets held for sale

The item "Non-current assets held for sale" comprises a property in Duisburg, Kasslerfelder Kreisel, and around 98 thousand m² of undeveloped property holdings for which the respective purchase agreements were signed in 2016 and the risks and rewards of ownership will transfer to the buyers in 2017. The fair value of these assets is €9,797 thousand and is equal to the contractually agreed sale prices.

The risks and rewards of ownership of the properties in Dinslaken, Duisburg, Kassel and Solingen for which carrying amounts were reported under this item in the previous year were transferred in 2016.

(16) Equity

The development of equity from 1 January 2015 to 31 December 2016 is shown in the statement of changes in equity. As at 31 December 2016, the issued capital of the company amounted to €79,718 thousand and was divided into 79,718 thousand no-par-value bearer shares.

By way of resolutions of the Annual General Meeting on 28 April 2016, the Management Board was authorised until 27 April 2021, with the approval of the Supervisory Board, to increase the share capital of the company by €6,200 thousand (Authorised Capital I). At the same time, the existing Authorised Capital II of €1,688 thousand was revoked.

Furthermore, by way of resolutions of the Annual General Meeting on 28 April 2016, the Management Board was authorised until 27 April 2021, with the approval of the Supervisory Board, to increase the share capital of the company by €24,801 thousand (Authorised Capital II). At the same time, the existing Authorised Capital 2015 / II of €5,004 thousand was revoked.

By way of resolution of the Management Board, with the approval of the Supervisory Board, and on entry in the commercial register on 27 September 2016, the share capital was increased from Authorised Capital II by issuing 17,715,032 new shares against cash contributions. The new shares were available to shareholders for subscription at a ratio of seven to two. The issued capital was thus increased from €62,003 thousand to €79,718 thousand. The following authorised capital is therefore still available as at 31 December 2016:

- €6,200 thousand (Authorised Capital I)
- €7,086 thousand (Authorised Capital II)

Furthermore, on 7 May 2013, the Management 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 Management 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 Management Board can disapply shareholders' statutory pre-emption rights in certain cases for a partial amount. The above authorisations had not been utilised by the end of the reporting period.

By way of the resolutions of the Annual General Meeting on 28 April 2016, the Management 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 6,200 thousand shares and until 27 April 2021. The Management Board has not yet utilised this authorisation.

Following the capital increase in 2016, the capital reserves increased by €143,935 thousand to €391,194 million (previous year: €247,259 thousand) 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 company reported retained earnings of €90,399 thousand (previous year: €96,812 thousand) as at 31 December 2016. The distribution of a dividend of €34,279 thousand for the 2016 financial year will be proposed at the Annual General Meeting. This corresponds to a dividend of €0.43 per share. The dividend proposal is based on net retained profits for the company under German commercial law of €34,279 thousand.

The revaluation surplus (€–9,850 thousand; previous year: €–12.057 thousand) in retained earnings includes the negative fair values of derivatives in connection with cash flow hedges in the amount of €–5,513 thousand (previous year: €–8,240 thousand) and actuarial losses on defined benefit obligations accrued as at 31 December 2016 in the amount of €–4,337 thousand (previous year: €–3,817 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	**2016**	**2015**	**Change**
Equity	561,311	406,074	+ 38.2%
Total assets	1,006,760	786,644	+ 28.0%
Reported equity ratio	**55.8%**	**51.6%**	**+ 4.2 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 67.8% as at 31 December 2016 (previous year: 61.5%).

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 30.1% as at 31 December 2016 (previous year: 35.0%).

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 €70,129 thousand to €414,464 thousand as a result of further borrowing for property financing. The fair value of derivative financial instruments rose by €2,727 thousand as a result of the shorter remaining term by one year and is €–5,513 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 €69.4 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 €2.7 million resulted in a rise in market value changes in derivatives in the revaluation surplus to €–5.5 million. There are no further derivative financial instruments other than the interest rate swaps shown above.

			31 Dec. 2016		31 Dec. 2015	
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	27,552	–1,111	29,289	–2,452
2	Interest rate swap	April 2018	12,493	–745	13,268	–1,339
3	Interest rate swap	April 2018	9,065	–540	9,627	–971
4	Interest rate swap	December 2018	3,778	–311	3,959	–455
5	Interest rate swap	November 2021	16,474	–2,806	16,620	–3,023
Total			**69,362**	**–5,513**	**72,763**	**–8,240**

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

€ thousand	31 Dec. 2016			31 Dec. 2015		
	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	20,876	196,813	196,775	16,138	152,971	175,226
Derivative financial instruments	1,111	4,402	0	0	5,217	3,023
Total	**21,987**	**201,215**	**196,775**	**16,138**	**158,188**	**178,249**

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. 2016**			**31 Dec. 2015**		
	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	31,177	225,762	215,219	24,835	185,222	184,585
Derivative financial instruments	3,193	2,974	0	3,147	4,873	459
Total	**34,370**	**228,736**	**215,219**	**27,982**	**190,095**	**185,044**

All loans are secured by investment property. There were land charges of €464.7 million chargeable to the company for the financial liabilities reported as at 31 December 2016. 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 1.14% and 5.21% (average interest rate: 3.29%). Including loans concluded but not yet utilised, the average interest rate is 2.83%. 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	2016	2015
Interest rate +1%	1,649	1,446
Interest rate –1%	–1,288	–2,538

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. 2016		31 Dec. 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	414,464	441,464	344,335	372,477

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. 2016	Carrying amount	Measurement in accordance with IAS 39		Non-financial assets / liabilities
€ thousand		Amortised cost, loans and receivables	Fair value, derivatives designated as hedges	
ASSETS				
Financial assets	834	834		
Current trade receivables and other assets	1,412	1,267		145
Cash and cash equivalents	75,335	75,335		
	77,581	**77,436**	**0**	**145**
EQUITY AND LIABILITIES				
Non-current financial liabilities	393,588	393,588		
Non-current derivative financial instruments	4,402		4,402	
Non-current trade payables and other liabilities	2,327	1,190		1,137
Current financial liabilities	20,876	20,876		
Current derivative financial instruments	1,111		1,111	
Current trade payables and other liabilities	11,158	8,561		2,597
	433,462	**424,215**	**5,513**	**3,734**

31 Dec. 2015	Carrying amount	Measurement in accordance with IAS 39		Non-financial assets / liabilities
€ thousand		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	**29,243**	**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	**353,672**	**8,240**	**6,709**

(18) Trade payables and other liabilities

€ thousand	2016	2015
FINANCIAL LIABILITIES		
Trade payables	306	268
Outstanding invoices	2,859	1,683
Other purchase price retention	2,545	3,355
Security retention for rent guarantees	1,873	2,569
Security deposits	815	730
Supervisory Board remuneration	330	302
Audit fees	99	61
Miscellaneous	924	369
	9,751	**9,337**
OTHER LIABILITIES		
Rental and leasing advances	1,272	1,494
VAT liabilities	1,022	656
Deferred investment subsidies	574	629
Land transfer tax liabilities	516	3,180
Land tax obligations	172	620
Miscellaneous	178	130
	3,734	**6,709**
Total	**13,485**	**16,046**

€11,158 thousand (previous year: €11,526 thousand) of trade payables and other liabilities are due within one year.

The non-current financial liabilities (€1,190 thousand; previous year: €3,167 thousand) have a remaining term of less than five years.

(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 2016, the pension obligations are distributed among four (previous year: four) and seven (previous year: eight) 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	2016	2015
Carrying amount 1 January (= present value 1 January)	7,220	7,452
Interest expenses	138	137
Actuarial gains (–) / losses recognised for the current year	520	126
(due to change in financial assumptions)	(+371)	(–67)
(due to experience adjustments)	(+149)	(+193)
Pension payments	–491	–495
Total	**7,387**	**7,220**

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)	454 (438)	–411 (–396)
Inflation (+0.25 / –0.25 percentage points) (previous year)	230 (204)	–219 (–195)
Pension trend (+0.25 / –0.25 percentage points) (previous year)	230 (204)	–219 (–195)
Deviation in mortality from standard (–7.5% / +7.5%) (previous year)	259 (241)	–235 (–219)

The sensitivity calculations are based on the average term of the pension obligation calculated as at 31 December 2016.

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 €476 thousand are expected in the 2017 financial year (2016: €491 thousand).

In the year under review, HAMBORNER paid contributions of €206 thousand (previous year: €178 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. 2016	Utilisation	Reversals	Additions	31 Dec. 2016	Of which non-current	Of which current
PROVISIONS FOR							
Mining damage	2,494	0	5	58	2,547	2,547	0
Employee bonuses	320	320	0	322	322	0	322
Management Board bonuses (STI)	379	379	0	385	385	0	385
Management Board bonuses (LTI)	958	346	21	182	773	483	290
Reimbursements from operating costs not yet invoiced	416	332	84	437	437	0	437
Miscellaneous	162	90	51	115	136	0	136
Total	**4,729**	**1,467**	**161**	**1,499**	**4,600**	**3,030**	**1,570**

The provision for employee bonus obligations assumes that the expected bonuses for 2016 will be €2 thousand higher than in the previous year and amount to €322 thousand. In addition, there are provisions for long-term, share-based Management Board bonuses (LTI) of €773 thousand (previous year: €958 thousand), €290 thousand of which was paid out in 2017 on the basis of the value of shares as at the end of the reporting period, and for short-term remuneration (STI) of €385 thousand (previous year: €379 thousand). The terms of the share-based remuneration as at the end of the reporting period was two months (long-term, share-based commitments for 2014), 14 months (long-term, share-based commitments for 2015) and 26 months (long-term, share-based commitments for 2016).

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 18 years; previous year: between two and 19 years), interest rates of between 0.1% and 2.0% (previous year: between 0.3% and 2.1%) were assumed for discounting. The provision increased slightly by a total of €53 thousand to €2,547 thousand as at 31 December 2016 owing to interest effects (maturity adjustment: €26 thousand; interest rate adjustment: €32 thousand) and inflation-based adjustments (€–5 thousand).

(21) Contingent liabilities and financial obligations

On 31 December 2016 there were obligations arising from notarised purchase agreements for four properties in Hanau, Kiel, Cologne and Passau to pay a total purchase price of €122.1 million.

The other financial obligations after the end of the reporting period essentially 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 (plus 2 x 15-year renewal option)	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

HAMBORNER as a lessor

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 €912.5 million (previous year: €750.3 million) was let under operating leases as at 31 December 2016.

The leases, which are essentially for office and retail space, are usually concluded for terms of between five and 15 years. Around 92% 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. 2016	31 Dec. 2015
Up to one year	64,542	55,300
Between two and five years	198,685	176,298
More than five years	172,160	160,218
Total	**435,387**	**391,816**

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.

HAMBORNER as a lessee

As a lessee, HAMBORNER must essentially make payments under three leasehold agreements. Their terms including renewal options are shown in the table under note (21). All three leasehold agreements have indexation clauses.

The total future minimum lease payments from the leasehold agreements not including renewal options based on current conditions are as follows:

€ thousand	**31 Dec. 2016**	**31 Dec. 2015**
Up to one year	559	559
Between two and five years	2,236	2,236
More than five years	7,333	7,892
Total	**10,128**	**10,687**

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. The difference between cash and cash equivalents as at 31 December 2016 and the "Cash and cash equivalents" item in the statement of financial position of €50.0 million is due to a fixed-term deposit with a term of five months that is not included in cash and cash equivalents in accordance with IAS 7.7. Cash and cash equivalents amounted to €25.3 million as at the end of the reporting period after €27.1 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.

(23) Cash flow from operating activities

The cash flow from operating activities was €51.0 million after €42.8 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:

		2016	**2015**
Number of shares outstanding	Thousands	79,718	62,003
Operating cash flow	€ thousand	50,982	42,847
Operating cash flow per share	€	0.64	0.69

(24) Cash flow from investing activities

The cash flow from investing activities essentially resulted in a total cash outflow of €244.8 million (previous year: €154.6 million) due to acquisitions in the financial year (€206.6 million). Furthermore, a fixed-term deposit with an initial remaining term of five months led to a payment of €50.0 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 €192.0 million (previous year: €128.5 million) results in particular from the net issue proceeds of the capital increase in September 2016 (€161.7 million). Furthermore, there were cash inflows from the borrowing of loans of €86.8 million. Cash receipts are offset by payments for the dividend for 2015 (€26.0 million) and interest and principal payments (€30.3 million) on the loans borrowed for the pro rata financing of our properties.

The company also has total funds not yet utilised of €127.0 million at its disposal from concluded loan agreements. These funds can be accessed at short notice on fulfilment of the pay-out requirements.

OTHER NOTES AND MANDATORY DISCLOSURES

Events after the end of the reporting period

The risks and rewards of ownership of the office property in Cologne were transferred at the start of 2017. The purchase price amounts to €48.9 million with annual rental income of €2.8 million.

The purchase agreement for a retail property with Kaufland as the main tenant in Berlin-Marzahn was signed on 30 January 2017. The purchase price was €16.2 million.

The purchase agreement for the retail centre "market Oberfranken" in Hallstadt near Bamberg was concluded on 8 February 2017. The purchase price plus leasehold improvements yet to be performed is €43.7 million.

Employees

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

	2016	2015
Commercial property management	11	9
Technical property management	6	5
Administration	15	15
Total	**32**	**29**

Corporate governance

In December 2016, the Management 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 2016 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 2016, 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 22 February 2017. 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 22 February 2017 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.

There was an indirect equity investment in the capital of the company indirectly amounting to or exceeding 10% of the voting rights as at 31 December 2016. This was held by the RAG Foundation, Essen, and amounted to 12.45%.

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 in instruments as defined by section 25(1) WpHG in %	Date threshold affected	Allocation of voting rights as defined by section 22 WpHG
1	Prof. Theo Siegert, Germany	2,300,000	4.60	Drop below 5%		20 February 2015	Yes: 4.60%
2	BlackRock, Inc., Wilmington, DE, USA	1,874,797	3.02	Rise above 3%	0.48	16 March 2016	Yes: 3.02%
3	RAG Foundation, Essen, Germany	9,926,280	12.45	Rise above 10%		27 September 2016	Yes: 2.67%
4	BNP Paribas Investment Partners S.A., Paris, France	3,979,833	4.99	Drop below 5%		1 December 2016	Yes: 4.99%
	BNP Paribas Investment Partners UK Ltd, London, UK	2,373,381	2.98	Drop below 3%		30 November 2016	Yes: 2.98%
	BNP Paribas Investment Partners Belgium S.A., Brussels, Belgium	2,373,381	2.98	Drop below 3%		30 November 2016	No
5	Kingdom of Belgium, Brussels, Belgium	3,944,369	4.95	Drop below 5%		17 February 2017	Yes: 4.95%

Related party disclosures for the 2016 financial year

The only related parties of HAMBORNER within the meaning of IAS 24 are the members of the Management Board, the Supervisory Board and their close relatives. There were no reportable transactions with related parties in the 2016 financial year.

Remuneration of the Management 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 Management Board and the Supervisory Board.

Total remuneration for active members of the Management Board amounted to €1,175 thousand in the reporting year (previous year: €1,118 thousand). In addition to current remuneration of €915 thousand (previous year: €928 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 Management Board in cash after a 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 (€9.04; previous year: €9.61).

On the basis of the share commitments granted in 2016 and remeasurement effects, expenses of €160 thousand (previous year: €404 thousand) were recognised for share-based remuneration in the reporting year.

The number of virtual share commitments granted and still outstanding on 31 December 2016, 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 2014	7.70	2017	16,883	16,883
LTI 2015	9.68	2018	13,430	13,430
LTI 2016	9.40	2019	13,830	13,830

Virtual share commitments developed as follows:

	2016	**2015**
As at 1 January	**97,246**	**70,386**
Addition of virtual share commitments granted	27,660	26,860
Disposal of virtual share commitments paid out	−36,620	0
As at 31 December	**88,286**	**97,246**

The virtual share commitments from 2013 due in 2016 (LTI 2013) resulted in a payment of €346 thousand at a share price of €9.45.

The remuneration of the members of the Supervisory Board is due in the short term and amounts to €330 thousand (previous year: €329 thousand) for the financial year.

The remuneration of the Management 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 Management Board members and their surviving dependents amount to €4,296 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* (until 25 August 2016)
- Bundesanstalt für Immobilienaufgaben (BImA)**
- EUREF AG* (Chairman)
- HAHN-Immobilien-Beteiligungs AG* (Chairman from 25 May 2016)
- Investment AG für langfristige Investoren TGV*
- Litos Immobilien AG* (from 29 June 2016)

Robert Schmidt, Datteln (until 31 December 2016)
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
External mandates:
- Bijou Brigitte modische Accessoires AG *

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

Dr Helmut Linssen, Issum
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 *

Bärbel Schomberg, Königstein
Managing Partner at Schomberg & Co. Real Estate Consulting GmbH
External mandates:
- DSR Deutsche Investment Kapitalanlagegesellschaft mbH* (until 2 March 2016)
- HAHN-Immobilien-Beteiligungs AG* (until 25 May 2016)
- DeWert Deutsche Wertinvestment GmbH* (from 25 May 2016)

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)
Claus-Matthias Böge (from 1 January 2017)
Dr Helmut Linssen
Robert Schmidt (until 31 December 2016)
Bärbel Schomberg

Audit Committee
Claus-Matthias Böge (Chairman from 1 January 2017)
Robert Schmidt (Chairman) (until 31 December 2016)
Wolfgang Heidermann
Christel Kaufmann-Hocker

Nomination Committee
Dr Eckart John von Freyend (Chairman)
Claus-Matthias Böge
Dr Helmut Linssen
Bärbel Schomberg

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

Management Board
Dr Rüdiger Mrotzek, Hilden
Director for Finance / Accounting, Controlling, Taxes, Portfolio Management, Transaction 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, Corporate Services

Duisburg, 22 February 2017

The Management 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, 22 February 2017

The Management 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 2016 to 31 December 2016. 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.

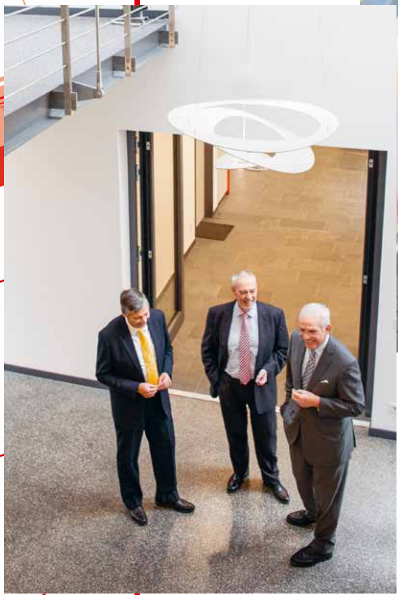
In our opinion, based on the findings of our audit, the separate financial statements of the HAMBORNER REIT AG, Duisburg, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law in accordance with section 325(2a) HGB and give a true and fair view of the net asset 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, complies with the statutory provisions and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 22 February 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Künemann)	(Neu)
German Public Auditor	German Public Auditor

PREPARED: WE GIVE GROWTH ROOM



SUCCESS IS A PROCESS THAT CAN BE SHAPED.

»Room to think, plan and grow – here in Duisburg we have created the basis for our ongoing success.«

At the new and improved headquarters of HAMBORNER REIT AG, the members of the Management Board, Dr Rüdiger Mrotzek and Hans Richard Schmitz, and the Chairman of the Supervisory Board, Dr Eckart John von Freyend, regularly meet to discuss business. The company benefits from their close cooperation and bundled experience. In this interview, the Management Board and the Supervisory Board talk about the most important events in the 2016 financial year.

2016 was an emotional year for HAMBORNER. What were the biggest milestones that you achieved?

DR RÜDIGER MROTZEK This year the volume of our portfolio rose above the one-billion-euro level. That was one of the highlights of the year and a special milestone in the history of our company. When you think that just ten years ago we had property assets worth €186 million, it really drives home the significance of what we have achieved this year.

HANS RICHARD SCHMITZ Our active portfolio management is paying off. We have largely sold off our smaller properties with intensive administration requirements, are increasingly investing in larger properties and are making sensible use of the capacity being freed up. This is reflected not least in our operating cost ratio.

The capital market's positive response makes it clear that we are on the right path. The fact that our shares were so sought after

in the capital increase shows the confidence of investors in our strategy. We are delighted that our shareholders are still willing to accompany us in our continuous growth.

After two capital increases in 2015, there was another in 2016 – what does the supervisory board think about that?

DR ECKART JOHN VON FREYEND I am an advocate of a value-adding growth. Since I took office in 2007, I have been convinced that this is the right path for HAMBORNER. Given the restructuring as a REIT, capital increases are the logical consequence. The Management Board has demonstrated for every capital increase so far that the proceeds were invested in a way that adds value.

Growth usually has consequences for employees and processes. what has changed at HAMBORNER internally in the past year?

RM The changes in the building itself have been very tangible for all of us. Our old building was from the 1960s, and it was bursting at the seams. First we added a new, large extension. Then the old main building was completely renovated. Now we literally have room to grow. We like to offer the employees in our company good conditions for their creative and committed work. The conversion created a key framework for this.

EJVF Yes, the renovated and expanded company headquarters actually reflects the growth trajectory of the past ten years very well. It is modern in design, offers enough space for staff to develop and yet it is still down-to-earth. That's exactly what we had hoped for.

Mr Schmitz, does growth mean more personnel as well?

HRS Our HR capacity is currently enough for the optimal handling of our present portfolio. As we intend to systematically continue on our growth path, we will have to expand our workforce from time to time. With the new building we have also created the space for personnel growth.

One more thing: What goals do you have your eye on for 2017?

RM A key task for the near future will be the rapid investment of the proceeds from last year's capital increase. We're well on our way there. Just shortly after the capital increase was completed last autumn, we were able to invest some of the new funds in attractive and high quality properties. We are confident that we will be able to leverage the remaining scope for acquisitions soon.

HRS Any acquisitions have to prove that the proceeds from the capital increase have been invested sensibly and in a way that adds value. The goal is to show our shareholders that the investments help to enhance our asset base and increase our earnings, and that HAMBORNER is well equipped for future challenges.

←
We have increased the value of our portfolio eightfold over the space of ten years. Our active portfolio management is a proven success. We'll keep it up.

FAITHFUL TO THE DUISBURG-HAMBORN LOCATION SINCE

1953

INCOME FROM RENTS AND LEASES OF

€ 61.8 MILLION

FFO UP

23.5 %

NAV OF

€ 786 MILLION

NAV PER SHARE OF

€ 9.64

REIT EQUITY RATIO OF 67.8%

AVERAGE FINANCING COSTS

LOAN-TO-VALUE OF

30.1 %

24

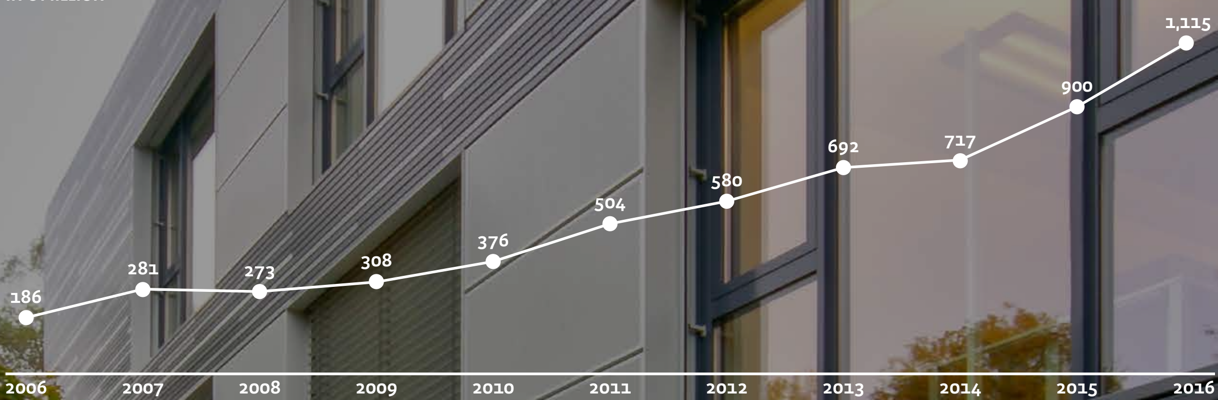
NEW OFFICES CREATED AT DUISBURG-HAMBORN LOCATION

OPERATING COST RATIO OF

8.5 %

HISTORIC PORTFOLIO DEVELOPMENT

IN € MILLION



04 ADDITIONAL INFORMATION

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 Management Board.

In connection with the annual financial statements in accordance with section 264 HGB and our separate IFRS financial statements in accordance with section 325(2) HGB, the Management 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 2016:

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 2016, HAMBORNER REIT AG's free float according to the notifications of voting rights that we have received was 69.9%. We notified the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of this by way of letter dated 4 January 2017.

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 2016 financial year, 93.9% 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 €34.3 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 7.3% 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 2016 was 67.8%.

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 €34.3 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, 22 February 2017

The Management 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 22 February 2017.

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 amount of cash inflows and outflows within 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 its rental and letting income.
DAX	The most important German share index established by Deutsche Börse AG. It shows the development of the 30 biggest German stock corporations in terms of market capitalisation and stock exchange turnover.
DCF method	Discounted cash flow method – method used to determine value e.g. the fair value of real estate. It is based on the financial concept of discounting cash flows to determine the capital value.
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 provider that counteracts 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 taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation (only taxes on income).
EPRA	European Public Real Estate Association – European association of listed property companies. It represents financial analysts, investors, auditors and consultants 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 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 the development and planning of highly ecological buildings
Loan-to-value	Represents the financial liabilities of the company as a proportion of the fair value of its investment property portfolio, taking into account cash and cash equivalents.
Market capitalisation	Market value of a stock corporation. Current share price multiplied by the number of shares.
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 income from rents and leases.
Prime Standard	Market segment of Deutsche Börse AG for stock corporations that satisfy particularly high international transparency standards.
REIT	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. Immovable assets at HAMBORNER 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.

DISCLAIMER

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 Management 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 2017/2018

28 March 2017	Annual report 2016
9 May 2017	Quarterly financial report 31 March 2017
10 May 2017	Annual General Meeting 2017
15 May 2017	Payment of dividend for the 2016 financial year
8 August 2017	Half-year financial report 30 June 2017
9 November 2017	Quarterly financial report 30 September 2017
21 March 2018	Annual report 2017
25 April 2018	Quarterly financial report 31 March 2018
26 April 2018	Annual General Meeting 2018

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