hamborner REIT

ZUKUNFT BRAUCHT SUBSTANZ

ANNUAL REPORT

2013

KEY FIGURES AT A GLANCE (IFRS)

€ THOUSAND			
From the income statement	**2013**	**2012**	**2011**
Income from rents and leases	45,227	36,993	32,160
Net rental income	40,933	33,229	28,244
Operating result	20,416	17,509	14,888
Financial result	–12,249	–10,627	–7,964
EBITDA	37,149	30,381	26,225
EBDA	24,900	19,729	16,970
EBIT	20,770	18,393	17,120
Funds from operations (FFO)	23,786	18,877	16,029
Net profit for the year	8,521	7,741	7,865
From the statement of financial position			
Total assets	631,712	541,437	462,493
Non-current assets	596,302	511,352	435,641
Equity	271,744	276,752	215,131
Equity ratio in %	43.0	51.1	46.5
REIT equity ratio in %	52.5	60.3	55.7
Loan-to-value (LTV) in %	43.7	34.2	39.1
On HAMBORNER shares			
Number of shares outstanding	45,493,333	45,493,333	34,120,000
Earnings per share in €	0.19	0.20	0.23
Funds from operations (FFO) per share in €	0.52	0.41	0.47
Stock price per share in € (XETRA)			
Highest share price	7.58	7.60	8.10
Lowest share price	6.75	6.35	6.10
Year-end share price	7.34	7.48	6.40
Dividend per share in €	0.40	0.40	0.40
Dividend yield in relation to the year-end share price in %	5.4	5.3	6.3
Price / FFO ratio	14.1	18.2	13.6
Market capitalisation at year-end	333,921	340,290	218,368
Other data			
Fair value of investment property portfolio	691,830	579,510	504,432
Net asset value (NAV)	375,337	371,823	299,328
Net asset value per share in €	8.25	8.17	8.77
Number of employees at year-end including Managing Board	27	26	28

60 YEARS OF HAMBORNER

CONTINUITY, STABILITY, SOLIDITY

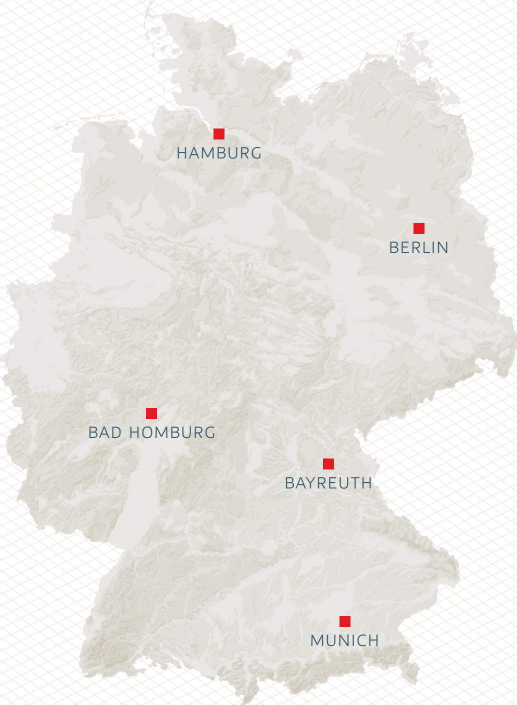
HAMBORNER REIT AG was 60 years old last year, and this year we can celebrate 60 years of being listed on the stock market. 60 years in which our company has developed from being a solid, down-to-earth mining company to being a successful – and no less solid – property company. We have had a colourful history, but one that was always characterised by continuity and consistency. Because whether coal or stone – our success is built on something real.

EARLIER

TODAY

PORTFOLIO GROWTH IN 2013

Back at the beginning of January 2013, the LEED platinum-certified building NuOffice in Munich was transferred to the HAMBORNER portfolio. In March this was followed by the office property on EUREF Campus in Berlin. At the end of May, a mixed-use property in Bayreuth was added to the books and finally a newly built OBI store in Hamburg followed in December. Furthermore, a purchase agreement for a high-street store in Bad Homburg was signed in December. This property was transferred to us in January 2014.



BAD HOMBURG
LOUISENSTR. 66

BAYREUTH
SPINNEREISTR. 5A, 5B, 6–8

BERLIN
EUREF CAMPUS
TORGAUER STR. 12–15

HAMBURG
KURT-A.-KÖRBER-CHAUSSEE 9, 11

MUNICH
NUOFFICE
DOMAGKSTR. 10–16

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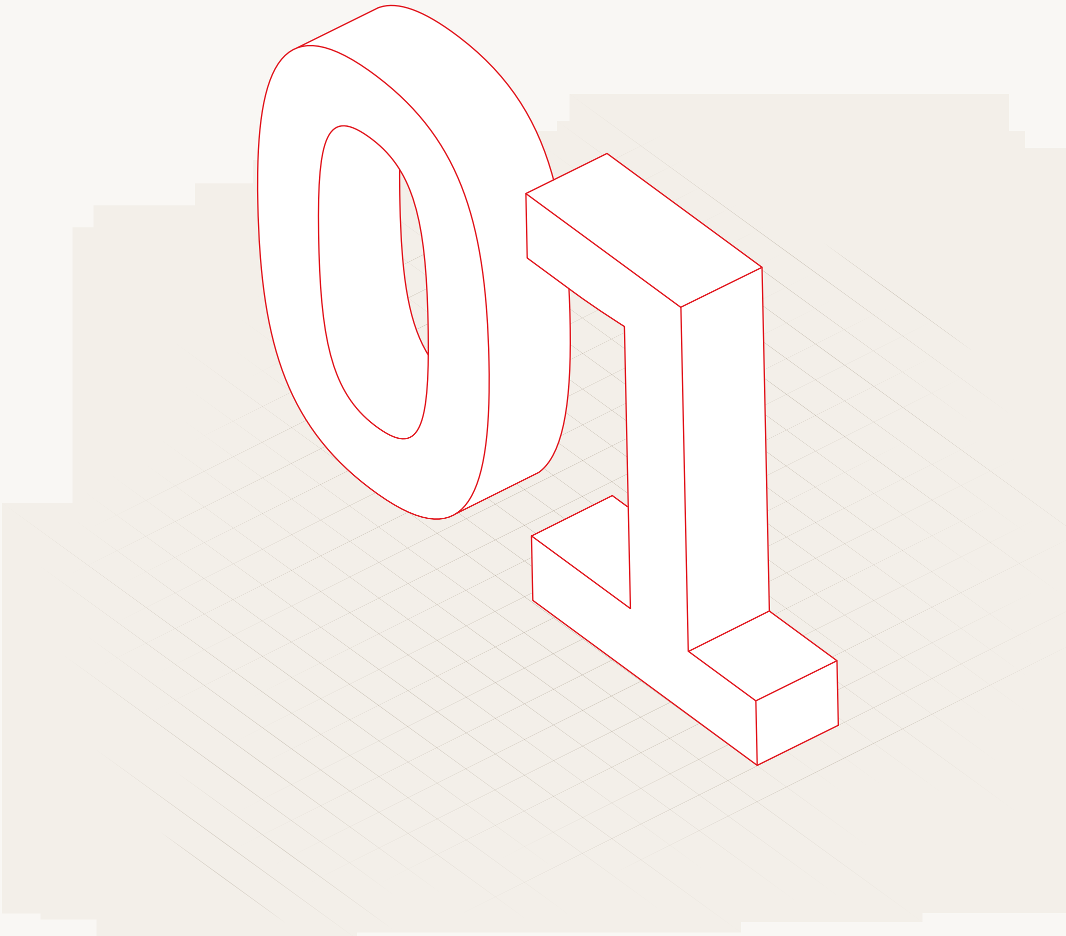


LETTER TO SHAREHOLDERS

*also part of the management report


DR RÜDIGER MROTZEK
MEMBER OF THE MANAGING BOARD
OF HAMBORNER REIT AG
HANS RICHARD SCHMITZ
MEMBER OF THE MANAGING BOARD
OF HAMBORNER REIT AG

DEAR SHAREHOLDERS,
FRIENDS OF OUR COMPANY,

HAMBORNER REIT AG was 60 years old last year, and this year we can celebrate 60 years of being listed on the stock market. 60 years in which our company has developed from being a down-to-earth mining company to being a successful property company.

As you will know from the brochure that we have integrated into the cover of this annual report if you did not know it before, the company that is today HAMBORNER REIT AG – originally founded in 1953 as HAMBORNER Bergbau AG – got its start in the mining business. After moving on from coal mining at the start of the 1970s, it developed into an asset management company and is today a cutting edge property company with a broadly diversified shareholder structure. In all these years, we and our predecessors have succeeded in creating and maintaining value, and in generating stable cash flows, through good asset management. For many years, this has allowed the company to make reliable and attractive distributions to its shareholders.

And after 60 years, our basic idea is still like no other. With our staff of currently 25, we manage our property portfolio almost exclusively internally. And we enjoy a stable, solid and reliable positioning thanks to the clear growth HAMBORNER has experienced since 2007. This growth of recent years – some of which took place in a highly turbulent economic and capital market setting – means that we have been able to leverage the potential that the company has always had. As an S-DAX company, HAMBORNER REIT AG is today a known player on the German capital market and a reliable partner in the property industry.

When we look back at 2013, we are delighted to be able to again present you with an annual report on a highly successful financial year. We have been able to acquire a series of attractive properties. NuOffice in Munich – which is now finally certified to LEED platinum standard – was handed over to us at the beginning of January 2013.

In March this was followed by the office property on EUREF Campus in Berlin – also pre-certified to LEED platinum standard. At the end of May we added a mixed-use property in Bayreuth to our portfolio, finally followed in December by the newly built OBI store in Hamburg. Our portfolio thus expanded by €114.6 million and so amounted to €691.8 million as at 31 December 2013.

Furthermore, we signed a purchase agreement for a high-street store in Bad Homburg in December. This property was transferred to us in January 2014.

When we talk with our shareholders, we are constantly emphasising that we regularly review our portfolio for properties that are no longer consistent with our strategy, and have identified a number of properties that are no longer a good fit for HAMBORNER on account of their size, location or administration requirements. We are pleased to be able to report progress in selling these buildings in the year under review as well. In 2013, we sold four smaller properties with high administration requirements in Moers, Oberhausen, Wuppertal and Hanover, or signed agreements to this effect. Here, annual rental income of €0.8 million is offset by rental agreements for 13 commercial and 31 residential properties. The management capacity that this has freed up can now be used elsewhere to create value.

Our successful business activities are reflected in the figures for the company. In 2013 we generated an operating result of €20.4 million and a net profit for the year of €8.5 million (IFRS). Rental income climbed by around 22% in total and FFO (funds from operations), the key indicator for our management system, rose by around 26% to €23.8 million. This corresponds to an FFO per share of 52 cents.

In light of this healthy business performance, at the Annual General Meeting we will again propose the distribution of a dividend of €0.40 per share for the 2013 financial year. Based on the share price at the end of the year of €7.34, this means a dividend yield of 5.4%.

The structure of our company, our employees – who have again displayed great dedication and done excellent work – and our solid financial situation are our foundation from which to look ahead with optimism. Thus, regardless of any possible uncertainty facing the economy as a whole, we are entering 2014 with positive expectations.

We would like to take this opportunity to express our thanks for the motivation shown by our staff, the good cooperation with our tenants and business partners and for the confidence demonstrated by all our stakeholders and investors.

We hope that you will remain with us in 2014 as well.

Dr Rüdiger Mrotzek

Hans Richard Schmitz

DR ECKART JOHN VON FREYEND
CHAIRMAN OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

The Supervisory Board of HAMBORNER REIT AG can today report on yet another highly successful financial year for the company. The funds from the 2012 capital increase have now mostly been invested and played a large role in shaping the revenue and earnings growth of the past year. HAMBORNER REIT AG was therefore able to successfully continue its ambitious growth plan and, at the end of the financial year, managed a portfolio of now almost €700 million. It is particularly pleasing that this growth was accompanied by FFO per share increasing to €0.52 per share.

Monitoring management and cooperation with the Managing Board
We intensively and regularly monitored the work of the Managing Board again in the 2013 reporting year, and in doing so received detailed information on all significant business transactions and forthcoming decisions. The Managing Board reported to us comprehensively and in a timely manner at all times, both verbally and in writing, on the direction of the company and all relevant aspects of business planning including financial, investment and personnel planning. We were also informed about the economic situation, the profitability of the company and the course of transactions, including the risk position and risk management.

There were four meetings of the Supervisory Board in the 2013 financial year. We also passed resolutions on two investment decisions and one divestment outside meetings. Furthermore, in my capacity as the Chairman of the Supervisory Board, I was in regular contact with the Managing Board in order to remain informed of the current developments in the business situation, key transactions and forthcoming decisions.

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

At the accounts meeting of 20 March 2013, 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 2012, following its own review and discussion of significant aspects with the auditor Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Dusseldorf. In doing so we endorsed the Managing Board's proposal for the appropriation of profits. In addition, we resolved the agenda of the 2013 Annual General Meeting. In the context of long-term, share-based remuneration, the Managing Board was granted non-vested share commitments for the first time, and the long-term target system necessary for this was resolved. Eight 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 7 May 2013. There was a broad discussion of the current status of the AIFM Directive and its possible impact on HAMBORNER REIT AG. Eight members of the Supervisory Board again took part in this meeting.

In its meeting on 12 September 2013 the Supervisory Board discussed in particular the divestment strategy and the development of the company on the capital market. All members of the Supervisory Board took part in this meeting.

The planning meeting on 14 November 2013 focused on the company's budget and medium-term planning for 2014 to 2018. The planned revenue and earnings trend was discussed intensively with the Managing Board. Furthermore, the declaration of compliance in accordance with section 161 AktG was adopted and the Managing Board agreements were adapted in line with the changing requirements of the German Corporate Governance Code. The Supervisory Board also resolved a self-evaluation of its work to take place in the 2014 financial year. 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 financial year 2013. The Executive Committee met twice, to discuss and pass resolutions on Managing Board matters. In addition, it prepared resolutions for the Supervisory Board with regard to the dividend for the 2012 financial year and the election of a new member for the Audit Committee.

The Audit Committee met four times in the 2013 financial year with the auditor in attendance on each occasion. It discussed the 2012 annual financial statements in detail and the 2012 quarterly and half-year interim reports were explained by the Managing Board. The Audit Committee also discussed the preparations for the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor, including the granting of the audit mandate, determining the focus of the audit and the findings of an internal audit outsourced to a third-party audit company.

The Nomination Committee did not meet in the reporting year. The Supervisory Board was informed comprehensively about the activities of the committees by the respective chairman at the start of each meeting.

Corporate governance and the declaration of compliance

The Supervisory Board and the Managing Board again intensively discussed the further development of internal corporate governance in the year under review. We report on this with the Managing Board in the corporate governance report for 2012 in accordance with item 3.10 of the German Corporate Governance Code (GCGC). There were no conflicts of interest within the meaning of item 5.5.3 GCGC among our members. A declaration of independence in accordance with item 7.2.1 GCGC was obtained from the auditor.

The Supervisory Board and the Managing Board published an updated declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG in December 2013. These declarations of compliance can be accessed by the public on the company's website at www.hamborner.de in the section Investor Relations / Corporate Governance.

Adoption of the 2013 annual financial statements (HGB and IFRS)

On 19 March 2014, in the presence of the auditor, 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 19 March 2014. The 2013 annual financial statements under commercial law prepared by the Managing Board were thus adopted. The Supervisory Board has endorsed the proposal of the Managing Board for the distribution of the unappropriated surplus.

Unqualified audit opinion

The annual financial statements of the company as at 31 December 2013 prepared by the Managing Board in accordance with the rules of the German Commercial Code, the German Stock Corporation Act and the German REIT Act plus the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), the management report and the proposal for the appropriation of profits were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Dusseldorf.

The Supervisory Board had commissioned the audit in line with the resolution of the Annual General Meeting of 7 May 2013. The auditor granted unqualified audit opinion for both sets of financial statements.

Our thanks

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

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

Duisburg, 19 March 2014

The Supervisory Board

Dr Eckart John von Freyend
(Chairman)

MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

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

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

Supervisory Board

Dr Josef Pauli, Essen
– Honorary Chairman –

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

Dr Bernd Kottmann, Münster
– Deputy Chairman –
Management consultant

Christel Kaufmann-Hocker, Dusseldorf
Management consultant

Dr David Mbonimana, Seevetal
Head of Strategy at HSH Nordbank AG

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

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

Mechthilde Dordel, Oberhausen*
Clerical employee

Wolfgang Heidermann, Raesfeld*
Technician

Dieter Rolke, Oberhausen*
Clerical employee

* Employee representative

CORPORATE GOVERNANCE REPORT

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

In this section, in line with the recommendations of item 3.10 of the German Corporate Governance Code (GCGC) as amended on 13 May 2013, the Managing Board and the Supervisory Board have reported on the adoption of corporate governance guidelines at HAMBORNER.

Corporate governance report

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

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

Since the German Corporate Governance Code came into effect, the Managing Board and Supervisory Board have regularly discussed its recommendations and – as far as possible and necessary – implemented them in a timely manner. The objective was and is to always ensure a good, responsible and sustainable corporate development in the interests of all stakeholders.

The Code as such was recently one of the subjects discussed at the Supervisory Board meeting on 14 November 2013. 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" again resolved amendments to the Code in 2013. The most significant changes relate to executive remuneration. In line with the Code's recommendation, the Supervisory Board defined company-specific caps for the individual remuneration of Managing Board members as a whole and for the variable remuneration components. Further information on this and the table showing Managing Board remuneration, which is currently still voluntary based on a recommendation in the Code, can be found in the remuneration report from page 19.

The Code also recommends the appropriate inclusion of women in appointments to Supervisory Board and management positions. HAMBORNER concurs with the relevance of this recommendation. The Supervisory Board currently consists of nine members, three of whom are women.

Considerable importance is also attached to the issue of the independence of members of the Supervisory Board. Within the meaning of the recommendation in the current Corporate Governance Code, a supervisory board member is not to be considered independent in particular if he / she has personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which 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. Corresponding compliance guidelines were set out at HAMBORNER in 2012 and all employees received training. Furthermore, an internal audit system was implemented that was outsourced to an external audit firm.

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

The Managing Board and the Supervisory Board issued the following declaration of compliance in accordance with section 161 AktG in December 2013. 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 2013

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

"The Managing Board and the Supervisory Board of HAMBORNER REIT AG declare that HAMBORNER REIT AG has complied with the recommendations of the Government Commission for the German Corporate Governance Code (Code) as amended on 13 May 2013 with the exception of the recommendation in item 4.2.1 sentence 1 since issuing its last declaration of compliance in December 2012, and will continue to do so in future."

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

The Managing Board and the Supervisory Board will publish the next declaration of compliance in December 2014.

Duisburg, December 2013

The Managing Board The Supervisory Board

Internet information for our shareholders

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

In addition, shareholders can find information on the dates of recurring publications of financial reports and the Annual General Meeting in the section Investor Relations / Financial Calendar. Also, information on our planned roadshows and participation in conferences will also be posted here from now on.

Our annual report an our interim reports, together with detailed explanations of the corresponding months under review, can also be viewed and downloaded on our website from the time of their publication. In addition, we make other information about the company and information published by it available here to all interested parties, including notifications in accordance with the German Securities Trading Act and the German Securities Prospectus Act, press releases and an up-to-date company presentation.

Cooperation between the Managing Board and the Supervisory Board

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

No consultancy or other service or work agreements were concluded between the company and individual members of the Supervisory Board in the 2013 financial year. There were no potential or actual conflicts of interests on the part of members of the Managing Board and the Supervisory Board that would have required immediate disclosure to the Supervisory Board in the reporting period.

Directors' dealings

In accordance with section 15a of the German Securities Trading Act (WpHG), the members of the Managing Board and the Supervisory Board and persons who perform management duties at an issuer of shares must disclose any purchases or sales of the company's securities if the total value of the transactions by the person performing management duties and related parties of that person reaches or exceeds €5,000 within a calendar year. The company was notified of the following transactions carried out in the 2013 reporting year:

2013	PERSON SUBJECT TO DISCLOSURE REQUIREMENTS	FUNCTION	FINANCIAL INSTRUMENT	NO.	PRICE	TOTAL VOLUME	TYPE OF TRANS-ACTION
25 March	Robert Schmidt	Supervisory Board	Shares	15,000	€7,085	€106,275	Purchase
28 June	Dr David Mbonimana	Supervisory Board	Shares	6,000	€7,068	€42,832	Purchase
12 August	Dr Rüdiger Mrotzek	Managing Board	Shares	2,820	€7,100	€20,022	Purchase
13 August	Dr Rüdiger Mrotzek	Managing Board	Shares	2,180	€7,100	€15,478	Purchase
29 August	Hans Richard Schmitz	Managing Board	Shares	5,000	€7,051	€35,255	Purchase
20 December	Dr Eckart John von Freyend	Supervisory Board	Shares	4,933	€7,400	€36,504	Sale
20 December	Dr Eckart John von Freyend	Supervisory Board	Shares	823	€7,400	€6,090	Sale

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

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

There were no reportable holdings in accordance with item 6.6 GCGC as at 31 December 2013.

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

The mandates of members of the Managing Board and the Supervisory Board are shown in the notes on the IFRS financial statements on page 99 and related party information can be found on page 98.

Responsible risk management

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

The auditor Deloitte & Touche

The auditor proposed for election for the 2013 financial year at the Annual General Meeting, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Dusseldorf, submitted its declaration of independence in accordance with item 7.2.1 of the German Corporate Governance Code in a letter dated 28 February 2013. It was agreed with the auditor that the Chairman of the Audit Committee should be informed immediately of any grounds for exclusion or a lack of impartiality arising during the audit if these are not immediately rectified. Furthermore, it was agreed that the Chairman of the Supervisory Board and the Chairman of the Audit Committee should be informed immediately if specific findings or incidents arise in performing the audit of the financial statements which could be of significance for the proper performance of the duties of the Supervisory Board. This includes the discovery of facts containing inaccuracies in the declarations on the Code issued by the Managing Board and the Supervisory Board.

Remuneration report

(Also part of the management report)

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

Remuneration of the members of the Managing Board in the 2013 financial year

New regulations have applied to the remuneration of the Managing Board from 2013 since the service agreements concluded in the 2012 financial year entered into effect. The system of Managing Board remuneration is geared in particular and more strongly than in the past to providing incentives for successful management of the company designed to create sustainable value added. The remuneration system motivates the members of the Managing Board to dedicate themselves to and for the company in the long term.

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

In order to gear the remuneration of the members of the Managing Board towards the goal of sustainable value added, some of their pay is granted as long-term, share-based remuneration after a retention period of three years.

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

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

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

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

Fixed remuneration

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

Short-term variable remuneration (bonus)

In the event of 100% attainment of targets, the short-term variable remuneration (bonus) will amount to €125,000, dependent on target agreements and the achievement of the FFO stipulated in the budget. The bonus will not be paid if targets are missed by more than 50%. The bonus is capped at 200% of the regular amount, i.e. a maximum of €250,000. Furthermore, the Supervisory Board can adjust the bonus for target achievement by up to 20% in either direction in light of the personal performance by the member of the Managing Board.

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

Half of the set target amount (LTI 1) is linked to the development in absolute FFO and FFO per share and to the like-for-like development in the value of the portfolio over the past three years. The Supervisory Board determines the degree of target attainment, which can vary between 0% and 200% (cap). The attainment of goals determines the actual cash value of the commitment and the resulting number of share commitments.

For the other half of the set target amount (LTI 2), the Supervisory Board shall initially grant a number of share commitments equivalent to the cash value of half of the target amount on the commitment date. The Supervisory Board also determines a target system (target value for 100% and target corridor) for the performance in the price of HAMBORNER shares relative to the EPRA / NAREIT Europe ex UK Index. After the end of the three-year retention period, the Supervisory Board determines the relative performance of HAMBORNER shares as against the index. This results in a degree of target attainment that can vary between 0% and 200% (cap). If targets are achieved by more than 100%, the Managing Board members shall receive an additional cash payment in line with the amount by which targets are exceeded. In the event of targets being achieved by less than 100%, a number of share commitments corresponding to the shortfall will be forfeit.

It was determined by way of the agreements amending service agreements for members of the Managing Board of 14 November 2013 that the beneficiaries will be paid the equivalent value of their share commitments in cash after the three-year retention period. It was also stipulated that the value in excess of the cap will be disregarded if the closing price at the settlement date amounts to more than 200% (cap) of the closing price on the respective commitment date. Thus, the maximum amount for short-term variable remuneration and long-term, share-based remuneration of the members of the Managing Board totals €846,000 in each case.

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

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

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

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

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

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

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

The remuneration granted to active members of the Managing Board on the basis of existing service agreements for the 2013 financial year broke down as follows:

	DR RÜDIGER MROTZEK				HANS RICHARD SCHMITZ			
€ THOUSAND	2012	2013	2013 (MIN)	2013 (MAX)	2012	2013	2013 (MIN)	2013 (MAX)
Fixed remuneration	150	191	191	191	150	200	200	200
Benefits	29	27	27	27	22	22	22	22
Total	**179**	**218**	**218**	**218**	**172**	**222**	**222**	**222**
Short-term variable remuneration	**150 ***	**125 ***	**0**	**300**	**150 ***	**125 ***	**0**	**300**
Long-term variable remuneration	**–**	**130**	**0**	**546**	**–**	**130**	**0**	**546**
LTI 1 (2013) Plan term 2016	–	65	0	312	–	65	0	312
LTI 2 (2013) Plan term 2016	–	65	0	234	–	65	0	234
Total	**329**	**473**	**218**	**1,064**	**322**	**477**	**222**	**1,068**
Pension cost	30	30	30	30	30	30	30	30
Total remuneration under GCGC	**359**	**503**	**248**	**1,094**	**352**	**507**	**252**	**1,098**
Earnings-based adjustment of the short-term variable remuneration	75	76	0	0	75	76	0	0
Total remuneration	**434**	**579**	**248**	**1,094**	**427**	**583**	**252**	**1,098**

* Based on 100% attainment of goals.

As at the grant date, 18,310 virtual share commitments with a fair value of €130 thousand had been approved for the Managing Board for the 2013 financial year 2013.

The table below shows the remuneration granted in or for the 2013 financial year:

	DR RÜDIGER MROTZEK		HANS RICHARD SCHMITZ	
€ THOUSAND	2013	2012	2013	2012
Fixed remuneration	191	150	200	150
Benefits	27	29	22	22
Total	**218**	**179**	**222**	**172**
Short-term variable remuneration	201	225	201	225
Long-term variable remuneration	–	–	–	–
Other	–	–	–	–
Total	**419**	**404**	**423**	**397**
Pension cost	30	30	30	30
Total remuneration	**449**	**434**	**453**	**427**

Other

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

The total remuneration for former members of the Managing Board of the company and their surviving dependents amounted to €426 thousand in the 2013 financial year. The pension provisions recognised for this group of people amount to €4,534 thousand.

Remuneration system for the members of the Managing Board in the 2012 financial year

The remuneration for members of the Managing Board in the previous year consisted of fixed and earnings-based components. The non-performance-based components consisted of fixed remuneration and additional benefits (e.g. a company car). The fixed allowance was paid monthly as a salary as basic remuneration. There was no profit-sharing, pre-emption rights or other share-based remuneration. In the event of the early termination of their service agreements, both members of the Managing Board were entitled to severance pay in the amount of the present value of their regular fixed remuneration to be paid until the time their agreements would expire under normal circumstances. Compensation was limited to a maximum of two years' remuneration including additional benefits. Ordinary termination was not contractually agreed during the term of the respective service agreements. The earnings-based (variable) remuneration owed to the Managing Board, which was paid annually as a bonus, was dependent primarily on the long-term development in funds from operations (FFO). The development of net asset value (NAV) and the attainment of individually agreed targets was also included in the calculation.

Pension commitments

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

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 €22,500. 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 €500 for attendance at meetings.

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

Members of the Supervisory Board on the Nomination Committee receive additional annual remuneration of €2,500 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 2013 financial year is as follows:

€ THOUSAND	**2013**			**2012**		
	FIXED REMUNE-RATION	ATTENDANCE FEES	TOTAL	FIXED REMUNE-RATION	ATTENDANCE FEES	TOTAL
Dr Eckart John von Freyend	55.0	2.0	57.0	55.0	2.5	57.5
Dr Bernd Kottmann	48.8	2.0	50.8	48.8	2.5	51.3
Christel Kaufmann-Hocker	27.5	2.0	29.5	27.5	2.5	30.0
Dr David Mbonimana	22.5	2.0	24.5	22.5	2.5	25.0
Robert Schmidt	32.5	1.5	34.0	32.5	2.0	34.5
Bärbel Schomberg	27.5	1.5	29.0	27.5	2.5	30.0
Mechthilde Dordel	22.5	2.0	24.5	22.5	2.5	25.0
Wolfgang Heidermann	27.5	2.0	29.5	0.0	0.0	0.0
Hans-Bernd Prior	0.0	0.0	0.0	27.5	2.5	30.0
Dieter Rolke	22.5	2.0	24.5	22.5	2.5	25.0
Total	**286.3**	**17.0**	**303.3**	**286.3**	**22.0**	**308.3**

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

D&O insurance

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

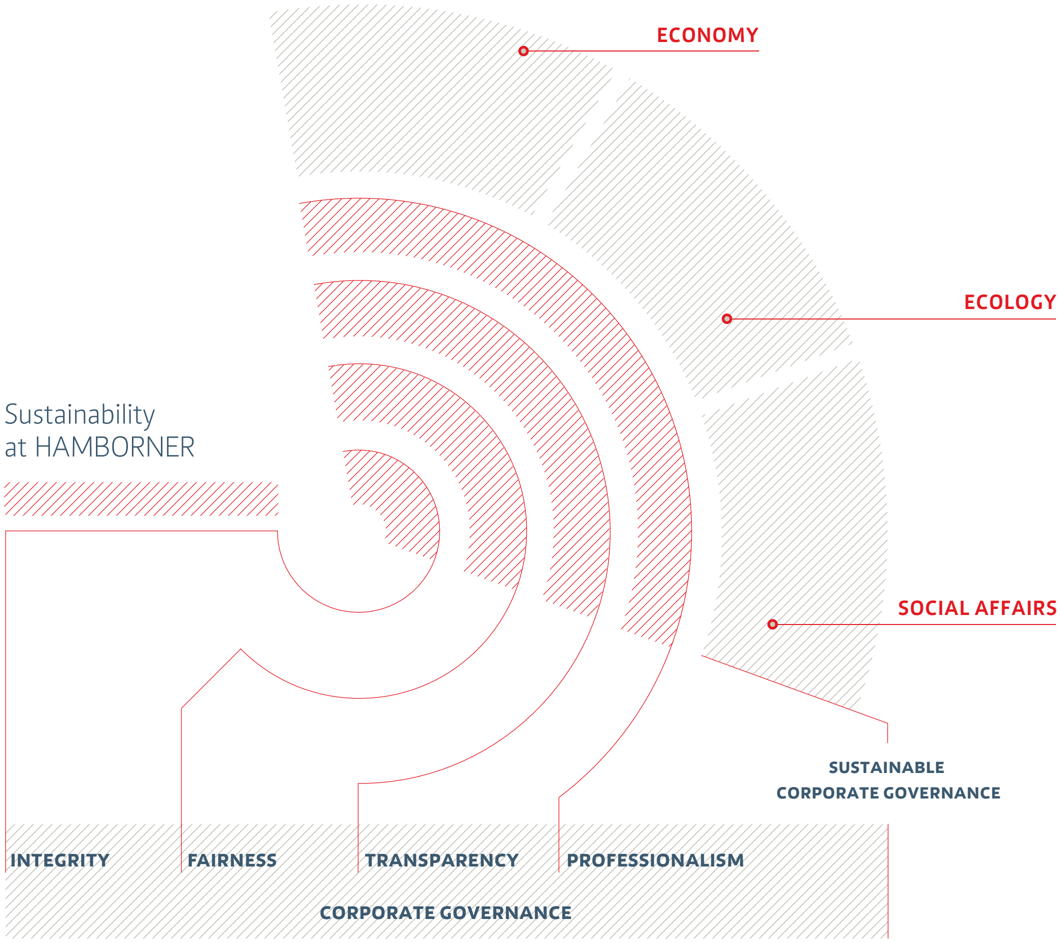
SUSTAINABILITY AT HAMBORNER

The success of a company is not measured by its revenue and income alone. Profitable growth is possible in the long term only by accepting responsibility for the environment and society. Acting sustainably is not a luxury that one can only afford in the "good" years: Corporate growth and sustainable business are inextricably linked.

After having primarily described our business growth to you in our financial reports to date, we are delighted to have presented our first independent sustainability report in October 2013. HAMBORNER bases its implementation of sustainable management on the specifications and guidelines of the German Property Federation (ZIA) and the Global Reporting Initiative (GRI) 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 Initiative der deutschen Immobilienwirtschaft. The standards of the ZIA and GRI also define the content of our sustainability report.

Strategic sustainability concept

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 projects in 2013

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 two key projects in the 2013 financial year. The office properties NuOffice in Munich and EUREF Campus in Berlin are current examples of HAMBORNER's sustainable outlook as an asset manager for profitable commercial properties:

NuOffice

The office property in Domagkstrasse in Munich, which was completed at the end of 2012 and has been in our portfolio since January 2013, was awarded the platinum status LEED sustainability certificate – the highest level possible – by the US Green Building Council in July 2013. "Platinum" is the highest level of quality that can be bestowed on an environmentally friendly, energy-efficient and resource-conserving building. With 94 points, NuOffice did not just exceed the number of points necessary for platinum (80), it also achieved the highest rating issued in the world at that time in the LEED system variant for investor projects.

A sophisticated energy model, resource-conserving concepts for the use of materials in construction and water consumption in the operational phase, sustainable location factors and interior qualities that satisfy the strict ecological and social criteria are the key components that mattered for the maximum LEED rating "platinum". NuOffice is an innovative project development that exudes an atmosphere of wellness thanks to wood effect bands, green roof areas and particularly sound-absorbing materials. In addition, the property's tenant benefit from a children's day care facility with flexible care options in the building and a fitness and health club. The office property is conveniently located in the north of Munich in Parkstadt Schwabing and can be easily reached by bus or express tram. Munich Airport can be reached by car in around 20 minutes.

EUREF Campus

We acquired another state-of-the-art property designed for sustainability and energy efficiency in the new office building on EUREF Campus in Berlin-Schöneberg. The property, which was added to our portfolio in March 2013, is part of the EUREF Campus office and science site – a city district unique in Europe that combines ecologically and economically sustainable ideas. The EUREF Campus building is pre-certified to LEED platinum standard. It is being built in a style that is particularly energy efficient with cutting edge, fully automated facilities engineering. The use of solar energy, wind power, biogas and a micro smart grid on the EUREF grounds will enable a virtually CO_2-neutral operational energy supply and low consumption costs. Positioned just 500 metres from Berlin's Südkreuz station, the site has a fast connection to the capital's new Willy Brandt airport in Berlin-Schönefeld, the city centre and the ICE network.

2013 sustainability report

The detailed sustainability report is available on our website www.hamborner.de in the Sustainability section. You can also contact us for a printed version.

HAMBORNER SHARES

General situation on the share market

Overall, 2013 was a very positive year on the stock markets and ranks as one of the ten most successful years in the 25-year history of the DAX. However, the German benchmark index was still, more or less moderately, treading water at the beginning of the year. This was followed by the upswing in May and, briefly, it achieved a new all-time high of 8,500 points. One month later though, the DAX fell back to 7,700 points. But it recovered again and climbed relatively consistently, before reaching and remaining above the 9,000-point line in November. The DAX was tracking above 9,400 points at the start of December, but experienced profit-taking in the weeks that followed. At the end of the year the index then rose again and closed at 9,552 points on 30 December 2013. This corresponds to an increase of 25.5% over the year. The MDAX and the SDAX also enjoyed significant expansion of 39.1% and 29.3% respectively.

Stock market experts attribute the positive performance largely to the easing in the euro crisis and the recovery of the export markets so important to German companies, especially in North America. Moreover, the stock markets benefited from the monetary and interest policies of the central banks and a lack of attractive alternative investment options. Bonds failed to appeal on account of the low interest rates, gold lost value again for the first time in years and other commodities also suffered price declines in some cases.

The extent to which shareholders can look forward to further price surges in 2014 after a strong year on the markets in 2013 remains to be seen. The forecasts by capital market experts appear confident overall for 2014 as a whole at the start of the year, but do not rule out occasional dips. Ultimately, however, the trend in interest rates, the monetary policy of the central banks, the further development of the European debt crisis and the performance of the global economy will be the main forces shaping events on the stock markets.

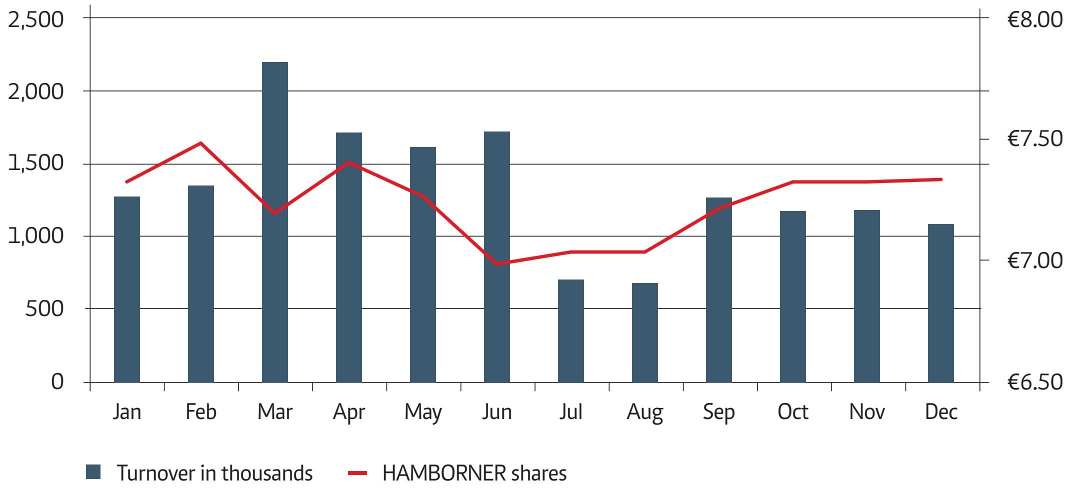
The performance of property shares was somewhat muted overall in 2013. Compared to other European and international markets for property equities, Germany appeared to have been left behind despite its stable physical real estate market. Investors continued to focus on residential property stocks in particular in the year under review. But even despite IPOs by two major German housing companies, the property stock segment merely drifted sideways overall. This is also reflected in the corresponding indices: The DIMAX published by Ellwanger & Geiger and the FTSE EPRA / NAREIT Developed Europe ex UK Index published by the European Public Real Estate Association in Brussels each gained only around 3% over the year.

HAMBORNER shares

HAMBORNER shares are traded on the stock markets of Frankfurt / Main and Dusseldorf 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.

The company has commissioned HSBC Trinkaus & Burkhardt AG, Dusseldorf, as its designated sponsor. This ensures that HAMBORNER shares can be traded at all times on the basis of ongoing bid and ask prices. The total annual turnover of our shares was around 17.4 million in 2013 (previous year: around 17.7 million). The average daily trading volume remained constant year-on-year at around 69,000 shares per day.

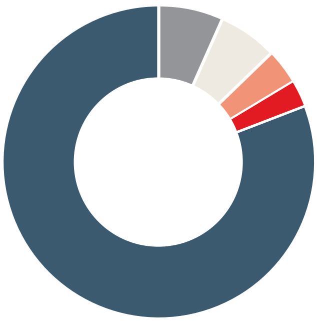
Development of HAMBORNER shares



Price performance of HAMBORNER shares in 2013

The performance of HAMBORNER's shares varied considerably over the course of 2013. After a good start at the beginning of the year, the shares repeatedly came under pressure despite positive operating business, good figures and optimistic forecasts. Even after the payment of a dividend of 40 cents per share, they ended the first half of the year at €7.00 (down 6.4% since the end of 2012). From the start of July until the end of September, the price remained largely between €6.95 and €7.30 without any discernible influences and closed on 30 September 2013 at €7.22 (down 3.5% on the end of 2012). The shares rose again to around €7.50 at the end of November but then fell again. The shares closed the year as at 31 December 2013 at €7.34 (previous year: €7.48), down slightly by 1.9%. Market capitalisation as at the end of the year was €333.9 million (previous year: €340.3 million); the markdown compared to NAV was around 11% (previous year: around 8%).

Shareholder structure as at 31 December 2013



80.58%	Free float
6.68%	Prof Siegert, Dusseldorf
6.16%	Ruffer LLP, London
3.57%	SFPI/FPIM, Brussels
3.01%	BlackRock, New York

ISIN: DE0006013006
SCN: 601300

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

HAMBORNER shares at a glance

		2013	2012	2011
Issued capital	€ million	45.49	45.49	34.12
Market capitalisation*	€ million	333.9	340.3	218.4
Year-end share price	€	7.34	7.48	6.40
Highest share price	€	7.58	7.60	8.10
Lowest share price	€	6.75	6.35	6.10
Dividend per share	€	0.40	0.40	0.40
Total dividend	€ million	18.20	18.20	13.65
Dividend yield*	%	5.4	5.3	6.3
Price/FFO ratio*		14.1	18.2	13.6

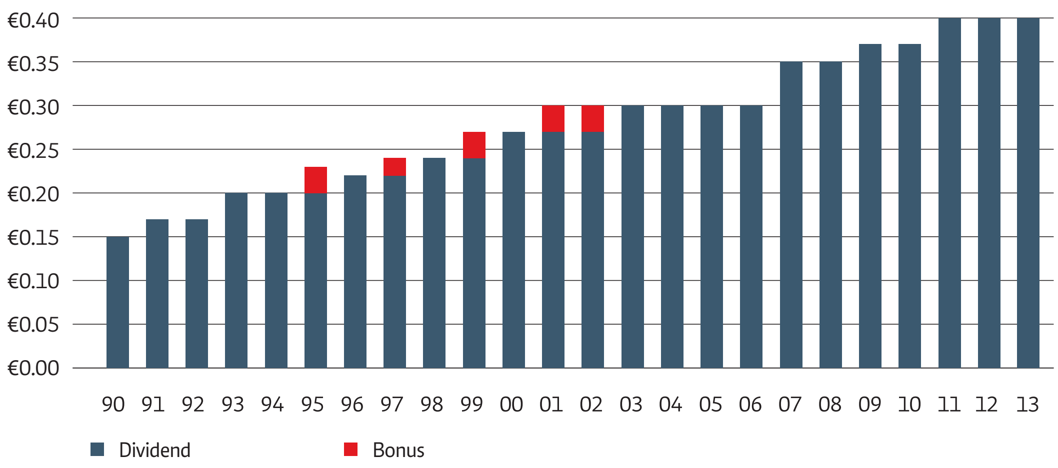
* Basis: Xetra year-end share price

Dividend development at HAMBORNER

A dividend of €0.40 per share will be proposed to the Annual General Meeting on 6 May 2014 for the 2013 financial year. Based on the share price at the end of 2013, this represents a dividend yield of 5.4%.

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

Dividend development



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

We held roadshows in Germany and at seven other European financial centres on more than 20 days in 2013 and attended a number of capital market and specialist conferences. Investors were also able to speak directly with the Managing Board in more than 100 individual interviews and in quarterly conference calls. Several interested investors were also again able to form a personal impression of our properties as part of a property tour in 2013. The Managing Board and the investor relations department reported to private investors on the development of the company at two events as well, and answered questions in many personal talks and telephone calls.

Analysts and investors were also provided with the latest news and publications not just in a direct dialogue but on the Internet through our newsletter too. On our website www.hamborner.de, anyone interested can sign up for our mailing list in the "Contact" section to receive information on HAMBORNER REIT AG directly by e-mail. In future, we will be informing you about our planned roadshows and conference participation in advance with the financial calendar on our website.

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

We will continue our investor relations work in 2014 as well to provide you with information on our business performance promptly, transparently and comprehensively, to seek a dialogue with you and to answer your questions.

Investor Relations:

Sybille Schlinge
Tel: +49 (0) 203 / 54405 / 32
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E-Mail: s.schlinge@hamborner.de

TRANSPARENT EPRA REPORTING

HAMBORNER REIT AG has been a member of EPRA since 2010. The European Public Real Estate Association is an organisation based in Brussels that represents the interests of the major European property companies to the public and supports the development and market presence of the European property corporations. As in previous years, HAMBORNER reports in line with the standards recommended by EPRA to achieve the utmost transparency and comparability in determining key performance indicators (as at: August 2011 / July 2013).

Overview of EPRA figures

€ THOUSAND	31 DEC. 2013	31 DEC. 2012
EPRA NAV	375,337	371,823
EPRA NNNAV	353,812	341,615
EPRA earnings	24,546	18,870
EPRA net initial yield	5.8%	5.9%
EPRA topped-up net initial yield	5.8%	5.9%
EPRA vacancy rate	2.7%	2.9%
EPRA cost ratio (including direct vacancy costs)	20.3%	21.5%
EPRA cost ratio (not including direct vacancy costs)	19.6%	20.9%

NAV / NNNAV

HAMBORNER has commissioned Jones Lang LaSalle of Frankfurt / Main to calculate the market and fair value of its property portfolios. 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. 2013	31 DEC. 2012
	NAV*	**375,337**	**371,823**
	NAV per share in €	**8.25**	**8.17**
–	Derivative financial instruments	–10,840	–15,205
–	Hidden reserves on financial liabilities	–10,685	–15,003
	NNNAV	**353,812**	**341,615**
	NNNAV per share in €	**7.78**	**7.51**

* see page 56 for NAV calculation

EPRA earnings

The figure "EPRA earnings" shows a property portfolio 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. 55).

	€ THOUSAND	2013	2012
	Earnings per IFRS income statement	**8,521**	**7,741**
+	Changes in value of investment property*	16,379	11,988
–	Profit or losses on disposal of investment properties	–354	–884
+	Tax on profits or losses on disposals	0	25
	EPRA earnings	**24,546**	**18,870**
	EPRA earnings per share in €	**0.54**	**0.41**
+/–	Adjustment for extraordinary effect of early contract termination by a tenant	–1,000	0
+/–	Adjustment for non-recurring effects from the remeasurement of provisions for mining damage	240	7
	Company specific adjusted earnings = FFO	**23,786**	**18,877**
	Company specific adjusted earnings per share = FFO per share	**0.52**	**0.41**

* Depreciation, impairment losses and reversals of impairment losses on property are recognised here on account of the recognition of property at amortised 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	2013	2012
	Fair value of investment property portfolio (net)	691,830	579,510
+	Incidental costs of acquisition	45,430	37,950
	Fair value of investment property portfolio (gross)	737,260	617,460
	Annualised rental income	47,021	40,023
–	Non-transferable property costs	–4,279	–3,508
	Annualised net rental income	42,742	36,515
+	Adjustments for rental incentives	11	11
	Topped-up annualised rental income	42,753	36,526
	Net initial yield	**5.8%**	**5.9%**
	Topped-up net initial yield	**5.8%**	**5.9%**

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.

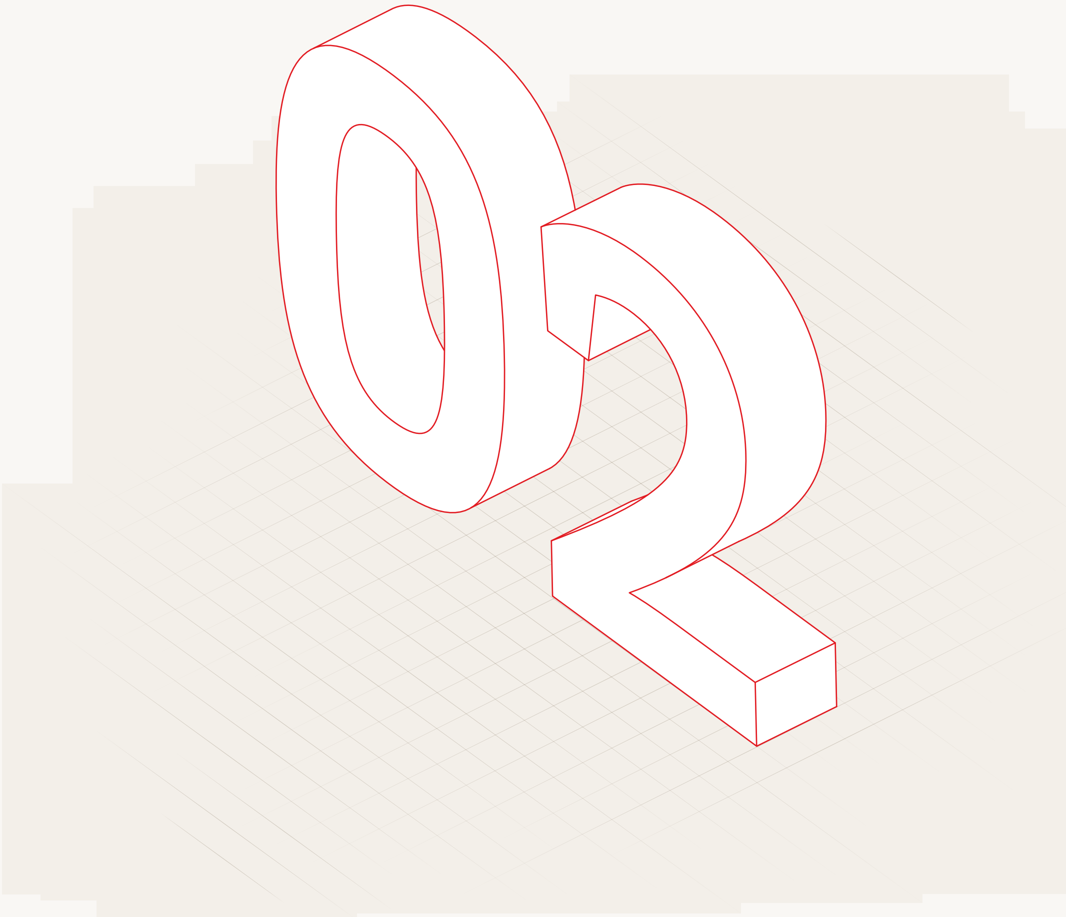
€ THOUSAND	31 DEC. 2013	31 DEC. 2012
Annualised standard market rent for vacant space	1,291	1,151
Annualised standard market rent for portfolio as a whole	47,032	40,059
Vacancy rate	**2.7%**	**2.9%**

Cost ratio

We are calculating the cost ratio for the first time in the 2013 annual report following the publication of EPRA's Best Practices Recommendations in July 2013. The purpose of this figure is 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) rental and leasing income of the company.

€ THOUSAND		2013	2012
	Administrative / operating expenses as per IFRS income statement	24,700	19,857
+	Net service charge costs / fees	1,445	972
–	Other operating income / recharges intended to cover overhead expenses less any related profits	–118	–68
–	Investment property depreciation	–16,379	–12,287
–	Ground rent costs	–527	–575
	EPRA costs (including direct vacancy costs)	**9,121**	**7,899**
–	Direct vacancy costs	–304	–221
	EPRA costs (excluding direct vacancy costs)	**8,817**	**7,678**
	Gross rental income less ground rent costs	**45,023**	**36,789**
	EPRA cost ratio (including direct vacancy costs)	**20.3%**	**21.5%**
	EPRA cost ratio (excluding direct vacancy costs)	**19.6%**	**20.9%**

In the reporting year, as in the previous year, not 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 costs would be capitalised.



MANAGEMENT REPORT

BASIC INFORMATION ON THE COMPANY

Business model of the company

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 essentially consists 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 an attractive 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 improve profitability, it also sells properties with well below-average absolute fair values and properties at locations with less promising prospects, replacing them with properties with a higher fair value and significantly better cost / income structures. Through this objective, the company intends to generate high yields and reduce its portfolio risks with the aim of achieving a consistent and attractive dividend distribution in future.

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

Focus on large-scale retail properties in high-footfall, high street properties and high-quality office buildings
Within its property portfolio, HAMBORNER focuses on a balanced mix of the following three property classes: large-scale retail properties in locations with high footfall which afford tenants an excellent market positioning, commercial high street properties in the pedestrian zones of cities with high purchasing power and high-quality office buildings. The aspect of "sustainability" is increasingly gaining in significance for office properties in particular. Large-scale retail properties offer a steady cash flow, thus forming the basis for ongoing dividend distributions. High street properties in prime locations offer potential for appreciation in value. Office properties usually have fully index-linked rents and therefore offer greater protection against inflation, though this cannot be ruled out.

Growth and expansion of the company's property portfolio
The company plans to expand its property portfolio on an ongoing basis by acquiring further commercial properties. The future investment volume per property is expected to be in a range of between €10 million and €50 million. The company also plans to optimise its portfolio through targeted measures. To ensure long-term profitability, portfolio properties with a low fair value or at locations with less-promising prospects will be sold. These are essentially properties with a fair value of less than €5 million that incur high costs in proportion to their rental income. The aim is to replace these properties in the medium term with ones with a higher fair value and at more attractive locations with significantly better cost / income structures. This active portfolio and acquisition management is limited to the company's own portfolio. The business strategy does not include project development or services for third parties.

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

In terms of the size classes of cities, the focus is on large-scale retail properties and high street properties in cities of more than 60,000 people and office properties in cities with populations of more than 100,000. In our opinion, focusing on properties in medium-sized cities has the advantage that market prices in these regions are less volatile and higher returns are usually possible here than in conurbations. There is also, we find, a better selection of suitable properties and a lower level of competition here, as large and professional competitors in particular are rare on these markets and therefore rarely affect market prices. This way, the developments in market prices, cash flows from rental operations and the returns generated in these target markets are more stable overall and can be planned better. However, this does not rule out the possibility that we will take advantage of opportunities to acquire office properties with good sustainability credentials in the major German conurbations as well.

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

Management system

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

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 the development of FFO include rental income, the vacancy rate, personnel costs, 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. Controlling reports and scorecards ensure internal transparency of the developments in these ratios over the year. The remuneration of the Managing Board is also based in part on FFO (please see also the comments in the remuneration report). The calculation of the FFO and NAV figures is shown in the economic report.

ECONOMIC REPORT

Economic environment

The German economy has picked up the pace again, according to Deutsche Bundesbank. Its monthly report for December 2013 states that the expansion of overall economic performance disrupted by the debt crisis in the euro area is continuing. However, while export stimulus initially dominated the recovery phase after the financial and economic crisis, the domestic economy has recently moved to the fore. The crucial factor here, according to Deutsche Bundesbank, is the good condition of the German economy, which can be seen by its low unemployment rate, steady growth in employment and tangible increases in income. Together with the low interest rate, these factors are propping up private consumer spending.

According to the Federal Statistical Office, gross domestic product (GDP) climbed by 0.4% in 2013 after 0.7% in 2012. It also states that consumer prices rose by 1.5% in 2013 after 2.0% in the previous year. Other than energy prices (up 1.4%), inflation was driven largely by food prices in particular, which increased by around 4.4%. The German labour market saw stable development in 2013. An average of 2.9 million people were unemployed over the year according to the Federal Employment Agency. This corresponds to an average unemployment rate of 6.9%.

Situation on the property market in Germany

Retail property market

In 2013 (January to November), retail companies in Germany posted nominal sales increases of between 1.6% and 1.8% as against 2012, according to Federal Statistical Office information. Adjusted for inflation, sales are believed to be between 0.3% and 0.5% higher than in the previous year.

For several years, and in 2013, the rental market for high street retail properties has been stable overall, both in terms of take-up and rents. According to the major brokers*, take-up has declined slightly, but the number of leases signed has risen at the same time. The increase in the number of deals coupled with a slight decline in area confirms the trend towards smaller areas, particularly because there are also currently fewer large-area operators active on the market than in the past. Retailers are focusing on optimising their location networks. The over-distribution that can be seen in some areas is being scaled back, while expansion is more the exception at this time. Three-quarters of high street take-up relates to the clothing, food services and healthcare sectors. The stagnant or, in some cases, regressive expansion policy of German retailers is being countered by consistently strong interest from international retail groups in the German market. Meanwhile, the discrepancy between sought-after and expensive locations on the one hand and relatively uninteresting and affordable locations on the other is continuing to widen.

Rents for high street stores in Germany's city centres became more expensive compared to last year and, according to broker reports, rose by an average of 1.0% to 1.5%. The big winners here were Germany's major cities. This confirms the theory that the bigger the city, the higher the rent increases. On the other hand, the big cities have significantly greater volatility than small / medium-sized cities. Rents are developing moderately in the small / medium-sized cities with low fluctuation ranges in sales, supply and demand.

* Source: Jones Lang LaSalle, Comfort and Lührmann

Germany's retail landscape is facing far-reaching upheaval in the coming years. The biggest challenges are population decline, reurbanisation, overaging and e-commerce. Demographic change and online shopping are already leaving a big mark.

Office space market

Despite the forecast decline in take-up, the office markets performed very well overall in 2013. According to the major brokers, take-up at the eight most important German office locations (Berlin, Dusseldorf, Essen, Frankfurt/Main, Hamburg, Cologne, Leipzig und Munich) was around 6% lower than in the previous year, but almost exactly matched the average for the last ten years. In particular, the decreases in sales related to sizes upwards of 1,000 m², where the effect of relatively low volume of new searches at the end of 2012 and the start of 2013 cast a shadow over 2013 as a whole. More office space than in the previous year was only let in the segment up to 500 m², which is largely unaffected by economic developments. In addition to fewer major rentals, take-up was slowed mainly by halting decision-making processes on the part of potential tenants and the virtually unchanged economic situation. Barring Hamburg (up 1%), Cologne (up 6%), Essen (up 60%) and Dusseldorf (up 20), take-up in the rest of the big eight was in decline, in some cases considerably so. Munich again enjoyed the highest take-up at approximately 600,000 m² (down 16%), followed by Berlin at around 450,000 m² (down 17%) and Frankfurt at roughly 430,000 m² (down 18%).

Compared to the previous year, vacancies in the big eight decreased by more than 4% to around 7 million m². This development was observed in all cities, albeit to varying degrees. The biggest drop in vacancies was in Leipzig (down 8%), followed by Dusseldorf (down 6%) and Munich (down 5%). The reason for the net absorption was the combination of a continuing relatively low level of new buildings being completed coupled with a high preletting rate of around 60%. Vacancy rates ranged from almost 5% in Essen to 6% in Munich (not including surrounding area) and around 13% in Frankfurt/Main. However, the decline in vacancies came to a halt in the second half of 2013.

Prime rents in the big eight rose by more than 3% on average in 2013. The strongest rise was in Dusseldorf and Frankfurt at around 6% each. However, top rents also increased in Hamburg, Leipzig and Essen (each by around 4%) and in Munich (1.5%). They remained stable in Berlin and Cologne.

German property investment market

A fulminant final quarter of 2013 with a transaction volume of more than €11 billion led to the best result on the investment market for commercial real estate in Germany since the outbreak of the financial crisis. According to information from the large German broking houses, the nationally registered investment sales in commercial properties rose by around 20% year-on-year to just over €30 billion. The fact that all major assets classes saw significant growth highlights the broad base of demand and the high level of interest in German properties – interest that is not just constant but actually showing signs of increasing. In addition to core products, investment focus has also shifted back to packages of an opportunistic nature.

The biggest share of investments in 2013 was accounted for by office properties (share of almost 50%). This was followed by retail properties at around 30% and logistics properties at around 8%. Above all, the rise in the number of office employees and growth stimulus given the forecast economic upswing for 2014 and 2015 means that significantly more capital was invested in offices as a category of use in 2013 than in 2012. The transaction volume for retail property has remained constant, though this is due to a lack of supply.

Around 75% of commercial investment sales in 2013 related to individual transactions and around 25% to portfolio purchases. The return to larger office portfolio transactions, which have been a rarity in recent years, is especially remarkable. More than €2.5 billion was invested in this market segment in total, more than five times as much as in the previous year.

On average over the year, the share of international investors in the total transaction volume was just over 30%, and therefore down by around ten percentage points as against 2012. This result is less a reflection of the lack of interest on the German investment market than it is of the competition with German property investors, who are increasingly focusing on their domestic market.

The big six locations (Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne and Munich) also benefited especially from the high level of investment sales. The previous year's figure was bettered by more than 25% at around €18 billion or over 50% of commercial investment sales. With the exception of Berlin, which saw a decline of almost 10% compared to the record year of 2012 to around €3.5 billion, all other cities enjoyed clear growth. Above all, investors focused on Munich, where sales were up by over 30% to around €4.7 billion, and Frankfurt (up 20% to around €3.8 billion). The Dusseldorf investment market was the most dynamic with an increase of around 150% to more than €2.0 billion.

At more than 25% of the total transaction volume, open-ended mutual property funds and special property funds were the biggest buyer group. They increased their investments by more than 50% as against 2012. They were followed by insurance companies, pension funds and private investors with around a 15% share each.

The continuing high demand for core properties coupled with a limited supply of product led to further declines in peak rents in almost all property segments in 2013. Net initial yields for core products at the top six office markets are currently between around 4.4% in Munich and approximately 4.8% in Dusseldorf.

Business performance

HAMBORNER systematically continued its strategy of profit-driven growth in 2013 and again enjoyed a successful financial year. The good operating performance of recent years continued and was in line with expectations. Thus, the company was able to acquire four attractive properties in Munich, Berlin, Bayreuth and Hamburg. The market value of the property portfolio thus increased by €114.6 million and amounted to €691.8 million as at 31 December 2013. HAMBORNER also enjoyed progress in selling smaller properties with intensive administration requirements. A property was sold in Oberhausen in 2013. Agreements for the sale of three further properties in Moers, Wuppertal and Hanover were notarised in the reporting year. These properties were transferred to their respective buyers at the start of 2014. 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 situation (IFRS)

Result of operations (IFRS)

Rental and leasing income amounted to €45.2 million in the reporting year and has therefore increased significantly by €8.2 million as against 2012 due to the new investments in particular, as was forecast in the previous year's annual report. On a like-for-like basis – i.e. comparing the properties that were held in the portfolio throughout 2012 and 2013 – net rents were down slightly by around €0.5 million or 1.5% year-on-year overall at €35.0 million (previous year: €35.5 million). The market value of properties based on like-for-like rents was €499.9 million as at the end of the reporting period. As expected, uncollectable receivables and individual value adjustments remained at a very low level in the reporting year at around €31 thousand (previous year: €40 thousand).

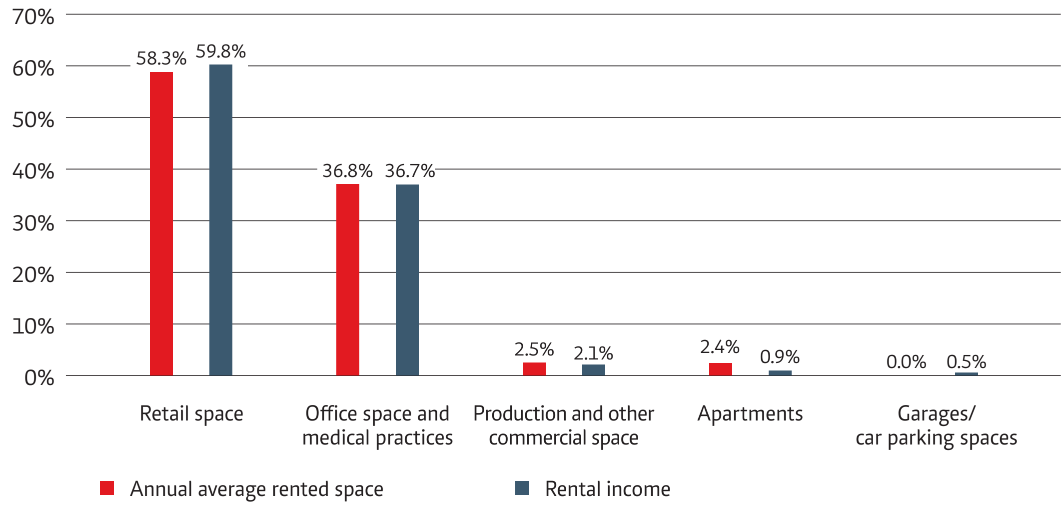
The economic vacancy rate including agreed rent guarantees was 2.5% (previous year: 1.7%) for the 2013 financial year, and therefore still at a relatively low level as expected. Not including rent guarantees the vacancy rate was 3.4%, whereby the increase as against the previous year (1.9%) is due in particular to the properties acquired in Munich and Berlin in the first quarter of 2013, which were not fully let when transferred on account of first-time occupation. Also, the main tenant of a property in Bremen has not renewed its lease. Multi-year rent guarantees were agreed with the respective sellers for the vacant areas in the Munich and Berlin properties, which are now fully let.

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

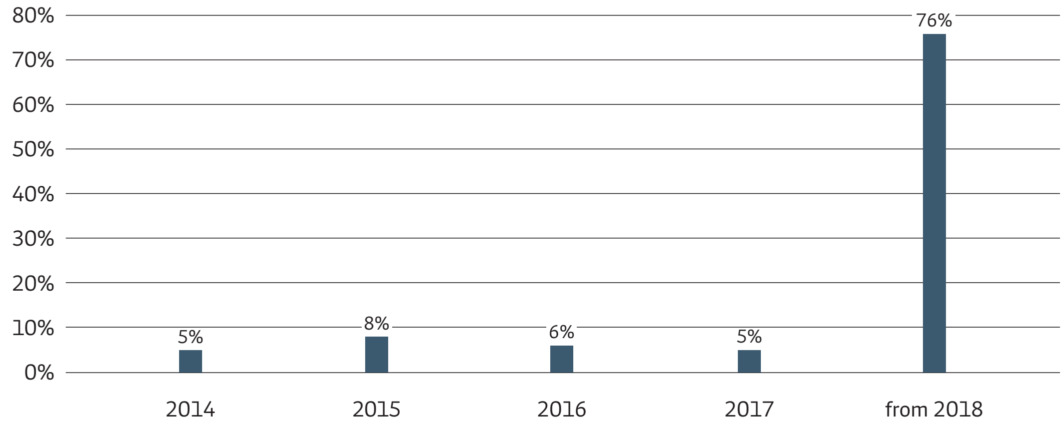
COMPANY	RENTAL INCOME IN %*
1. EDEKA Group	14.4
2. Kaufland Group	10.4
3. OBI AG	8.4
4. AREVA NP GmbH	2.0
5. SFC Smart Fuel Cell AG	2.0
6. Estée Lauder Companies GmbH	1.9
7. Schneider Electric GmbH	1.8
8. Telefonica O2 Germany GmbH & Co. OHG	1.7
9. REWE Group	1.6
10. Kaspersky Labs GmbH	1.5
Total	**45.7**

* 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 2013 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 7.2 years. The weighted remaining term for the office sector is 4.8 years, 5.9 years for commercial properties and approximately 10.8 years for retail space.

Total **maintenance expenses** amounted to around €2.2 million in the 2013 financial year (previous year: €2.1 million). There were also measures eligible for capitalisation of around €1.0 million (previous year: €1.3 million).

As in the past, extensive work was done in individual projects in the 2013 financial year as part of planned maintenance on roofs, façades and building services facilities to enhance the energy efficiency of the properties in question and thereby ensure their long-term letting prospects. A key task in building maintenance is the coordination and performance of conversion work for new and follow-on rental agreements.

Most of the more major renovation and revitalisation work at three locations in 2013:

The biggest single measure in 2013 was the revitalisation of the EDEKA Cash & Carry in Robert-Bunsen-Str., Freiburg. Extensive maintenance and modernisation work was begun here. The expenses for 2013 amounted to around €1.1 million, of which around €0.9 million was capitalised. The overall project essentially included the refurbishment of the car park and deliveries area, painting the façade, a new collection area for empty bottles, new floors, changes to the electrical / sprinkler and sanitary facilities and the modernisation and adjustment of several store and administrative areas in line with new requirements. The total construction costs paid by HAMBORNER will amount to around €4.5 million, according to current planning. In return, the tenant EDEKA extended its lease until 2029. Half of the expenses will be paid off in the form of a rent increase over the term of the lease. An area of around 1,500 m² in our office building in Bremen, Hermann-Köhl-Str., was converted for around €0.3 million in the context of a new letting in line with the tenant's requirements. Refurbishment work including the parking deck was performed for our Kaufland store at Hauptstrasse 96, Mosbach, for an expense of around €0.2 million.

As a result of a rise in rental and leasing income in particular, **net rental income** increased by 23.2% and amounted to €40.9 million (previous year: €33.2 million).

The **operating result** was €20.4 million after €17.5 million in the previous year. In particular, this rise of 16.6% is due to higher net rental income. Another positive factor was that, in spite of the higher business volume, **administrative expenses and personnel costs** rose only relatively moderately at a total of €4.4 million (previous year: €3.9 million). **Depreciation and amortisation** was up 33.3% year-on-year as a result of new additions. We recognise our properties at depreciated cost and therefore report depreciation, which amounted to €15.9 million in the reporting year as against €12.3 million in the previous year. Furthermore, impairment losses of €0.5 million (previous year: €0.0 million) were recognised for the property sold in Oberhausen in the financial year. There were no reversals of impairment losses recognised on properties in previous years in the year under review (previous year: €0.3 million).

We generated **net income from the disposal of investment property** of €0.4 million (previous year: €0.9 million). **EBIT** amounted to €20.8 million, up 12.9% on the previous year (€18.4 million).

The financial result amounted to €12.2 million in the year under review, a drop of €1.6 million as against the previous year's figure (€10.6 million). The reduction is due primarily to the increase in the funds borrowed to finance the company's growth and the associated interest expenses (€12.3 million after €11.0 million in the previous year). After deducting the financial result and **income taxes** from EBIT, the **net profit for the year** amounted to €8.5 million (previous year: €7.7 million).

Net assets (IFRS)

The **total assets** of the company increased by €90.3 million in the reporting year to €631.7 million (previous year: €541.4 million). Around 95% of assets are accounted for by our properties. The total property assets recognised at amortised cost (including non-current assets held for sale) had a carrying amount as at 31 December 2013 of €601.9 million (previous year: €510.8 million) and break down as follows:

€ THOUSAND	31 DEC. 2013	31 DEC. 2012
Investment property		
Developed property assets	594,416	501,789
Advance payments / incidental costs of pending acquisitions	438	8,476
Undeveloped land holdings	569	569
	595,423	**510,834**
Property held for sale		
Developed property assets	6,455	0
Undeveloped land holdings	0	3
	6,455	**3**
Total reported property assets	**601,878**	**510,837**

Unless stated otherwise, we use the term "property portfolio" below to refer to our **developed property assets**, which are shown in "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 2013. Jones Lang LaSalle was commissioned to calculate the market value of the property portfolio and to document this in an expert report. The portfolio was measured on the basis of the generally recognised International Valuation Standards (IVS) and the guidelines of the Royal Institution of Chartered Surveyors (RICS).

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

The above definition is the same as that of the "fair value model", as found in the International Financial Reporting Standards under IAS 40 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 – 2014 to 2023. A capitalised residual value is forecast on the basis of the respective long-term net proceeds for the end of the ten-year planning horizon. The market value of a property is derived from the sum of the discounted cash flows of the overall planning period plus the residual value also discounted to the measurement date.

When calculating cash flows, rental income was always reduced by the property-specific costs that cannot be allocated to tenants. In addition, the expected expenses for maintenance or modernisation and the expected administrative expense were deducted. Rent increases based on indexation were taken into account in specific cases for long-term contracts. Rent forecasts were prepared if rental agreements 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 4.75% and 9.25% and take into account the respective risks specific to the property.

The fair values calculated by Jones Lang LaSalle are shown separately for each property in the list of properties on page 48 at seq. 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 €691.8 million, an increase of €112.3 million on the previous year's portfolio value.

The difference is due to additions to fair value from acquisitions of €114.6 million, fair value disposals due to sales of €1.3 million and a net year-on-year change in the fair value due to the remeasurement of the portfolio of around € 1.0 million. Taking into account the NuOffice building in Munich, which was added to the portfolio on 1 January 2013, there was a slight like-for-like increase in the fair value of the portfolio due to remeasurement of €0.5 million.

The remeasurement of the properties as at 31 December 2013 highlights the stable value of HAMBORNER's property portfolio. Moreover, owing to our conservative accounting at depreciated cost – and not at higher market values – we recognise depreciation on our portfolio with the result that any losses on remeasurement are deducted from hidden reserves, but do not necessarily negatively affect earnings. Owing to the stable development in the value of our portfolios, we therefore recognised an impairment loss of only €0.5 million (previous year: €0.0 million) in the reporting year for the property in Oberhausen sold in the period under review. There were no reversals of impairment losses in the reporting year (previous year: €0.3 million).

Successful new investments

Our corporate strategy is geared towards value-adding growth through the yield-driven expansion of our commercial property portfolio in the fields of large-scale retail, high street commercial properties and offices, while at the same time maintaining regional diversification. In line with this strategy, there were new investments in the 2013 financial year, not including incidental costs of acquisition, of €108.8 million (previous year: €75.2 million). In keeping with strategy, the new investments focused on the asset classes descried above. Specifically, two office properties in Munich and Berlin, an office and retail property in Bayreuth and an OBI store in Hamburg were transferred to us in the year under review:

CITY	ADDRESS	ASSET CLASS	AREA IN M²	EXPECTED RENTAL INCOME P.A. IN € THOU.	PURCHASE PRICE IN € MILLION
Munich	Domagkstr. 10–16	Office	12,257	2,373	40.1
Berlin	Torgauer Str. 12–15	Office	12,642	2,212	33.0
Bayreuth	Spinnereistr. 5a, 5b, 6–8	Office / retail	9,036	1,346	18.5
Hamburg	Kurt-A.-Körber-Chaussee 9, 11	Retail	10,408	1,248	17.2
			44,343	**7,179**	**108.8**

Furthermore, a further purchase agreement for a retail property in Bad Homburg with a purchase price volume of €7.9 million was notarised in 2013. The property has a usable area of 3,240 m² and rental income of €434 thousand p.a. The property was transferred on payment of the purchase price from the available cash and cash equivalents on 10 January 2014.

Portfolio disposals

During the financial year we took a further step towards our goal of eliminating smaller properties with intensive administration requirements from our portfolio. In 2013 we disposed of a residential and retail property in Oberhausen at a purchase price of €0.9 million. Furthermore, three further agreements for the sale of city centre residential and retail properties in Moers, Wuppertal and Hanover were notarised in the reporting year. These three properties were added to our portfolio in the current 2014 financial year. The total sale price was around €10.9 million. The properties sold have total annual rental income of €0.8 million from 13 commercial units and 31 residential units.

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

Property portfolio as at 31 December 2013

After the changes described above, the HAMBORNER portfolio comprised 72 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 useable area of 353,008 m², 345,470 m² of which is used commercially and 7,538 m² of which is used as residential space. More detailed information on the year of purchase, location, size and type of use and the fair value of all properties can be found in the list of properties below.

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


SCHLESWIG-HOLSTEIN
MECKLENBURG-WESTERN POMERANIA
HAMBURG
HAMBURG
BREMEN
OLDENBURG
BREMEN
LÜNEBURG
LOWER SAXONY
BERLIN
BERLIN
MEPPEN
OSNABRÜCK
HANOVER
RHEINE
MINDEN
HERFORD
MÜNSTER
LEMGO
BRANDEN-BURG
SAXONY-ANHALT
DINSLAKEN
NRW
GÜTERSLOH
GELDERN
KAMP-LINTFORT
MOERS
OBERHAUSEN
DORTMUND
DUISBURG
ESSEN
KREFELD
WUPPERTAL
HILDEN
KASSEL
LÜDENSCHEID
LEIPZIG
SAXONY
LANGENFELD
LEVERKUSEN
SOLINGEN
COLOGNE
DÜREN
AACHEN
FREITAL
ST. AUGUSTIN
HESSEN
THURINGIA
NEUWIED
BAD HOMBURG
WIESBADEN
FRANKFURT
RHINELAND-PALATINATE
BAYREUTH
SAAR-LAND
KAISERSLAUTERN
MOSBACH
ERLANGEN
BAVARIA
KARLSRUHE
REGENSBURG
STUTTGART
TÜBINGEN
INGOLSTADT
OFFENBURG
BADEN-WÜRTTEMBERG
AUGSBURG
MUNICH
BRUNNTHAL
FREIBURG
VILLINGEN-SCHWENNINGEN
PORTFOLIO
TRANSFERRED IN 2013
NOTARISED, TRANSFERRED AFTER 31 DEC. 2013
SOLD IN 2013, TRANSFERRED AFTER 31 DEC. 2013

List of properties (as at 31 December 2013)

YEAR OF PURCHASE	PROPERTY		BUILDING USE	SIZE OF PROPERTY M²	USABLE AREA M²
1976	Solingen	Friedenstr. 64	B	27,344	7,933
1981	Cologne	Von-Bodelschwingh-Str. 6	B	7,890	3,050
1982	Frankfurt/Main	Cronstettenstr. 66	O	1,246	1,828
1982	St. Augustin	Einsteinstr. 26	C	9,127	2,417
1982	Krefeld	Emil-Schäfer-Str. 22–24	C	5,196	2,793
1982	Essen	Hofstr. 10 and 12	B/O	2,320	2,266
1983	Wiesbaden	Kirchgasse 21	B/R	461	1,203
1983	Moers	Homberger Str. 41	B/R	1,291	2,079
1983	Duisburg	Rathausstr. 18–20	B/O/R	4,204	2,309
1984	Frankfurt/Main	Steinweg 8	B/O	167	594
1985	Solingen	Kirchstr. 14–16	B/R	1,119	2,959
1986	Frankfurt/Main	Königsteiner Str. 69a, 73–77	B	6,203	2,639
1987	Lüdenscheid	Wilhelmstr. 9	B	136	425
1987	Oberhausen	Marktstr. 69	B/R	358	523
1988	Dortmund	Westfalendamm 84–86	O/R	1,674	2,633
1988	Wuppertal	Turmhof 6	B/O/R	403	1,321
1989	Duisburg	Fischerstr. 91	B/R	421	625
1991	Dortmund	Königswall 36	B/O/R	1,344	2,846
1995	Berlin	Schlosstr. 23	B/R	305	542
1996	Duisburg	Fischerstr. 93	B/R	421	433
1996	Hanover	Karmarschstr. 24	B/O/R	239	831
1997	Augsburg	Bahnhofstr. 2	B/O/R	680	1,438
1999	Dinslaken	Neustraße 60/62/Klosterstr. 8–10	B/O/R	633	1,207
1999	Kaiserslautern	Fackelstr. 12–14/Jägerstr. 15	B/O/R/U	853	1,444
1999	Kassel	Quellhofstr. 22	B	5,000	1,992
2000	Gütersloh	Berliner Str. 29–31	B/R	633	1,292
2001	Hamburg	An der Alster 6	O	401	1,323
2002	Düren	Wirtelstr. 30	B/R	202	479
2002	Osnabrück	Grosse Str. 82/83	B	322	750
2003	Leverkusen	Wiesdorfer Platz 33	B/R	809	668
2004	Oldenburg	Achternstr. 47/48	B	413	847
2006	Krefeld	Hochstr. 123–131	B	1,164	3,457
2006	Minden	Bäckerstr. 8–10	B/R	982	1,020
2007	Münster	Johann-Krane-Weg 21–27	O	10,787	9,542
2007	Neuwied	Allensteiner Str. 15–15c	B	8,188	3,501
2007	Freital	Wilsdruffer Str. 52	B	15,555	7,940
2007	Geldern	Bahnhofstr. 8	B	12,391	8,749
2007	Lüneburg	Am Alten Eisenwerk 2	B	13,319	4,611
2007	Meppen	Am neuen Markt 1	B	13,111	10,205
2007	Mosbach	Hauptstr. 96	B	5,565	6,493
2007	Villingen-Schwenningen	Auf der Steig 10	B	20,943	7,270
2008	Rheine	Emsstr. 10–12	B/O/R	909	2,308
2008	Bremen	Hermann-Köhl-Str. 3	O	9,994	7,157
2008	Osnabrück	Sutthauser Strasse 285–287	O	3,701	3,833

Rent in 2013 (incl. rent guarantees) in €	Weighted remaining term of rental agreements in months	Fair value in €*	Discount rate in %	Capitalisation rate in %	Other comments
1,472,012	76	15,180,000	6.40	6.85	Leasehold property
435,402	156	6,150,000	6.50	6.30	
386,205	13	5,090,000	6.35	5.90	
300,000	84	3,550,000	7.00	8.25	
167,026	32	1,550,000	7.65	8.70	
264,821	43	3,450,000	7.15	6.80	
585,090	54	11,300,000	5.50	4.90	
206,777	32	2,400,000***	–	–	Held for sale
161,314	120	2,200,000	7.75	6.90	
390,535	83	7,240,000	4.75	4.50	
256,814	51	3,540,000	8.30	7.00	
348,702	118	4,890,000	6.55	6.30	
66,000	39	700,000	8.50	8.00	
81,805	37	990,000	8.00	7.30	
281,610	24	3,200,000	6.75	6.50	
238,250	59	2,800,000***	–	–	Held for sale
78,240	48	880,000	8.55	7.95	
355,444	77	4,570,000	6.55	6.40	
229,440	24	4,200,000	5.80	5.10	
36,527	26	490,000	8.40	8.25	
249,871	30	5,660,000***	–	–	Held for sale
472,417	80	7,360,000	6.00	5.65	
158,904	76	2,160,000	7.15	7.00	
380,953	22	6,730,000	6.65	5.75	
193,056	24	1,340,000	9.25	8.50	
362,344	42	3,780,000	6.35	5.70	Leasehold property
256,693	34	3,940,000	6.00	5.75	
128,006	24	1,880,000	7.25	6.50	
315,180	100	6,010,000	5.80	5.50	
22,697	0	2,210,000	7.05	6.20	
243,600	51	4,570,000	6.45	5.80	
545,058	49	8,470,000	6.70	5.90	
267,892	84	4,620,000	6.45	5.80	
1,159,089	29	15,390,000	6.80	6.55	
385,210	45	5,110,000	7.70	7.00	
738,453	94	9,940,000	7.30	7.25	
813,615	70	11,390,000	6.70	6.65	
428,790	94	5,820,000	7.35	7.10	
949,040	70	13,430,000	7.00	6.95	Partial ownership
603,825	70	8,150,000	7.10	6.90	
250,000	49	3,000,000	7.20	6.90	
328,388	80	5,030,000	6.70	6.30	
454,665	23	9,340,000	7.50	6.70	
484,631	27	6,830,000	6.70	6.65	

List of properties (as at 31 December 2013)

YEAR OF PURCHASE	PROPERTY		BUILDING USE	SIZE OF PROPERTY M²	USABLE AREA M²
2008	Bremen	Linzer Str. 7–9a	O	9,276	10,141
2008	Herford	Bäckerstr. 24–28	B	1,054	1,787
2008	Freiburg	Robert-Bunsen-Str. 9a	B	26,926	9,253
2009	Münster	Martin-Luther-King-Weg 18–28	O	17,379	13,791
2009	Hamburg	Fuhlsbüttler Str. 107–109	B/O/R	1,494	2,975
2009	Hamburg	Ziethenstr. 10	C/O/R	3,349	2,046
2009	Duisburg	Kasslerfelder-Kreisel	B	10,323	5,119
2010	Erlangen	Wetterkreuz 15	O	6,256	7,343
2010	Hilden	Westring 5	B	29,663	10,845
2010	Kamp-Lintfort	Moerser Str. 247	B	1,324	2,093
2010	Stuttgart	Stammheimer Str. 10	B	6,853	6,395
2010	Ingolstadt	Despagstr. 3	O/B	7,050	5,623
2010	Lemgo	Mittelstr. 24–28	B	2,449	4,759
2011	Bad Homburg	Louisenstr. 53–57	O/B	1,847	3,232
2011	Brunnthal	Eugen-Sänger-Ring 7	O/C	6,761	6,721
2011	Leipzig	Brandenburger Str. 21	B	33,916	11,139
2011	Regensburg	Hildegard-von-Bingen-Str. 1	O/B	3,622	8,998
2011	Freiburg	Lörracher Str. 8	B	8,511	3,987
2011	Erlangen	Allee-am-Röthelheimpark 11–15	O/B	10,710	11,647
2011	Langenfeld	Solinger Str. 5–11	B	4,419	6,263
2011	Offenburg	Hauptstr. 72/74	B	1,162	5,150
2012	Aachen	Debyestr./Trierer Str.	B	36,299	11,431
2012	Tübingen	Eugenstrasse 72–74	B	16,035	13,000
2012	Karlsruhe	Mendelssohnplatz 1/Rüppurrerstr. 1	O/B	10,839	15,152
2013	Munich	Domagkstr. 10–16	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, 11	B	20,270	10,408
				493,161	**353,008**

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

* According to the Jones Lang LaSalle appraisal as at 31 December 2013
** Pro rata temporis rents from transfer of ownership
*** Contractually agreed purchase price

Rent in 2013 (incl. rent guarantees) in €	Weighted remaining term of rental agreements in months	Fair value in €*	Discount rate in %	Capitalisation rate in %	Other comments
773,376	13	14,050,000	7.35	6.70	
275,208	35	4,260,000	6.30	6.10	
930,210	186	9,630,000	6.80	6.70	Leasehold property
1,721,746	36	22,180,000	6.50	6.45	
453,847	49	7,090,000	6.10	5.75	
160,730	22	1,900,000	8.45	7.50	
670,679	113	9,020,000	7.10	6.75	
1,079,501	44	14,960,000	6.90	6.60	
899,204	123	11,890,000	6.65	7.20	
250,397	70	3,310,000	6.70	6.70	
1,200,000	174	16,690,000	6.20	6.50	
863,016	75	12,790,000	6.55	6.40	
481,913	83	7,930,000	6.65	6.40	
928,095	40	15,290,000	6.10	5.50	
964,867	75	12,100,000	7.45	7.45	
889,528	130	12,230,000	6.60	6.80	
1,494,522	58	21,530,000	6.85	6.25	
860,000	190	12,150,000	6.20	6.60	
1,844,078	101	28,790,000	6.65	6.25	
1,084,970	89	17,530,000	6.50	6.10	
557,286	50	8,050,000	6.35	6.05	
1,020,000	159	16,120,000	6.95	7.00	
1,500,000	192	24,170,000	6.00	6.35	
2,451,300	90	37,050,000	6.55	6.20	
2,387,001	93	41,600,000	6.00	5.50	
1,867,030**	82	35,900,000	6.15	6.00	
810,572**	68	19,620,000	6.45	6.25	
104,023**	179	17,470,000	6.55	6.75	
45,057,490		**691,830,000**			

MANAGEMENT REPORT

Notes on undeveloped land holdings

As at 31 December 2013, the company had **undeveloped land holdings** of around 0.9 million m². 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 attractive disposal opportunities.

Ownership of around 5,300 m² of our undeveloped land holdings was transferred to a total purchase price of €0.4 million in the 2013 financial year. Of this, a residual carrying amount of €3 thousand was reported under non-current assets held for sale in the previous year.

The undeveloped land holdings are reported in the statement of financial position as investment property at the original cost of €0.6 million (previous year: €0.6 million). It has an average notional value of €0.67 per m².

Financial position (IFRS)

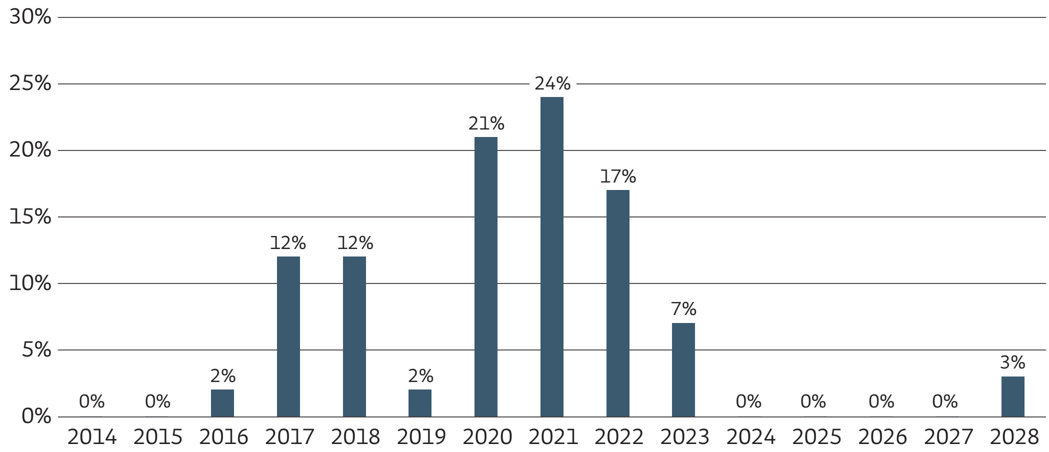
The financial position of the company remains sound. **Cash and cash equivalents** declined slightly by €1.0 million as against the previous year to €28.2 million. The payments due largely to investment in the property portfolio (€110.4 million) and dividend payments (€18.2 million) were essentially offset by proceeds from borrowings of financial loans (€108.5 million) and from operating activities (€37.4 million).

In particular, the funding requirements for the 2014 financial year are secured by the forecast proceeds from operating activities.

The financial structure of our company is still extremely solid. On the equity and liabilities side of the statement of financial position, **equity** was down slightly by €5.0 million to €271.7 million (previous year: €276.8 million). The company therefore has an accounting equity ratio of 43.0% (previous year: 51.1%). **Financial liabilities and derivative financial instruments** amount to €342.4 million, up €96.5 million on the previous year's figure (€245.9 million). In particular, the rise is due to the loans of €108.5 million borrowed in the reporting year for the pro rata debt financing of property acquisitions in Tübingen, Karlsruhe, Munich, Berlin, Bayreuth and Hamburg. After deducting cash and cash equivalents from financial liabilities, net financial debt amounted to €303.4 million (previous year: €201.6 million). Based on total non-current assets, the company therefore has a gearing ratio of 50.9% (previous year: 39.4%). Comparing net financial liabilities to portfolio fair value, the company has an LTV ratio of 43.7% (previous year: 34.2%).

The development of interest rates is highly significant to the company in terms of its financial position. In order not to be subject to short-term interest rate risks, we have arranged fixed, long-term conditions for the financing of our investments. To hedge against interest rate fluctuations on our floating rate loans with a nominal value of €78.8 million, we have concluded interest swap agreements that form a hedge with the corresponding loans. The average interest rate of our loans is currently 3.9% (previous year: 4.4%). The average remaining term of loans as at the end of the reporting period was 7.3 years (previous year: 6.9 years).

The solid and comfortable financing structure of the company is also expressed by the following maturity analysis of loans. The first loans will not require refinancing – at a manageable amount – until 2016 onwards.



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

The company prepares its financial statements both in accordance with the regulations of the German Commercial Code (HGB) and in accordance with International Financial Reporting Standard (IFRS) regulations. The management of the company is based on values calculated in accordance with IFRS.

The main differences in HGB and IFRS figures relate in particular to the measurement of property, the recognition of reinstated property assets, pension provisions, the measurement of provisions for mining damage, accounting for derivative financial instruments and the treatment of the costs of the capital increase, and to the classification and reporting. The main differences between the items of the statement of financial position / income statement described in detail in the result of operations, net asset situation and financial position (IFRS) and in the HGB annual financial statements are as follows:

- **Income from rents and leases:** Income from rents and leases amounted to €44.6 million in the HGB financial statements, and was therefore €0.6 million below the IFRS figure. The difference essentially results from the reporting of the rent guarantees received, which are reported under other operating income in the HGB statements.

- **Administrative expenses:** The administrative expenses (€1.1 million) reported as an independent item in the IFRS income statement are included under other operating expenses in the HGB annual financial statements. By contrast to the IFRS financial statements, HGB does not separate administrative expenses and other operating expenses.

- **Impairment losses:** The IFRS impairment loss of €0.5 million for the property sold in Oberhausen in the financial year does not exist under HGB. Under HGB, the same effect is included in other operating expenses as a loss on disposal.

- **Land and land rights:** The carrying amount of property in the HGB annual financial statements was €601.6 million, and was therefore slightly (€0.3 million) less than the IFRS carrying amount as a result in particular of various accounting effects of recent years. Furthermore, property held for sale 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 €283.7 million as at the end of the reporting period, €12.0 million higher than the amount recognised under IFRS. The difference essentially results from the revaluation surplus of €14.2 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 44.9% is 1.9 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 €332.2 million. Under IFRS, however, financial liabilities and derivative financial instruments are reported in the amount of €342.4 million. At €10.8 million, the deviation of €10.2 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 €49.6 million in the reporting year (previous year: €40.2 million). **The costs of the management** of our properties amounted to €9.5 million (previous year: €8.2 million). The increases in both income and management costs are essentially due to the growth of our property portfolio as a result of further investments. Also as a result of the new acquisitions, **depreciation** was up 29.2% year-on-year at €15.9 million (€12.3 million). There were no reversals of impairment losses recognised on properties in previous years in the year under review (previous year: €0.1 million). By contrast, **other operating expenses** fell by €1.9 million to €2.7 million. This was due in particular to the costs of the capital increase recognised as expenses in line with HGB in the previous year in the amount of €2.6 million. This was offset by losses on the disposal of a property in Oberhausen in the year under review of €0.5 million. The **operating result** was therefore down by €6.3 million at €20.8 million.

Mainly as a result of the partial debt financing of property acquisitions, the **financial result** fell by €1.8 million to € 12.3 million. The company closed the 2013 financial year with a HGB **result from ordinary activities** of €8.5 million (previous year: €4.0 million). Taking into account the **extraordinary expenses** (€0.1 million) from the distribution of remeasurement differences on pension obligations as a result of the introduction of the German Accounting Law Modernization Act (BilMoG) as at 1 January 2010, there was **net income for the year** of €8.4 million (previous year: €3.9 million).

Including the **withdrawal from other retained earnings** (€9.8 million), the net retained profits amounted to €18.2 million (previous year: €18.2 million).

Condensed net asset situation and financial position (HGB)

The **total assets** of the company rose by €90.5 million in the reporting year to €631.4 million. As a result of the investments in the reporting year, **fixed assets** were up by €91.0 million or 17.8% to €601.6 million. **Current assets** including **prepaid expenses** were down by €0.5 million at €29.8 million. **Equity** decreased by €9.8 million to €283.7 million. The company's investments were again financed with debt capital to an appropriate degree. **Liabilities to banks** therefore rose by €101.2 million to €332.2 million. The equity and medium- and long-term debt capital cover fixed assets in full.

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

Overall statement on the economic situation

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

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

Performance indicators

FFO

FFO (funds from operations) is a financial ratio calculated on the basis of the IFRS financial statements and an indicator of the company's long-term performance. It is 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	2013	2012
	Net rental income	40,933	33,229
–	Administrative expenses	–1,131	–993
–	Personnel costs	–3,311	–2,868
+	Other operating income	334**	346*
–	Other operating expenses	–790*	–676*
+	Interest income	42	347
–	Interest expenses	–12,291	–10,508*
	FFO	**23,786**	**18,877**
–	Capitalised expenditure	–1,029	–1,269
	AFFO	**22,757**	**17,608**
	FFO per share in €	**0.52**	**0.41**
	AFFO per share in €	**0.50**	**0.39**

* Adjusted for reversals of impairment losses and non-recurring effects from the remeasurement of provisions for mining damage
** Adjusted for the extraordinary effect of early contract termination by a tenant

HAMBORNER generated an FFO of €23,786 thousand in the 2013 financial year (previous year: €18,877 thousand). This corresponds to FFO per share of around 52 cents (previous year: 41 cents). The rise as against the previous year is due in particular to higher rental income as a result of the property acquisitions of 2012 and 2013. The increase in FFO forecast in the previous year was therefore achieved.

NAV

NAV (net asset value) is the benchmark for the asset strength of an enterprise and is a key indicator for us in our value-oriented company management, including as compared to other companies. Our goal is to increase NAV through value-adding measures.

	€ THOUSAND	31 DEC. 2013	31 DEC. 2012
	Non-current assets	596,302	511,531
+	Current assets	35,410	29,906
–	Non-current liabilities and provisions*	–335,709	–234,729
–	Current liabilities*	–13,419	–14,751
	Reported NAV	**282,584**	**291,957**
+	Hidden reserves in “Investment property”	88,348	79,515
+	Hidden reserves in “Non-current assets held for sale”	4,405	351
	NAV	**375,337**	**371,823**
	NAV per share in €	**8.25**	**8.17**

* not including derivative financial instruments

Proposal for the appropriation of profits

The basis for the dividend distribution is net retained profits under German commercial law (HGB). The net income for the reporting year calculated in accordance with the provisions of the German Commercial Code was €8,413,824.95. Taking into account the withdrawal from other retained earnings of €9,783,508.25, net retained profits amounted to €18,197,333.20.

At the Annual General Meeting of the company on 6 May 2014, the Managing Board will propose using the unappropriated surplus for the 2013 financial year of €18,197,333.20 to distribute a dividend of €0.40 per share.

SUPPLEMENTARY REPORT

Ownership of the office and retail property in Bad Homburg, Luisenstrasse 66, was transferred to us on 10 January 2014. The purchase price was €7.9 million.

On receipt of the purchase price payments at the start of January and February 2014, the properties in Wuppertal, Moers and Hanover reported under non-current assets held for sale were transferred to the respective buyers. We generated a book profit from this of €4.4 million.

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

REPORT ON RISKS AND OPPORTUNITIES

Risk report

Principles of our risk policy

As a property company operating across Germany, HAMBORNER is exposed to various risks that can negatively influence the net asset situation, financial position and results of operations of the company. To reduce the risks, we have always tailored our business policy to avoid business areas with particularly high risk potential. In this regard, as in the past, we again did not participate in highly speculative financial transactions or property developer schemes in 2013. 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 risk management system is closely integrated into operational procedures – particularly the planning and controlling processes – and comprises several stages. Of central importance in this regard is the risk inventory, with the help of which the possible individual risks are recorded, analysed and assessed in terms of probability, possible loss and the associated exposure potential. In addition, measures for risk management and timely risk handling are outlined and the internal responsibilities defined. Reporting, streamlined organisational structures and transparent decision-making channels ensure that the Managing Board is directly included in all risk-relevant transactions. Accounting processes are performed exclusively by our own qualified employees. The company prepares and communicates interim reports in addition to annual reports. The half-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 results 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. We try to anticipate this risk through intensive observation of the market and by maintaining close contact with our tenants, and endeavour to minimise risks of a loss of rent by concluding contracts with as long a term as possible with tenants of good credit rating.

General letting risks

We expect continuing high demand in the current financial year for properties in prime high street locations. However, there are risks to bricks and mortar retail, at least in the medium to long term, due to the increasing competition from online shopping. 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 oversized shopping centres, to a minimum for the entire portfolio. In addition, a good location and the greatest possible flexibility of use are important criteria for us when purchasing properties. Moreover, we endeavour to limit letting risks through regular monitoring and improvement of the structural quality of the properties. The self-management of all the portfolio properties enables us to react quickly to a probable change of tenant with selective subsequent 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 was 3.4% in the 2013 financial year (previous year: 1.9%), which represents a low level. We ensure a good occupancy rate in the event of new investments. Furthermore, rent guarantees cover letting risks in some cases.

Risks of a loss of rent

We reduce the risk of rent losses, particularly due to tenants' inability to pay, by means of efficient receivables management, the regular monitoring and review of the creditworthiness of our tenants and the agreement of rent securities that are appropriate to the risk. Uncollectable receivables and individual value adjustments amounted to €31 thousand in the 2013 financial year (previous year: €40 thousand), thus representing 0.1% (previous year: 0.1%) of our annual rental income. An increase in uncollectable receivables cannot be ruled out for the current financial year as well, depending on ongoing economic developments. However, major rent losses are not discernible at present due to our tenant structure. The EDEKA Group is our biggest single tenant with a share of approximately 14.4% of the total rental volume. In view of the credit standing of this tenant and the location of the properties, we consider the resulting risk to be manageable.

Valuation risk

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 2013. Detailed information on the valuation of our property portfolio can be found in the section "Performance of the property portfolio". The measurement of properties can also be positively or negatively affected in future by the use of different discount rates as a result of changes in general risk assessment, interest rates or risks specific to properties.

Financial risks

Further borrowed funds will be raised in future as well to finance our growth to an appropriate extent. The development in interest rates is therefore of corresponding significance to the company. In order not to be subject to short-term interest rate risks, we have arranged fixed, long-term conditions for the financing of our investments. To hedge against interest rate fluctuations on our floating rate loans with a nominal value of €78.8 million, we have concluded interest swap agreements as part of our risk management system. Further information on interest rate hedges using financial instruments can be found in the notes on accounting policies and under note (18).

The risks resulting from financial instruments relate to credit, liquidity and market risks. There are credit risks in the form of risks of default on financial assets. The maximum value of this risk is the carrying amount of the financial assets. For derivatives, this is the 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 capital within the framework of the limits permitted under the German REIT Act. For floating rate financial instruments, changes in market interest rates can result in fluctuations of interest payments and the measurement of the derivative financial instruments used.

Risk of loss of REIT status

HAMBORNER has been a REIT stock corporation since 1 January 2010. As such, it is exempt from German corporation and trade tax. In order to maintain REIT status over a sustained period, the company must comply with certain legal criteria. In particular, free float must be at least 15%, no investor can directly hold more than 10% of the shares, at least 75% of the assets must be immovables, 90% of the annual result in accordance with the German Commercial Code must be distributed and the equity capital must not fall below 45% of the fair value of the immovables. We counteract the risk of losing REIT status by means of our internal monitoring and controlling system. We monitor the development of the key indicators for classification as a REIT company, particularly the development of the REIT equity ratio in accordance with section 15 of the German REIT Act, which at 52.5% as at 31 December 2013 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.

Regulatory risks

Not least as a result of the financial and banking crisis, growing measures have been taken throughout the EU in recent years to regulate and better monitor individual areas of the financial sector. These or future regulatory measures can also give rise to risks to our company with a negative impact on its net asset situation, financial position and results of operations. For example, the European Parliament has adopted the AIFM Directive, short for the Alternative Investment Fund Manager Directive, which must now be implemented in the national law of individual member states. As a result of the AIFM Directive, the European investment industry will be more closely regulated. More stringent supervisory and regulatory requirements will mean higher expenses. Among other things, the exact scope of the Directive and the German law that has since entered into effect is not yet known. According to the final consultation letter by the BaFin in the middle of June 2013, REITs no longer fall within its scope per se in Germany. As with other listed property companies, this will depend on a case-by-case analysis. It is not clear at the current time if HAMBORNER will be classified as an AIF. We are, however, assuming that our company does not classify as an AIF.

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 for mining currently amount to €1.9 million under IFRS (HGB: €1.6 million) and will increase to a total of around €2.1 million in the medium to long term as a result of interest earned.

There are no other contaminated land risks that could require cleaning up, e.g. due to soil pollution, according to current information. An inspection of the register of contaminated sites has been carried out at the respective municipalities with regard to our entire developed and undeveloped property holdings. No significant risks were found in this regard.

Summary assessment of the risk situation

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

Report on opportunities

The present low-interest environment means opportunities for the company. The average interest rate payable by HAMBORNER on its financial liabilities is currently 3.9% with a weighted remaining term on fixed interest agreements of 7.3 years. If the interest rate remains low in the coming years, there is a change that loans with expiring fixed interest agreements can be prolonged or refinanced at better terms from 2016. This would have a positive effect on the financial result.

HAMBORNER is growth-oriented, has an efficient organisational structure and core competence in portfolio management. As at 31 December 2013, we were represented at 55 locations with our properties. This is a good platform and opens up opportunities for further growth with a positive impact on rental income and FFO development. The low interest level benefits the growth strategy and improves the return on capital employed on account of the leverage effect on acquisitions.

Our company's rental income benefits from long-term leases with an average remaining term of around 7.2 years. In the event of a rise in consumer prices there will be potential increases in rental income on account of the consumer price index adjustments usually included in rental agreements.

FORECAST REPORT

Orientation of the company

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

Our strategy is geared to the medium to long term. We will also maintain our sound financing structure in future and finance investments with an appropriate use of borrowed funds, taking into account the equity ratio to be maintained at company level. Parallel to the expansion of the portfolio, the optimisation of the portfolio through disposals will be an ongoing task. This relates to primarily older, mainly smaller properties no longer consistent with strategy.

Expected economic environment

According to Deutsche Bundesbank, the economic prospects for Germany dimmed at the end of 2012. According to its monthly report for December 2013 one year later, the German economy has picked up the pace again and is in good condition. Thus, Deutsche Bundesbank's forecast that the economic down phase in Germany would not last long has been confirmed.

Against the backdrop of a good domestic economy at the current time and a possible rise in exports as a result of recovery in other industrialised nations, the German economy could grow by 1.7% in the current year of 2014 and 2.0% in 2015, according to Deutsche Bundesbank. Deutsche Bundesbank is initially forecasting a reduction in the rise of consumer prices as against 2013 to 1.3% in 2014, to be followed by a slight increase to 1.5% in 2015. According to Deutsche Bundesbank's general economic forecast, the unemployment rate could decline from 6.8% in 2014 to 6.7% in 2015.

Future situation in the industry

Letting market

Office markets are also expected to benefit from the forecast growth momentum in economic developments in 2014. However, as there is usually a delay between economic growth and office space take-up, market activity will probably not pick up until the second half of the year. We are therefore assuming a constant rate of office space take-up for 2014 as a whole. The comprehensive reduction of vacancies on the office market has since been largely completed, hence more varied development is expected between the individual locations in 2014. Even if private consumer spending is expected to be a driving force behind economic growth in 2014, we are anticipating stable letting figures on account of a somewhat restrained expansion policy on the market.

Given the general decline in construction activity for office property, prime rents are set to remain largely stable. We are also forecasting stable rents on average in the retail segment in the coming years, with significant outliers in either direction in isolated cases.

It is equally true for both the office and the retail letting markets that decision-making processes are notably more protracted, decisions to relocate or let new space are being considered for even longer and leases are being negotiated all the more intensively.

Investment market

The positive economic prospects, the good labour market data, a further rise in the rent level in office market centres and first rate retail locations make Germany one of the most stable and sought-after markets in the world for property investors. The interest landscape is fully expected to remain attractive for investors geared towards debt capital, and the consistently high risk premium also advocates investing in German property rather than German government bonds.

In view of the good fundamental data, we are forecasting a high volume of transactions similar to 2013. In portfolio sales, we are anticipating a further increase in momentum for labour-intensive and opportunistic products in particular.

As only few new quality properties are expected to enter the market, and demand will probably remain unusually high, we are assuming that the initial yields for commercial properties will generally stabilise at the current level. The moderate increases in capital market interest rates over the year are unlikely to change this.

Anticipated business development

In the last few years, and in the recent times of economic difficulty as well, HAMBORNER has proved to be very sound and comparatively unscathed by the crisis. For the coming financial year, we are assuming a satisfactory business performance with slight increases in FFO compared to the high-growth previous year. The main factor influencing FFO, our central control parameter, is rental income, which is estimated to rise by around 4% to 5% year-on-year in 2014 according to our current forecasts. In particular, this is due to the new acquisitions transferred to us in 2013 and the purchases that have already been notarised but will not be transferred until 2014. These include the office building on EUREF Campus in Berlin, the office and commercial property in Bayreuth, the completed OBI store in Hamburg and the commercial property in Bad Homburg.

We expect a low level of vacancies in line with the previous year. We assume that by far the majority of the rental agreements expiring in 2014 will be prolonged or that new tenants will be quickly found. Two office leases in Frankfurt for a total of around 1,500 m² end on 15 January and 15 March 2014. We also expect a low level of default on rent as our main tenants are of good credit standing. Overall, our company has a solid foundation thanks to its secure letting income, particularly in the retail sector.

In terms of expenses, there will be a significant increase in non-cash depreciations and interest expenses as a result of growth. With a low rise in administrative and personnel expenses relative to rental income, we are assuming a further slight decline in the operating cost ratio.

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

Overall, we expect clearly positive FFO in 2014, and a slight increase year-on-year, enabling appropriate and attractive distributions. 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 property portfolio, we are also anticipating a slight increase in net asset value for 2014.

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

Composition of issued capital

As at 31 December 2013, the issued capital of the company amounted to €45,493,333 and was fully paid up. The share capital is divided into 45,493,333 no-par-value shares, each with a nominal amount of €1 per share. The company is authorised to issue global certificates for shares. Shareholders are not entitled to certificates for their shares. Each share grants one vote at the Annual General Meeting, whereby the rights of shares held by persons subject to disclosure requirements or that are assigned to such persons in accordance with section 22(1) sentence 1 no. 1 or no. 2 of the German Securities Trading Act (WpHG) do not apply in the period in which the disclosure requirements of section 21(1) or (1a) WpHG are not met.

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

Restrictions relating to voting rights or the transfer of shares

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

Capital holdings exceeding 10% of voting rights

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

Shares with special rights bestowing control

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

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

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

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

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

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

Authority of the Managing Board to issue shares

Article 3 of the Articles of Association contains information on the share capital of the company. To allow the company the opportunity to react to market events while safeguarding the share price and, in particular, to allow it to react to capital market requirements and acquisitions flexibly, at short notice and in a manner consistent with market and industry practices, the Annual General Meeting on 7 May 2013 authorised the Managing Board,

a) to increase the share capital of the company, with the approval of the Supervisory Board, on one or several occasions by up to a total of €4,549,333 by issuing new bearer shares to be offered to shareholders against cash contributions (Authorised Capital I) until 6 May 2018,

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 €18,197,333 by issuing new bearer shares against cash contributions (Authorised Capital II) until 6 May 2018 and, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases for a partial amount.

The Managing Board was also authorised,

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

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

Authority of the Managing Board to buy back shares

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

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

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

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

The company has not concluded any such arrangements.

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

Compensation agreements between the company and the Managing Board for the event of a change of control are described in the remuneration report on page 21 of the annual report. There are no other compensation agreements with employees of the company.

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289A HGB

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

In implementing the recommendations of the current Corporate Governance Code, we have also again published our corporate governance report (see also page 15) on our website in connection with the corporate governance declaration.

REMUNERATION OF THE MANAGING BOARD AND THE SUPERVISORY BOARD

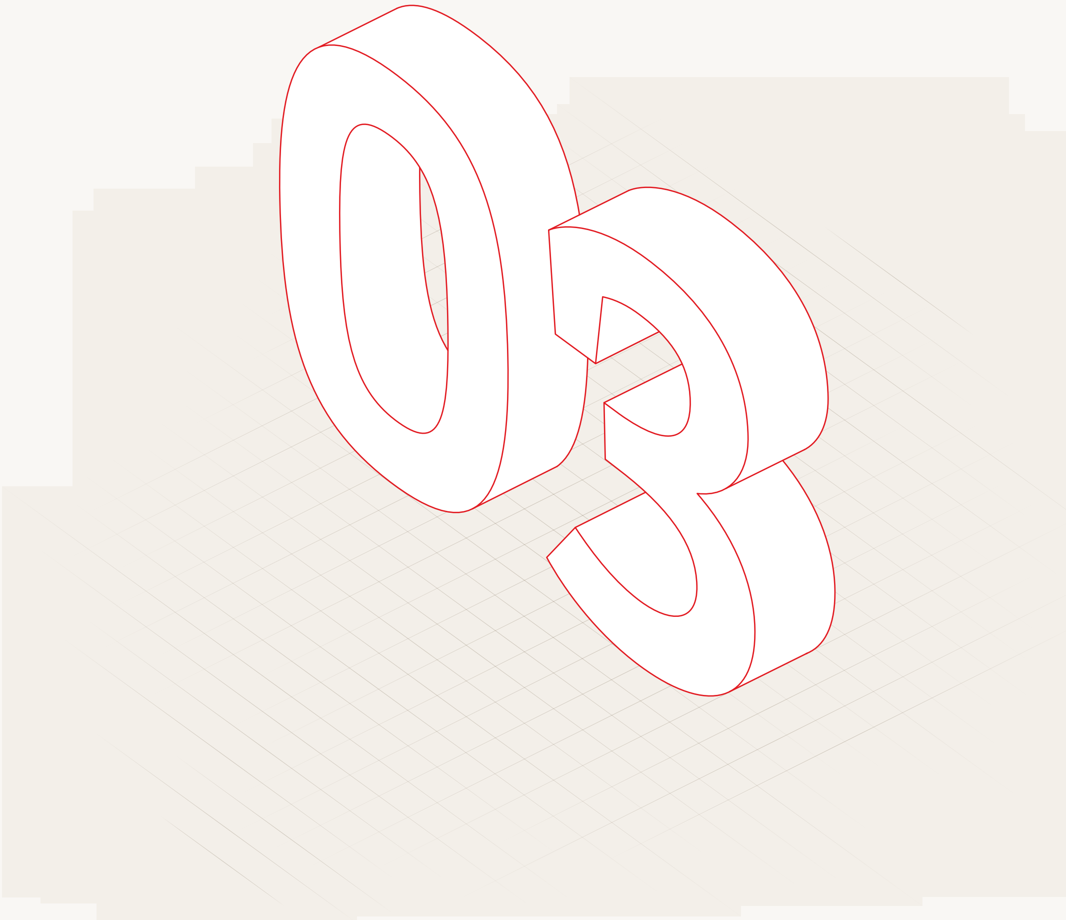
Detailed information on the remuneration system and the remuneration of the Managing Board and the Supervisory Board can be found in our corporate governance report from page 19 onwards. The statements found there are part of the management report.

Duisburg, 28 February 2014

The Managing Board

Dr Rüdiger Mrotzek Hans Richard Schmitz

The management report contains forward-looking statements. These statements are based on current assumptions and estimates of the Managing Board, which were carefully made on the basis of all of the information available at the present time. If the assumptions on which statements and forecasts are based are not accurate, the actual results may differ from those currently anticipated.



SEPARATE FINANCIAL STATEMENTS (IFRS)

*Also part of the notes

INCOME STATEMENT
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

€ THOUSAND	NOTE	2013	2012
Income from rents and leases		45,227	36,993
Income from passed-on incidental costs to tenants		5,027	3,416
Real estate operating expenses		–7,158	–5,076
Property and building maintenance		–2,163	–2,104
Net rental income	(1)	**40,933**	**33,229**
Administrative expenses	(2)	–1,131	–993
Personnel costs	(3)	–3,311	–2,868
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	(4)	–16,379	–12,287
Other operating income	(5)	1,334	1,345
Other operating expenses	(6)	–1,030	–917
		–20,517	**–15,720**
Operating result		**20,416**	**17,509**
Result from the sale of investment property	(7)	354	884
Earnings before interest and taxes (EBIT)		**20,770**	**18,393**
Interest income		42	347
Interest expenses		–12,291	–10,974
Financial result	(8)	**–12,249**	**–10,627**
Earnings before taxes (EBT)		**8,521**	**7,766**
Income taxes	(9)	0	–25
Net profit for the year		**8,521**	**7,741**
Profit carryforward from the previous year		34,527	26,144
Dividends		–18,197	–13,648
Withdrawal from other retained earnings		9,783	14,290
Net retained profits		**34,634**	**34,527**
Earnings per share (€)	(10)	0.19	0.20

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

€ THOUSAND	NOTE	2013	2012
Net profit for the year as per income statement		8,521	7,741
Items reclassified to profit or loss in future if certain conditions are met:			
Unrealised gains / losses (–) on the revaluation of derivative financial instruments	(18)	4,364	–2,478
Items not reclassified to profit or loss in future:			
Actuarial gains / losses (–) on defined benefit obligations	(21)	304	–1,361
Other comprehensive income		4,668	–3,839
Total comprehensive income		**13,189**	**3,902**

STATEMENT OF FINANCIAL POSITION – ASSETS

€ THOUSAND	NOTE	31.12.2013	31.12.2012
Non-current assets			
Intangible assets	(11)	13	14
Property, plant and equipment	(11)	135	159
Investment property	(12)	595,423	510,834
Financial assets	(13)	434	203
Other assets	(14)	297	321
		596,302	**511,531**
Current assets			
Trade receivables and other assets	(14)	801	776
Cash and cash equivalents	(15)	28,154	29,127
Non-current assets held for sale	(16)	6,455	3
		35,410	**29,906**
Total assets		**631,712**	**541,437**

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

€ THOUSAND	NOTE	31.12.2013	31.12.2012
Equity	(17)		
Issued capital		45,493	45,493
Capital reserves		124,279	124,279
Retained earnings			
Other retained earnings		81,565	91,348
Revaluation surplus		–14,227	–18,895
		67,338	72,453
Net retained profits			
Profit carryforward		16,330	12,496
Net profit for the year		8,521	7,741
Withdrawal from other retained earnings		9,783	14,290
		34,634	34,527
		271,744	**276,752**
Non-current liabilities and provisions			
Financial liabilities	(18)	324,038	222,990
Derivative financial instruments	(18)	10,840	14,838
Trade payables and other liabilities	(20)	2,254	2,013
Pension provisions	(21)	7,491	8,160
Other provisions	(22)	1,926	1,566
		346,549	**249,567**
Current liabilities and provisions			
Financial liabilities	(18)	7,483	7,707
Derivative financial instruments	(18)	0	367
Income tax liabilities	(19)	19	18
Trade payables and other liabilities	(20)	4,710	6,040
Other provisions	(22)	1,207	986
		13,419	**15,118**
Total equity and liabilities		**631,712**	**541,437**

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

€ THOUSAND	NOTE	2013	2012
Cash flow from operating activities	(25)		
Earnings before taxes (EBT)		8,521	7,766
Financial result		12,249	10,627
Depreciation, amortisation and impairment (+)/write-ups (–)		16,380	11,989
Change in provisions		–452	657
Gains (–)/losses (+) (net) on the disposal of property, plant and equipment and investment property		–355	–934
Change in receivables and other assets not attributable to investing or financing activities		–315	–284
Change in liabilities not attributable to investing or financing activities		1,273	–1,279
Interest received		113	275
Tax payments		0	–1,293
		37,414	**27,524**
Cash flow from investing activities	(26)		
Investments in intangible assets, property, plant and equipment and investment property		–110,407	–88,408
Proceeds from disposals of property, plant and equipment and investment property		1,257	9,332
Proceeds from disposals of financial assets		13	6
Payments relating to the short-term financial management of cash investments		0	–15,000
Proceeds relating to the short-term financial management of cash investments		15,000	0
		–94,137	**–94,070**
Cash flow from financing activities	(27)		
Dividends paid		–18,197	–13,648
Proceeds from borrowings of financial liabilities		108,459	20,050
Repayments of borrowings		–7,121	–5,669
Interest payments		–12,391	–9,914
Proceeds from the capital increase		0	73,926
Payments for the costs of the capital increase		0	–2,559
		70,750	**62,186**
Changes in cash and cash equivalents		**14,027**	**–4,360**
Cash and cash equivalents on 1 January		**14,127**	**18,487**
Cash and cash equivalents (with a remaining term of up to three months)		14,127	18,487
Fixed-term deposits (with a remaining term of more than three months)		15,000	0
Cash and cash equivalents		**29,127**	**18,487**
Cash and cash equivalents on 31 December		**28,154**	**14,127**
Cash and cash equivalents (with a remaining term of up to three months)		28,154	14,127
Fixed-term deposits (with a remaining term of more than three months)		0	15,000
Cash and cash equivalents		**28,154**	**29,127**

STATEMENT OF CHANGES IN EQUITY

€ THOUSAND	ISSUED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS		NET RETAINED PROFITS			TOTAL EQUITY
			OTHER RETAINED EARNINGS	REVALUATION SURPLUS	PROFIT CARRY-FORWARD	NET PROFIT FOR THE PERIOD	WITHDRAWAL FROM OTHER RETAINED EARNINGS	
As at 1 Jan. 2012	**34,120**	**64,285**	**105,638**	**–15,056**	**17,064**	**7,865**	**1,215**	**215,131**
Carryforward to new account					9,080	–7,865	–1,215	0
Distribution of profit for 2011					–13,648			–13,648
Capital increase	11,373	62,553						73,926
Costs of capital increase		–2,559						–2,559
Other comprehensive income 1 Jan. – 31 Dec. 2012				–3,839				–3,839
Withdrawal from other retained earnings			–14,290				14,290	0
Net profit for the year 1 Jan. – 31 Dec. 2012						7,741		7,741
Total comprehensive income 1 Jan. – 31 Dec. 2012				**–3,839**		**7,741**		**3,902**
As at 31 Dec. 2012	**45,493**	**124,279**	**91,348**	**–18,895**	**12,496**	**7,741**	**14,290**	**276,752**
Carryforward to new account					22,031	–7,741	–14,290	0
Distribution of profit for 2012					–18,197			–18,197
Other comprehensive income 1 Jan. – 31 Dec. 2013				4,668				4,668
Withdrawal from other retained earnings			–9,783				9,783	0
Net profit for the year 1 Jan. – 31 Dec. 2013						8,521		8,521
Total comprehensive income 1 Jan. – 31 Dec. 2013				**4,668**		**8,521**		**13,189**
As at 31 Dec. 2013	**45,493**	**124,279**	**81,565**	**–14,227**	**16,330**	**8,521**	**9,783**	**271,744**

STATEMENT OF CHANGES IN FIXED ASSETS*

	COST				
€ THOUSAND	BALANCE AS AT 1 JAN. 2013	ADDITIONS	DISPOSALS	RECLASSIFICATION UNDER IFRS 5	BALANCE AS AT 31 DEC. 2013
Intangible assets	140	9	3	0	146
Property, plant and equipment	851	14	10	0	855
Investment property	584,881	108,275	2,249	–9,586	681,321
Total	**585,872**	**108,298**	**2,262**	**–9,586**	**682,322**

	COST				
€ THOUSAND	BALANCE AS AT 1 JAN. 2012	ADDITIONS	DISPOSALS	RECLASSIFICATION UNDER IFRS 5	BALANCE AS AT 31 DEC. 2012
Intangible assets	132	8	0	0	140
Property, plant and equipment	841	34	24	0	851
Investment property	497,309	88,307	732	–3	584,881
Total	**498,282**	**88,349**	**756**	**–3**	**585,872**

* Component of the notes

Depreciation / Amortisation / Write-ups						Carrying amounts	
Balance as at 1 Jan. 2013	Additions (depreciation / amortisation for the financial year)	Write-ups	Disposals	Reclassification under IFRS 5	Balance as at 31 Dec. 2013	Balance as at 31 Dec. 2012	Balance as at 31 Dec. 2013
126	10	0	3	0	133	14	13
692	38	0	10	0	720	159	135
74,047	16,331	0	1,349	–3,131	85,898	510,834	595,423
74,865	**16,379**	**0**	**1,362**	**–3,131**	**86,751**	**511,007**	**595,571**

Depreciation / Amortisation / Write-ups						Carrying amounts	
Balance as at 1 Jan. 2012	Additions (depreciation / amortisation for the financial year)	Write-ups	Disposals	Reclassification under IFRS 5	Balance as at 31 Dec. 2012	Balance as at 31 Dec. 2011	Balance as at 31 Dec. 2012
109	17	0	0	0	126	23	14
672	43	0	23	0	692	169	159
62,119	12,227	299	0	0	74,047	435,190	510,834
62,900	**12,287**	**299**	**23**	**0**	**74,865**	**435,382**	**511,007**

NOTES ON THE FINANCIAL STATEMENTS

Notes on the financial statements

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 company 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 company, HAMBORNER has been exempt from both corporation tax and trade tax since 1 January 2010.

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

The separate financial statements as at 31 December 2013 were prepared in accordance with IFRS as applicable in the European Union at the end of the reporting period and the additional provisions of commercial law in accordance with section 325 (2a) HGB. IFRS include the IFRS passed by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All the standards and interpretations issued by the IASB and effective as at the time of the preparation of the financial statements have been applied to the extent that they have been endorsed by the EU. Thus, the separate financial statements of the company comply with IFRS.

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

The Managing Board prepared the separate financial statements as at 31 December 2013 and the management report for 2013 on 28 February 2014 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

Barring the changes described below, these separate financial statements as at 31 December 2013 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 2013 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.

Changes in accounting policies

For reasons of materiality and clarity, the item reported separately in the statement of financial position in the separate financial statements for the previous year as “Income tax receivables” (€7 thousand) is reported in the prior-year column of the statement of financial position in the separate financial statements as at 31 December 2013 under “Trade receivables and other assets”. The comparative figure for the year under review reported under “Trade receivables” amounts to €5 thousand.

To allow a more transparent presentation of the net asset situation, the obligations for Supervisory Board remuneration, fees for auditors, legal and consulting costs, outstanding invoices, outstanding holiday obligations and overtime under current other provisions in the previous year of a total amount of €1,726 thousand (reporting year: €1,924 thousand) were reported under current “Trade payables and other liabilities” in accordance with IAS 37.11.

For reasons of clarity we have renamed the item referred to as “Bank deposits and cash balances” in previous financial years as “Cash and cash equivalents” in line with IAS 1.54 (i). In order to comply with the definition of “Cash and cash equivalents”, reclassified the cash deposits by tenants to which the company has limited access (€179 thousand) from "Bank deposits and cash balances" in the statement of financial position in the separate financial statements for the previous year to "Financial assets". Accordingly, the amounts in the prior-year column of the statement of cash flows in "Cash and cash equivalents on 1 January" and "Cash and cash equivalents on 31 December" were down by €198 thousand and €179 thousand respectively, while "Cash flow from operating activities" was up €19 thousand. The cash deposits reported under "Financial assets" for the reporting year amount to €422 thousand.

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

As against the separate financial statements as at 31 December 2012, 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 1	First-time Adoption of IFRS	Amendments in relation to government loans at below-market rates of interest; amendment in relation to severe hyperinflation; deletion of references to fixed dates for first-time adopters of IFRS
IFRS 7	Financial Instruments: Disclosures	Amendments to improve disclosures on offsetting of financial assets and liabilities
IFRS 13	Fair Value Measurement	New standard; harmonises regulations on the measurement of fair value. This standard applies when other standards require measurement at fair value
IAS 1	Presentation of Financial Statements	Amendments relating to presentation of comprehensive income
IAS 12	Income Taxes	Deferred taxes: recovery of underlying assets
IAS 19	Employee Benefits	Amendment in treatment of defined benefit plans and termination benefits
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	New interpretation
Various	Annual IFRS improvement project (2009 – 2011)	Amendments essentially relate to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34

The introduction of IFRS 13 affected the financial statements of the company only in the form of extended disclosure requirements for financial instruments and investment property.

The amendments to IAS 1 changed the presentation of comprehensive income in that items that can be subsequently reclassified to the income statement under certain conditions are shown separately from those that cannot be reclassified.

The amendments to IAS 19 resulted in changed and in some cases extended disclosure requirements in the HAMBORNER financial statements. For example, a sensitivity analysis of the significant actuarial assumptions had to be included in this annual report for the first time.

Other than this, 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 2013 financial year: The option to apply standards and interpretations early was not exercised.

STANDARD / INTERPRETATION	NAME	NATURE OF AMENDMENT	EFFECTIVE DATE	MATERIAL EXPECTED EFFECT
IFRS 9	Financial Instruments	Classification and measurement of financial instruments (published 2009); classification and measurement of financial liabilities and derecognition (published 2010); hedge accounting and change in effective date and amendments to transition disclosures (published 2013)	1 January 2017 or later	Under examination
IFRS 10	Consolidated Financial Statements	New standard including subsequent amendments for investment companies and transition regulations; replaces current versions of IAS 27 and SIC 12	1 January 2014	None
IFRS 11	Joint Arrangements	New standard including subsequent amendments for transition regulations; replaces IAS 31 and SIC 13	1 January 2014	None
IFRS 12	Disclosure of Interests in Other Entities	New standard including subsequent amendments for investment companies and transition regulations; extension of disclosure requirements for a reporting entity's involvement in subsidiaries, joint arrangements, associates and unconsolidated SPEs / structured entities	1 January 2014	None
IAS 19	Employee Benefits	Clarification of allocation of employee contributions or contributions from third parties that are linked to service	1 July 2014	None
IAS 27	Separate Financial Statements	Owing to the introduction of IFRS 10, the standard now only applies to separate financial statements	1 January 2014	None
IAS 28	Investments in Associates and Joint Ventures	Standard replaces previous version of IAS 28 (2003) Investments in Associates	1 January 2014	None
IAS 32	Financial Instruments: Presentation	Amendments to improve disclosures on offsetting of financial assets and liabilities	1 January 2014	None
IAS 36	Impairment of Assets	Disclosures regarding recoverable amount for non-financial assets	1 January 2014	None
IAS 39	Financial Instruments: Recognition and Measurement	Novation of derivatives and continuation of hedge accounting	1 January 2014	None
IFRIC 21	Levies	New interpretation; guidance on when to recognise a liability for a levy imposed by a government	1 January 2014	None
Various	Annual IFRS improvement project (2010 – 2012)	Amendments essentially relate to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 7, IAS 16 / 38, IAS 24	1 July 2014	None
Various	Annual IFRS improvement project (2011 – 2013)	Amendments essentially relate to IFRS 1, IFRS 3, IFRS 13, IAS 40	1 July 2014	None

Segment reporting

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

Assumptions and estimates

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

Intangible assets

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

Property, plant and equipment

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

The following useful lives were applied in the reporting year:

USEFUL LIVES OF NON-CURRENT ASSETS	YEARS
Commercial and office buildings	33 to 50
Other commercial buildings	40
Self-service shops	33 to 40

To calculate the fair value disclosed in the notes in accordance with IAS 40, our developed property portfolio was valued by an independent expert at the end of 2013. 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 (2014 to 2023), 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 4.05% and 8.70% (previous year: 4.75% and 8.50%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 4.75% and 9.25% (previous year: 5.00% and 9.25%). 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 and advance payments for properties not yet transferred to us.

The fair value of our undeveloped land holdings was calculated using the market-based approach in accordance with level 2. The standard land values calculated in expert reports for similar properties and areas are used and risks deductions are charged in line with the particular characteristics of the properties. The measurement of fair value at amortised cost performed in the previous year was adjusted accordingly. On average, the fair value of undeveloped land is unchanged at €2.77 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 calculated an expert before the deduction of transaction costs of a fictitious 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". Write-ups are recognised in "Other operating income".

Leases

Leases in which the risks and rewards incidental to ownership of a leased asset remain with the lessor are classified as operating leases in line with IAS 17. Payments made or received for an operating lease are recognised in the income statement over the term of the lease. All properties are let under operating leases at HAMBORNER.

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

Financial assets

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

- Loans and receivables are measured at amortised cost. Any discernible specific risks are taken into account appropriately by way of write-downs.
- Financial assets held to maturity are measured at the lower of amortised cost and fair value. The "Other loans" included here have a fixed term and are therefore measured using the effective interest method.

Derivative financial instruments

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

Derivative financial instruments are recognised for the first time on the trade date. For cash flow hedges used to hedge risks affecting the amount or timing of future cash flows, any changes in market value are recognised in equity (revaluation surplus) and hedge effectiveness is documented. The effectiveness of cash flow hedges is determined in line with the dollar-offset method. In these cases this resulted in the recognition of the changes in carrying amounts in full in equity. Derivative financial instruments that are assets are reported under "Other assets", those that are liabilities are reported separately under "Financial liabilities".

The market values calculated by banks as at the end of the respective reporting period 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 2012, bank balances included a fixed-term deposit of €15.0 million with an initial remaining term of five months that was repaid at the start of January 2013. These items are recognised at nominal amount.

Non-current assets held for sale

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

Provisions

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

Pension provisions

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

The following parameters were applied:

PARAMETERS P.A. (%)	2013	2012
Interest rate	3.2	3.1
Pension trend	2.0	2.0
Inflation	2.0	2.0

Sensitivity analyses, which are shown under note 21, 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 expense included in pension expenses is reported in interest expenses.

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

Other provisions

Current provisions are recognised in the amount of expected utilisation (best estimate) without discounting and take into account all obligations discernible 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 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 on the income statement

(1) Net rental income

Income from rents and leases for properties recognised in accordance with IAS 40 increased by €8,234 thousand to €45,227 thousand in the reporting year. The change was due to rent increases due to property additions in the current year and the previous year (€8,852 thousand), rent losses as a result of property disposals (€–93 thousand) and declines in rents (like-for-like) of €525 thousand.

Charges for passed-on incidental costs to tenants include mainly heating costs, property charges and other incidental rental costs that can be reallocated under the lease agreements. The corresponding income increased by €1,611 thousand in the reporting year. €1,362 thousand of the increase in income from passed-on incidental costs to tenants was due to the net change in the investment property portfolio. The income from charging incidental costs on to tenants for the other properties in the portfolio increased by a total of €249 thousand.

€ THOUSAND	2013	2012
Income from rents and leases		
Retail space	26,556	23,124
Office space and medical practices	16,279	12,329
Production and other commercial space	934	605
Apartments	410	434
Garages / car parking spaces	232	202
Other lettings and leases (agricultural leases, licensing agreements, etc.)	168	164
Income from rent guarantees	648	135
Total	**45,227**	**36,993**
Income from passed-on incidental costs to tenants	5,027	3,416
Total	**50,254**	**40,409**
Real estate operating expenses	–7,158	–5,076
Property and building maintenance	–2,163	–2,104
Net rental income	**40,933**	**33,229**

HAMBORNER generated more than 10% of its rental income with each of the Edeka Group (€6.9 million; previous year: €4.2 million) and the Kaufland Group (€5.0 million; previous year: €5.0 million) in the 2013 financial year.

€ THOUSAND	2013	2012
Real estate operating expenses		
Energy, water, etc.	4,060	2,445
Land taxes	1,490	1,165
Other property charges	602	533
Ground rents	527	575
Insurance premiums	320	245
Miscellaneous	159	113
Total	**7,158**	**5,076**

Most of the real estate operating expenses can be passed on to the tenants under the terms of their rental agreements. They increased by €2,082 thousand to €7,158 thousand as a result of additions to the investment property portfolio.

The expenses for property and building maintenance amounted to €2,163 thousand compared to €2,104 thousand in the previous year. The biggest measure in the reporting year was the revitalisation of an EDEKA store in Freiburg. Of the €1,107 thousand in costs incurred for this operation in the 2013 financial year, expenses that cannot be capitalised accounted for €194 thousand.

The direct operating expenses for our leased property were €9,321 thousand in the reporting year (previous year: €7,180 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 rise of €138 thousand is due mainly to higher Annual General Meeting costs.

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

€ THOUSAND	2013	2012
Audits of financial statements	88	76
Other assurance services	10	185
Other services	4	5
Total	**102**	**266**

Other assurance services in the previous year include mainly fees in connection with the capital increase, which were offset against capital reserves.

(3) Personnel expenses

As a result in particular of a slight increase in headcount and the adjustment of Managing Board remuneration in 2013, personnel costs increased by €443 thousand year-on-year to €3,311 thousand.

€ THOUSAND	2013	2012
Wages and salaries	2,942	2,494
Social security contributions and related expenses	295	277
Retirement benefit expenses/pension expenses	74	97
Total	**3,311**	**2,868**

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

The depreciation and amortisation expense for 2013 was up €4,092 thousand on the previous year at €16,379 thousand. €16,331 thousand of this increase relates to investment property (previous year: €12,227 thousand). This item includes an impairment loss of €463 thousand (previous year: €0 thousand) for the property in Oberhausen sold in the reporting year.

(5) Other operating income

€ THOUSAND	2013	2012
Receipt of indemnifications and reimbursements	1,235	278
Reversal of provisions	34	705
Charges passed on to tenants and leaseholders	23	38
Reversal of impairment losses	0	299
Others	42	25
Total	**1,334**	**1,345**

€1.0 million of the receipt of indemnifications and reimbursements relates to compensation paid by a tenant for the early termination of its lease.

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

(6) Other operating expenses

Other operating expenses rose by €113 thousand to €1,030 thousand. This item essentially includes legal and consulting costs of €292 thousand (previous year: €235 thousand), additions to the provision for mining damage of €240 thousand (previous year: €241 thousand) (see also note 22) and costs of public relations work of €182 thousand (previous year: €161 thousand).

(7) Result from the sale of investment property

In the reporting year, we generated net income from the disposal of investment property of €354 thousand after €884 thousand in the previous year. This results from the disposal of a smaller area from our undeveloped land holdings.

(8) Financial result

The financial result consists solely of interest income and expenses. The interest income amounts to €42 thousand (previous year: €347 thousand) and comprises mainly interest on call money or fixed-term deposits at various banks.

Interest expenses increased by a total of €1,317 thousand to €12,291 thousand in the 2013 financial year as a result of the interest recognised for the entire year for the first time for the investment property loans borrowed in the previous year and the pro rata interest expense for the additional loans of the reporting year. €11,892 thousand of this relates to financial liabilities (previous year: €10,085 thousand).

The interest expenses for interest rate hedges amounted to €3,723 thousand (previous year: €3,386 thousand). The payments we make quarterly on the basis of agreed interest rates amounted to €3,918 thousand in the reporting year (previous year: €4,107 thousand).

In return, we received variable interest in line with agreements on the basis of three-month EURIBOR of €195 thousand (previous year: €721 thousand). The decline is due to the development of short-term interest rates in 2012 and 2013. For further information on interest rate hedges, please see "Financial liabilities and derivative financial instruments".

(9) Income taxes

The income taxes for the previous year (€25 thousand) was incurred for the retroactive withdrawal of tax exemptions granted for exit taxation (section 3 no. 70 of the Einkommensteuergesetz (EStG – German Income Tax Act) from the sale of undeveloped land. The income taxes for the previous year relate solely to past financial years.

(10) Earnings per share

The net profit for the year amounted to €8,521 thousand, up €780 thousand on the figure for the previous year.

Earnings per share amounted to €0.19 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.

		2013	2012
Weighted average number of shares outstanding	Thousands	45,493	39,309
Net earnings / net profit for the year	€ thousand	8,521	7,741
Earnings per share	€	0.19	0.20

Notes on the statement of financial position

(11) Intangible assets and property, plant and equipment

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

The carrying amount of the company's administrative building in Duisburg reported under property, plant and equipment amounted to €97 thousand (€111 thousand) as at the end of the reporting period.

(12) Investment property

Additions to investment property amounted to €108,275 thousand in the financial year. €106,809 thousand of this amount relates to property acquired in the reporting year and previous years, €437 thousand to incidental acquisition costs for property not yet transferred to the company and €1,029 thousand to reinstated portfolio assets.

Investment property developed as follows in the reporting year:

€ THOUSAND	2013	2012
As at 1 January	**510,834**	**435,190**
+ Additions due to acquisition	106,809	81,530
+ Additions due to advance payments	437	5,608
+ Additions due to reinstated assets	1,029	1,169
	108,275	**88,307**
– Disposals due to sales	–900	–732
– Disposals due to IFRS 5 reclassifications	–6,455	–3
	–7,355	**–735**
+ Reversals of impairment losses	0	299
– Depreciation for the financial year	–15,868	–12,227
– Impairment losses for the financial year	–463	0
As at 31 December	**595,423**	**510,834**

Taking into account the additions and disposals in the reporting year, the market value of investment property was €683,771 thousand as at 31 December 2013 (previous year: €590,348 thousand).

(13) Financial assets

At €422 thousand (previous year: €179 thousand) financial assets essentially relate to cash security deposits by tenants. This item also includes other loans of €12 thousand (previous year: €24 thousand).

(14) Trade receivables and other assets

All receivables and other assets are carried at amortised cost. Write-downs on doubtful debts amounted to €14 thousand (previous year: €21 thousand). Moreover, the result for the reporting year was reduced by the derecognition of receivables of €17 thousand (previous year: €19 thousand).

At €211 thousand, non-current other assets included development costs paid for the leasehold property in Solingen and rental income from incentives (rent-free periods, construction subsidies) deferred over the term of the lease of €86 thousand.

Trade receivables and other current assets break down as follows:

€ THOUSAND	2013	2012
Trade receivables	430	411
Others	371	365
Total	**801**	**776**

€162 thousand (previous year: €313 thousand) of trade receivables were past due and not impaired as at the end of the reporting period. €44 thousand (previous year: €15 thousand) of this were older than 60 days.

(15) Cash and cash equivalents

Cash and cash equivalents break down as follows:

€ THOUSAND	2013	2012
Bank balances	28,153	29,125
Cash balances	1	2
Total	**28,154**	**29,127**

Bank balances include €26,024 thousand (previous year: €11,791 thousand) in demand deposits. There were no fixed-term deposits as at the end of the reporting period (previous year: €15,520 thousand).

(16) Non-current assets held for sale

Non-current assets held for sale relate to three properties no longer consistent with strategy in Hanover, Moers and Wuppertal, for which purchase agreements were signed in 2013 and that were transferred to their respective buyers at the start of 2014. The fair value of these properties is €10.9 million and is equal to the contractually agreed sale prices.

A carrying amount of €3 thousand was reported in this item in the previous year for an area of undeveloped land, which was transferred to the new owner in January 2013.

(17) Equity

The development of equity from 1 January 2012 to 31 December 2013 is shown in the statement of changes in equity. As at 31 December 2013, the issued capital of the company amounted to €45,493 thousand and was divided into 45,493 thousand no-par-value bearer shares.

By way of the resolutions of the Annual General Meeting on 7 May 2013, the Managing Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the company as follows:

- €4,549 thousand (Authorised Capital I)
- €18,197 thousand (Authorised Capital II)

The authorised capital amounts give rise to 22,747 thousand authorised shares that can be issued to shareholders as no-par-value shares. The authorisation remains in effect until 6 May 2018.

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

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

With the approval of the Supervisory Board, the Managing Board can disapply shareholders' statutory pre-emption rights in certain cases for a partial amount. The above authorisations have not been used to date.

By way of the resolutions of the Annual General Meeting on 17 May 2011, the Managing Board was also authorised to acquire own shares in the company. The authorisation is limited to the acquisition of shares accounting for not more than 10% in total of the lower of share capital at the time of the resolution by the Annual General Meeting on this authorisation or at the time that this authorisation is exercised. The authorisation is therefore limited to 3,412 thousand shares and until 16 May 2016. The Managing Board has not yet utilised this authorisation.

The company reported net retained profits of €34,634 thousand (previous year: €34,527 thousand) as at 31 December 2013. The Managing Board will propose the distribution of a dividend of €18,197 thousand for the 2013 financial year at the Annual General Meeting. This corresponds to a dividend of €0.40 per share. The dividend proposal is based on net retained profits for the company under German commercial law of €18,197 thousand.

As in the previous year, the capital reserves still amount to €124.3 million and include amounts generated when issuing shares in the context of capital increases in previous years that exceeded the notional value of the shares less the costs of capital increases.

The other retained earnings include earnings generated in the past to the extent that these have not been distributed or carried forward to new account. Under the Managing Board's proposal for the appropriation of earnings, €9,783 thousand was withdrawn from other retained earnings as at 31 December 2013, resulting in an amount of €81,565 thousand as at the end of the reporting period.

The revaluation surplus includes the negative fair values of derivatives in connection with cash flow hedges in the amount of €–10,840 thousand (previous year: €–15,205 thousand) and actuarial losses on defined benefit obligations accrued as at 31 December 2013 in the amount of €–3,387 thousand (previous year: €–3,690 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	2013	2012	CHANGE IN %
Equity	271,744	276,752	–1.8 %
Total assets	631,712	541,437	+16.7 %
Reported equity ratio	**43.0 %**	**51.1 %**	**– 8.1 % percentage points**

In addition, the company is required to comply with the equity coverage ratio of at least 45% codified in accordance with section 15 REITG in order to maintain its status as a real estate investment trust. Compliance with the REIT equity ratio is therefore subject to ongoing monitoring. The equity ratio was 52.5% as at 31 December 2013 (previous year: 60.3%).

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 43.7% as at 31 December 2013 (previous year: 34.2%).

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

The capital management targets were achieved in the financial year.

(18) Financial liabilities and derivative financial instruments

Financial liabilities increased by a net amount of €100,824 thousand to €331,521 thousand as a result of further borrowing for property financing. The fair value of derivative financial instruments rose by €4,365 thousand to €–10,840 thousand as a result of remaining terms that were one year shorter compared with the previous year and due to a different yield curve. Furthermore, an interest rate swap expired as planned in December 2013. The floating rate loan hedged with this interest rate swap was replaced by a fixed-rate loan agreement. 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 eliminated in these instances by concluding interest rate swaps, with which we receive EURIBOR and pay a constant fixed rate of interest over the entire term of the swap.

At the end of the reporting period, the nominal hedge volume of the interest rate swaps was €78.8 million. Depending on the underlying loan transactions, the derivatives mature between 2017 and 2021. The change in the fair values of interest rate derivatives recognised in equity of €4.4 million resulted in a rise in market value changes in derivatives in the revaluation surplus to €-10.8 million.

NO.	TYPE	MATURITY	NOMINAL VALUE AS AT 31 DEC 2013 € MILLION	FAIR VALUE € THOUSAND
1	Interest rate swap	Apr. 2018	14.7	–2.084
2	Interest rate swap	Apr. 2018	10.7	–1.510
3	Interest rate swap	Dec. 2018	4.3	–562
4	Interest rate swap	Oct. 2017	32.5	–4.341
5	Interest rate swap	Nov. 2021	16.6	–2.343
Total			**78.8**	**–10.840**

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

€ THOUSAND	31 DEC. 2013			31 DEC. 2012		
	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	10,176	107,714	213,631	7,707	65,245	157,745
Derivative financial instruments	0	8,497	2,343	367	5,946	8,892
Total	**10,176**	**116,211**	**215,974**	**8,074**	**71,191**	**166,637**

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. 2013			31 DEC. 2012		
PAYMENTS FOR INTEREST AND THE REPAYMENT OF	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	20,441	143,145	232,812	13,595	89,796	176,413
Derivative financial instruments	3,192	9,433	1,446	3,743	11,961	2,385
Total	**23,633**	**152,578**	**234,258**	**17,338**	**101,757**	**178,798**

All loans are secured by investment property. There were land charges of €364.5 million chargeable to the company for the financial liabilities reported as at 31 December 2013. 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 2.50% and 5.21% (average interest rate: 3.92%) In line with loan agreements, repayments are made monthly, quarterly, semi-annually or annually.

HAMBORNER is exposed to various risks on account of its business activities. The risk report, which is a component of the management report, includes a detailed presentation of these risks and their management.

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

The risks resulting from the 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. Interest rate changes are not reported for financial instruments measured at amortised cost. 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	2013	2012
Interest rate +1%	2,903	3,856
Interest rate -1%	–4,043	–4,719

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. 2013		31 DEC. 2012	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial liabilities	331,521	342,206	230,697	245,700

SEPARATE FINANCIAL STATEMENTS (IFRS)

Additional disclosures on financial instruments

In the annual 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. 2013	CARRYING AMOUNT	MEASUREMENT IN ACCORDANCE WITH IAS 39			NON-FINANCIAL ASSETS / LIABILITIES
€ THOUSAND		AMORTISED COST, HELD-TO-MATURITY	AMORTISED COST, LOANS AND RECEIVABLES	FAIR VALUE, DERIVATIVES DESIGNATED AS HEDGES	
Assets					
Financial assets	434	434			
Current trade receivables and other assets	801		640		161
Cash and cash equivalents	28,154		28,154		
	29,389	**434**	**28,794**	**0**	**161**

Equity and liabilities					
Non-current financial liabilities	324,038		324,038		
Non-current derivative financial instruments	10,840			10,840	
Non-current trade payables and other liabilities	2,254		854		1,400
Current financial liabilities	7,483		7,483		
Current trade payables and other liabilities	4,710		2,841		1,869
	349,325	**0**	**335,216**	**10,840**	**3,269**

31 DEC. 2012	CARRYING AMOUNT	MEASUREMENT IN ACCORDANCE WITH IAS 39			NON-FINANCIAL ASSETS / LIABILITIES
€ THOUSAND		AMORTISED COST, HELD-TO-MATURITY	AMORTISED COST, LOANS AND RECEIV-ABLES	FAIR VALUE, DERIVATIVES DESIGNATED AS HEDGES	
Assets					
Financial assets	203	203			
Current trade receivables and other assets	776		653		123
Cash and cash equivalents	29,127		29,127		
	30,106	**203**	**29,780**	**0**	**123**

Equity and liabilities					
Non-current financial liabilities	222,990		222,990		
Non-current derivative financial instruments	14,838			14,838	
Non-current trade payables and other liabilities	2,013		389		1,624
Current financial liabilities	7,707		7,707		
Current derivative financial instruments	367			367	
Current trade payables and other liabilities	6,040		2,608		3,432
	253,955	**0**	**233,694**	**15,205**	**5,056**

(19) Income tax liabilities

The income tax liabilities reported as at 31 December 2013 essentially relate to the retroactive withdrawal of tax exemptions granted for exit taxation (section 3 no. 70 of the Einkommensteuergesetz (EStG – German Income Tax Act) from the sale of land in 2012 in connection with the transformation into a REIT.

(20) Trade payables and other liabilities

€ THOUSAND	2013	2012
Trade payables	**347**	**231**
Other liabilities	**6,617**	**7,822**
Rental and leasing advances	2,192	1,902
Outstanding invoices	1,429	1,261
VAT liabilities	528	593
Other purchase price retention	428	228
Security deposits	422	180
Land transfer tax liabilities	397	2,419
Supervisory Board remuneration	303	308
Security retention for rent guarantees	199	531
Audit fees	85	55
Miscellaneous	634	345
Total	**6,964**	**8,053**

€4,710 thousand (previous year: €6,040 thousand) of trade payables and other liabilities are due within one year.

(21) Pension provisions

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

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 2013, as in the previous year, the pension obligations are distributed among one beneficiary who has left the company, seven (previous year: nine) pension recipients and six (previous year: four) surviving dependents.

The weighted average term of defined benefit obligations was around 10.5 years as at the end of the reporting period (previous year: around 10.5 years).

Pension provisions developed as follows:

€ THOUSAND	2013	2012
Carrying amount 1 January (= present value 1 January)	8,160	7,122
Current service cost	0	16
Interest expense	244	320
Actuarial gains (–) / losses recognised for the current year	–303	1,361
(due to change in demographic assumptions)	(–78)	–
(due to change in financial assumptions)	(–225)	–
Pension payments	–610	–659
Carrying amount 31 December (= present value 31 December)	**7,491**	**8,160**

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)	404	–368
Inflation (+0.25/–0.25 percentage points)	199	–207
Pension trend (+0.25/–0.25 percentage points)	199	–207
Deviation in mortality from standard (–3.0%/+3.0%)	92	–89

The sensitivity calculations are based on the average term of the pension obligation calculated as at 31 December 2013. 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 €596 thousand are expected in the 2014 financial year (previous year: €601 thousand).

In the year under review, HAMBORNER paid contributions of €155 thousand (previous year: €148 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 costs.

(22) Other provisions

Other provisions break down as follows:

	1 JAN. 2013				31 DEC. 2013	OF WHICH	
€ THOUSAND	TOTAL	ADDITIONS	UTILISATION	REVERSAL	TOTAL	NON-CURRENT	CURRENT
Provisions for							
Mining damage	1,566	360	0	0	1,926	1,926	0
Bonuses	665	937	680	0	922	0	922
Reimbursements from operating costs not yet invoiced	123	100	104	19	100	0	100
Miscellaneous	198	184	164	33	185	0	185
Total	**2,552**	**1,581**	**948**	**52**	**3,133**	**1,926**	**1,207**

The provision for bonus obligations assumes that the expected bonuses for 2013 will be €257 thousand higher than in the previous year and amounts €922 thousand. Of this amount, €275 thousand and €402 thousand respectively relate to long-term, share-based remuneration and short-term remuneration for the Managing Board. The remaining term of the share-based remuneration as at the end of the reporting period was 27 months.

The provisions for mining damage relate to the potential risks from our former mining activities. Please see the more detailed information in the risk report, which is a component of the management report. The provisions increased by €360 thousand year-on-year to €1,926 thousand. €240 thousand of this increase relates to the rise in risk provisions for the ongoing safety measures on one shaft. 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 four and 21 years; previous year: between five and 22 years), interest rates of between 1.5% and 3.3% (previous year: between 1.9% and 4.2%) were assumed for discounting. The interest earned on this provision resulted in a rise of €120 thousand as at 31 December 2013.

(23) Contingent liabilities and financial obligations

On 31 December 2013, there were obligations arising from a notarised land purchase agreement to pay a total purchase price of €7.9 million. The obligation was paid on transfer of ownership of the property in January 2014.

In the context of rent agreement regulations, we have undertaken to perform development work on our properties in Freiburg, Robert-Bunsen-Str., (€3.4 million) and Duisburg, Rathausstr., (€0.6 million). The financial obligations resulting from this amounted to €4.0 million in total as at the end of the reporting period. In return, the respective rental agreements have been extended and rent increases agreed.

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

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

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

(24) Leases

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

Investment property with a carrying amount of €600.9 million (previous year: €501.8 million) was let under operating leases as at 31 December 2013.

The leases, which are essentially for office and retail space, are usually concluded for terms of between five and 15 years. Around 95% of our commercial leases contain indexation clauses that peg rents to the 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. 2013	31 DEC. 2012
Up to one year	44,803	38,371
Between two and five years	148,038	124,305
More than five years	131,526	119,450
Total	**324,367**	**282,126**

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

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

Notes on the statement of cash flows

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

The cash and cash equivalents comprise bank deposits and cash balances with an initial remaining term of less than three months. The difference in the previous year between cash and cash equivalents and the item in the statement of financial position "cash and cash equivalents" of €15.0 million is due to a fixed-term deposit with a remaining term of five months that is not included in cash and cash equivalents in accordance with IAS 7.7. As at the end of the reporting period, cash and cash equivalents increased by €14.0 million as against the previous year to €28.2 million.

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

(25) Cash flow from operating activities

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

The cash flow from operating activities increase is largely defined by the expansion of the property portfolio. In the reporting year it also includes €1.0 million in compensation paid by a tenant for the early termination of its lease. Other than this, cash flow from operating activities was not influenced by any significant extraordinary effects.

Operating cash flow per share developed as follows:

		2013	2012
Number of shares outstanding	Thousands	45,493	45,493
Operating cash flow	€ thou	37,414	27,524
Operating cash flow per share	€	0.82	0.61

(26) Cash flow from investing activities

The payments for investments in property, plant and equipment and intangible fixed assets do not correspond to the additions shown in the statement of changes in non-current assets. 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.

The cash flow from investing activities resulted mainly in a cash outflow of €94.1 million due to acquisitions in the financial year (previous year: €94.1 million). The cash flow from investing activities in the financial year also includes an inflow of €15.0 million from a fixed-term deposit in the previous year with an initial remaining term of more than three months, which was paid back to us in 2013.

(27) Cash flow from financing activities

The positive cash flow from financing activities of €70.8 million (previous year: €62.2 million) is essentially due to the borrowing of further loans to finance our property acquisitions in the reporting year and the previous year.

Other notes and mandatory disclosures

Events after the end of the reporting period

A retail property in Bad Homburg was transferred to us on 10 January 2014. The purchase price paid was €7.9 million.

In January and February 2014, the properties in Moers, Wuppertal and Hanover reported as assets held for sale were transferred to their new owners on receipt of the purchase prices totalling €10.9 million.

Employees

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

	2013	2012
Commercial property management	8	6
Technical property management	4	4
Administration	13	13
Total	**25**	**23**

Corporate governance

In December 2013, the Managing Board and Supervisory Board issued an updated declaration of compliance and published it on the Internet at www.hamborner.de under Investor Relations / Corporate Governance. The full declaration of compliance has also been published in this 2013 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 2013, 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 28 February 2014. 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 28 February 2014 can be found on the HAMBORNER REIT AG website under Investor Relations / Notifications. Please note that the percentage and voting right information for equity investments may now be out of date on account of non-reportable acquisitions or sales of shares.

Voting right notifications

NO.	REPORTING ENTITY	VOTING RIGHTS (NEW)	SHARE OF VOTING RIGHTS (NEW) IN %	THRESHOLD AFFECTED	DATE THRESHOLD AFFECTED	ASSIGN-MENT OF VOTING RIGHTS	ENTITIES TO WHICH 3% OR MORE IS ASSIGNED
1	Ruffer LLP, London, UK	2,102,760	6.16	Rise above 3%, 5%	13 Oct. 2010	Yes [2]	
2	TEC Düsseldorf GbR, Dusseldorf, Germany	1,400,000	4.10	Rise above 3%	9 June 2011	No	
3	Kingdom of Belgium, Brussels, Belgium	1,622,184	3.57	Rise above 3%	31 Dec. 2012	Yes [1,3]	Société Fédérale de Participations et d`Investissement / Federale Participatie – en Investerings-maatschappij SA / NV (“SFPI / FPIM”)
4	Société Fédérale de Participations et d`Investissement / Federale Participatie – en Investerings-maatschappij SA / NV (“SFPI / FPIM”), Brussels, Belgium	1,622,184	3.57	Rise above 3%	31 Dec. 2012	Yes [1,3]	
5	Asset Value Investors Limited, London, UK	1,324,452	2.91	Drop below 3%	8 Feb. 2013	Yes [2]	
6	Credit Suisse Group AG, Zurich, Switzerland	195,779	0.43	Drop below 3%	16 May 2013	Yes 1 = 0.37 % 3 = 0.06 %	
7	Credit Suisse AG, Zurich, Switzerland	195,779	0.43	Drop below 3%	16 May 2013	Yes [1,3]	
8	Credit Suisse Investments (UK), London, UK	166,433	0.37	Drop below 3%	16 May 2013	Yes [1]	
9	Credit Suisse Investment Holdings (UK), London, UK	166,433	0.37	Drop below 3%	16 May 2013	Yes [1]	
10	Credit Suisse Securities (Europe) Limited, London, UK	166,433	0.37	Drop below 3%	16 May 2013	No	
11	BlackRock, Inc., New York, USA	1,367,720	3.01	Rise above 3%	7 Oct. 2013	Yes [3]	
12	BlackRock Holdco 2, Inc., Wilm-ington, DE, USA	1,367,720	3.01	Rise above 3%	7 Oct. 2013	Yes [3]	
13	BlackRock Financial Management, Inc., New York, USA	1,367,720	3.01	Rise above 3%	7 Oct. 2013	Yes [3]	
14	Allianz Global Investors Europe GmbH, Frankfurt / Main, Germany	1,620,600	3.56	Rise above 3%	13 Jan. 2014	Yes [2]	

[1] Assigned as per section 22(1) sentence 1 no. 1 WpHG
[2] Assigned as per section 22(1) sentence 1 no. 6 WpHG
[3] Assigned as per section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG

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

According to the voting right notifications we received, there were no indirect equity investments in the capital of the company indirectly amounting to or exceeding 10% of the voting rights as at 31 December 2013.

Related party disclosures for the 2013 financial year

The only related parties of HAMBORNER within the meaning of IAS 24 are the members of the Managing Board, the Supervisory Board and their close relatives. There were no reportable transactions with related parties in the 2013 financial year.

Remuneration of the Managing Board and the Supervisory Board

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

The remuneration paid to persons in key positions at our company that is reportable under IAS 24 comprises the remuneration of the active Managing Board and the Supervisory Board. Total remuneration for active members of the Managing Board amounted to €1,162 thousand in the reporting year (previous year: €861 thousand). This includes current remuneration of €902 thousand (previous year: €861 thousand) and non-current, share-based remuneration of €260 thousand (previous year: €0 thousand). The remuneration of the members of the Supervisory Board is due in the short term and amounted to €303 thousand (previous year: €308 thousand) for the financial year.

The pension provisions recognised for former Managing Board members and their surviving dependents amounted to €4,534 thousand as at the end of the reporting period. Post-employment benefits under these pension commitments amounted to €426 thousand in the reporting year.

Executive Bodies of the Company and their Mandates

The Supervisory Board

Dr Josef Pauli, Essen
Honorary Chairman

Dr Eckart John von Freyend, Bad Honnef
Chairman
Partner in Gebrüder John von Freyend
Verwaltungs- und Beteiligungsgesellschaft m.b.H.
External mandates:
- AVECO Holding AG*
- Bundesanstalt für Immobilienaufgaben (BImA)**
- EUREF AG* (Chairman from 2 July 2013)
- FMS Wertmanagement AöR**(until 8 July 2013)
- Hahn-Immobilien-Beteiligungs AG *
- Investment AG für langfristige Investoren TGV*
- VNR Verlag für die Deutsche Wirtschaft AG*

Dr Bernd Kottmann, Münster
Deputy Chairman
Management consultant

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

Dr David Mbonimana, Seevetal
Head of Strategy at HSH Nordbank AG
External mandates:
- Amentum Capital Ltd.** (until 31 January 2013)
- Capcellence Mittelstandspartner GmbH**
- HGA Real Estate GmbH** (from 30 September 2013)
- HSH N Securities S.A.** (from 11 February 2013)

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

Bärbel Schomberg, Königstein
Managing Partner at Schomberg & Co Real
Estate Consulting GmbH
External mandates:
- Hahn-Immobilien-Beteiligungs AG* (from 23 August 2013)

Mechthilde Dordel***, Oberhausen
Clerical employee

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

Dieter Rolke***, Oberhausen
Clerical employee

Committees of the Supervisory Board

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

Audit Committee
Dr Bernd Kottmann (Chairman)
Wolfgang Heidermann (from 21 February 2013)
Christel Kaufmann-Hocker
Robert Schmidt

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

The Managing Board

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

Hans Richard Schmitz, Duisburg
Director for Portfolio Management, Legal,
Investor Relations / Public Relations, HR,
Corporate Governance, Insurance
External mandates:
- Waldbrunnen Beteiligungs AG* (Chairman) (from 19 June 2013)

Duisburg, 28 February 2014

The Managing Board

Dr Rüdiger Mrotzek　　　Hans Richard Schmitz

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

RESPONSIBILITY STATEMENT

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

Duisburg, 28 February 2014

The Managing Board

Dr Rüdiger Mrotzek Hans Richard Schmitz

AUDIT OPINION

To HAMBORNER REIT AG, Duisburg

We have audited the separate financial statements – comprising the 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 on the financial statements – together with the bookkeeping system and the management report of HAMBORNER REIT AG, Duisburg, for the financial year from 1 January 2013 to 31 December 2013. 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 results of operations in the separate financial statements in accordance with the applicable financial reporting framework and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping system, the separate financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the separate financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

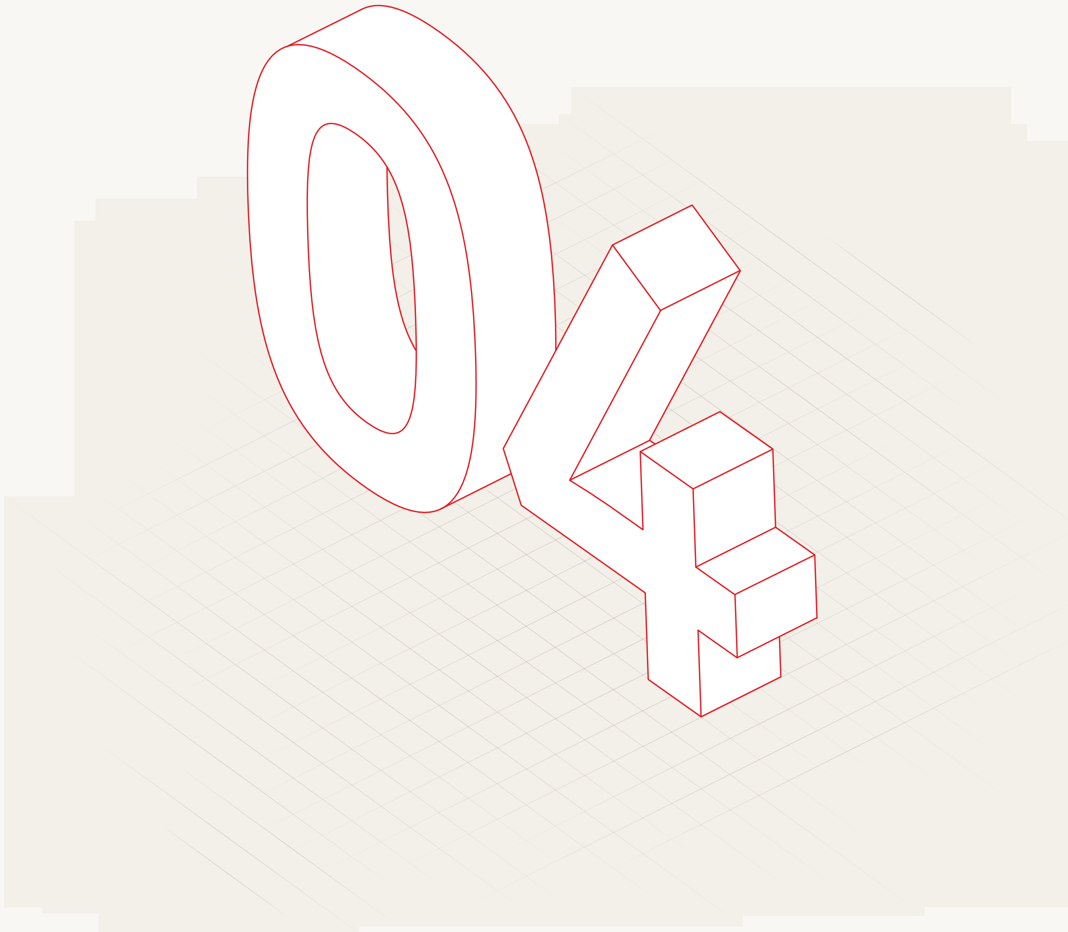
Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the separate financial statements of 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 results of operations of the company in accordance with these requirements. The management report is consistent with the separate financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Dusseldorf, 28 February 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Harnacke)	(Greschner)
Auditor	Auditor



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 Managing Board.

In connection with the annual financial statements in line with section 264 HGB and our separate IFRS financial statements in line with article 325(2) HGB, the Managing Board issues the following declaration of compliance with the requirements of sections 11 to 15 of the German REIT Act and the calculation of the composition of income in terms of income subject to and not subject to income tax for the purposes of section 19(3) and section 19a of the German REIT Act as at 31 December 2013.

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 2013, HAMBORNER's free float according to the notifications of voting rights that we have received was 78.91%. We notified the BaFin of this by way of letter dated 9 January 2014.

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 2013 financial year, 96.9% of HAMBORNER's total assets were immovable assets.

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

This requirement was met in full in the reporting year.

Section 13 of the German REIT Act: distribution to investors

In accordance with section 13(1) of the German REIT Act, HAMBORNER is required to distribute at least 90% of its HGB net income for the financial year, reduced or increased by the reversal of or allocation to the reserve for gains on the disposal on immovable assets in accordance with section 13(3) of the German REIT Act and also reduced by any loss 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 €18.2 million, thus using its full HGB net income for the financial year.

Section 14 of the German REIT Act: exclusion of real estate trading

According to this regulation, a REIT company cannot conduct trades with its immovable assets if the income from these assets constitutes more than half of the value of the average portfolio of immovable assets within the last five years as a REIT company.

The company has sold approximately 3.2% of its average portfolio of immovable assets 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 amount of immovable assets in the IFRS financial statements.

The corresponding value at HAMBORNER as at 31 December 2013 was 52.5%.

Section 19 of the German REIT Act: composition of income in terms of income subject to and not subject to income tax

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

Subject to the approval of the Annual General Meeting, HAMBORNER will distribute a dividend not subject to taxation of € 18.2 million.

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

Duisburg, 28 February 2014

The Managing Board

Dr Rüdiger Mrotzek Hans Richard Schmitz

The REIT declaration was audited by the auditor in accordance with section 1(4) of the German REIT Act on 28 February 2014.

IMPORTANT TERMS AND ABBREVIATIONS

AktG	Aktiengesetz – German Stock Corporation Act
Capitalisation rate	The capitalisation rate is used to capitalise the long-term recoverable net return on an investment in perpetuity. This rate reflects growth (e.g. rent growth or inflation) and represents an appropriate market return for the property.
Cash flow	Net total of the inflows and outflows of cash in a period.
Compliance	Implies compliance with laws and regulations in companies in addition to voluntary codes. The entirety of the principles and measures employed by a company in compliance with certain regulations and therefore to avoid violations in a company is referred to as the compliance management system.
Corporate governance	Principles of responsible corporate governance and control geared to the long-term creation of value added.
Cost ratio (EPRA)	The cost ratio developed by the EPRA measures the cost / income structure of property companies and is intended to make them comparable on the basis of a uniform definition. It is the ratio of all operating costs (possibly adjusted for individual components) incurred in the management and operation of the property to 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	Designated sponsors are specialist financial service providers that counteract temporary imbalances between supply and demand in individual shares in the electronic trading system Xetra. The negotiability of a share is meant to be improved through placing bid and ask limits.
DIMAX	Share index published by the banking firm Ellwanger & Geiger, which comprises German property shares.
Discounting rate	The discounting rate is the return that investors expect when providing capital, taking into account the specific investment risk, and consists of a risk-free interest rate plus a market-specific and property-specific risk. The future cash flows of the respective analysis period are discounted to the measurement date using the discounting rate.
EBDA	Earnings before depreciation and amortisation.
EBIT	Earnings before interest and tax (only taxes on income).
EBITDA	Earnings before interest, taxes, depreciation and amortisation (only taxes on income).
EPRA	European Public Real Estate Association – European association of listed property companies. Financial analysts, investors, auditors and consultants are also represented here in addition to companies.
Fair value	Fair value or market value, the value at which knowledgeable and willing parties would be prepared to exchange an asset at normal market conditions or to settle a liability.
FFO / AFFO	Funds from operations / adjusted funds from operations: Key performance indicator for operating business and also a key control parameter of the company. FFO is used in value-oriented corporate management to show the funds generated that are available for investments, repayments and dividend distributions to shareholders in particular. Adjusted for maintenance and capitalisation expenditure in the financial year not recognised as an expense, this figure is known as AFFO.
GCGC	German Corporate Governance Code – a set of regulations devised by the Government Commission of the Federal Republic of Germany for listed companies intended to promote good and responsible corporate governance.
GDP	Gross domestic product: Indicator of the economic performance of an economy, i.e. the combined value of all goods and services generated by a country within a specific period.

HGB	Handelsgesetzbuch – German Commercial Code.
IFRS	International Financial Reporting Standards: International accounting regulations issued by the International Accounting Standards Board (IASB). These must be applied by listed companies and groups and are intended to facilitate better comparability in the international environment.
Investment property	All undeveloped and developed properties plus buildings and parts of buildings are held to generate future rental income or profits from appreciation in value in respect of third parties or for an as yet undefined use. They are not intended for administrative purposes or for short-term 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.
Prime Standard	Deutsche Börse market segment for stock corporations that satisfy particularly high international transparency standards.
REIT	Abbreviated form for real estate investment trust. Listed company that invests solely in property. Facilitates indirect investment in properties for investors through the purchase of shares. The majority of its profit is distributed and taxation occurs at investor level only (tax transparency).
REIT equity ratio	Corresponds to the equity coverage ratio in accordance with section 15 in conjunction with section 12(1) sentence 2 of the German REIT Act, i.e. the ratio of equity (on a fair value basis) to the fair value of immovable assets. The equity on fair value basis is calculated from the total reported equity and hidden reserves. At HAMBORNER immovable assets consist of the property portfolio of the company and undeveloped land, consisting primarily of agricultural land and forests.
Risk management	Systematic process intended to identify and assess potential risks in a company at an early stage, introducing necessary preventive measures where appropriate.
SDAX	Small-cap index: German share index that, as a small-cap index, includes the 50 most important equities after the DAX and MDAX. The "S" for "small-cap" refers to smaller companies with low market capitalisation and stock exchange turnover.
Statement of cash flows	The statement of cash flows transparently shows a company's cash flows. Transactions affecting cash are classified according to operating, investing and financing activities.
Triple net asset value (NNNAV)	Net asset value less deferred taxes for hidden reserves between the carrying amount and fair value, taking into account the difference in value between the fair value and carrying amount of debt.
Vacancy rate	The company calculates its vacancy rate as target rent for the vacant space in relation to total target rent. In calculating the economic vacancy rate, the rental losses for vacancies are adjusted for contractual rent guarantee claims.
Vacancy rate (EPRA)	The EPRA vacancy rate is calculated using the annualised rent for vacant space at standard market rents for the portfolio as a whole as at the end of the reporting period.
WpHG	Wertpapierhandelsgesetz – German Securities Trading Act.

NOTE

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

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

IMPRINT

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HAMBORNER REIT AG

FINANCIAL CALENDAR 2014 / 2015

26 March 2014	Annual report 2013
5 May 2014	Interim report for Q1 2014
6 May 2014	Annual General Meeting 2014
7 May 2014	Payment of dividend for the 2013 financial year
8 August 2014	Interim report for 1st half 2014
12 November 2014	Interim report for Q3 2014
25 March 2015	Annual report 2014
5 May 2015	Interim report for Q1 2015
7 May 2015	Annual General Meeting 2015

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