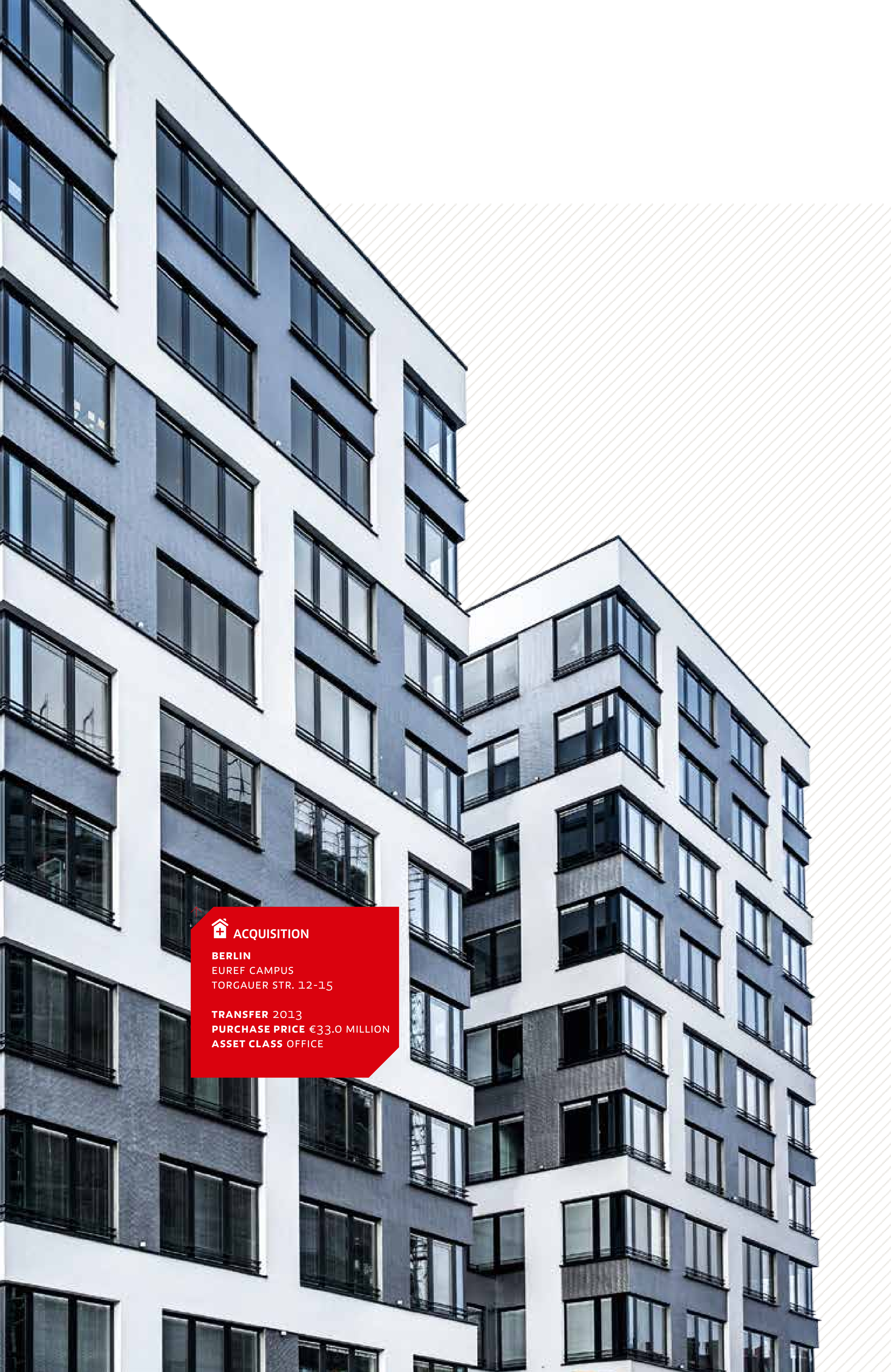
hamborner
REIT
ZUKUNFT BRAUCHT SUBSTANZ

ANNUAL REPORT 2014

STRONG INTO THE FUTURE



ACQUISITION

BERLIN
EUREF CAMPUS
TORGAUER STR. 12-15

TRANSFER 2013
PURCHASE PRICE €33.0 MILLION
ASSET CLASS OFFICE

NEW INVESTMENTS & DISPOSALS

BAD HOMBURG
LOUISENSTR. 66

PURCHASE PRICE €7.9 MILLION
TRANSFER 01/2014
ASSET CLASS HIGH STREET/RETAIL

KOBLENZ
LÖHRSTR. 40

PURCHASE PRICE €11.0 MILLION
TRANSFER 10/2014
ASSET CLASS HIGH STREET/RETAIL

SIEGEN
BAHNHOFSTR. 8

PURCHASE PRICE €13.0 MILLION
TRANSFER 10/2014
ASSET CLASS HIGH STREET/RETAIL

AACHEN
KREFELDER STR. 216

PURCHASE PRICE €26.9 MILLION
EXPECTED TRANSFER Q1 2015
ASSET CLASS OFFICE

BERLIN
TEMPELHOFER DAMM

PURCHASE PRICE €18.9 MILLION
EXPECTED TRANSFER END OF 2015
ASSET CLASS HIGH STREET/RETAIL

MOERS
HOMBERGER STR. 41

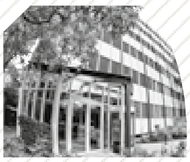
SALE PRICE €2.4 MILLION
TRANSFER 01/2014
ASSET CLASS HIGH STREET/RETAIL

WUPPERTAL
TURMHOF 6

SALE PRICE €2.8 MILLION
TRANSFER 01/2014
ASSET CLASS HIGH STREET/RETAIL

HANNOVER
KARMASCHSTR. 24

SALE PRICE €5.6 MILLION
TRANSFER 02/2014
ASSET CLASS HIGH STREET/RETAIL



FRANKFURT AM MAIN
CRONSTETTENSTR. 66

SALE PRICE €5.3 MILLION
TRANSFER 04/2014
ASSET CLASS OFFICE

BERLIN
SCHLOSSSTR. 40

SALE PRICE €4.9 MILLION
TRANSFER 07/2014
ASSET CLASS HIGH STREET/RETAIL

HAMBURG
ZIETHENSTR. 10

SALE PRICE €1.9 MILLION
TRANSFER 09/2014
ASSET CLASS OFFICE

KAMP-LINTFORT
MOERSER STR. 247

SALE PRICE €3.4 MILLION
TRANSFER 12/2014
ASSET CLASS HIGH STREET/RETAIL

DÜREN
WIRTELSTR. 30

SALE PRICE €1.8 MILLION
EXPECTED TRANSFER END OF 2015
ASSET CLASS HIGH STREET/RETAIL

KEY FIGURES AT A GLANCE (IFRS)

€ thousand	2014	2013	2012
FROM THE INCOME STATEMENT			
Income from rents and leases	46,823	45,227	36,993
Net rental income	42,858	40,933	33,229
Operating result	19,893	20,416	17,509
Financial result	–13,472	–12,249	–10,627
EBITDA	46,960	37,149	30,381
EBDA	33,488	24,900	19,729
EBIT	30,581	20,770	18,393
Funds from operations (FFO)	24,555	23,786	18,877
Net profit for the year	17,109	8,521	7,741
FROM THE STATEMENT OF FINANCIAL POSITION			
Total assets	621,303	631,712	541,437
Non-current assets	607,779	596,302	511,352
Equity	270,195	271,744	276,752
Equity ratio in %	43.5	43.0	51.1
REIT equity ratio in %	53.1	52.5	60.3
Loan-to-value (LTV) in %	43.3	43.7	34.2
ON HAMBORNER SHARES			
Number of shares outstanding	45,493,333	45,493,333	45,493,333
Basic = Diluted earnings per share in €	0.38	0.19	0.20
Funds from operations (FFO) per share in €	0.54	0.52	0.41
Stock price per share in € (Xetra)			
Highest share price	8.29	7.58	7.60
Lowest share price	7.34	6.75	6.35
Year-end share price	8.12	7.34	7.48
Dividend per share in €	0.40	0.40	0.40
Dividend yield in relation to the year-end share price in %	4.9	5.4	5.3
Price/FFO ratio	15.0	14.1	18.2
Market capitalisation	369,406	333,921	340,290
OTHER DATA			
Fair value of investment property portfolio	717,490	691,830	579,510
Net asset value (NAV)	394,548	375,337	371,823
Net asset value per share in €	8.67	8.25	8.17
Number of employees at year-end including Managing Board	31	27	26

STRONG INTO THE FUTURE

In the 2014 financial year, HAMBORNER successfully continued the growth course on which it has embarked. The foundation for this is the systematic implementation of our strategic assignments: portfolio optimisation, performance improvement and efficiency enhancement.

In the past financial year, we made further progress in all three areas, as you can read in this report. HAMBORNER will therefore face the challenges the future brings on the basis of a strong positioning, after all – **the future needs a solid foundation**.

IMAGE SECTION

At the heart of the image section of our 2014 annual report are the three strategic assignments of HAMBORNER REIT AG, whose implementation we have systematically advanced over the past financial year.

P. 8

ASSIGNMENT: PORTFOLIO

REVIEWING THE PORTFOLIO

P. 12

ASSIGNMENT: PERFORMANCE

OPTIMISING COSTS AND INCOME

P. 16

ASSIGNMENT: EFFICIENCY

UTILISING RESOURCES

CONTENTS

01

LETTER TO SHAREHOLDERS

22 Letter to Shareholders
24 Report of the Supervisory Board
28 Managing Board and Supervisory Board
29 Corporate Governance Report
34 Remuneration Report*
40 Sustainability at HAMBORNER
45 HAMBORNER Shares
49 Transparent EPRA Reporting

* also part of the management report

02

MANAGEMENT REPORT

54 Basic Information on the Company
56 Economic Report
77 Supplementary Report
78 Report on Risks and Opportunities
83 Forecast Report
86 Report on Additional Information under Company Law
89 Corporate Governance Declaration
89 Remuneration of the Managing Board and the Supervisory Board

03

SEPARATE FINANCIAL STATEMENTS (IFRS)

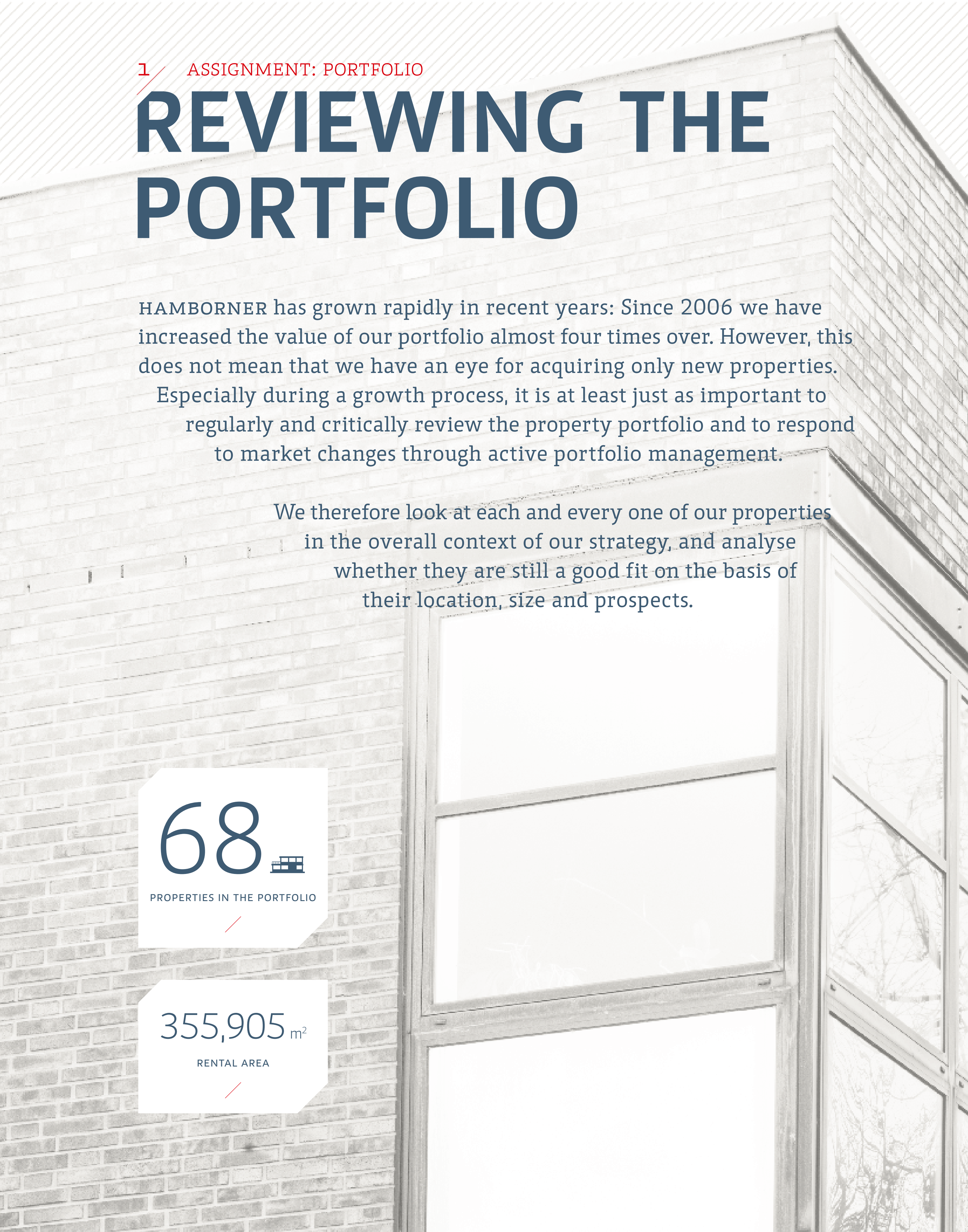
92 Income Statement
93 Statement of Comprehensive Income
94 Statement of Financial Position
96 Statement of Cash Flows
97 Statement of Changes in Equity
98 Statement of Changes in Fixed Assets*
100 Notes to the Financial Statements
124 Responsibility Statement
125 Audit Opinion

* also part of the notes

04

ADDITIONAL INFORMATION

128 REIT Information
130 Important Terms and Abbreviations
132 Imprint
133 Financial Calendar



1 ASSIGNMENT: PORTFOLIO

REVIEWING THE PORTFOLIO

HAMBORNER has grown rapidly in recent years: Since 2006 we have increased the value of our portfolio almost four times over. However, this does not mean that we have an eye for acquiring only new properties. Especially during a growth process, it is at least just as important to regularly and critically review the property portfolio and to respond to market changes through active portfolio management.

We therefore look at each and every one of our properties in the overall context of our strategy, and analyse whether they are still a good fit on the basis of their location, size and prospects.

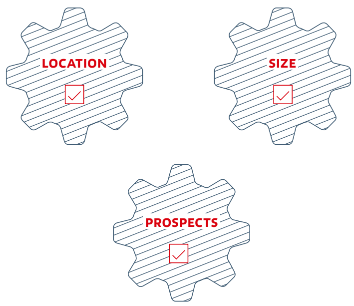
68

PROPERTIES IN THE PORTFOLIO

355,905 m^2

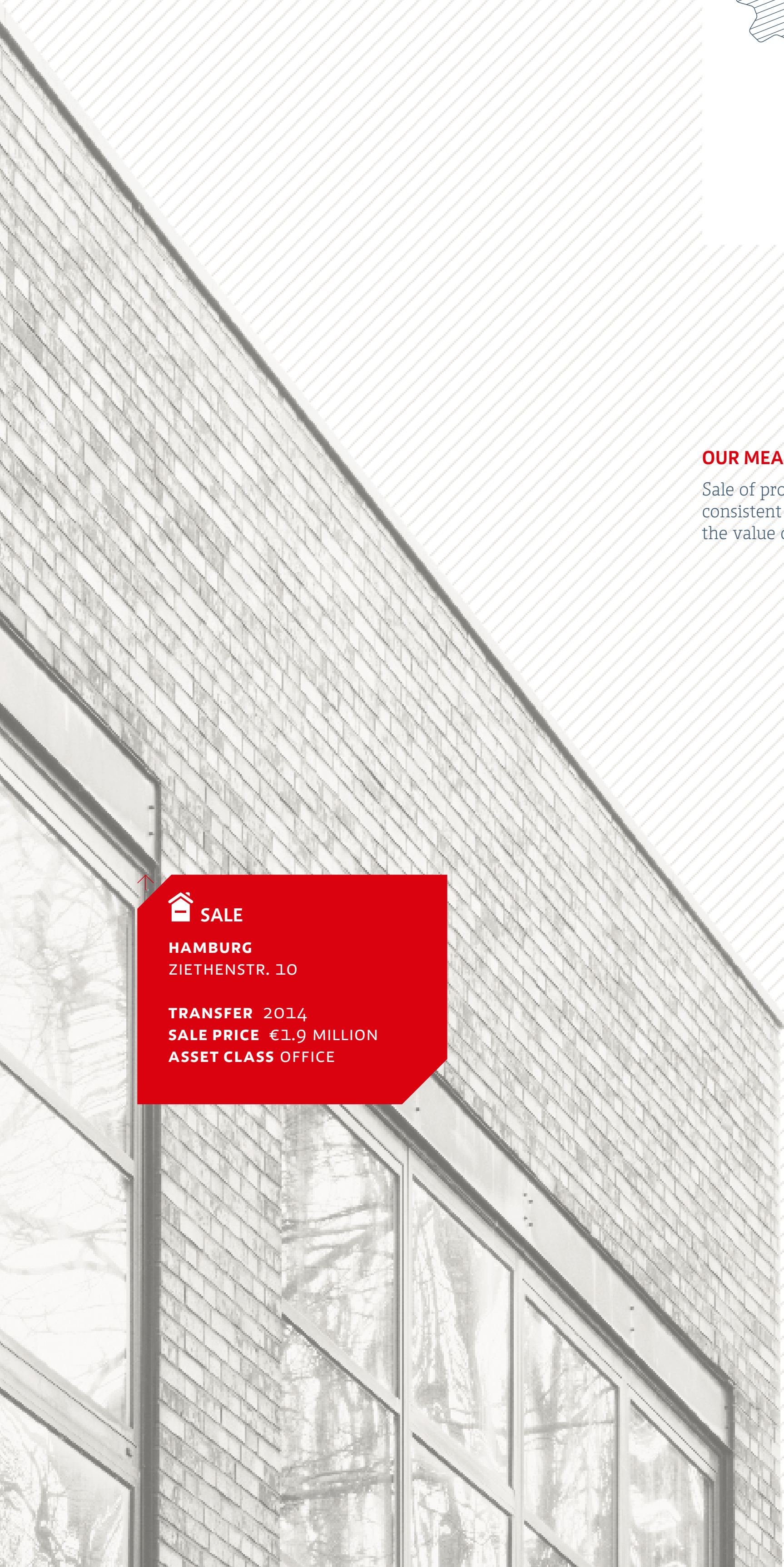
RENTAL AREA

PORTFOLIO REVIEW CRITERIA



OUR MEASURES →

Sale of properties no longer consistent with strategy increases the value of the portfolio



SALE

HAMBURG
ZIETHENSTR. 10

TRANSFER 2014
SALE PRICE €1.9 MILLION
ASSET CLASS OFFICE

SALE OF PROPERTIES NO LONGER CONSISTENT WITH STRATEGY

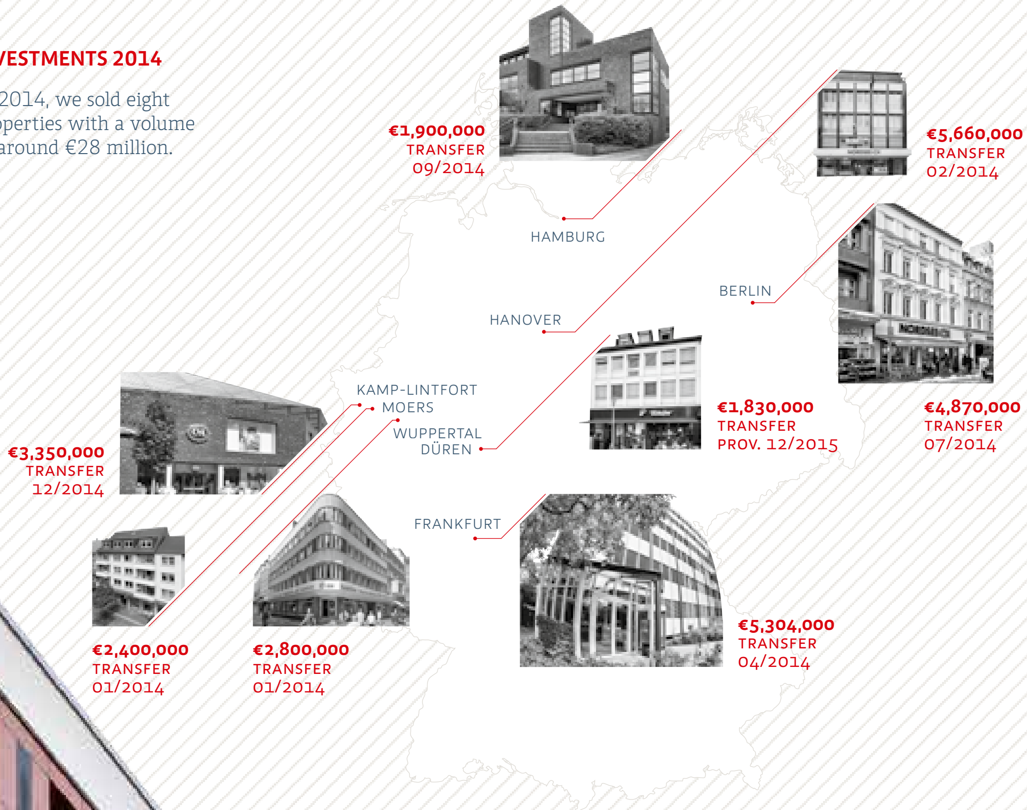
Favourable environment in 2014

In recent years we have repeatedly taken advantage of market opportunities as they arise to sell smaller, labour-intensive properties that are no longer a good fit for our portfolio strategy. We leveraged the market environment, which has been particularly good for disposals lately, and in 2014 alone sold eight properties – including one in Düren to be transferred in 2015. We now have around a dozen of these smaller properties that no longer suit our strategy in our portfolio (a volume of around €22 million) that we intend to gradually sell off.

We are handling the forthcoming sales in a targeted, yet calm, manner, as we are not controlled by pressure to sell. All the properties are let and therefore, for as long as they are a part of our portfolio, they are contributing to our FFO.

DIVESTMENTS 2014

In 2014, we sold eight properties with a volume of around €28 million.



ACQUISITION

MUNICH
NUOFFICE
DOMAGKSTR. 10

TRANSFER 2013
PURCHASE PRICE €40.1 MILLION
ASSET CLASS OFFICE

8

SALES AND CONTRACTS SIGNED IN 2014

5

ACQUISITIONS AND CONTRACTS SIGNED IN 2014

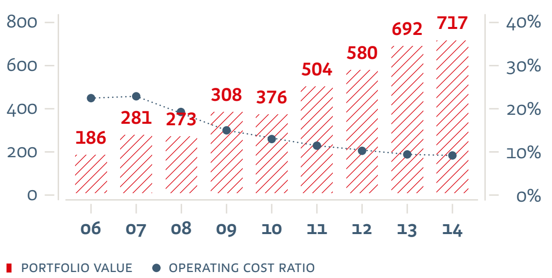
2 ASSIGNMENT: PERFORMANCE

OPTIMISING COSTS AND INCOME

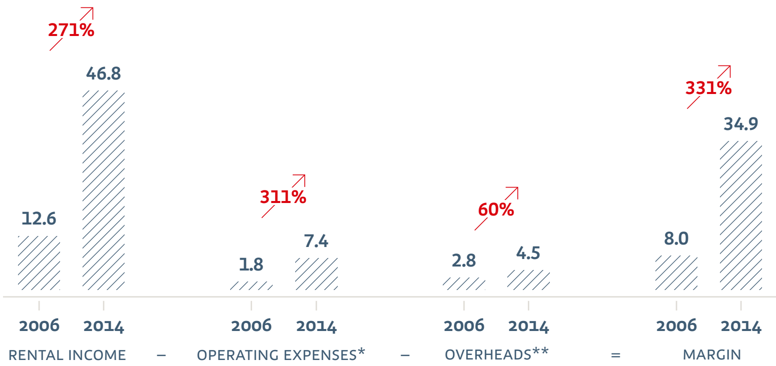
The growth trajectory that HAMBORNER has taken over the last few years is not an end in itself. By moderately increasing personell and administrative costs while at the same time significantly increasing rental income, we have substantially reduced our cost ratio and improved our margin considerably.

As we see it, we now have efficient overall structures in the company. Nonetheless, we feel that there is still the potential to reduce the cost ratio further given future growth.

PORTFOLIO VALUE AND OPERATING COST RATIO IN € MILLION



DEVELOPMENT OF RENTAL INCOME, OVERHEADS AND MARGIN
IN € MILLION



* Operating expenses include income from passed-on incidental costs to tenants, current operating expenses and land and property maintenance.

** Overheads include personnel and administrative expenses.

OUR EFFECT →

Economies of scale positively influence key performance indicators

SALE

OBERHAUSEN
MARKTSTR. 116

TRANSFER 2013
SALE PRICE €0.9 MILLION
ASSET CLASS HIGH STREET/RETAIL

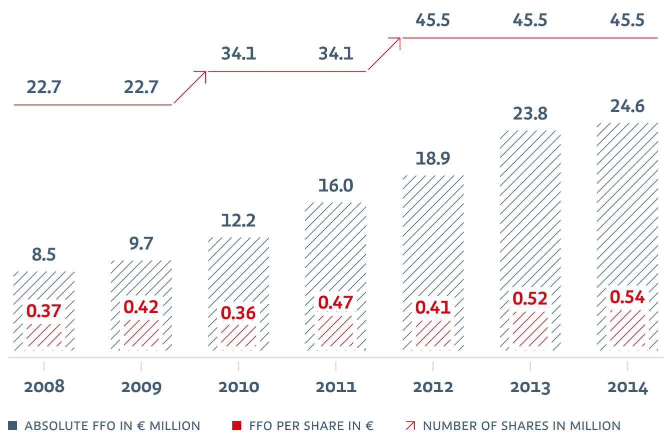
BENEFITING FROM ECONOMIES OF SCALE

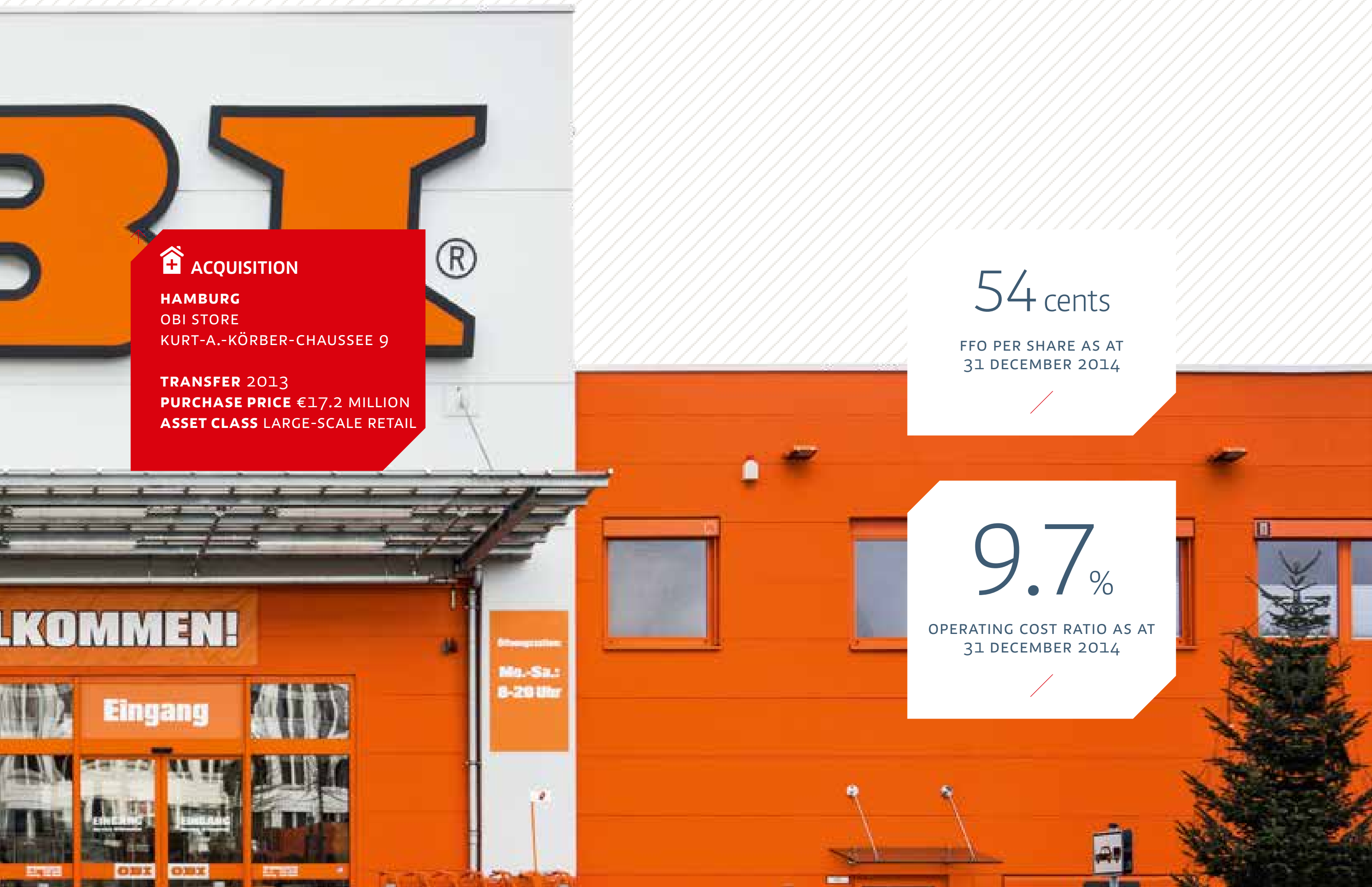
Positive development in FFO

FFO is HAMBORNER's most important key performance indicator and control instrument, which represents the long-term operating earnings power of our company. In particular, its positive development shows that our strategy and the leveraging of economies of scale have been successful in recent years.

Since FFO was calculated for the first time in 2008 it has risen steadily from financial year to financial year. Furthermore, despite two capital increases in 2010 and 2012 and the resultant doubling of the number of shares, FFO per share has also increased from €0.37 to €0.54.

DEVELOPMENT IN FFO AND FFO PER SHARE





ACQUISITION

HAMBURG
OBI STORE
KURT-A.-KÖRBER-CHAUSSEE 9

TRANSFER 2013
PURCHASE PRICE €17.2 MILLION
ASSET CLASS LARGE-SCALE RETAIL

54 cents

FFO PER SHARE AS AT
31 DECEMBER 2014

9.7%

OPERATING COST RATIO AS AT
31 DECEMBER 2014

3 ASSIGNMENT: EFFICIENCY

UTILISING RESOURCES

Through the ongoing sale of properties no longer consistent with strategy, we create additional financial and administrative capacity for the acquisition and management of larger properties that generate higher rental income relative to the administrative expense.

In this regard, our portfolio structure has also changed over the years. While in 2006 around 81% of our properties still had a fair value of less than €5 million, today this figure is only around 32%. 43% of our properties are currently valued at more than €10 million.

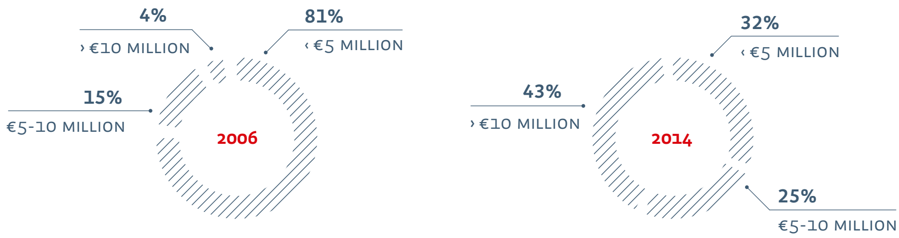
€3.4 million

AVERAGE PROPERTY SIZE 2006

€10.6 million

AVERAGE PROPERTY SIZE 2014

PORTFOLIO DISTRIBUTION BY PROPERTY SIZE



54 PROPERTIES WITH A PORTFOLIO VALUE OF €186 MILLION

68 PROPERTIES WITH A PORTFOLIO VALUE OF €717 MILLION

OUR RESOURCES →

The correct use of the capacity freed up creates value added

SALE

WUPPERTAL
TURMHOF 6

TRANSFER 2014
SALE PRICE €2.8 MILLION
ASSET CLASS HIGH-STREET/RETAIL

USING FREED UP CAPACITY

Sales in the 2014 financial year

The properties sold in 2014 were tied to 21 commercial and 28 residential leases. They generated rental income of around €1.9 million, but entailed relatively high administrative expenses. We generated total income of around €28 million by selling these properties.

In return, in the past financial year we acquired the job centre in Aachen for the same amount (€27 million): This property has just one lease, from which we generate rental income of €1.7 million.

This example impressively shows that we are in the practice of using the financial and administrative capacity freed up to manage large properties that lead to more rental income on lower administrative expenses.

Moreover, we have been profitably selling smaller properties since 2007. The income generated from these sales was 5% higher than the market value of the properties.

PROPERTY SALES SINCE REORIENTATION IN 2007
IN € MILLION

ACQUISITION

AACHEN
JOB CENTRE
KREFELDER STR. 216

TRANSFER 2015
PURCHASE PRICE €26.9 MILLION
ASSET CLASS OFFICE

5%

SALES ABOVE FAIR VALUE SINCE 2007

€ 17.2 million

IN BOOK PROFITS GENERATED SINCE 2007

01

LETTER TO SHAREHOLDERS

22 Letter to Shareholders
24 Report of the Supervisory Board
28 Managing Board and Supervisory Board
29 Corporate Governance Report
34 Remuneration Report*
40 Sustainability at HAMBORNER
45 HAMBORNER Shares
49 Transparent EPRA Reporting

* also part of the management report

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

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

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN,

2014 was a good year overall for the property industry. The low-interest environment stimulated property demand and, with a transaction volume of around €40 billion, the investment market for commercial property in Germany registered its third-best all time annual result. The fact that all key asset classes enjoyed clear gains highlights the broad base of demand and the consistently high interest in German commercial property.

Today, with the publication of this annual report, HAMBORNER REIT AG can also look back on a successful 2014 financial year, in which the good operating business performance of recent years continued.

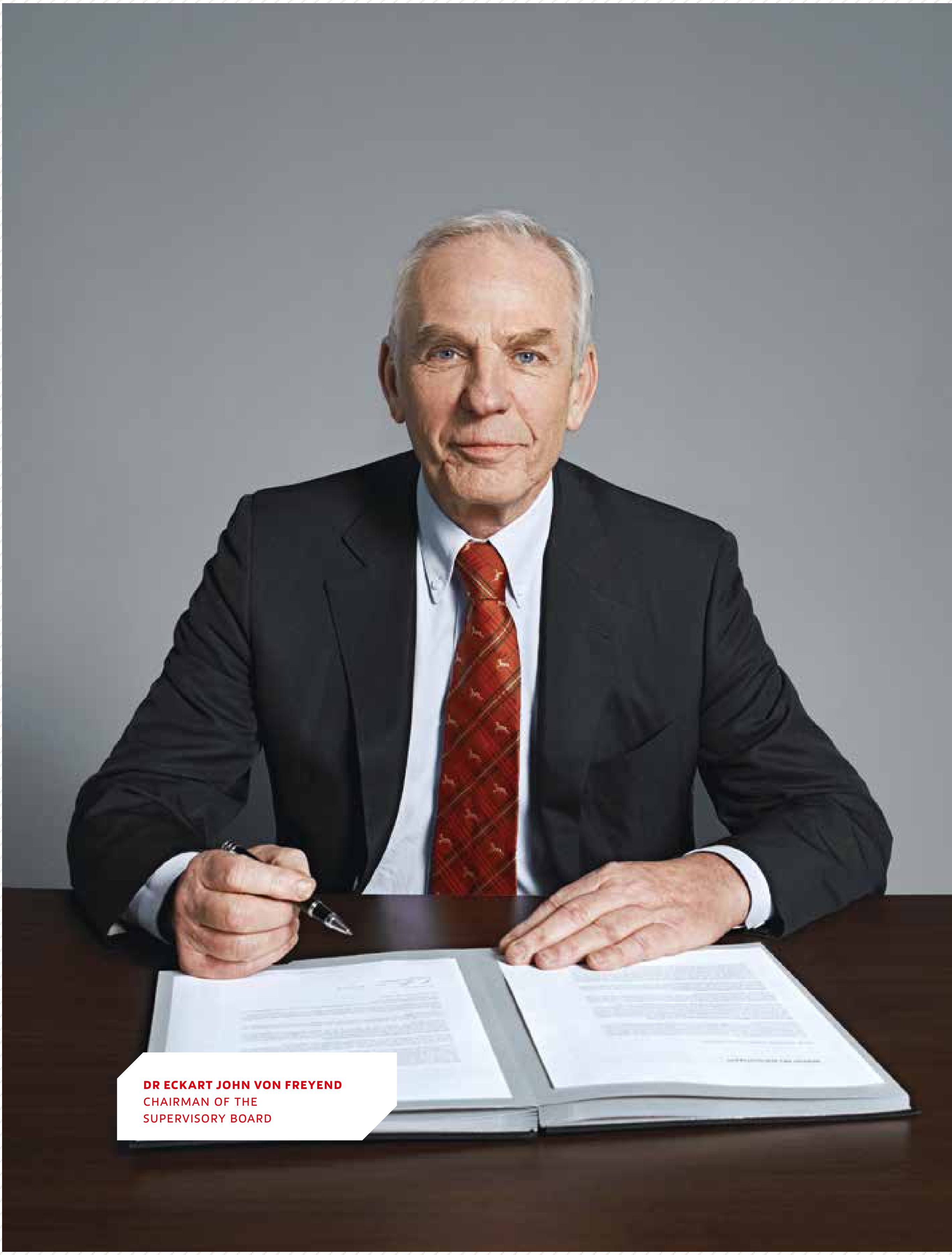
On the one hand, we made systematic progress with our strategy of yield-driven growth while, on the other, we utilised the market environment to dispose of smaller properties no longer consistent with strategy. Thus, among other things, we were able to sell seven properties with a combined purchase price volume of €26.3 million. We were also an active buyer in the reporting year with three new acquisitions in Bad Homburg, Koblenz and Siegen. As at the end of the year, the value of our portfolio broke the €700 million mark for the first time and rose to €717 million.

The good business performance in all areas is positively reflected in development of our key performance indicators, which will be explained to you in depth in this report. We increased income from rents and leases by 3.5% and FFO by 3.2%, we doubled earnings for the year and posted a rise in NAV of 5.1%. Our share price also climbed as against the previous year by a gratifying 10.6% to €8.12. At the Annual General Meeting on 7 May 2015 we will propose a dividend of €0.40 per share for the 2014 financial year. Based on the share price at the end of the year, this means an attractive dividend yield of 4.9%.

Given the structure of our company, our solid financial situation and, not least, thanks to our employees, who are highly committed and do excellent work, we have positive expectations for 2015 as well. The foundation for further growth has already been laid. In February of this year we partially utilised our authorised capital and issued around 4.5 million new shares. The cash inflow of approximately €41 million creates the scope for our growth strategy. We have also secured a long-term shareholder in the RAG Foundation.

At this point we would like to thank all our investors for their confidence and, of course, our tenants and business partners for their trust and the outstanding cooperation. We hope that you will remain with us in 2015 as well.

Dr Rüdiger Mrotzek　　　　Hans Richard Schmitz



DR ECKART JOHN VON FREYEND
CHAIRMAN OF THE
SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

LADIES AND GENTLEMEN,

The Supervisory Board of HAMBORNER REIT AG is delighted to report yet another successful financial year for the company. In the past year, particular attention was paid to the sale of smaller properties no longer consistent with strategy. Here, HAMBORNER REIT AG leveraged the positive market developments and disposed of a total of seven properties with a sale volume of around €26 million. Most of the investments made will not contribute to the company's growth until 2015. Nonetheless, FFO per share increased once again to currently €0.54.

Monitoring management and cooperation with the Managing Board

The Supervisory Board intensively and regularly monitored the work of the Managing Board again in the 2014 reporting year, and in doing so received detailed information on all significant business transactions and forthcoming decisions. The Managing Board reported comprehensively and in a timely manner at all times, both verbally and in writing, on the direction of the company and all relevant aspects of business planning including financial, investment and personnel planning. The Supervisory Board was also informed about the economic situation, the profitability of the company and the course of transactions, including the risk position and risk management.

There were four meetings of the Supervisory Board in the 2014 financial year. We also passed resolutions on two urgent 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 key transactions, forthcoming decisions and the current developments in the business situation.

Main activities of the Supervisory Board

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

At the accounts meeting of 19 March 2014, 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 2013, following its own review and discussion of significant aspects with the auditor Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. We endorsed the Managing Board's proposal for the appropriation of profits. In addition, we resolved the agenda of the 2014 Annual General Meeting. The Managing Board was again granted non-vested share commitments and a bonus in the context of performance-based remuneration. In addition, we discussed the procedure for the intended review of our own activities by way of self-evaluation. All members of the Supervisory Board took part in the meeting with the exception of Dr Mbonimana, who was absent due to illness.

There was a further meeting of the Supervisory Board after the Annual General Meeting on 6 May 2014. In particular, the intended acquisition of the office property in Aachen was discussed at this meeting. All members of the Supervisory Board took part in this meeting.

At the meeting on 9 September 2014, the Supervisory Board resolved the acquisition of the retail properties in Koblenz and Siegen. Furthermore, we resolved an amendment of the schedule of responsibilities for the Managing Board. All members of the Supervisory Board again took part in this meeting.

The planning meeting on 10 November 2014 focused on the company's budget and medium-term planning for 2015 to 2019. The planned revenue and earnings trend was discussed intensively with the Managing Board. Furthermore, the declaration of compliance in accordance with section 161 of the German Stock Corporation Act was adopted. All members of the Supervisory Board took part in this meeting.

Report by the committees

Some of the work of the Supervisory Board is performed by committees. There were three committees again in the 2014 financial year. The Executive Committee met twice to discuss and pass resolutions on Managing Board matters. In addition, it prepared the resolution of the Supervisory Board on the dividend for the 2013 financial year.

The Audit Committee met four times in the 2014 financial year with the auditor in attendance on each occasion. It discussed the 2013 annual financial statements in detail and the 2014 quarterly and half-year interim reports were explained by the Managing Board. The Audit Committee also discussed the preparations for the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor. Furthermore, it issued the audit mandate and determined the focus of the audit. In addition, the Committee discussed the results of an internal audit that was outsourced to a third-party audit firm and also stipulated the audit issues for the next audit.

The Nomination Committee met three times in the reporting year. It focused on preparing candidate proposals for the Supervisory Board with regard to the next round of elections for the Supervisory Board in 2015. In this context, among other things, a consulting firm was selected and engaged to guide this process intensively. The Supervisory Board was informed comprehensively about the activities of the committees by the respective chairman at the start of each meeting.

Corporate governance and the declaration of compliance

The Supervisory Board and the Managing Board again intensively discussed the further development of internal corporate governance in the year under review. We report on this, together with the Managing Board, in the corporate governance report for 2014 in accordance with item 3.10 of the German Corporate Governance Code ("Code" for short). There were no conflicts of interest within the meaning of item 5.5.3 of the Code among our members. A declaration of independence in accordance with item 7.2.1 of the Code was obtained from the auditor.

The Supervisory Board and the Managing Board published an updated declaration of compliance with the Code in accordance with section 161 AktG in December 2014. This declaration of compliance can be accessed by the public on the company's website at www.hamborner.de in the section Investor Relations/ Corporate Governance.

Adoption of the 2014 HGB annual financial statements (HGB) and approval of the IFRS separate financial statements

On 18 March 2015, the annual financial statements under German commercial law and the separate IFRS financial statements of the company together with the management report and the proposal for the appropriation of profits were addressed in detail in the presence of the auditor first in the Audit Committee and then at the Supervisory Board meeting in accordance with section 325(2a) of the German Commercial Code. 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 18 March 2015. The 2014 annual financial statements under German commercial law prepared by the Managing Board were thus adopted. The Supervisory Board has endorsed the proposal of the Managing Board for the distribution of the unappropriated surplus.

Unqualified audit opinion

The annual financial statements of the company as at 31 December 2014 prepared by the Managing Board in accordance with the rules of the German Commercial Code, the German Stock Corporation Act and the German REIT Act plus the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), the management report and the proposal for the appropriation of profits were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf.

The Supervisory Board had commissioned the audit in line with the resolution of the Annual General Meeting of 6 May 2014. The auditor issued unqualified audit opinions for both sets of financial statements.

Obituary for Dr Josef Pauli

The Supervisory Board, the Managing Board and the staff mourn the passing of the Honorary Chairman of the Supervisory Board, Dr Josef Pauli, who died on 18 December 2014 at the age of 86. Dr Pauli worked for HAMBORNER for more than 26 years, first on its Managing Board, then as its Chairman and finally as the Chairman of the Supervisory Board until 2005. He played a crucial role in our restructuring from a mining company to the property company we are today.

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, 18 March 2015

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,
Controlling, Taxes, Portfolio Management,
HR, IT, Risk Management and
Controlling, Investments

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

SUPERVISORY BOARD

Dr Josef Pauli, Essen († 18 December 2014)
– 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 –
MBA

Christel Kaufmann-Hocker, Düsseldorf
Management consultant

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

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

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

Mechthilde Dordel, Oberhausen*
Clerical employee

Wolfgang Heidermann, Raesfeld*
Technician

Dieter Rolke, Oberhausen*
Clerical employee

* Employee representative

CORPORATE GOVERNANCE

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

In this section, in line with the recommendations of item 3.10 of the German Corporate Governance Code ("Code" for short) as amended on 24 June 2014, 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.

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

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

The Code as such was recently one of the subjects discussed at the Supervisory Board meeting on 10 November 2014. 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 made no amendments to the Code in 2014. The only additional explanations by the Commission were provided in the footnotes to the sample tables for management board remuneration. The Supervisory Board defined company-specific caps for the individual remuneration of Managing Board members as a whole and for the variable remuneration components already last year in line with the Code's recommendation. Further information on this and the table referred to above showing Managing Board remuneration can be found in the remuneration report from page 34.

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. The existing compliance guidelines were therefore reviewed again by the Managing Board in 2014 and all employees received training. Furthermore, key business processes were submitted to an internal audit in the financial year under review. This audit was conducted by a third-party firm.

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

The Managing Board and the Supervisory Board issued the following declaration of compliance in accordance with section 161 AktG in December 2014. 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 2014

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 24 June 2014, with the exception of the recommendation in item 4.2.1 sentence 1, since issuing its last declaration of compliance in December 2013, 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 2015.

Duisburg, December 2014

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.

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

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

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

Cooperation between the Managing Board and the Supervisory Board

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

No consultancy or other service or work agreements were concluded between the company and individual members of the Supervisory Board in the 2014 financial year. There were no potential or actual conflicts of interests on the part of members of the Managing Board and the Supervisory Board that would have required immediate disclosure to the Supervisory Board in the reporting period.

Directors' dealings

In accordance with section 15a of the German Securities Trading Act (WpHG), the members of the Managing Board and the Supervisory Board and persons who perform management duties at an issuer of shares must disclose any purchases or sales of the company's securities if the total value of the transactions by the person performing management duties and related parties of that person reaches or exceeds €5 thousand within a calendar year. The company was notified of the following transactions carried out in the 2014 reporting year:

2014	Person subject to disclosure requirements	Function	Financial instrument	No.	Price	Total volume	Type of transaction
7 May	Dr Eckart John von Freyend	Supervisory Board	Shares	6,000	€7,551	46,506	Purchase

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

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

There were no reportable holdings in accordance with item 6.6 of the Code as at 31 December 2014.

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 123 and related party information can be found on page 122.

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 2014 financial year at the Annual General Meeting, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, submitted its declaration of independence in accordance with item 7.2.1 of the Code in a letter dated 28 February 2014. It was agreed with the auditor that the Chairman of the Audit Committee should be informed immediately of any grounds for exclusion or a lack of impartiality arising during the audit if these are not immediately rectified. Furthermore, it was agreed that the Chairman of the Supervisory Board and the Chairman of the Audit Committee should be informed immediately if specific findings or incidents arise in performing the audit of the financial statements which could be of significance for the proper performance of the duties of the Supervisory Board. This includes the discovery of facts containing inaccuracies in the declarations on the Code issued by the Managing Board and the Supervisory Board.

REMUNERATION REPORT

(Also part of the management report)

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

Remuneration of the members of the Managing Board in the 2014 financial year

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

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

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

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

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

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

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

The remuneration system for the Managing Board consists of the following components:

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

Short-term variable remuneration (bonus)
In the event of 100% attainment of targets, the short-term variable remuneration (bonus) will amount to €125 thousand dependent on 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 thousand. Furthermore, the Supervisory Board can adjust the bonus for target achievement by up to 20% in either direction in light of the personal performance by the member of the Managing Board.

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

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

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

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

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

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

Pension

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

Termination benefits for the Managing Board

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

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

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

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

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

The remuneration granted to active members of the Managing Board on the basis of existing service agreements for the 2014 financial year broke down as follows:

	Dr Rüdiger Mrotzek				Hans Richard Schmitz			
€ thousand	**2014**	**2014 (min)**	**2014 (max)**	**2013**	**2014**	**2014 (min)**	**2014 (max)**	**2013**
Fixed remuneration	200	200	200	191	200	200	200	200
Benefits	28	28	28	27	46	46	46	22
Total	**228**	**228**	**228**	**218**	**246**	**246**	**246**	**222**
Short-term variable remuneration	***125**	**0**	**300**	***125**	***125**	**0**	**300**	***125**
Long-term variable remuneration	**130**	**0**	**546**	**130**	**130**	**0**	**546**	**130**
LTI 1 (2013) Plan ending 2016	–	–	–	65	–	–	–	65
LTI 2 (2013) Plan ending 2016	–	–	–	65	–	–	–	65
LTI 1 (2014) Plan ending 2017	65	0	312	–	65	0	312	–
LTI 2 (2014) Plan ending 2017	65	0	234	–	65	0	234	–
Total	**483**	**228**	**1,074**	**473**	**501**	**246**	**1,092**	**477**
Pension cost	30	30	30	30	30	30	30	30
Total remuneration under GCGC	**513**	**258**	**1,104**	**503**	**531**	**276**	**1,122**	**507**
Performance-based adjustment of the short-term variable remuneration	37	0	0	76	37	0	0	76
Total remuneration	**550**	**258**	**1,104**	**579**	**568**	**276**	**1,122**	**583**

* Based on 100% attainment of goals.

16,884 virtual share commitments were approved for the Managing Board for the 2014 financial year. They are subject to a three-year retention period. Their fair value as at the grant date was €130 thousand.

The table below shows the remuneration granted in or for the 2014 financial year:

	Dr Rüdiger Mrotzek		Hans Richard Schmitz	
€ thousand	**2014**	**2013**	**2014**	**2013**
Fixed remuneration	200	191	200	200
Benefits	28	27	46	22
Total	**228**	**218**	**246**	**222**
Short-term variable remuneration	162	201	162	201
Long-term variable remuneration	–	–	–	–
Other	–	–	–	–
Total	**390**	**419**	**408**	**423**
Pension cost	30	30	30	30
Total remuneration	**420**	**449**	**438**	**453**

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 €382 thousand in the 2014 financial year. The pension provisions recognised for this group of people amount to €4,328 thousand.

Remuneration of the Supervisory Board

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

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

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

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

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

The relevant remuneration of the Supervisory Board for the 2014 financial year is as follows:

€ thousand	2014			2013		
	Fixed remuneration	Attendance fees	Total	Fixed remuneration	Attendance fees	Total
Dr Eckart John von Freyend	60.0	2.0	62.0	55.0	2.0	57.0
Dr Bernd Kottmann	51.3	2.0	53.3	48.8	2.0	50.8
Christel Kaufmann-Hocker	27.5	2.0	29.5	27.5	2.0	29.5
Dr David Mbonimana	25.0	1.5	26.5	22.5	2.0	24.5
Robert Schmidt	32.5	2.0	34.5	32.5	1.5	34.0
Bärbel Schomberg	30.0	2.0	32.0	27.5	1.5	29.0
Mechthilde Dordel	22.5	2.0	24.5	22.5	2.0	24.5
Wolfgang Heidermann	27.5	2.0	29.5	27.5	2.0	29.5
Dieter Rolke	22.5	2.0	24.5	22.5	2.0	24.5
Total	**298.8**	**17.5**	**316.3**	**286.3**	**17.0**	**303.3**

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

D&O insurance

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

SUSTAINABILITY AT HAMBORNER

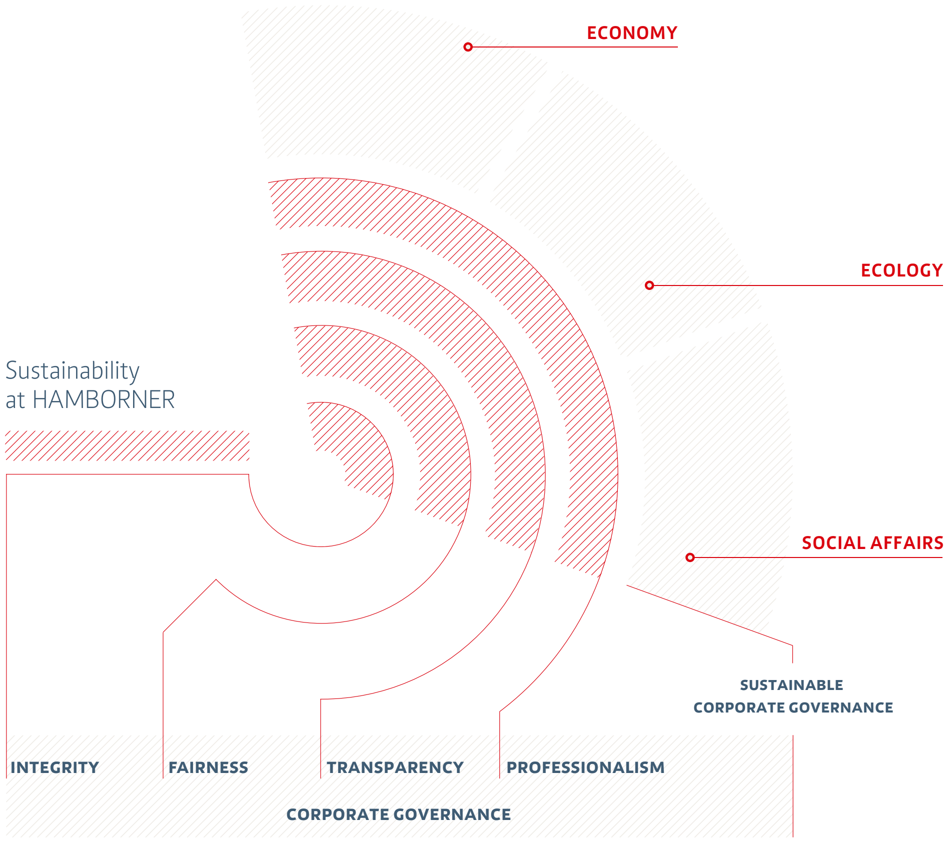
The success of a company is not measured by its revenue and income alone. Profitable growth is possible in the long term only by accepting responsibility for the environment and society.

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

The standards of the ZIA and GRID also define the content of our sustainability report. After we presented our independent sustainability report for the first time in October 2013, we published a new edition, which also includes our progress report, in August 2014.

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.

The detailed sustainability report is available on our website **WWW.HAMBORNER.DE** in the Substainability section. You can also contact us for a printed version

SPECIAL ISSUES IN 2014

Detailed information and economic, ecological and social analyses in relation to the issue of sustainability at HAMBORNER can be found in our sustainability report. At this point we would therefore like to only briefly describe the most exciting aspects in sustainability in the 2014 financial year.

EUREF Campus receives LEED platinum certificate

LEED platinum certificate for the office property on the EUREF Campus in Berlin

On 17 July 2014, our office property on EUREF Campus in Berlin received the LEED platinum certificate in the category "Building Design and Construction – Core and Shell Development".

The property, which was added to our portfolio back 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 was 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.

Location revitalisation: T-Damm Center, Berlin

The revitalised T-Damm Center in Berlin is expected to transfer to the HAMBORNER portfolio at the end of 2015.

Portfolio optimisation with acquisition of larger properties and disposal of smaller properties with more intensive management requirements

As part of our portfolio optimisation, we are pursuing the strategy of buying larger properties while at the same time selling smaller ones with intensive management requirements. In April 2014 we signed a purchase agreement for the "T-Damm Center" project on Tempelhofer Damm in Berlin, showing that – after an in-depth examination – we have faith in the revitalisation of locations previously used for other purposes.

The T-Damm Center comprises an existing building and a new section, and it is this symbiosis that will make it an attractive centre in future in conjunction with a historic market hall. Maintaining the building's historic fabric goes hand-in-hand with the full renovation of the market hall, both to preserve the identity of the location and to meet modern expectations for retail properties.

The listed hall was built between 1924 and 1925 as a tram depot where up to 100 trams could undergo maintenance. At the end of the 1990s it was converted into a market hall, though it failed to attract sufficient numbers of customers as it did not connect to the main traffic axis on Tempelhofer Damm. The two buildings facing Tempelhofer Damm will be replaced with a new building to revitalise the location for a new type of use. The combination of new construction and renovation will create a contemporary mix of uses.

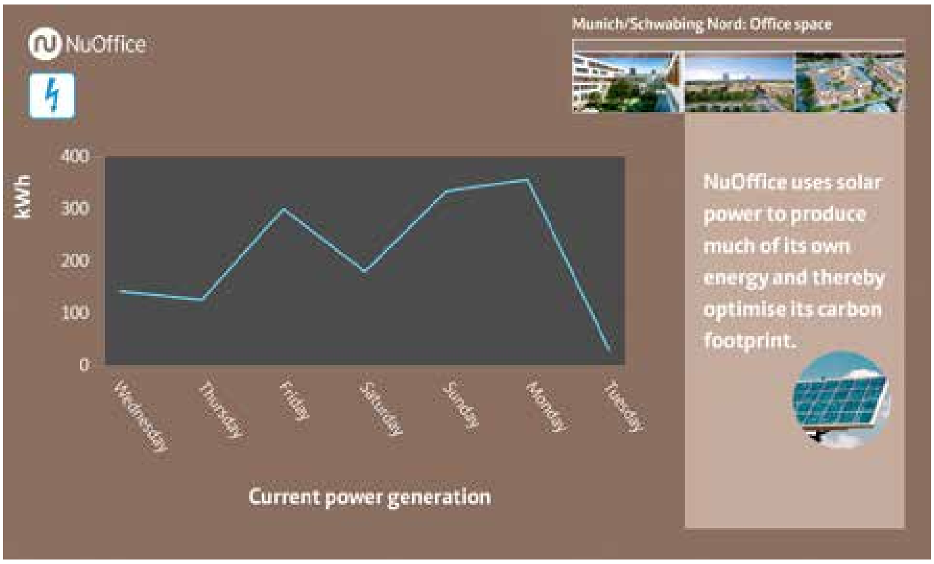
Construction work began in December 2014 – HAMBORNER expects to take on the completed property from the project developer at the end of 2015.

Certifiably sustainable: NuOffice

After receiving its platinum LEED certification in 2013, our office property in Parkstadt Schwabing in Munich was presented with a major accolade for its sustainable design this year as well:

In April 2014 the European Commission presented NuOffice with the "Green Building Award" in recognition of, among other things, its extensive insulation, the use of a photovoltaics system and the absorption heat pump run on district heating to heat the building.

Overall, these measures mean that NuOffice requires only around 15% of the primary energy stipulated by the EU as its benchmark – the energy saving for the year 2013 is therefore 85%. This figure makes NuOffice one of the most energy efficient buildings in Europe in the "new build" category. Second and third place are taken by the Trotec Office Building near the Austrian city of Linz (2013 energy saving: 79.9%) and the Telekonsult Arena in Växjö, Sweden (2013 energy saving: 75%).



A green building monitor has been installed in the foyer of NuOffice:

It shows users and visitors to the office complex real-time data on building and system operations in addition to its current energy consumption.

This is intended to promote a conscious awareness of the building and the energy needed.

Exemplary tenants

We are delighted when our tenants initiate or promote sustainability projects as well. Leading with what we consider to be an extraordinarily good example is the Schüren Bakery in our "Sass am Markt" property in Langenfeld. On the initiative of our tenant, a charging station for electric cars was installed on the first floor of our car park in the "Sass am Markt" property.

In future, drivers of electric cars will be able to use two type 2 connections and two normal Schuko connections. At the start of June, with 30 electric car drivers from all over NRW taking part, the first branch of the "Kreuz Hilden Charging Park" was opened by "Ihr Bäcker Schüren". Now electric cars can charge for free at our property in Langenfeld.

Exemplary tenant: Since 2014 electric cars can charge for free in Langenfeld at the "Sass am Markt" car park. Its inauguration was a complete success.

Steeped in tradition: HAMBORNER's corporate headquarters

HAMBORNER's headquarters since the start of the 1970s: Goethestrasse 45 in Duisburg. From the end of 2015 a modern extension will provide more room for our staff and visitors.

HAMBORNER will remain true to its name and its corporate headquarters in the Duisburg district of Hamborn in the future as well. The building at Goethestrasse 45, which has served as the company's headquarters since the early 1970s, is now being added to with a three-story extension. The HAMBORNER REIT AG success story, which now goes back 60 years, will be written here in the years ahead. We will be using the land that we own for this. This not only saves costs, but also the travel time that would arise from having offices at different locations. Great progress is being made in construction work and we look forward to moving in to the new part of the building with our employees, provisionally at the end of 2015.

View of the new part of the building

Laying the foundation stone for the new part of the building on 27 February 2015

HAMBORNER SHARES

General situation on the stock market

On the stock markets, the 2014 financial year was constantly up and down for investors over the entire year, and is described by experts as relatively moderate. Although the German benchmark index DAX set several records and even rose above 10,500 points in the middle of June for the first time in its 26-year history, it closed as at 31 December 2014 at just 9,805 points. This corresponds to an increase of just 2.7% over the year and is significantly less than the previous year's surge of 25%. The indexes that follow the DAX, the MDAX and the SDAX, also posted only moderate growth of 2.2% and 5.1% respectively in the past year.

+2.7%
DAX in 2014

+5.1%
SDAX in 2014

The reason for the muted development on the capital markets, in addition to the generally weak growth in the euro zone and the scaled back economic outlook, was mainly the global crises – primarily in Ukraine and the Middle East. The rapid fall in the price of oil in the second half of the year also initially unsettled many capital market participants, with the result that the DAX temporarily dropped to 8,571 points in October. Above all, the driving forces behind the recovery since then have been the measures by central banks, which cut interest rates to increasingly drastic record lows, thereby providing liquidity on a massive scale. The European Central Bank recently lowered lending rates to a historic low of 0.05%.

Experts are anticipating a more volatile stock market in 2015. The reasons cited for this are the low interest rates, which make other investment forms, specifically bonds, less attractive compared to shares. However, in the event of a moderate rise in interest rates, the upward potential is limited. While the economic development of the US is forecast as positive and a rise in interest rates has not been ruled out here, this is more unlikely in Europe according to current expectations. The trend in the price of oil can also be seen as an economic driver and could affect the capital markets.

Property shares benefited from the positive influence of low interest rates and the search for viable investment alternatives again in 2014. In particular, residential property companies posted big increases, though commercial property companies also did well in 2014. International investors in particular invested in German property shares. The DIMAX property index compiled by the bank Ellwanger & Geiger, which tracks 72 listed property stocks, rose by more than 40% from the beginning of the year and therefore clearly outperformed the DAX. The FTSE EPRA/NAREIT Developed Europe ex UK Index, which is published by the Brussels-based European Public Real Estate Association gained around 18% over the year.

HAMBORNER REIT AG shares

HAMBORNER shares are traded on the stock markets of Frankfurt/Main and Düsseldorf in addition to the electronic trading system Xetra. The shares are listed under the securities identification number 601300 (ISIN: DE0006013006). They meet the international transparency requirements of Deutsche Börse's Prime Standard.

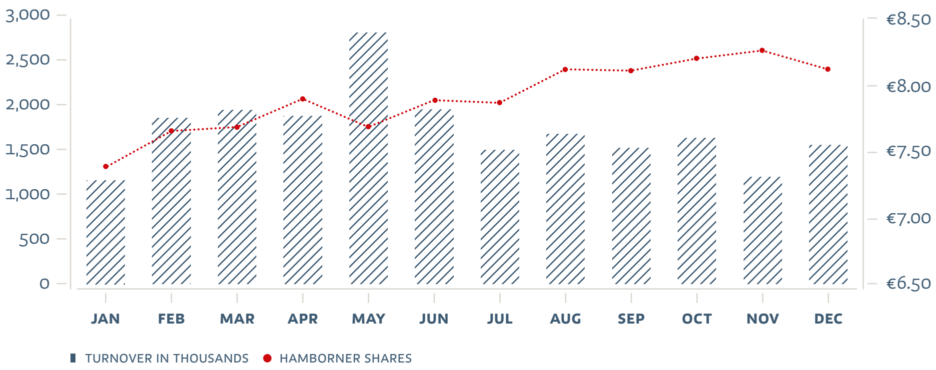
The company has commissioned HSBC Trinkaus & Burkhardt AG, Düsseldorf, as its designated sponsor. This ensures that HAMBORNER shares can be traded at all times on the basis of ongoing bid and ask prices. Total turnover of our shares increased by 30% over the year

+30%

total turnover in HAMBORNER shares over year rises to around 90,000 shares per day

to around 22.6 million in 2014 after around 17.4 million in the previous year. The average trading volume climbed to around 90 thousand shares per day compared to 69 thousand in the previous year.

Development of HAMBORNER shares



Price performance of HAMBORNER shares in 2014

Despite minor fluctuations during the year that owed more to the general developments on the capital markets, HAMBORNER's shares developed positively overall. While the shares had already risen by 4.8% compared to the end of 2013 to €7.69 as at the end of the first quarter, the price rose further in the second quarter and – despite the drop due to the dividend of €0.40 per share at the beginning of May – closed the first half of 2014 at €7.89. The positive development continued in the third quarter and the shares were briefly listed at above NAV before losing a little ground towards the end of the quarter and closing at €8.12. At the start of the fourth quarter, the situation on the capital market deteriorated significantly on account of new economic reports. HAMBORNER's shares were no exception to this. However, from the start of November the share price remained almost exclusively at a level of well above €8 and finally closed as at 31 December 2014 at a price of €8.12 (previous year: €7.34), a rise of 10.6%. Market capitalisation as at the end of the year was €369.4 million (previous year: €333.9 million); the discount relative to NAV was around 6% (previous year: around 11%).

+11%

rise in share price relative to 2013 closing price. Closing share price on 31 December 2014: €8.12

Shareholder structure as at 27 February 2015

- **78.37%** Free float
- **9.09%** RAG Foundation, Essen
- **4.60%** Prof Siegert, Düsseldorf
- **4.81%** Belfius Insurance NV/SA, Brussels
- **3.13%** BNP Paribas Investment Partners S.A., Paris

ISIN: DE0006013006 SCN: 601300

NUMBER OF SHARES: 50,042,665

SOURCE: VOTING RIGHT NOTIFICATIONS IN ACCORDANCE WITH SECTION 21 WPHG

Capital increase of 10% in February 2015

On 18 February 2015 we resolved a capital increase of 10% of share capital from authorised capital. The 4,549,332 new shares were subscribed to at a subscription price of €8.99 per share by a fund of the RAG Foundation, Essen, which is therefore now the single largest shareholder in HAMBORNER REIT AG. The gross issue proceeds of €40,912 thousand from the subscription to new shares serve to further enhance the equity base and are a foundation for the next steps in the company's growth.

HAMBORNER shares at a glance

		2014	2013	2012
Issued capital	€ million	45.5	45.5	45.5
Market capitalisation*	€ million	369.4	333.9	340.3
Year-end share price	€	8.12	7.34	7.48
Highest share price	€	8.29	7.58	7.60
Lowest share price	€	7.34	6.75	6.35
Dividend per share	€	0.40	0.40	0.40
Total dividend	€ million	18.2	18.2	18.2
Dividend yield*	%	4.9	5.4	5.3
Price/FFO ratio*		15.0	14.1	18.2

* Basis: Xetra year-end share price

Dividend development at HAMBORNER

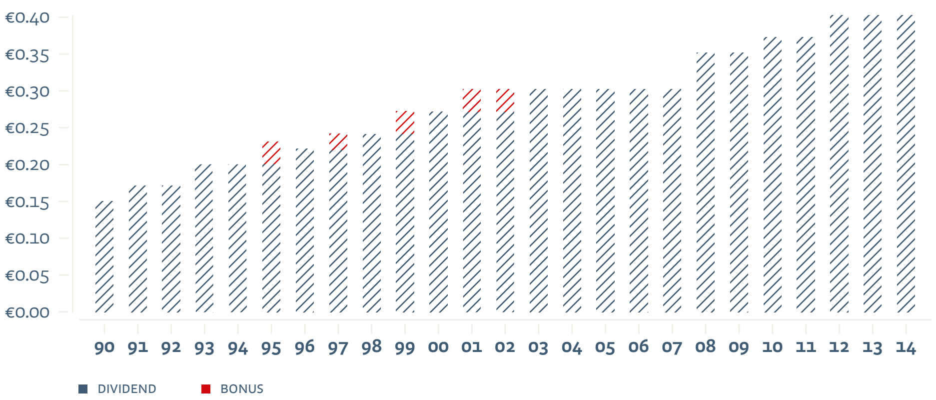
A dividend of €0.40 per share will be proposed to the Annual General Meeting on 7 May 2015 for the 2014 financial year. Based on the share price at the end of 2014, this represents a dividend yield of 4.9%.

4.9 %
dividend yield

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

40 cents
dividend proposal to the 2015 Annual General Meeting

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.

>25

roadshow days and more than 100 individual interviews with investors in 2014

In 2014 we held roadshows on more than 25 days in Germany, at other European financial centres and, for the first time, in the United States, and attended a number of capital market and specialist conferences. Investors were also able to speak directly with the Managing Board in more than 100 individual interviews and in quarterly conference calls. Several interested investors were also able to form a personal impression of our properties as part of an individual property tour in 2014. The Managing Board and the investor relations department reported to private investors on 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. Furthermore, we inform 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 2015 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
Fax: +49 (0) 203 / 54405 / 49
E-mail: s.schlinge@hamborner.de

TRANSPARENT EPRA REPORTING

HAMBORNER REIT AG has been a member of EPRA since 2010. The European Public Real Estate Association is an organisation based in Brussels that represents the interests of the major European property companies to the public and supports 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: December 2014).

Overview of EPRA figures

€ thousand	31 Dec. 2014	31 Dec. 2013
EPRA NAV	394,548	375,337
EPRA NNNAV	356,130	353,812
EPRA earnings	24,262	24,546
EPRA net initial yield	5.7%	5.8%
EPRA topped-up net initial yield	5.7%	5.8%
EPRA vacancy rate	2.2%	2.7%
EPRA cost ratio (including direct vacancy costs)	19.2%	20.3%
EPRA cost ratio (not including direct vacancy costs)	18.7%	19.6%

NAV / NNNAV

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

	€ thousand	31 Dec. 2014	31 Dec. 2013
	NAV*	**394,548**	**375,337**
–	Derivative financial instruments	–10,997	–10,840
–	Hidden reserves on financial liabilities	–27,421	–10,685
	NNNAV	**356,130**	**353,812**
	NAV per share in €	**8.67**	**8.25**
	NNNAV per share in €	**7.83**	**7.78**

* see page 77 for NAV calculation

EPRA earnings

The figure "EPRA earnings" shows a property company's ability to make distributions from its sustainable operating income by adjusting net income for any measurement effects or the result of disposal activities. This indicator is therefore similar to the funds from operations (FFO) figure we report (see p. 76).

	€ thousand	31 Dec. 2014	31 Dec. 2013
	Earnings per IFRS income statement	**17,109**	**8,521**
+	Changes in value of investment property*	17,841	16,379
–	Profit or losses on disposal of investment properties	–10,688	–354
	EPRA earnings	**24,262**	**24,546**
	EPRA earnings per share in €	**0.53**	**0.54**
+/–	Adjustment for extraordinary effect of early contract termination by a tenant	0	–1,000
+/–	Adjustment for non-recurring effects from the remeasurement of provisions for mining damage	293	240
	Company specific adjusted earnings = FFO	**24,555**	**23,786**
	Company specific adjusted earnings per share = FFO per share	**0.54**	**0.52**

* 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	31 Dec. 2014	31 Dec. 2013
	Fair value of investment property portfolio (net)	717,490	691,830
+	Incidental costs of acquisition	48,230	45,430
	Fair value of investment property portfolio (gross)	**765,720**	**737,260**
	Annualised rental income	47,683	47,021
–	Non-transferable property costs	–4,355	–4,279
	Annualised net rental income	**43,328**	**42,742**
+	Adjustments for rental incentives	11	11
	Topped-up annualised rental income	**43,339**	**42,753**
	Net initial yield	**5.7%**	**5.8%**
	Topped-up net initial yield	**5.7%**	**5.8%**

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. 2014	31 Dec. 2013
Annualised standard market rent for vacant space	1,079	1,291
Annualised standard market rent for portfolio as a whole	47,753	47,032
Vacancy rate	**2.3%**	**2.7%**

Cost ratio

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

	€ thousand	2014	2013
	Administrative/operating expenses per IFRS income statement	26,607	24,700
+	Net service charge costs/fees	1,037	1,445
–	Other operating income/recharges intended to cover overhead expenses less any related profits	−322	−118
–	Investment property depreciation	−17,841	−16,379
–	Ground rent costs	−543	−527
	EPRA costs (including direct vacancy costs)	**8,938**	**9,121**
–	Direct vacancy costs	−201	−304
	EPRA costs (excluding direct vacancy costs)	**8,737**	**8,817**
	Gross rental income less ground rent costs	**46,619**	**45,023**
	EPRA cost ratio (including direct vacancy costs)	**19.2%**	**20.3%**
	EPRA cost ratio (excluding direct vacancy costs)	**18.7%**	**19.6%**

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

02

MANAGEMENT REPORT

54 Basic Information on the Company
56 Economic Report
77 Supplementary Report
78 Report on Risks and Opportunities
83 Forecast Report
86 Report on Additional Information under Company Law
89 Corporate Governance Declaration
89 Remuneration of the Managing Board and the Supervisory Board

BASIC INFORMATION ON THE COMPANY

BUSINESS MODEL OF THE COMPANY

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

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

HAMBORNER's property portfolio concentrates on a balanced mix of the following three asset classes: large-scale retail properties in locations with high footfall that afford tenants an excellent market positioning, high street properties located in pedestrianised areas of cities with high purchasing power and high-quality office buildings. The aspect of "sustainability" is highly significant for office properties in particular. Large-scale retail properties offer a steady cash flow, thus forming the basis for ongoing dividend distributions. High street properties in prime locations offer potential for appreciation in value. Office properties usually have fully index-linked rents and therefore offer greater protection against inflation, though this cannot be ruled out.

Growth and expansion of the company's property portfolio

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

€ 10 million to
€ 50 million
investment volume per property

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 be implemented only 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 affect market prices less. Therefore, developments in market prices, cash flows from rental operations and the returns generated in these target markets are also 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 (by industry standards) 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.

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

MANAGEMENT REPORT

MANAGEMENT SYSTEM

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

FFO and NAV per share key management control parameters

Our management at company level is based on the performance indicators calculated using IFRS figures of funds from operations (FFO) and net asset value (NAV) per share. In particular, key operating value drivers and factors influencing development of FFO include rental income, the vacancy rate, personnel expenses, maintenance and interest expenses. Improvements in efficiency due to growth are expressed by the operating cost ratio, i.e. the ratio of administrative and personnel expenses to rental income. The like-for-like development in the value of the portfolio significantly influences NAV as a performance indicator. Controlling reports and scorecards ensure internal transparency of developments in key ratios over the year. The remuneration of the Managing Board is also based in part on FFO (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 performance of the German economy was only modest towards the end of 2014. According to Deutsche Bundesbank's monthly report for December 2014, industrial production was continuing to track sideways at the start of the fourth quarter. However, Deutsche Bundesbank saw the first indications that the rising trend for the economy as a whole could grow stronger again. The reasons for this include rising exports, more optimistic consumer sentiment, continuing growth in employment and tangible increase in real wages. In addition, the purchasing power of private households has been improved by the decline in the price of crude oil. This should give the economy additional stimulus, according to Deutsche Bundesbank.

According to the Federal Statistical Office, gross domestic product (GDP) climbed by 1.5% in 2014 after 0.4% in 2013. It also states that consumer prices rose by 0.9% in 2014 after 1.5% in the previous year. The reporting year was largely characterised by the 2.1% drop in energy prices. In particular, prices were up for food by 1.0% and for services by 1.6%. The German labour market saw stable development in 2014. 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 6.7%.

SITUATION ON THE PROPERTY MARKET IN GERMANY

Retail property market

According to estimates by the Federal Statistical Office, German retail sales were up by 1.4% in real terms and nominally 1.7% compared to the previous year in 2014.

Demand for top retail space unchanged in 2014

Although 2014 was one of the weaker years in terms of the economy as a whole, demand for top retail space remained high. Rental revenue was up by around 10% year-on-year in the first three quarters of 2014, according to Jones Lang LaSalle GmbH, Frankfurt/Main, (JLL). Approximately 60% of rental revenue related to areas upwards of 1,000 m², due to new shopping centre developments and the start of the revitalisation of old Hertie department stores. Those seeking new retail rentals focused on Germany's major cities (according to JLL, the big ten cities account for a market share of around 40%) – though mid-sized cities with good retail sales are also still desirable expansion targets. The share of international retailers in rental revenue is around 60%. Two-thirds of high street take-up relates to the clothing, food services and healthcare/beauty sectors.

Large-format retail concepts (e.g. Primark, Forever 21, Reserved, Koton) are presently considerably more active again than in recent years. Cautiously optimistic retailers are being confronted with aggressively expansionistic brands, which is leading to strong variations in asking prices for rent. Marketing periods are getting longer, as tenants' decision-making processes have often become more complex and involved. Compromise is hardly possible anymore. It has also been seen that, for many labels, shop space is becoming more and more important as a marketing tool and for brand staging. As a result, there is a trend towards ever more elaborate shop-fittings with premium design work.

Development in prime rents varied in 2014. Increases in the past year were higher at the especially sought-after top locations, while in other cities there was more stabilisation and, in a few exceptions, even a slight decline. According to JLL, prime rents for German high street locations have risen by an average of 2.5% between the second half of 2013 and the second half of 2014. Generally speaking, 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 more moderately in the small/medium-sized cities with low fluctuation ranges in sales, supply and demand.

Office space market

According to BNP Paribas Real Estate (BNP), take-up at the eight most important German office locations (Berlin, Düsseldorf, Essen, Frankfurt/Main, Hamburg, Cologne, Leipzig and Munich) was minimally higher than in the previous year (up 0.6%) at around 2.9 million m², and therefore almost exactly matched the average for the last ten years. In particular, take-up increased significantly by 18% compared to the previous year in the fourth quarter.

Above all, rentals up to 5,000 m² defined market activity (share of around 77%) according to BNP, indicating broad demand. Barring Berlin (up 34%), Hamburg (up 17%) and Leipzig (up 24%), take-up in the rest of the big eight was in decline, in some cases considerably so (e.g. Düsseldorf: down 22%; Frankfurt: down 17%). Berlin had the highest take-up at approximately 610,000 m², followed by Munich at around 600,000 m² and Hamburg at roughly 510,000 m².

Compared to the previous year, vacancies in the big eight decreased by approximately 4% to around 6.9 million m² according to BNP. Except for Essen (increase of around 20%), this development was observed in all cities, albeit to varying degrees. The biggest drops in vacancies were in Berlin (down 13%) and Cologne (down 7%). According to BNP, vacancy rates ranged from around 5% in Essen to 6% in Munich (not including the surrounding area) to around 11% in Düsseldorf and Frankfurt/Main.

Prime rents in the big eight were stable on average in 2014, according to BNP. There were increases in Berlin (of 4.5%) and Munich (of 3%), with a sharp decline of 5.5% in Düsseldorf.

For 2015 the brokers BNP and JLL are forecasting stable take-up, possibly with slight increases in prime rents.

German property investment market

2014 third-best annual result on record for commercial real estate investment market

With a transaction volume of around €40 billion, 2014 – according to BNP and JLL – had the third-best annual result ever achieved on the investment market for commercial real estate in Germany, up 30% on an already very good previous year. The fact that all key asset classes enjoyed clear gains highlights the broad base of demand and the consistently high interest in German commercial property.

The biggest share of investments in 2014, according to BNP, was accounted for by office properties (share of around 42%). This was followed by retail properties at around 23%, logistics properties at around 10% and hotels at approximately 8%. The highest growth rates were recorded for hotel and logistics properties. Within the retail property segment, according to CBRE GmbH, Frankfurt/Main, the highest share of investment related to specialist stores (around 40%, rise of approximately 60% as against 2013). By contrast, the transaction volume for shopping centres was down by almost a quarter, while the figure for high street properties declined by around 36%. The decreases are due to a highly limited supply of product and not to a lack of interest on the part of investors in these asset classes.

According to BNP, around 70% of the commercial investment volume in 2014 related to individual transactions, mainly the large-volume office properties such as Silberturm and Winx in Frankfurt. Even though portfolio transactions account for around 30% of trading volumes, they were up by approximately 60% as against the previous year.

The share of international investors in the total transaction volume was almost 50% in 2014 according to BNP and JLL (even almost 70% for portfolios) and therefore significantly higher than in 2013 (around 33%). Investors from Asia and the Middle East in particular invested substantially more.

The big six locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne and Munich) also benefited especially from the high investment volumes. According to BNP, the previous year's figure was improved on by more than 50% at around €22 billion or more than 50% of commercial investment volumes. Munich and Berlin led the field virtually neck and neck at around €5.3 billion each.

Asset/fund managers and special funds were the most active investors on the German market in 2014, according to JLL. They accounted for around 40% of the transaction volume.

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 2014. According to BNP, net initial yields for office properties, for example, are currently 4.3% in Munich and 4.5% in Berlin. Prime rents in the big seven for specialist store products are 5.6%, around 4.0% for high street properties and approximately 6.2% for logistics real estate, according to JLL.

Prime rents down further due to high demand for properties

According to JLL, the investment focus still seen in 2013, which was limited almost exclusively to top properties at top locations, has diversified somewhat. More and more buyers are willing to invest in properties of slightly lesser quality with a certain share of vacancies, or in the B locations of A-grade cities and in smaller cities.

Investment focus widening to B locations and smaller cities

The brokers BNP and JLL are forecasting stable transaction volumes, possibly with slight increases in prime rents, for 2015.

BUSINESS PERFORMANCE

Overall, HAMBORNER has again enjoyed a successful financial year. The good operating performance of recent years continued and was largely in line with expectations. On the one hand, the company made systematic progress in 2014 with its strategy of yield-driven growth while, on the other, it utilised the market opportunities that arose to dispose of smaller properties no longer consistent with strategy. Thus, among other things, the company was able to sell seven smaller properties with a combined purchase price volume of €26.3 million. The cash inflows from sales were already invested in three new acquisitions in the reporting year in Bad Homburg, Koblenz and Siegen, with the result that the fair value of the property portfolio increased by a net amount of €25.7 million to €717.5 million as at 31 December 2014. The value of the portfolio therefore broke the €700 million mark for the first time.

HAMBORNER also had a successful year in 2014 in terms of its rental performance. With a total rental volume of 32,764 m², new rentals accounted for 5,213 m² and follow-up leases or renewals for 27,551 m². In particular, new rentals related to the property at Linzer Str. in Bremen. A lease for a total area of 1,212 m² was concluded here as at the end of the year. Due to the necessary renovation work, the rental period is expected to begin in the second half of 2015. By contrast, there were no major new vacancies for which new tenants have not yet been found in the 2014 financial year.

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

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

Result of operations (IFRS)

+3.5 %

rise in income from rents and leases

Income from rents and leases amounted to €46.8 million in the reporting year and has therefore increased by €1.6 million or 3.5% as against 2013 due to new investments in particular. On a like-for-like basis – i.e. comparing the properties that were held in the portfolio throughout 2013 and 2014 – net rents were up by €0.2 million or 0.4% year-on-year overall at €40.8 million (previous year: €40.6 million). As expected, uncollectable receivables and individual value adjustments were at a low level in the reporting year at around €15 thousand (previous year: €31 thousand).

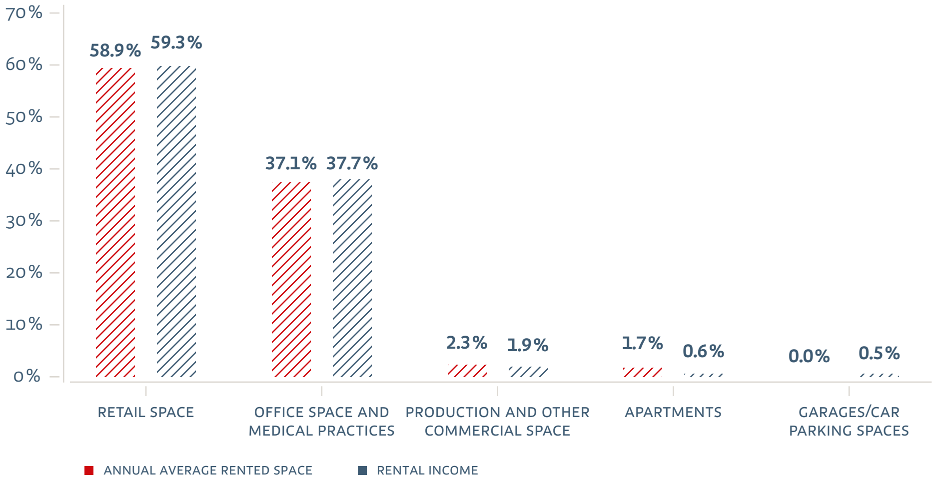
The economic vacancy rate including agreed rent guarantees was 2.3% (previous year: 2.5%), and therefore still at a very low level as forecast. Not including rent guarantees the vacancy rate was 2.5% (previous year: 3.4%), whereby the increase as against the previous year is due in particular to the properties acquired in Munich and Berlin in the first quarter of the previous year, which were partially vacant when transferred. Both properties have now been let in full.

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

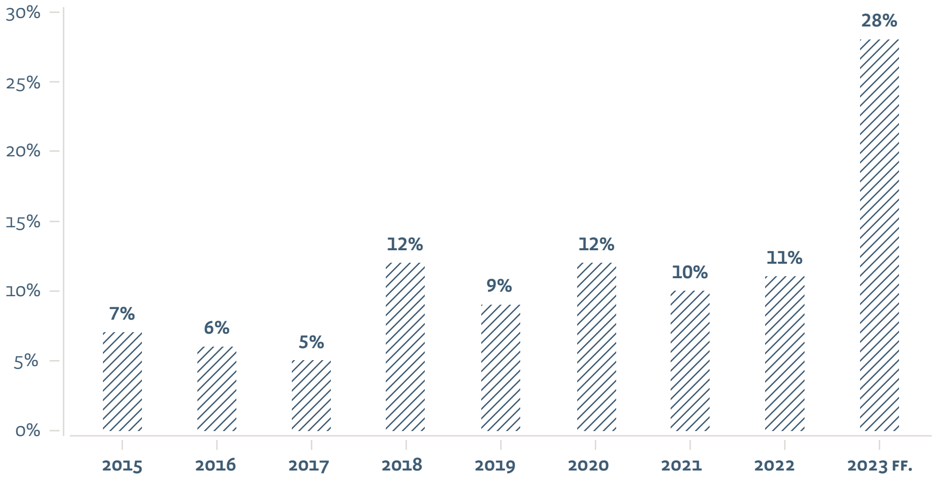
Company	Rental income in %*
1. EDEKA Group	14.4
2. Kaufland Group	10.6
3. OBI AG	8.4
4. C & A Mode GmbH & Co. KG	2.4
5. H & M Hennes & Mauritz B.V. & Co. KG	2.2
6. AREVA NP GmbH	2.0
7. SFC Smart Fuel Cell AG	2.0
8. Estée Lauder Companies GmbH	1.9
9. Schneider Electric GmbH	1.7
10. Telefonica O2 Germany GmbH & Co. OHG	1.7
Total	**47.3**

* 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 2014 portfolio breaks down by types of use and contributions to rental income as follows:



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



The remaining term of our commercial rental agreements weighted according to rental income is 6.6 years. The weighted remaining term for the office sector is 4.4 years, 5.6 years for high street properties and approximately 9.8 years for large-scale retail space.

6.6 years
is the average remaining term of our leases

MANAGEMENT REPORT

Total ***maintenance expenses*** amounted to around €2.2 million in the 2014 financial year (previous year: €2.2 million). There were also measures eligible for capitalisation of around €4.0 million (previous year: €1.0 million).

As in the past, extensive work was done in individual projects in the 2014 financial year as part of planned maintenance on roofs, façades and building services facilities to enhance the energy efficiency of the properties in question and thereby ensure their long-term letting prospects. A key task in building maintenance is the coordination and performance of conversion work for new and follow-on rental agreements.

Most of the more major renovation and revitalisation work at the following locations in 2014:

Biggest maintenance measure in 2014: revitalisation of the EDEKA C & C store in Freiburg

The biggest single measure in 2014 was the revitalisation of the EDEKA Cash & Carry in Freiburg. The maintenance and modernisation work begun here in the previous year was continued in the financial year and essentially completed. The expenses of around €2.9 million incurred in 2014 were capitalised as a subsequent cost. The overall project included the refurbishment of the car park and deliveries area, painting the façade, a new collection area for empty bottles, changes to the electrical/sprinkler and sanitary facilities and the modernisation and adjustment of several store and administrative areas in line with new requirements of the hypermarket. The total construction costs paid by HAMBORNER will amount to around €4.4 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. At our Rathausstr. property in Duisburg as well, we worked with the tenant Netto to modernise a discount supermarket and adapted it in line with the new Netto brand concept in 2014. In return, the lease in place with Netto was extended in the long term. The €0.6 million invested by HAMBORNER resulted in subsequent costs of production eligible for capitalisation. Other work in the area of large-scale retail with maintenance expenses of around €0.1 million related to the refurbishment of the parking deck of a Kaufland store in Freital. We also did modernisation work for new rentals and created attractive office space. For example, at our office property in Münster, Martin-Luther-King-Weg, and in Bremen, Linzer Str., we conducted high-quality renovations in line with tenant requirements for around €0.6 million. €0.5 million of these costs were capitalised.

+4.7 %

increase in net rental income

As a result of a rise in income from rents and leases in particular, ***net rental income*** increased by 4.7% and amounted to €42.9 million (previous year: €40.9 million).

The ***operating result*** was €19.9 million after €20.4 million in the previous year. Despite the higher earnings contribution from rental operations, the decline is due in particular to non-recurring compensation included in other operating income in the previous year paid by a tenant for the early termination of its lease in the amount of €1.0 million. ***Administrative and personnel expenses*** rose slightly to a total of €4.6 million (previous year: €4.4 million). This resulted in an operating costs ratio of 9.7% (previous year: 9.8%).

Depreciation and amortisation were up 8.9% year-on-year as a result of new additions in particular. We recognise our properties at depreciated cost and therefore report depreciation, which amounted to €16.6 million in the reporting year as against €15.9 million in the previous year. Furthermore, impairment losses of €1.2 million (previous year: €0.5 million) were recognised for the properties in sold in Leverkusen, Kassel and Düren and the property in Hamburg sold in the financial year. As in the previous year, there were no reversals of impairment losses recognised on properties in prior periods.

We generated a ***result from the sale of investment property*** of €10.7 million (previous year: €0.4 million). Details on this can be found on p. 66.

Earnings before interest and taxes (EBIT) amounted to €30.6 million, up 47.2% on the previous year (€20.8 million). The ***financial result*** was €-13.5 million in the year under review, a drop of €1.3 million as against the previous year's figure (€–12.2 million). The reduction is due primarily to the increase in funds borrowed and the associated interest expenses, which affected figures for the entire year for the first time in the reporting year. After deducting the financial result from EBIT, the ***net profit for the year*** amounted to €17.1 million (previous year: €8.5 million).

Net profit for the year more than doubles year-on-year

Net asset situation (IFRS)

The **total assets** of the company decreased as a result of disposals in the reporting year by €10.4 million to €621.3 million (previous year: €631.7 million). Around 98% of assets are accounted for by our properties. The total property assets recognised at depreciated cost (including non-current assets held for sale) had a carrying amount as at 31 December 2014 of €608.7 million (previous year: €601.9 million) and break down as follows:

Properties account for around 98 % of our assets.

€ thousand	31 Dec. 2014	31 Dec. 2013
INVESTMENT PROPERTY		
Developed property assets	603,847	594,416
Advance payments/incidental costs of pending acquisitions	2,457	438
Undeveloped land holdings	545	569
	606,849	**595,423**
PROPERTY HELD FOR SALE		
Developed property assets	1,830	**6,455**
TOTAL REPORTED PROPERTY ASSETS	**608,679**	**601,878**

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

Third-party valuation of our property portfolio by JLL

Performance of the property portfolio

Our property portfolio was again valued by a third-party expert as at the end of 2014. Jones Lang LaSalle, Frankfurt/Main, (JLL) was commissioned to calculate the market value of the property portfolio and to document this in an expert report. The portfolio was measured on the basis of the generally recognised International Valuation Standards (IVS) and the guidelines of the Royal Institution of Chartered Surveyors (RICS).

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

The above definition is the same as that of the "fair value model", as found in the International Financial Reporting Standards under IAS 40 in conjunction with IFRS 13. The valuation was performed on the basis of a discounted cash flow (DCF) method. In the DCF method, the forecast cash flows were calculated for a standard analysis period of ten years – 2015 to 2024. A capitalised residual value is forecast on the basis of the respective long-term net proceeds for the end of the ten-year planning horizon. The market value of a property is derived from the sum of the discounted cash flows of the overall planning period plus the residual value also discounted to the measurement date.

When calculating cash flows, rental income was always reduced by the property-specific costs that cannot be allocated to tenants. In addition, the expected expenses for maintenance or modernisation and the expected administrative expenses were deducted. Rent increases based on indexation were taken into account in specific cases for long-term contracts. Rent forecasts were prepared if rental agreements are terminated within the period of analysis. They were discounted to the measurement date to calculate the present value of future cash flows. The discount rates range between 4.25% and 9.60% and take into account the respective risks specific to the property.

Around € 717 million: value of our portfolio as at 31 December 2014

The fair values calculated by JLL are shown separately for each property in the list of properties from page 68 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 €717.5 million, an increase of €25.7 million on the previous year's portfolio value. The difference is due to additions to fair value from acquisitions and investments in existing properties (subsequent capitalisation) of €38.6 million, fair value disposals of €25.4 million due to sales and a net year-on-year change in the fair value due to the remeasurement of the portfolio of around €12.4 million. This corresponds to a like-for-like rise in the value of the portfolio of 1.9%.

The remeasurement of the properties as at 31 December 2014 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. In the reporting year, impairment losses were recognised on the property sold in Hamburg, the property held for sale in Düren and two properties in Leverkusen and Kassel with a combined amount of €1.2 million (previous year: €0.5 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 2014 financial year, not including incidental costs of acquisition, of €31.9 million (previous year: €108.8 million). In keeping with strategy, the new investments focused on the asset classes described above. Specifically, three properties were transferred to our portfolio in the reporting year: in Bad Homburg, Koblenz and Siegen:

€ 31.9 million

investment volume for acquisition of three properties

City	Address	Asset class	Area in m²	Rental income p. a. in € thou.	Purchase price in € m
Bad Homburg	Louisenstr. 66	High street	3,240	464	7.9
Koblenz	Löhrstr. 40	High street	3,377	683	11.0
Siegen	Bahnhofstr. 8	High street	7,112	931	13.0
			13,729	**2,078**	**31.9**

Furthermore, two more purchase agreements were notarised in 2014, for an office property in Aachen and a retail property in Berlin with a combined purchase price of €43.3 million that, on full letting of the property in Berlin still under construction, can increase to up to €45.8 million. Specifically, the properties acquired as at 31 December 2014 but not yet transferred were as follows:

City	Address	Asset class	Area in m²	Expected rental income p. a. in € thou.	Anticipated transfer
Aachen	Krefelder Str. 216	Office	10,000	1,709	Q1 2015
Berlin	Tempelhofer Damm	High street	5,900	1,153	End of 2015

7 properties
sold in the financial year

Portfolio disposals

During the financial year we took a major step towards our goal of eliminating smaller properties with intensive administration requirements from our portfolio. Thus, the properties described below, comprising a total of 26 residential units and 20 commercial spaces were transferred out of our portfolio in 2014:

City	Address	Asset class	Residual carrying amount in € thou.	Sale price in € thou.	Rental income p. a. in € thou.
Moers	Homberger Str. 41	High street/retail	1,270	2,400	218
Wuppertal	Turmhof 6	High street/retail	1,784	2,800	245
Hanover	Karmaschstr. 24	High street/retail	3,401	5,652	257
Frankfurt/ Main	Cronstettenstr. 66	Office	1,664	5,304	386
Berlin	Schlosstr. 23	High street/retail	2,655	4,870	229
Hamburg	Ziethenstr. 10	Office	1,900	1,900	168
Kamp-Lintfort	Moerser Str. 247	High street/retail	2,984	3,350	250
			15,658	**26,276**	**1,753**

Furthermore, in December we concluded an agreement for the sale of the residential and retail property in Wirtelstr., Düren. The purchase price for the property is €1.8 million and it will be transferred at the end of 2015.

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.

68 properties at
53 locations

Property portfolio as at 31 December 2014

After the changes described above, the HAMBORNER portfolio comprised 68 properties as at the end of the year under review. The properties are predominantly in large and medium-sized cities at 53 locations in Germany and have a total useable area of 355,905 m², 350,079 m² of which is used commercially and 5,826 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
BERLIN
BERLIN
MEPPEN
LOWER SAXONY
OSNABRÜCK
RHEINE
MINDEN
HERFORD
MÜNSTER
BRANDEN-BURG
LEMGO
DINSLAKEN
NRW
GÜTERSLOH
SAXONY-ANHALT
GELDERN
OBERHAUSEN
DORTMUND
DUISBURG
ESSEN
LEIPZIG
KREFELD
HILDEN
KASSEL
SAXONY
LÜDENSCHEID
LANGENFELD
LEVERKUSEN
SOLINGEN
FREITAL
DÜREN
COLOGNE
SIEGEN
AACHEN
ST. AUGUSTIN
HESSEN
THURINGIA
NEUWIED
KOBLENZ
BAD HOMBURG
PORTFOLIO
TRANSFERRED IN 2014
NOTARISED, TRANSFERRED AFTER 31 DEC. 2014
SOLD IN 2014, TRANSFERRED AFTER 31 DEC. 2014
WIESBADEN
FRANKFURT
RHINELAND-PALATINATE
BAYREUTH
SAAR-LAND
KAISERSLAUTERN
MOSBACH
ERLANGEN
BAVARIA
KARLSRUHE
REGENSBURG
STUTTGART
INGOLSTADT
TÜBINGEN
OFFENBURG
BADEN-WÜRTTEMBERG
AUGSBURG
MUNICH
BRUNNTHAL
FREIBURG
VILLINGEN-SCHWENNINGEN

LIST OF PROPERTIES (AS AT 31 DECEMBER 2014)

Year of acquisition	Property		Building use	Property size m²	Useable area m²
1976	Solingen	Friedenstr. 64	B	27,344	7,933
1981	Cologne	Von-Bodelschwingh-Str. 6	B	7,890	3,050
1982	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	Duisburg	Rathausstr. 18–20	B/O/R	4,204	2,231
1984	Frankfurt/Main	Steinweg 8	B/O	167	594
1985	Solingen	Kirchstr. 14–16	B/R	1,119	2,959
1986	Frankfurt/Main	Königsteiner Str. 69a, 73–77	B	6,203	2,639
1987	Lüdenscheid	Wilhelmstr. 9	B	136	425
1987	Oberhausen	Marktstr. 69	B/R	358	523
1988	Dortmund	Westfalendamm 84–86	O/R	1,674	2,633
1989	Duisburg	Fischerstr. 91	B/R	421	625
1991	Dortmund	Königswall 36	B/O/R	1,344	2,846
1996	Duisburg	Fischerstr. 93	B/R	421	433
1997	Augsburg	Bahnhofstr. 2	B/O/R	680	1,438
1999	Dinslaken	Neustr. 60/62, Klosterstr. 8–10	B/O/R	633	1,207
1999	Kaiserslautern	Fackelstr. 12–14, Jägerstr. 15	B/O/R/U	853	1,444
1999	Kassel	Quellhofstr. 22	B	5,000	1,992
2000	Gütersloh	Berliner Str. 29–31	B/R	633	1,292
2001	Hamburg	An der Alster 6	O	401	1,323
2002	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	9,540
2007	Neuwied	Allensteiner Str. 61/61a	B	8,188	3,501
2007	Freital	Wilsdruffer Str. 52	B	15,555	7,940
2007	Geldern	Bahnhofstr. 8	B	12,391	8,749
2007	Lüneburg	Am Alten Eisenwerk 2	B	13,319	4,611
2007	Meppen	Am neuen Markt 1	B	13,111	10,205
2007	Mosbach	Hauptstr. 96	B	5,565	6,493
2007	Villingen-Schwenningen	Auf der Steig 10	B	20,943	7,270
2008	Rheine	Emsstr. 10–12	B/O/R	909	2,308
2008	Bremen	Hermann-Köhl-Str. 3	O	9,994	7,154
2008	Osnabrück	Sutthauser Str. 285–287	O	3,701	3,833
2008	Bremen	Linzer Str. 7–9a	O	9,276	10,141
2008	Herford	Bäckerstr. 24–28	B	1,054	1,787

Rent in 2014 (incl. rent guarantees) in €	Weighted remaining term of leases in months	Fair value in €*	Discount rate in %	Capitalisation rate in %	Other comments*
1,472,012	64	15,670,000	6.30	6.55	Leasehold property
435,402	144	6,410,000	6.25	6.05	
300,000	72	3,350,000	7.10	8.25	
168,128	20	1,450,000	8.15	8.70	
253,101	36	3,300,000	7.80	6.95	
585,090	42	11,990,000	5.35	4.65	
182,584	113	2,800,000	7.70	6.80	
384,632	72	7,990,000	4.25	3.85	
257,475	40	3,360,000	8.65	7.25	
348,702	106	4,950,000	6.45	6.15	
63,708	0	640,000	7.50	7.25	
56,325	25	920,000	7.70	7.10	
281,610	90	3,190,000	6.90	6.35	
78,240	36	850,000	9.00	8.00	
355,460	65	4,610,000	6.70	6.30	
42,532	14	480,000	8.35	8.25	
472,639	72	7,700,000	5.60	5.25	
160,211	64	2,050,000	8.10	7.05	
372,733	32	6,770,000	6.75	5.80	
193,056	12	650,000	9.60	8.50	
358,184	58	3,780,000	6.80	5.70	Leasehold property
255,047	22	3,990,000	5.80	5.60	
125,666	12	1,830,000 ***			Held for sale
315,180	88	6,000,000	5.80	5.40	
32,595	56	1,500,000	6.60	6.25	
243,600	39	4,610,000	6.50	5.70	
545,058	37	8,610,000	6.75	5.80	
267,403	72	4,500,000	6.50	5.80	
1,116,270	21	15,160,000	7.30	6.55	
387,054	44	5,190,000	7.90	6.90	
749,752	82	10,070,000	7.35	7.15	
826,058	58	11,850,000	6.65	6.40	
435,350	82	6,000,000	7.20	6.85	
963,560	58	13,910,000	6.95	6.45	
613,059	58	7,890,000	7.45	6.90	
250,000	37	2,890,000	7.00	6.80	
307,692	72	5,010,000	6.65	6.30	
595,553	20	9,360,000	7.70	6.70	
427,455	39	6,480,000	6.70	6.65	
823,216	22	14,310,000	7.30	6.70	
264,600	37	4,210,000	6.80	6.10	

LIST OF PROPERTIES (AS AT 31 DECEMBER 2014)

Year of acquisition	Property		Building use	Property size m²	Useable area m²
2008	Freiburg	Robert-Bunsen-Str. 9a	B	26,926	9,253
2009	Münster	Martin-Luther-King-Weg 18–28	O	17,379	13,791
2009	Hamburg	Fuhlsbüttler Str. 107–109	B/O/R	1,494	2,975
2009	Duisburg	Kasslerfelder-Kreisel	B	10,323	5,119
2010	Erlangen	Wetterkreuz 15	O	6,256	7,343
2010	Hilden	Westring 5	B	29,663	10,845
2010	Stuttgart	Stammheimer Str. 10	B	6,853	6,395
2010	Ingolstadt	Despagstr. 3	O/B	7,050	5,623
2010	Lemgo	Mittelstr. 24–28	B	2,449	4,759
2011	Bad Homburg	Louisenstr. 53–57	O/B	1,847	3,232
2011	Brunnthal	Eugen-Sänger-Ring 7	O/C	6,761	6,721
2011	Leipzig	Brandenburger Str. 21	B	33,916	11,139
2011	Regensburg	Hildegard-von-Bingen-Str. 1	O/B	3,622	8,998
2011	Freiburg	Lörracher Str. 8	B	8,511	3,987
2011	Erlangen	Allee-am-Röthelheimpark 11–15	O/B	10,710	11,639
2011	Langenfeld	Solinger Str. 5–11	B	4,419	6,264
2011	Offenburg	Hauptstr. 72/74	B	1,162	5,150
2012	Aachen	Debyestr./Trierer Str.	B	36,177	11,431
2012	Tübingen	Eugenstr. 72–74	B	16,035	13,000
2012	Karlsruhe	Mendelssohnplatz 1/Rüppurrerstr. 1	O/B	10,839	15,152
2013	Munich	Domagkstr. 10	O/B	5,553	12,257
2013	Berlin	Torgauer Str. 12–15	O/B	3,100	12,642
2013	Hamburg	Kurt-A.-Körber-Chaussee 9	B	20,330	10,408
2013	Bayreuth	Spinnereistr. 5a, 5b, 6–8	O/B	8,297	9,036
2014	Bad Homburg	Louisenstr. 66	O/B	1,447	3,240
2014	Koblenz	Löhrstr. 40	B	1,386	3,377
2014	Siegen	Bahnhofstr. 8	B	1,419	7,112
				489,194	**355,905**

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

* As per JLL appraisal as at 31 December 2014
** Pro rata temporis rents from transfer of ownership
*** Contractually agreed purchase price

Rent in 2014 (incl. rent guarantees) in €	Weighted remaining term of leases in months	Fair value in €*	Discount rate in %	Capitalisation rate in %	Other comments*
997,558	174	12,770,000	6.40	6.25	Leasehold property
1,632,969	40	22,780,000	6.50	6.45	
482,060	45	7,460,000	5.70	5.40	
671,013	105	9,270,000	6.85	6.55	
1,079,501	27	14,890,000	6.75	6.50	
899,959	111	11,870,000	6.85	7.20	
1,200,000	162	17,570,000	6.00	6.05	
848,473	63	13,050,000	6.35	6.20	
481,413	71	7,500,000	6.65	6.50	
913,467	41	15,600,000	5.85	5.30	
964,867	63	11,940,000	7.55	7.20	
889,528	118	12,290,000	6.45	6.65	
1,515,228	49	21,700,000	6.80	6.10	
860,000	178	13,100,000	5.90	6.05	
1,853,138	89	29,220,000	6.40	6.00	
1,101,952	77	17,780,000	6.35	5.95	
558,704	38	8,130,000	6.35	6.00	
1,087,500	147	16,190,000	6.95	7.00	
1,500,000	180	25,370,000	6.00	6.20	
2,465,572	78	37,630,000	6.35	6.10	
2,371,002	81	45,360,000	5.40	5.10	
2,212,073	70	37,670,000	5.85	5.55	
1,248,272	167	17,590,000	6.50	6.60	
1,322,420	57	19,850,000	6.40	6.10	
429,179 **	13	8,200,000	6.30	5.85	
107,114 **	67	11,380,000	6.00	5.50	
157,734 **	120	15,050,000	6.10	5.70	
46,216,688		**717,490,000**			

Notes on undeveloped land holdings

As at 31 December 2014 the company had undeveloped land holdings of around 0.8 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.

In the financial year we were able to sell around 92,000 m² of predominantly agricultural land at a sale price of €0.3 million.

The undeveloped land holdings are reported in the statement of financial position as investment property at the original cost of €0.5 million (previous year: €0.6 million). It has an average notional value of €0.72 per m².

Financial position (IFRS)

The financial position of the company remains sound. ***Cash and cash equivalents*** declined by €17.8 million as against the previous year to €10.4 million. Payments relate to investments in the property portfolio (€40.6 million), dividend payments for the 2013 financial year (€18.2 million) and interest and principal payments (€22.6 million). These were offset by incoming cash flows from operating activities (€37.0 million) and the purchase price payments received for the properties sold (€26.5 million).

1.8 % and 2.2 %
are the interest rates for the three loans concluded at the end of 2014

In particular, the funding requirements for the 2015 financial year are secured by the forecast proceeds from operating activities. Furthermore, the company has loans not yet utilised of €32.9 million at its disposal, which were concluded to finance the property acquisitions in Koblenz, Siegen and Aachen. For a period of ten years, these loans will incur interest at 1.8% and 2.2% respectively.

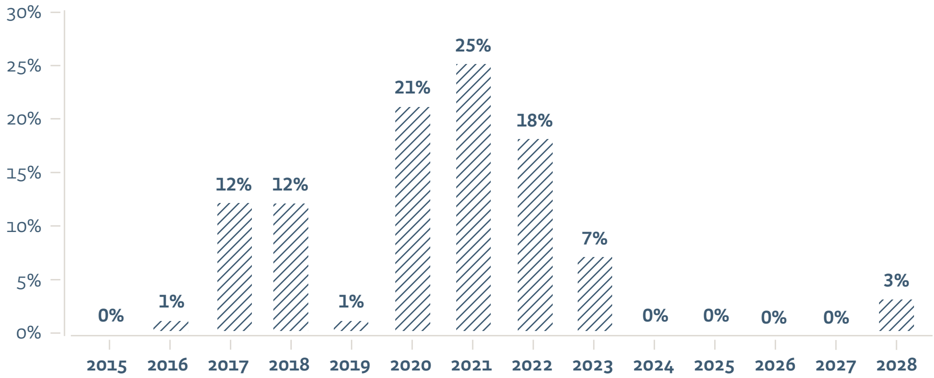
43.5 %
accounting equity ratio

The financial structure of our company is still extremely solid. On the equity and liabilities side of the statement of financial position, ***equity*** was down slightly by €1.5 million to €270.2 million (previous year: €271.7 million). The company therefore has an accounting equity ratio of 43.5% (previous year: 43.0%). ***Financial liabilities and derivative financial instruments*** amounted to €333.2 million, down by €9.2 million as a result of scheduled repayments in particular (previous year: €342.4 million). After deducting cash and cash equivalents from financial liabilities, net financial debt amounted to €311.9 million (previous year: €303.4 million). Based on total non-current assets, the company therefore has a gearing ratio of 51.3% (previous year: 50.9%). Comparing net financial liabilities to portfolio fair value, the company has an LTV ratio of 43.3% (previous year: 43.7%).

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 €75.9 million, we have concluded interest swap agreements that form a hedge with the corresponding loans. The average interest rate of our loans, including loans concluded but not yet utilised, was 3.7% as at the end of the reporting period (previous year: 3.9%). The average remaining term of the loans utilised as at the end of the reporting period was 6.0 years (previous year: 7.3 years).

6.0 years:
average remaining term of our loans

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



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 subsequent capitalisation for property assets, pension provisions, the measurement of provisions for mining damage, accounting for derivative financial instruments, and to classification and reporting. The main differences between the items of the statement of financial position and the income statement described in detail in the result of operations, net asset situation and financial position (IFRS) and in the HGB annual financial statements are as follows:

- ***Income from rents and leases:*** Income from rents and leases amounted to €46.7 million in the HGB financial statements, and was therefore €0.1 million below the IFRS figure. The difference results essentially 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 €0.1 million for the property sold in Hamburg in the financial year does not exist under HGB. The HGB loss on disposal (€0.4 million) is reported in other operating expenses. Furthermore, the impairment loss on the property Leverkusen recognised in the IFRS statements in the reporting year is not required under HGB as it is not considered permanent according to the criteria of German commercial law.

- ***Land and land rights:*** The carrying amount of property in the HGB annual financial statements was €608.3 million, and was therefore slightly (€0.4 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 €283.2 million as at the end of the reporting period, €13.0 million higher than the amount recognised under IFRS. The difference results essentially from the revaluation surplus of €14.7 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 45.6% is 2.1 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 €322.9 million. Under IFRS, however, financial liabilities and derivative financial instruments are reported in the amount of €333.2 million. At €11.0 million, the deviation of €10.3 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 €52.3 million in the reporting year (previous year: €49.6 million). The ***costs of the management of our properties*** amounted to €9.7 million (previous year: €9.5 million). The increases in both income and management costs are due essentially to the changes in our property portfolio as a result of investments in the year under review and the previous year. Also as a result of the new acquisitions, ***depreciation*** was up 10.1% year-on-year at €17.5 million (€15.9 million). The ***operating result***, which was up by €10.4 million as against the previous year at €31.2 million (previous year: €20.8 million) is largely due to the book gains from the sale of properties in the amount of €10.9 million (previous year: €0.4 million) reported under ***other operating income***.

Mainly as a result of the first-time inclusion for a full year on interest expenses on the loans borrowed in the previous year, the ***financial result*** declined by €1.1 million to €-13.5 million. Taking into account the ***extraordinary expenses*** (€0.1 million) from the distribution of remeasurement differences on pension obligations as a result of the introduction of the German Accounting Law Modernization Act (BilMoG) as at 1 January 2010, the company closed the 2014 financial year with net income for the year of €17.7 million (previous year: €8.4 million).

Including the ***withdrawal from other retained earnings*** (€2.3 million), the ***net retained profits*** amounted to €20.0 million (previous year: €18.2 million).

Condensed net asset situation and financial position (HGB)

The ***total assets*** of the company fell by €10.5 million in the reporting year to €620.9 million. As a result of the changes in the property portfolio, ***fixed assets*** were up by €6.7 million to €608.4 million. ***Current assets*** including ***prepaid expenses*** were down by €17.3 million at €12.5 million. ***Equity*** decreased slightly by €0.5 million to €283.2 million. ***Liabilities to banks*** were down by €9.3 million as a result of scheduled repayments and amounted to €322.9 million. Equity and medium- and long-term debt capital, including the loans not yet utilised (€32.9 million) cover fixed assets in full.

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

OVERALL STATEMENT ON THE ECONOMIC SITUATION

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

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

PERFORMANCE INDICATORS

FFO

Funds from operations (FFO) is a financial ratio calculated on the basis of the IFRS financial statements and an indicator of the company's long-term performance. It is used in value-oriented corporate management to show the funds generated that are available for investments and dividend distributions to shareholders. Adjusting FFO for maintenance and modernisation expenses capitalised and not recognised as an expense results in adjusted funds from operations (AFFO). FFO/AFFO are calculated as follows:

€ thousand		2014	2013
	Net rental income	42,858	40,933
–	Administrative expenses	–1,109	–1,131
–	Personnel expenses	–3,452	–3,311
+	Other operating income	714	334 **
–	Other operating expenses	–984 *	–790 *
+	Interest income	68	42
–	Interest expenses	–13,540	–12,291
	FFO	**24,555**	**23,786**
–	Capitalised expenditure	–4,006	–1,029
	AFFO	**20,549**	**22,757**
	FFO per share in €	**0.54**	**0.52**
	AFFO per share in €	**0.45**	**0.50**

* Adjusted for non-recurring effects in the remeasurement of provisions for mining damage
** Adjusted for the extraordinary effect of early contract termination by a tenant

+3.2 %
year-on-year increase in FFO

HAMBORNER generated an FFO of €24,555 thousand in the 2014 financial year (previous year: €23,786 thousand). This corresponds to FFO per share of 54 cents (previous year: 52 cents). The increase as against the previous year of 3.2% is due in particular to higher rental income as a result of property acquisitions in 2013 and 2014. The company therefore fell slightly short of the rise in FFO forecast in the previous year of 4% to 5%. This was due to the income from rents and leases, which rose by 3.5% but, as a result of the successes in selling off properties no longer consistent with strategy, also fell slightly short of the previous year's forecast (4% to 5%).

NAV

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

	€ thousand	31 Dec. 2014	31 Dec. 2013
	Non-current assets	607,779	596,302
+	Current assets	13,524	35,410
–	Non-current liabilities and provisions*	–323,936	–333,016
–	Current liabilities	–16,175	–16,112
	Reported NAV	**281,192**	**282,584**
+	Hidden reserves in "Investment property"	113,356	88,348
+	Hidden reserves in "Non-current assets held for sale"	0	4,405
	NAV	**394,548**	**375,337**
	NAV per share in €	**8.67**	**8.25**

* Not including derivative financial instruments

The growth in NAV of €19.2 million to €394.5 million (5.1%) or €8.67 per share was slightly higher than our forecast at the start of the year. In this forecast we had assumed that the value of the portfolio would remain stable while, gratifyingly, the value of the like-for-like portfolio increased by 1.9% in the year-end remeasurement.

€ 8.67
NAV per share. Increase of 5.1% compared to previous year

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The basis for the dividend distribution is net retained profits under German commercial law (HGB). The net income for the reporting year calculated in accordance with the provisions of the German Commercial Code was €17,660 thousand. Taking into account the withdrawal from other retained earnings of €2,357 thousand net retained profits amounted to €20,017 thousand.

At the Annual General Meeting of the company on 7 May 2015, the Managing Board will propose using the unappropriated surplus for the 2014 financial year of €20,017 thousand to distribute a dividend of €0.40 per share.

40 cents
dividend to be distributed per share for shareholders in 2014.

SUPPLEMENTARY REPORT

On 18 February 2015, HAMBORNER resolved a capital increase of 10% of share capital from Authorised Capital II. This corresponds to an increase in share capital of €4,549,332 from currently €45,493,333 to €50,042,665.

With existing shareholders' pre-emption rights disapplied, the new shares were acquired at a price of €8.99 per share by a fund of the RAG Foundation, Essen, and have full profit participation rights from 1 January 2014. The gross issue proceeds of €40,912 thousand serve to further enhance the equity base and as a foundation for the next steps in the company's growth.

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

REPORT ON RISKS AND OPPORTUNITIES

RISK REPORT

Principles of our risk policy

As a property company operating across Germany, HAMBORNER is exposed to various risks that can negatively influence the net asset situation, financial position and result of operations of the company. To reduce the risks, we have always tailored our business policy to avoid business areas with particularly high risk potential. In this regard, as in the past, we again did not participate in highly speculative financial transactions or property developer schemes in 2014. We take appropriate, manageable and controllable risks if the rewards offsetting them can be expected to give rise to adequate appreciation in value.

Risk management

In order to restrict risk, we have implemented a risk management system for the timely identification and handling of risks that could be of significance to the economic position of the company. It complies with the legal specifications and is subject to regular review. It is adjusted or added to appropriately in line with changing economic conditions. Opportunities that arise are not taken into account in this management system. The early risk detection system is examined by the auditor as part of the audit of the annual financial statements in accordance with section 317(4) HGB.

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

Reporting, streamlined organisational structures and transparent decision-making channels ensure that the Managing Board is directly included in all risk-relevant transactions. Accounting processes are performed exclusively by our own qualified employees. The company prepares and communicates interim reports in addition to annual reports. The half-year financial statements are subject to review by the company's auditor.

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

An internal audit was outsourced to a third-party audit firm to assess the appropriateness and effectiveness of the internal control system. As part of the internal audit, we select the processes and areas to be audited in coordination with the audit committee.

Presentation of individual risks

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

Risks of future macroeconomic development

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

Market risks in the property sector

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

General letting risks

Even though bricks and mortar retail is facing increasing competition from online shopping, we expect continuing high demand in the current financial year for properties in prime high street locations. It remains to be seen how the general economic environment will develop for office buildings in the coming years. There are still vacancy risks for outdated office space or retail properties in second-rate locations.

Through the broad regional diversification of our property portfolio, we attempt to keep the consequences of specific negative local influences, such as can arise due to the construction of shopping centres, to a minimum for the entire portfolio. In addition, a good location and the greatest possible flexibility of use are important criteria for us when purchasing properties. Moreover, we endeavour to limit letting risks through regular monitoring and improvement of the structural quality of the properties. The self-management of all the portfolio properties enables us to react quickly to a probable change of tenant with selective subsequent letting activities.

The above measures for minimising the letting risk have meant that we have been able to achieve a very high occupancy rate in past years. The average vacancy rate was 2.5% in the 2014 financial year (previous year: 3.4%), which represents a very low level. We ensure a good occupancy rate in the event of new investments. Furthermore, rent guarantees cover letting risks in some cases.

Risks of a loss of rent

We reduce the risk of rent losses, particularly due to tenants' inability to pay, by means of efficient receivables management, the regular monitoring and review of the creditworthiness of our tenants and the agreement of rent securities that are appropriate to the risk. Uncollectable receivables and individual value adjustments amounted to €15 thousand in the 2014 financial year (previous year: €31 thousand). An increase in uncollectable receivables cannot be ruled out for the current financial year as well, depending on ongoing economic developments. However, major rent losses are not discernible at present due to our tenant structure. The EDEKA Group is our biggest single tenant with a share of 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 and risk of impairment losses as a result of falling market values

The value of our properties is reviewed annually using the generally recognised DCF method. Our commercial property portfolio was again measured by an independent third party at the end of 2014. Detailed information on the valuation of our property portfolio can be found in the section "Performance of the property portfolio". The measurement of properties can also be positively or negatively affected in future by the use of different discount rates as a result of changes in general risk assessment, interest rates or risks specific to properties.

Financial risks

Further borrowed funds will be raised in future as well to finance our growth to an appropriate extent. The development in interest rates is therefore of high significance to the company. In order not to be subject to short-term interest rate risks, we have arranged fixed, long-term conditions for the financing of our investments. We have concluded interest swap agreements to hedge against interest rate fluctuations on our floating rate loans with a nominal value of €75.9 million. Further information on interest rate hedges using financial instruments can be found in the notes on accounting policies and under note (17).

The risks resulting from financial instruments relate to credit, liquidity and market risks. There are credit risks in the form of risks of default on financial assets. The maximum value of this risk is the carrying amount of the financial assets. For derivatives, this is the total of all the positive fair values and, for primary financial instruments, the total of the carrying amounts. If risks of default exist, they are taken into account by means of value adjustments.

Liquidity risks constitute refinancing risks and thus risks of a fulfilment of existing obligations to pay when due. The strategy and the results of the planning process are taken as a basis for the early identification of the future liquidity situation. The expected liquidity requirements are scheduled in medium-term planning, which covers a period of five years.

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

Risk of loss of REIT status
HAMBORNER has been a REIT stock corporation since 1 January 2010. As such, it is exempt from German corporation and trade tax. In order to maintain REIT status over a sustained period, the company must comply with certain legal criteria. In particular, free float must be at least 15%, no investor can directly hold 10% or more of the shares, at least 75% of the assets must be immovables, 90% of the annual result in accordance with the German Commercial Code must be distributed and equity must not fall below 45% of the fair value of the immovables. We counteract the risk of losing REIT status by means of our internal monitoring and controlling system. We monitor development of the key indicators for classification as a REIT company, particularly development of the REIT equity ratio in accordance with section 15 of the German REIT Act, which at 53.1% as at 31 December 2014 was considerably above the required minimum equity ratio of 45%.

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

Mining damage risks
There are potential risks from our former mining activities, e.g. due to subsidence damage or shaft stabilisation, on account of the possible future discontinuation of large-scale dewatering activities in the Ruhr area. The associated economic risk was assessed by an expert in 2005. The provisions relating to mining currently amount to €2.5 million in accordance with IFRS (HGB: €2.0 million).

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

SUMMARY ASSESSMENT OF THE RISK SITUATION

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

REPORT ON OPPORTUNITIES

The current low-interest environment means opportunities for the company. The average interest rate payable by HAMBORNER on its financial liabilities is currently 3.9% with a weighted remaining term on fixed interest agreements of 6.0 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 and FFO.

HAMBORNER is growth-oriented, has an efficient organisational structure and core competence in portfolio management. As at 31 December 2014, we were represented at 53 locations with our properties. This is a good platform and opens up opportunities for further growth with a positive impact on rental income and FFO development. The low interest level benefits the growth strategy and improves the return on capital employed on account of the leverage effect on acquisitions.

Our company's rental income benefits from long-term leases with an average remaining term of around 6.6 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.

Excellently positioned among the competition and well equipped for further growth

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

After a good start to 2014, the German economy switched to a flatter expansion trajectory over the year, according to Deutsche Bundesbank. As stated in its December 2014 monthly report, however, the German economy is still in remarkably good condition, hence the outlook for 2015 and 2016 is highly positive. In addition to a sound overall domestic economy, Deutsche Bundesbank feels that there are also opportunities on international markets, provided that the economic recovery in the euro zone intensifies and world trade picks up the pace again.

Against this backdrop, the German economy could increase its real gross domestic product (GDP) by 1.0% in 2015 and by 1.6% in the year thereafter, according to Deutsche Bundesbank. Deutsche Bundesbank expects the rate of inflation to rise slightly in 2015 as against 2014 to 1.1%, and to 1.8% in 2016. However, if the price of crude oil remains low, Deutsche Bundesbank considers a downward correction of its inflation forecast and an upward revision of its estimate for GDP growth to be likely. The positive overall trend on the labour market is expected to continue. According to Deutsche Bundesbank's forecast for the economy as a whole, the unemployment rate could remain at its present level of around 6.7% in 2015 and 2016.

FUTURE SITUATION IN THE INDUSTRY

Letting market

Shortly before the end of 2014, it looked as if the German office rental markets would succumb to the pull of the economic slump and retain their downward course over the year as compared to 2013. After all, in each quarter aggregate office take-up across all German property strongholds was in the red. However, thanks to a stronger than expected final quarter of 2014, the German office markets ultimately posted a result for the year slightly above the previous year's level. Even though demand rose strong as at the end of 2014, we do not assume that this means a turnaround for a boom on the rental markets.

Stable to minor increases in rental revenue forecast for office and retail space

For 2015 there are currently signs of a slight upward trend, though a strong rise in office take-up cannot be assumed. Rather, we anticipate a longer term stabilisation at this level with minor increases. Overall, the supply of space is expected to decrease further as relatively little new office space will come onto the market in 2015 as well, with the result that the forecast demand will consume more vacancies. With demand recovering, small rent hikes can therefore not be ruled out.

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

Investment market

The German investment markets have very good prospects for 2015. Interest levels, which will probably remain low in the longer term, the overall economic growth prospects and the clear depreciation of the euro mean that property investments in Germany are still highly attractive, especially for international investors as well.

Still good prospects for German investment market in 2015

In light of this, we are assuming a similar investment volume in 2015 to that in 2014, though this could be limited by insufficient supply. Portfolio transactions are likely to become more important and the share of international investors in the transaction volume will rise.

We anticipate a slight decline in peak rents by the end of 2015.

ANTICIPATED BUSINESS DEVELOPMENT

In the past financial year, we progressed more rapidly in selling smaller properties no longer consistent with strategy than one year ago. However, transferring properties out of the portfolio entailed higher losses in rental income than originally planned, with the result that the total increase in rental income in 2014 was 3.5% as against 2013, and therefore slightly less than the forecast increase of 4% to 5%.

For the coming financial year, we are assuming that the satisfactory business performance will continue with slight year-on-year increases in FFO. The main factor influencing FFO, our central control parameter, is still rental income, which is estimated to rise by around 4% to 5% year-on-year in 2015 according to our current forecasts. In particular, this is due to the new acquisitions transferred to us in 2014 and the purchase in Aachen already notarised but not to be transferred until 2015. This forecast does not take into account other acquisitions or disposals not yet specified further.

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 2015 will be prolonged or that new tenants will be quickly found. 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 depreciation and interest expenses as a result of growth. In maintenance expenses as well, we are assuming a higher level than in previous years on account of the larger portfolio and the necessary improvements for tenants in the context of new leases.

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

One the basis of our earnings forecasts, we are assuming that an appropriate and attractive distribution will be possible for 2015 as well. This will require that we are spared from major, unforeseeable reductions in earnings. Assuming both this and a further stable development in the value of our like-for-like property portfolio, we are anticipating a slight increase in NAV for 2015.

As a result of the capital increase implemented after the end of the reporting period and having the RAG Foundation as a new shareholder, the company's equity has increased by around €41 million. While maintaining the long-term target REIT equity ratio of 50%, this increases the scope for investments by around €80 million. The company intends to invest the funds from the capital increase as soon as possible, with the result that the increases in rental income and the rise in absolute FFO can be substantially higher than without the capital increase. The extent of increases will depend crucially on the timing of new property additions. Given the greater number of shares, we expect FFO per share for 2015 to be at notionally about the same level as 2014, as possible new acquisitions will not contribute to rental income and FFO for a full year until 2016. We therefore forecast that FFO per share in 2016 will be higher again than in 2014.

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

45.5 million
shares outstanding as at 31 December 2014:

Composition of issued capital

As at 31 December 2014, 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 to the financial statements under "Other information and required disclosures".

Shares with special rights bestowing control

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

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

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

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

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

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

Authority of the Managing Board to issue shares

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

Authorised Capital I

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

Authorised Capital II

b) to increase the share capital of the company, with the approval of the Supervisory Board, on one or several occasions by up to a total of €18,197,333 by issuing new bearer shares against cash contributions (Authorised Capital II) until 6 May 2018 and, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases for a partial amount. This authorisation was partially utilised after the end of the reporting period in February 2015 with the issue of 4,549,332 new shares with existing shareholders' pre-emption rights disapplied.

The Managing Board was also authorised,

Contingent Capital

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 36 of the annual report. There are no other compensation agreements with employees of the company.

CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289A HGB

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

In implementing the recommendations of the current German Corporate Governance Code, we have also again published our corporate governance report (see also from page 29 onwards) on our website in connection with the corporate governance declaration.

REMUNERATION OF THE MANAGING BOARD AND THE SUPERVISORY BOARD

Detailed information on the remuneration system and the remuneration of the Managing Board and the Supervisory Board can be found in our corporate governance report from page 34 onwards. The statements found there are part of the management report.

Duisburg, 27 February 2015

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.

03

SEPARATE FINANCIAL STATEMENTS (IFRS)

92 Income Statement
93 Statement of Comprehensive Income
94 Statement of Financial Position
96 Statement of Cash Flows
97 Statement of Changes in Equity
98 Statement of Changes in Fixed Assets*
100 Notes to the Financial Statements
124 Responsibility Statement
125 Audit Opinion
*also part of the notes

INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

€ thousand	Note	2014	2013
Income from rents and leases		46,823	45,227
Income from passed-on incidental costs to tenants		5,650	5,027
Real estate operating expenses		−7,371	−7,158
Property and building maintenance		−2,244	−2,163
Net rental income	(1)	**42,858**	**40,933**
Administrative expenses	(2)	−1,109	−1,131
Personnel expenses	(3)	−3,452	−3,311
Amortisation of intangible assets, depreciation of property, plant and equipment and investment property	(4)	−17,841	−16,379
Other operating income	(5)	714	1,334
Other operating expenses	(6)	−1,277	−1,030
		−22,965	**−20,517**
Operating result		**19,893**	**20,416**
Result from the sale of investment property	(7)	10,688	354
Earnings before interest and taxes (EBIT)		**30,581**	**20,770**
Interest income		68	42
Interest expenses		−13,540	−12,291
Financial result	(8)	**−13,472**	**−12,249**
Net profit for the year		**17,109**	**8,521**
Earnings per share (€)	(9)	0.38	0.19

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

€ thousand	Note	2014	2013
Net profit for the year as per income statement		**17,109**	**8,521**
Items reclassified to profit or loss in future if certain conditions are met:			
Unrealised gains / losses (-) on the revaluation of derivative financial instruments	(17)	−157	4,364
Items not reclassified to profit or loss in future:			
Actuarial gains / losses (-) on defined benefit obligations	(20)	−304	304
Other comprehensive income		**−461**	**4,668**
Total comprehensive income		**16,648**	**13,189**

STATEMENT OF FINANCIAL POSITION – ASSETS

€ thousand	**Note**	**31 Dec. 2014**	**31 Dec. 2013**
NON CURRENT ASSETS			
Intangible assets	(10)	10	13
Property, plant and equipment	(10)	150	135
Investment property	(11)	606,849	595,423
Financial assets	(12)	495	434
Other assets	(13)	275	297
		607,779	**596,302**
CURRENT ASSETS			
Trade receivables and other assets	(13)	1,320	801
Cash and cash equivalents	(14)	10,374	28,154
Non-current assets held for sale	(15)	1,830	6,455
		13,524	**35,410**
Total assets		**621,303**	**631,712**

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

€ thousand	Note	31 Dec. 2014	31 Dec. 2013
EQUITY	(16)		
Issued capital		45,493	45,493
Capital reserves		124,279	124,279
Retained earnings		64,520	67,338
Net retained profits		35,903	34,634
		270,195	**271,744**
NON-CURRENT LIABILITIES AND PROVISIONS			
Financial liabilities	(17)	311,469	321,345
Derivative financial instruments	(17)	10,997	10,840
Trade payables and other liabilities	(19)	1,956	2,254
Pension provisions	(20)	7,452	7,491
Other provisions	(21)	3,059	1,926
		334,933	**343,856**
CURRENT LIABILITIES AND PROVISIONS			
Financial liabilities	(17)	10,760	10,176
Income tax liabilities	(18)	0	19
Trade payables and other liabilities	(19)	4,557	4,710
Other provisions	(21)	858	1,207
		16,175	**16,112**
Total equity and liabilities		**621,303**	**631,712**

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

€ thousand	Note	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES	(24)		
Net profit for the year		17,109	8,521
Financial result		13,472	12,249
Depreciation, amortisation and impairment (+) / write-ups (–)		17,841	16,380
Change in provisions		224	–452
Gains (–) / losses (+) (net) on the disposal of property, plant and equipment and investment property		–10,861	–355
Change in receivables and other assets not attributable to investing or financing activities		–182	–315
Change in liabilities not attributable to investing or financing activities		–623	1,273
Interest received		67	113
Tax payments		–19	0
		37,028	**37,414**
CASH FLOW FROM INVESTING ACTIVITIES	(25)		
Investments in intangible assets, property, plant and equipment and investment property		–40,574	–110,407
Proceeds from disposals of property, plant and equipment and investment property		26,543	1,257
Payments for investments in non-current financial assets		–20	0
Proceeds from disposals of financial assets		5	13
Proceeds relating to the short-term financial management of cash investments		0	15,000
		–14,046	**–94,137**
CASH FLOW FROM FINANCING ACTIVITIES	(26)		
Dividends paid		–18,197	–18,197
Proceeds from borrowings of financial liabilities		0	108,459
Repayments of borrowings		–9,276	–7,121
Interest payments		–13,289	–12,391
		–40,762	**70,750**
Changes in cash and cash equivalents		**–17,780**	**14,027**
Cash and cash equivalents on 1 January		**28,154**	**29,127**
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**
Cash and cash equivalents on 31 December		**10,374**	**28,154**
Cash and cash equivalents (with a remaining term of up to three months)		10,374	28,154
Cash and cash equivalents		**10,374**	**28,154**

STATEMENT OF CHANGES IN EQUITY

€ thousand	Issued capital	Capital reserves	Retained earnings		Net retained profits			Total equity
			Other retained earnings	Revaluation surplus	Profit carry-forward	Net profit for the year	Withdrawal from other retained earnings	
As at 1 Jan. 2013	**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 (€0.40 per share)					–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**
Carryforward to new account					18,304	–8,521	–9,783	0
Distribution of profit for 2013 (€0.40 per share)					–18,197			–18,197
Other comprehensive income 1 Jan. – 31 Dec. 2014				–461				–461
Withdrawal from other retained earnings			–2,357				2,357	0
Net profit for the year 1 Jan. – 31 Dec. 2014						17,109		17,109
Total comprehensive income 1 Jan. – 31 Dec. 2014				**–461**		**17,109**		**16,648**
As at 31 December 2014	**45,493**	**124,279**	**79,208**	**–14,688**	**16,437**	**17,109**	**2,357**	**270,195**

STATEMENT OF CHANGES IN FIXED ASSETS*

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

€ thousand	Cost				
	As at 1 Jan. 2013	Additions	Disposals	Reclassification under IFRS 5	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**

* Component of the notes

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

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

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

HAMBORNER REIT AG is a listed corporation (SCN 601300) headquartered in Duisburg, Germany. It is entered in the Commercial Register of Duisburg District Court under HRB 4. Since its transformation into a REIT 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 2014 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 2014 and the management report for 2014 on 27 February 2015 and approved them for submission to the Supervisory Board.

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

ACCOUNTING POLICIES

These separate financial statements as at 31 December 2014 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 2014 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.

Total financial liabilities reported as at 31 December 2013 amounted to €331,521 thousand. In the statement of financial position, current financial liabilities were reported too low by €2,693 thousand and non-current financial liabilities too high by the same amount. The comparative figures as at 31 December 2013 were adjusted in line with the accurate presentation in note (18) of the IFRS financial statements in these separate financial statements.

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

As against the separate financial statements as at 31 December 2013, the following standards and interpretations have been amended or were effective for the first time as a result of their endorsement in EU law or their coming into effect:

Standard / interpretation	Name	Nature of amendment
IFRS 10	Consolidated Financial Statements	New standard including subsequent amendments for investment entities and transition regulations; replaces IAS 27 and SIC-12
IFRS 11	Joint Arrangements	New standard including subsequent amendments for transition regulations; replaces IAS 31 and SIC-13
IFRS 12	Disclosure of Interests in Other Entities	New standard including subsequent amendments for investment entities and transition regulations; extension of disclosure requirements for a reporting entity's involvement in subsidiaries, joint arrangements, associates and unconsolidated SPEs/structured entities
IAS 27	Separate Financial Statements	Owing to the introduction of IFRS 10, the standard now only applies to separate financial statements
IAS 28	Investments in Associates and Joint Ventures	Standard replaces previous version of IAS 28 (2003) Investments in Associates
IAS 32	Financial Instruments: Presentation	Amendments to improve disclosures on offsetting of financial assets and liabilities
IAS 36	Impairment of Assets	Disclosures regarding recoverable amount for non-financial assets
IAS 39	Financial Instruments: Recognition and Measurement	Novation of derivatives and continuation of hedge accounting

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 2014 financial year: The option to apply standards and interpretations early was not exercised.

Standard / interpretation	Name	Nature of amendment	Effective date	Material expected effect
IFRS 9	Financial Instruments	New standard; replaces IAS 39 as currently amended	1 January 2018	Under examination
IFRS 10	Consolidated Financial Statements	Clarification of the extent of gain or loss recognition in transactions with associates or joint ventures; changes in connection with consolidation exceptions for investment entities	1 January 2016	None
IFRS 11	Joint Arrangements	Compliance with IFRS 3 principles when acquiring an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, with the exception of those principles that conflict with the guidance in IFRS 11	1 January 2016	None
IFRS 12	Disclosure of Interests in Other Entities	Amendments in connection with consolidation exceptions for investment entities	1 January 2016	None
IFRS 14	Regulatory Deferral Accounts	New standard	1 January 2016	None
IFRS 15	Revenue from Contracts with Customers	New standard on the recognition of revenue from contracts with customers. The standard replaces IAS 11 and IAS 18 and various interpretations relating to this issue.	1 January 2017	None
IAS 1	Presentation of Financial Statements	Removing boundaries with regard to judgements by the preparer in the presentation of the financial statements	1 January 2016	Under examination
IAS 16	Property, Plant and Equipment	Guidance on the use of methods of depreciation on property, plant and equipment; inclusion of certain bearer plants in the scope of IAS 16	1 January 2016	None
IAS 19	Employee Benefits	Clarification of allocation of employee contributions or contributions from third parties that are linked to service	1 February 2015	None
IAS 27	Separate Financial Statements	Amendment allowing the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor again	1 January 2016	None
IAS 28	Investments in Associates and Joint Ventures	Compliance with IFRS 3 principles when acquiring an interest in a joint operation, with the exception of those principles that conflict with the guidance in IFRS 11; amendments in connection with consolidation exceptions for investment entities	1 January 2016	None
IAS 38	Intangible assets	Guidance on the use of methods of amortisation for intangible assets	1 January 2016	None
IAS 41	Agriculture	Inclusion of certain bearer plants in the scope of IAS 16	1 January 2016	None
IFRIC 21	Levies	New interpretation; guidance on when to recognise a liability for a levy imposed by a government	17 June 2016	None
Various	Annual IFRS improvement project (2010 – 2012)	Amendments relate essentially to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24	1 July 2014	None
Various	Annual IFRS improvement project (2011 – 2013)	Amendments relate essentially to IFRS 1, IFRS 3, IFRS 13, IAS 40	1 July 2014	None
Various	Annual IFRS improvement project (2012 – 2014)	Amendments relate essentially to IFRS 5, IFRS 7, IAS 19, IAS 34	1 January 2016	Under examination

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 relate essentially to the determination of useful lives, the fair value of land, buildings and receivables, the calculation of the fair value of financial instruments and the recognition and measurement of provisions. The carrying amounts of the items concerned can be found in the statement of financial position and the notes. Actual values may deviate from the assumptions and estimates made in individual cases. Changes are taken into account when new information is available.

Intangible assets

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

Property, plant and equipment

Property, plant and equipment are measured at cost less straight-line depreciation. The company's administrative building in Duisburg and operating and office equipment are reported under property, plant and equipment. Depreciation for the administrative building is based on a total useful life of 50 years and a remaining useful life at the end of the reporting period of five years. The operating and office equipment has an average useful life of between three and 15 years.

The results of disposals of property, plant and equipment are reported under "Other operating income" (gains) or "Other operating expenses" (losses).

Investment property

Investment property is measured at amortised cost less straight-line depreciation in accordance with the option under IAS 40 (30) in conjunction with (56). All land, buildings and parts of buildings already developed and under development held to generate future rental income or gains from appreciation or with an undetermined use are classified as investment property. They are not intended for HAMBORNER's own administrative purposes or for short-term trading in the context of the ordinary business activities. Depreciation is recognised on a straight-line basis over the economic life. A useful life of 33 years is assumed when a property is acquired. If this principle is contradicted by the actual circumstances (e.g. on account of age, quality, options for use of the building), the useful life is estimated differently accordingly. The remaining useful life is also reviewed in the context of major modernisation work. The results from the sale of the investment property are shown separately in the income statement.

The following useful lives were applied in the reporting year:

Useful lives of non-current assets	Years
Commercial and office buildings	33 to 50
Other commercial buildings	40
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 2014. 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 (2015 to 2024), plus the residual value of the property calculated on the basis of its long-term free cash flow less costs to sell, also discounted to the measurement date.

Discount rates of between 3.85% and 8.70% (previous year: 4.50% and 8.70%) were used to calculate residual values. Cash flows and residual values were discounted using risk-adjusted interest rates of between 4.25% and 9.60% (previous year: 4.75% 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 for properties not yet transferred to us.

The fair value of our undeveloped land holdings was calculated using the market-based approach in accordance with level 2. The standard land values calculated in expert reports for similar properties and areas are used and risks deductions are charged in line with the particular characteristics of the properties. On average, the fair value of undeveloped land is €2.74 per m² (previous year: €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 as calculated by an expert before the deduction of transaction costs of a notional acquisition (gross capital value) as the value in use within the meaning of IAS 36.30. If the reasons for impairment losses recognised in previous years no longer exist, they are reversed up to the amortised carrying amounts of the respective assets. Impairment losses are reported under "Amortisation of intangible assets, depreciation of property, plant and equipment and investment property". Reversals of write-downs are recognised in "Other operating income".

Leases

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

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

Financial assets

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

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

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

Derivative financial instruments

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

Derivative financial instruments are recognised for the first time on the trade date. For cash flow hedges used to hedge risks affecting the amount or timing of future cash flows, any changes in market value are recognised in equity (revaluation surplus) and hedge effectiveness is documented. The effectiveness of cash flow hedges is determined in line with the dollar-offset method. In these cases this resulted in the recognition of the changes in carrying amounts in full in equity. Asset and liability derivative financial instruments are reported in separate items of the statement of financial position.

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

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

Cash and cash equivalents

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

Non-current assets held for sale

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

Provisions

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

Pension provisions

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

The following parameters were applied:

Parameter p. a. in %	2014	2013
Interest rate	1.9	3.2
Pension trend	2.0	2.0
Inflation	2.0	2.0

Sensitivity analyses, which are shown under note 20, were performed to show the sensitivity of the parameters used that are considered significant. These sensitivity analyses should not be considered representative for the actual change in defined benefit pension obligations. It is thought unlikely that the deviations from assumptions will occur in isolation as the assumptions are related in some cases.

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

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

Other provisions

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

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

Long-term, share-based remuneration is measured with the fair value of the liability as at the end of each reporting period and on the settlement date.

Financial liabilities

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

Recognition of expenses and revenue

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

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

NOTES TO THE INCOME STATEMENT

(1) Net rental income

Income from rents and leases for properties recognised in accordance with IAS 40 increased by €1,596 thousand to €46,823 thousand in the reporting year. The change was due to rent increases due to property additions in the reporting year and the previous year (€2,695 thousand), rent losses as a result of property disposals (€–1,268 thousand) and increases in rents (like-for-like) of €169 thousand.

HAMBORNER generated more than 10% of its rental income with the Edeka Group (€7.0 million; previous year: €6.9 million) and the Kaufland Group (€5.1 million; previous year: €5.0 million) in the 2014 financial year.

€ thousand	2014	2013
INCOME FROM RENTS AND LEASES		
Retail space	27,591	26,556
Office space and medical practices	17,536	16,279
Production and other commercial space	889	934
Apartments	288	410
Garages / car parking spaces	219	232
Other lettings and leases (agricultural leases, licensing agreements, etc.)	160	168
Income from rent guarantees	140	648
Total	**46,823**	**45,227**
Income from passed-on incidental costs to tenants	5,650	5,027
Total	**52,473**	**50,254**
Real estate operating expenses	–7,371	–7,158
Property and building maintenance	–2,244	–2,163
Net rental income	**42,858**	**40,933**

Income from passed-on incidental costs to tenants mainly includes heating costs, property charges and other incidental rental costs that can be reallocated under the lease agreements. This income increased by €623 thousand in the reporting year. €391 thousand of the increase in income from passed-on incidental costs to tenants was due to the 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 €232 thousand.

Most of the ***real estate operating expenses*** can be passed on to the tenants under the terms of their rental agreements. They increased by €213 thousand to €7,371 thousand as a result of changes in the property portfolio.

€ thousand	**2014**	**2013**
REAL ESTATE OPERATING EXPENSES		
Energy, water, etc.	4,034	4,060
Land taxes	1,684	1,490
Other property charges	623	602
Ground rent costs	543	527
Insurance premiums	346	320
Miscellaneous	141	159
Total	**7,371**	**7,158**

The expenses for ***property and building maintenance*** amounted to €2,244 thousand compared to €2,163 thousand in the previous year. The largest individual measures related to modernisation work for a new letting in Linzer-Str., Bremen, and the refurbishment of the parking deck of a Kaufland store in Freital.

The direct operating expenses for our leased property were €9,615 thousand in the reporting year (previous year: €9,321 thousand). With the exception of temporary, partial vacancies in individual properties, the entire inventory was let at the end of the reporting period.

(2) Administrative expenses

The item includes the costs for the Annual General Meeting, the Supervisory Board and the auditor as stipulated in the Articles of Association and actual costs of administration.

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

€ thousand	**2014**	**2013**
Audits of financial statements	86	88
Other assurance services	10	10
Other services	9	4
Total	**105**	**102**

(3) Personnel expenses

Personnel expenses increased by €141 thousand to €3,452 thousand, essentially on account of the slightly higher headcount than in the previous year.

€ thousand	**2014**	**2013**
Wages and salaries	3,062	2,942
Social security contributions and related expenses	318	295
Retirement benefit expenses / pension expenses	72	74
Total	**3,452**	**3,311**

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

The depreciation and amortisation expense for 2014 was up €1,462 thousand on the previous year at €17,841 thousand. €17,797 thousand of this increase relates to investment property (previous year: €16,331 thousand). This item includes impairment losses of €1,179 thousand (previous year: €463 thousand). These were necessary on portfolio properties in Leverkusen (€292 thousand) and Kassel (€691 thousand) as a result of the difficult letting situation at the respective locations. There were impairment losses after the adjustment of fair values in line with contractually agreed sale prices on the property held for sale in Düren (€101 thousand) and the property in Hamburg sold in the reporting year (€95 thousand).

(5) Other operating income

Other operating income breaks down as follows:

€ thousand	2014	2013
Compensation in connection with section 15a UStG	270	65
Reversal of provisions and accruals	157	34
Compensation for early lease termination	115	1,113
Other compensation and reimbursement	42	57
Charges passed on to tenants and leaseholders	36	23
Miscellaneous	94	42
Total	**714**	**1,334**

(6) Other operating expenses

Other operating expenses rose by €247 thousand to €1,277 thousand. This item includes legal and consulting costs of €195 thousand (previous year: €292 thousand) and costs of public relations work of €173 thousand (previous year: €182 thousand). Furthermore, the item includes input tax adjustments due to the conclusion of VAT-exempt leases (section 15a of the Umsatzsteuergesetz (UStG – German VAT Act) of €304 thousand (previous year: €131 thousand), €270 thousand (previous year: €65 thousand) of which was passed on to the tenants in question (see table under note 5).

(7) Result from the sale of investment property

In the reporting year, we generated net income from the disposal of investment property of €10,688 thousand after €354 thousand in the previous year. This resulted from the disposal of seven properties from our portfolio and an area of around 92,000 m² from our undeveloped land holdings.

(8) Financial result

The financial result consists solely of interest income and expenses. The interest income amounts to €68 thousand (previous year: €42 thousand) and mainly consists of interest on call money or fixed-term deposits at various banks.

Interest expenses increased by a total of €1,249 thousand to €13,540 thousand in the 2014 financial year as a result of interest on property loans borrowed in the previous year and included for the entire year for the first time in the reporting year. €12,985 thousand of this relates to financial liabilities (previous year: €11,892 thousand)

The interest expenses for interest rate hedges amounted to €3,217 thousand (previous year: €3,723 thousand). The payments we make quarterly on the basis of agreed interest rates amounted to €3,399 thousand in the reporting year (previous year: €3,918 thousand).

In return, we received variable interest in line with agreements on the basis of three-month EURIBOR of €182 thousand (previous year: €195 thousand). The decline is due to development of short-term interest rates in 2013 and 2014. For further details and information on interest rate hedges please see note 17.

(9) Earnings per share

The net profit for the year amounted to €17,109 thousand, up €8,588 thousand on the figure for the previous year.

Earnings per share amounted to €0.38 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.

		2014	2013
Weighted average number of shares outstanding	Thousands	45,493	45,493
Net earnings / net profit for the year	€ thousand	17,109	8,521
Earnings per share	€	0.38	0.19

NOTES TO THE STATEMENT OF FINANCIAL POSITION

(10) Intangible assets and property, plant and equipment

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

The carrying amount of the company's administrative building in Duisburg reported under property, plant and equipment was €128 thousand (€97 thousand) as at the end of the reporting period.

(11) Investment property

Additions to investment property amounted to €40,279 thousand in the financial year. €33,817 thousand of this amount relates to property acquired in the reporting year and previous years, €2,456 thousand to incidental acquisition costs for property not yet transferred to the company and €4,006 thousand to subsequent capitalisation in the portfolio.

Investment property developed as follows in the reporting year:

€ thousand	2014	2013
As at 1 January	**595,423**	**510,834**
+ Additions due to acquisition	33,817	106,809
+ Additions due to advance payments	2,456	437
+ Additions due to reinstated assets	4,006	1,029
	40,279	**108,275**
– Disposals due to sales	−9,226	−900
– Disposals due to IFRS 5 reclassifications	−1,830	−6,455
	−11,056	**−7,355**
– Depreciation for the financial year	−16,618	−15,868
– Impairment losses for the financial year	−1,179	−463
	−17,797	**−16,331**
As at 31 December	**606,849**	**595,423**

Taking into account the additions and disposals in the reporting year, the market value of investment property was €720,205 thousand as at 31 December 2014 (previous year: €683,771 thousand). The market value of investment property breaks down as follows:

€ thousand	2014	2013
Developed property portfolio	715,660	680,970
Incidental costs of pending acquisitions	2,456	438
Undeveloped land holdings	2,089	2,363
Total	**720,205**	**683,771**

(12) Financial assets

At €470 thousand (previous year: €422 thousand) financial assets relate essentially to cash security deposits by tenants. This item also includes other loans of €25 thousand (previous year: €12 thousand).

(13) Trade receivables and other assets

All receivables and other assets are carried at amortised cost. There were no individual value adjustments on doubtful debts in the reporting year (previous year: €14 thousand). Uncollectible receivables were derecognised in the amount of €15 thousand (previous year: €17 thousand).

At €201 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 €74 thousand.

Trade receivables and other current assets break down as follows:

€ thousand	2014	2013
Trade receivables	614	430
Others	706	371
Total	**1,320**	**801**

€65 thousand (previous year: €162 thousand) of trade receivables were past due and not impaired as at the end of the reporting period. €14 thousand (previous year: €44 thousand) of these were older than 60 days.

(14) Cash and cash equivalents

Cash and cash equivalents break down as follows:

€ thousand	2014	2013
Bank balances	10,372	28,153
Cash balances	2	1
Total	**10,374**	**28,154**

Bank balances include €8,604 thousand (previous year: €26,024 thousand) in demand deposits.

(15) Non-current assets held for sale

Non-current assets held for sale relate to a smaller property no longer consistent with strategy in Düren, for which a purchase agreement was signed at the end of 2014 and that will not be transferred to the buyer until 2015. The fair value of this property is €1,830 thousand and is equal to the contractually agreed sale price.

The carrying amounts reported under this item in the previous year for the properties in Hanover, Moers and Wuppertal were transferred at the start of the 2014 financial year.

(16) Equity

The development of equity from 1 January 2013 to 31 December 2014 is shown in the statement of changes in equity. As at 31 December 2014, 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 had not been used as at the end of the reporting period.

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

The company reported net retained profits of €35,903 thousand (previous year: €34,634 thousand) as at 31 December 2014. The Managing Board will propose the distribution of a dividend of €20,017 thousand for the 2014 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 €20,017 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, €2,357 thousand was withdrawn from other retained earnings as at 31 December 2014, resulting in an amount of €79,208 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 €–10,997 thousand (previous year: €–10,840 thousand) and actuarial losses on defined benefit obligations accrued as at 31 December 2014 in the amount of €–3,691 thousand (previous year: €–3,387 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	2014	2013	Change in %
Equity	270,195	271,744	–0.6%
Total assets	621,303	631,712	–1.6%
Reported equity ratio	**43.5%**	**43.0%**	**+0.5% 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 53.1% as at 31 December 2014 (previous year: 52.5%).

A key figure in connection with solvency is the loan-to-value (LTV) ratio. This ratio is defined as net financial liabilities to the calculated value of the company's properties. The figure was 43.3% as at 31 December 2014 (previous year: 43.7%).

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

The capital management targets were achieved in the financial year.

(17) Financial liabilities and derivative financial instruments

As there was no additional borrowing in the reporting year, financial liabilities declined essentially as a result of scheduled repayments by €9,292 thousand €322,229 thousand. The fair value of derivative financial instruments decreased by a net amount of €157 thousand to €–10,997 thousand as a result of the further slide in interest rates on which their measurement is based. 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 €75.9 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 €–11.0 million.

NO.	Type	Maturity	Nominal value as at 31 Dec. 2014 € thousand	Fair value as at 31 Dec. 2014 € thousand
1	Interest rate swap	October 2017	30,938	−3,688
2	Interest rate swap	April 2018	14,005	−1,881
3	Interest rate swap	April 2018	10,161	−1,363
4	Interest rate swap	December 2018	4,131	−584
5	Interest rate swap	November 2021	16,620	−3,481
Total			**75,855**	**−10,997**

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

€ thousand	31 Dec. 2014			31 Dec. 2013		
	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	10,760	109,290	202,179	10,176	107,714	213,631
Derivative financial instruments	0	7,516	3,481	0	8,497	2,343
Total	**10,760**	**116,806**	**205,660**	**10,176**	**116,211**	**215,974**

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. 2014			31 Dec. 2013		
	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	19,552	141,767	214,419	20,441	143,145	232,812
Derivative financial instruments	3,200	7,236	987	3,192	9,433	1,446
Total	**22,752**	**149,003**	**215,406**	**23,633**	**152,578**	**234,258**

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 2014. 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 financial instruments relate to credit, liquidity and market risks. There are credit risks in the form of risks of default on financial assets. The maximum value of this risk is the carrying amount of the financial assets. For derivatives, this is the total of all the positive fair values and, for primary financial instruments, the total of the carrying amounts. If risks of default exist, they are taken into account by means of value adjustments.

Liquidity risks constitute refinancing risks and thus risks of a fulfilment of existing obligations to pay when due. The strategy and the results of the planning process are taken as a basis for the early identification of the future liquidity situation. The expected liquidity requirements are scheduled in medium-term planning, which covers a period of five years.

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

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

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

Interest rate risks regarding primary financial instruments with a fixed interest rate are reported only if they are measured at fair value. For financial instruments measured at amortised cost, changes in interest rates have no effect on accounting. For cash flow hedges used to hedge fluctuations due to interest rates, changes in market interest rates can affect the revaluation surplus in equity. Therefore, these financial instruments are taken into account in the sensitivity analysis. In the sensitivity analysis, the indicative measurement was calculated on the basis of the market value, taking into account accrued interest.

Change in revaluation surplus € thousand	**2014**	**2013**
Interest rate +1%	2,247	2,903
Interest rate –1%	−2,678	−4,043

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. 2014**		**31 Dec. 2013**	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	322,229	349,650	331,521	342,206

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

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	321,345		321,345		
Non-current derivative financial instruments	10,840			10,840	
Non-current trade payables and other liabilities	2,254		854		1,400
Current financial liabilities	10,176		10,176		
Current trade payables and other liabilities	4,710		2,660		2,050
	349,325	**0**	**335,035**	**10,840**	**3,450**

(18) Income tax liabilities

The income tax liabilities reported as at 31 December of the previous year relate essentially 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. After 31 December 2013, property sales at HAMBORNER no longer result in a retroactive adjustment of exit taxation. The company will therefore no longer incur income tax for such matters in future.

(19) Trade payables and other liabilities

€ thousand	2014	2013
Trade payables	**202**	**347**
Other liabilities	**6,311**	**6,617**
Outstanding invoices	1,924	1,429
Rental and leasing advances	1,565	2,192
Other purchase price retention	625	428
VAT liabilities	597	528
Security deposits	470	422
Supervisory Board remuneration	316	303
Security retention for rent guarantees	133	199
Audit fees	86	85
Land transfer tax liabilities	0	397
Miscellaneous	595	634
Total	**6,513**	**6,964**

€4,557 thousand (previous year: €4,710 thousand) of trade payables and other liabilities are due within one year.

(20) Pension provisions

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

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

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

As at 31 December 2014, the pension obligations are distributed among for (previous year: seven plus one beneficiary who has left the company) and nine (previous year: six) surviving dependents.

The weighted average term of defined benefit obligations was around 11.0 years as at the end of the reporting period (previous year: around 10.5 years).

Pension provisions developed as follows:

€ thousand	2014	2013
Carrying amount 1 January (= present value 1 January)	7,491	8,160
Interest expenses	230	244
Actuarial gains (-) / losses recognised for the current year	304	−303
(due to change in financial assumptions)	(+1,012)	(−78)
(due to experience adjustments)	(−708)	(−225)
Pension payments	−573	−610
Total	**7,452**	**7,491**

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

Change in pension provision € thousand	Increase	Decrease
Discounting rate (–0.5 / +0.5 percentage points) (Previous year:)	466 (404)	–420 (–368)
Inflation (+0.25 / –0.25 percentage points) (Previous year:)	200 (199)	–191 (–207)
Pension trend (+0.25 / –0.25 percentage points) (previous year:)	200 (199)	–191 (–207)
Deviation in mortality from standard (–7.5% / +7.5%) (Previous year:)	248 (237)	–225 (–217)

The sensitivity calculations are based on the average term of the pension obligation calculated as at 31 December 2014. 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 €487 thousand are expected in the 2015 financial year (previous year: €596 thousand).

In the year under review, HAMBORNER paid contributions of €168 thousand (previous year: €155 thousand) deemed as a defined contribution pension scheme to statutory pension insurance. In addition, the company paid direct insurance premiums of €7 thousand (previous year: €7 thousand) and premiums for employer-funded commitments of €60 thousand (previous year: €60 thousand). The company has no obligations other than its payment obligations under defined contribution schemes. The expenses are recognised in personnel expenses.

(21) Other provisions

Other provisions break down as follows:

€ thousand	1 Jan. 2014	Additions	Utilisation	Reversals	31 Dec. 2014	of which non-current	of which current
PROVISIONS FOR							
Mining damage	1,926	579	0	0	2,505	2,505	0
Bonuses	922	896	659	0	1,159	554	605
Reimbursements from operating costs not yet invoiced	100	64	53	0	111	0	111
Miscellaneous	185	101	94	50	142	0	142
Total	**3,133**	**1,640**	**806**	**50**	**3,917**	**3,059**	**858**

The provision for bonus obligations assumes that the expected bonuses for 2014 will be €237 thousand higher than in the previous year and amount to €1,159 thousand. Of this amount, €554 thousand (previous year: €275 thousand) and €323 thousand (previous year: €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 15 months (long-term, share-based commitments for 2013) and 27 months (long-term, share-based commitments for 2014).

The provisions for mining damage relate to the potential risks from our former mining activities. Please see the more detailed information in the risk report, which is a component of the management report. Provisions relating to mining activities are non-current provisions measured at their probable settlement amount at the end of the reporting period. Depending on their respective remaining term (between three and 20 years; previous year: between four and 21 years), interest rates of between 0.4% and 2.0% (previous year: between 1.5% and 3.3%) were assumed for discounting. The provision increased by a total of €579 thousand and €2,505 thousand as at 31 December 2014 owing to interest effects (maturity adjustment: €42 thousand; interest rate adjustment: €244 thousand) and inflation-based adjustments.

(22) Contingent liabilities and financial obligations

On 31 December 2014 there were obligations arising from two notarised land purchase agreements to pay total purchase price obligations of €43.3 million as per the agreements. On full letting at the transfer date of the property in Berlin still under construction, the purchase price obligation can increase to up to €45.8 million.

As part of the new letting of space in Linzer Str., Bremen, we entered into a commitment to the tenant to implement conversion work specific to the tenant of €0.9 million, €0.4 million of which will be reimbursed by the tenant in the form of a construction subsidy.

Investments under lease commitments of provisionally €0.3 million will be made in 2015 for outstanding work in connection with the work in Robert-Bunsen-Str., Freiburg, that was essentially completed in the reporting year.

Furthermore, as at the end of the reporting year, work began on the extension on our office building. The financial obligations resulting from this amount to €0.5 million.

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

Maturing on	Payment obligation (€ thou p.a.)	Passed on to tenants (€ thou p.a.)
30 June 2023	226	0
31 December 2034	204	204
31 March 2060	113	0
Total	**543**	**204**

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

(23) 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 €605.7 million (previous year: €600.9 million) was let under operating leases as at 31 December 2014.

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

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

€ thousand	31 Dec. 2014	31 Dec. 2013
Up to one year	46,359	44,803
Between two and five years	149,823	148,038
More than five years	115,160	131,526
Total	**311,342**	**324,367**

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

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

NOTES TO THE STATEMENT OF CASH FLOWS

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

The cash and cash equivalents comprise bank deposits and cash balances with an initial remaining term of less than three months. As at the end of the reporting period, cash and cash equivalents increased by €17.8 million as against the previous year to €10.4 million. €1.0 million of this relates to property financing not at the company's disposal.

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

(24) Cash flow from operating activities

The cash flow from operating activities was €37.0 million after €37.4 million in the previous year. Despite an increase in rental income, the slight decline is due in particular to the non-recurring compensation of €1.0 million received in the previous year from 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

		2014	2013
Number of shares outstanding	Thousands	45,493	45,493
Operating cash flow	€ thou.	37,028	37,414
Operating cash flow per share	€	0.81	0.82

(25) Cash flow from investing activities

As a result in particular of acquisitions in the financial year on the one hand (€–40.6 million) and payments received from properties sold in the reporting year (€+26.5 million), the net cash flow from investing activities was a cash outflow of €14.0 million (previous year: €94.1 million).

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

(26) Cash flow from financing activities

In addition to the dividend payment for 2013, the cash flow from financing activities of €–40.8 million (previous year: €+70.8 million) results from the interest and principal payments on the loans borrowed for the pro rata financing of our properties. There were no proceeds from the borrowing of loans in the reporting year (previous year: €108.5 million).

The company also has total funds not yet utilised of €32.9 million at its disposal from concluded loan agreements. These funds can be accessed at short notice on fulfilment of the payout requirements.

OTHER NOTES AND MANDATORY DISCLOSURES

Events after the end of the reporting period

On 18 February 2015 HAMBORNER resolved a capital increase of 10% of share capital from Authorised Capital II. This corresponds to an increase in share capital of €4,549 thousand from currently €45,493 thousand to €50,042 thousand.

With existing shareholders' pre-emption rights disapplied, the new shares were acquired at a price of €8.99 per share by a fund of the RAG Foundation, Essen, and have full profit participation rights from 1 January 2014. The gross issue proceeds of €40,912 thousand serve to further enhance the equity base and as a foundation for the next steps in the company's growth.

Employees

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

	2014	2013
Commercial property management	9	8
Technical property management	5	4
Administration	13	13
Total	**27**	**25**

Corporate governance

In December 2014, 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 2014 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 2014, 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 27 February 2015. 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 27 February 2015 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	Assignment of voting rights	Entities to which 3% or more is assigned
1	Ruffer LLP London, UK	1,321,447	2.90	Drop below 3%	12 June 2014	Yes [2]	
2	Allianz Global Investors Europe GmbH, Frankfurt a. M., Germany	1,158,195	2.55	Drop below 3%	31 July 2014	Yes [2]	
3	BNP Paribas Investment Partners S.A., Paris, France	1,426,120	3.13	Rise above 3%	29 Jan. 2015	Yes [1] = 3.13% [3] = 3.10%	
4	Deka Investment GmbH, Frankfurt a. M., Germany	4,549,332	9.09	Rise above 3%, 5%	20 Feb. 2015	Yes [2]	RAG Foundation, Essen, Germany
	RAG Foundation, Essen, Germany	4,549,332	9.09	Rise above 3%, 5%	20 Feb. 2015	No	
5	TEC Düsseldorf GbR, Düsseldorf, Germany	1,370,000	2.74	Drop below 3%	20 Feb. 2015	No	
6	Prof Siegert, Germany	2,300,000	4.60	Drop below 5%	20 Feb. 2015	Yes [1]	
7	Kingdom of Belgium, Brussels, Belgium	2,406,743	4.81	Drop below 5%	20 Feb. 2015	Yes [1]	Société Fédérale de Participations et d`Investissement / Federale Participatie – en Investeringsmaatschappij SA / NV ("SFPI/FPIM"), Brussels, Belgium
	Société Fédérale de Participations et d`Investissement / Federale Participatie – en Investeringsmaatschappij SA / NV ("SFPI/FPIM"), Brussels, Belgium	2,406,743	4.81	Drop below 5%	20 Feb. 2015	Yes [1]	Belfius Bank SA / NV, Brussels, Belgium
	Belfius Bank SA / NV, Brussels, Belgium	2,406,743	4.81	Drop below 5%	20 Feb. 2015	Yes [1]	Belfius Insurance NV / SA, Brussels, Belgium
	Belfius Insurance NV / SA, Brussels, Belgium	2,406,743	4.81	Drop below 5%	20.02.2015	Yes [1] = 2.02%	
8	BlackRock, Inc., New York, USA	1,377,603	2.75	Drop below 3%	20 Feb. 2015	Yes [1] = 0.69% [3] = 2.13%	
	BlackRock Holdco 2, Inc., Wilmington, DE, USA	1,377,603	2.75	Drop below 3%	20 Feb. 2015	Yes [1] = 0.69% [3] = 2.13%	
	BlackRock Financial Management Inc., New York, USA	1,377,603	2.75	Drop below 3 %	20 Feb. 2015	Yes [1] = 0.69% [3] = 2.13%	

[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 2014.

Related party disclosures for the 2014 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 2014 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 €1,118 thousand in the reporting year (previous year: €1,162 thousand). This includes current remuneration of €858 thousand (previous year: €902 thousand) and non-current, share-based remuneration of €260 thousand (previous year: €260 thousand). The remuneration of the members of the Supervisory Board is due in the short term and amounted to €316 thousand (previous year: €303 thousand) for the financial year.

The pension provisions recognised for former Managing Board members and their surviving dependents amounted to €4,328 thousand as at the end of the reporting period. Post-employment benefits under these pension commitments amounted to €382 thousand in the reporting year.

EXECUTIVE BODIES OF THE COMPANY AND THEIR MANDATES

Supervisory Board

Dr Josef Pauli, Essen († 18 December 2014)
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*
- HAHN-Immobilien-Beteiligungs AG*
- Investment AG für langfristige Investoren TGV*
- VNR Verlag für die Deutsche Wirtschaft AG* (until 31 August 2014)

Dr Bernd Kottmann, Münster
Deputy Chairman
MBA

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

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

Robert Schmidt, Datteln
Managing Director of Vivawest GmbH
Managing Director of Vivawest Wohnen GmbH
Managing Director of 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:
- Deutsche Investment Kapitalanlagegesellschaft* (from 31 March 2014)
- HAHN-Immobilien-Beteiligungs AG*

Mechthilde Dordel***, Oberhausen
Clerical employee

Wolfgang Heidermann***, Raesfeld
Technician

Dieter Rolke***, Oberhausen
Clerical employee

Committees of the Supervisory Board

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

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

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

Managing Board

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

Hans Richard Schmitz, Bonn
Director for Asset Management, Technology / Maintenance, Legal, Investor Relations / Public Relations, Corporate Governance, Insurance
External mandates:
- Waldbrunnen Beteiligungs AG* (Chairman) (until 15 December 2014)

Duisburg, 27 February 2015

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 net asset situation, financial position and result of operations of the company, and the management report of the company includes a fair review of development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Duisburg, 27 February 2015

The Managing Board

Dr Rüdiger Mrotzek   Hans Richard Schmitz

AUDIT OPTION

To HAMBORNER REIT AG, Duisburg

We have audited the separate financial statements – comprising the income statement and statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the financial statements – together with the bookkeeping system and the management report of HAMBORNER REIT AG, Duisburg, for the financial year from 1 January 2014 to 31 December 2014. The bookkeeping and the preparation of the separate financial statements and the management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law in accordance with section 325(2a) HGB are the responsibility of the company's management. Our responsibility is to express an opinion on the separate financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the separate financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net asset situation, financial position and result of operations in the separate financial statements in accordance with the applicable financial reporting framework and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping system, the separate financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the separate financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Düsseldorf, 27 February 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Harnacke)
Auditor

(Leber)
Auditor

04

ADDITIONAL INFORMATION

128 REIT Information
130 Important Terms and Abbreviations
132 Imprint
133 Financial Calendar

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 2014.

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 2014, HAMBORNER REIT AG's free float according to the notifications of voting rights that we have received was 83.26%. We notified the BaFin of this by way of letter dated 8 January 2015.

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 2014 financial year, 100.4% of the company's total assets were immovable assets.

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

This requirement was met in full in the reporting year.

Section 13 of the German REIT Act: distribution to investors

In accordance with section 13(1) of the German REIT Act, HAMBORNER is required to distribute at least 90% of its HGB net 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 €20.0 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 7.9% of its average portfolio of immovable assets in the last five years since its transformation into a REIT.

Section 15 of the German REIT Act: minimum equity

The equity of a REIT company calculated in accordance with section 12(1) of the German REIT Act must not fall below 45% of the fair value of its immovable assets.

The corresponding value at HAMBORNER as at 31 December 2014 was 53.1%.

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 €20.0 million.

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

Duisburg, 27 February 2015

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 27 February 2015

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.
Cashflow	Net total of the inflows and outflows of cash in a period.
Compliance	Implies compliance with laws and regulations in companies in addition to voluntary codes. The entirety of the principles and measures employed by a company in compliance with certain regulations and therefore to avoid violations in a company is referred to as the compliance management system.
Corporate governance	Principles of responsible corporate governance and control geared to the long-term creation of value added.
Cost ratio (EPRA)	The cost ratio developed by the EPRA measures the cost / income structure of property companies and is intended to make them comparable on the basis of a uniform definition. It is the ratio of all operating costs (possibly adjusted for individual components) incurred in the management and operation of the property to income from rents and leases.
DAX	The most important German share index established by Deutsche Börse AG. It shows development of the 30 biggest German stock corporations in terms of market capitalisation and stock exchange turnover.
DCF method	Discounted cash flow method – method used to determine value e.g. the fair value of real estate. It is based on the financial concept of discounting cash flows to determine the capital value.
Derivative	A financial instrument whose value is derived predominantly from the price, price fluctuations and price expectations of an underlying asset, such as shares, interest-bearing securities or foreign currencies; often used as a hedging instrument.
Designated sponsor	Specialist financial service providers that counteract temporary imbalances between supply and demand in individual shares in the electronic trading system Xetra. The negotiability of a share is meant to be improved through placing bid and ask limits.
DIMAX	Share index published by the banking firm Ellwanger & Geiger, which comprises German property shares.
Discounting rate	The discounting rate is the return that investors expect when providing capital, taking into account the specific investment risk. It consists of a risk-free interest rate plus a market-specific and property- specific risk. The future cash flows of the respective analysis period are discounted to the measurement date using the discounting rate.
EBDA	Earnings before depreciation and amortisation.
EBIT	Earnings before interest and tax (only taxes on income).
EBITDA	Earnings before interest, taxes, depreciation and amortisation (only taxes on income).
EPRA	European Public Real Estate Association – European association of listed property companies. Financial analysts, investors, auditors and consultants are also represented here in addition to companies.
Fair value	Fair value or market value, the value at which knowledgeable and willing parties would be prepared to exchange an asset at normal market conditions or to settle a liability.
FFO / AFFO	Funds from operations / adjusted funds from operations: Key performance indicator for operating business and also a key control parameter of the company. FFO is used in value-oriented corporate management to show the funds generated that are available for investments, repayments and dividend distributions to shareholders in particular. Adjusted for maintenance 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 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.

IMPRINT

Publisher

HAMBORNER REIT AG

GOETHESTRASSE 45
47166 DUISBURG

TEL.: +49 (0) 0203 / 54405-0
FAX: +49 (0) 0203 / 54405-49

INFO@HAMBORNER.DE
WWW.HAMBORNER.DE

Concept, graphics and production:

MPM CORPORATE COMMUNICATION SOLUTIONS, MAINZ
WWW.DIGITALAGENTUR-MPM.DE

Image credits

HAMBORNER REIT AG

FINANCIAL CALENDAR 2015/2016

25 March 2015	Annual report 2014
5 May 2015	Interim report for Q1 2015
7 May 2015	Annual General Meeting 2015
8 May 2015	Payment of dividend for the 2014 financial year
12 August 2015	Interim report for 1st half 2015
10 November 2015	Interim report for Q3 2015
22 March 2016	Annual report 2015
27 April 2016	Interim report for Q1 2016
27 April 2016	Annual General Meeting 2016

HAMBORNER REIT AG

GOETHESTRASSE 45
47166 DUISBURG
GERMANY

TEL.: +49 (0) 203 / 54405-0
FAX: +49 (0) 203 / 54405-49

INFO@HAMBORNER.DE
WWW.HAMBORNER.DE