Accounts Press Conference of HAMBORNER REIT AG

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Check against delivery

Ladies and gentlemen,

We bid you a warm welcome to this year's analysts' and accounts press conference of HAMBORNER REIT AG: My colleague Mr. Schmitz and I will be presenting the key data of our annual financial statements and reporting on the key business events. In your documents you will find the charts, the speeches, our press release and an advance copy of our annual report.

2011 was again a difficult year in macroeconomic terms. The subject on everyone's lips was the debt crisis, particularly in Greece. This also had a deep impact on the financial and capital markets. However, in spite of the general economic turbulence, 2011 was another highly successful year for HAMBORNER. We worked calmly but determinedly and systematically at the tasks we set ourselves and achieved our own goals, even exceeding them in some cases.

In 2011, our company

- invested €122 million and expanded its portfolio in line with strategy, especially in the south of Germany,
- increased its value through acquisitions by around 30% to roughly half a billion euro,
- significantly improved its operating results and
- retained its fundamentally solid financing position.

Looking back, we can see that we laid key foundations in 2010 with the transformation of the company into a REIT and the capital increase in autumn. 2011 proved that these measures not only made sense strategically, but also increased operating earnings and cash flow. In particular, this is shown by the development of our central performance indicator FFO. Here we see that the company – not least in its capacity as a REIT – has an extremely strong equity position and is well financed with debt capital in the long term. We are not feeling the credit crunch and we are not experiencing any refinancing problems.

We would now like to back up this positive view with the figures from our annual financial statements.

Chart 2 shows an overview of several key figures that I will be coming back to:

- Rental and leasing income climbed by 28.5% to €32.2 million.
- At €14.9 million, the operating result is up 18.8% year-on-year and the net profit for the year is up 38.7% at €7.9 million.
- Our equity ratio, by REIT definition, is 55.7%. We have a low LTV ratio of 39.1%.
- FFO is €16.0 million in absolute terms, a rise of around 32% as against the previous year. This corresponds to FFO per share of 47 cents after 36 cents in the previous year.

- At the Annual General Meeting we will propose a dividend of 40 cents per share, an increase of 8.2% as against last year. Based on the share price at the end of the year, this means a dividend yield of 6.25%
- The net asset value (NAV) was €8.77 per share as at 31 December 2011 and therefore stable year-on-year.

I will now present a few details on these figures and the activities that have led to them.

We have here **Chart 3**. Overall, we have continued the positive operating performance of the previous years. Rents rose by around 28.5% in absolute terms on account of the new acquisitions of recent years. On a like-for-like basis they remained constant. This is on an extremely low overall vacancy rate of 1.8%, which even fell to 1.3% including rent guarantees.

We were extremely successfully in acquisitions. In the 2011 financial year, eight properties with an investment volume of around €122 million were transferred to our portfolio.

Purchase agreements for two more properties with a volume of around €55 million had been notarised as at the end of the year and will be transferred at a later date.

We sold four smaller properties that were no longer consistent with our strategy. Moreover, we made further progress selling our agricultural and forest space and generated income of around €3.5 million from this in 2011.

We have again had our portfolio appraised externally. According to this, our properties had a market value of around €504 million as at 31 December 2011. This is the main foundation for the NAV of €8.77 per share calculated in line with the EPRA standard.

As in previous years, we carry our properties conservatively at cost less normal, annual depreciation. Losses due to revaluation are therefore deducted from hidden reserves and do not necessarily affect earnings. However, there is the potential for reversals of write-downs recognised on properties in previous years if fair values remain constant or rise. Thanks to the stable performance of our portfolio, we therefore recognised reversals of impairment losses of €1.4 million in the reporting year. No impairment losses were incurred.

Chart 4 shows our statement of comprehensive income based on net rental income. This amounted to €28.2 million and therefore again grew by double digits at 27.7%. This was primarily as a result of the new acquisitions in the past two years.

The operating result was €14.9 million after €12.5 million in the previous year. The rise of 18.8% is essentially thanks to higher net rental income. Another positive factor was the fact that, in spite of

the company's growth, administrative and staff costs rose more slowly than rental income by 11.3% to €3.8 million in total. This also applies to other operating expenses. This shows that we can leverage economies of scale as we continue to grow and thereby increase our efficiency. We are also keeping a close eye on our cost structures as we keep on growing!

Depreciation and amortisation increased by 31.0% year-on-year to around €10.5 million as a result of the new additions. We recognise our properties at depreciated cost and therefore reported depreciation in the year under review. Depreciation was also offset by reversals of impairment losses of €1.4 million, which are reported in other operating income.

EBIT amounted to €17.1 million after €14.8 million in the previous year. This includes the result from the disposal of properties which, at €2.2 million, was almost exactly the same as in the previous year.

Net finance costs amounted to €8.0 million in 2011. Interest expenses on acquisition finance of €8.4 million were offset by a slight increase in interest income of €0.4 million.

Following the deduction of net finance costs and taxes from EBIT, the net profit for the year amounted to €7.9 million, up 38.7% on the previous year.

The tax expense of €1.3 million essentially resulted from the tax audit performed in the period under review for the 2007 to 2009 period and relates to additional payments in connection with the company's exit taxation on attaining REIT status. By way of the tax assessments since issued, the taxation of HAMBORNER for the years prior to it becoming exempt is now final and absolute.

The basis for our good results and stable operating performance is our rental income. The structure of this is particularly important in this regard. Around 66% relates to retail properties and 34% to offices.

Chart 5 lists our ten biggest tenants, with which we generate around 44% of our rental income. The Kaufland Group, EDEKA, Areva, OBI, REWE and the German Federal Employment Agency are tenants of good credit standing. However, this is also true of our smaller tenants. In the 2011 financial year, all uncollectable receivables combined amounted to only 0.2% of total annual rent income. Our rental agreements are predominantly of a long-term nature. This also contributes to the stability of rental cash flow.

The remaining term of rental agreements weighted by rental income over the entire portfolio is 7.1 years **(Chart 6)**. Broken down by asset class, this is 10.4 years for large-scale retail, 4.6 years for offices and 6.1 years for high street properties. Also, more than 70% of the contractual rental income does not expire until 2016 or later.

The structure of our portfolio, the composition of our tenants and the terms of rental agreements play a key role in keeping HAMBORNER's income devel-

opment highly stable, even during economic fluctuations.

This is also shown by the development of FFO, a highly important financial performance indicator for us. **Chart 7** here shows this. The FFO describes the cash flows generated before write-downs. We also calculate it conservatively without gains on disposal, which means that FFO is a good representation of long-term, operating earnings power.

In 2011, FFO increased very strongly in proportion to rental income by 32%.

At the end of 2011, we again had our portfolio appraised externally by JLL, as shown by **Chart 8**.

Starting with a market value of around €376 million at the end of 2010, the value of the portfolio has increased to €504 million as a result of acquisitions and the remeasurement. Overall, the value of our portfolio proved highly stable with appreciation of € 2.3 million or 0.6%.

Based on the external portfolio valuation, NAV per share amounted to €8.77 as at 31 December 2010 **(Chart 9)**.

With a share price at the end of the year of €6.40 and NAV of €8.77 per share, this represents a discount of around 27%.

Following these comments on the statement of comprehensive income, FFO and NAV, we now have some details on the statement of financial position, as shown on Chart **10**. A carrying amount of €435.2 million was reported for investment property after €321.5 million in the previous year. Cash and cash equivalents amounted to €18.7 million as at the end of the year and had therefore returned to normal after their high at the end of 2010. The high cash level in the previous year was due to the capital increase in autumn 2010.

On the equity and liabilities side, equity amounted to €215 million. The company therefore has an equity ratio of 46.5%.

As we recognise assets and liabilities at cost, this does not include any hidden reserves due to higher market values.

Chart 11 shows the key financial data based on fair values, as demanded by REIT statutes.

As at 31 December 2011, HAMBORNER reported financial liabilities of around €216 million. Taking into account cash and cash equivalents, the net financial debt amounts to €197.3 million. The LTV (loan-to-value), i.e. the ratio of net debt to market value of the portfolio, is 39.1%. The equity ratio based on fair value comes to a comfortable 55.7%.

In addition, we are anticipating practically no refinancing requirements in the next five years given the current liabilities structure. Our fixed interest agreements do not begin to expire until 2017, and are then staggered well over multiple years.

Our financing is set up at fixed, long-term conditions. The average interest rate on our financial liabilities is around 4.4% over an average remaining term of 7.8 years.

As these figures prove, HAMBORNER has an extremely solid financial framework. Our current inter-

est terms on new agreements are also well below average values.

Ladies and gentlemen,

Let me conclude with a brief summary and outlook for 2012 (**Chart 12**):

1. 2011 was another successful year for HAMBORNER all-round. We added eight high-yield properties to our portfolio, increasing its value to over half a billion euro.

   This – as shown by all key performance indicators – had a highly positive impact on operating performance.

   The proceeds from the capital increase around 18 months ago have therefore been invested so as to enhance cash flow and have proved profitable.

2. Our activities are not just geared towards short-term success but also form the foundation for our sustainable development. As for **the outlook**:

   The properties acquired in 2011 will contribute to rents and FFO for the whole of 2012. These will also soon be joined by the new OBI DIY store in Aachen, as a result of which rents will increase by around 10% in the current financial year. We are striving for growth in FFO of between 5% and 10%.

Chart 13: Given the healthy business performance, we will be proposing a divided of 40 cents per share at the Annual General Meeting on 15 May.

This corresponds to an increase of 8.1% as against the previous year and a dividend yield of 6.3% based on the year-end share price. Thus, we are continuing our long-standing practice of stable, occasionally rising, dividends.

Many thanks!