Annual 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 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 the 2014 financial year we systematically continued our strategy of value-adding growth. However, in addition to acquisitions we also selectively sold off smaller properties no longer consistent with strategy and thereby further optimised our portfolio. We have remained true to our business policy of recent years, which is characterised by stability and solidity combined with streamlined cost structures and a low vacancy rate.

Thus, in 2014 (**chart 2**):

- we invested a net figure of €32 million and added three properties in Bad Homburg, Koblenz and Siegen to the portfolio in line with strategy,

- we thereby increased the portfolio-value as at 31 December 2014 to around €717 million,

- we also closed two further purchase agreements for properties in Aachen and Berlin with a combined value of €43 million,

- in return we signed agreements to sell eight smaller properties with intensive management requirements at a total price of €28.1 million, plus an area of undeveloped land at a price of €0.3 million,

- we again improved our results with a low vacancy rate and thus

- retained our fundamentally solid financial position.

This highly positive picture is also shown by the figures in our annual financial statements.

Chart 3 shows an overview of several key figures:

- Income from rents and leases increased by 3.5% to €46.8 million. On a like-for-like basis, comparing the properties that were in the portfolio for the whole of 2013 and 2014, rental income was slightly higher than the previous year's figure by 0.4%.

- The overall vacancy rate including rent guarantees is 2.3% and therefore still at a very low level.

- The net profit for the year doubled year-on-year to €17.1 million as a result of the disposals.

- FFO is €24.6 million in absolute terms, an increase of around 3.2% as against the previous year. This corresponds to an FFO per share of 54 cents.

- Our equity ratio, by REIT definition, is 53.1%. We have a low LTV ratio of 43.3%.

- Our portfolio was again externally evaluated. According to this, the market value of our properties was around €717 million as at 31 December 2014. This is the main basis for the NAV of €8.67 per share calculated in line with the EPRA standard, as against €8.25 at the end of 2013. At this point I would like to add our regular hint:

  As in previous years, we balanced our properties conservatively to historical acquisition and construction costs less normal annual depreciation. Losses due to reevaluation are therefore deducted from hidden reserves and do not necessarily affect earnings.

- We will be proposing a dividend of 40 cents per share at the Annual General Meeting. Based on the share price at the end of the year, this means a dividend yield of 4.9%

Chart 4 shows our income statement based on net rental income. This amounted to €42.9 million and therefore increased by 4.7%. This was primarily as a result of the new acquisitions in the past two years.

The operating result was €19.9 million after €20.4 million in the previous year. The slight decline is due to a non-recurring compensation paid by a tenant of €1 million for the early termination of its lease.

Another positive factor was the fact that, in spite of the portfolio growth, administrative and personnel costs rose only slightly by around 2.7% to a total of €4.561 million after €4.442 million in the previous year. Other operating expenses are also at a low level of €1.3 million.

As we continue to grow, we can therefore use scale-effects and further increase our efficiency.

This is illustrated in **chart 5**: Since 2006, we have increased the fair value of our portfolio from €186 million to €717 million. Over the same period, the operating costs ratio, i.e. administrative costs and personnel expenses in relation to rental income, fell from over 20% to 9.7% in the 2014 financial year (previous year: 9.8%).

Back to chart 4

Depreciations increased by 8.9% year-on-year to around €17.8 million, essentially as a result of the acquisitions. In addition to regular depreciation of €16.6 million, there were extraordinary depreciations totalling €1.2 million on four properties.

We generated a result from the sale of investment properties of €10.7 million (previous year: €0.4 million). We have taken a major step towards our goal of selling smaller properties with intensive administration requirements.

Chart 6:

With transfer of possession in 2014 we sold seven properties, comprising 46 rental units in total. On book value of €15.7 million, we achieved a total sales price of €26.3 million, which was even €1.2 million higher than the fair value of the properties.

Chart 7:

In total, since our change of strategy and growth course in 2007, we have sold 23 properties for around €50 million. The sale price was around 5% above fair value. The granularity of the sales documents the average price of the commercial properties of €3.0 million.

The policy of “grow” and “cut” has changed our portfolio structure significantly.

Chart 8:

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. The average property size has increased from €3.4 million in 2006 to €10.6 million in 2014. This is the basis for the efficiency enhancement already mentioned in administration and the reduction of the overhead cost margin to currently 9.7%.

Coming back to the income statement

EBIT amounted to €30.6 million, up 47.2% on the previous year (€20.8 million). The financial result was €-13.5 million, a drop of €1.3 million as against the previous year's figure (€-12.2 million).

The reduction is due primarily to debt borrowed in the previous year and the associated interest expenses, which affected figures for the entire year for the first time in the reporting year. After deducting net finance costs from EBIT, the net profit for the year amounted to €17.1 million – double the amount in the previous year thanks to sales.

The structure of the portfolio, the composition of our tenants and the duration of the lease contracts play a key role in keeping HAMBORNER's income development very stable, even during economic difficult times.

This is also shown by the development of FFO, the most important financial figure for us. **Chart 9:** FFO describes the cash flows generated before depreciations. We also calculate it conservatively without book profits, which means that FFO is a good representation of long-term operating earnings power.

We increased our FFO by 3.2% in 2014. We have also reported an “adjusted” FFO. This takes into account the capitalised maintenance expenditure not shown in the IFRS income statement as well.

This was €4.0 million in the reporting year and primarily related to the modernisation of our EDEKA Cash & Carry in Freiburg. Together with the expenditure of €2.2 million reported in the income statement, the maintenance expenses therefore totalled around €6.2 million in 2014.

Our portfolio was again evaluated externally by JLL at the end of 2014. **Chart 10** here shows this.

Overall, our property portfolio has a total market value of €717.5 million, €25.7 million higher than in the previous year.

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 reevaluation 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 reevaluation of the properties as at 31 December 2014 highlights the quality of HAMBORNER's property portfolio.

Based on the external portfolio valuation, NAV per share amounted to €8.67 as at 31 December 2014 (**chart 11**). With a share price at the end of the year of €8.12 and NAV of €8.67 per share, this represents a discount of around 6.3%.

Following these comments on the income statement, FFO and NAV, we now have some details on the balance sheet, as shown in **chart 12**.

Investment properties have a book value of €606.8 million after €595.4 million in the previous year. Cash and cash equivalents amounted to €10.4 million as at the end of the year after €28.2 million in the previous year. The non-current asset held for sale of €1.8 million is the property in Düren, for which a purchase agreement was signed in 2014 but transfer of possession will be at the end of 2015.

On the equity and liabilities side, equity amounted to €270 million. The company therefore has an equity ratio derived from the balance sheet of 43.5%.

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

Chart 13 shows the key financial figures based on fair values, as demanded by REIT statutes.

As at 31 December 2014, HAMBORNER reported financial liabilities of around €322 million. Taking into account cash and cash equivalents, net financial debt amounts to €311.9 million. The LTV (loan-to-value) ratio, i.e. the ratio of net debt to the market value of the portfolio, is 43.3%. The equity ratio based on fair value comes to a comfortable 53.1%.

Our financing is set up at fixed, long-term conditions. At the end of 2014, the average interest rate on our financial liabilities was around 3.7% over an average remaining term of 6.2 years. Our current ten-year interest rates are below 2% and therefore significantly less than our average cost of debt. This means potential for the future and leverages the profitability of our further intended acquisitions.

As these figures prove, HAMBORNER has an extremely solid financial framework geared towards the long term.

At the start of my speech I briefly mentioned the good performance of our company over the last few years – our track record. I have already pointed out the drop in the overhead cost margin. Ultimately, however, our key performance indicator is FFO, and more precisely FFO per share.

Chart 14: Over the past few years, we have not only increased the rents and FFO in absolute terms as a result of our new acquisitions, we have also had a long-term positive effect on FFO per share. FFO per share was 54 cents in 2014 and therefore up significantly on 2008's 37 cents despite there being twice as many shares.

Ladies and gentlemen,

Let me conclude with a brief summary and an outlook for 2015 **(chart 15)**:

1. We largely achieved our goals in 2014 of increasing rental income by 3.5% and FFO by 3.2%.

2. We have further optimised our portfolio structure and, on the one hand, increased the number of properties in line with strategy while, on the other, disposing of smaller properties with intensive management requirements that are no longer consistent with strategy.

3. HAMBORNER is engaged in sustainable business policy. The company is fundamentally healthy, with a sound and profitable positioning. With a portfolio-value of around €717 million, we are now a noted and accepted participant on the capital market.

4. Net assets value (NAV) increased by 5.1% to €8.67 per share as at the end of 2014. This, too, reflects the quality of our portfolio.

Now the outlook for the current year of 2015:

- The basis for a push in value-adding growth compared to the previous year has been laid. With transfer of possession of the properties in Aachen (€27 million) and Berlin (€17 million), our investment activities have already outmatched the previous year's level. In line with this, the value of the portfolio not including further sales and acquisitions will rise up to €760 million.

- In February in the RAG Foundation we also gained a new long-term shareholder to support our growth-course. The capital increase brought us €41 million. This extends our acquisitions-potential by around €80 million, which means that the total value of the portfolio will increase to well over €800 million with the positive economies of scale this will entail.

- The capital increase was executed at above NAV and therefore had the effect of increasing NAV. In addition, after the funds have been reinvested both FFO and FFO per share will grow further. An essential factor here is the timing of the addition of new properties.

- We are therefore delighted to be able to deliver the breaking news today that we yesterday signed the purchase agreement for a retail property in Celle. This is an established retail centre with "real" as its anchor tenant. The purchase price is around €35 million with a gross initial yield 6.5% on annual rental income of €2.3 million, and the leases have an average remaining term of around 12 years. We have therefore reinvested the funds from the capital increase quickly, profitably and in line with our strategy.

- **Against this backdrop, our outlook is as follows:**

  Without further investments from the capital increase, we assumed that rent would increase by 4% to 5% with absolute FFO growth of roughly the same amount.

- Following the acquisition of the property in Celle and depending on when further properties are added, we now expect that these growth rates will double. With the number of shares 10% higher in 2015, this would mean FFO per share on par with 2014. In 2016 FFO per share would then in all probability be higher than the current 54 cents.

Ladies and gentlemen, HAMBORNER not only feels that it is well equipped for 2015, but that we will continue to grow, improve our portfolio structure and increase profitability in the years that follow as well.

Chart 16: We will be proposing a dividend of 40 cents per share at the Annual General Meeting on 7 May. This corresponds to a dividend yield of 4.9% based on the share price at the end of the year. We are therefore continuing our business policy based on dividend-orientation and sustainability.

Thank you all for listening!