

Annual Accounts Press Conference of HAMBORNER REIT AG

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- Check against delivery –

Ladies and gentlemen

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.

Seven years have now passed since the strategic reorientation of the company in 2007, and four since its transformation into a REIT in 2010. Looking at the economy as a whole, the last two years have been highly volatile – the recurring word has been “crisis”: global economic crisis, banking crisis, financial crisis and euro crisis. However, the development of our company has been steadily on the rise during this time.

Since 2007, we have increased rental income – our core income – three and a half times over from €12.6 million to €45.2 million and FFO, after being calculated for the first time in 2008, has risen from 37 to 52 cents per share.

Our business policy has been characterised by stability and solidity with streamlined cost structures and low vacancy rates. We stood by this in 2013 and continued our successful trajectory.

In 2013 HAMBORNER

- invested a net figure of €109 million and added four properties to its portfolio in line with strategy,
- thereby increasing the value of the portfolio as at 31 December 2013 to around €692 million,

- in return, it sold or signed agreements to sell four smaller properties with intensive management requirements,
- it again improved its operating results with a lower vacancy rate and thus
- retained its fundamentally solid financing position.

This highly positive picture is backed up by the figures in 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 22% to €45.2 million.
- At €20.4 million, the operating result is up 16.6% year-on-year and the net profit for the year is up 10.1% at €8.5 million.
- Our equity ratio, by REIT definition, is 52.5%. We have a low LTV ratio of 43.7%.

- FFO is €23.8 million in absolute terms, a rise of around 26% as against the previous year. This corresponds to an FFO per share of 52 cents.
- 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 5.4%
- The net asset value (NAV) was €8.25 per share as at 31 December 2013 after €8.17 at the end of 2012.

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

Here we have **Chart 3**. Overall, we have continued the positive operating performance of the previous years. Rents rose by €8.2 million or 22% compared to 2012 as a result of new investments.

On a like-for-like basis, comparing the properties that were in the portfolio for the whole of 2012 and 2013, net rents were slightly below the previous year's figure by 1.5%. The overall vacancy rate including

rent guarantees is 2.5% and therefore still at a low level.

We were also successful in our acquisitions. Four properties were transferred to our portfolio in the 2013 financial year for a purchase price of around €109 million.

We sold a residential and commercial building in Oberhausen at a price of €0.9 million and an area of our undeveloped land holdings at a price of €0.4 million.

We have again had our portfolio appraised externally. According to this, our properties had a market value of around €692 million as at 31 December 2013. This is the main foundation for the NAV of €8.25 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. Thanks to the stable performance of our portfolio, we only had to recognise one impairment loss of €0.5 million in the reporting year, on the property sold in Oberhausen.

Chart 4 shows our income statement based on net rental income. This amounted to €40.9 million and therefore again grew by double digits at 23.2%. This was primarily as a result of the new acquisitions in the past two years.

The operating result was €20.4 million after €17.5 million in the previous year. The rise of 16.6% is essentially thanks to higher net rental income.

Another positive factor was the fact that, in spite of the significant portfolio growth, administrative costs and personnel expenses rose only slightly by around 15% to a total of €4.442 million after €3.861 million in the previous year. At 12.3%, other operating expenses also rose more slowly than rental income. As we have continued to grow, we have also leveraged economies of scale as in the past, and thereby further increased our efficiency.

This is illustrated in **Chart 5**: Since 2006, we have increased the market value of our portfolio from €186 million to €692 million. Over the same period, the operating costs ratio, i.e. administrative costs and personnel expenses to rental income, fell from over 20% to 9.8% in the 2013 financial year (previous year: 10.4%).

Depreciation and amortisation increased by 33.3% year-on-year to around €16.4 million, essentially as a result of the new additions.

EBIT amounted to €20.8 million after €18.4 million in the previous year. This includes the result from the disposal of properties of €0.4 million.

Net finance costs amounted to €12.2 million in 2013. Interest expenses on acquisition finance of €12.3 million were offset by interest income of only €42 thousand.

After deducting net finance costs and taxes from EBIT, the net profit for the year amounted to €8.5 million, up around 10% on the previous year.

The basis for our good results and the steady improvement in our operating performance is our rental income. The structure of rental income is particularly important in this regard. Around 64% relates to retail properties and 36% to offices.

Chart 6 lists our ten biggest tenants, with which we generate around 46% of our rental income. EDEKA, the Kaufland Group, OBI, Areva, SFL, Estée Lauder, Schneider Electric and so on are tenants of good credit standing. But this is also true of our smaller tenants.

Thus, in the 2013 financial year, all uncollectable receivables combined amounted to only 0.1% 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 7.2 years (**Chart 7**). Broken down by asset class, this is 10.8 years for large-scale retail, 4.8 years for offices and 5.9 years for high street properties. Also, 76% of the contractual rental income does not expire until 2018 or later.

The structure of our portfolio, the composition of our tenants and the terms of agreements play a key role in keeping HAMBORNER's income development very stable, even during economic fluctuations.

This is also shown by the development of FFO, a highly important financial figure for us. **Chart 8** here shows this. 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 2013, FFO increased more strongly than rental income at around 26%. We have also reported "adjusted" FFO. This takes into account the capitalised maintenance expenditure not shown in the IFRS income statement as well.

This amounted to €1.0 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 €3.2 million in 2013. This corresponds to a figure of approximately €9 per m² of usable space.

We again had our portfolio appraised externally by JLL at the end of 2013. **Chart 9** here shows this.

Starting from a market value of around €580 million at the end of 2012, the value of the portfolio has increased by €4.4 million as a result of acquisitions, disposals and remeasurement to €692 million. The latest appraisal has shown the value of the portfolio to be highly stable compared to the previous year.

Based on the external appraisal of the portfolio, NAV amounted to €8.25 per share as at 31 December 2013 (**Chart 10**). With a share price at the end of the year of €7.34 and NAV of €8.25 per share, this represents a discount of around 11%.

Following these comments on the income statement, FFO and NAV, we now have some details on the statement of financial position, as shown in **Chart 11**.

Investment property has a carrying amount of €595.4 million after €510.8 million in the previous year. Cash and cash equivalents amounted to €28.2 million as at the end of the year and were therefore slightly lower than at the end of 2012. The non-current assets held for sale of €6.4 million are three properties for which purchase agreements were signed in 2013 but only closed at the start of 2014.

On the equity and liabilities side, equity amounted to €272 million. The company therefore has an equity ratio of 43.0%.

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

Chart 12 shows the key financial data based on fair values, as demanded by REIT statutes.

As at 31 December 2013, HAMBORNER reported financial liabilities of around €332 million. Taking into account cash and cash equivalents, net financial debt amounts to €303.4 million. The LTV (loan-to-value) ratio, i.e. the ratio of net debt to the market value of the portfolio, is 43.7%. The equity ratio based on fair value comes to a comfortable 52.5%.

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

Our financing is set up at fixed, long-term conditions. At the end of 2013, the average interest rate on our financial liabilities was around 3.9% over an average remaining term of 7.3 years.

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 operating cost ratio. Ultimately, however, our key performance indicator is FFO, and more precisely FFO per share.

Chart 13: 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 amounted to 52 cents per share in 2013 and was therefore up significantly on 2008's 37 cents despite there being twice as many shares. FFO will continue to rise thanks to the property additions in 2013 and the current year.

Ladies and gentlemen

Let me conclude with a brief summary and an outlook for 2014 **(Chart 14)**:

1. We have achieved our goals for 2013, and even surpassed the targets for rental income and FFO increases we set out at the start of the year.
2. We have continued to expand our portfolio in line with strategy, while still selling off smaller properties with intensive management requirements in particular that are no longer consistent with strategy.
3. HAMBORNER is engaged in sustainable corporate governance. The company is

fundamentally healthy, with a sound and profitable positioning. With a portfolio of around €700 million, we are now a noted and accepted participant on the capital market.

4. **Outlook:** 2014 began well as expected. Book gains of €4.4 million have already been generated from sales in January and February. At the start of March we also sold our office property in Frankfurt's Cronstettenstrasse from the original portfolio. With a sales price of €5.3 million the book profit will be around €3.6 million.

However, the key control parameter is FFO before income from disposals. Rental income, which has a material influence on FFO, is currently estimated to increase by 4% to 5%. We are aiming for similar growth in FFO.

Chart 15: We will be proposing a dividend of 40 cents per share at the Annual General Meeting on 6 May. This corresponds to a dividend yield of 5.4% based on the share price at the end of the year. We are therefore continuing our business policy geared towards dividends and sustainability.

Thank you all for listening!