GSW Immobilien AG
Berlin

Annual Financial Statements

as of December 31, 2012

and

the Management Report for the Financial Year 2012

CONTENTS

Management Report

to the Annual Financial Statements for the Financial Year

from 1 January 2012 to 31 December 2012

of GSW Immobilien AG, Berlin

1. Market Environment and General Economic Conditions

1.1 Economic Development

Global economic growth deteriorated further over the course of 2012. In emerging markets, the economy posted less dynamic growth than in previous years. Growth was also depressed by the recession in Europe, which is due to cost-cutting measures to deal with some countries' substantial debts and largely subdued growth in the USA. The Kiel Institute for the World Economy (IfW) expects growth in the global economy of 3.4 % for 2013 after 3.2 % in the previous year. China and India should grow most strongly (8.0 % and 6.5 % respectively), while only slight growth is forecast for Japan's economy (0.5 %) and a fall in economic output of 0.2 % is even forecast for the euro zone.[1]

In the euro zone, the economy was also shackled by the government debt of several member states and the cost-cutting measures associated therewith in 2012. As a result, GDP in the euro zone fell by 0.5 %. The IfW is also forecasting a fall of 0.2 % for 2013. Growth in economic output of 0.9 % is not expected until 2014.[2] The headline rate in the euro zone has been at a historic low of 0.75 % since 5 July 2012 because of the ECB's expansionary monetary policy. The interest rate on the deposit facility at which banks can invest funds with the ECB temporarily has been at 0.0 % since then for the first time.[3]

Germany was also affected by the difficult situation in the euro zone in the year under review: Following strong growth in the first quarter of 2012, the German economy lost momentum over the course of the year. The growth rates of the second and third quarter compared with the previous quarter were comparatively low, at 0.3 % and 0.2 % respectively. Here, a reluctance to invest among companies had an adverse effect, while the trade balance and private and government consumer spending increased.[4] In 2012 as a whole, the increase in price-adjusted GDP was again well above the European average, at 0.7 %.[5] For 2013, however, the IfW expects repercussions from the European situation and is assuming growth of only 0.3 % in its current forecast. Stronger growth of 1.5 % is not expected until 2014 according to the IfW.[6]

At 2.0 %, the inflation rate in Germany was 0.3 percentage points down on the prior-year figure.[7] The IfW expects the inflation rate to remain at 2.0 % in 2013, this figure is expected to trend upwards to 2.6 % in 2014 because of the ECB's expansionary monetary policy.[8]

The positive trend on the employment market weakened somewhat over the course of the year. However, at 6.8 % on average, the unemployment rate was the lowest it has been since reunification and 0.3 percentage points below the prior-year figure.[9] The IfW expects only a slight increase to 7.0 % for 2013.[10]

1 Kiel Institute for the World Economy, "World Economy in Winter 2012", 18 December 2012

2 Kiel Institute for the World Economy, "World Economy in Winter 2012", 18 December 2012

3 Internet presence of the ECB, 7 February 2013

4 Office for Statistics Berlin-Brandenburg, Press Release No. 287 of 23 August 2012 and press release No. 407 of 23 November 2012

5 Federal Statistical Office, Press release No. 017 of 15 January 2013

6 Kiel Institute for the World Economy, "German Economy in Winter 2012", 18 December 2012

7 Federal Statistical Office, Press release No. 018 of 15 January 2013

8 Kiel Institute for the World Economy, "German Economy in Winter 2012", 18 December 2012

9 German Federal Employment Agency, Employment Market in Figures. Development of Unemployment Over Time 2012, 3 January 2013

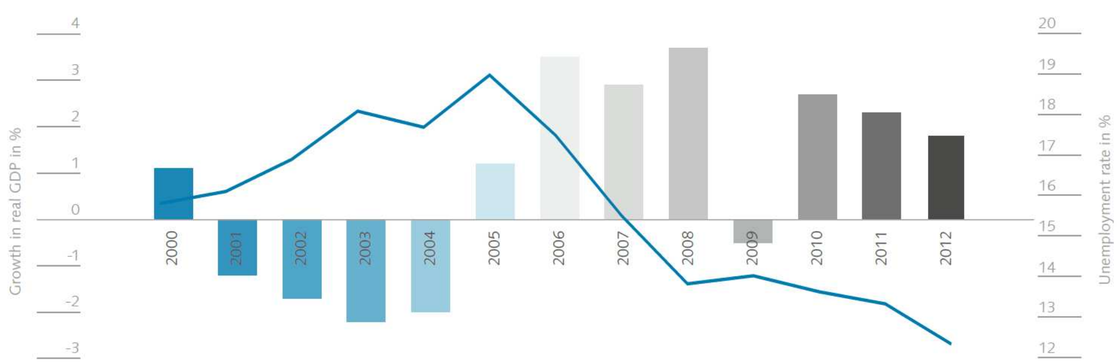
10 Kiel Institute for the World Economy, "German Economy in Winter 2012", 18 December 2012

General Economic Situation in Berlin

Berlin has been characterized by extensive structural changes since the German Reunification. Deutsche Bahn, Deutsche Post, the Charité medical clinics, Siemens and the public sector are among the major employers in the city. With Bayer, Berlin Chemie and Pfizer, the pharmaceuticals sector has now become one of the strongest – in terms of turnover – local industrial sectors in addition to electrical engineering, mechanical engineering and biotechnology. Start-ups and the fashion sector are also becoming increasingly important in Berlin. Tourism, which has become one of the key economic factors for Berlin, is also playing a larger role: According to statements from the German Chamber of Commerce and Industry, the city ranks third behind London and Paris in the number of people staying overnight. The number of overnight stays grew by 5.7 % on average per year between 1992 and 2011; this boom also continued in 2012.[11]

The economic environment in Berlin has improved continuously in recent years. Having grown by 2.3 % in 2011,[12] Berlin's GDP grew by only 1.8 % in the first half of 2012, albeit proving itself to be the fastest growing federal state in Germany in the process.[13] The employment market also performed well: in 2012, the unemployment rate of 12.3 % on average was well down on the prior-year figure of 13.3 %. This means that a longstanding trend is continuing: The unemployment rate has fallen continuously since its high in 2005 and is currently at its lowest level since 1994.[14] The number of people in gainful employment rose by 2.5 % in 2012, which is more than any other German federal state.[15]

ECONOMIC GROWTH AND UNEMPLOYMENT IN BERLIN



Sources: Unemployment rate, cf. footnote 9 I GDP growth: Berlin-Brandenburg Statistical Office, GDP and gross value added in Berlin by economic sectors 1991–2010, cf. footnotes 12 and 13

The real incomes of Berlin's employees have risen once again. The average gross monthly income per employee including benefits was EUR 2,846 in the third quarter of 2012[16] which is 2.6 % up on the prior-year figure. In 2012, consumer prices in the capital city rose by 2.4 %,[17] meaning that real growth in income stood at 0.2 %.

11 IBB Economic Barometer, January 2013

12 Berlin-Brandenburg Statistical Office, http://www.vgrdl.de/Arbeitskreis_VGR/tbls/tab.asp?lang=de-DE&tbl=tab02, downloaded on 30 January 2013

13 Berlin-Brandenburg Statistical Office, Press release No. 298 of 24 September 2012

14 German Federal Employment Agency, Employment Market in Figures. Development of Unemployment Over Time 2012, 3 January 2013

15 Berlin-Brandenburg Statistical Office, Press release No. 17 of 24 January 2013

16 Berlin-Brandenburg Statistical Office, Press release No. 22 of 29 January 2013

17 Berlin-Brandenburg Statistical Office, Press release No. 2 of 3 January 2013

Macroeconomic key figures for Berlin	
Population on 30 September 2012*	3,531,000
Population growth 2001 – 2011 (%)*	3.4
Number of residential units on 31 December 2011*	1,903,231
Unemployment rate 2012 (%)**	12.3
Gross monthly wage with special payments in Q3/2012 (EUR)*	2,846

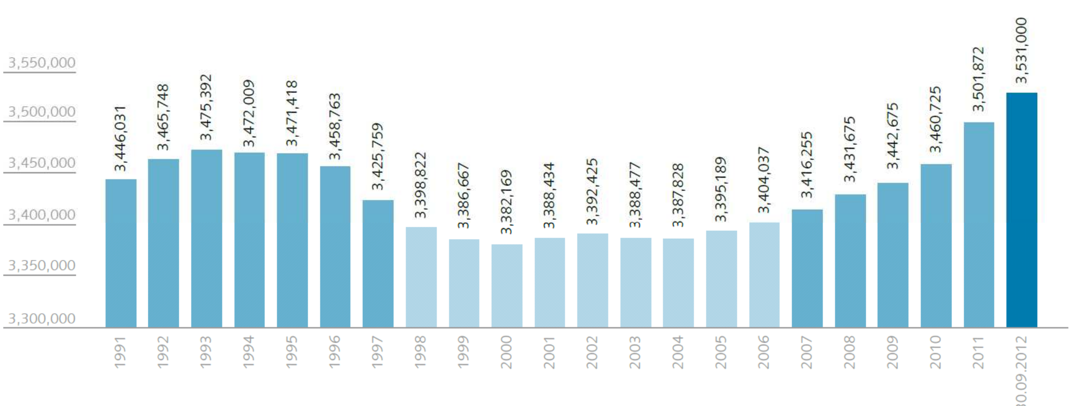
* Source: Statistical Office Berlin-Brandenburg, cf. footnotes 16, 18 and 22

** Source: Federal Unemployment Office, cf. footnote 14

Residential real estate market

The appeal of Berlin as a place to live is clear from the trend in population: Berlin's population has been growing continuously since 2005 – in contrast to many other parts of Germany. In the first nine months of 2012, the population rose by 0.8% compared with the beginning of the year to number 3,531,000. This is the highest level since the city's reunification in 1990.[18] Together with the increase in purchasing power, this trend produced favourable conditions on the Berlin housing market.

POPULATION IN BERLIN



Source: Office for Statistics Berlin-Brandenburg, Population in Berlin as at 30 September 2012, cf. footnote 18

Housing demand is also stimulated by the rising number of households: The proportion of younger and older single households has been rising for years; the average household size has been falling accordingly. In 2011, the average size of Berlin households was more or less at the level of the last ten years, at 1.7 inhabitants, while the proportion of single-person households in all forms of households rose by 3.4 percentage points in the same period to 54.1 %.[19]

The increase in housing demand has not been matched by a corresponding increase in supply. In 2011, 3.9 % more residential units were completed through new construction or construction work on existing buildings than in 2010; however, the number of newly constructed buildings fell by 3.6 % compared with the previous year.[20] Both figures are well down on the figures for the Federal Republic, where 14.6 % more residential units were completed in 2011 and 15.1 % more new residential buildings were constructed than in the previous year.[21] At the end of 2011, the number of residential

18 Office for Statistics Berlin-Brandenburg, Press Release No. 24 of 30 January 2013

19 Berlin-Brandenburg Statistical Office, Press release No. 157 of 30 May 2012

20 Berlin-Brandenburg Statistical Office, Press release No. 134 of 11 May 2012

21 Federal Statistical Office, Press release No. 208 of 15 June 2012

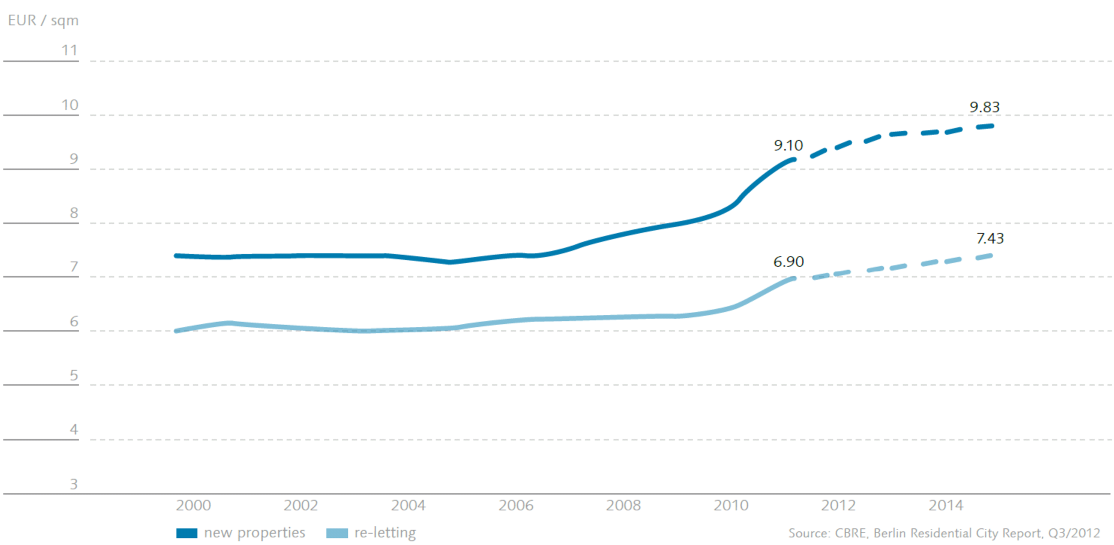
units was only 0.2 % up on the prior-year figure. Consequently, the trend of the last ten years in which the number of residential units in Berlin rose overall by a comparatively low 1.8 % continued.[22]

The construction of 5,085 new residential units was approved in the first nine months of 2012; this equates to an increase of 19.6 % compared with the previous year. However, this figure is not likely to be sufficient to offset the increase in demand caused by immigration.[23]

In view of the increase in population, the economic upturn and the positive income situation enjoyed by private households, the experts questioned in the IBB Housing Market Barometer 2012 also expect a further reduction in the supply of housing over the next three years.[24] The result of this shortage of supply is higher rents and purchase prices. The median rent quoted per square metre rose by 4.5 % from 2009 to 2010, by 7.8 % in 2011 and even by 13.8 % in 2012. The median purchase price per square metre for apartment buildings increased by 17 % between 2011 and 2012 and even by 19.9 % for owner-occupied residential units.[25] However, this does not necessarily imply a property bubble for Berlin given that Berlin property prices stagnated over many years. Rather the Berlin property market was long regarded as undervalued and is currently adjusting to fundamental factors.[26]

Berlin is particularly appealing to foreign investors: prices and acquisition yield, but in particular rentals remain moderate – particularly in comparison with other German cities, first and foremost Munich and Hamburg.[27] The great importance of Berlin is particularly clear with regard to transactions on the housing market: According to the GEWOS Institute, Berlin recorded the greatest sales upturn in the owner-occupied residential units segment among German cities in 2012. Transaction volume for Berlin rose by 25.0 % from EUR 3.4 billion in 2011 to EUR 4.3 billion in 2012 and is thus ahead of Munich unlike previous years.[28]

AVERAGE IN-PLACE-RENT IN BERLIN 2000–2015



Source: CBRE, Berlin Residential City Report, Q3/2012

22 Berlin-Brandenburg Statistical Office, Press release No. 187 of 26 June 2012

23 Berlin-Brandenburg Statistical Office, Press release No. 333 of 7 November 2012

24 IBB Housing Market Barometer 2012

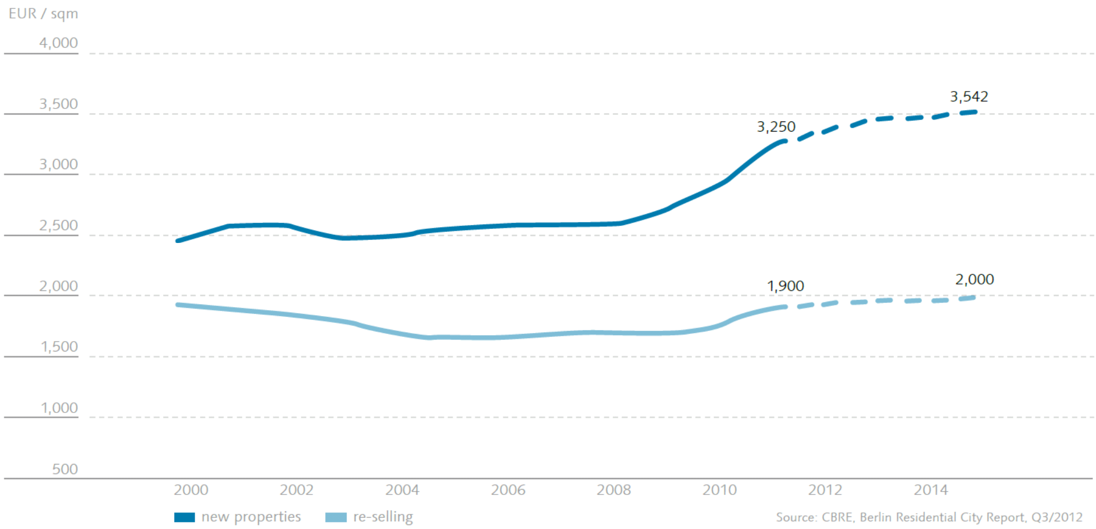
25 CBRE-Housing Market Report 2013

26 IBB, „IBB expects growth to pick up again following a brief slowdown“, Press release of 20 December 2012

27 CBRE Press release of 7 January.2013

28 GEWOS IMA 2012/2013 Study

AVERAGE PURCHASE PRICES FOR APARTMENTS IN BERLIN 2000–2015



General Statement on Underlying Economic Conditions

Having posted rather anaemic growth over a long period, Berlin's growth was well above the national average in 2012. Falling numbers of unemployed and rising real incomes also provide outstanding conditions for the real estate sector. The increase in new construction activity cannot keep price with demand for housing space meaning that rents and purchase prices are rising across all price segments. Given that purchase prices are comparatively low, this means that above average rental yields can be achieved. GSW benefited from this development through the expansion and diversification of its own property portfolio in the past financial year and is promisingly positioned in view of the positive market forecasts.

2. Employees

GSW Immobilien AG has pursued its consistent growth path in 2012 and acquired around 7,000 residential units. At the same time, the staff count has only increased by 17 employees. At FACILITA, the number of staff was even reduced by focusing more closely on core business.

In total, 337 people (including the Management Board and authorised signatories) were employed at GSW Immobilien AG as at 31 December 2012, of this figure, 303 were allocated to operating activities.

As at	Employees 31.12.2012	Employees 31.12.2011
GSW	337	320
Thereof in GSW Immobilien AG's operating business	303	286

Recruitment and the acquisition of talented junior staff

While the Group's growth in 2012 was achieved without a significant increase in employee numbers, the company was strengthened in terms of quality over the same period through targeted recruitment - both within and from outside the real estate sector. Attractive conditions within the Group plus the prospects for growth of the M-DAX-listed company allowed the recruitment of high-quality specialists and managers from other sectors, such as banking, auditing and consultancy, who will enhance GSW's performance through additional specialist expertise.

In addition to the recruitment of experienced employees, GSW attaches importance to the promotion of young colleagues as well as talented junior staff. At the start of each new academic year, the company gives up to nine young people the opportunity to join the real estate industry – either by training as real estate agents or pursuing integrated business studies degrees with a focus on the real estate sector or through internships and vacation employment.

Apprentices

	Number
Real estate apprentices	17
Students (integrated business studies degrees with a focus on the real estate sector)	12
Total	**29**

New forms of learning to boost meta-competence were also included in training in 2012. In 2012 for the first time, students and apprentices in the second year of training prepared the content for a summer academy on a topic personally set by the Management Board – “The development of GSW Immobilien AG following the successful IPO” – organised it, found internal lecturers and finally presented their findings directly to the Management Board.

Compensation policy: stable outlook

Another stepping-stone towards achieving success with the long-term growth strategy is GSW’s performance-focused compensation system, which is incorporated in a flexible, company-related collective wage agreement.

It helps all employees focus on the achievement of corporate objectives and ensures that employees are paid in a manner that reflects both their performance and conditions in the market. The conclusion of the new collective compensation agreement for all employees employed on this basis in October 2012, which runs until the end of 2015, also created a solid basis for planning for the next few years.

GSW has also incorporated these principles in the compensation policy for specialist staff and management. In 2012, a management consultancy company again carried out separate checks to verify whether specialists and management were receiving compensation that reflected market conditions and was commensurate with the internal value of their functions and confirmed this was the case.

Employee loyalty and work-life balance

GSW also focuses on its position as an attractive employee to ensure employees remain loyal to the company long-term. In addition to compensation that reflects both market conditions and performance, GSW offers its employees a working environment that helps them to achieve a good work-life balance. This is why GSW obtained certification under the “berufundfamilie” (work-life balance) audit run by the charitable Hertie Foundation on 30 August 2012. As part of this audit, the existence of aids to foster a good work-life balance was examined and more extensive measures for a family-friendly personnel policy were defined in a target agreement, which will be implemented in the next three years. This aims to allow long-standing employees and young staff to dovetail their professional and personal lives more effectively. Individual measures were implemented in 2012, such as the opening of a parent-child office.

The appeal of GSW as an employer that supports a good work-life balance is also reflected in the high proportion of women in specialist and management positions. 220 of the 337 employees at GSW Immobilien AG are female. At over 65 %, the proportion of women is therefore well above the national average of 46 % in 2011. GSW also attaches a great deal of importance to employing women in management positions. As at 31 December 2012, the proportion of women in management positions was 35.1 %, which was also considerably higher than the national average (2011: 20.3 %).

	Absolute	in %
Employees of GSW Immobilien AG	**337**	
Thereof male	117	34.7%
Thereof female	220	65.3%

Management of GSW Immobilien AG	**37**	
Thereof male	24	64.9%
Thereof female	13	35.1%

GSW practises active health management

The well-being and safety of employees is a top priority at GSW. This is why health promotion was declared to be a management responsibility. Each GSW employee can choose from a range of health promotion options. The programmes offered extend from the annual health day to smoking cessation programmes and participation in sports groups.

Fluctuation

The success of all these measures is apparent in a particularly low fluctuation rate. At 0.9 %, employee fluctuation decreased in 2012 compared with the previous year (2011: 2.5 %). The average period of employment currently stands at 12 years.

3. Development of operating activities

Conditions in the real estate industry were very positive in Berlin in 2012. As in the previous year, 2012 was also characterised by strong demand for properties in Berlin, both in the case of rented residential units and owner-occupied residential units. This was primarily due to the numbers of people moving to Berlin, the trend towards individual households and the fact that construction of new properties remains low compared with demand.
This strong demand is currently leading to a shortage of supply on the housing market and consequently to rents and purchase prices trending upwards.
GSW monitors market developments intensively. The surveys of the Berlin residential market produced with CBRE thus ensure that trends and developments and therefore opportunities and risks for GSW's own portfolio are identified at an early stage.

As part of corporate restructuring within the Group, GSW Immobilien AG has expanded significantly through the integration of two former subsidiaries in the 2012 financial year. The former GSW Grundbesitz GmbH & Co. KG, Berlin and the former GSW Verwaltungs- und Betriebsgesellschaft mbH Co. Erste Beteiligungs KG, Berlin, with all their assets and liabilities, were accrued with GSW Immobilien AG with effect from 1 January 2012 and 1 May 2012 respectively. As a result, the property portfolio increased by 31,294 residential units. As a result of the mergers, the previous carrying amounts of the equity investments in the two subsidiaries no longer existed.

The present positive situation on the real estate market in Berlin is reflected in the trend in rents in GSW's property portfolios. Average monthly in-place rent in the property portfolio (before the mergers and excluding the effects of sales and acquisitions in 2012) rose by 1.9 % to EUR 5.37 / sqm for residential space as at 31 December 2012 (2011: EUR 5.27 / sqm). In this respect, GSW leverages systematic leeway for rent increases without ignoring the solvency of tenants in the respective properties and areas. A fall in the vacancy rate[29] in the residential portfolio (before the mergers and excluding the effects of sales and acquisitions in 2012) to 3.5 % was also recorded as at 31 December (2011: 4.0 %).

Following the transfer of economic ownership as at 31 December 2012, GSW Immobilien AG directly and indirectly acquired several property portfolios comprising about 6,800 residential units in total. The acquisition of a portfolio with about 4,000 residential units took place indirectly by means of a share deal through which GSW Corona GmbH, Berlin was acquired. The other residential units, numbering about 2,800, were acquired directly as an asset deal through GSW Immobilien AG and two subsidiaries of GSW. Another 200 residential units or so will be transferred to the GSW portfolio as at 1 January 2013.

Taking account of the mergers and the property purchases, GSW Immobilien AG's portfolio is as follows as at 31 December 2012[30]:

	Type of use	31.12.2012	31.12.2011	Change
Number of units	Residential units	46,202	12,889	33,313
	Commercial units*	919	536	383
	Total of residential and commercial units	**47,121**	**13,425**	**33,696**
	Parking units	7,541	3,508	4,033
	Total	**54,662**	**16,933**	**37,729**
Lettable space (in sqm)	Residential units	2,822,900	859,767	1,963,133
	Commercial units	95,141	78,098	17,043
	Total of residential and commercial units	**2,918,040**	**937,865**	**1,980,175**
In-place rent (EUR	Residential units	5.15	5.27	-2.2%

29 Number of unrented residential units to rented rental units

30 The addition of properties in different areas and of varying quality means that any comparison with the previous year is limited in its significance.

per sqm)	Commercial units	8.00	9.49	-15.7%
	Total of residential and commercial units	**5.27**	**5.61**	**-6.04%**
Vacancy (units)	Residential units (number)	1,296	516	780
	Residential units (%)	2.8	4.0	-29.9%
	Commercial units (number)	79	44	35
	Commercial units (%)	8.6	8.2	4.7%
	Total of residential and commercial units (number)	**1,375**	**560**	**815**
	Total of residential and commercial units (%)	**2.9**	**4.2**	**-30.0%**

* Includes 72 commercial units in the administrative building rented by GSW at Charlottenstraße 4, 10969 Berlin, which are sub-let

The property portfolio of the Group as a whole covers all districts of Berlin except for Marzahn-Hellersdorf and therefore enjoys broad risk diversification. As at 31 December 2012, the key focal areas of the property portfolio were Spandau, which accounts for about 23.4 % of the portfolio, as well as Reinickendorf (16.5 %) and Friedrichshain-Kreuzberg (12.1 %).

With about 92 % of holdings either refurbished or partially refurbished, the Group portfolio is well positioned on the Berlin market. Targeted investments in both the fabric of the buildings and the standard of the apartments serve to enhance the long-term rental viability of the property holdings and the attractiveness of the units available.

GSW Immobilien AG’s property portfolio appreciated in value by about EUR 6.0 million in total in the 2012 financial year. This was confirmed by the appraisal by the independent property assessor CBRE GmbH. With conditions on the Berlin-Brandenburg property market remaining comparable, a stable to positive trend in market values can be expected at present.

In the context of opportunistic privatisation, GSW sold 273 units in the 2012 financial year (2011: 253 units) to owner-occupiers and investors and consequently achieved investment proceeds of EUR 22.4 million. Contracts worth EUR 30.1 million where the transfer of risks and rewards will not take place until after the end of the past financial year have already been agreed.

GSW sold its equity investment in GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH, Berlin, effective 1 October 2012. GSW shall continue to retain an equity interest equal to one voting right.

GSW carried out a capital increase at the end of April 2012. In the process, about 9.5 million no-par-value ordinary shares were placed at an issue price of EUR 21.30 per share. The company generated net cash inflows of about EUR 191 million from this transaction.

At the Annual General Meeting (AGM) on 28 June 2012, distribution of the dividend for the 2011 financial year of EUR 0.90 per share entitled to receive dividends or of EUR 45.5 million in total was decided and subsequently distributed.

With the issue on 15 November 2012, GSW placed a convertible bond on the capital market for the first time. It has a term of seven years and pays a coupon of 2 % p.a. After deducting transaction costs, the company received cash and cash equivalents of about EUR 180 million.

An amended collective wage agreement for GSW’s salaried employees was concluded in the fourth quarter of 2012 following agreement by all the parties to the agreement. This led to increases in salary averaging about 2.4 % p.a. from 1 October 2012 and will run until at least 31 December 2015. A gross payment of up to EUR 1,200 was also made to the employees covered by the collective agreement in December 2012.

4. Corporate objectives and strategy

GSW's business model is based on sustainable corporate governance with the aim of ensuring the continued existence of the Company. Through the focus on property management for a broad segment of the population in Berlin and our conservative financing structure, GSW deliberately adopts a low risk profile with a high degree of security and an appropriate dividend yield for investors.

The business model and strategy are distinguished by the following parameters:

- Standardised processes and a strong service focus

Letting and managing about 60,000 residential units requires an efficient organisation without sacrificing a focus on the customer. As such, standardised processes are a prerequisite for generating economies of scale. GSW's current organisational, technical and staff structure is designed to ensure that additional efficiency gains in the management of our property portfolio can be generated every time a new acquisition is made, while guaranteeing availability of greater than 95% for our tenants from 8 a.m. to 6 p.m., every day of the week.

- Management of portfolio residential properties in Berlin as core business

GSW is focused on the standardised mass business of letting and managing residential units for lower and middle income brackets in Berlin. The risk profile of this business differentiates itself clearly and positively from alternative usage types in Berlin on account of its fragmentation and its size. Social and demographic development means that demand can be easily anticipated, making it low-risk. Accordingly, the company's activities are not aimed at more volatile target groups, usage types or stages in the value chain. As a pure portfolio manager, the company focuses on value-generating activities such as portfolio management, the acquisition of new customers, support for existing customers, financial management and maintenance controlling, all of which are performed using the company's own employees.

- Growth and sustainable corporate governance: the pillars of future development

The company's clear objectives are continuous growth in its property portfolio in Berlin and sustainable corporate governance. The company intends to grow by investing in new property portfolios with development and yield potential in line with the premises of liquidity and value growth and by ensuring distributable cash flows. These surpluses will allow us to pay regular, substantial dividends to our shareholders, further optimise our financing structures and make value-enhancing investments in our property portfolio in order to reflect market conditions.

5. Corporate management

The business processes of the GSW Group are initiated and controlled by the Management Board and management. This takes into account both financial and non-financial objectives of Group management and performance measurement.

For GSW, the financial targets were measured using the indicators “FFO I/AFFO” and “NAV growth” in particular in 2012. While the liquidity indicators FFO I/AFFO show the capacity of management activities to cover repayments, disbursements and project costs, the use of NAV growth in corporate management also takes into account the Group’s performance above and beyond the area of property management.

In particular, factors such as customer satisfaction, social commitment and ecological targets are used to measure non-financial objectives. GSW has published a Sustainability Report about the pursuit of non-financial objectives of this kind.

6. Notes on business performance and analysis of net assets, financial position and results of operations

6.1 RESULTS OF OPERATIONS

Net income for the 2012 financial year amounts to EUR 526.4 million. However, net income is influenced, in particular, by extraordinary expenses and income resulting from the merger of subsidiaries.

Selected items from the income statement adjusted for non-operating elements:

	2012		**2011**	
	TEUR	%	**TEUR**	%
Sales revenues and changes in inventories	297,566	97.9	115,957	96.7
Operating income	6,489	2.1	3,902	3.3
	304,055	100.0	119,859	100.0
Cost of materials	177,040	58.2	73,560	61.4
Personnel expenses	22,511	7.4	21,403	17.9
Scheduled depreciation and amortisation	37,938	12.5	13,750	11.5
Operating expenses	36,905	12.1	30,515	25.5
Operating result (EBIT)	**29,661**	9.8	**-19,369**	-16.2
Financial result	-38,327	-12.6	11,003	9.2
Income taxes	1	0.0	1	0.0
Non-operating income	535,062	176.0	47,332	39.5
Net income	**526,396**	**173.2**	**38,966**	**32.5**

As part of ordinary activities, the results of GSW's operations are determined as a rule by the development of the rental housing market, the sales results in line with portfolio strategy, the development in the value of the property portfolio and changes in interest rates.

In the 2012 financial year, revenues from facility management and changes in inventories increased by approximately EUR 181.6 million to EUR 297.6 million in the 2011 financial year (2011: EUR 116.0 million). This increase is attributable to the mergers of the subsidiaries in particular, which have almost quadrupled GSW Immobilien AG's housing portfolio. Increased sales revenues from the sale of properties of EUR 22.4 million (2011: EUR 18.6 million) also contributed to the increase in total revenues.

Other operating income also rose, primarily because of the mergers.

The increase in rental income resulting from the expansion in the property portfolio was accompanied by an increase in the material costs of facility management of approximately EUR 103.4 million to EUR 177.0 million (2011: EUR 73.6 million). At the same time, the higher sales revenues were matched by higher asset disposals at book value for the sold properties in the amount of EUR 9.6 million (2011: EUR 8.0 million) and higher expenses for sales commissions of EUR 2.5 million (2011: EUR 1.4 million).

Personnel expenses increased in the 2012 financial year primarily because of the increase in staff numbers and the increase in collectively agreed salaries from the fourth quarter of 2012.

The increase in operating expenses to EUR 36.9 million (2011: EUR 30.5 million) is due primarily to the increase in expenses for acquisition projects, a capital increase in April 2012 and the issue of a convertible bond in November 2012.

Overall, operating earnings (EBIT) at GSW increased sharply. This is due to the absorption of the operating incomes of the merged subsidiaries in GSW Immobilien AG, which cover the personnel and administrative expenses for the whole Group now being incurred in GSW Immobilien AG.

The financial result decreased to EUR -38.3 million in the 2012 financial year (2011: EUR 11.0 million). The fall is mainly due to the loan commitments transferred to GSW Immobilien AG as a result of the mergers and the interest expenses accruing thereon.

Non-operating income is structured as follows:

	2012	**2011**
	TEUR	
Income from reversal of provisions	2,720	6,267
Income from sale of financial assets	5,743	26,271
Income from reversals of write-downs	10,812	18,811
Income from reversal of value adjustments	0	113
Non-scheduled write-downs	-3,603	-4,131
Extraordinary income resulting from merger	526,305	0
Extraordinary expenses resulting from merger	-6,916	0
	535,062	**47,332**

Key components of non-operating income in 2012 are extraordinary income from the merger of the former GSW Grundbesitz GmbH & Co. KG, Berlin, and the extraordinary loss from the merger of GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG, Berlin.

Another key component is the gain on the disposal of BWG, which was matched by a gain on the disposal of BMH in the prior year. Other items in non-operating income result from the valuation of fixed assets on the reporting date.

6.2 FINANCIAL POSITION

Because of the distorted picture resulting from the corporate restructuring, presentation of a cash flow statement has been waived at this point.

Cash and cash equivalents consist solely of liquid funds amounting to EUR 121.0 million (31 December 2011: EUR 23.9 million).

As a result of the merger of subsidiaries, GSW Immobilien AG acquired liquid funds of EUR 11.5 million from them.

6.3 NET ASSETS

	31.12.2012		31.12.2011	
	TEUR	**%**	**TEUR**	**%**
Total assets				
Long-term assets				
Fixed assets	2,546,154	89.6%	1,193,188	88.2%
	2,546,154	**89.6%**	**1,193,188**	**88.2%**
Short-term assets				
Inventories	104,369	3.7%	37,481	2.8%
Receivables from rentals and other assets	70,191	2.5%	98,089	7.3%
Cash and cash equivalents	121,022	4.3%	23,910	1.8%
	295,582	**10.4%**	**159,480**	**11.8%**
	2,841,736	**100.0%**	**1,352,668**	**100.0%**
Total equity and liabilities				
Long-term liabilities				
Equity	980,864	34.5%	298,029	22.0%
Pension provisions	1,809	0.1%	1,838	0.1%
Loan liabilities and liabilities from the convertible bond	813,255	28.6%	455,356	33.7%
Other long-term liabilities	0	0.0%	25,274	1.9%
	1,795,929	**63.2%**	**780,497**	**57.7%**
Short-term liabilities				
Other provisions	12,426	0.4%	9,765	0.7%
Loan liabilities	770,289	27.1%	124,164	9.2%
Other liabilities	263,093	9.3%	438,242	32.4%
	1,045,807	**36.8%**	**572,171**	**42.3%**
	2,841,736	**100.0%**	**1,352,668**	**100.0%**

Long-term liabilities include all items with a remaining term of more than five years

A key factor affecting the GSW's asset situation was the merger of two former subsidiaries with all assets and liabilities at fair values in the 2012 financial year, which meant hidden reserves and encumbrances have been revealed. The capital increase in April 2012 and the issue of a convertible bond in November 2012 also resulted in substantial cash inflows, which are reflected accordingly in both equity and loans. At the end of 2012, the funds raised were then invested accordingly in the acquisition of GSW Corona GmbH, Berlin and in other directly acquired properties.

Total assets rose accordingly to EUR 2,841.7 million.

The increase in long-term assets is largely attributable to the property values transferred as a result of the mergers (EUR 1,550.6 million). Holdings of fixed assets also rose as a result of property purchases (EUR 164.5) Reversals of write-downs relating to real estate totalled EUR 6.0 million. These are offset by reductions in carrying amounts resulting from sales (EUR 9.6 million) and scheduled depreciation and amortisation (EUR 37.9 million).

In financial assets, the mergers led to the discontinuation of the previous carrying amounts of the equity investments (EUR 389.9 million) and loans to these subsidiaries (EUR 13.6 million). Material additions resulted from the acquisition of the equity investment in GSW Corona GmbH (EUR 32.2 million) and the granting of a loan to Corona (EUR 52.7 million).

Short-term and medium-term assets rose significantly in 2012. This was primarily due to higher inventories resulting from operating costs that are still to be invoiced because of the increase in the property portfolio (EUR +67.3 million). Cash and cash equivalents also rose (EUR +97.1 million) mainly as a result of the mergers and the cash inflows from the capital increase and the convertible bond. Receivables from affiliated companies rose because of higher profit transfers and because of liquidity transfers (EUR +12.5 million).

Equity rose by EUR 526.5 million in 2012 mainly due to the substantial net income, which was shaped by the results of the mergers. A capital increase of EUR 9.5 million to EUR 50.5 million also took place in April 2012. The premium of EUR 192.4 million resulting from the capital increase was allocated to capital reserves. By contrast, the dividend payment for the 2011 financial year reduced equity by EUR 45.5 million. In total equity increased to EUR 981.0 million, which meant the equity ratio rose to 34.5 % (31 December 2011: 22.0 %).

Loan liabilities rose by EUR 935.6 million in total as a result of assuming the loan liabilities of the accrued companies at fair values. The issue of the convertible bond also increased liabilities by EUR 182.9 million. They are offset by regular and unscheduled repayments.

Other liabilities fell by EUR 214.1 million in total to EUR 224.1 million. This was mainly the result of the discontinuation of short-term liabilities due to affiliated companies because of the mergers (EUR -300.8 million). This was offset by the increase in payments received on account of advance payments of operating costs and an increase in other liabilities (EUR +83.8 million) because of the increase in the property portfolio.

GSW satisfied its obligations under loan agreements at all times in the 2012 financial year.

As at 31 December 2012, there were no risks that jeopardise the company's net assets, financial position and results of operations. Likewise, risks that might endanger the company's continued existence were not discernible.

7. Additional disclosures in accordance with section 289(4) HGB

GSW Immobilien AG, Berlin, is a listed company within the meaning of section 264d of the German Commercial Code (HGB). Disclosures on equity, the share structure and voting rights are therefore required in accordance with section 289 (4) HGB. The disclosures required in accordance with section 289 (4) no. 1 HGB can be found in the “Equity” section of the notes to GSW's consolidated financial statements. The disclosures required in accordance with section 289 (4) no. 9 HGB can be found in the remuneration report.

There were no matters requiring disclosure in the Group management report in accordance with sections 289 (4) no. 2, 4, 5, 8 HGB.

The following disclosures must be made in accordance with sections 289 (4) no. 3, 6, 7:

As at 31 December 2012, Massachusetts Financial Services Company (MFS) (Boston, U.S.A.) held 10.04 % of the voting rights.

The Supervisory Board appoints and dismisses the members of the Management Board and determines the number of members. The Annual General Meeting (AGM) is responsible for amendments to the Articles of Association. Unless otherwise prescribed by law, amendments to the Articles of Association require a simple majority of the share capital present when the resolution is passed. The Supervisory Board is authorised to resolve amendments to the Articles of Association relating solely to their wording. Any resolution on the relocation of the head office of the Company requires the approval of all of the votes submitted when the resolution is passed.

As at 31 December 2012, there are the following authorisations to issue or buy back shares:
the Management Board is authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions by a total of up to EUR 17,000,000.00 up to and including 27 June 2017 by issuing up to 17,000,000 new no-par value bearer shares in exchange for cash and / or non-cash contributions.

The Management Board is authorised to issue bearer and / or registered convertible bonds and / or bonds with warrants and / or profit participation rights and / or participating bonds with or without conversion rights or options or conversion obligations or a combination of these instruments, with or without a restriction on their term, with a total nominal amount of up to EUR 250,000,000.00 on one or more occasions up to and including 27 June 2017, and to grant the holders or bearers of such instruments conversion rights or options for the subscription of up to 7,500,000 new no-par value bearer shares of GSW Immobilien AG with a total nominal interest in the share capital of up to EUR 7,500,000.00 (Contingent Capital 2012).

The Company is authorised to acquire treasury shares amounting to up to 10% of the share capital up until 17 March 2016.

8. Ecological responsibility

GSW is facing up to the challenges of ecologically sustainable property management. Here, it focuses on the issues of energy consumption, the conservation of resources and the recycling of waste, which are continuously reviewed to identify opportunities for improvement.

For instance, GSW has supplied the public areas of its residential properties with electricity from renewable sources since 2010, thereby significantly reducing the CO_2 emissions of its property portfolio on the one hand. On the other hand, the favourable contractual conditions agreed with the power supplier means that tenants also benefit from lower electricity prices.

When performing modernisation and maintenance measures, GSW complies with the relevant environmental protection regulations and strives to improve the energy efficiency of its properties. As a very effective measure, GSW invests here, for example, in the conversion to modern and efficient heating systems.

In January 2013, GSW published a sustainability report for the first time, which also presents ecological issues within the Group.

9. Report on post-balance sheet date events

By means of a transfer of risks and rewards dated 1 January 2013, GSW acquired a property portfolio in Berlin-Siemensstadt consisting of about 200 residential units.

By resolution of 18 March 2013, the Supervisory Board agreed to Thomas Zinnöcker's request to terminate his appointment as CEO with effect from the end of 15 April 2013.

By resolution of 18 March 2013, the Supervisory Board appointed Dr. Bernd Kottmann as new CEO with effect from 16 April 2013.

10. Risks and opportunities report 2012

The GSW Group identifies opportunities through which it can improve its business development on an ongoing basis. However, exploiting opportunities also means taking risks. GSW has a Group-wide risk management system (RMS) to control risks and recognise opportunities.

Risk management

For GSW's Management Board, the operation of an appropriate risk management system (RMS) is a key element of responsible corporate governance. As a listed stock corporation, GSW is required to undergo a prescribed audit of its risk identification system by an auditor.

The RMS is intended to ensure that all existing and potential risks to the company are identified at an early stage, analysed, prioritised and communicated to the responsible decision-makers so that measures to deal with or prevent risks can be adopted. The aim is to avoid or minimise losses and help to safeguard the GSW Group as a going concern in the long term.

The following risk policy principles apply at GSW:

- Risk management is a component of day-to-day business and is communicated throughout the Company.
- Raising employee awareness of risk is a management responsibility. Each employee of GSW is required to report new potential risks or changes in them to the responsible manager or other officially named risk owner.
- Risk management is a permanent process for the identification, evaluation, controlling, reporting and monitoring of all significant risks.
- Information on significant risks must be made available in full and in a timely manner to facilitate the decision-making process.

The objective is not to avoid all potential risks, but to create the leeway for risks to be entered into consciously and responsibly on the basis of a comprehensive understanding of risks and their interactions. The aim is for potentially significant threats arising from risks to be identified in a timely manner and for suitable countermeasures to be taken.

The RMS at GSW serves the identification and active prevention of developments that could threaten the existence of GSW. It ensures that business areas at GSW are analysed and designed appropriately in terms of risk. Risk management is integrated into procedures and processes so that the continuous identification and valuation of risks can be ensured.

An annual evaluation of all risks is performed as part of the risk inventory. The aim of this is to track and update all risks and risk-handling measures. A quarterly update of the risk situation is performed on the basis of the risk inventory.

The updated risks are reported to the risk manager each quarter following plausibility checks by the divisional heads. Outside of quarterly risk reporting, risk officers and risk managers are required to report significant changes in the risk situation to the Management Board immediately. The risk manager creates a report on risk updates on the basis of risk reports and presents this to the Management Board. At its meetings, the Supervisory Board receives extensive information on all relevant developments in the Group.

In particular, the specific risks presented in the risk report are subject to continuous controlling.

Internal control system and risk management system for Group accounting processes

GSW has established a Group-wide internal control system (ICS) that includes a risk management system for the accounting process.

The objective and purpose of the ICS is to ensure the correct and complete measurement as well as recognition and presentation of all business transactions in GSW's accounting. This applies both to the consolidated financial statements and the separate financial statements of all affiliated companies. The basis for accounting is formed by statutory specifications, national and international accounting standards and the Group-wide accounting policy.

The ICS implemented at GSW and the associated risk management system for Group-wide accounting processes can be summarised as follows:

- GSW has a simple and clear organisational structure with processes ensured internally and externally by control and monitoring mechanisms.
- The majority of control mechanisms in accounting are implemented automatically by standard SAP software.
- The dual control principle is applied to processes relevant to accounting.
- There are planning, reporting, controlling and early warning systems coordinated Group-wide to allow the comprehensive analysis and management of potential or actual risks.
- The functions of the Group accounting process are clearly allocated.
- The IT systems used in accounting are protected against unauthorised access.
- There is a Group-wide accounting policy that is regularly updated as required.
- The departments involved in the accounting process comply with requirements for an ICS quantitatively and qualitatively.
- The completeness and accuracy of accounting data is regularly checked by way of spot checks and plausibility controls both manually and by the software used.
- Key processes relevant to accounting are subject to regular analytical review. The Group-wide risk management system in place is constantly adjusted in line with current developments and tested for functionality on an ongoing basis.
- The Supervisory Board and the Audit Committee regularly discuss relevant issues of accounting, risk management and the audit mandate and critically examine the financial statements.

Risk report

Macroeconomic and strategic risks

GSW is exposed to general economic and macroeconomic influences. These also include global crises such as the financial market crisis in 2008 and the current debt crisis in Europe. Depending on the progression of a crisis, the resulting risks could have a negative impact on the GSW Group. As GSW operates almost exclusively within Berlin, however, the Management Board is not anticipating any direct effect on operating business from the financial market and debt crisis in 2013 and beyond. The refinancing of the CMBS loan in 2011 means that there are no material short-term refinancing risks at present.

There is also an inherent risk that changing market trends on the property market may not be recognised at an early stage. As GSW's property portfolio is broadly diversified within Berlin, however, this risk is considered to be minor.

Liquidity risk

Rising vacancy, unexpected cost increases and disruptions in the sales process can have a negative impact on free liquidity.

However, this risk is considered minor as GSW generates stable income from its business activities, thereby enabling it to meet its regular financial obligations. This is also achieved by coordinating the cash flows of all companies within the GSW Group and through the Group-wide, income-optimised steering of short-, medium- and long-term liquidity.

Rolling twelve-month liquidity planning, which is updated during the year to reflect current forecasts, provides a detailed preview of the anticipated monthly cash flows at the GSW Group. Forecast figures are checked against actual figures in the weekly cash management report. This is combined with reporting on the investments conducted.

Liquidity monitoring and cash management are practiced on a daily basis. Cash management is supported by an integrated software application. Building on the working capital analysis, liquidity management is possible to the day based on daily cash flow updates.

GSW was solvent at all times in 2012. It did not utilise the credit facilities available.

Market risks

Income risk

GSW's income is predominantly determined by rental income. Changes in the general economic and business situation could negatively influence GSW's result of operations. A deterioration in the economic situation could lead to a decline in rents for new lettings, increased vacancy and defaults on rent, as well as a drop in sales figures. There are no signs of consequences from the current political debate about limiting the scope for rent increases at present but it may also impact on the future trend in income.

Default on rent payments

Default on rent payments and rising receivables from lease obligations remained comparatively unchanged in 2012 relative to previous years, and were therefore in line with business planning.

Vacancy and letting risk

As in previous years, the Berlin housing market was characterised by extremely strong demand in the 2012 financial year. This was driven by socio-demographic developments including the trend towards single households. GSW achieved its goal of reducing vacancy through selective marketing. There was also less fluctuation among tenants in 2012 meaning that fewer residential units were available for reletting as a result of tenants giving notice.

Sales risk

Sales of owner-occupied residential units have risen in recent years because of strong demand. They are sold through a specialist external service provider with whom certain quantities and minimum sales values, which reflect market conditions, can be agreed as a part of a service contract. If the quantities are not achieved, the service provider must pay penalty payments to GSW.

Portfolio risk

Portfolio risks can affect both individual properties and the portfolio as a whole. GSW is subject to maintenance and refurbishment risks, particularly as a result of the age of its residential properties. This can also have an impact on the value retention of the property portfolio. With almost 60,000 apartments throughout Berlin, GSW's risk is broadly diversified. The property portfolio covers all districts of Berlin except for Marzahn-Hellersdorf and is evenly spread among properties of all ages.

GSW feels that it has an opportunity to further consolidate its image as a culturally responsible entity through a wide range of commitments, both socially and in cooperation with various organisations and authorities. As such, GSW seeks to attract and maintain a long-term tenant clientele that will have a positive long-term effect on its property portfolio.

GSW's maintenance strategy operates on a condition-based valuation of all properties and combines this analysis with findings from reactive maintenance. This is intended to ensure that the portfolio retains its value while continuing to develop. This has been confirmed by the portfolio's positive value performance over recent years, among other things.

General legal and tax risks

General legal risks can arise from non-compliance with legal regulations, the non-implementation of new and amended laws, non-compliance with agreements or the mismanagement of insurance policies. In particular, legal risks including liability risks can occur in connection with the acquisition of portfolios.

GSW's business activities are subject to the general tax conditions in Germany, which could change disadvantageously. It is possible that GSW will have to pay additional taxes following external audits of Group companies. The external audit for the years following 2004 is not yet concluded.

Changes to the shareholder and organisational structure of GSW may also trigger taxes.

GSW is subject to the regulations of the interest barrier, which limits the deductibility of interest expenses against tax when calculating taxable income. It is therefore possible that these regulations may give rise to tax liabilities in future, since this has not yet been the subject of external audits at GSW.

There were no discernible significant risks from changes in tax legislation or jurisdiction in 2012.

Financing risk

Changes in interest rates, the LTV ratio, loan compliance obligations and interest rate hedges could impair operations insofar as expiring fixed interest rates / loan agreements cannot be prolonged or refinanced at adequate conditions (refinancing risk).

For GSW, no refinancing risk resulting from interest rates, the LTV ratio, loan compliance obligations or interest rate hedges is discernible in the medium term. The weighted average term of the Company's loans at the reporting date was 10.2 years.

The interest rate risk is considered minor given the low overall interest rates, especially as interest rate hedges (fixed rate and swap agreements) are in place for more than 99.8 % of the loan portfolio.

In order to optimise its interest strategy, GSW has implemented an interest management agreement with a third-party service provider based on the value-at-risk method. Recommendations derived from this are incorporated into planning.

Financial covenants (percentage of remaining capital loans with covenants in the total loan volume) are agreed in the respective loan agreements for about 73.0 % of the loan portfolio. The loan compliance reporting requirements for banks were complied with in full in 2012. With general conditions remaining unchanged, there are no apparent points in the near future that would indicate non-compliance with the covenants of key loan agreements.

There are currently no risks from inter-company loans. The borrowers are GSW Group companies with some of whom control and profit transfer agreements are in place. GSW is therefore informed of the economic situation of its borrowers at all times. It compensates for any short-term liquidity bottlenecks as required.

Under a convertible bond issued in the 2012 financial year, the bondholders have the option of premature cancellation after five years (put option). In this case, GSW would have to repay the tendered bonds at the nominal amount plus accrued interest and would therefore have to have sufficient liquidity at this point. Given the conditions currently prevailing on the capital market, we would consider it unlikely that a major portion of the bondholders would exercise the put option.

Operational risks

HR risks

The professionalism, dynamism and commitment of GSW's employees are a key success factor for the Company to achieve its strategic and operative objectives. There is a risk of losing knowledge as a result of high fluctuation. GSW counters this risk with an HR policy that allows its employees responsibility while providing them with opportunities for development and ensuring satisfaction. Fair remuneration that reflects performance, the active promotion of individual development on the basis of assessments of ability and a strong focus on achieving a good life-work balance are key elements of this HR policy.

GSW Immobilien AG's employee fluctuation of 0.9 % in 2012 suggests that employee loyalty is stable.

IT risks

Given the extent to which processes are automated, the stability of IT systems is very important. GSW relies on third-party service providers to manage and minimise the risk of failure. The systems and processes for dealing with emergencies and crises in the central computer centre were reviewed as part of an audit at the beginning of 2012. The measures identified and implemented have made a material contribution to minimising the stability risks for GSW’s critical processes. In addition, GSW has launched projects and established processes to further optimise the security standard on the basis of a new security policy.

Opportunities of future development

GSW has established itself on the capital market following a successful IPO and its inclusion in the MDAX. Among other things, this allows GSW flexible and rapid access to equity to support its continual growth strategy.

With a broadly diversified portfolio of properties in Berlin, a clear focus on the residential segment and its honed administrative organisation and IT landscape, GSW is fundamentally well positioned to exploit opportunities as they arise.

Specifically, such opportunities lie in the scalability of its organisational structure and its integrated platform, which allow it to manage even an expanding property portfolio efficiently with a relatively constant number of employees and thereby leverage economies of scale. GSW's existing financing structure with its long-term focus also creates a stable base to pursue its growth targets further.

Efficient asset management and sensible acquisitions will produce further opportunities for adding value to the property portfolio, which is also supported by the current positive trend on the Berlin property market. The Company expects rents to increase further and vacancy rates to fall in the German capital. Given these circumstances, the company can look forward with optimism and confidence that rental income will be on a growth trend which will positively affect the company's revenue and earnings.

11. REMUNERATION REPORT

In accordance with the legal provisions and the recommendations of the German Corporate Governance Code in the version dated 15 May 2012, the remuneration report explains the structure of the remuneration system for the Management Board and Supervisory Board of GSW Immobilien AG as well as the remuneration of individual members of the Management Board and Supervisory Board. The remuneration report is part of the management report.

For the 2012 financial year, the Supervisory Board commissioned an independent external remuneration consultant to analyse the existing remuneration system for the Management Board and the Supervisory Board and to submit proposals for developing the remuneration systems further. Having evaluated the remuneration consultant's report in detail and checked the target annual income of Management Board members, the remuneration system for the Management Board was amended and new contracts of employment were concluded, which provide for changes to their remuneration with effect from 1 January 2012. The remuneration of the Supervisory Board was amended by resolution of the Annual General Meeting (AGM) on 28 June 2012 at the suggestion of the Management Board and Supervisory Board.

11.1 Remuneration system of the Management Board

The remuneration system for the Management Board and the remuneration of individual Management Board members is set by the Supervisory Board at the suggestion of the Executive Committee and regularly reviewed. The remuneration system for the Management Board is supposed to be geared to the normal market remuneration in comparable companies as well as the economic situation and future earnings prospects of GSW Immobilien AG. The remuneration structure must be focused on sustainable corporate development.

The total remuneration of Management Board members consists of a fixed basic remuneration and two variable remuneration components, the annual performance-related remuneration (Short Term Incentive) and the multi-annual performance-related remuneration (Long Term Incentive). Members of the Management Board are also granted other benefits in kind.

Fixed basic remuneration

The basic remuneration of Management Board members consists of a fixed amount, which is disbursed in twelve equal monthly instalments. The fixed annual basic remuneration amounts to EUR 395,000.00 per annum for an ordinary Management Board member. The CEO receives a fixed annual basic remuneration of EUR 490,000.00.

Annual performance-related remuneration (Short Term Incentive)

In addition to the basic remuneration, members of the Management Board receive an annual performance-related remuneration, which awards the Management Board member's performance in the past financial year in line with the Company's short-term performance. In principle, the amount of the annual performance-related remuneration is calculated in accordance with the extent to which the annual targets set in writing in a target agreement between the Supervisory Board and the respective Management Board member for the relevant financial year have been achieved. Firstly a uniform target figure defined for all Management Board members for AFFO (Adjusted Funds from Operations) and secondly two individual targets for each Management Board member are set as targets. Of the maximum achievable Short Term Incentive, 60 % is attributable to the AFFO target figure and 40 % to achievement of the individual targets, which are independent thereof. A six stage scale with the target achievement grades 0 %, 50 %, 75 %, 100 %, 110 % and 120 % with a linear increase in the achievable amount is defined for the individually agreed targets in the target agreement. For the AFFO, there is a target range between 80 % and 120 % of the target figure. Below 80 %, the target achievement for the portion of the Short Term Incentive attributable to the AFFO is zero. If the target achievement exceeds 120 %, there is no further increase in the annual performance-related remuneration.

Following the end of each financial year, the Supervisory Board decides after due consideration on the extent to which each individual target variable has been achieved.

The annual performance-related remuneration (Short Term Incentive) is limited to a maximum of EUR 237,000 gross for an ordinary Management Board member and to a maximum of EUR 294,000 gross for the CEO (total cap).

The annual performance-related remuneration is paid as a cash benefit. The annual payments are made pro rata temporis if the Management Board member has not been appointed to the Board for the entire financial year.

Multi-annual performance related remuneration (Long Term Incentive)

The Long Term Incentive is intended to reward long-term, sustained performance by Management Board members and, as a share-based remuneration element, emphasise correlation with the interests of shareholders in a positive share price performance. As multi-annual performance-related remuneration, each Management Board member is promised a certain number of the Company's shares (performance shares) at the end of each financial year. The number of shares promised equals the amount of annual performance-related remuneration paid for the past financial year divided by the market price of the GSW share.

Three years after the end of the financial year for which the Management Board was promised the shares in each case, the Supervisory Board stipulates the number of shares actually to be granted. This will be decided by the average performance of the GSW Immobilien AG share price in the respective three year period compared with the performance of the EPRA Germany Index. If the performance equals 100 %, the Management Board member will be granted the number of shares that he was originally promised. If the performance of the GSW share price amounts to below 95 % of the comparative figure, the Management Board member will receive no shares. If the performance equals 120 % or more, 120 % of the promised shares are granted (cap). The number of shares to be granted increases on a linear basis between a performance of 95 % and 100 % and between a performance of 100 % and 120 %. If a capital increase is carried out at an issue price below the market price in a financial year within the period under consideration, the performance of the share price until the announcement of the capital increase and from this date is weighted to each other pro rata temporis and compared with the performance of the EPRA Germany Index.

The granting of performance shares does not presuppose that the appointment of the Management Board member to the Board or his contract of employment will continue until the date of allocation. The termination of the appointment to the Board or the termination of the contract of employment will not lead to the shares being granted early or to the loss of other preconditions applicable to the multi-annual share-based remuneration.

The Management Board members may not dispose of the promised shares until they are granted. Neither are they entitled to hedge the granting of the shares in any form.

Other benefits in kind

The other benefits in kind, which members of the Management Board are granted, include in particular a company car, which may also be used privately and the conclusion of a D&O insurance policy with an appropriate deductible and the conclusion of invalidity insurance.

Supervisory Board remuneration in the 2012 financial year

Total remuneration

The total remuneration of Management Board members for the 2012 financial year amounts to EUR 2,682 thousand (2011: EUR 1,998 thousand).

On the basis of the Management Board contracts of employment applicable from 1 January 2012, the individual members of the Management Board received the following remuneration **for their work in the 2012 financial year**:

Management Board member	Gross basic remuneration EUR thousand	Gross annual performance-related remuneration (Short Term Incentive) EUR thousand	Multi-annual performance related remuneration (Long Term Incentive)	Gross ancillary benefits EUR thousand	Total EUR thousand
Thomas Zinnöcker (CEO)	490	258	258	22	1,028
Jörg Schwagenscheidt	395	208	208	20	831
Andreas Segal	395	208	208	12	823
Total	1,280	674	674	54	2,682

As **multi-annual performance related remuneration**, members of the Management Board were promised a certain number of GSW Immobilien AG shares in 2016 depending on the performance of the GSW Immobilien AG stock market price. The individual members of the Management Board were promised the following number of shares here:

Management Board member	Number of shares promised as part of the Long Term Incentive
Thomas Zinnöcker (CEO)	8,214
Jörg Schwagenscheidt	6,622
Andreas Segal	6,622
Total	21,458

Note re the disclosures on the Management Board's remuneration in the 2011 financial year

The Annual General Meeting (AGM) of GSW Immobilien AG on 14 April 2010 had resolved in accordance with section 286 (5) HGB that the information set out in section 285 no. 9 (a) sentences 5 to 8, particularly concerning the total remuneration of each individual member of the Management Board, would not be published for the period from 2010 to 2014, and in any case up until 14 April 2015 at the latest. This resolution was rescinded at the Annual General Meeting of the Company on 28 June 2012 in as much as the disclosures demanded in section 285 no. 9 (a) sentence 5 to 8 and section 314 (1) no. 6 (a) sentence 5 to 8 HGB (if applicable in conjunction with section 315a (1) HGB) are to be made for the first time in the annual financial statements and consolidated financial statements of GSW Immobilien AG for the financial year ending on 31 December 2012 and in subsequent financial years. The resolution on rescission does not apply to the 2011 financial year meaning that only total figures for the remuneration of all Management Board members of GSW Immobilien AG can be provided as comparative amounts for the 2011 financial year in the annual report 2012. Of the total remuneration in the previous year of EUR 1,998 thousand, EUR 1,056 thousand is attributable to fixed remuneration and EUR 942 to performance-related variable remuneration.

Benefits in the event of employment ending prematurely

If the appointment as a member of the Management Board is revoked more than six months before the normal end of the contract of employment for good cause for which the Management Board member is not responsible, the contract of employment may be terminated by both parties subject to a notice period of six months as at the end of the month. In this case the Management Board member will receive a severance payment. The amount of the severance period is determined according to the remaining term which the contract of employment would have had if it had not been terminated but is limited to the amount of a pro rata fixed remuneration and an annual performance related remuneration for a period of 18 months.

In the case of the early termination of the employment contract without good cause in accordance with section 84 AktG, any agreed payments to the Management Board member including ancillary benefits may not exceed the value of two annual salaries or the remuneration payable for the remaining term of the respective contract (severance cap). The total remuneration of the past financial year and, if applicable, the probable total remuneration for the current financial year must be used calculate the severance cap.

Other

Members of the Management Board were not granted any benefits under occupational pension plans in the 2012 financial year. Members of the Management Board received no loans from the company.

The members of the Management Board do not receive additional remuneration for positions held on executive bodies of Group companies. If claims for financial losses are asserted against Management Board members in connection with the performance of their activities, this liability risk is, as a matter of principle, covered by the D&O insurance concluded by the Company for the members of its Management Board. In accordance with section 93 (2) sentence 3 AktG, GSW Immobilien AG has agreed a deductible of 10 % of the loss up to the amount of one and half times the fixed annual remuneration for all losses within a financial year.

During the term of their appointment, members of the Management Board are obliged to hold a portfolio of at least 10,000 GSW Immobilien AG shares; the portfolio must be built up by 30 June 2014. Evidence of the shareholdings must be provided at the end of each financial year starting on 31 December 2012.

11.2 Remuneration system for the Supervisory Board

The system of remuneration for the Supervisory Board was reviewed in the 2012 financial year and was amended in accordance with the Articles of Association by resolution of the Annual General Meeting on 28 June 2012 at the suggestion of the Management Board and Supervisory Board. The Supervisory Board’s remuneration is regulated in Article 8 of the Articles of Association and consists of two elements:

Fixed remuneration

Each member of the Supervisory Board receives fixed annual remuneration of EUR 40,000.00 payable after the end of the financial year.

Additional compensation for the exercise of certain functions

Additional compensation is paid for the additional workload associated with the exercise of certain functions within the Supervisory Board: The Chairman of the Supervisory Board receives EUR 100,000; a Deputy Chairman receives EUR 60,000 as a fixed annual basic remuneration. Supervisory Board members who are members of one or more Supervisory Board committees convening at least once during the year receive additional annual fixed remuneration of EUR 7,500.00 per committee, or EUR 15,000.00 for the Chairman of the respective committee, payable after the end of the financial year. No remuneration is paid for membership and chairmanship of the Nomination Committee.

Supervisory Board members who are only members of the Supervisory Board or a Supervisory Board committee for part of a financial year receive corresponding pro rata remuneration for the respective financial year.

Variable, performance-related remuneration is not paid to the members of the Supervisory Board.

The Company reimburses the members of the Supervisory Board for expenses incurred in conjunction with their membership to an appropriate extent. The value added tax on Supervisory Board remuneration is reimbursed by the Company providing that the respective member is entitled to invoice the value added tax of the Company separately and exercises the right to do so.

In addition, the company has concluded third-party liability insurance ("D&O insurance") for members of the Supervisory Board with a deductible of 10 % of the respective loss. The deductible is limited to one and a half times the fixed annual remuneration of the respective Supervisory Board member for all losses arising within one insurance year.

Supervisory Board compensation in the 2012 financial year

The amendment to the Articles of Association concerning Supervisory Board compensation resolved at the Annual General Meeting on 28 June 2012 will lead to a pro rata calculation of the total compensation for the 2012 financial year with reporting date-related allocation at the date of the resolution by the Annual General Meeting.

In detail this resulted in the following compensation for the Supervisory Board members for the 2012 financial year:

Name of Supervisory Board member		**Compensation in EUR thousand (net) 2012**	**Compensation in EUR thousand (net) 2011**
Dr. Eckart John von Freyend (Chairman)	Chairman of the Executive Committee, Chairman of the Nomination Committee Member of the Audit Committee (from 1 April 2012)	96.2	65.0
Dr. Jochen Scharpe (Deputy Chairman)	Chairman of the Audit Committee, Member of the Executive Committee, Member of the Nomination Committee	68.4	52.5
Claus Wisser	Member of the Executive Committee (from 1 April 2012), Member of the Nomination Committee (from 1 April 2012)	39.8	30.0
Dr. Reinhard Baumgarten	Member of the Audit Committee (from 1 April 2012)	39.5	30.0
Veronique Frede		35.1	30.0
Gisela von der Aue (from 28 June 2012)		20.4	0
Geert-Jan Schipper (until 31 March 2012)	Member of the Audit Committee (until 31 March 2012)	0 **(Supervisory Board remuneration waived)**	0 **(Supervisory Board remuneration waived)**
Thomas Wiegand (until 31 March 2012)	Member of the Executive Committee (until 31 March 2012), Member of the Nomination Committee (until 31 March 2012)	0 **(Supervisory Board remuneration waived)**	0 **(Supervisory Board remuneration waived)**

The Supervisory Board members Geert-Jan Schipper and Thomas Wiegand waived their remuneration claims from GSW Immobilien in conjunction with their Supervisory Board membership.

Other

The Company has not granted any loans to the members of the Supervisory Board.

12. OUTLOOK

GSW Immobilien AG closed the 2012 financial year successfully. The Group boasts a robust financing structure that will form the basis for further growth over the coming years. The purchase of over 7,000 residential units as at 31 December 2012 / 1 January 2013 will have a positive impact on GSW's results of operations. External growth through additional acquisitions is also planned for the future.

Net rental income
The following trends, which significantly determine the Berlin housing market at present, form the basis for the future growth in net rental income: as a result of increasing numbers of people moving to the German capital and the trend towards single households, demand for housing space is increasing; this cannot be offset by new construction activity at present. GSW therefore expects rents to continue rising and vacancy rates to continue falling in Berlin.

Against this backdrop, the company is looking towards the future with optimism and expects rents for its own property portfolio to trend upwards, which will have a positive impact on the company's net rental income. Over the coming years, the Company also expects to see further growth in rental income from new and existing lettings of GSW properties accompanied by a reduction in vacancy rates.

Net valuation result
If the current trend towards a shortage of residential space and consequently rising rents and lower vacancy rates continues over the coming years, the Management Board expects this to have a further positive effect on the valuation of its property portfolio. The Group's aim is to support a positive remeasurement result through targeted modernisation and marketing measures.

Net interest income
Only a moderate loan volume is scheduled for refinancing and renewal over the coming years. For 2013, more than 99 % of the Group's loan portfolio is hedged by way of fixed-interest agreements or interest rate swaps with a nominal interest rate of well below 4 %. Through the issue of a convertible bond, GSW has also secured long-term financing at a favourable rate of interest. Acquisition financing could lead to changes in this situation. However, the financing structure will also be adjusted in line with market circumstances in future, to recognise and exploit opportunities and risks with regard to optimising financial results.

Acquisitions
The Management Board expects the purchase of additional property portfolios to provide further growth momentum and improved earnings.

Based on these factors and the interest rate that has been secured for the coming years through refinancing, the Management Board expects to generate a consolidated net income in both 2013 and 2014.

This Management Report contains forward-looking statements and information. These forward-looking statements can be identified by phrases such as "expect", "anticipate", "intend", "will" and similar terms. Such forecasts are based on our current expectations and certain assumptions, meaning that they are subject to a range of risks and uncertainties. If it transpires that the underlying assumptions were incorrect, the actual results may deviate from those described as expected, anticipated, intended, believed or estimated in the forward-looking statements, either positively or negatively.

13. DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289A HGB

The disclosures in accordance with section 289a HGB are published as part of the Corporate Governance report on our website www.gsw.de.

14. RESPONSIBILITY STATEMENT

“To the best of our knowledge and in accordance with the applicable accounting principles, the financial statements give a true and fair view of the company's net assets, financial position and results of operations, and the management report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal opportunities and risks associated with the expected development of the company.”

Berlin, 18 March 2013

GSW Immobilien AG
The Management Board

Thomas Zinnöcker (CEO)	Jörg Schwagenscheidt (COO)	Andreas Segal (CFO)

ANNUAL FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012

GSW Immobilien AG, Berlin
Balance sheet at 31 December 2012

ASSETS

	EUR	As at 12/31/2012 EUR	Balance sheet after accrual As at 01/01/2012 TEUR	As at 12/31/2011 TEUR
A. FIXED ASSETS				
I. Intangible assets			395	395
1. For a consideration accrued rights and values as soon as licenses of such rights and values	202.682,00			
2. Payments in advance	47.730,42	250.412,42		
II. Tangible assets				
1. Land and land rights including buildings	2.175.745.914,31		2.041.761	515.499
2. Land including business- and other buildings	9.476.239,35		9.813	9.813
3. Land and land rights excluding buildings	5.532.939,65		5.652	5.592
4. Land including ground leases and similar third party rights	7.258.608,77		17.017	17.017
5. Buildings on leasehold land	76.378,51		0	-
6. Technical equipment and machinery	2.717,00		3	3
7. Other equipment, factory and office equipment	106.009,59		100	100
8. Assets under construction	65.978,47		0	-
9. Payments in advance	19.249.613,78	2.217.514.399,43	0	-
III. Financial assets				
1. Shares in affiliated companies	193.764.171,49		160.354	550.234
2. Loans to affiliated companies	127.809.471,25		74.394	87.509
3. Long-term equity investments	5.823.419,62		5.991	5.991
4. Other loans	992.114,05	328.389.176,41	1.035	1.035
		2.546.153.988,26	2.316.515	1.193.188
B. CURRENT ASSETS				
I. Zum Verkauf bestimmte Grundstücke und andere Vorräte				
1. Land and land rights excluding buildings	3.362.757,27		3.734	3.734
2. Construction preparation costs	-		9	9
3. Work in process	100.963.756,09		98.097	33.674
4. Prepayments	42.750,44	104.369.263,80	64	64
II. Receivables and other assets				
1. Receivables from rental	2.919.997,17		3.148	1.341
2. Receivables from the sale of land	1.017.679,11		2.172	1.906
of which from affiliated companies				
3. Receivables from support activities	-		5	5
4. Trade receivables	1.039.542,07		1.090	831
5. Receivables from affiliated companies	48.890.258,89		18.369	88.925
6. Receivables from long-term investees and investors	28.138,10		1	1
7. Other assets	15.869.009,44	69.764.624,78	12.025	4.843
III. Securities		100.000,00	0	-
IV. Liquid assets and building society balances				
Cheques, cash on hand, postal giro and bank balances		121.021.960,69	34.733	23.910
of which trust balances				
C. PREPAID EXPENSES				
Other prepaid expenses		326.198,00	237	237
		2.841.736.035,53	2.490.199	1.352.668

GSW Immobilien AG, Berlin
Balance sheet at 31 December 2012

SHAREHOLDERS' EQUITY AND LIABILITIES

			EUR	As at 12/31/2012 EUR	Balance sheet after accrual As at 01/01/2012 TEUR	As at 12/31/2011 EUR
A. SHAREHOLDERS' EQUITY AND LIABILITIES						
I. Subscribed capital				50.526.314,00 *	41.053	41.053
II. Capital reserves				316.522.680,77	124.084	124.084
III. Revenue reserves						
1. Other revenue reserves				6.229.594,77	6.229	6.229
IV. Unappropriated retained earnings				607.585.632,86	652.968	126.663
Total shareholders' equity				980.864.222,40	824.334	298.029
B. ACCRUALS						
1. Accruals for pensions and similar obligations			1.808.942,00		1.838	1.838
2. Tax accruals			80.600,00		81	81
3. Other accruals			42.552.252,12	44.441.794,12	55.959	19.124
C. LIABILITIES						
1. Liabilities from bond			182.900.000,00		-	-
thereof convertible	EUR	182.900.000,00				
	(2011 EUR	0,00)				
2. Liabilities to banks			1.400.644.397,99		1.378.624	578.283
3. Liabilities to other lenders			1.001.157,42		1.238	1.238
4. Prepayments received			103.586.754,83		101.157	34.121
5. Liabilities from rental			4.891.826,70		4.914	1.674
6. Trade payables			3.164.088,48		5.103	2.669
7. Payables to affiliated companies			96.455.157,20		96.243	397.233
8. Payables from long-term investees and investors			13.813,07		-	-
9. Other liabilities			15.706.977,76		4.875	2.545
of which taxes	EUR	9.561.752,63				
	(2011 EUR	2.159.768,81)				
of which social security payables	EUR	130.972,34				
	(2011 EUR	84.847,06)		1.808.364.173,45		
D. DEFERRED INCOME				8.065.845,56	15.833	15.833
				2.841.736.035,53	2.490.199	1.352.668

* Conditional capital at 12/31/2012 in amount of 7,500,000 € (previous year 0 €)

GSW Immobilien AG, Berlin

Income statement
for the period from 01 January to 31 December 2012

			2012		2011
			EUR	EUR	TEUR
1.	Sales				
	a) from facility management		272.825.445,01		96.323
	b) from the sale of land		22.391.785,66		18.607
	c) from support activity		9.538,99		75
	d) from other services and supplies		789.073,55	296.015.843,21	848
2.	Increase or decrease in the real estate portfolio for sale including finished goods and work in process			1.550.255,39	104
3.	Other operating income			25.765.111,07	55.365
4.	Cost of purchased services and supplies				
	a) Cost of facility management		162.524.528,86		61.357
	b) Cost of land for sale		13.118.586,30		11.128
	c) Cost of other services and supplies		1.407.918,42	177.051.033,58	1.075
5.	Personnel expenses				
	a) Wages and salaries		18.834.363,08		17.692
	b) Social security, pension and other benefits		3.677.078,58		3.711
	of which pension	EUR 2.284.756,45			
		(2011 EUR 2.161.874,45)		22.511.441,66	
6.	Amortization/depreciation of intangible and tangible assets			41.540.739,25	17.881
7.	Other operating expenses			36.905.231,56	30.475
8.	Income from long-term equity investments			1.248.090,03	26.855
	of which from affiliated companies	EUR 1.248.090,03			
		(2011 EUR 26.760.110,75)			
9.	Income from profit/loss transfer agreements			27.106.848,05	15.693
10.	Income from other long-term securities and loans			2.793.286,71	1.130
	of which from affiliated companies	EUR 2.787.740,30			
		(2011 EUR 1.123.665,50)			
11.	Other interest and similar income			7.097.526,86	3.551
12.	Write-down of long-term financial assets			191.518,04	92
13.	Cost of loss transfer			61.357,27	145
14.	Interest and similar expenses			76.320.198,33	35.990
	of which from affiliated companies	EUR 4.553.015,26			
		(2011 EUR 12.266.064,04)			
15.	Income from ordinary activities			6.995.441,63	39.005
16.	Extraordinary income			526.305.448,24	-
17.	Extraordinary expenses			6.916.043,88	-
18.	Extraordinary result			519.389.404,36	-
19.	Other taxes			-10.817,13	40
20.	Earnings before taxes on income			526.395.663,12	38.965
21.	Income taxes			-632,20	1
22.	Net income for the year			526.396.295,32	38.966
23.	Dividend paid out to shareholders			126.663.020,14	87.697
24.	Ausschüttungen an Gesellschafter			45.473.682,60	-
25.	Unappropriated retained earnings			607.585.632,86	126.663

Notes

to the annual financial statements for the financial year

from 1 January 2012 to 31 December 2012

of GSW Immobilien AG, Berlin

Contents

(1) GENERAL INFORMATION ON THE CONTENT AND CLASSIFICATION OF THE SEPARATE FINANCIAL STATEMENTS

The annual financial statements were prepared in accordance with sections 242 et seq. and sections 264 et seq. of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the relevant provisions of the *Aktiengesetz* (AktG – German Stock Corporation Act). The company is a large corporation within the meaning section 267(3) HGB.

The balance sheet and the income statement were prepared using the form sheets for classification of the annual financial statements of housing companies of 25 May 2009.

The balance sheet has been supplemented by rental liabilities.

The income statement was prepared using the total cost format. The financial year is the calendar year.

To the extent that additional disclosures relating to individual balance sheet and income statement items are required in accordance with the legal provisions, these are stated in the notes to the financial statements.

Effective 1 January 2012, the sole limited partner – GSW Immobilien Beteiligungs GmbH – left GSW Grundbesitz GmbH & Co. KG. As the general partner, GSW Immobilien AG is continuing the operating activities of the company transferred to it by way of accrual through universal succession in accordance with sections 161(2), 105(3) HGB in conjunction with section 738(1) sentence 1 of the *Bürgerliches Gesetzbuch* (BGB – German Civil Code), with all the assets, equity and liabilities without liquidation, under its own name. Furthermore, by way of the exit resolution of the limited partner, GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG with all its assets, equity and liabilities accrued to GSW Immobilien AG as from 30 April 2012.

For the above reasons, comparability between the financial year and the prior-year figures is only limited.

The figures reported in the balance sheet reflect the values immediately after the accrual of GSW Grundbesitz GmbH & Co. KG as at 1 January 2012.

(2) ACCOUNTING PRINCIPLES

Unless stated otherwise, the accounting policies have remained unchanged.

(a) INTANGIBLE ASSETS

The company does not exercise the capitalisation option for internally generated assets.

Purchased intangible assets are measured at cost less straight-line amortisation. Assets are amortised over a period of three or five years. The useful life is determined in line with German tax law. Any deviations relating to useful lives are considered to be insignificant.

(b) TANGIBLE ASSETS

Tangible assets are measured at cost within the meaning of section 255(1) and (2) HGB less straight-line depreciation in accordance with the expected useful life.

The tangible assets of GSW Grundbesitz GmbH & Co. KG and GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG accrued at fair value.

Based on tax law and the gross rental method, the useful lives for residential, office and other buildings are between 25 and 71 years.

In the event of permanent impairment, tangible assets are written down to the lower market value as at the balance sheet date in accordance with section 253(3) sentence 3 HGB. Permanent impairment is determined in accordance with IDW RS WFA 1. The market value is calculated on the basis of the gross rental method. The gross rental method is one of three methods provided for by the *Wertermittlungsverordnung* (German Valuation Ordinance) for the calculation of market value in accordance with section 194 of the *Baugesetzbuch* (BauGB – German Building Code).

If the reason for impairment no longer applies, the write-down is reversed up to depreciated cost in accordance with section 253(5) sentence 1 HGB.

The depreciation periods for other tangible assets are between four and ten years.

Low-value assets up to €150 are written down in full in the year of their acquisition. Low-value assets between €150.01 and €1,000 (net) are depreciated over five years. The useful life is determined in line with German tax law. Any deviations relating to useful lives are considered to be insignificant.

(c) FINANCIAL ASSETS

Shares in/loans to affiliated companies, equity investments and other financial assets are reported at the lower of cost or market value, which is calculated using valuation models. Requirements to reverse write-downs are recognised accordingly.

(d) CURRENT ASSETS

Undeveloped land included in current assets is reported at the lower of cost or market value. Current standard ground values are used as a benchmark.

In accordance with the *Betriebskostenverordnung* (German Operating Costs Ordinance), work in progress includes operating costs that can be allocated but that have not yet been invoiced.

Receivables and other assets are carried at nominal value. Discernible risks are taken into account by way of appropriate discounts.

Receivables from former tenants are written down in full 30 days after they mature. Valuation allowances for tenants in residence are recognised depending on the age of the receivables.

Derivatives concluded to hedge against interest rate risks are independent hedges that are combined with the loan being hedged to form a hedge if the requirements are met in accordance with the option under section 254 HGB.

In particular, the key requirements for hedge accounting are the objective suitability of the hedging instrument for hedging the risk from the hedged item and the notional evidence of effectiveness relative to hedged risk. The effective portion of hedges is accounted for using the net hedge presentation method, whereby the compensating changes in value from the hedged risk are not recognised. A provision is recognised for hedges for any residual unrealised loss due to partial ineffectiveness of the hedge. This is reported under other provisions. When hedging interest rates, the interest payments resulting from the hedging instrument, the interest income and expenses from the hedged item and the corresponding deferred amounts are reported without netting as at the balance sheet date.

If the requirements for hedge accounting are not met, it is reported at the lower of cost or fair value. A provision for expected losses is recognised if there is an excess obligation.

Cash and cash equivalents are recognised at nominal value. €10.8 million of cash and cash equivalents have been pledged to Landesbank Berlin and Deutsche Pfandbriefbank and are reported under other assets.

(e) EQUITY

The subscribed capital is carried at nominal value.

(f) PROVISIONS

Provisions for restoration obligations, anniversary and partial retirement obligations and all other uncertain obligations were carried at the settlement amount required in accordance with prudent business judgement, taking into account price and cost increases. All discernible risks were taken into account. Anniversary and partial retirement obligations are measured using the projected unit credit method. Provisions with residual terms of more than one year are discounted applying the average market interest rate of the past seven financial years in line with their respective residual term. The market interest rates were obtained from the monthly Deutsche Bundesbank statistics.

Provisions for pension obligations are recognised for pension plans for commitments for old age, invalidity and surviving dependent benefits. In deviation from the principle of individual measurement using the matched term average interest rate of the past seven years, current pension obligations and pension claims in accordance with section 253(2) sentence 2 HGB are discounted at a flat rate using the average market interest rate for an assumed residual term of 15 years.

(g) LIABILITIES

Liabilities are carried at their respective settlement amount. Differences between the nominal amount and the value on issuance are treated in full as an expense.

The liabilities of GSW Grundbesitz GmbH & Co. KG and GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG were accrued at fair value.

Please also see the statement of changes in liabilities.

(h) PREPAID EXPENSES AND DEFERRED INCOME

Prepaid expenses relate to expenses reported before the balance sheet date that will be incurred for a specific period after this date. The option under section 250(3) HGB has not been exercised. Any difference between the settlement amount and value on issuance of liabilities is recognised in the income statement at the date it arises.

Deferred income includes proceeds received before the balance sheet date if it represents income for a certain period after this date.

(i) DEFERRED TAXES

Deferred taxes are recognised for temporary differences between the accounting and tax carrying amounts that are expected to reverse in the future, and for tax loss carryforwards if this is required in accordance with section 274 HGB. Deferred tax assets on temporary differences or loss carryforwards are only reported if it seems sufficiently likely that these can be utilised in future.

The resulting deferred tax assets and liabilities are reported net.

Deferred tax assets that exceed the off-settable amount are not capitalised in accordance with the option provided for under section 274(1) sentence 2 HGB.

(3) NOTES ON INDIVIDUAL ITEMS OF THE BALANCE SHEET

(a) FIXED ASSETS

The structure and development of fixed assets are shown in the attached statement of changes in fixed assets (annex 1 to the notes).

GSW Grundbesitz GmbH & Co. KG and GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG were accrued in accordance with the general cost of acquisition principle, i.e. the fair value of the equity investment lost was used as the cost for the assets received.

Tangible assets rose by a total of €1,669.5 million, €1,550.5 million of which related to the accrual of these companies. Depreciation on tangible assets amounted to €37.7 million. Impairment losses of €3.6 million were also recognised. Moreover, there were disposals of properties with a carrying amount of €9.6 million. At the same time, impairment was reversed in the amount of €9.6 million. Tangible assets rose by €15.7 million as a result of the accrual of GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG.

This was offset by a €316.4 million decline in financial assets. This was essentially as a result of the accrual of two companies and the acquisition of a direct equity investment in GSW Corona GmbH, Berlin. GSW Corona GmbH is the owner of a property portfolio of around 4,100 residential and commercial units in Berlin. The equity investments were legally transferred as at 31 December 2012. The costs of these acquired equity investments amounted to €32.2 million in total.

The disposal of shares in affiliated companies related to GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH, Berlin (effective transfer as at 1 October 2012). The disposal at carrying amount of these equity investments totalled around €0.1 million.

Impairment losses of €0.2 million were recognised on the carrying amount of financial assets in the 2012 financial year.

(b) OTHER ASSETS

Work in progress exclusively includes operating costs not yet invoiced.

Receivables with a residual term of more than one year relate to:

(EUR thousand)	31.12.2012	31.12.2011
Receivables from rental management	109,5	53,6
Receivables from sales	5,9	121,8

Receivables from affiliated companies essentially relate to liquidity aid provided in connection with the acquisition of a portfolio (€18.3 million), receivables from profit transfer agreements and profit recognition (€26.6 million) and receivables from ongoing cost allocation.

(c) DERIVATIVES

The company used derivative financial instruments to hedge interest rate risks in property financing. There are nine derivative financial instruments in total that were concluded without payment of a premium.

GSW Immobilien AG exercised the option to apply hedge accounting in accordance with section 254 HGB. The requirements for hedge accounting were not met for one swap. This has therefore been recognised at the lower fair value of EUR -52 thousand. A provision for expected losses has been recognised for an excess obligation. The information for the swap not recognised as hedge accounting is as follows:

Type	Number	Fair Value (EUR thousand)	Carrying value (EUR thousand)	Balance sheet item	Valuation method
interest rate swap	1	-52	-52	Other provisions	Clean price

The requirements of section 254 HGB for hedge accounting with the hedged item have been met for the following hedging instruments (section 285 no. 23 HGB):

Basic transaction	Hedging instrument	Number	Amount of hedged risk (EUR mn)	Hedged risk	Type of valuation unit	Method of effectiveness measurement
Loan	Zinsswap	7	659	Interest rate risk	Micro hedge	Dollar offset-method / Critical-Terms-Match
Highly probable forecast transaction	Forward-Swap	1	188	Interest rate risk	Micro hedge	Dollar offset-method

GSW terminated two swap agreements early as at 30 March 2012. One other interest rate swap matured.

Furthermore, GSW concluded a forward swap agreement with a term of six years as at 26 September 2012. The interest rate swap begins on 31 January 2015. The swap has been recognised as a hedge in accordance with section 254 HGB. The forward swap agreement serves to hedge the interest rate for a highly likely future borrowing necessitated by GSW's financing requirements. Against this backdrop, the transaction is considered highly likely.

In the context of accrual at fair value, in accordance with IDW RSH HFA 35, both the hedged loan and the derivative are recognised at fair value in the event of hedges. For four derivatives of the accrued Grundbesitz GmbH & Co. KG, which were previously not recognised on account of a hedge, the hedge was dissolved and a provision of €35.5 million was recognised in profit or loss as at 1 January 2012. In turn, a new hedge was then recognised with the result that the changes in fair value do not have to be recognised (net hedge presentation method). In accordance with IDW RS HFA 35 no. 72, the provision for expected losses is utilised pro rata over the term of the hedge. This results in a negative earnings effect for 2012 and for subsequent years. The effect in the reporting year amounted to €7.2 million.

The fair value of the interest rate swaps is calculated using the discounted cash flow method taking into account market yield curves.

By the balance sheet date, changes in value and cash flows amounting to €30.2 million were avoided as a result of micro hedges. The interest rate swaps have remaining terms of between three and 109 months. Negative changes in value and cash flows that would also be recognised in the income statement are also not expected before the relevant maturity dates of the swaps.

The effectiveness of hedges as a requirement for hedge accounting is assessed both prospectively and retrospectively. With the exception of the forward swap, the prospective assessment for interest rate swaps is based on the critical terms match method as the nominal amounts, currencies, maturities, variable basis (EURIBOR), interest adjustment dates and the dates of interest and principal payments for the debt instruments and the corresponding interest rate swaps are identical. The retrospective effectiveness test is performed cumulatively using the dollar offset method with the help of the hypothetical derivatives method. Using this approach, the change in the fair value of a constructed hypothetical derivative is compared to the changes in the fair value of the hedging instrument using the same conditions as for the respective hedged item. The effectiveness of the forward swap is tested both prospectively and retrospectively using the dollar offset method. The individual hedges are classified as effective over the entire hedging period.

(d) EQUITY

Changes in the equity of GSW:

(EUR thousand)	**31.12.2012**	**31.12.2011**	**Change**
Subscribed capital	50,526	41,053	9,473
Capital reserves	316,523	124,084	192,439
Revenue reserves	6,229	6,229	0
Net income for the year	607,586	126,663	480,923
Sum total	**980,864**	**298,029**	**682,835**

The number of no-par-value shares outstanding as at 31 December 2012 was 50.5 million (2011: 41.1 million). Each share accounts for a notional amount of share capital of €1. There are no shares with limited voting rights. The company holds no own shares.

On 17 April 2012, the Management Board of GSW, with the approval of the Supervisory Board, resolved a capital increase against cash contributions with indirect pre-emption rights for shareholders. Using the existing authorised capital, the share capital of the company was increased by €9.5 million from €41.1 million to €50.5 million against cash contributions by issuing 9,473,684 new ordinary bearer shares.

Cash contributions of €21.30 per share were paid for the new shares issued (€201.9 million in total). The capital increase was entered in the commercial register on 27 April 2012.

The capital reserves amounted to €316.5 million as at 31 December 2012. In the 2012 financial year, proceeds generated by the capital increase in the amount of €192.4 million that exceeded the notional value of the shares issued (premium) were transferred to the capital reserves in accordance with section 272 no. 1 HGB.

By way of resolution of the Annual General Meeting, new authorised capital (Authorised Capital 2012) was created with the authorisation to disapply pre-emption rights. The Management Board is therefore authorised, with the approval of the Supervisory Board, to increase the share capital of the company by up to a total of €17,000,000 by issuing up to 17,000,000 new bearer shares against cash or non-cash contributions on one or several occasions by 27 June 2017 inclusively.

Furthermore, by way of resolution of the Annual General Meeting, the Management Board was authorised to issue bearer or registered convertible bonds or bonds with warrants or profit participation rights or income bonds with or without conversion rights, options or conversion obligations or a combination of these instruments, dated or undated, with a total nominal amount of up to €250,000,000 on one or several occasions by 27 June 2017 and to grant the bearers or creditors of bonds conversion rights or options to subscribe to up to a total of 7,500,000 new bearer shares of GSW Immobilien AG, accounting for a pro rata amount of share capital of up to €7,500,000 in total (Contingent Capital 2012).

On 15 November 2012, GSW issued an unsecured, non-subordinated convertible bond maturing in November 2019 with a total nominal amount of €182.9 million. The convertible bonds can be converted into around 5.1 million new bearer shares in GSW.

The other revenue reserves reported the first time as at 31 December 2010 result from adjustments to the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernisation Act), which stipulated the discounting of provisions for the first time.

Stock corporations must have a legal reserve in accordance with section 150(2) AktG. This must be fed from 5% of annual net income until the legal reserve amounts to 10% of the share capital. Capital reserves in accordance with section 272 nos. 1 to 3 HGB are included in the calculation of this limit. As this limit was already covered at GSW AG (including existing capital reserves in accordance with section 272 nos. 1 to 3 HGB) at the time of its transformation into a stock corporation in 2010, no transfers to the legal reserve were required. This will only happen again if the 10% threshold is not met.

There are currently no amounts blocked from distribution within the meaning of section 268(8) HGB.

The unappropriated surplus (€607.6 million) consists of net income for the year of €526.4 million and the profit carryforward of €81.2 million.

By way of resolution of the Annual General Meeting on 28 June 2012, a dividend of €0.90 per share was distributed for the 2011 financial year in the reporting period (€45.5 million in total).

(e) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions were carried at settlement amount, taking into account salary and pension trends, and are discounted. The internationally recognised projected unit credit method was used for this purpose. Pension obligations are equal to the present value of the defined benefit obligation as at the balance sheet date including probable future pension and salary increases. The amount of the obligation increases annually by the interest accrued and the present value of new pension claims vested in the financial year.

The calculation is based on the following parameters:

Parameter	31.12.2012	31.12.2011
Interest rate pensioners purs. to Section 253 (2) Cl. 2 HGB	5,04%	5,14%
Pension trends	2,00%	2,00%

The pension obligation was calculated by a pensions expert. The 2005 G Heubeck mortality tables were also used.

There are no assets at the company that exclusively serve the fulfilment of employee pension obligations and that are protected from access by all other creditors (plan assets).

The increase in provisions resulting from the first-time adoption of BilMoG was taken into account in full in the 2010 financial year. The option to distribute the additional amount over future periods was not exercised.

(f) OTHER PROVISIONS AND LIABILITIES

The miscellaneous provisions item includes the following significant types of provisions: As a result of the accrual at fair value, a provision for expected losses has been recognised in the amount of €28.3 million for derivatives. There are provisions for contractual obligations (mainly rental guaranties and construction obligations) in connection with funds initiated by GSW of €1.1 million. The item also includes provisions for litigation risks (€1.3 million) and bonuses (€3.9 million). Provisions for outstanding invoices were recognised in the amount of €5.3 million.

Liabilities to banks rose by €36.9 million as a result of the accrual of GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG.

Liabilities to affiliated companies essentially consist of loans in the amount of €62.4 million, current liquidity aid of €27.3 million, deferred interest on intercompany liabilities of €2.1 million and trade payables of €4.7 million. Essentially as a result of the accrual of equity investments, liabilities to affiliated companies declined by around €300 million.

(g) DEFERRED INCOME

Deferred income in the amount of €8.1 million relates to the deferral of non-recurring remuneration from a building lease for funds initiated by GSW.

Deferred ground rent of €7.6 million was reversed as a result of the accrual of GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG.

(h) DEFERRED TAXES

Deferred taxes are calculated using the asset and liability method. In line with this, deferred taxes are recognised for all differences between the commercial carrying amounts of assets and liabilities and the tax carrying amounts if these differences are expected to reverse in subsequent financial years.

Deferred tax liabilities from the differences in the value of property or equity investments in partnerships were offset against the deferred tax assets on differences in the commercial and tax carrying amounts of properties and equity investments in partnerships and corporations.

Overall, this resulted in surplus of deferred tax asset not capitalised in accordance with the capitalisation option.

The assessment was based on a tax rate of 30.175%.

(4) NOTES ON INDIVIDUAL ITEMS OF THE INCOME STATEMENT

Sales from property management were generated almost exclusively in Berlin and mainly consist of target rent (taking into account sales allowances deductions) of €167.4 million, subsidies for rent, expenses and interest of €8.6 million and invoiced operating cost allocations in the amount of €96.8 million.

Income of €22.4 million was generated from the sale of land in the financial year.

Other operating income includes prior-period income of €2.7 million from the reversal of provisions. Income from the reversal of write-downs on tangible assets of €9.5 million is also recognised here. In addition, gains from the disposal of the equity investment in GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH, Berlin, of €5.7 million are reported here as well.

Interest expenses on provisions in the amount of €0.3 million are reported under interest and similar expenses. Income from the discounting of long-term provisions amounted to €20 thousand and is reported under other interest and similar income.

The accrual of the two companies resulted in extraordinary income of €526.3 million and extraordinary expenses of €6.9 million in the financial year.

(5) LIST OF EQUITY INVESTMENTS

The shareholdings of GSW Immobilien AG, Berlin, in accordance with section 285 nos. 11 and 11a HGB include the following companies as at 31 December 2012:

Name and head office of the company (EUR thousand)	Equity capital	Share in %	Profit/ loss	
First-tier subsidiary				
Facilita Berlin mbH, Berlin	980	100,0%	341	
Grundstücksgesellschaft Karower Damm mbH, Berlin	189	100,0%	0	1
GSW Aquisition 3 GmbH, Essen	75,456	100,0%	10,478	1, 5
GSW Berliner Asset Invest GmbH & Co KG, Berlin	9	100,0%	-4	
GSW Berliner Asset Invest Verwaltungs GmbH, Berlin	23	100,0%	-2	
GSW Gesellschaft für Stadterneuerung mbH, Berlin	286	100,0%	-103	
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	90,256	100,0%	0	1
GSW Immobilien Beteiligungs GmbH, Berlin	11	100,0%	-6	
Stadtentwicklungsgesellschaft Buch mbH, Berlin	2,204	100,0%	-56	
Wohnwert Versicherungsagentur GmbH, Berlin	26	100,0%	0	1
Zisa Verwaltungs GmbH, Berlin	19	100,0%	-5	
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	37	100,0%	3	
GSW Corona GmbH, Berlin	-11,439	99,7%	-14,454	
GSW Pegasus GmbH, Berlin	-15,662	99,7%	7,483	1, 5
Wohnanlage Leonberger Ring GmbH, Berlin	-530	99,6%	0	1
DCM GmbH & Co. Renditefonds 506 KG, München	32	99,0%	0	4
DCM GmbH & Co. Renditefonds 507 KG, München	276	99,0%	0	4
DCM GmbH & Co. Renditefonds 508 KG, München	84	99,0%	0	4
DCM GmbH & Co. Renditefonds 510 KG, München	272	99,0%	0	4
Zisa Grundstücksbeteiligung GmbH & Co. KG, Berlin	23	94,9%	-15	
GSW Immobilien GmbH &Co Leonberger Ring KG, Berlin	406	94,0%	44	2
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin	-27,481	93,1%	1,293	
SIWOGE 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin	4,361	50,0%	86	3
Zisa Beteiligungs GmbH, Berlin	25	49,0%	-4	3
GSW Fonds Weinmeisterhornweg 170-178 GbR, Berlin	-7,569	44,4%	19	
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin	140	33,3%	57	3

[1] Profit and loss transfer agreement concluded with GSW AG / GSW Acquisition 3

[2] As general partner, GSW Immobilien AG is subject to unlimited liability

[3] Values relating to 2011

[4] Values relating to 2010

[5] no profit transfer due to negative result in former years

(6) GROUP AFFILIATION

GSW Immobilien AG, Berlin, prepared exempting consolidated financial statements in accordance with section 315a(3) HGB for the smallest, and at the same time, largest group of companies as at 31 December 2012. The consolidated financial statements have been filed with the electronic Federal Gazette.

(7) RELATED PARTIES

Related natural persons within the meaning of section 285 no. 21 HGB are the Management Board and the members of the Supervisory Board. In addition to joint ventures and associates, related legal parties are subsidiaries in which shares are held either directly or indirectly, provided that these are not wholly owned subsidiaries, either directly or indirectly, and that they are included in the company's consolidated financial statements. No transactions were carried out with natural or legal related parties in the financial year or in the previous year that were not in line with regular market conditions (arm's length).

(8) OTHER REQUIRED DISCLOSURES, PARTICULARLY THOSE RELATING TO LEGAL FORM

(a) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

There are bank guarantees of €1.1 million. The outstanding obligations under these guarantees amount to €1.1 million.

In order to meet payment obligations from affiliated company loans, GSW Immobilien AG issued indemnity bonds of €148.1 million for

- GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin,
- GSW Pegasus GmbH, Berlin.

The indemnity bonds amounted to €135.8 million as at the end of 2012. The company will utilise the indemnity bonds issued if the loans granted by banks cannot be serviced. GSW assumes liability in excess of the subscribed capital for the Beteiligungs-KG with capital of €18.2 million.

The guarantees have an indefinite term, though the indemnity bonds will be returned by no later than the repayment of the loans. The risk of utilisation is rated as extremely low as the shareholders of GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG have retained all potential distributions to ensuring debt service. The risk that the guarantees will be utilised for default on loans at GSW Pegasus is also classified as extremely low as the company generates high rental income from more than 4,800 residential units on an ongoing basis.

In accordance with a surety agreement, GSW will issue a surety in the form of a surety document or mortgage to the banks providing permanent financing if the collateral for the Weinmeisterhornweg 170 – 178 GbR fund is insufficient. There was a surety agreement of €3.7 million as at 31 December 2012. Furthermore, GSW has accepted a notarial recognisance of up to €4.3 million in respect of banks providing permanent financing in the amount of the respective shares of currently

44.4% up to a maximum of 49% of the collateralised loans or loans to be collateralised. The total obligation amounts to €8.0 million. The outstanding obligations from this currently amount to €6.1 million.

The significant indemnity bonds (in terms of their amounts) were issued by the company to various banks and mainly serve as collateral for loans that were granted to GSW AG or other companies in the GSW Group. The beneficiary banks can utilise the guarantees if the loans are not repaid as agreed. The guarantees generally have an indefinite term, though the guarantees will be returned by no later than the repayment of the loan. The risk that the guarantees will be utilised is classified as extraordinarily low as GSW ensures its solvency in its liquidity planning and there are also agreements for most of the funds stipulating that all potential distributions to shareholders must be retained.

Furthermore, bank guarantees for insignificant amounts were extended in order to meet the obligations under the partial early retirement scheme, the general lease for the company's main building and other obligations. The risk of utilisation is classified as very low as the company monitors the fulfilment of obligations at all times.

(b) OFF-BALANCE-SHEET TRANSACTIONS, OTHER FINANCIAL OBLIGATIONS

Off-balance sheet transactions occur when benefits or risks are assumed as a result of a transaction or activity without this being recognised as an asset or liability. Apart from the other financial obligations detailed below, the company has no other off-balance sheet transactions of significance to assessing the financial position of the company.

As at 31 December 2012, other financial obligations essentially relate to the Kochstrasse general lease in the amount of €7.0 million (of which short-term: €4.0 million) and the SAP R/3 operator agreement in the amount of €2.6 million (of which short-term: €0.9 million). GSW AG has concluded building leases resulting in annual payments of €0.1 million. The purchase commitment amounted to €2.2 million as at 31 December 2012.

GSW Immobilien AG is a member of the *Versorgungsanstalt des Bundes und der Länder* (VBL – Pension Institution of the Federal Republic and the Federal States). This results in financial obligations for social security. Payments of €1.1 million were made to the VBL in the 2012 financial year.

(c) TOTAL AUDITOR'S FEE

Please see the consolidated financial statements of GSW Immobilien AG for information on the fee calculated by the auditor.

(d) NUMBER OF EMPLOYEES

The average number of employees (not including the Management Board) in the 2012 financial year was as follows:

3	Officers holding general power of attorney (*Prokurist*)
286	Employees
289	**Employees engaging in operational activities**
27	Trainees and students
6	Student assistants and interns
322	**Total employees**

(e) DISCLOSURE REQUIREMENTS IN ACCORDANCE WITH SECTION 20 AKTG

GSW has complied with the disclosure requirements of section 20(6) AktG.

Reportable equity investments in accordance with section 160 AktG:

GSW Immobilien AG received the following voting right notifications in accordance with section 21(1) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) in 2011 and 2012:

Reporting party	Date of notification	Date of change	Type	Reporting threshold	Share of voting rights in %	Share of voting rights absolute	Allocation of voting rights
Government of Singapore Investment Corporation Pte Ltd, Singapore, Singapore	21 Apr. 2011	15 Apr. 2011	Exceeded reporting threshold	5%	6.19%	2,542,281	
Government of the Republic of Singapore, Singapore, Singapore	14 Sept. 2011	15 Apr. 2011	Exceeded reporting threshold	5%	6.19%	2,542,281	Government of the Republic of Singapore, Singapore in accordance with section 22(1) sentence 1 no. 1 and 5.71% in accordance with section 22(1) sentence 1 no. 2
AXA S.A., Paris, France	20 Oct. 2011	17 Oct. 2011	Exceeded reporting threshold	3%	3.12%	1,281,543	AXA S.A. in accordance with section 22(1) no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG.
F&C Asset Management plc, Edinburgh, Scotland, UK	17 Jan. 2012	12 Jan. 2012	Exceeded reporting threshold	3%	3.24%	1,329,407	F&C Asset Management plc, Edinburgh, Scotland, UK (in accordance with section 22(1) sentence 1 no. 6 WpHG)
F&C Asset Management plc, Edinburgh, Scotland, UK	20 Feb. 2012	16 Feb. 2012	Fell below reporting threshold	3%	2.95%	1,209,489	F&C Asset Management plc, Edinburgh, Scotland, UK (in accordance with section 22(1) sentence 1 no. 6 WpHG)
Lekkum Holding B.V., Baarn, Netherlands	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Lekkum Holding B.V., Baarn, Netherlands (in accordance with section 22(1) sentence 1 no. 2 WpHG)
Cerberus Global Investments B.V., Baarn, Netherlands	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Global Investments B.V., Baarn, Netherlands (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Sublime Investments S.à.r.l.,	18 Jan. 2012	17 Jan. 2012	Fell below	3%, 5%,	0.43%	176,593	Sublime Investments S.à.r.l., Luxembourg,

Luxembourg, Luxembourg			reporting threshold	10%			Luxembourg (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Series Two Holdings, L.L.C., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Series Two Holdings, L.L.C., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Series Three Holdings, L.L.C., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Series Three Holdings, L.L.C., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus America Series One Holdings, L.L.C., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus America Series One Holdings, L.L.C., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus America Series Two Holdings, L.L.C., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus America Series Two Holdings, L.L.C., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Institutional Real Estate Series One Holdings, L.L.C., Dover, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Institutional Real Estate Series One Holdings, L.L.C., Dover, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus International, Ltd., Freeport GBI, Bahamas	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus International, Ltd., Freeport GBI, Bahamas (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Partners, L.P., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Partners, L.P., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Institutional Partners, L.P., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Institutional Partners, L.P., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Institutional Partners (America), L.P., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Institutional Partners (America), L.P., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Institutional Real Estate Partners, L.P., Dover, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Institutional Real Estate Partners, L.P., Dover, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Associates, L.L.C., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Associates, L.L.C., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Institutional Associates, L.L.C., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Institutional Associates, L.L.C., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Institutional Associates (America), L.L.C., Wilmington, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Institutional Associates (America), L.L.C., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Real Estate GP, L.L.C., Dover, Delaware, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Cerberus Real Estate GP, L.L.C., Dover, Delaware, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Stephen Feinberg, USA	18 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	3%, 5%, 10%	0.43%	176,593	Stephen Feinberg, USA (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Cerberus Global Investments B.V., Baarn, Netherlands		17 Jan. 2012	Fell below reporting threshold	10%, 5%, 3%	0,43%	176.593	Cerberus Global Investments B.V., Baarn, Netherlands (in accordance with section 22(1) sentence 1 no. 2 WpHG in conjunction with section 22(1) sentence 2 WpHG)
The Goldman Sachs Group, Inc., Wilmington, Delaware, USA	20 Jan. 2012	16 Jan. 2012	Fell below reporting threshold	10%, 5%, 3%	0.43%	176,593	The Goldman Sachs Group, Inc., Wilmington, Delaware, USA (0.01% (5,001 voting rights) of which are attributable to it in accordance with section 22(1) sentence 1 no. 1 and 0.42% (171,592 voting rights) in accordance with section 22(1) sentence 1 no. 2 in conjunction

							with section 22(1) sentence 2 WpHG.)
W2001 Capitol B.V., Amsterdam, Netherlands	31 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	5%, 3%	0.42%	173,462	W2001 Capitol B.V., Amsterdam, Netherlands (in accordance with section 22(1) sentence 1 no. 2 WpHG)
Whitehall Street Global Real Estate Limited Partnership 2001, New York, USA	31 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	5%, 3%	0.42%	173,462	Whitehall Street Global Real Estate Limited Partnership 2001, New York, USA (0.01% (4,911 voting rights) of which are attributable to it in accordance with section 22(1) sentence 1 no. 1 and 0.41% (168,551 voting rights) in accordance with section 22(1) sentence 1 no. 2 in conjunction with section 22(1) sentence 2 WpHG.)
WH Advisers, L.L.C. 2001, New York, USA	31 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	5%, 3%	0.42%	173,462	WH Advisers, L.L.C. 2001, New York, USA (0.01% (4,911 voting rights) of which are attributable to it in accordance with section 22(1) sentence 1 no. 1 and 0.41% (168,551 voting rights) in accordance with section 22(1) sentence 1 no. 2 in conjunction with section 22(1) sentence 2 WpHG.)
The Goldman Sachs Group, Inc., Wilmington, Delaware, USA	31 Jan. 2012	17 Jan. 2012	Fell below reporting threshold	5%, 3%	1.10%	450,055	The Goldman Sachs Group, Inc., Wilmington, Delaware, USA (0.68% (278,463 voting rights) of which are attributable to it in accordance with section 22(1) sentence 1 no. 1 and 0.42% (171,592 voting rights) in accordance with section 22(1) sentence 1 no. 2 in conjunction with section 22(1) sentence 2 WpHG.)
Joh. Berenberg, Gossler& Co. KG, Hamburg, Germany	4 May 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	6.25%	3,157,894	
Joh. Berenberg, Gossler& Co. KG, Hamburg, Germany	4 May 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.00%	0	
Deutsche Bank AG, Frankfurt/Main, Germany	4 May 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	8.19%	4,136,214	
Deutsche Bank AG, Frankfurt/Main, Germany	4 May 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.00%	0	
BlackRock Financial Management, Inc., New York, USA	12 Jun. 2012	6 Jun. 2012	Exceeded reporting threshold	3%	3.03%	1,531,811	BlackRock Financial Management, Inc., New York, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
BlackRock Holdco 2, Inc., Wilmington, Delaware, USA	12 Jun. 2012	6 Jun. 2012	Exceeded reporting threshold	3%	3.03%	1,531,811	BlackRock Holdco 2, Inc., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
BlackRock, Inc., New York, USA	12 Jun. 2012	6 Jun. 2012	Exceeded reporting threshold	3%	3.05%	1,542,018	BlackRock, Inc., New York, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Merrill Lynch Europe Plc, London, UK	28 Jun. 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.05%	24,525	Merill Lynch EUROPE Plc, London, UK (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch Europe Intermediate Holdings, London, UK	28 Jun. 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.05%	24,525	Merrill Lynch Europe Intermediate Holdings, London, UK (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch & Co., Wilmington, Delaware, USA	28 Jun. 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.06%	32,792	Merrill Lynch & Co., Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Bank of America Corporation, Charlotte, NC, USA.	28 Jun. 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.06%	32,792	Bank of America Corporation, Charlotte, NC, USA. (in accordance with section 22(1) sentence 1 no. 1 WpHG)
ML UK Capital Holdings, London, UK	28 Jun. 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.05%	24,525	ML UK Capital Holdings, London, UK (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch International, London, UK	28 Jun. 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.05%	24,525	
Merrill Lynch International Incorporated, Wilmington, Delaware, USA	28 Jun. 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.05%	24,525	Merrill Lynch International Incorporated, Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch International Holdings Inc, Wilmington, Delaware, USA	28 Jun. 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.05%	24,525	Merrill Lynch International Holdings Inc, Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch Holdings Ltd, London, UK	28 Jun. 2012	3 May 2012	Fell below reporting threshold	3%, 5%	0.05%	24,525	Merrill Lynch Holdings Ltd, London, UK (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch Europe Plc, London, UK	28 Jun. 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	6.28%	3,173,287	Merill Lynch EUROPE Plc, London, UK (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch Europe Intermediate Holdings, London, UK	28 Jun. 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	6.28%	3,173,287	Merrill Lynch Europe Intermediate Holdings, London, UK (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch & Co., Wilmington,	28 Jun. 2012	27 Apr. 2012	Exceeded	3%, 5%	6.30%	3,181,554	Merrill Lynch & Co., Wilmington, Delaware, USA

Delaware, USA			reporting threshold				(in accordance with section 22(1) sentence 1 no. 1 WpHG)
Bank of America Corporation, Charlotte, NC, USA	28 Jun. 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	6.30%	3,181,554	Bank of America Corporation, Charlotte, NC, USA (in accordance with section 22(1) sentence 1 no. 1 WpHG)
ML UK Capital Holdings, London, UK	28 Jun. 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	6.28%	3,173,287	ML UK Capital Holdings, London, UK (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch International, London, UK	28 Jun. 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	6.28%	3,173,287	
Merrill Lynch International Incorporated, Wilmington, Delaware, USA	28 Jun. 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	6.28%	3,173,287	Merrill Lynch International Incorporated, Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch International Holdings Inc, Wilmington, Delaware, USA	28 Jun. 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	6.28%	3,173,287	Merrill Lynch International Holdings Inc, Wilmington, Delaware, USA (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Merrill Lynch Holdings Ltd, London, UK	28 Jun. 2012	27 Apr. 2012	Exceeded reporting threshold	3%, 5%	6.28%	3,173,287	Merrill Lynch Holdings Ltd, London, UK (in accordance with section 22(1) sentence 1 no. 1 WpHG)
SEB AG, Frankfurt, Germany	27 Jun. 2012	26 Jun. 2012	Exceeded reporting threshold	3%	4.61%	2,327,581	
SEB AG, Frankfurt, Germany	5 Jul. 2012	3 Jul. 2012	Fell below reporting threshold	3%	0.00%	0	
SkandinaviskaEnskilda Banken AB (publ), Stockholm, Sweden	28 Jun. 2012	26 Jun. 2012	Exceeded reporting threshold	3%	4.61%	2,330,040	SkandinaviskaEnskilda Banken AB (publ), Stockholm, Sweden (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Bankhaus Lampe KG, Bielefeld, Germany	2 Jul. 2012	27 Jun. 2012	Exceeded reporting threshold	3%, 5%	7.62%	3,850,000	
Bankhaus Lampe KG, Bielefeld, Germany	2 Jul. 2012	28 Jun. 2012	Fell below reporting threshold	5%	3.61%	1,824,998	
Bankhaus Lampe KG, Bielefeld, Germany	2 Jul. 2012	29 Jun. 2012	Exceeded reporting threshold	5%	5.12%	2,585,998	
SkandinaviskaEnskilda Banken AB (publ), Stockholm, Sweden	5 Jul. 2012	3 Jul. 2012	Fell below reporting threshold	3%	0.01%	2,459	SkandinaviskaEnskilda Banken AB (publ), Stockholm, Sweden (in accordance with section 22(1) sentence 1 no. 1 WpHG)
Bankhaus Lampe KG, Bielefeld, Germany	6 Jul. 2012	4 Jul. 2012	Fell below reporting threshold	5%	3.73%	1,885,998	
Bankhaus Lampe KG, Bielefeld, Germany	11.07.2012	5 Jul. 2012	Fell below reporting threshold	3%	0.10%	50,000	
Thames River Capital LLP, London, UK	12.07.2012	16 Feb. 2012	Fell below reporting threshold	3%	2.85%	1,170,946	Thames River Capital LLP, London, UK (in accordance with section 22(1) sentence 1 no. 6 WpHG)
Wellington Management company, LLP, Boston, Massachusetts, USA	3 Jun. 2012	30 Jul. 2012	Exceeded reporting threshold	3%	3.06%	1,546,229	Wellington Management company, LLP, Boston, Massachusetts, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG)
Sun Life Financial Inc., Toronto, ON, Canada	6 Sept. 2012	4 Sept. 2012	Exceeded reporting threshold	10%	10.04%	5,072,682	Sun Life Financial Inc., Toronto, ON, Canada (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Sun Life Global Investments Inc., Toronto, ON, Canada	6 Sept. 2012	4 Sept. 2012	Exceeded reporting threshold	10%	10.04%	5,072,682	Sun Life Global Investments Inc., Toronto, ON, Canada (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Sun Life Assurance company of Canada - U.S. Operations Holdings, Inc., Wellesley Hills, MA, USA	6 Sept. 2012	4 Sept. 2012	Exceeded reporting threshold	10%	10.04%	5,072,682	Sun Life Assurance company of Canada - U.S. Operations Holdings, Inc., Wellesley Hills, MA, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Sun Life Financial (U.S.) Holdings, Inc., Wellesley Hills, MA, USA	6 Sept. 2012	4 Sept. 2012	Exceeded reporting threshold	10%	10.04%	5,072,682	Sun Life Financial (U.S.) Holdings, Inc., Wellesley Hills, MA, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Sun Life Financial (U.S.) Investments LLC, Wellesley Hills, MA, USA	6 Sept. 2012	4 Sept. 2012	Exceeded reporting threshold	10%	10.04%	5,072,682	Sun Life Financial (U.S.) Investments LLC, Wellesley Hills, MA, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Sun Life of Canada (U.S.) Financial Services Holdings, Inc., Boston, MA, USA	6 Sept. 2012	4 Sept. 2012	Exceeded reporting threshold	10%	10.04%	5,072,682	Sun Life of Canada (U.S.) Financial Services Holdings, Inc., Boston, MA, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)

Massachusetts Financial Services company (MFS), Boston, MA, USA	6 Sept. 2012	4 Sept. 2012	Exceeded reporting threshold	10%	10.04%	5,072,682	Massachusetts Financial Services company (MFS), Boston, MA, USA (7.97% (4,028,375 voting rights) of which are attributable to it in accordance with section 22(1) sentence 1 no. 6 and 2.07% (1,044,307 voting rights) in accordance with section 22(1) sentence 1 no. 6 in conjunction with section 22(1) sentence 2 WpHG.)
Wellington Management company, LLP, Boston, Massachusetts, USA	10 Oct. 2012	8 Dec. 2012	Fell below reporting threshold	3%	2.96%	1,497,459	Wellington Management company, LLP, Boston, Massachusetts, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG)
Stichting PGGM Depositary, Zeist, Netherlands	12 Oct. 2012	8 Dec. 2012	Fell below reporting threshold	3%	2.98%	1,506,102	
PGGM Coöperatie U.A., Zeist, Netherlands	12 Oct. 2012	8 Dec. 2012	Fell below reporting threshold	3%	2.98%	1,506,102	PGGM Coöperatie U.A., Zeist, Netherlands (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
PGGM N.V., Zeist, Netherlands	12 Oct. 2012	8 Dec. 2012	Fell below reporting threshold	3%	2.98%	1,506,102	PGGM N.V., Zeist, Netherlands (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
PGGM Fondsenbeheer B.V., Zeist, Netherlands	12 Oct. 2012	8 Dec. 2012	Fell below reporting threshold	3%	2.98%	1,506,102	PGGM Fondsenbeheer B.V., Zeist, Netherlands (in accordance with section 22(1) sentence 1 no. 6 WpHG)
MFS International Value Fund, Boston, Massachusetts, USA	29 Oct. 2012	26 Oct. 2012	Exceeded reporting threshold	3%	3.04%	1,535,806	MFS International Value Fund, Boston, Massachusetts, USA
CBRE Clarion Securities, LLL, Radnor, USA	7 Nov. 2012	2 Nov. 2012	Fell below reporting threshold	5%	4.92%	2,484,113	CBRE Clarion Securities, LLL, Radnor, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG)
Credit Suisse Group AG, Zurich, Switzerland	27 Nov. 2012	21 Nov. 2012	Exceeded reporting threshold	3%	4.53%	2,288,157	Credit Suisse Group AG, Zurich, Switzerland (0.68% (343,553 voting rights) of which are attributable to it in accordance with section 22(1) sentence 1 no. 1 and 3.85% (1,944,604 voting rights) in accordance with section 22(1) sentence 1 no. 6 in conjunction with section 22(1) sentence 2 WpHG.)
Credit Suisse AG, Zurich, Switzerland	27 Nov. 2012	21 Nov. 2012	Exceeded reporting threshold	3%	4.53%	2,288,157	Credit Suisse Group AG, Zurich, Switzerland (0.68% (343,553 voting rights) of which are attributable to it in accordance with section 22(1) sentence 1 no. 1 and 3.85% (1,944,604 voting rights) in accordance with section 22(1) sentence 1 no. 6 in conjunction with section 22(1) sentence 2 WpHG.)
Banco de Investimentos Credit Suisse (Brasil) S.A..Sao Paulo, Brazil	27 Nov. 2012	21 Nov. 2012	Exceeded reporting threshold	3%	3.79%	1,916,394	Banco de Investimentos Credit Suisse (Brasil) S.A..Sao Paulo, Brazil (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Credit Suisse Hedging-Griffo Investimentos S.A., Sao Paulo, Brazil	27 Nov. 2012	21 Nov. 2012	Exceeded reporting threshold	3%	3.79%	1,916,394	Credit Suisse Hedging-Griffo Investimentos S.A., Sao Paulo, Brazil (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Credit Suisse Hedging-Griffo Servicos Internacionais S.A., Sao Paulo, Brazil	27 Nov. 2012	21 Nov. 2012	Exceeded reporting threshold	3%	3.79%	1,916,394	Credit Suisse Hedging-Griffo Servicos Internacionais S.A., Sao Paulo, Brazil (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Banco de Investimentos Credit Suisse (Brasil) S.A..Sao Paulo, Brazil	18 Feb. 2013	14 Feb. 2013	Fell below reporting threshold	3%	2.91%	1,468,863	Banco de Investimentos Credit Suisse (Brasil) S.A., Sao Paulo, Brazil (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Credit Suisse Hedging-Griffo Investimentos S.A., Sao Paulo, Brazil	18 Feb. 2013	14 Feb. 2013	Fell below reporting threshold	3%	2.91%	1,468,863	Credit Suisse Hedging-Griffo Investimentos S.A., Sao Paulo, Brazil (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
Credit Suisse Hedging-GriffoServicosInternacionais S.A., Sao Paulo, Brazil	18 Feb. 2013	14 Feb. 2013	Fell below reporting threshold	3%	2.91%	1,468,863	Credit Suisse Hedging-GriffoServicosInternacionais S.A., Sao Paulo, Brazil (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
BlackRock Advisors Holdings, Inc., New York, USA	25 Feb. 2013	20 Feb. 2013	Exceeded reporting threshold	3%	3.01%	1,519,184	BlackRock Advisors Holdings, Inc., New York, USA (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)
AXA S.A., Paris, France	27 Feb. 2013	22 Feb. 2013	Fell below reporting threshold	3%	1.80%	911,491	AXA S.A., Paris, France (in accordance with section 22(1) sentence 1 no. 6 WpHG in conjunction with section 22(1) sentence 2 WpHG)

(f) TOTAL REMUNERATION OF THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND FORMER MANAGING DIRECTORS

Pension provisions for former members of management and their surviving dependents amounted to €1.8 million as at 31 December 2012.

Current remuneration from pension commitments for former members of management and their surviving dependents amounted to €0.2 million.

Total remuneration for the members of the Management Board of GSW Immobilien AG amounted to €2.7 million in the financial year, €1.3 million of which related to fixed remuneration that was paid in 2012. The entitlement to short-term, performance-based remuneration of €0.7 million, which was acquired in 2012, will be paid in 2013.

Management Board member	Basic remuneration € thousand, gross	Short-term incentive for the year € thousand	Long-term incentive	Additional benefits € thousand, gross	Total € thousand, gross
Thomas Zinnöcker (CEO)	490	258	258	22	1,021
Jörg Schwagenscheidt	395	208	208	20	831
Andreas Segal	395	208	208	12	831
Total	1,280	674	674	54	2,682

In addition, a remuneration component with long-term incentive effect in the amount of €0.7 million was acquired in the financial year. The performance-based variable remuneration for 2011 of €0.7 million was paid in 2012.

Regarding the indemnity agreement in accordance with section 289(4) no. 9 HGB, Management Board members have a special right of termination and – in this context – are entitled to a severance payment in the event of the appointed Management Board member being dismissed before 1 December 2013 in accordance with section 84 AktG, provided that the Management Board member concerned is not responsible for the dismissal.

The remuneration of the Supervisory Board amounted to €299 thousand in 2012 and broke down as follows:

Name of Supervisory Board member		Remuneration € thousand, net 2012	Remuneration € thousand, net 2011
Dr. Eckart John von Freyend (Chairman)	Chairman of the Executive Committee, Chairman of the Nomination Committee Member of the Audit Committee (from 1 April 2012)	96.2	65.0
Dr. Jochen Scharpe (Deputy Chairman)	Chairman of the Audit Committee, Member of the Executive Committee, Member of the Nomination Committee	68.4	52.5
Claus Wisser	Member of the Executive Committee (from 1 April 2012), Member of the Nomination Committee (from 1 April 2012)	39.8	30.0
Dr. Reinhard Baumgarten	Member of the Audit Committee (from 1 April 2012)	39.5	30.0
Veronique Frede		35.1	30.0
Gisela von der Aue (from 28 June 2012)		20.4	0

Geert-Jan Schipper (until 31 March 2012)	Member of the Audit Committee (until 31 March 2012)	0 (waived Supervisory Board remuneration)	0 (waived Supervisory Board remuneration)
Thomas Wiegand (until 31 March 2012)	Member of the Executive Committee (until 31 March 2012), Member of the Nomination Committee (until 31 March 2012)	0 (waived Supervisory Board remuneration)	0 (waived Supervisory Board remuneration)

(g) MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The members of the Management Board of GSW AG were as follows in the 2012 financial year:

Name		Membership in supervisory boards and other executive bodies within the meaning of section 285 no. 10 HGB in conjunction with section 125(1) sentence 5 AktG
Thomas Zinnöcker	MBA	taskforce - Management on Demand GmbH (Deputy Chairman of the Supervisory Board)
Jörg Schwagenscheidt	Real estate economist	None
Andreas Segal	Lawyer	None

The members of the Supervisory Board of GSW AG were as follows in the 2012 financial year:

Name		Membership in supervisory boards and other executive bodies within the meaning of section 125(1) sentence 5 AktG
Dr. Eckart John von Freyend	Chairman of the Supervisory Board Management consultant, Bonn	Memberships in supervisory boards: Hamborner REIT AG (Chairman of the Supervisory Board), Hahn Immobilien-Beteiligungs AG (Deputy Chairman of the Supervisory Board), EUREF AG (member of the Supervisory Board), VNR Verlag für die Deutsche Wirtschaft AG (member of the Supervisory Board), Investmentaktiengesellschaft füf langfristige Investoren TGV (member of the Supervisory Board), AVECO Holding AG (member of the Supervisory Board), Similar mandates: FMS Wertmanagement AöR (member of the Board of Directors), Bundesanstalt für Immobilienaufgaben (member of the Board of Directors)
Dr. Jochen Scharpe	Deputy Chairman of the Supervisory Board Managing Director of AMCI GmbH, Munich	LEG Immobilien AG LEG NRW GmbH (Chairman of the Supervisory Board) LEG Wohnen NRW GmbH (Chairman of the Supervisory Board) FFIRE AG (Deputy Chairman of the Supervisory Board),
Gisela von der Aue	Senator for Justice of the State of Berlin (ret.), Berlin Member of the Supervisory Board of GSW Immobilien AG since June 2012	None
Dr. Reinhard Baumgarten	Manager of Assets Division of the Senate Department for Finance (ret.), Berlin	BCIA GmbH (Chairman of the Supervisory Board) BEHALA Berliner Hafen- und Lagerhausgesellschaft mbH (Deputy Chairman of the Supervisory Board, until autumn 2012)
Veronique Frede	Chairperson of the Works Council (relieved) of GSW Immobilien AG, Berlin	None
Geert-Jan Schipper	Managing Director at Cerberus Global Investments B.V., Baarn NL Member of the Supervisory Board of GSW Immobilien AG until 31 March 2012	None
Thomas Wiegand	Managing Director at Cerberus Global Investments B.V., Baarn NL Member of the Supervisory Board of GSW Immobilien AG until 31 March 2012	None
Claus Wisser	Founder of WISAG Facility Service Holding GmbH & co.KG Chairman of the Supervisory Board of AVECO Holding AG	AVECO Holding AG DFV Deutsche Familienversicherung AG

(h) APPROPRIATION OF PROFITS

The Management Board proposes that some of the net income for the year be distributed as a dividend in accordance with the dividend resolution and that the remainder be carried forward to new account.

(9) EVENTS AFTER THE BALANCE SHEET DATE

By way of exchange of the benefits and burdens of ownership on 1 January 2013, GSW acquired a property portfolio in Berlin-Siemensstadt with around 200 residential units.

By resolution of 18 March 2013, the Supervisory Board agreed to Thomas Zinnöcker's request to terminate his appointment as CEO with effect from the end of 15 April 2013.

By resolution of 18 March 2013, the Supervisory Board appointed Dr. Bernd Kottmann as new CEO with effect from 16 April 2013.

(10) DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG

The Management Board and Supervisory Board comply with the regulations of the German Corporate Governance Code (GCGC) with certain exceptions. The declaration of compliance can be found at www.gsw.de.

Berlin, 18 March 2013

GSW Immobilien AG, Berlin

Thomas Zinnöcker	Jörg Schwagenscheidt	Andreas Segal
(CEO)	(COO)	(CFO)

Fixed Assets Movement Schedule

GSW Immobilien AG, Berlin - Fixed Assets Movement Schedule as of 12/31/2012

Gross values

	Acquisition-manufacturing costs as of 12/31/2011 EUR	Additions due to accrual 2012 EUR	Additions 2012 EUR	Disposals 2012 EUR	Disposals due to accrual 2012 EUR	Transfer (+) EUR	Transfer (-) EUR	Acquisition and manufacturing costs as of 12/31/2012 EUR
I. Intangible assets								
1. For a consideration accrued rights and values as soon as licenses of such rights and values	5.444.592,34	-	47.696,69	272.487,90	-	-	-	5.219.801,13
2. Payments in advance	-	-	47.730,42	-	-	-	-	47.730,42
Sub-total	5.444.592,34	-	95.427,11	272.487,90	-	-	-	5.267.531,55
II. Tangible assets								
1. Land, land rights including residential buildings	1.021.857.943,00	1.550.385.804,93	145.070.960,46	13.303.573,38	-	10.222.425,65	-	2.714.233.560,66
2. Land and office- and other buildings	22.567.300,77	-	-	-	-	-	-	22.567.300,77
3. Land and land rights excluding buildings	13.000.415,35	60.000,00	-	67.822,50	-	27.544,45	-	13.020.137,30
4. Land including ground leases and similar third party rights	17.512.483,56	-	-	-	-	-	10.122.034,44	7.390.449,12
5. Buildings on leasehold land	15.946.405,59	-	77.235,88	-	-	-	-	16.023.641,47
6. Technical equipment and machinery	5.184.114,80	-	-	-	-	-	-	5.184.114,80
7. Other equipment, factory and office equipment	1.306.359,43	-	42.336,24	172.692,30	-	-	-	1.176.003,37
8. Assets under construction	-	100.848,30	65.521,38	-	-	-	100.391,21	65.978,47
9. Payments in advance	-	-	19.249.613,78	-	-	-	-	19.249.613,78
Sub-total	1.097.375.022,50	1.550.546.653,23	164.505.667,74	13.544.088,18	-	10.249.970,10	10.222.425,65	2.798.910.799,74
III. Financial assets								
1. Shares in affiliated companies	569.011.322,85	-	32.229.673,87	102.000,00	390.003.498,73	-	500,00	211.134.997,99
2. Loans to affiliated companies	87.509.276,31	-	54.513.854,41	632.618,87	13.581.040,60	-	-	127.809.471,25
3. Long-term equity investments	9.046.436,97	-	-	-	-	592,03	-	9.047.029,00
4. Other loans	1.034.800,07	-	-	42.686,02	-	-	-	992.114,05
Sub-total	666.601.836,20	-	86.743.528,28	777.304,89	403.584.539,33	592,03	500,00	348.983.612,29
T O T A L	1.769.421.451,04	1.550.546.653,23	251.344.623,13	14.593.880,97	403.584.539,33	10.250.562,13	10.222.925,65	3.153.161.943,58

Amortization/depreciation

	Accumulated amort./depreciation per 12/31/2011 EUR	Amort./depreciation during the financial year EUR	Amort./depreciation due to accrual 2012 EUR	Amrt./depreciation attributable to disposals EUR	Disposals due to accrual 2012 EUR	Transfer (+) EUR	Transfer (-) EUR	Write-up EUR	Write-up due to accrual 2012 EUR	Accumulated amort./depreciation as of 12/31/2012 EUR
I. Intangible assets										
1. For a consideration accrued rights and values as soon as licenses of such rights and values	5.049.454,34	240.152,69	-	272.487,90	-	-	-	-	-	5.017.119,13
2. Payments in advance	-	-	-	-	-	-	-	-	-	-
Sub-total	5.049.454,34	240.152,69	-	272.487,90	-	-	-	-	-	5.017.119,13
II. Tangible assets										
1. Land, land rights including residential buildings	506.359.228,21	40.824.507,44	*4.326.348,88	3.798.825,50	-	363.912,14	-	9.453.517,88	*134.006,94	538.487.646,35
2. Land and office- and other buildings	12.753.860,18	389.081,00	-	-	-	-	-	51.879,76	-	13.091.061,42
3. Land and land rights excluding buildings	7.408.123,20	51.530,00	-	-	-	27.544,45	-	-	-	7.487.197,65
4. Land including ground leases and similar third party rights	495.752,49	-	-	-	-	-	363.912,14	-	-	131.840,35
5. Buildings on leasehold land	15.946.405,08	857,88	-	-	-	-	-	-	-	15.947.262,96
6. Technical equipment and machinery	5.181.026,80	371,00	-	-	-	-	-	-	-	5.181.397,80
7. Other equipment, factory and office equipment	1.205.951,84	34.239,24	-	170.197,30	-	-	-	-	-	1.069.993,78
8. Assets under construction	-	-	-	-	-	-	-	-	-	-
9. Payments in advance	-	-	-	-	-	-	-	-	-	-
Sub-total	549.350.347,80	41.300.586,56	4.326.348,88	3.969.022,80	-	391.456,59	363.912,14	9.505.397,64	134.006,94	581.396.400,31
III. Financial assets										
1. Shares in affiliated companies	18.777.604,58	23.681,52	-	-	123.361,29	-	-	1.307.098,31	-	17.370.826,50
2. Loans to affiliated companies	-	-	-	-	-	-	-	-	-	-
3. Long-term equity investments	3.055.772,86	167.836,52	-	-	-	-	-	-	-	3.223.609,38
4. Other loans	-	-	-	-	-	-	-	-	-	-
Sub-total	21.833.377,44	191.518,04	-	-	123.361,29	-	-	1.307.098,31	-	20.594.435,88
T O T A L	576.233.179,58	41.732.257,29	4.326.348,88	4.241.510,70	123.361,29	391.456,59	363.912,14	10.812.495,95	134.006,94	607.007.955,32

Book values

	Book value as of 12/31/2012 EUR	Book value as of 12/31/2011 EUR
I. Intangible assets		
1. For a consideration accrued rights and values as soon as licenses of such rights and values	202.682,00	395.138,00
2. Payments in advance	47.730,42	-
Sub-total	250.412,42	395.138,00
II. Tangible assets		
1. Land, land rights including residential buildings	2.175.745.914,31	515.498.714,79
2. Land and office- and other buildings	9.476.239,35	9.813.440,59
3. Land and land rights excluding buildings	5.532.939,65	5.592.292,15
4. Land including ground leases and similar third party rights	7.258.608,77	17.016.731,07
5. Buildings on leasehold land	76.378,51	0,51
6. Technical equipment and machinery	2.717,00	3.088,00
7. Other equipment, factory and office equipment	106.009,59	100.407,59
8. Assets under construction	65.978,47	-
9. Payments in advance	19.249.613,78	-
Sub-total	2.217.514.399,43	548.024.674,70
III. Financial assets		
1. Shares in affiliated companies	193.764.171,49	550.233.718,27
2. Loans to affiliated companies	127.809.471,25	87.509.276,31
3. Long-term equity investments	5.823.419,62	5.990.664,11
4. Other loans	992.114,05	1.034.800,07
Sub-total	328.389.176,41	644.768.458,76
T O T A L	2.546.153.988,26	1.193.188.271,46

Transfers from current asstes: 27.636,48 EUR

* Effects from valuation due to accrual of company 4003, because the building lease between company 1000 and 4003 is inapplicable

Schedule of Liabilities

GSW Immobilien AG, Berlin - Schedule of Liabilities as of 12/31/2012

Collateral for liabilities only in the form of encumbrances on real property

- Figures in EUR -

(previous year's figures second line)

		Amount	of which due in			secured by
		Total	up to 1 year	1 - 5 years	more than 5 years	mortgages
Anleihen		182.900.000,00	-	-	182.900.000,00	-
	V	-	-	-	-	-
Liabilities to		1.400.644.397,99	74.738.361,24	655.780.817,90	670.125.218,85	1.400.635.665,04
banks	V	578.282.526,59	15.409.310,97	108.035.697,60	454.837.518,02	578.262.723,75
Liabilities to other		1.001.157,42	493.862,04	507.295,38	-	-
lenders	V	1.238.028,21	658.586,31	60.705,03	518.736,87	-
Prepayments		103.586.754,83	103.586.754,83	-	-	-
received	V	34.120.467,10	34.120.467,10	-	-	-
Liabilities from		4.891.826,70	4.891.826,70	-	-	-
rental	V	1.674.197,97	1.674.197,97	-	-	-
Trade		3.164.088,48	2.866.853,03	297.235,45	-	-
payables	V	2.669.252,67	2.353.502,58	315.750,09	-	-
Payables to		96.455.157,20	34.068.242,64	62.386.914,56	-	-
affiliated companies	V	397.233.405,83	334.846.491,27	62.386.914,56	-	-
Payables from long-term investees		13.813,07	13.813,07	-	-	-
and investors	V	-	-	-	-	-
Other liabilities		15.706.977,76	12.849.614,76	2.857.363,00	-	-
Liabilities	V	2.544.792,88	2.544.792,88	-	-	-
Total current year		1.808.364.173,45	233.509.328,31	721.829.626,29	853.025.218,85	1.400.635.665,04
Total previous year	**V**	**1.017.762.671,25**	**391.607.349,08**	**170.799.067,28**	**455.356.254,89**	**578.262.723,75**