GSW

Consolidated Group Financial Statements 2009

GSW Immobilien GmbH

Group Management Report 2009

Preliminary remarks

Any graphics presented in publications of the financial statements are not an integral part of the audited consolidated financial statements and are only included for illustration purposes.

A Business and general conditions

1. General economic situation in Berlin, industry development

The impact of the financial market crisis on the real economy was moderate in Berlin in 2009. The unemployment rate rose only slightly from 12.9 percent at the end of 2008 to 13.5 percent in December 2009. This is even contrasted with a slight increase in the households' purchasing power from 2,502 € per month to € 2,571 € per month.

For years, the supply side of the housing sector has been marked by an extreme shortage in new home construction. In Berlin, the number of construction permits decreased again during the first three quarters of 2009. During the same period of the previous year, 2,437 apartments had been approved; in the first three quarters of 2009, it was only 2,105.

At the same time, demand keeps growing. It is true that the number of inhabitants has stopped rising in the first half of 2009 for the first time since 2005 and stagnated at 3.43 million inhabitants in nominal terms. However the Statistical Office of Berlin-Brandenburg indicated that this is attributable to a counting effect from data cleansing.

According to the Techem Empirica Index, the market-active rate of housing vacancies in Berlin declined from 4.5 % in December 2007 to 4.2 % in December 2008.

Rents for new tenancies in Berlin rose by 4.5 % to 5.85 € per m^2 and month in the entire market segment and by 3.0 % to 4.18 € per m^2 and month in the lower market segment in 2009 according to a market report by CB Richard Ellis.

2. Company performance

Due to the increased number of new tenancies, we were able to reduce the housing vacancy rate of 5.3 % as of December 31, 2008 in the inventory managed by us to 4.5 % as of December 31, 2009. This means that in 2009, too, the number of new tenancies exceeded the number of tenancy terminations.

The rate of fluctuation in the housing inventory stood nearly unchanged at 10.4 % in 2009 (2008: 10.5 %). The results from renting in 2009 were positive, i.e., the number of tenancies exceeded the number of terminations.

On an annual average, the inventory rent per square meter for GSW's rented apartments rose in 2009 from 4.66 €/m^2 by 2.4% to 4.78 €/m^2. This means that, from a reporting-date perspective, the average net rent before service charges rose from 4.70 € per m^2 as of December 31, 2008 by 2.7 % to 4.83 € per m^2 of living space and month as of December 31, 2009.

The Company used judgment for the systematic increases in rent without however ignoring the liquidity of the tenants in the respective buildings and accommodations.

In total, the Company was thus able to increase the results from renting and leasing by 4.3 million €.

The positive performance of our real estate portfolio gives rise to a growth in value of 129.2 million € in 2009.

In total, consolidated net income for the year 2009 was 172.1 million €.

Acquisitions and sales

No purchases were made in 2009. We observe the market closely and review approx. 40,000 housing offers per year. Since until now a sustained recovery in the transaction market has failed to materialize, it seems still too early in terms of a value-oriented acquisition strategy to seize favorable opportunities for market entry.

As part of a privatization strategy, GSW sold 477 units primarily to tenants, owner-occupiers and private investors in the financial year 2009. We have already concluded agreements with dates of sale after the end of the financial year for a volume of 22.0 million €.

Personnel development

In 2009, the average number of employees within the Group was 637. As of the balance sheet date of December 31, 2009, the Group employed 602.28 full-time equivalents.

Currently, 25 trainees from the University of Cooperative Education are being trained to BA level with a major in real estate management and operations.

The rate of fluctuation within the Group – after consideration of all departures - amounted to 11.6 % in 2009. If only the number of employees who resigned is taken into consideration, the rate of fluctuation amounted to 2.1 %.

The competence management concept adopted by GSW in 2008 was laid down in an internal agreement in 2009. It is supposed to become established as a regular instrument for executives for the continuous development of personnel.

The performance assessment components agreed within the frame of the variable compensation concept and the system of setting objectives have further been consolidated. The results are factual evidence that the path taken by GSW with regard to performance-based compensation is the right one.

Systematic capacity planning is another management tool at the disposal of GSW. It facilitates personnel cost planning within the framework of the business planning as well as systematic personnel controlling.

By concluding a new internal agreement on flexible working hours, GSW has created the possibility of a modern form of work under which the employees can, for the first time, opt for the "trust-based working time".

Furthermore, GSW changed its SAP-HR provider in 2009 and realized a release change in addition to a successful migration.

3. Group management

The business processes of the GSW Group are initiated and managed centrally from the headquarters. In this way, both financial as well as non-financial targets are drawn together for group management and success measurement. For GSW, the financial targets in 2009 were measured in particular with the aid of the ocp figures (operative cash performance) and the IFRS results excluding of valuation effects. While ocp (net operating income less maintenance and recurring business costs) as a liquidity ratio represents the performance capability of the operating business for covering the debt service and other costs, the performance of all lines of business, including those beyond the operating business, is included in the controlling through the IFRS results adjusted for valuation effects (real estate, loans, derivatives, financial assets, etc.).
In order to measure the success of non-financial targets, customer satisfaction and the social involvement of GSW are taken into account. This includes consistent customer orientation as well as systematic promotion of selected projects in the arts, culture and social areas.

B Results of operations, financial position and net assets

4. Results of operations

The GSW Group's operational results are in particular dependent on the development in the residential rental market, the sales results aligned with the portfolio strategy, the value development of the real estate inventory and the interest rate trend.

In the financial year 2009, GSW was able to increase its results from renting and leasing to 133.6 million € (2008: 129.3 million €).

At 34.8 million €, sales revenue from investment properties lay 5.9 million € over the calculated market value pursuant to IAS 40. As a result, the strategy that was pursued, to maintain only a small inventory and to sell it at a considerably better price, continues to be a success. Against the background of the financial market crisis, the possibilities for purchasers to obtain financing have been negatively influenced so that only a reduced number of sales could be secured. The sales results declined from 9.3 million € to -2.8 million €, as a provision for legal charges in the amount of 2.9 million €, among others, constituted an extraordinary burden.

A further significant impact on the results of operations is due to the value development of the real estate portfolio. For the financial year 2009, with a fair value of 817 €/m^2 (2008: 774 €/m^2), there has been an increase in value in comparison with the previous year of 5.6 %. The increase in value can be justified above all by the positive operating results of 2009, where the net rent excluding service charges for rented apartments for the assessed inventory up to the reporting date could be increased to an average of 4.81 €/m^2 (2008: 4.67 €/m^2) while at the same time the rate of housing vacancies could be reduced from 5.8 % to currently 4.9 %.

In accordance with the option set forth in IAS 40, GSW thus directly shows the changes in the value of its real estate portfolio within the profit and loss statement. The external valuation of the real estate portfolio resulted in a value increase of 129.2 million € in 2009.

Around 33.7 % / 10.6 million € of the general administrative costs of 31.1 million € (2008: 23.0 million €) are due to personnel expense. The increase on the previous year is due mainly to non-recurring project costs.

GSW continued to benefit from the reduced level of interest rates in 2009. The balance of interest income and expense declined by 24.7 million € in the financial year. The valuation effects of the financial instruments which were due to the financial crisis in the previous year resulted in a further reduction in net interest expenses.

TEUR	01.01.-12.31.2009	01.01.-12.31.2008
Results from renting and leasing	133,582	129,273
Results from the sale of investment properties	-2,759	9,317
Results from valuation of investment properties	129,207	59,904
General and administrative expenses	-31,066	-23,042
Other income	0	10,259
Operating results	**228,964**	**185,711**
Results from other investments	-730	581
Interest income	43,576	84,234
Interest expenses	-97,407	-162,762
Profit before income taxes	**174,403**	**107,764**
Income taxes	-2,304	-91
Consolidated net income for the year	**172,099**	**107,673**

5. Financial position

The cash flow from business operations was burdened by the payment of the "EK02" tax in the amount of 13.9 million €, with half the amount being attributable to the financial year 2008. The insolvency of Lehman Brothers in 2008 and the respective blocking of accounts prevented the payment of interest due in the amount of 13.8 million € in the past financial year; we finally made the payment in 2009.

The strong increase in the cash flow from investment activities is marked by the repayment of the loans granted to the shareholders. A distribution of 447 million € to the shareholders is the dominant feature of the negative cash flow from financing activities.

Even after the distribution, the Group still had liquid funds of 40.1 million € at the end of the year:

TEUR	2009	2008
Cash flow from business operations	54,455	72,950
Cash flow from investment activities	363,295	58,441
Cash flow from financing activities	-485,836	-70,943
Changes in cash and cash equivalents affecting payment	**-68,086**	**60,448**
Cash and cash equivalents at the start of the period	108,215	47,767
Cash and cash equivalents at the end of the period	**40,129**	**108,215**

6. Net assets

Within non-current assets, fixed assets grew in particular due to the positive development in the market values in the amount of 129.2 million €. This is off-setted through disposals from sales in the amount of 28.9 million € or, respectively, reclassifications into properties held for sale in the amount of 21.2 million €. The additions in the amount of 11.9 million € are based exclusively on recurring investments in investment properties.

The current assets decreased in particular due to the repayment of the loans granted to the shareholders, which compared to an advance distribution in the same amount in the financial year. This was largely attributable to the distribution made to shareholders in the financial year to the amount of EUR 376.6 million, this corresponds to a decline in equity amounting to EUR 41.5 million from profits earned in 2008 and EUR 335.1 million from retained earnings. An additional EUR 70.0 million was distributed to the shareholders, which will be appropriated from equity as part of the resolution to approve the Company financial statements.

Loan decreased by 38.5 million €, due to the contractually agreed principle payments as well as additional repayments in principle.

The non-current assets continue to be completely financed through long term loans and equity.

Significant pension provisions were not required in the balance sheet because the GSW Group covers retirement provisions via the federal and national state pension systems (Versorgungsanstalt des Bundes und der Länder (VBL)). Legal entitlement of employee benefits is addressed primarily by the VBL and not by the Company, while in the GSW Group the payments directed to the VBL are calculated from the retrospective wage and salary amounts and included in personnel expenses.

As of the balance sheet date 31 December, 2009, there are no risks which threaten the net assets, financial position or results of operations of the Company. Risks endangering the continued existence of the Company in the future are not evident either.

C Supplementary report

Under the date of January 4, 2010, the resolution of the shareholders' meeting to increase the share capital of GSW Immobilien GmbH from 10 million € to now 35 million € was entered in the Commercial Register. Fundamental strategic considerations regarding the Company's future development have led GSW to examine its ability to participate in the capital market.

D Risk report 2009

The main focus of GSW's risk management is on risk identification, avoidance and control. Our risk management is based on the following corporate objectives:

Lasting efforts to achieve

- the position as the leading residential real estate company in Berlin and Brandenburg
- value orientation in the portfolio and asset management
- efficiency and customer orientation in property management
- intelligent and profitable investment in its own property portfolio
- targeted acquisition of new reasonably priced properties with development potential.

GSW has established an enterprise-wide risk-management system that ensures the continuous identification and evaluation of risks for GSW's

- assets,
- earning potentials
- company image

based on a defined risk strategy. To this end, the Company uses a comprehensive, system-driven reporting system which covers all business activities and which, thanks to quarterly reporting in addition to monthly scheduled controlling reports, represents a systematic and continuous approach to achieving the corporate objectives and business success. This allows for timely consideration of opportunities and risks in management decisions.

Internal developments and external conditions require continuous adaptation and refinement of risk management.

Strategic risks are determined by the Company's corporate objectives and business strategy. The relative calm in the real estate market, in particular the comparative independence of residential properties from the financial sector crisis and economic trends, allowed GSW in 2009 to continue to concentrate on strengthening its core competencies with a view to promoting the effectiveness of new business processes and customer satisfaction. In the opinion of the management, the Company was thus able to further improve its overall competitiveness.

Although the origin of the financial market crisis begun within the mortgage market, the so called "real estate bubble", the real estate market in Germany remained comparatively stable. In the international comparison, properties in Berlin are considered stable investments with growth potential, due to lower price and rent levels. Furthermore, the residential real estate market is less volatile than the market for commercial real estate; demand is determined by regional and local developments, in particular by changes in demographic indicators and tenants' net income, interest rate levels and new home construction activities. Early recognition of trends and developments and , accordingly, of opportunities and risks regarding the Company's own portfolio is ensured by surveys on the real estate market in Berlin and Brandenburg which were prepared by the Company and by the Company in cooperation with Jones Lang LaSalle. Changes which are recognized early and correspondent measures can have a positive influence on other risk areas. By focusing on its core businesses of

- letting
- tenant management
- rental contract management, operational cost management
- asset and portfolio management
- purchasing; investment controlling
- sales management
- financing

the Company succeeded in systematically implementing its risk management system which is headed by a risk manager. As part of the Legal/Audit department, the risk manager has direct access to top management at any time.

Proactive opportunity and risk management shall ensure the growth of the Company's value. The risk management process is described in an internal control manual. Risk management is unders-tood by GSW as a process that comprehensively brings the interdependent relationships of the organization together and underpins the significance of risk aggregation.

The risk management process encompasses:

- risk and opportunity awareness in the internal environment of the Company,
- the ongoing consideration of set targets when identifying occurrences in order to use risk and opportunity management,
- the assessment,
- the management,
- the control of identified risks,
- counter-measures to these risks and
- IT-supported information and communication.

Identified categorized risks are recorded in a constantly updated risk list and continually monitored. Evaluation occurs according to defined classes of danger and thresholds with consideration for probability of occurrence and the expected level at which they will occur. Management measures are enacted in alignment with the level of risk. Low-level risks are not subjected to any further management consideration until the next annual check. Measures for the management of middle to high risk potential are reviewed at appropriate intervals according to the potential for risk.

Subject to continual checks are in particular:

- Liquidity risk,
- Renting risk,
- Vacant building risk,
- Portfolio risk,
- Earnings risk,
- Sales risk,
- Financing risk,
- Operational risks.

Liquidity risk

A large portion of the liquid assets at hand is generated by GSW Grundbesitz GmbH & Co. KG and GSW Grundvermögens- und Vertriebsgesellschaft mbH. Therefore, the coordination of the liquidity flows of all companies within the Group and a group-wide, yield-optimized management of short-, medium- and long-term liquidity is of considerable importance.

A rolling 12-month liquidity planning provides a detailed forecast of the expected monthly cash flows for GSW Immobilien GmbH, its subsidiaries and the fund companies. The weekly cash management report includes a budget/actual comparison coupled with a report on transacted business. During the year, the liquidity planning is revised and adjusted on the basis of up-to-date forecasts. Furthermore, there is a monthly reporting (investors' report) that is structured according to cash factors and depicts all cash-relevant aspects.

Monitoring of the liquidity and disposition of cash inventories occurs daily. The cash management is supported by the integrated software application "Moneta" for SAP. Since the implementation of the working capital analysis in mid-2009, it has been possible to perform liquidity management down to the day based on the cash flows for the day. This means that GSW has reached a further step in the process of professionalizing its cash management.

Due to stable earnings from rents, the flow of liquidity is not endangered. In 2009, the solvency of the Company was at all times assured. Credit facilities were not used.

Renting risks

GSW-internal investigations have discovered that recessive phases in the past had no relevant impact in general on the real estate rental business.

Social demographic trends, in particular an aging population, the growing number of small households and the increasing need for living space, the attraction of young and creative people and internationalization, are of strategic importance. To this are added the socio-economic risks, in particular an increasing income differentiation and the resulting changes in expectations concerning structures and services.

GSW considers the social demographic trends to involve a chance for an increase in the demand for GSW's small, reasonable priced apartments and also for the acceptance of lower standard apartments.

The socio-economic risks are counteracted by means of an active customer management which is aimed not only at the retention of tenants and integration of tenants with a migration background numerous activities but also the early recognition of financial distress among the tenants. Here is the chance to limit the number of legal actions for payment and possession and to avoid unnecessary legal charges, vacancies and costs associated with a change of tenants.

Vacant building risk

The rate of housing vacancies in the capital has been relatively constant in recent years. Given the demographic development, the stagnant housing inventory and the professionalizing of the market, a reduction in the vacancy rate on the housing market in Berlin can be expected.

According to forecasts, a low vacant building risk can be expected for the rented apartments in multi-storey buildings in Berlin in the long term, due to the development of demand and households.

During the year, GSW's vacancy rate was reduced further by 0.8 % points from 5.3 % to 4.5 %. GSW counteracts the remaining vacancies with the conversion of accommodation into attractive living and residence areas for households with children, for elderly, but equally as well for young people who move to the area. The goal of this strategy is to further promote customer loyalty and customer satisfaction. To this effect, GSW enters into numerous cooperation agreements. The opportunities from the increased demand for accommodation, in particular in the lower price segment (which has experienced increased tension on the market), is to be taken with further professionalization and special programs in the area of rented accommodation so that a further reduction in the vacancy rate can be expected in 2010 and 2011.

Portfolio risk

The general conditions of the Berlin and Brandenburg real estate market are intensively monitored by GSW. The surveys of the Berlin residential property market, jointly undertaken with Jones Lang LaSalle, ensure early recognition of the trends and developments and therefore the opportunities and risks of our own inventory.

The GSW real estate portfolio is located in all districts of Berlin with the exception of the Marzahn-Hellersdorf district. With approx. 50,000 apartments, GSW is widely diversified in terms of risk. The main focus, with a share of the portfolio of around 22%, is the district of Spandau, and with around 18% the district of Reinickendorf.

Through improvement in residential and living conditions in the large settlements in Spandau, Reinickendorf, Lichtenrade and Lichterfelde, the residential inventory is to be further developed as attractive living and residence areas for households with children, for elderly, but equally as well for young people who move to the area.

To this effect, GSW is working closely with the accommodation management of the “Social City” project of the senate administration for city development. In addition, GSW is cooperating with a host of neighborhood and suburban centers. Furthermore, the GSW tenants’ association and the GSW club offer neighborhood-promoting measures and discounts for GSW tenants for various leisure activities and retailers. GSW sees in its activities a chance to further strengthen the image of GSW and promote itself to potential tenants, which will have a long-term positive impact on the real estate portfolio.

The average apartment rent of GSW's own portfolio is 4.81 EUR/m^2 as of December 31, 2009. Due to its size and distribution relative to the Berlin market, this indicates an upward scope for development. With around 89% of the inventory in the key two-room apartment sector renovated and/or partly renovated, the portfolio is well positioned in the Berlin market.

The growing number of households due to changing lifestyles, the low construction activities and increasing shortage in the housing market are seen as an opportunity for GSW. In the light of the financial sector crisis, only cautious performance forecasts for GSW's portfolio can be made with respect to the development of the Berlin-Brandenburg real estate market.

Earnings risk

The net earnings stem essentially from income from rents and are dependent on the further development of the residential housing market. A changed market has an effect on the rent development. In the coming year, due to the recession, it must be envisaged that even using the legally allowed scope for increases in rent, the desired income from rent will be difficult to achieve on the market. This fact was taken into account during the calculation.

Rental losses and the rising number of receivables arising from rental contract obligations have remained relatively unchanged in 2009 compared with previous years. The number of unemployed persons is expected to rise, hence increasing the risk that tenants will not meet their monthly payment obligations and will not pay arrears for operating costs. By increasing our monitoring of current rent receivables and by working closely with jobs centers, we aim to prevent defaults in payment and the termination of leases due to rent arrears.

The risk of higher costs for new leases as a result of an increase in the number of vacated apartments with above-average deterioration or apartments that are not up to current standards were covered by a further differentiated pricing structure which reflects the actual apartment condition. To this end, we perform a detailed analysis of net rents, excluding heating and utilities, which may be attained with or without increased investment costs, the result of which is then used to decide whether to make an investment or create an incentive to rent, either temporarily using vouchers or by permanently reducing rents.

In addition to customer satisfaction, the maintenance process includes the risk of costs being uneconomical and too high to remove a deficiency. The very high level of maintenance costs in the reporting year will be counteracted with a new contract awarding system in 2010.

Operating costs are the drivers for loss of receivables and the amount of vacancy costs. Their reduction allows the exploitation of opportunities in the pricing of rents. Operating costs are therefore under ongoing review for any emerging optimization potential.

Sales risk

The transaction market in the German capital stabilized in 2009 at the level of the years preceding 2006, as the entry of international investors led to a strongly increased sales activity and related price increases. In addition sales of large portfolios declined strongly in the Berlin area in 2009, as investors were generally holding back and banks were reluctant to finance large sales volumes. In comparison with other big cities in Germany and Europe, however, the overall price adjustment was moderate.

The trends described above also dominate the sales activities of GSW: The share of sales to individual investors, primarily from abroad, declined, due to the restrictive attitude of banks regarding financing and/or due to the lack of owner's equity. Nonetheless, it was possible to stabilize the sales realized in 2009 on the price level of the previous year.

For 2010, it is planned to continue to focus the sales activities on the purchaser segments of owner-occupiers and regional investors.

Financing risk

Due in part of the high level of refinancing and security premium requirements in 2009, the continued low level of interest rates were not fully passed on to the borrowers. GSW was affected by this phenomenon only marginally, as the volume of interest rate agreements due amounted to only around 4.5 million €. It was possible to bridge this phase with short-term agreements (basis: 3-month EURIBOR). The fixed-interest periods ending in 2010 also represent a loan volume of only 1.8 million €.

Fixed interest rates with a volume of approx. 23.0 Mio € will end in 2011. In August 2011 the interest caps will become due that originally related to the loan that was given to GSW Grundbesitz GmbH & Co KG by Lehman Brothers.

GSW can continue to benefit from the low level of interest rates. Overall, the short-term interest rate risk for the loan portfolio continues to be considered extremely low, as the rate of loans without interest rate hedges is less than 1 %.

GSW subjects its complete loan portfolio to a comprehensive risk analysis which is reviewed, updated and developed further at the respective quarterly reporting date. This includes, among others, the consideration of interest rate risks, correlation risks, counterparty risks and risks from loan compliance.

Overall, the risk of short-term interest fluctuations for the loan portfolio is considered extremely low, since the ratio of loans without interest rate hedging is below 1%.

By contracting interest rate hedges, the interest rate exposures in 2011were fully or in part covered. . GSW has implemented together with external consultants an active interest risk management tool based on the Value-at-Risk methodology. Action plans from this tool is integrated in the planning process.

As a result of the insolvency of Lehman Brothers in 2008, the credit standing of banks is also in the focus of the risk analysis. In this way, any deterioration in the credit standing or, respectively, potential risks can be recognized at an early stage. The examination includes, among others, the protection of deposits and the counterparty risk for derivative financial instruments. As a result, short-term cash was invested with only two banks domiciled in Germany in 2009.

Furthermore, GSW performs an active interest rate management according to the value-at-risk method on a monthly basis in cooperation with an external service provider. Recommended action that ensues from this is taken into account in the planning process.

Compliance with credit conditions (the covenants) is also continuously monitored and subject to enterprise-wide controlling. By maintaining continuous contact and exchanging information over the course of the year, potential contractual penalties or loan terminations by the banks can be averted, should a breach of the agreed covenants occur.
In two cases, the covenants stipulated in the loan contracts were not completely fulfilled. Agreements were reached with the banks involved to the effect that an account balance of 2.8 million € was pledged to Deutsche Pfandbriefbank AG and a bank guarantee of 1.9 million € limited until September 30, 2009 was provided to Investitionsbank Berlin AG and that the covenants would be revised. This means that it was not necessary to extend the bank guarantee. Currently, new covenants are being negotiated with Investitionsbank Berlin on the basis of an updated business plan. According to the present state of our knowledge, there are no signs pointing to a future breach of the agreed loan conditions.

The loan compliance reporting obligations towards the lenders were completely fulfilled in 2009.

Due to the Lehman Brothers insolvency, it has become impossible to perform certain functions, such as that of security agent, and several powers of attorneys became invalid. Currently, the insolvency administrator is working on a long-term solution for the exchange of the security agent. As an interim solution, a limited power of attorney has been given to Stater Deutschland GmbH & Co. KG, which allows for the release of pledges of land in the case of individual sales.

Compliance

The definition of a code of conduct for executive staff and the comprehensive description of the processes ensure the fulfillment of the obligations of compliance included in the recommendations of the Corporate Governance Initiative of Deutsche Immobilienwirtschaft e.V. (German Real Estate Society), to which the management have committed themselves.

Supplier assessment, the establishment of authority levels, the concept of authorizations and the purchasing manual are in place to control the compliance risk. Due to the high risk potential, the compliance risk can probably not fully be eliminated.

Compliance-relevant events were not found in 2009.

Insurance

The GSW Group is insured to the necessary extent against the usual risks of operational management, ownership of real estate and housing management. Care and control of the insurance program are done through Wohnwert-Versicherungsagentur GmbH, a 100% subsidiary of GSW Immobilien GmbH. Damage incurred in the previous year was covered by the insurance policies, where the insurance cover applied.

Operational risks

The GSW Group is exposed to several operational risks which relate to organizational and functional aspects in the fields of administration, human resources and technical equipment.

Due to the importance of customer loyalty, the project "Existing Customer Management" is scheduled to be initiated in 2010. It is to concentrate on refining the process structures in the sense of an integrated, timely and high-quality revision of the processes with a focus on ensuring sustainable customer loyalty.

Consistent orientation on the customers' needs and commitment for the professionalism of the personnel are also reflected in the personnel policy. GSW needs qualified specialists and executive staff as well as dynamic and committed employees to realize its strategic and operative goals. High fluctuation has a significant impact on the goal to increase productivity. With 2.1 % of notices of termination given by employees, fluctuation at GSW has not reached a critical rate. The implementation of a competence management concept is intended to adjust the employees' know-how to the current requirements in a targeted manner and to secure the indispensable technical skills. An active health management (influenza vaccines, health day and sports activities, and a company physician) is intended to promote the employees' health awareness.

The essential tasks of the system house for securing the operability of the EDP systems in 2009 included establishing the IT processes, besides outsourcing the hardware operations and finalizing essential portal functionalities. These tasks were completed successfully and gave reason to implement a Business Continuity Management. The aim was to ensure the functioning of the necessary business processes of GSW. The continuity of the business processes was examined from the perspective of several scenarios of failure, and an emergency plan was designed and implemented. The emergency plan is trained regularly with the people involved. The service provider's disaster recovery management is also checked continuously on the basis of the business-critical processes.

E Forecast

GSW has completed the significant restructuring measures initiated in the past years.
We will continue to offer apartments for sale in a very careful manner and only in selected residential areas. Offering apartments for sale was and is a secondary value driver for GSW's business success.

We do not expect a strong impact from the financial market crisis in 2010 and 2011 but rather a slight recovery of the real economy with a positive effect on employment and purchasing power.

This does not necessarily have to immediately impact the residential property market but can rather show a delayed effect.

As new home construction activities continue to be moderate, we expect a further decline in vacancy rates in Berlin, which should have a positive effect on the rental services of GSW.

The forecast for the coming business years is developed continuously on the basis of a 3-year plan. The central focus for 2010 is on the increase in customer satisfaction in order to slightly reduce our rate of fluctuation, as well as on a further moderate reduction of vacancies, which is accompanied by one-off expenditure.

According to the current planning, GSW expects average increases in rents of 2.5% p.a. as well as a decline in the rate of housing vacancies to under 4 % within the next two business years, due to maintenance carried out before apartments are let to new tenants. Due to the ensuing improvement of the results of operations, coupled with rather unchanged personnel and administrative expenses, the Company will be able to compensate for the expected increase in interest expenses for the largest single loan to as much as the agreed upper limit of 4.27% from hedge accounting and thus to generate consistently high amounts of net income for the year. GSW has a unilateral option to extend the loan to 2013, provided that it complies with the covenants. Due to the ongoing financial crisis and the related high level of uncertainty, quantitative statements regarding the trend of interest rates are fraught with much uncertainty.

Additional opportunities for the improvement of the results of operations can come from acquisitions in the area of Berlin as well as from refinancing measures, provided that a correspondent financing of these measures (for example, within the framework of a capital increase) is ensured.

Overall, we expect the positive development to continue in the year to come as well as in 2011.

Berlin, March 17, 2010

GSW Immobilien GmbH

Thomas Zinnöcker Jörg Schwagenscheidt Andreas Segal

Consolidated Financial Statements for the Financial Year from January 1 through December 31, 2009

GSW Immobilien GmbH, Berlin
Consolidated Balance Sheet

	Note	31.12.2009 TEUR	31.12.2008 TEUR
Non-current assets		**2.600.881**	**2.506.460**
Investment property	(16)	2.585.281	2.484.668
Property, plant and equipment	(18)	3.224	4.144
Goodwill		1.125	1.125
Other intangible assets	(17)	1.156	1.797
Other investments	(19)	6.824	7.979
Receivables and other non-current assets		3.154	6.607
Trade receivables	(21)	1.675	2.066
Receivables from rental, leasing and asset management		212	162
Receivables from sales		1.463	1.904
Other financial assets	(23)	1.479	4.541
Deferred tax assets		117	140
Current assets		**84.568**	**500.058**
Development of properties and inventories	(20)	94	717
Receivables and other current assets		22.436	381.068
Trade receivables	(21)	15.146	15.374
Receivables from property management		10.895	9.632
Receivables from sales		2.714	1.665
Other trade receivables		1.537	4.077
Receivables due from related parties	(22)	4	358.240
Receivables from shareholders		0	358.240
Receivables from related parties		4	0
Income tax receivables		3.053	2.331
Other current assets	(23)	4.233	5.123
Other financial assets		1.526	1.770
Other miscellaneous assets		2.707	3.353
Cash and cash equivalents	(30)	40.129	108.215
Assets held for sale	(24)	21.909	10.058
Total assets		**2.685.449**	**3.006.518**

The attached notes are an integral part of the consolidated financial statements.

GSW Immobilien GmbH, Berlin
Consolidated Balance Sheet

	Note	31.12.2009 TEUR	31.12.2008 TEUR
Equity	(25)	**926.126**	**1.211.551**
Subscribed capital		10.000	10.000
Additional paid-in capital		40.136	40.136
Consolidated retained earnings		888.038	1.162.586
Accumulated other comprehensive income		-12.048	-1.171
Non-current liabilities		**1.690.593**	**1.707.848**
Financial liabilities	(28)	1.629.949	1.648.611
Liabilities from financing investment properties		1.627.990	1.646.517
Liabilities from finance leases		1.959	2.094
Employee benefits	(26)	2.029	2.087
Provisions	(27)	1.916	2.293
Trade payables		247	282
Income taxes payable		38.044	41.843
Other non-current liabilities	(30)	18.408	12.733
Other financial liabilities		16.753	11.106
Other miscellaneous liabilities		1.655	1.626
Current liabilities		**68.730**	**87.119**
Financial liabilities	(28)	11.145	27.021
Liabilities from financing investment properties		10.898	26.565
Liabilities from finance leases		247	456
Provisions	(27)	7.418	3.194
Trade payables		35.094	32.404
Property management liabilities		33.495	31.430
Liabilities from services		6	5
Other trade payables		1.593	969
Payables due to related parties	(29)	20	20
Income taxes payable		7.239	15.256
Other current liabilities	(30)	7.814	9.224
Other financial liabilities		1.180	1.112
Other miscellaneous liabilities		6.634	8.112
Total equity and liabilities		**2.685.449**	**3.006.518**

The attached notes are an integral part of the consolidated financial statements.

GSW Immobilien GmbH, Berlin
Consolidated Income Statement

EUR'000	Note	01.01.-31.12.2009	01.01.-31.12.2008
Net rental income	(7)	133.582	129.273
Gross rental income		196.722	189.764
Government grants		15.055	15.624
Property operating expenses		-78.196	-76.115
Result on disposal of investment property		-2.759	9.317
Investment property disposal proceeds		34.827	67.854
Carrying value of investment property disposals		-28.962	-51.612
Operating expenses for investment property disposed	(8)	-8.623	-6.925
Net valuation gains on investment property		129.207	59.904
Valuation gains on investment property		173.603	112.417
Valuation losses on investment property		-44.396	-52.513
Administrative expenses	(8)	-31.066	-23.042
Other income, net	(9)	0	10.259
Net operating profit		**228.964**	**185.711**
Net result of investments		-730	581
Interest income	(11)	43.576	84.234
Interest expenses	(11)	-97.407	-162.762
Profit before income taxes		**174.403**	**107.764**
Income taxes	(12)	-2.304	-91
Consolidated net income for the year		**172.099**	**107.673**
Earnings per share (basic and diluted), EUR		**17,21**	**10,77**

The information given for each share is based on the assumption that equity instruments would be publicly traded, whereby the nominal value of each share equals EUR 1.--. Thus, the total number of shares would amount to 10 million

GSW Immobilien GmbH, Berlin
Statement of recognized income and expenses

EUR '000		01.01. - 31.12.2009	01.01. - 31.12.2008
Consolidated net income for the year		172.099	107.673
Accumulative other comprehensive income			
Revaluation surplus from step acquisitions (IFRS 3)		11	0
Revaluation surplus resulting from the fair market valuation of owner-occupied property		-57	59
Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges	(33)		
Fair value adjustment of derivatives in cash flow hedges		-4.254	-12.579
Reclassification of interest derivatives affecting income		-8.320	-1.190
Deferred taxes	(25)	1.743	2.767
Total comprehensive income for the year		**161.222**	**96.731**
Earnings per share (basic and diluted), EUR		17,21	10,77

The information given for each share is based on the assumption that equity instruments would be publicly traded, whereby the nominal value of each share equals EUR 1.--. Thus, the total number of shares would amount to 10 million

GSW Immobilien GmbH, Berlin

Statement of changes in the shareholders' equity

				Accumulative other comprehensive income				
EUR '000	**Subscribed capital**	**Additional paid-in capital**	**Consolidated retained earnings**	**Revaluation surplus from step acquisitions (IFRS 3)**	**Revaluation surplus resulting from the fair market valuation of owner-occupied property**	**Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges**	**Total**	**Consolidated equity**
December 31, 2007	**10.000**	**40.136**	**1.054.945**	**0**	**169**	**9.602**	**9.772**	**1.114.854**
Total result for the year			107.673		42	- 10.984	- 10.942	**96.731**
Other changes			- 33				0	**- 33**
December 31, 2008	**10.000**	**40.136**	**1.162.586**	**0**	**211**	**- 1.382**	**- 1.171**	**1.211.552**
Total result for the year			172.099	7	- 40	- 10.845	- 10.877	**161.222**
Other changes			- 446.646				0	**- 446.646**
December 31, 2009	**10.000**	**40.136**	**888.038**	**7**	**171**	**- 12.227**	**- 12.048**	**926.127**

GSW Immobilien GmbH, Berlin
Consolidated cash flow statement

EUR '000	2009	2008
Consolidated net income for the year	172.099	107.673
Depreciation, amortization and impairment/write-ups of non-current assets	1.785	2.082
Gains (-) /losses (+) of fair value measurement of investment property	-129.207	-59.904
Results from associates and joint ventures accounted for at equity	0	-370
Gains (-) /losses (+) from the disposal of intangible assets and property, plant and equipment	7	40
Gains on the disposal of shares associates and joint ventures	-2	-10.147
Gains (-) /losses (+) from the disposal of asset held for sale and investment property	-5.864	-16.242
Increase /decrease in pension provisions and other long-term provisions	435	-761
Gains (-) /losses (+) from the fair value measurement of derivatives	-3.454	26.748
Changes in deferred taxes	1.767	2.998
Elimination of current income taxes	537	4.695
Elimination of financial results	58.016	51.931
Increase /decrease in working capital		
Increase/ decrease in inventories	623	115
Increase/ decrease in receivables from property management	-1.314	4.677
Increase/ decrease in receivables from sales of property	-609	11.769
Increase/ decrease in other assets	2.114	11.581
Increase/ decrease in current provisions	4.225	-8.261
Increase/ decrease in trade payables	2.655	-5.221
Changes in receivables due from related parties and payables due to related parties	-4	-327
Increase/ decrease in other liabilities	-1.353	-16.440
Other changes in operating activities	-2.761	-6.703
Income tax paid	-15.492	-6
Income tax received	698	172
Interest paid net of interest received	-30.657	-27.305
Distributions received	211	156
Cash flows from operating activities	**54.455**	**72.950**
Proceeds on disposals of intangible assets and property, plant and equipment	158	672
Proceeds on disposals of assets held for sale and investment property	34.827	68.590
Net cash outflow from the disposal of consolidated companies	0	0
Proceeds from the disposal of at equity consolidated companies	12	13.000
Proceeds from the disposal of other investments	214	582
Disbursements for investments in investment property	-11.664	-23.122
Disbursements for investments in intangibles assets and in property, plant and equipment	-252	-2.327
Net cash inflow (+) /outflow (-) from the acquisition of shares in consolidated companies	0	1.348
Disbursements for the acquisition of shares in associates and joint ventures	0	-1
Disbursements for the acquisition of other investments	0	-301
Repayment of loans to shareholders	340.000	0
Cash flows from investing activities	**363.295**	**58.441**
Dividends	-446.646	0
Proceeds (+) / repayments (-) from liabilities from financing investment property and other loans	-38.510	-56.847
Disbursements for hedging	0	-13.440
Repayments of liabilities from financing leases	-680	-656
Cash flows from financing activities	**-485.836**	**-70.943**
Changes in cash and cash equivalents	**-68.086**	**60.448**
Cash and cash equivalents at the beginning of the period	108.215	47.767
Cash and cash equivalents at the end of the period	**40.129**	**108.215**

NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS OF
GSW IMMOBILIEN GMBH, BERLIN,
FOR THE FINANCIAL YEAR 2009
(IFRS)

GENERAL INFORMATION

(1) HISTORY OF THE GROUP

GSW Immobilien GmbH, Berlin, ("GSW") and its subsidiaries (together the "GSW Group") are among the biggest housing companies in the State of Berlin. As of December 31, 2009 the Group's portfolio consisted of 49,671 apartments and 917 commercial properties in Berlin and the surrounding area. GSW, which was formed in 1924, has its business premises at Charlottenstrasse 4, 10969 Berlin, and is registered in the commercial register of the Charlottenburg local court under number HRB 418 B.

Under a contract of sale dated May 27, 2004, Cerberus/Whitehall AcquiCo GmbH ("AcquiCo") acquired an 84 % interest in GSW. The contract provided for a further 10 % to be acquired by Contest Beteiligungs GmbH and 3 % by W2001 Capitol B.V. and Lekkum Holding B.V. respectively. The latter are associated with the investment fund companies Whitehall and Cerberus. This acquisition severed GSW's ties under company law with the regional government of Berlin. AcquiCo acquired its interest in Contest Beteiligungs GmbH under a share purchase and transfer agreement dated July 27, 2004. The interests in GSW and its affiliated companies were transferred to AcquiCo and its affiliated companies on July 29, 2004.

Under a merger agreement, approved by resolutions of the AcquiCo shareholders on March 28, 2006, AcquiCo merged with GSW, its assets being transferred to the latter and the company closed. At the time of the merger Lekkum Holding B.V. held 50 % of the shares in AcquiCo, with W2001 Capitol B.V. holding 49 % and Archon Group Deutschland GmbH 1 %. In compensation for the shares forfeited as a result of the merger, AcquiCo's shareholders were given the GSW shares previously held by AcquiCo, so that on the completion of the merger Lekkum Holding B.V. held two shares totaling EUR 5,000,000 (50.00 %), W2001 Capitol B.V. two shares totaling EUR 4,911,350 (49.11 %) and Archon Group Deutschland GmbH one share of EUR 88,650 (0.89 %). The transfer in the internal relationship between AcquiCo and GSW took place on January 2, 2006. The merger was recorded in the commercial register on May 23, 2006.

(2) CONSOLIDATION PRINCIPLES

The consolidated financial statements of the GSW Group include all subsidiaries whose financial and business policies can be directly or indirectly controlled by GSW.

For companies acquired from third parties, capital consolidation is carried out at the time of acquisition according to the acquisition method. The date of acquisition is defined as the date when it becomes possible for the GSW Group to exercise control over the net assets and the financial and operating activities of the acquiree. According to the acquisition method the cost of the acquired shares is set off against the proportionate fair value of the acquired assets, liabilities and contingent liabilities of the subsidiary at the time of acquisition. Any positive difference resulting from this process is capitalized as derivative goodwill. Negative differences resulting from the capital consolidation at the time of acquisition are immediately recognized in income.

Expenses and income as well as receivables and payables between consolidated companies have been eliminated. Interim results have been extracted.

Enterprises that take the form of a joint venture between the GSW Group and other partners, and associates whose financial and business policies are significantly influenced by the GSW Group, without being under its control, are included in the consolidated financial statements according to the equity method. Inclusion according to the equity method is based on the IFRS financial statements of these enterprises. Losses from associates and joint ventures that exceed the carrying amount of the equity interest or other non-current receivables from financing these enterprises are not recognized, as long as there is no obligation to contribute additional capital.

The financial statements of GSW and of the subsidiaries, associates and joint ventures included in the reporting entity are prepared according to uniform accounting policies. The financial statements of the subsidiaries, associates and joint ventures included in the reporting entity are prepared with the same closing date as that of GSW.

With regard to the initial inclusion of subsidiaries, associates and joint ventures in the IFRS consolidated financial statements as of December 31, 2009 reference is made to Note(3)(b).

(3) BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

GSW's consolidated financial statements as of December 31, 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), as to be applied in the European Union. The consolidated financial statements have been prepared in accordance with EC Regulation no. 1606/2002 of the European Parliament and the Council of July 19, 2002 concerning the application of international accounting standards, in connection with section 315a (3) of the German Commercial Code (*HGB*), taking account of the supplementary provisions of commercial law. The IFRS requirements have been complied with in every respect, leading to the presentation of a true and accurate picture of the assets, financial position and earnings of the GSW Group.

Individual items in the income statement and in the balance sheet have been brought together to improve the clarity of the presentation. These items are explained in the Notes. The income statement is structured according to the cost of sales method.

The currency of the consolidated financial statements is EUR. In the absence of any indication to the contrary, all amounts are in EUR thousand.

The consolidated financial statements are generally prepared by accounting assets and liabilities at amortized cost. Exceptions are investment property, owner-occupied property and derivative financial instruments, which are recognized at fair value as of the balance sheet date.

The consolidated financial statements and the group management report are published in the Electronic Federal Gazette.

(a) Reporting entity

The scope of the reporting entity of the GSW Group is apparent from the following table:

	Dec. 31, 2009	**Dec. 31, 2008**
Fully consolidated companies	15	15

The reporting entity is shown in the list of subsidiaries, joint ventures and associates in Note (34). It does not include any associates or joint ventures included according to the equity method.

(b) Acquisitions

No companies were acquired in the financial year 2009.

(c) Company sales

No companies were sold in the financial year 2009.

(4) ACCOUNTING AND VALUATION METHODS

(a) Investment property

Investment property includes the properties of the GSW Group that are held with the aim of generating rental income and capital appreciation.

Investment property held for sale whose sale is seen as highly probable within the next 12 months is recognized under assets held for sale in the current assets in accordance with IFRS 5; it is measured consistently with the measurement of the investment property.

As regards properties parts of which the GSW Group has assigned for its own use and parts for rental income, a distinction is made, in as far as it is legally possible and neither the self-occupied nor the rental components are immaterial to divide the property in question. The parts that are used to generate rental income are allocated to the investment property, while the owner-occupied parts are accounted for under property, plant and equipment. The ratio between the areas in question is used to allocate the components.

Investment property is measured at cost at the time of acquisition. Thereafter the properties are measured at fair value in accordance with the option provided for in IAS 40. Changes in fair value are recognized as income or expense.

In the context of the Group's privatization strategy, individual units are sold to tenants, owner-occupiers and private capital investors.

According to this principle, future costs associated with the development, partial replacement or maintenance of the property (IAS 40.17) are capitalized to the extent that the replacement of parts of a unit results according the component approach (IAS 40.19) and reliable measurement of the costs is possible. Furthermore, the costs are capitalized if the activities lead to an increased future benefit and reliable measurement of the costs is possible. The capitalized costs are not written down using scheduled depreciation since scheduled depreciation is generally not applied in connection with the option under IAS 40 relating to recognition of the fair value.

GSW calculated the fair values with the help of an external expert. At the level of individual homogenous economic units, the properties were considered separately in respect of their location, condition, facilities, the current rent under the tenancy agreement and the potential for development. The fair values thus calculated by GSW correspond to the market values defined in accordance with the International Accounting Standard at which properties can be exchanged between expert independent business partners who are independent of and willing to contract with one another (IAS 40.5 rev.).

The market values were determined on the basis of the forecasted net cash flows from the management of the properties, using the Discounted Cash Flow-Method (DCF Method). For properties without a positive cash flow (usually plots of undeveloped land and vacant buildings) the market value was determined by means of the Direct Value Comparison Method or the Liquidation Value Procedure where applicable. Where a property was valued according to the DCF Method, a detailed planning period of ten years was taken into account. At the end of the tenth year a selling value was recognized on the basis of the capitalization of the predicted net profit for the year during the eleventh period.

In the first year of the detailed planning period, assumptions were based on the rental income for the property in question, as agreed in the tenancy agreement, with further value parameters specific to the property. The average monthly rent as of the valuation date is EUR 4.81/sqm (2008: EUR 4.67/sqm). The development of annual rent was forecast on the basis of individual assumptions throughout the planning period. A distinction was made between income from existing old tenancy agreements and new leases due to predicted fluctuation. Development of rents for the old tenancy agreements are in accordance with what is permitted by law; with consideration of location- and property-specific characteristics an individual upper limit was specified in deviation from the benchmark rent for the property's locality. The market rate for new leases has been derived from the local table of rents (*Mietspiegel*) and the rents charged for comparable properties as well as from current leases. The market rent rises each year by an individually determined rate of increase. The recognized market-rent increases are in a range between 0.7 % and 1.65 % (weighted average 1.13 %) and are based on the average rates of increase of the sublocalities (market data) which are adjusted, where necessary, in line with the specific potential for a property. Like the rent development, the development of vacancy is also in line with the average values for the localities and, where necessary, was adjusted on a property-specific basis with consideration of the location- and property-specific characteristics. The average vacancy rate for residential and commercial real estate was 5.0 % as of the valuation date (2008: 6.1 %).

Publicly subsidized properties have been treated differently, depending on whether rents are capped and how long this will last. In the case of subsidized economic units without a rent cap, rent adjustments have been made in accordance with the procedure for non-subsidized properties. In the case of properties where the rent cap continues after 2018, rent adjustment have been provided for if the average rent under new tenancy agreements is lower than the average rent of the economic unit. In these cases, the average rent under the new tenancy agreements was recognized. Rent subsidies have been included as cash flows at the actual expected amount.

For reactive and periodical maintenance measures, depending on the property's condition and year of construction an average maintenance cost unit rate of EUR 8.77/sqm (weighted average) was assumed. In addition, for new leases depending on the property's condition an additional cost unit rate for re-leasing of up to EUR 150.00/sqm (weighted average EUR 37) was assumed. Administrative expenses of between EUR 175.00 and EUR 400.00 (weighted average of EUR 235.00) per rental unit and EUR 31.00 per parking space were assumed.

Discounting of cash flows is based on normal market discount rates with identical maturities averaging 6.2 % (weighted average) (2008: 5.73 %) and normal market perpetuity capitalization rates averaging 5.34 % (weighted average) (2008: 5.24 %). These were calculated on the basis of the actual management costs ratio on a property-specific basis and are intended to reflect the individual risk/opportunity profile for the real estate. In determining an appropriate interest rate, particular account has been taken of the property type, the leasing situation, the condition of the property, its marketability and possible governmental grants, in addition to criteria concerning the location.

Undeveloped plots with an area of around 102 hectares (2008: 105 hectares) on December 31, 2009 have been calculated on the basis of the current ground values published by Berlin's *Gutachterausschuss* (Appraiser Committee). Account has been taken of the use to which the land is put and of any further special features of the individual plots.

(b) Intangible assets

Acquired intangible assets are capitalized at cost.

The acquired intangible assets with a determinable useful lifetime are software licenses with expected useful lifetimes of 3 years and ERP software systems with an expected useful lifetime of 5 years that are amortized using the straight-line method over their expected useful lifetimes from the time that the licenses are granted.

The acquired Goodwill is recognized at acquisition cost and valued at historical cost less cumulated impairments. Its useful life is indefinite.

The GSW Group has no intangible assets which are internally generated.

(c) Property, plant and equipment

Property, plant and equipment is capitalized at cost and depreciated using the straight-line method over its probable useful lifetime. Subsequent expenses are capitalized if they lead to a change in the purpose or an increase in the useful value of the property, plant and equipment. Changes in the residual values or the useful lifetimes during the time that the assets are in use are taken into account in measuring the amounts to be written down.

Owner-occupied properties measured at fair value in accordance with the option in IAS 16 are not reported at amortized cost. The adjustments resulting from the revaluation are credited to the remaining accumulated equity, without affecting income, in as far as the adjustment results in an increase in value greater than cost. Depreciation, impairments and reductions in fair value are charged to the income statement in as far this does not represent compensation for top-ups made in previous periods without affecting income.

Gains and losses from the disposal of assets are shown under “other operating income” or “other operating expenses”.

Depreciation is based on the following useful lifetimes, which are uniform throughout the Group:

	Useful lifetime in years
Owner-occupied properties	25
Plant and machinery	5 - 10
Other fittings, furniture and office equipment	3 – 13

According to the new statutory scheme for depreciation of low-value items (effective of January 1, 2008) items of up to EUR 150 (net) are written down in full in the year of acquisition. Assets with an acquisition cost between EUR 150.01 and EUR 1,000 are classified into annual groups and written down over a period of five years.

This treatment of low-value items is consistent with German tax law. Variances from the useful economic life are considered immaterial.

(d) Impairment losses on intangible assets and property, plant and equipment

The GSW Group reviews intangible assets and property, plant and equipment to establish whether impairment losses should be recognized in accordance with IAS 36.

In the financial year 2009 it was not necessary to recognize any impairment losses on intangible assets or on property, plant and equipment.

As investment property is reported at fair value, it is not tested for impairment in accordance with IAS 36.

As of each balance sheet date, the Group reviews the carrying amounts of the intangible assets and property, plant and equipment as to any signs of potential impairment. In this case, the recoverable amount of the respective asset is estimated to determine the extent of any allowance that may have to be formed. The recoverable amount corresponds to the fair value less selling costs or the use value; the higher value applies. The use value corresponds to the cash value of the expected cash flows. The discount rate is based on the interest rate before taxes that is consistent with market conditions. Should it not be possible to determine a recoverable amount for an asset, the recoverable amount is determined for the smallest identifiable group of assets (cash generating unit) of which the asset forms part.

Goodwill resulting from company acquisitions is allocated to the identifiable asset groups (cash generating units) that are intended to benefit from the acquisition's synergies. Such asset groups represent the Group's lowest reporting level on which goodwill is monitored by management for internal control purposes. The recoverable amount of a cash generating unit that includes goodwill is regularly tested for impairment as of December 31 and additionally in cases where signs of impairment losses are detected.

Where an asset's recoverable amount is lower than its carrying amount, the value of the asset is adjusted immediately in the income statement. In the case of adjustments in connection with cash generating units that include goodwill, existing goodwill is reduced first of all. Should the scope of required impairment allowances exceed the goodwill's carrying amount, the difference is usually distributed among the remaining non-current assets of the cash generating unit on a prorate basis.

Should, at a future point in time, a higher recoverable amount of the asset or cash generating unit result after a valuation adjustment, a write-up up to an amount not exceeding the recoverable amount is carried out. The write-up is restricted to the net carrying amount that would have arisen if no adjustment had been carried out in the past. The respective write-up is recorded in the income statement. Write-ups of adjusted goodwill may not be reversed.

In the year under review, the annual Goodwill impairment test did not result in the need to recognize impairment losses as the recoverable amount exceeded the carrying amount. The goodwill is assigned to Facilita. The recoverable amount was determined on the basis of the use value employing the DCF method. This involved using the planned cash flows (after taxes) from the five-year plan approved by the management of GSW Immobilien GmbH. The fifth year of the plan is used for cash flows beyond the five-year period as a matter of principle. A growth rate to explore the last year of the plan is not included. The weighted average cost of capital used for discounting purposes is based on the risk-free interest rate of 4.25 % and a market risk premium of 5 %. In addition, a beta factor, a tax rate and the capital structure derived from the respective peer group is included in the case of the CGU. The cash flows were discounted on the basis of a pre-tax discount rate of 7.11 %.

The use value of the cash generating units is generally determined on the basis of the company budget. Both past data and expected market performance are included in the calculation. The goodwill as of December 31, 2009 amounted to KEUR 1,125.

Management is of the opinion that no amendment of the basic assumptions made in the determination of the cash generating unit's use value that is principally possible according to reasonable assessment would result in a material excess of the cash generating unit's carrying amount over its recoverable amount.

(e) Investments and securities

The GSW Group principally recognizes financial assets as of the settlement date.

Interests in subsidiaries not consolidated due to their immateriality and the investment fund units held by the GSW Group under other investments and securities are classified in accordance with IAS 39 for valuation purposes in the category "Available for sale financial assets". The sundry other investments and securities are also allocated to the category "Available for sale financial assets" in accordance with IAS 39. Available for sale financial assets are recognized at their fair value on the balance sheet date. If their fair value cannot be reliably determined, they are recognized at amortized cost. As the fair values of the investment fund units held by the GSW Group cannot be measured using suitable valuation methods, these fund units are recognized at amortized cost. Units held in subsidiaries are not listed. The fair value of such instruments cannot be reliably determined since the results are subject to substantial fluctuations depending on individual assumptions. There is no market for such instruments. The Group does not intend to sell such interests in the foreseeable future.

In the financial year 2009, assets recognized at cost in the “Available for sale financial assets” category with a carrying amount of KEUR 11 (2008: KEUR 2,853) were sold. The proceeds amounted to KEUR 2 (2008: KEUR 10,147).

To date, the GSW Group has not yet made use of the option to designate investments and securities at their first-time recognition as financial assets at fair value through profit and loss.

At the time of addition, the “AFS financial instruments” were measured at fair value. The outcome of the subsequent measurement at fair value is reported in a separate equity position (other equity accumulated) without affecting income. The AFS category also includes securities that are measured at fair value. The fair value corresponds to the security price as per December 31, 2009: KEUR 962. A total of KEUR 11 of the securities measured at fair value were posted via the ‘other equity accumulated’.

In case of a sale of the financial asset, the cumulative valuation result shown in other equity accumulated is released and the realized result is recorded in the income statement.

In case of a value impairment, the value impairment amount is deducted from the other equity accumulated and the relevant amount is directly reported in the income statement. Should the impairment be reversed, it is credited with an effect on income in the case of debt securities and without an effect on income in the case of equity securities. Where AFS instruments are entered in the balance sheet at amortized cost since the fair value cannot be reliably determined, the value impairments affect the income and may not be reversed.

(f) Recognition of tenancy and leasing agreements as lessee

Rented or leased assets where the GSW Group has the risks and rewards of ownership according to IAS 17 (finance lease) are capitalized at the present value of the rent or leasing installments or, where lower, at the fair value of the item in the non-current assets and amortized using the straight-line method. If the GSW Group attains ownership of the item at the end of the lease, the item is amortized over its useful lifetime, and if not over the term of the lease. The present value of future rent payments and future leasing installments is carried as a liability and decreases as the outstanding liability is reduced through payments of rent or leasing installments.

Contracts where the GSW Group has the risks and rewards of ownership also include certain agreements where the GSW Group has been granted the right to use a certain asset and a component of the remuneration is a fee not related to use. According to IFRIC 4, such contracts should be classified according to the rules of IAS 17.

Tenancy and leasing agreements where the GSW Group does not enjoy the risks and rewards of ownership are classified as operating leases. The expenses resulting from these agreements are reported according to cause at the time that the items in question are used.

(g) Recognition of tenancy and leasing agreements as lessor

The properties held by the GSW Group include both residential and commercial properties leased by the GSW Group.

The tenancy agreements for residential properties are generally identified by rights, in accordance with the statutory provisions, which allow tenants to terminate the tenancy at short notice. These agreements are therefore to be classified as operating leases in accordance with IAS 17, as the material risks and rewards in relation to the property remain with the GSW Group. The GSW Group continues to recognize these properties at fair value as part of its portfolio in accordance with IAS 40. In the case of commercial properties the risks and rewards are also attributable to the GSW Group, so that these properties are also recognized by the GSW Group at fair value under investment property.

(h) Development of properties held for sale and inventories

The other inventories are recognized at cost. This is done on the basis of a weighted average or the individual costs attributable to the work and overheads in relation to production. On the balance sheet date the inventories are measured at the lower of cost or the realizable net value.

(i) Trade and other receivables

Trade receivables and other assets are measured at fair value on initial recognition plus transaction costs. They are subsequently measured at amortized cost.

To date, the GSW Group has not yet made use of the option to designate financial assets at their first-time recognition as financial assets at fair value through profit and loss.

Appropriate allowances are made for the risk of bad debt, taking into account the expected cash flows that are calculated on the basis of experience and individual risk assessments. For financial instruments measured at amortized cost a distinction is made between individual value adjustments and lump-sum value adjustments

The risk assessments are made on the basis of the following criteria:

(1) significant financial difficulties for the issuer or debtor;

(2) breach of contract (e.g. loss or default on interest or redemption payments);

(3) concessions granted by the lender to the borrower on economic or legal grounds associated with the borrower's financial difficulties, such as the lender would not otherwise grant.

(4) increased probability of the borrower becoming insolvent or being subject to other reorganization proceedings;

(5) the disappearance of an active market for the asset;

(6) observable data indicating a measurable reduction in the expected future cash flows from a group of financial assets since their first-time recognition, even though such reduction is not yet attributable to individual financial assets of the Group, including:

  (a) detrimental changes to the payment status of debtors in the group;

  (b) national or regional economic conditions correlating to losses for the Group's assets.

The individual value adjustment relates to the value adjustment on a financial asset for which it is not probable that all contractually agreed payments (interest and/or redemption) are achievable at maturity.

(j) Cash and cash equivalents

The cash and cash equivalents include cash in bank accounts and cash on hand.

(k) Assets held for sale

Investment property is reported under assets held for sale, in as far as a sale of the property is regarded as being highly probable within the next 12 months. A classification in accordance with IFRS 5 is only made if the property could be sold immediately in its actual state and under conditions which are prevalent and common for the disposal of such assets. The properties are measured at the lower of the book value and the fair value in accordance with IFRS 5. In case of investment properties classifies as held for sale the transaction costs are not deducted from the fair value as the method of valuation is not applicable in this case.

(l) Employee benefits

Provisions for retirement pensions and similar obligations are calculated according to the Projected Unit Credit Method in accordance with IAS 19, taking account of future adjustments in salary and pensions. Pension provisions in accordance with IFRS also include indirect obligations, in as far as the GSW Group is liable for the obligations being met by making the relevant contributions to the pension system in question and the obligations can be reliably measured.

Pension obligations are measured on the basis of expert opinions, taking account of the assets available to cover these obligations. If the actuarial gains and losses resulting from a change in the actuarial parameters exceed 10 % of the greater of the pension obligation or the plan assets at the beginning of the financial year, the amount in excess of this 10 % limit is recognized as income or expense over the remaining service period of the active entitled employee.

Past service cost and realized actuarial gains and losses are recognized as personnel expenses. The interest cost of the pension obligation is recognized under interest expenses.

(m) Other provisions

The other provisions take account of all foreseeable obligations of the GSW Group, both legal and constructive, towards third parties where settlement is likely and where the amount can be reliably estimated. The provisions are reported at the expected fulfillment amount in accordance with IAS 37. Long-term provisions are shown in the balance sheet on the basis of corresponding market interest rates with their fulfillment amount which is discounted to the balance sheet date.

(n) Liabilities

On initial recognition liabilities are measured at fair value, taking account of transaction costs, agios and disagios. The fair value at the time when the liability is incurred corresponds to the present value of future payments on the basis of a market interest rate consistent with the term and the risk.

Liabilities are subsequently measured on the basis of amortized cost using the effective interest rate method, which is determined at the time that the liability is incurred.

Changes in the amount to be repaid or the time of repayment lead to a re-measurement of the carrying amount of the liability at its present value on the basis of the original effective interest rate. Gains or losses in relation to the previous carrying amounts are charged to the income statement.

To date, the GSW Group has not yet made use of the option to designate financial liabilities at their first-time recognition as financial assets at fair value through profit and loss.

(o) Income taxes

Current income taxes are recognized in the income statement in the year that the liability is incurred.

Current tax assets and liabilities are only offset in as far as the tax is collected by the same taxation authority and such assets and liabilities can be set off against each other.

Deferred taxes are recognized to take account of future tax consequences of temporary differences between the fiscal calculation basis of the assets and liabilities and their measurement in the IFRS financial statements and for tax loss carry forwards. Deferred taxes are measured on the basis of the tax rates enacted by the end of the financial year for the financial years in which the differences are balanced out or the loss carry forwards can probably be utilized. Deferred tax assets for temporary differences or loss carry forwards are only recognized in as far as their future realization seems sufficiently certain.

Deferred tax assets and deferred tax liabilities are only offset in as far as they relate to income taxes collected by the same taxation authority and current taxes can be set off against each other.

(p) Derivative financial instruments

The GSW Group uses derivative financial instruments to hedge the interest-rate risks for financing investment properties.

Derivative financial instruments are recognized at fair value. Changes in the fair value of the derivatives that do not meet the criteria of IAS 39 for recognition as a hedging instrument irrespective of their financial hedging effect are recognized as income or expense.

Derivatives used as hedging instruments in cash flow hedges serve to hedge uncertain future cash flows, including highly-probable future transactions. There is a particular risk regarding the level of future cash flows for variable-interest liabilities. The derivative financial instruments used in the cash flow hedge accounting are reported at their fair value. A distinction is made in the valuation result between an effective and an ineffective portion. The effectiveness in past periods is determined using the Dollar Offset method.

The effective portion corresponds to the portion of the valuation result which constitutes an effective hedge against the cash flow risk. The effective portion is recognized in a separate equity position (hedge reserve) after consideration of deferred taxes, without affecting income.

The ineffective portion of the valuation result is recognized in the income statement and reported in the interest result.

Upon termination of the hedge the amounts recorded in equity will be transferred to the income statement whenever results associated with the previous underlying transaction are recognized as income or expense.

(q) Realization of income and expense

Gross rental income where the tenancy and leasing agreements are classified as operating leases is recognized over the term of the agreement using the straight-line method. Rental income from parking spaces is also recognized over the term of the agreement using the straight-line method. Rent rebates are recognized as part of general rental income and therefore also have to be considered as reducing income over the term of the tenancy or leasing agreement.

The service charges passed on to the tenants are generally offset against the corresponding expense and are therefore not generally recognized as income, as the GSW Group collects these charges on behalf of third parties.

Proceeds from the disposal of property are recognized at the time when the GSW Group transfers the significant risks and rewards in relation to the property to the buyer. Such a transfer can generally be assumed when the GSW Group has surrendered the rights of control usually entailed by ownership and has handed over effective control of the sold properties to the vendor. No revenues are realized if guarantees have been given regarding return on investment, the buyer has a right of return or the GSW Group still has material obligations towards the buyer.

Proceeds from the disposal of properties where the GSW Group simultaneously concludes a contract to rent the property are recognized according to the rules for sale leaseback transactions in accordance with IAS 17. Proceeds from the sale of the property in excess of the carrying amount previously recognized for the property in question are deferred and amortized over the period of the tenancy agreement in as far as the tenancy agreement is to be classified as a finance lease in accordance with IAS 17. If the tenancy agreement is to be classified as an operating lease, the deferrable difference at the time of sale between the fair value and the selling price is also recognized as income over the term of the tenancy agreement. If the carrying amount exceeds the fair value in such cases, this difference is immediately recognized as expense.

Operating expenses are charged to the income statement at the time of the work or service or at the time that they are caused.

Interest is recorded as income or expense in the period incurred.

Income and expense from profit and loss pooling agreements are recognized at the result calculated at the end of the financial year in accordance with German accounting standards. Dividends are recognized at the time of distribution. The distribution period is usually the same period as that in which the claim arises.

(r) Government grants

Claims arising from investment subsidies are recognized as soon as the GSW Group has sufficient certainty that such subsidies will be granted and that the conditions attached to the grant of the subsidy will be met. Government grants in connection with the modernization of properties are recognized as income at the time when the subsidized costs are recognized as expense in as far as these are not costs that can be capitalized. Grants for the parts of modernization costs that can be capitalized are recognized as income upon the expiry of the terms for the grant. Rent subsidies are recognized as income in the periods for which they are granted. In the case of subsidy loans, the interest subsidy is included in the effective interest rate applied.

(s) Interest on borrowed capital

The GSW Group includes the interest associated with the purchase or construction of real estate or other property, plant and equipment in the cost of these assets.

(t) Transactions in foreign currency

Purchases and sales in foreign currency are translated at the exchange rate on the date of the transaction. Assets and liabilities in foreign currency are translated into the functional currency (EUR) at the exchange rate on the balance sheet date. The exchange rate gains and losses resulting from these translations are recognized as income/expense.

(u) Fair values of financial instruments

The fair values of the financial instruments are determined on the basis of the corresponding market values or measurement methods. For cash and cash equivalents and other current, primary financial instruments, the fair values roughly correspond to the carrying amounts recognized on the closing dates.

In the case of non-current receivables, other assets and liabilities, the fair value is determined on the basis of the expected cash flows using the reference rates applicable on the balance sheet date. The fair values of the derivative financial instruments are calculated on the basis of the reference rates on the balance sheet date.

In the case of financial instruments to be reported at fair value, in principle the fair value will be calculated on the basis of corresponding market or stock exchange prices.

Where no market or stock exchange prices are available, a valuation will be made with application of normal market valuation methods with consideration of instrument-specific market parameters.

The fair value calculation will be in accordance with the “Discounted Cash Flow Method”, whereby individual credit ratings and other market circumstances will be taken into consideration in the form of normal market credit rating and liquidity spreads when calculating the present value.

For the calculation of the fair value of derivative financial instruments, the relevant market prices and interest rates observed on the balance sheet date and obtained from recognized external sources will be used as initial parameters for the valuation models. Accordingly, derivatives are classified as level 2 of the valuation hierarchies as defined by IFRS 7.27A (Valuation on the basis of observable input data).

(v) Use of estimates

The preparation of the IFRS consolidated financial statements requires estimates and assumptions that influence the recognition of assets and liabilities, the disclosure of contingent liabilities as of the balance sheet date and the recognition of income and expense. Significant estimates and assumptions have particularly been made in relation to the fair value of the properties, the likelihood of certain provisions being utilized, the determination of market interest rates at the time when non-interest-bearing or low-interest loans are granted and whether deferred tax assets can be realized.

An estimate of future interest-rate trends is of particular importance for the measurement of investment property, including properties held for sale and loans taken out to finance investment property. As regards the sensitivity of the property values in relation to interest rates, reference is made to Note (16); with respect to the goodwill impairment test, reference is made to Note 4 (d) and regarding the fair value of the loans to Note (31).

The actual amounts may differ from the estimates and the amounts resulting from assumptions.

(w) Capital management

The Group’s capital is managed with a view to maximizing the proceeds of the stakeholders in the company by optimizing the equity/borrowed capital ratio. The aim is to achieve an increase in the value of the overall Group, expressed in terms of its equity, while obtaining an appropriate equity return. In this context, GSW ensures that all Group companies are able to operate in accordance with the going-concern principle.

In addition to the Group’s equity and liabilities, its cash and cash equivalents and interest-bearing outstanding debt obligations are also included in its capital.

The management reviews the Group's net equity ratio (ratio of equity to net liabilities) on a quarterly basis. Accordingly, from the profits generated in previous years that were retained by the company, a total of EUR 446.6 million (of which EUR 70.0 million as advance distribution) was paid to the shareholders in the current financial year. Consequently, a satisfactory net equity ratio of 53.9% was recorded and the new overall strategy specifying a minimum equity ratio of 30 % was achieved. Externally imposed capital requirements are met (see Note 33.c).

The internal focus on the properties' performance provides the scope to increase and control the overall capital while remaining within the target corridor.

The net equity ratio at the end of the year is as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Liabilities	1,759,323	1,794,967
Cash and cash equivalents	-40,129	-108,215
Interest-bearing monetary receivables	0	-358,240
Net liabilities	**1,719,194**	**1,328,512**
Equity	926,126	1,211,551
Ratio of equity to net liabilities	**53,9%**	**91,2%**

(x) Segment Reporting

IFRS 8 replaces IAS 14 "Segment Reporting". IFRS 8 requires the "management approach", which stipulates external reporting for single segments to be prepared on the same basis that is used for the internal reporting.

The business activities of GSW are mainly focused on rental of apartments in the Berlin area. Sales of portfolio properties to tenants, owner-occupiers and private investors have been carrying out due to opportunistic market conditions and are recognized within the internal reporting regarding rental of apartments. GSW has not generated revenues of more than 10% with any of their customers.

As a result, one reportable segment according to IFRS 8 was identified. This segment comprises all operating activities of the group. The reporting of this segment is in line with the internal reporting to the chief operating decision maker. The chief operating decision maker is represented by the management board.

(5) PUBLISHED BUT NOT YET MANDATORY INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC)

Amendments of the following standards were approved:

IAS 24 was revised in November 2009 to the effect that public companies are now partially exempt from certain duties to disclose information. Furthermore, a more detailed definition of a related party (person or entity) was included. The amended IAS 24 is mandatory for reporting periods commencing on or after January 1, 2011. At present, this standard is of no relevance to the GSW Group.

In 2008 the revised versions of IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements" were published. The new IFRS 3 comprises rules regarding the scope of applicability, purchase-price components, the treatment of minority shares and goodwill and the scope of the reportable assets, liabilities and contingent liabilities. The standard also includes rules for the reporting of loss carry forwards and classification of contracts of an acquired company .

The new IAS 27 "Consolidated and Separate Financial Statements" requires mandatory application of the “economic entity approach” for treatment of share purchases and sales once the possibility of control has been acquired and maintained. This means that such minority transactions are to be deemed shareholder transactions and recognized in equity without affecting income. In case of share sales leading to the loss of the possibility of control a disposal gain or loss will be recognized in the income statement. Where shares are still held following the loss of the possibility of control, the remaining shares will be reported at their fair value. The difference between the previous carrying amount of these remaining shares and their fair value will be incorporated in the disposal result and recognized in the income statement and will be reported separately in the notes at the relevant revaluation amount for the remaining share. In case of gradual company acquisitions or a pro rata disposal, the standard requires re-measurement at fair value of the shares already held or remaining, with recognition in the income statement. In addition, future losses on minority interests which exceed their balance sheet value are to be shown as negative book values in the consolidated retained earnings.

IFRS 3 and IAS 27, which were revised in January 2008, are essentially to be applied prospectively for financial years commencing on or after July 1, 2009. Depending on the type and volume of future transactions, the changes may have consequences for the assets, financial position and earnings of the GSW Group which it is not possible to assess at the present time.

Furthermore, the revised version of IAS 32 "Financial Instruments: Presentation” was published in October 2009. IAS 32 governs the recognition of rights issues denominated in a currency other than the functional currency. Up until now, such rights were recognized as derivative liabilities. In the future, these rights shall be classified as equity if certain circumstances apply. The amendments to IAS 32 are mandatory for financial years commencing on or after February 1, 2010. This has no effect on the Group.

In July 2008, IAS 39 “Financial Instruments: Recognition and Measurement” was revised, detailing the application of the IAS 39 hedge accounting principles to two specific situations: firstly, in the case of a one-sided risk in the hedged item and secondly, in the case of inflation in a financial hedged item. The amendments to IAS 39 are mandatory for financial years commencing on or after July 1, 2009. No significant effects on the GSW Group are expected.

IFRS 1 was restructured in the context of the new modifications in November 2008. No substantive changes were made. The new IFRS 1 shall be applied for financial years beginning on or after July 1, 2009.

IFRS 1 was subject to further revision in July 2009. According to IFRS 1, companies applying the full cost method are exempt from retrospectively applying IFRS to oil and gas assets. Furthermore, companies are in certain circumstances exempt from reassessing existing agreements as to whether or not they contain leases. The amendments to IFRS 1 are mandatory for financial years commencing on or after January 1, 2010. At present, this standard is of no relevance to the GSW Group.

Furthermore, IFRS 2 was revised in June 2009. The new regulations contain clarifications regarding the treatment of cash-settled share-based payment transactions involving several group companies. The amendments to IFRS 2 are mandatory for financial years commencing on or after January 1, 2010. At present, this standard is of no relevance to the GSW Group.

IFRS 9 “Financial Instruments” was published in November 2009. The standard includes new regulations regarding the classification and measurement of financial assets. The four previous measurement categories have been replaced by two (amortized cost and fair value). Depending on the nature and scope of future transactions, IFRS 9 will have an impact on the assets, financial position and earnings of the GSW Group that is currently not quantifiable. IFRS 9 is mandatory for financial years commencing on or after January 1, 2013.

The “Improvements to IFRS 2009” as published in April 2009 represent a second collective standard relating to the amendment of various IFRS. They include 15 different amendments to twelve existing

IFRS. These amendments principally concern changes that are considered immaterial, such as the removal of inconsistencies within the standards and the clarification of ambiguous phrasings. This standard is mandatory for financial years commencing on or after January 1, 2010. Its effects on the GSW Group are currently being investigated.

In addition, the IASB published re-interpretations that were adopted by the Commission of the European Communities:

- IFRIC 12 relates to the recognition of service concession agreements between public sector bodies as grantors and private companies as operators. Agreements are within the scope of this interpretation if the grantor controls and regulates which services the operator provides for the infrastructure, who the operator provides them to and what prices are charged. At the end of the term of the agreement, the infrastructure must be transferred to the grantor. The scope of the regulation includes infrastructure set up by the operator or acquired by a third party as well as existing infrastructure to which the grantor provides access. IFRIC 12 is mandatory in the EU for financial years commencing on or after March 29, 2009.
- IFRIC 14 "Payments of a Minimum Funding Requirement Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was revised in November 2009. Accordingly, companies that are subject to minimum finding requirements and pay advance contributions to comply with such minimum funding obligations may recognize the benefits arising from such advance payment as assets. IFRIC 14 is mandatory for financial years commencing on or after January 1, 2011.
- IFRIC 15 "Agreements for the Construction of Real Estate" governs the recognition of real estate sales where a contract is concluded before completion of the building work. The EU postponed the date of the initial application of IFRIC 15 to January 1, 2010. The impact of the future application of this interpretation is currently being investigated.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" concerns the accounting for the hedging of foreign currency risks between a company and its foreign operations. The EU postponed the date of the initial application of IFRIC 16 to June 30, 2009.
- IFRIC 17 „Distribution of Non-cash Assets to Owners" contains provisions regarding the recognition and measurement of non-cash distributions. The EU postponed the date of the initial application of IFRIC 17 to November 1, 2009.
- "Transfers of Assets from Customers" clarifies the requirements for agreements under which an entity receives an item of property, plant and equipment (or cash that is used exclusively for the purchase or production of property, plant and equipment) from a customer that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The EU postponed the date of the initial application of IFRIC 18 to November 1, 2009.
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" governs the recognition in the balance sheet of so-called debt-equity swaps. In this context, entities extinguish financial liabilities either partially or entirely by issuing equities or other equity instruments. IFRIC 19 is mandatory for financial years commencing on or after July 1, 2010.

IFRIC 12, 14, 16, 17, 18 and 19 currently have no impact on the financial statements of the GSW Group.

(6) FIRST-TIME MANDATORY INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC)

In the reporting year, all new and revised standards and interpretations which were applicable and relevant for financial years commencing on or after January 1, 2009 were adopted throughout the GSW Group. The adoptions of the new standards and interpretations were applied according to the applicable transitional rules. The first time adoption of these new standards and interpretations did not have a material effect on the group financial statements. The following standards and interpretations apply:

In September 2007, IASB published the revised version of IAS 1 "Presentation of Financial Statements" as part of phase A of a joint project carried out in conjunction with the US FASB. The new version provides for different terms for the components of the financial statements. Furthermore, a clear distinction is made between non-owner changes in equity and owner changes in equity. The other comprehensive income, OCI must therefore be reported in a so-called statement of comprehensive income. Recognition together with the owner changes in equity in the form of a statement of changes in equity will no longer be permitted. Dividends may no longer be reported in the income statement. Instead, they must be reported as owner changes in equity exclusively in the statement of changes in equity or in the notes.

The requirement relating to the mandatory recognition of other comprehensive income in the statement of comprehensive income may be complied with by presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The statement of comprehensive income distinguishes between the individual OCI components. Aside from the effect of taxes on income, standardizing entries for reclassifications upon realization of income and expense previously recorded without an effect on income to the income statement must also be presented separately. Furthermore, the associated income tax must be stated for each component. The standard affects the presentation of the financial statements. However, it does not affect the assets, financial position and earnings.

According to IAS 23, borrowing costs directly associated with to the acquisition, construction or production of a qualifying asset as defined by IAS 23 must be capitalized in the future. The previous option regarding the capitalization of borrowing costs no longer applies. Up until now, borrowing costs had been treated as expense. These changes do not affect the Group’s assets, financial position and earnings.

Furthermore, the revised version of IAS 32 “Financial Instruments: Presentation” was published in January 2008. IAS 32 determines whether an issuer shall classify a financial instrument as equity or liability. Under certain circumstances, the new version of IAS 32 allows for puttable financial instruments to be recognized as equity. This leads to consequential amendments to IAS 1. At present, the financial statements of the GSW Group are not affected by such amendments.

IFRS 1 “First-time adoption of International Financial Reporting Standards” and IAS 27 were revised in May 2008. The standards simplify the measurement of investments for the first-time adoption of IFRS in individual financial statements.

Several amendments to IFRS 2 "Share-based Payment" relating to "Vesting Conditions and Cancellations" were also published in 2008. According to the new regulations, certain terms have been clarified and the vesting conditions in the context of share-based payment arrangements have been defined in greater detail. In this context, share-based payment arrangements are associated with conditions that indicate whether or not an entity has received the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity. As regards the measurement of the equity instruments provided in the context of share-based payment arrangements, such conditions as do not represent vesting conditions shall also be taken into account. Furthermore, the regulations govern the cancellation of share-based payment arrangements. At present, these amendments do not affect the Group’s assets, financial position and earnings.

The revision of IFRS 7 in March 2009 led to extended disclosures regarding the measurement of the fair value (three-level hierarchy) and disclosures regarding the liquidity risk. This amendment does affect the financial statements of the GSW Group.

The IASB published IFRS 8 "Operating Segments" in December 2006 which replaced IAS 14. IFRS 8 is based on the "management approach" according to which the definition of the segments as well as the presentation of segment information is based on internal reports addressed to the chief operating decision maker of the group. The application of IFRS 8 leads to the identification of one reportable segment in the GSW Group.

The “Improvements to IFRS” issued in May 2008 represent a collective standard amending various IFRS. These amendments principally concern changes that are considered immaterial, such as the removal of inconsistencies within the standards and the clarification of ambiguous phrasings. The application of the “Improvements to IFRS” has no material effect on the GSW Group.

In addition, the IASB revised and published re-interpretations in the years 2007, 2008 and 2009 that were adopted by the Commission of the European Communities:

- IFRIC 9 “Reassessment of embedded derivatives” / IAS 39 “Financial instruments: Recognition and Measurement” specifies the treatment of embedded derivatives in cases whereby entities reclassify securities from the “measured at fair value with effect on income" category.
- IFRIC 13 “Customer loyalty programs” governs the recognition and treatment of the provision of award credits to customers for the purchase of goods and services.
- IFRIC 14 “IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interactions“ regulates the determination of the limit up to which surpluses on plans can be recognized as assets in IAS 19 and the computation of benefit assets or liabilities taken into account the minimum capitalization under the articles of association or respective contract.

IFRIC 9, 13 and 14 do not affect the Group’s financial statements.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

(7) NET RENTAL INCOME

(a) Gross rental income

The result from property management activities amounts to KEUR 133,582 (2008: KEUR 129,273).

Gross rental income comprises the following components:

KEUR	2009	2008
Income from rents	179,108	176,769
Income from management activities	3,943	4,167
Other income	13,671	8,828
Gross rental income	**196,722**	**189,764**
Income from direct government grants	**15,055**	**15,624**
Total rental income	**211,777**	**205,388**

Modernization funds account for KEUR 3,434 (2008: KEUR 6,443) of the income from rents in the amount of KEUR 179,108 (2008: KEUR 176,769). Further income from rents in the amount of KEUR 1,844 (2008: KEUR 1,792) relate to the Kochstrasse property.

The increase in other income in the amount of KEUR 4,843 is essentially due to the income generated by 'Facilita Berlin GmbH' as a group company since August 1, 2008.

(b) Income from direct government grants

This income is composed as follows:

KEUR	2009	2008
Direct rent subsidies	1,202	1,239
Direct government grants due to social housing	13,661	14,361
Other direct grants	192	24
Income from direct government grants	**15,055**	**15,624**

(c) Expenses in connection with rental income

KEUR	2009	2008
Cost of materials	-52,684	-53,885
Personnel expenses	-18,535	-14,922
Depreciation and amortization	-780	-923
Other operating expenses	-14,135	-14,063
Total operating expenses	**-86,134**	**-83,793**
Other operating income	7,938	7,678
Property operating expenses	**-78,196**	**-76,115**

No disclosures can be made of the expenses for individual apartments that cannot be leased as the corresponding information is not available for all types of cost on the level of the individual apartments in the cost accounting of the GSW Group. Applying the average vacancy rate of 4.5 % as of December 31, 2009 would result in expenses of KEUR 3,876 that are attributable to vacant apartments.

Expense in connection with rental income relates to modernization funds in the amount of KEUR 3,838; (2008: KEUR 7,326) and the Kochstrasse property in the amount of KEUR 4,146 (2008: KEUR 3,891).

The increase in personnel expenses is predominantly due to the KEUR 1,159 increase in janitor-related personnel expenses, a KEUR 771 increase in premium provisions and a KEUR 933 decrease in the utilization of provisions for restructuring measures.

(8) SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses are composed as follows:

KEUR	2009	2008
Cost of goods and services	-5,479	-7,402
Personnel expenses	-565	-563
Depreciation and amortization	0	-4
Other operating expenses	-3,490	-1,306
Other operating income	911	2,350
Selling expenses relating to the disposal of investment property	**-8,623**	**-6,925**
Personnel expenses	-10,657	-9,657
Depreciation and amortization	-1,006	-1,160
Legal and consulting expenses	-4,741	-5,190
Costs for annual financial statements, bookkeeping and audit	-1,702	-1,223
Expenses for postage, telecommunications and IT	-4,562	-4,291
Rent and leasing costs	-2,989	-2,529
Other expenses	-7,580	-4,150
Other operating income	2,171	5,158
Administrative expenses	**-31,066**	**-23,042**
Selling and administrative expenses	**-39,689**	**-29,967**

The selling and administrative expenses include KEUR 2,717 (2008: KEUR 2,533) relating to the part of the Kochstrasse property that is used by GSW. The general rent accounts for KEUR 2,063 (2008: KEUR 2,066), ongoing maintenance KEUR 16 (2008: KEUR 45) and operating costs KEUR 638 (2008: KEUR 422).

(9) OTHER INCOME AND EXPENSES

In the current financial year, no other income or expenses were generated/incurred. The other income reported in the financial year 2008 in the amount of KEUR 10,259 mainly result from the disposal of the shares in MVV Energiedienstleistungen Wohnen GmbH & Co. KG amounting to KEUR 10,147 that were recognized as available for sale.

(10) RESULTS OF ASSOCIATES AND JOINT VENTURES RECOGNIZED AT EQUITY

Due to the immateriality of the 31.25 % investment quota in the Weinmeisterhornweg fund in 2009 (2008: 21.16 %), the fund was not consolidated at equity.

(11) INTEREST INCOME AND EXPENSES

The interest income and expenses are composed as follows:

KEUR	2009	2008
Interest on loans to shareholders	18,406	35,626
Gains on changes in the fair value of interest derivatives	9,325	9,672
Interest income on interest derivatives	4,417	17,499
Interest on cash in bank accounts	999	2,630
Interest on receivables	139	611
Interest on adjustments in loan terms	9,708	17,852
Other interest income	582	344
Interest income	**43,576**	**84,234**
Interest expenses from the financing of investment property	43,813	85,226
Net expenses from adjustments in loan terms *	32,867	27,464
Early redemption penalties	0	567
Losses on changes in the fair value of interest derivatives	5,871	36,420
Interest expense from interest derivatives	10,591	9,070
Interest expense from finance leases	218	238
Interest expense from the interest accrued on other provisions	3,853	3,190
Interest expense for other financial liabilities	148	386
Interest expense from changes in pension provisions	0	103
Other interest expenses	46	98
Interest expenses	**97,407**	**162,762**

** These PnL amounts include - besides the loan amortisation effects according to IAS 39.9 - PnL effects from changes in estimated cash flows according to IAS 39 AG 8.*

(12) INCOME TAXES

Income taxes include current income tax expense and income as well as deferred taxes. The income taxes are made up of trade tax on profits, corporation tax and the solidarity surcharge.

Expenses and income from income taxes are broken down as follows, according to origin:

KEUR	2009	2008
Current tax expense / income	-537	2,907
Deferred tax expense / income	-1,767	-2,998
Tax expense	**-2,304**	**-91**

Current taxes unrelated to the current reporting period amount to KEUR -180 (2008: KEUR 2,907).

In the reporting year deferred taxes developed as follows:

KEUR	2009	2008
Deferred taxes as of Dec. 31, 2008	140	0
Changes affecting operating result	-1,767	-2,998
Changes not affecting operating result	1,744	2,767
Recorded in the course of PPA not affecting operating result	0	371
Deferred taxes as of the end of the reporting period	**117**	**140**
- of which long-term	*114*	*63*
- of which short-term	*3*	*77*

Deferred tax assets were recorded by the "Facilita Berlin GmbH" subsidiary as it is expected to experience positive future results.

The theoretical income tax expense that would have resulted applying the tax rate of 30.175 % applicable to the parent company of the GSW Group (tax rate for 2008: 30.175 %) to the IFRS consolidated pre-tax income can be reconciled with the income taxes according to the comprehensive income statement as follows:

KEUR	2009	2008
Pre-tax income (IFRS)	174,403	107,764
Group tax rate as %	30	30
Expected tax expense	**-52,626**	**-32,518**
Deviating tax rate	0	375
Changes in the impairment of deferred taxes	51,923	34,373
Non-deductible operating expenses	-40	-9
Tax-free income	69	13
Additions and reductions in relation to trade tax	-1,300	-5,071
Tax from previous years	-180	2,907
Other effects	-150	-161
Tax expense as reported on the income statement	**-2,304**	**-91**

Incorporated enterprises are subject to corporation tax at a rate of 15 % (2008: 15 %) plus a solidarity surcharge of 5.5 % (2008: 5.5 %) of the assessed corporation tax amount net of credits. In addition these companies and commercially active subsidiaries that have the legal form of a partnership are subject to trade tax levied at different rates by different municipal authorities. The trade tax municipal factor for Berlin was 410 % in financial year 2009 (2008: 410 %).

The uniform base amount of trade tax amounts to 3.5 % (2008: 3.5%). Taking into account the municipal factor of 410 %, the trade tax rate amounts to 14.35 %. In the year under review, the underlying domestic tax rate for the calculation of the deferred taxes is therefore 30.175 % (2008: 30.175 %).

The reconciliation effect for the changes in recognition of deferred taxes results from the non-recognition of deferred tax assets for temporary differences and tax losses in the current year and the recognition of deferred tax assets on losses in previous years.

Additions in terms of trade tax result from the charges relating to interest on debt that is added to the operating profits on a prorate basis. Deductions are included with respect to the properties' assessed value.

Deferred tax assets and liabilities arise from the temporary differences and loss carry forward as follows:

KEUR	Dec. 31, 2009		Dec. 31, 2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investment property	5,086	104,522	39,989	11,888
Property, plant and equipment	2,270	2,664	1,903	2,843
Investments	0	62	199	0
Development of properties and inventories	7	0	127	0
Receivables and other assets	9,445	4,421	5,515	2,961
Accumulated other comprehensive income	897	610	-11	1,467
Special account with reserve characteristics	0	12,088	0	6,510
Employee benefits	108	0	87	0
Other provisions	1,400	1,348	0	1,615
Other bank loans	3,129	39,461	3,879	42,624
Trade payables	119	70	1,849	59
Other liabilities	246	4,690	1,345	5,331
Total temporary differences	**22,707**	**169,936**	**54,882**	**75,298**
Loss carry forward	147,346	0	20,556	0
Total	**170,053**	**169,936**	**75,438**	**75,298**
Offsetting	-169,936	-169,936	-75,298	-75,298
Amount recognized on balance sheet	**117**	**0**	**140**	**0**

Deferred tax assets are recognized with respect to temporary differences and loss carry forward to the extent that their realization in the near future seems sufficiently certain. In financial year 2009 no deferred tax assets were recognized for temporary differences of KEUR 3,452 (2008: KEUR 10,093), for tax loss carry forward for corporation tax purposes of KEUR 1,618,614 (2008: KEUR 1,569,678) and for trade tax purposes of KEUR 1,303,593 (2008: KEUR 1,351,003) as it is not likely that sufficient taxable income will be generated for these amounts in the near future.

The question whether, and if in what amount, positive income can be expected in the future and whether the loss carry forward may thus be utilized could be answered with reasonable assurance at the time of the preparation of the annual financial statements as section 5 (1) EstG (German Income Tax Law) was amended at the same time as the accounting regulations under commercial law. In general, at the end of the financial year, the operating assets that result in the application of the principles of proper accounting under commercial law shall be recognized in the tax balance sheet.

However, in consideration of the accounting principles, tax options allow for different amounts to be recognized. In the past few years, real estate valuations frequently led to unscheduled depreciation under commercial law and, after an assessment of the permanence of the impairment, to impairment losses under tax law. At present, according to both the relevant literature and the draft letter of the BMF relating to the relevance of the commercial financial statement to the determination of the taxable income, companies have the prospective option of reflecting the impairment loss in the tax balance sheet.

The total temporary differences for interests in subsidiaries for which no deferred tax liabilities have been recognized pursuant to IAS 12.39 is KEUR 256,254 (2008: KEUR 0).

Within the framework of minimum taxation in Germany, at the time of writing there is no legal restriction in point of time on carrying forward losses.

(13) TOTAL AUDITOR'S FEES

The total fees charged by the auditor of the annual financial statements are composed as follows:

KEUR	2009	2008
Audit of annual financial statements	862	954
Other certifications	1,797	0
Tax consultancy	3	3
Other services	281	20
Tax fees	**2,943**	**977**

The other certification services provided by the auditor in the financial year 2009 amounting to KEUR 1,797 also form part of the expenses associated with the assessment of the company's capital market viability (see chapter 14).

(14) MISCELLANEOUS DISCLOSURES

The individual functional areas contain the following types of costs:

KEUR	2009	2008
Personnel expenses	29,757	25,142
Depreciation and amortization	1,785	2,086
Cost of materials	58,162	61,287

The 2009 personnel expenses include restructuring expenses in the amount of KEUR 781 (2008: KEUR 1,619).

In the financial year, non-recurrent project costs arose in the cost of materials in the amount of KEUR 5,276 (2008: KEUR 5,382).

The non-recurrent project costs refer to expenses associated with third parties that arose in connection with the introduction of new software, major release changes or relevant reorganization projects.

Further expenses in the amount of KEUR 2,370 arose with respect to establishing the company's capital market viability. Furthermore, provisions in the amount of KEUR 2,405 were formed for services not yet invoiced.

(15) NET EARNINGS BY VALUATION CATEGORY

The net earnings on financial instruments are due to changes in fair value, value impairments, write-ups and write-offs. In the financial year, interest income and expenses resulted for financial instruments which were measured at their fair value and were not recognized as income and expenses. The interest on financial instruments is shown in the interest income and expenses.

The GSW Group records the other net earnings components as follows: The impairment allowances and depreciation and amortization for deliveries and performances attributable to the "loans and receivables" valuation category are recognized in the net rental and building management income (other operating income and other operating expenses). Write-downs and impairment allowances on other receivables for financial instruments are recorded under the general expenditure on administration.

The "other income" (other operative income and expenses) is shown under the income from other earnings components in the "loans and receivables" valuation category.

The following table shows the net earnings by valuation category:

Dec. 31, 2009 KEUR	from interest	from dividends	from subsequent measurement			from disposals	from other earnings components	net earnings
			at fair value	impairment allowance	write-ups			
Loans & receivables	19,549	0	0	-873	1,818	-4,270	331	16,555
HTM	0	0	0	0	0	0	0	0
AFS	31	294	0	-1,028	0	1	2	-700
FVTPL - FVO	0	0	0	0	0	0	0	0
FAHFT and FLHFT	-6,174	0	-4,213	0	0	0	0	-10,387
Other liabilities (at cost)	-67,383	0	0	0	0	1,622	-27	-65,788
Total	**-53,977**	**294**	**-4,213**	**-1,901**	**1,818**	**-2,647**	**306**	**-60,320**

Dec. 31, 2008 KEUR	from interest	from dividends	from subsequent measurement			from disposals	from other earnings components	net earnings
			at fair value	impairment allowance	write-ups			
Loans & receivables	36,118	0	0	-3,374	732	-2,659	37	30,854
HTM	0	0	0	0	0	0	0	0
AFS	57	526	0	0	0	10,199	0	10,782
FVTPL - FVO	0	0	0	0	0	0	0	0
FAHFT and FLHFT	8,429	0	-27,711	0	1,190	0	0	-18,092
Other liabilities (at cost)	-97,088	0	0	0	0	397	-67	-96,758
Total	**-52,484**	**526**	**-27,711**	**-3,374**	**1,922**	**7,937**	**-30**	**-73,214**

HTM = held to maturity AFS = available for sale FVTPL-FVO: fair value trough profit and loss-fair value option

FAHFT/FLHFT: financial assets/liabilities held for trading

The impairment losses (KEUR 873) relate almost entirely to the trade receivables item.

NOTES ON THE CONSOLIDATED BALANCE SHEET

(16) INVESTMENT PROPERTY, INCLUDING INVESTMENT PROPERTY HELD FOR SALE

As regards the development of investment property in financial years 2008 and 2009 reference is made to the GSW Group's statement of changes in non-current assets.

The investment property including property held for sale is composed as follows:

	Dec. 31, 2009		Dec. 31, 2008		Dec. 31, 2007	
	Residential property	Commercial property	Residential property	Commercial property	Residential property	Commercial property
Units	49,671	916	50,108	942	51,086	949
Area (in sqm)	3,054,251	101,076	3,082,874	104,302	3,144,009	104,868

The portfolio of the GSW Group also includes 7,686 (2008: 7,560) parking spaces.

The additions shown in the 2009 statement of changes in non-current assets consist exclusively of additions associated with modernization. Properties were not acquired in 2009.

The investment property, including the property held for sale (IFRS 5), can be broken down as follows:

KEUR	Dec. 31, 2009		Dec. 31, 2008	
	Investment property	Property held for sale	Investment property	Property held for sale
Built plots	2,559,958	20,569	2,455,167	8,794
Unbuilt plots	25,323	1,340	29,501	1,264
Total	**2,585,281**	**21,909**	**2,484,668**	**10,058**

The fair values of the properties in the portfolio (IAS 40/ IFRS 5) as of December 31, 2009 would be as follows if the discounting rate were to vary by +/- 0.5 % vis-à-vis the interest rate applied as of December 31, 2009:

KEUR	+ 0.5 %	- 0.5 %
Built plots	2,488,724	2,677,351
Unbuilt plots *	26,663	26,663
Total	**2,515,387**	**2,704,014**

* No correlation to the discount interest rate. The assumed amount does not change.

Some of the investment property is leased under commercial tenancy or lease agreements. The tenancy or lease agreements usually run for 10 years with a renewal option for a maximum of five years on two occasions. The tenancy agreements of the GSW Group for residential property generally provide for the parties to give three months' notice as of the end of a month if the agreement is to be terminated. The following payment claims from the minimum rents/leasing installments are expected over the next few years on the basis of the agreements existing as of December 31, 2009:

KEUR	Up to one year	Between one and five years	More than five years
Future payments for operating leases as per Dec. 31, 2009	8,324	16,030	1,353
Future payments for operating leases as per Dec. 31, 2008	44,935	4,915	787

(17) INTANGIBLE ASSETS

The development of the individual items of the Group's intangible assets is shown in the statement of changes in non-current assets that forms an integral component of these Group notes.

(18) PROPERTY, PLANT AND EQUIPMENT

Reference is made to the statement of changes in non-current assets as regards the development of property, plant and equipment.

(19) INVESTMENTS

Non-consolidated interests in subsidiaries and the financial instruments in the "available for sale" category that form part of the other non-current assets are measured at fair value as of the balance sheet date or at amortized cost if the fair value cannot be reliably measured due to the lack of an active market or by means of other measurement methods as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Amortized cost	5,862	7,979
Fair Value	962	0
Financial instruments of non-current assets in the "available for sale" category	**6,824**	**7,979**

(20) DEVELOPMENT OF PROPERTIES AND OTHER INVENTORIES

The property development is composed as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Developments of properties sold in the course of ordinary operating activities	94	717
Development of properties and other inventories	**94**	**717**

(21) TRADE RECEIVABLES

Trade receivables are composed as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Trade receivables (gross)	23,525	26,438
Impairment allowances for trade receivables	-6,704	-8,998
Trade receivables	**16,821**	**17,440**

The amount recognized for trade receivables is divided up as follows among the individual business activities of the GSW Group:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Receivables from property management	11,107	9,794
Receivables from sales of investment property	4,177	3,569
Other trade receivables	1,537	4,077
Trade receivables	**16,821**	**17,440**

The due dates for the payment of the trade receivables are as follows:

KEUR	Due within one year	Due between one year and five years	Due after five years
December 31, 2009	15,145	1,543	133
December 31, 2008	15,374	1,677	389

(22) RECEIVABLES DUE FROM RELATED PARTIES

Receivables due from related parties are composed as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Receivables due from shareholders	0	358,240
Receivables due from joint ventures and associates	0	0
Receivables due from other related parties	4	0
Receivables due from related parties	**4**	**358,240**

It was not necessary to make impairment allowances for recognizable default risks on the closing dates in question.

The receivables due from related parties have the following due dates of payment:

KEUR	Due within one year	Due between one year and five years	Due after five years
December 31, 2009	4	0	0
December 31, 2008	358,240	0	0

Further disclosures concerning related parties can be found in Note (35).

(23) OTHER ASSETS

The other assets are composed as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Derivatives measured at fair value	429	4,086
Receivables from government grants	589	501
Receivables from employees	124	196
Creditors with debit balances	206	328
Miscellaneous	1,657	1,200
Other financial assets	**3,005**	**6,311**
Prepayments and deferred expenses	416	1,140
Receivables from other taxes	1,594	1,542
Advance payments	697	671
Other miscellaneous assets	**2,707**	**3,353**
Other assets	**5,712**	**9,664**

The other assets have the following due dates of payment:

KEUR	Due within one year	Due between one year and five years	Due after five years
December 31, 2009	4,233	504	975
December 31, 2008	5,123	3,522	1,019

(24) ASSETS HELD FOR SALE

In accordance with IFRS 5 the assets held for sale only include properties where a decision has been taken to dispose of the property as at the relevant balance sheet date, the sale is seen as being highly probable within 12 months of the decision and active marketing efforts have been initiated.

(25) EQUITY

The changes in equity are reported in the development of the consolidated equity.

(a) Subscribed capital and capital reserve

GSW's subscribed capital amounts to EUR 10,000,000. The Group holds a capital reserve in the amount of EUR 40,136,372. As regards the division of the shares among GSW's shareholders reference is made to Note (1).

(b) Consolidated retained earnings

The consolidated retained earnings include the earnings of the companies included in the consolidated financial statements in past periods and in the current period in as far as they were not distributed.

By resolution of June 30, 2009 an amount totaling EUR 376.6 million was distributed to the shareholders W2001 Capital B.V. and Lekkum Holding B.V. as well as Archon Group Deutschland GmbH in the ratio of their holdings. EUR 41.5 million of this distribution was paid from the net income for the year 2008 and EUR 335.1 million from the retained earnings.

By resolution of September 14, 2009, in the context of an advance distribution, an amount of EUR 70.0 million was paid out to the above shareholders in the ratio of their holdings.

(c) Other equity accumulated

The other equity accumulated, which includes the adjustments in fair value for owner-occupied properties measured according to the revaluation method and adjustments in fair value for derivatives in cash flow hedges and for securities and other financial assets held for sale, developed as follows:

KEUR	2009	2008
Balance at January 1	**-1,171**	**9,772**
Other equity accumulated from the fair market valuation of securities and other financial assets held for sale	11	0
Other equity accumulated from the fair market valuation of owner-occupied properties	-57	59
Accumulated fair value changes of derivatives in cash flow hedges	-12,574	-13,769
Deferred taxes	1,743	2,767
Balance as of December 31	**-12,048**	**-1,171**

(d) Statement of recognized income and expenses

The statement of recognized income and expenses, which includes the fair value adjustments for the owner-occupied properties measured according to the revaluation method and the fair value for derivatives in cash flow hedges and for available for sale securities and other financial assets, developed as follows:

2009 KEUR	Before deferred taxes	Deferred taxes Jan. 1, to Dec. 31, 2009	After deferred taxes
Group earnings	172,099	0	172,099
Other equity accumulated from the fair market valuation of AFS securities and other financial assets	11	-4	7
Other equity accumulated from the fair market valuation of owner-occupied properties	-57	17	-40
Fair value adjustment of derivatives in cash flow hedges	-4,254	586	-3,668
Reclassification of interest derivatives affecting income	-8,320	1,144	-7,176
Total consolidated earnings	**159,479**	**1,743**	**161,222**

2008 *KEUR*	Before deferred taxes	Deferred taxes Jan. 1, to Dec. 31, 2008	After deferred taxes
Group earnings	107,673	0	107,673
Other equity accumulated from the fair market valuation of owner-occupied properties	60	-18	42
Fair value adjustment of derivatives in cash flow hedges	-12,579	2,544	-10,035
Reclassification of interest derivatives affecting income	-1,190	241	-949
Total consolidated earnings	**93,964**	**2,767**	**96,731**

(26) EMPLOYEE BENEFITS

The pension systems are designed as defined contribution plans and defined benefit plans. Pension provisions are formed for obligations due to the vested rights of certain active employees in the GSW Group and their surviving dependents. These pension commitments based on defined benefit plans relate to individual commitments involving fixed, non-recurring payments and are fully funded through provisions. Additionally there are pension commitments due to defined contribution plans which are funded through deferred compensation of the affected employees.

In addition, the companies of the GSW Group are members of the *Versorgungsanstalt des Bundes und der Länder* (Pension Institution of the Federal Republic and the Laender). The Pension Institution of the Federal Republic and the Laender is a public corporation that grants an additional pension to employees of public corporations and certain legal persons under private law. Due to its present constitution and regulations, the Pension Institution of the Federal Republic and the Laender is to be classified as a multi-employer defined benefit plan. In accordance with IAS 19.30(a), however, the commitments made by the Pension Institution of the Federal Republic and the Laender are recognized as a defined contribution plan as, due to the information available, it is not possible to measure the pension commitments using the method required for defined benefit plans in IAS 19.

According to IAS 19, the measurement of pension provisions for defined benefit plans is carried out on the basis of actuarial assumptions. The following parameters were used in the two financial years:

%	2009	2008
Interest rate - future pensioners	-	6.0 %
Interest rate - current pensioners	4.8%	6.2 %
Salary trend	2.0%	2.5 %
Pension trend	2.0%	2.0 %

As regards mortality, the companies of the GSW Group used the guideline tables, 2005G, produced by Dr. Klaus Heubeck.

In 2009, the defined benefit plans resulted in expenses of KEUR 115 (2008: KEUR 118) which were made up as follows :

KEUR	2009	2008
Past service cost	4	14
Interest expense	110	103
Realized actuarial gains	1	1
Pension expenses	**115**	**118**

The value of the provision is made up as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Present value of pension commitments	2,053	1,866
Actuarial gains and losses not realized	-24	221
Provision	**2,029**	**2,087**

The present value of the pension commitments developed as follows in the corresponding periods:

KEUR	2009	2008
Present value on January 1	**2,087**	**2,046**
Pension expenses	4	14
Retrospective offset for past service cost	0	0
Interest expense	110	103
Payments	-171	-75
Realizable actuarial income	-1	-1
Present value of employee benefits as of December 31	**2,029**	**2,087**

In 2009, the payments made by the GSW Group to the Pension Institution of the Federal Republic and the Laender amounted to KEUR 1,782 (2008: KEUR 1,597).

(27) OTHER PROVISIONS

The other provisions are composed as follows:

KEUR	Status at Jan 1, 2009	Additions	Interest cost	Utilized	Reversed	Status at Dec. 31, 2009
Provision for onerous contracts	1,473	0	290	-541	-51	1,171
Provision for other employee benefits	1,952	95	0	-529	-618	900
Provision for restructuring	60	0	0	-21	-39	0
Provision for litigation costs	739	3,714	0	-39	-24	4,390
Other miscellaneous provisions	1,262	2,054	127	-371	-199	2,873
Other provisions	**5,486**	**5,863**	**417**	**-1,501**	**-931**	**9,334**

The provision for onerous contracts relates to construction work obligations for properties which the GSW Group has sold to real estate funds. The construction work obligations which result from purchase and building contracts regarding not yet modernized apartments have to be satisfied by GSW without a limit of time.

The provisions accrued for other employee benefits include obligations in relation to part-time employment for older workers, i.e. future obligations of the GSW Group from accrued arrears during the active phase of the entitled employee and from a top-up. Obligations to employees who have already concluded an agreement concerning part-time employment for older workers and the number of employees who, on the basis of an estimate, will probably conclude such an agreement have been included the calculation. The corresponding payments to meet these obligations will be made by financial year 2014, taking account of the individual agreements probably concluded by this time.

The provision for litigation costs includes mainly risks relating to the removal of defects for three properties held for purchase.

(28) FINANCIAL LIABILITIES

The financial liabilities are composed as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Liabilities from financing investment properties	1,638,888	1,673,082
Liabilities from finance leases	2,206	2,550
Financial liabilities	**1,641,094**	**1,675,632**

(a) Liabilities due to banks from financing investment properties

The liabilities due to banks predominantly result from the financing of investment properties and are characterized by the following carrying amounts, interest rates and maturities. All loans are denominated in EUR.

Maturity	Dec 31, 2009 [KEUR]	Dec 31, 2008 [KEUR]	Interest rate as % in 2009
2009	0	26,565	EURIBOR + mark-up
2010	10,898	7,682	4.4 to 5.5
2011	916,449	920,858	EURIBOR + mark-up
2013	41,025	42,071	EURIBOR + mark-up
2014	28,444	27,196	EURIBOR + mark-up
2016	1,679	0	5.06
2017 to 2020	267,639	269,945	EURIBOR + mark-up
without contractual maturity	372,754	378,765	0.0 to 7.37
Total	**1,638,888**	**1,673,082**	

The 2011 maturity includes the Lehman loan taken out by the Group. The Group has the unilateral option to extend the loan until 2013. The loan is reported in the above maturity in respect of the originally agreed term.

The liabilities are generally secured by realty and the assignment of rights under the tenancy agreements. Principally, all portfolio properties and properties for sale serve as collateral security.

The liabilities from financing investment properties have the following due dates:

KEUR	Due within one year	Due between one year and five years	Due after five years
December 31, 2009	10,898	985,918	642,072
December 31, 2008	26,565	965,571	680,946

The effective rates of interest for the loans vary within the following corridors, depending on the date that the loans mature:

In percent	Dec. 31, 2009 minimum	Dec. 31, 2009 maximum	Dec. 31, 2008 minimum	Dec. 31, 2008 maximum
1 – 5 years	3.05	6.25	3.82	6.40
6 – 10 years	3.52	6.72	3.52	5.97
11 – 20 years	3.90	6.92	3.90	6.92
21 – 30 years	4.02	8.10	4.02	8.10
> 30 years	3.87	7.27	3.87	7.05

(b) Leasing liabilities

The leasing liabilities have the following due dates:

KEUR	Due within one year	Due between one year and five years	Due after five years
December 31, 2009	247	687	1,272
December 31, 2008	456	640	1,454

As of December 31, 2009, future payments due to leasing liabilities can be reconciled with the carrying amount of recognized liabilities as follows:

KEUR	Due within one year	Due between one year and five years	Due after five years
Payments	453	1,354	1,708
Interest component	-206	-667	-436
Principal repayments	**247**	**687**	**1,272**

The reconciliation as of December 31, 2008 was as follows:

KEUR	Due within one year	Due between one year and five years	Due after five years
Payments	675	1,361	2,020
Interest component	-219	-721	-566
Principal repayments	**456**	**640**	**1,454**

(29) PAYABLES DUE TO RELATED PARTIES

The payables due to related parties are composed as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Payables due to other related parties	20	20
Payables due to related parties	**20**	**20**

Further disclosures concerning related parties can be found in Note (35).

The payables to related parties are all due within one year.

(30) OTHER LIABILITIES

The other liabilities can be broken down as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Miscellaneous financial liabilities	17,933	12,218
Other financial liabilities	**17,933**	**12,218**
Accrued ground rent	1,627	1,655
Deferred income	0	2,081
Deferred rent	0	208
Other taxes	1,145	1,022
Liabilities due to employees	5,053	4,430
Social security payments	296	289
Miscellaneous	168	54
Other miscellaneous liabilities	**8,289**	**9,739**
Other liabilities	**26,222**	**21,957**

Miscellaneous financial liabilities include derivates in the amount of KEUR 15,857 (2008: KEUR 10,241).

The other liabilities have the following due dates:

KEUR	**Due within one year**	**Due between one year and five years**	**Due after five years**
December 31, 2009	7,814	11,975	6,433
December 31, 2008	9,224	11,218	1,515

(31) ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Cash and cash equivalents and trade receivables generally have short-term due dates. Their carrying amounts as of the closing date therefore approximately match their fair value.

The investments class includes financial instruments with a value of EUR 5.9 million in the “Available For Sale” measurement category; these have not been measured at fair value due to a lack of market data. These financial instruments are measured at amortized cost. A total of KEUR 962 of the investments in the "Available For Sale" category were measured at fair value.

Assets as per Dec. 31, 2009	**Amortized cost**			**Fair value**				**Total**
Valuation category KEUR	Loans and receivables	AFS financial assets	HTM financial assets	AFS Financial assets available for disposal	FVTPL Financial assets/liabilities measured at fair value and charged to the income statement		Derivatives in hedges acc. to IAS 39	
					Trade (HFT)	Fair value option		
Class of financial instruments	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**
Securities (fair value) [1]	0	0	0	962	0	0	0	962
Securities (at cost)	0	250	0	0	0	0	0	250
Other financial assets	0	5,612	0	0	0	0	0	5,612
Trade receivables	16,821	0	0	0	0	0	0	16,821
Other receivables	2,580	0	0	0	0	0	0	2,580
Derivatives [2]	0	0	0	0	0	0	429	429
Cash and cash equivalents	40,129	0	0	0	0	0	0	40,129
TOTAL ASSETS	**59,530**	**5,862**	**0**	**962**	**0**	**0**	**429**	**66,783**

Classification within fair value hierarchy according to IFRS 7.27B(a) in connection with IFRS 7.27A:

(1) Securities: Level 1 (valued on the basis of price quotations from an active market)

(2) Derivatives: Level 2 (valued on the basis of observable input factors/market data)

Assets as per Dec. 31, 2008	**Amortized cost**		**Fair value**				**Total**
Valuation category KEUR	Loans and receivables	HTM financial assets	AFS Financial assets	FVTPL Financial assets/liabilities measured at fair value and charged to the income statement		Derivatives in hedges acc. to IAS 39	
				Trade (HFT)	Fair value option		
Class of financial instruments	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**	**Carrying amount/fair value**
Securities	0	0	0	0	0	0	0
Other financial assets	0	0	7,979	0	0	0	7,979
Trade receivables	17,439	0	0	0	0	0	17,439
Other receivables	360,465	0	0	0	0	0	360,465
Derivatives	0	0	0	3,188	0	898	4,086
Cash and cash equivalents	108,215	0	0	0	0	0	108,215
TOTAL ASSETS	**486,119**	**0**	**7,979**	**3,188**	**0**	**898**	**498,184**

In 2008, the other receivables (KEUR 360,465) related almost exclusively to the shareholder loan that was repaid in 2009.

Liabilities as per Dec. 31, 2009 Valuation category KEUR	Amortized cost Other liabilities		Fair value FVTPL Financial liabilities measured at fair value and charged to the income statement Trade (HFT)		Fair value option		Derivatives in hedges acc. to IAS 39		Total	
Class of financial instruments	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair value**
Financial liabilities	1,641,094	1,610,463	0	0	0	0	0	0	1,641,094	1,610,463
Trade payables	35,341	35,341	0	0	0	0	0	0	35,341	35,341
Derivatives [1]	0	0	1,500	1,500	0	0	14,357	14,357	15,857	15,857
Other liabilities	2,096	2,096	0	0	0	0	0	0	2,096	2,096
TOTAL liabilities	**1,678,531**	**1,647,900**	**1,500**	**1,500**	**0**	**0**	**14,357**	**14,357**	**1,694,388**	**1,663,757**

Classification within fair value hierarchy according to IFRS 7.27B(a) in connection with IFRS 7.27A:

(1) Derivatives: Level 2 (valued on the basis of observable input factors/market data)

Liabilities as per Dec. 31, 2008 Valuation category KEUR	**Amortized cost** Other liabilities		**Fair value** FVTPL Financial liabilities measured at fair value and charged to the income statement Trade (HFT)		Fair value option		Derivatives in hedges acc. to IAS 39		**Total**	
Class of financial instruments	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair value**
Financial liabilities	1,675,632	1,416,754	0	0	0	0	0	0	1,675,632	1,416,754
Trade payables	32,686	32,686	0	0	0	0	0	0	32,686	32,686
Derivatives	0	0	0	0	0	0	10,241	10,241	10,241	10,241
Other liabilities	6,427	6,427	0	0	0	0	0	0	6,427	6,427
TOTAL liabilities	**1,714,745**	**1,455,867**	**0**	**0**	**0**	**0**	**10,241**	**10,241**	**1,724,986**	**1,466,108**

Trade payables and other liabilities generally have short-term due dates. The balance-sheet figures approximately match the fair value. The financial liabilities class comprises primary financial instruments whose fair values do not correspond to the carrying amounts (liabilities from financing investment properties).

The fair values of primary financial instruments where the fair values differ from the carrying amounts are shown in the following table:

KEUR	Dec. 31, 2009		Dec. 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities from financing investment properties	1,638,888	1,608,257	1,673,082	1,414,204

The fair values of the liabilities from financing investment properties or other assets are calculated on the basis of market interest rates which are made up of a risk-free rate plus a mark-up reflecting the credit rating and depending on the term of the loan.

The carrying amounts of the other primary financial instruments correspond to their fair values. This concerns, in particular, the trade receivables and trade payables, the other financial assets and liabilities and the receivables due from related parties.

NOTES ON THE CASH FLOW STATEMENT

(32) COMPOSITION OF CASH AND CASH EQUIVALENTS

The financial resources correspond to the cash and cash equivalents reported in the balance sheet and mainly consist of cash in bank accounts.

OTHER DISCLOSURES

(33) FINANCIAL INSTRUMENTS

(a) Risk management principles

The GSW Group considers itself exposed to default risks, liquidity risks and market risks due to its use of financial instruments. There is an effective risk management system which is supported by a clear functional organization for the risk control process.

Financial policy is drawn up by the management and monitored by the supervisory board. The financing department is responsible for execution of financial policy and ongoing risk management. The use of derivative financial instruments is regulated by relevant guidelines and they may only be used to hedge underlying transactions and transactions that are planned as long as they are sufficiently probable. These guidelines set out the responsibilities, the permissible framework for action and reporting duties. They make a strict separation between trading and settlement. Derivatives may only be traded through banks with a first-class credit rating.

(b) Default risks

The risk of business partners – mainly GSW's tenants – being unable to meet their contractual payment obligations is a loan and default risk and may lead to a loss for the GSW Group. A credit rating check is made to control the default risks.

Default risks apply for all classes of financial instruments, particularly for trade receivables. The GSW Group does not consider itself to be exposed to any significant credit rating risk in relation to any individual contractual partner. The concentration of the credit rating risk is limited due to the broad and mixed customer base.

With regard to liquid funds and derivatives, GSW exclusively concludes contracts with credit institutions with very good credit ratings. The credit rating of contractual partners is subject to ongoing monitoring. Where a contractual partner's credit rating deteriorates significantly, GSW aims to swiftly reduce the positions with such partners as and refrains from entering into further positions with them.

The shareholder loan in the amount of KEUR 340,000 was fully repaid in 2009.

As shown in the following table, the carrying amounts of the financial assets shown in the balance sheet net of any impairment allowances constitute the highest-possible default risk, not including the value of collateral received or other risk-decreasing agreements.

Maximum default risk	Carrying amount after value impairment (in KEUR)	Carrying amount of the assets with new conditions (in KEUR)	Carrying amount after value impairment (in KEUR)	Carrying amount of the assets with new conditions (in KEUR)
	Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2008
Balance sheet:				
Securities (fair value)	962	0	0	0
Securities (at cost)	250	0	0	0
Other financial assets	5,612	0	7,979	0
Trade receivables	16,821	0	17,439	0
Other receivables	2,580	0	360,465	0
Derivatives	429	0	4,085	0
Liquid funds	40,129	0	108,215	0
Non-balance sheet:				
Guarantees [1)]	6,214	0	6,812	0

1) With respect to guaranties, the maximum utilization amount is reported instead of the carrying amount.

The following table presents the financial assets that had been subject to value impairments as of the closing date:

Class of financial instrument Dec. 31, 2009	Carrying amount before value impairment (in KEUR)	Value impairment (in KEUR)	Fair value of available collateral (in KEUR)
Securities (fair value)	962	0	0
Securities (at cost)	250	0	0
Other financial assets	5,612	0	0
Trade receivables	28,349	-11,528	0
Other receivables	2,601	-21	0
Total	**37,774**	**-11,549**	**0**

Class of financial instrument Dec. 31, 2008	Carrying amount before value impairment (in KEUR)	Value impairment (in KEUR)	Fair value of available collateral (in KEUR)
Securities	0	0	0
Other financial assets	7,979	0	0
Trade receivables	30,543	-13,103	0
Other receivables	360,466	0	0
Total	**398,988**	**-13,103**	**0**

In addition, the following table shows the age structure of the financial assets which are overdue but not subject to value impairment as of the closing date.

In respect of the receivables which are subject neither to value impairments nor defaults in payment, there are no indications as of the closing date that the debtors will be unable to meet their payment obligations.

Class of financial instrument Dec. 31, 2009 (in KEUR)	Overall carrying amount	of which: neither overdue nor value-impaired as of the closing date	of which: not value-impaired as of the closing date and overdue in the following time corridors				
			< 180 days	180 - 360 days	360 - 540 days	540 - 720 days	> 720 days
Securities (fair value)	962	962	0	0	0	0	0
Securities (at cost)	250	250	0	0	0	0	0
Other financial assets	5,612	5,612	0	0	0	0	0
Trade receivables	16,821	9,612	4,884	2,607	2,451	1,233	1,689
Other receivables	2,580	1,890	414	109	70	7	86
Total	**26,225**	**18,326**	**5,298**	**2,716**	**2,521**	**1,240**	**1,775**

Class of financial instrument Dec. 31, 2008 (in KEUR)	Overall carrying amount	of which: neither overdue nor value-impaired as of the closing date	of which: not value-impaired as of the closing date and overdue in the following time corridors				
			< 180 days	180 - 360 days	360 - 540 days	540 - 720 days	> 720 days
Securities	0	0	0	0	0	0	0
Other financial assets	7,979	7,979	0	0	0	0	0
Trade receivables	17,440	6,012	6,055	3,843	498	363	669
Other receivables	360,465	360,410	55	0	0	0	0
Total	**385,884**	**374,401**	**6,110**	**3,843**	**498**	**363**	**669**

Aside from individual value impairments, portfolio value impairments were also carried out. These impairments were based on various impairment rates depending on the number of days the receivables were overdue. From 180 days onwards, the impairment rate was 25 %, rising gradually to 50 %, 75 % and 100 % thereafter.

(c) Liquidity risks

The liquidity risk refers to the risk of a company being unable to meet its payment obligations on a contractually agreed date.

There is permanent monitoring and planning by the financing/cash management department to ensure that the GSW Group always has sufficient funds to meet its liabilities for a certain period. At all times the GSW Group holds sufficient cash and cash equivalents in order to be able to meet the Group's obligations for a defined period. The Group also has access to credit lines and overdraft facilities in the approx. amount of KEUR 15,890 should the need arise. Approximately one-third of the credit lines are secured and approximately two-thirds are unsecured. The secured portion of the credit line will be reduced in the event of property sell-offs.

The following table shows the contractually agreed (non-discounted) interest and redemption payments on the primary financial liabilities and the derivative financial instruments with a negative fair value for the GSW Group.

Type of financial liability (in KEUR) Dec. 31, 2009	Carrying amount	Residual maturities		
		< 1 year	1 - 5 years	> 5 years
Non-derivative financial liabilities				
Financial liabilities	1,641,094	68,157	1,215,858	923,141
Trade payables	40,458	40,211	247	0
Other liabilities	2,096	1,200	896	0
Derivative financial liabilities	15,857	10,976	8,109	-2,405
Total	**1,699,505**	**120,544**	**1,225,110**	**920,736**

Type of financial liability (in KEUR) Dec. 31, 2008	Carrying amount	Residual maturities		
		< 1 year	1 - 5 years	> 5 years
Non-derivative financial liabilities				
Financial liabilities	1,675,632	77,871	1,215,930	999,292
Trade payables	32,686	32,405	282	0
Other liabilities	1,997	1,132	865	0
Derivative financial liabilities	10,241	2,628	7,705	588
Total	**1,720,556**	**114,036**	**1,224,782**	**999,880**

This includes all instruments for which payments have already been contractually agreed as of the balance sheet date. Target figures for future new liabilities are not included. The variable interest payments on financial instruments are calculated on the basis of the most recent interest rates fixed prior to the balance sheet date. Financial liabilities repayable at any time are always allocated to the earliest possible time schedule.

Furthermore, there are financial guaranties amounting to KEUR 6,214 (2008: KEUR 6,812) that are due within 1 year.

Some of GSW's loan agreements include financial covenants with the following contents:

Loan to value (LTV)	Ratio between outstanding loan amount and market value of the respective portfolio
Loan to rent (LTR)	Ratio between outstanding loan amount and net rent proceeds (after management expenses) of the respective portfolio
Interest coverage ratio (ICR)	Ratio between net rent proceeds (after management expenses) and interest expenses of the respective portfolio
Debt service coverage ratio (DSCR)	Ratio between net rent proceeds (after management expenses) and debt service of the respective portfolio
Vacancy rate	Ratio between vacant units and rentable units in the respective portfolio

In the case of failure to comply with a covenant, GSW may remedy the infringement. GSW's failure to remedy an infringement may entitle the bank to terminate the agreement.

As per December 31, 2009, one covenant relating to a loan agreement was not fully complied with. GSW reached an agreement with the respective bank according to which an account balance of EUR 2.8 million was pledged and the infringement is deemed to have been remedied.

(d) Market risks (interest risks)

GSW is exposed to a significant interest-rate fluctuation risk due to business activity. This interest-rate fluctuation risk results in particular from variable-interest bank loans.

In accordance with IFRS 7, interest-rate fluctuation risks are depicted by means of sensitivity analyses. Within the framework of the sensitivity analysis the effects of a change in the market interest rates on the interest income and expenses, on trading profits and losses and on equity as of the balance sheet date are determined. The interest rate risk may occur both as a fair value risk (closing date assessment) and as a cash flow risk (flow variable assessment).

Within the framework of the sensitivity analysis, for the GSW Group the equity and income statement effects are taken into consideration by means of a parallel shift of the EUR interest-rate curve by +/-50 BP. The cash flow effects resulting from the shift of the interest-rate curve merely relate to the interest expenses and income for the coming period under review.

To minimize the risks resulting from interest-rate fluctuations, the GSW Group makes selective use of derivative financial instruments for certain forms of financing.

The use of derivative financial instruments is regulated by relevant guidelines and they may only be used to hedge underlying transactions and transactions that are planned as long as they are sufficiently probable. The guidelines set out the responsibilities, the permissible framework for action and reporting duties. They make a strict separation between trading and settlement. Derivatives may only be traded through banks with a first-class credit rating.

In 2009 a swap in the amount of KEUR 2,900 was entered into that serves to secure a loan taken out by GSW Immobilien GmbH. The swap has a term of five years and ends on March 31, 2014.

GSW Grundvermögens- und Vertriebsgesellschaft mbH terminated the existing cap with ABN Amro as per July 1, 2009 and replaced it with a swap in the amount of KEUR 105,000. This swap ends on March 31, 2018 and was thereby adjusted to the term of the underlying transaction.

Neither of the two swaps is included in the hedge accounting since the repayment rhythms of the underlying transactions and the collateral transactions do not coincide. In the case of both underlying transactions special repayments are due in the case of property sales while regular amortization over the entire term has been agreed for both swaps. As a consequence, the two hedges were ineffective as of the respective designation date.

The cap concluded for GSW Grundbesitz GmbH & Co. KG in 2008 was included in the hedge accounting as per July 1, 2009 since the conditions required for inclusion in the hedge accounting arose at this time.

No derivative financial instruments are used for speculative purposes.

On December 31, 2009 the Group had the following derivative financial instruments:

Number	Nominal values KEUR	Strike rates	Values as per Dec. 31, 2009 KEUR
9 interest rate swaps	314,592	2.78 % to 4.80 %	-15,857
2 caps	905,348	3.77 % to 4.27 %	429

The cash flows arising from underlying transactions hedged in the context of the cash flow hedge accounting will be due in the period 2010 to 2020 with an effect on the income statement.

In 2009, ineffectiveness was not recorded in the income statement in the context of the hedge accounting.

The following table shows the amount directly recognized in equity during the period under review. This corresponds to the effective portion of the fair value change:

Equity and income statement implications (KEUR)	2009
Initial status as per Jan. 1, 2009	-17
Recognition in equity in the reporting period	-4,254
Release from equity to the income statement	-8,320
Final status as per Dec. 31, 2009	**-12,591**

Equity and income statement implications (KEUR)	2008
Initial status as per Jan. 1, 2008	13,752
Recognition in equity in the reporting period	0
Release from equity to the income statement	-1,190
Release from equity to cost/carrying amount	-12,579
Final status as per Dec. 31, 2008	**-17**

Within the framework of presentation of market risks, IFRS 7 also requires disclosures regarding currency risks and other price risks. The GSW Group had no relevant positions in the period under review.

On the basis of the financial instruments held or issued by the GSW Group as of the closing date, a hypothetical change in the key interest rates for the respective instruments would have had the following effects (pre tax):

2009 sensitivities:

Financial instruments (in KEUR)	Equity effect		Income statement effect	
	+ 50 BP	- 50 BP	+ 50 BP	- 50 BP
Primary financial instruments (fixed-interest)				
AfS instruments (fixed-interest)	-8	8	-	-
FVTPL instruments (fixed-interest)	-	-	-	-
Primary financial instruments (variable-interest)				
Loans	-	-	-	-
HtM securities	-	-	-	-
Loans received	-	-	-5,104	5,104
AfS instruments (variable-interest)	-	-	-	-
FVTPL instruments (variable-interest)	-	-	-	-
Cash and cash equivalents (variable-interest)	-	-	201	-201
Derivative financial instruments & hedges				
Free-standing derivatives	-	-	2,346	-2,166
Cash flow hedges	4,515	-2,311	725	-236
Total	**4,507**	**-2,303**	**-1,832**	**2,501**

2008 sensitivities:

Financial instruments (in KEUR)	Equity effect		Income statement effect	
	+ 50 BP	- 50 BP	+ 50 BP	- 50 BP
Primary financial instruments (fixed-interest)				
AfS instruments (fixed-interest)	-	-	-	-
FVTPL instruments (fixed-interest)	-	-	-	-
Primary financial instruments (variable-interest)				
Loans	-	-	-	-
HtM securities	-	-	-	-
Loans received	-	-	-353	353
AfS instruments (variable-interest)	-	-	-	-
FVTPL instruments (variable-interest)	-	-	-	-
Cash and cash equivalents (variable-interest)	-	-	13	-13
Derivative financial instruments & hedges				
Free-standing derivatives	-	-	2,435	-1,429
Cash flow hedges	4,865	-4,716	8	-4
Total	**4,865**	**-4,716**	**2,103**	**-1,093**

(34) MATERIAL SUBSIDIARIES

As of December 31, 2009 the Group had the following material subsidiaries:

	Group's interest
Subsidiaries	
GSW Gesellschaft für Stadterneuerung mbH, Berlin	100 %
GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH, Berlin	100 %
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin	100 %
Stadtentwicklungsgesellschaft Buch mbH, Berlin	100 %
Grundstücksgesellschaft Karower Damm mbH, Berlin	100 %
GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100 %
Wohnwert Versicherungsagentur GmbH, Berlin	100 %
GSW Grundbesitz GmbH & Co. KG, Berlin	100 %
GSW Immobilien Beteiligungs GmbH, Berlin	100 %
Facilita Berlin GmbH, Berlin (from July, 24, 2008)	100 %
Wohnanlage Leonberger Ring GmbH, Berlin	99.6 %
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG, Berlin	94.9 %
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin	94.0 %
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG, Berlin	93.1 %

The exemption rules in section 264 (3) and section 264b of the German Commercial Code (*HGB*) were applied to the following companies:

- GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin
- GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH, Berlin
- Wohnwert Versicherungsagentur GmbH, Berlin
- GSW Grundbesitz GmbH & Co. KG, Berlin
- Grundstücksgesellschaft Karower Damm mbH, Berlin.
- Wohnanlage Leonberger Ring GmbH, Berlin
- GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin
- GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG, Berlin
- GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG. Berlin

According to the exemption rules under section 264 (3) HGB and section 264b HGB, the company is not obliged to prepare and disclose annual financial statements if the relevant companies are included in the parent company's consolidated financial statements and the parent company is obliged to assume the relevant companies' losses. The shareholders must pass a respective resolution and publish said resolution in the Electronic Federal Gazette.

Information concerning the shares held by GSW are published in the Electronic Federal Gazette pursuant to section 313 of the German Commercial Code (*HGB*).

(35) RELATIONSHIPS WITH RELATED PARTIES

For the GSW Group related parties in the meaning of IAS 24 are the parties that control the Group or exercise a significant influence and, conversely, parties that are controlled or significantly influenced by the Group.

This means that the shareholders, W2001 Capitol B.V. and Lekkum Holding B.V., the companies controlled by Whitehall and Cerberus, the members of GSW's management board and supervisory board and the subsidiaries, associates and joint ventures of the GSW Group are defined as related parties.

In addition to the subsidiaries included in the reporting entity through full consolidation, the following relationships with related parties existed.

(a) Relations with the acquisition consortium of Whitehall and Cerberus

In the financial year 2009 the Group had the following business relations with the consortium of Whitehall and Cerberus and the other companies controlled or significantly influenced by Whitehall or Cerberus:

Balance sheet (in KEUR)	Dec. 31, 2009	Dec. 31, 2008
Receivables from shareholders	0	358,240
Income statement (in KEUR)	**2009**	**2008**
Interest income	18,406	35,626

The financial receivables from shareholders were fully repaid as per July 1, 2009. The shareholder loans were subject to a 12-months Euribor rate + 5.5 %.

(b) Relations with non-consolidated associates

With respect to the exchange of goods and services, the Group had no material relations with non-consolidated associates.

(c) Relations with associates and joint ventures

As per December 31, 2009 the GSW Group had no relations with associates or joint ventures:

Balance sheet (in KEUR)	Dec. 31, 2009	Dec. 31, 2008
Receivables from joint ventures	0	0
Receivables from associates	0	0
Payables due to joint ventures	0	0
Payables due to associates	0	0
Income statement (in KEUR)	**2009**	**2008**
Income from joint ventures	0	428
Operating expenses for joint ventures	0	3,336
Interest expense for joint ventures	0	0
Income from associates	0	92
Other operating expenses for associates	0	4,331

Transactions with related parties are concluded on the terms applicable to external third parties.

(d) Relations with related parties

The total emoluments of GSW's management amounted to KEUR 1,815 in 2009 (2008: KEUR 1,863). Of this figure, KEUR 945 (2008: TEUR 1,169) was accounted for by fixed salary components and KEUR 870 (2008: KEUR 694) by variable components. In the reporting year no benefits at the end of employment contracts were paid (2008: KEUR 0).

Emoluments of former members of management and their surviving dependants amount to TEUR 171 (2008: KEUR 56). A provision of KEUR 2,029 (2008: KEUR 2,087) has been formed for retirement pensions payable to former members of management and their surviving dependants.

In financial year 2009 the emoluments paid to the members of the supervisory board amounted to KEUR 21 (2008: KEUR 18.4).

The Group's average number of employees in 2009 was as follows:

	Average number of employees
Duly authorized officers (*Prokuristen*)	1
Clerical employees	437
Blue-collar workers	87
Caretakers	109
Total	**634**

(36) CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Warranties	6,214	6,812
Mortgages	10,635	10,635
Other liabilities	2,068	0

The land charges in the amount of KEUR 10,635 consist of contingent liabilities vis-à-vis the State of Berlin that do not serve to secure loans. Otherwise, with few exceptions, the investment properties and properties held for sale are principally available as collateral.

(37) OTHER FINANCIAL LIABILITIES

The Group's other financial liabilities are composed as follows:

KEUR	Dec. 31, 2009	Dec. 31, 2008
Future payments in operating leases	25,400	30,634
Purchase commitment in relation to investment property and property, plant and equipment	1	0

Future payments under non-callable operating leases can be broken down as follows:

KEUR	Due within one year	Due between one and five years	Due after five years
December 31, 2009	5,180	17,214	3,006
December 31, 2008	5,235	18,375	7,024

(38) SUPERVISORY BOARD AND MANAGEMENT

The supervisory board of GSW Immobilien GmbH consists of the following members:

Dr. Jochen Scharpe	Chairman, Diplom-Kaufmann (business graduate), Munich
Prof. Dr. Frank Richter	Vice President at Goldman Sachs & Co. OHG, Frankfurt
Mr. Thomas Wiegand	Managing Director at Cerberus Global Investments Advisors, LLC, KN Baarn (since 3/2009)
Mr. Thomas R. Arnold	Managing Director at Cerberus Real Estate Capital Management LLC, New York (until 3/2009)
Mr. Thomas E. Wagner	Managing Director at Cerberus Real Estate Capital Management LLC, New York
Dr. Reinhard Baumgarten	Head of Assets Department in the Senate Administration for Finance, Berlin
Mr. Chris Nelson	Director of Investment Management at Archon Group Deutschland GmbH, Berlin (until 9/2009)
Mr. Christ Stallsworth	Real estate consultant at Archon Group Deutschland GmbH, Duesseldorf (since 9/2009)
Mr. Michael Günther	Employee representative, clerk at GSW Immobilien GmbH, Berlin (until 9/2009)
Mr. Helmut Mencke	Employee representative, clerk at GSW Immobilien GmbH, Berlin (until 9/2009)
Mr. Ralf Wittig	Employee representative, blue-collar worker at FACILITA BERLIN GmbH, Berlin (until 8/2009)
Mr. Wolfgang Schwindt	Executive representative, Leasing Director at GSW Immobilien GmbH, Berlin (since 9/2009)
Mr. Sascha Burucker	Employee representative, Regional Asset Manager at GSW Immobilien GmbH, Berlin (since 9/2009)
Ms. Veronique Frede	Employee representative, clerk at GSW Immobilien GmbH, Berlin (since 9/2009)

In the financial year 2009 the management of GSW had the following members:

Mr. Thomas Zinnöcker (CEO), Diplom-Kaufmann (business graduate)

Mr. Jörg Schwagenscheidt (COO), real estate economist

Mr. Andreas Segal (CFO), lawyer

The emoluments of the management board and of the supervisory board are disclosed in Note (34)(d).

(39) EVENTS AFTER THE BALANCE SHEET DATE

On January 4, 2010, the resolution in favor of an increase in GSW's share capital from EUR 10 million to EUR 35 million was entered in the commercial register. The shareholders' meeting resolved to finance the increase in capital from retained earnings. GSW is investigating capital market viability in the context of its fundamental strategic approach to the company's future development.

Berlin, March 17, 2010

GSW Immobilien GmbH

Thomas Zinnöcker   Jörg Schwagenscheidt   Andreas Segal

GSW Immobilien GmbH, Berlin
Consolidated fixed assets movement schedule for the year ended December 31, 2009
Statement of changes in intangible assets

2009	Historical acquisition and manufacturing costs							Accumulated amortization/depreciation							Book value	
EUR thousand	01.01.2009	Change in scope of consolidation	Additions	Reclassifications	Disposals	Reclassifications (IFRS 5)	31.12.2009	01.01.2009	Change in scope of consolidation	Adjustment fair value	Additions	Disposals	Reclassifications (IFRS 5)	31.12.2009	31.12.2009	31.12.2008
Intangible assets	4.109	0	61	0	-52	0	4.117	-1.187	0	0	-698	48	0	-1.837	2.281	2.922
Total	4.109	0	61	0	-52	0	4.117	-1.187	0	0	-698	48	0	-1.837	2.281	2.922

GSW Immobilien GmbH, Berlin
Consolidated fixed assets movement schedule for the year ended December 31, 2009
Statement of changes in investment property and property, plant and equipment

2009	Historical acquisition and manufacturing costs							Accumulated amortization/depreciation							Book value	
EUR thousand	01.01.2009	Change in scope of consolidation	Additions	Reclassifications	Disposals	Reclassifications (IFRS 5)	31.12.2009	01.01.2009	Change in scope of consolidation	Adjustment fair value	Additions	Disposals	Reclassifications (IFRS 5)	31.12.2009	31.12.2009	31.12.2008
Investment property	2.104.728	0	11.664	0	-14.658	-19.075	2.082.658	379.941	0	129.148	0	-4.406	-2.059	502.624	2.585.281	2.484.668
Land, similar rights and buildings	828	0	0	0	0	0	828	77	0	-57	-58	0	0	-38	790	905
Technical equipment and machinery	3.635	0	0	0	-6	0	3.629	-2.727	0	0	-383	4	0	-3.106	523	908
Other equipment, factory and office equipment	832	0	73	0	-15	0	891	-463	0	0	-121	14	0	-569	321	369
Property, plant and equipment from finance lease	2.764	0	118	0	0	0	2.882	-801	0	0	-491	0	0	-1.292	1.590	1.963
Total	2.112.785	0	11.855	0	-14.679	-19.075	2.090.886	376.027	0	129.091	-1.053	-4.388	-2.059	497.619	2.588.505	2.488.812

Low-cost assets (acquisition costs < EUR 150,00) in the amount of EUR thousands 35 are not included (2008 : EUR thousands 18)

GSW Immobilien GmbH, Berlin
Consolidated fixed assets movement schedule for the year ended December 31, 2008
Statement of changes in intangible assets

2008	Historical acquisition and manufacturing costs							Accumulated amortization/depreciation							Book value	
EUR thousand	01.01.2008	Change in scope of consolidation	Additions	Reclassifications	Disposals	Reclassifications (IFRS 5)	31.12.2008	01.01.2008	Change in scope of consolidation	Adjustment fair value	Additions	Disposals	Reclassifications (IFRS 5)	31.12.2008	31.12.2008	01.01.2008
Intangible assets	1.516	0	2.609	0	-17	0	4.109	-549	0	0	-654	16	0	-1.187	2.922	968
Total	1.516	0	2.609	0	-17	0	4.109	-549	0	0	-654	16	0	-1.187	2.922	968

GSW Immobilien GmbH, Berlin
Consolidated fixed assets movement schedule for the year ended December 31, 2008
Statement of changes in investment property and property, plant and equipment

2008 EUR thousand	Historical acquisition and manufacturing costs							Accumulated amortization/depreciation							Book value	
	01.01.2008	Change in scope of consolidation	Additions	Reclassifications	Disposals	Reclassifications (IFRS 5)	31.12.2008	01.01.2008	Change in scope of consolidation	Adjustment fair value	Additions	Disposals	Reclassifications (IFRS 5)	31.12.2008	31.12.2008	01.01.2008
Investment property	2.104.263	0	23.122	0	-15.848	-6.809	2.104.728	327.240	0	57.492	0	-5.454	663	379.941	2.484.668	2.431.503
Land, similar rights and buildings	828	0	0	0	0	0	828	76	0	59	-58	0	0	77	905	903
Technical equipment and machinery	3.643	0	0	0	-8	0	3.635	-2.177	0	0	-555	5	0	-2.727	908	1.466
Other equipment, factory and office equipment	2.245	70	155	0	-1.639	0	832	-1.022	-12	0	-350	921	0	-463	369	1.223
Property, plant and equipment from finance lease	2.099	0	665	0	0	0	2.764	-346	0	0	-455	0	0	-801	1.963	1.753
Total	2.113.077	70	23.942	0	-17.496	-6.809	2.112.785	323.771	-12	57.552	-1.419	-4.528	663	376.027	2.488.812	2.436.849