GSW

Consolidated Group Financial Statements 2010

GSW Immobilien AG
Berlin

Notes to the Consolidated Financial Statements

for the Financial Year 2010

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Notes to the Consolidated Financial Statements of GSW Immobilien AG, Berlin for the Financial Year 2010

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1. ECONOMIC ENVIRONMENT

1.1. INTRODUCTION

GSW Immobilien AG and its subsidiaries (hereinafter referred to as "GSW" or "the Group") ranks among the biggest housing companies in the State of Berlin with focus on property management, especially the letting and selling of apartments.
Our business activities are limited to Germany – our housing portfolio is almost exclusively located in Berlin. The business of GSW Immobilien AG is influenced by a multitude of factors, particularly by the demographic, political and economic development in Germany.

1.2 DEVELOPMENT IN GERMANY

With a population of about 81.7 million and a gross domestic product (GDP) of 2.5 trillion Euro in 2010, Germany has the largest population and economy of all EU countries. Despite a severe drop of 4.7% in the gross domestic product over 2008 as a result of the most severe economic and financial crisis since World War II, the German economy has made an amazingly quick recovery in 2010 and the GDP has increased by 3.6% over 2009. This is the highest increase since the German reunification in 1990. In comparison, the GDP of the other countries in the currency union has decreased by 4.1% in 2009 and has only recovered by 1.7% in 2010.[1]. For 2011 and 2012 the positive development of the German economy is expected to continue with a GDP growth rate of 2.0% for 2011 and 1.4% for 2012.[2] In December 2010 Germany had about 3.0 million unemployed. This is 7.9% below the figure for December 2009.[3]
In December 2010 the consumer price index increase was 1.7% and, thus, was considerably above the 0.9% increase in 2009.

1.3 BUSINESS LOCATION BERLIN

For the year 2009 the GDP for Berlin was 90.1 billion Euro which meant an increase of 1.7% over 2008, when it was 88.6 billion Euro. Adjusted by the price index this means a decrease in 2009 of 0.7% over 2008.[4].
In December 2010 the unemployment rate in Berlin was 12.8% with 218,697 unemployed, which means a decrease of 3.8% or 8,670 unemployed over December 2009 when the unemployment rate was 13.5% or 227,367.[5]
In December 2010 the consumer price index for Berlin increased by 1.7% over the previous year with 1.2%.[6] The disposable per capita household income increased by 2.4% from 15,369 Euro in 2007 to 15,736 Euro in 2008 and, thus, was 17% below the figures for the Federal Republic of Germany during the reporting period.
Berlin is a tourist centre with about 18.9 million overnight stays in 2009[7]. Furthermore, many companies and institutions have moved or intend to move to Berlin and therefore many new skilled jobs are offered. This is also closely linked with the new Berlin-Brandenburg International (BBI) airport, scheduled to operate as of 2012.

1 Compare.: Federal Statistical Office, www.destatis.de, Statistical Yearbook 2008, 2009 and 2010

2 Compare.: DB Research Economic Research Bureau Frankfurt, Outlook, 20/01/2011

3 Compare: Federal Employment Agency, Laender Labour Market Statistics and Monthly Reports 2005 to 2010

4 Compare: Federal Statistical Office, www.destatis.de, Statistical Yearbook 2008, 2009 and 2010

5 Compare: Federal Employment Agency, Laender Labour Market Statistics and Monthly Reports 2005 to 2010

6 Compare: Statistical Office of Berlin-Brandenburg, www.statistik-berlin-brandenburg.de, Statistical Reports 2008, 2009 and 2010

7 Compare: Statistical Office of Berlin-Brandenburg, www.statistik-berlin-brandenburg.de, Statistical Reports 2008, 2009 and 2010

1.4 THE GERMAN HOUSING MARKET

In 2009 the housing stock in Germany was about 40.2 million apartments with a total floor space of about 3.5 billion square metres. The number of apartments in new buildings dropped by about 42% from 236,088 in 2003 to 136,518 in 2009[8].
In contrast to this development the number of households in Germany increased by 3.2% from 38.9 million in 2003 to about 40.2 million in 2009.[9] This number is expected to increase by another 3.0% between 2010 and 2025.[10]. The vacancy rate for apartment complexes in Germany in 2007 was 3.7%.[11]
The last property ownership data of 2006 show that about 41.6% of apartments in Germany were owner-occupied.[12] The average net cold rent in Germany increased by 11.6% between 2000 and 2010.[13]

1.5 THE OVERALL ECONOMIC SITUATION IN BERLIN

Berlin has the largest rental housing market in Germany with 1.9 million apartments in 2009 and a total floor space of about 134 million m².[14]

Between 2000 and 2009 the number of newly built apartments in Berlin dropped by 61% from 7,280 in 2000 to 2,833 in 2009.[15]

Contrary to that development, the number of households in Berlin increased by 9,1% from 1.82 million in 2000 to about 1.99 million in 2009.[16]

The increase in the number of households exceeds the number of newly built apartments.
Recent property ownership data of 2006 show that about 14.1% of apartments in Berlin were owner-occupied. This number is considerably below the German average of 41.6% in 2006 and is mainly explained by the long-term availability of rental apartments in Berlin.[17] Nevertheless, the rate of owner-occupied apartments in Berlin is expected to increase to 16.4% by 2025.[18]

8 Compare: Federal Statistical Office, www.destatis.de, Statistical Yearbook 2008, 2009 und 2010
9 Compare: Federal Statistical Office, www.destatis.de, Statistical Yearbook 2008, 2009 und 2010
10 Compare: Federal Office for Building and Regional Planning, Wohnungsmärkte im Wandel – (The Changing Housing Markets), an outlook on the Housing Market 2025, 2010
11 Compare: CB Richard Ellis, Special Report, Residential Market Germany, 2008
12 Compare: Federal Office for Building and Regional Planning, Wohnungsmärkte im Wandel – (Changing Housing Markets), an outlook on the Housing Market 2025, 2010
13 Compare: Federal Statistical Office, www.destatis.de, Statistical Yearbook 2008, 2009 und 2010
14 Compare: Federal Statistical Office, www.destatis.de, Statistical Yearbook 2008, 2009 und 2010
15 Compare: Statistical Office of Berlin-Brandenburg, www.statistik-berlin-brandenburg.de, Statistical Reports 2008, 2009 and 2010
16 Compare: Statistical Office of Berlin-Brandenburg, www.statistik-berlin-brandenburg.de, Statistical Reports 2008, 2009 and 2010
17 Compare: Federal Statistical Office, www.destatis.de, Statistical Yearbook 2008, 2009 und 2010
18 Compare: Federal Office for Building and Regional Planning, Wohnungsmärkte im Wandel – (Changing Housing Markets), An outlook on the Housing Market 2025, 2010

According to the Housing Association of Berlin-Brandenburg, the vacancy rate among its members was 3.9% in 2008 and has dropped by 0.5% to 3,4% in 2009.[19] The average net cold rent for apartments in Berlin according to the Berlin Rent Table increased by about 15.6% between 2000 and 2010.[20]and has increased, overall, by 1.7% from 4.75 Euro per sqm in 2007 to 4.83 Euro per sqm in 2009.[21] The net cold rent depends on the location, size, age and features of an apartment. According to a report by the Berlin-Brandenburg Association of Housing Companies the total average net cold rent for apartments in the portfolio of its members in Berlin was 4.79 Euro per m² in 2009.[22]

Prices for new apartment rentals in Berlin were 6.11 Euro per sqm per month[23] at the end of 2010. This is an increase of 9.1% over 2008. It becomes evident, however, that especially good to very good residential areas have increased in price and that Berlin continues to offer housing for all social groups at favourable prices. Rents in the upper market segment increased by 13.8% to 10.96 Euro since 2008. In contrast, rents in the lower market segment only increased by 2.9% to 4.30 Euro. Due to the increase in the number of households and the low level of new building activities the rents for new lettings are expected to continue to increase within a reasonable range.

2. COMPANY STRATEGY

GSW has the following strategic company goals:

sustainable efforts

- To maintain a lasting position as a leading housing company in Berlin
- To achieve value orientation for portfolio and asset management
- To achieve efficient client-oriented property management
- To make intelligent and profitable investments into its own property portfolio
- To realise selective and opportune sales of apartments
- To make purposeful and price-adequate acquisitions of new housing stock with development and income perspectives while only moderately increasing administrative costs

In doing so, we intend to continue to focus on Berlin and to further strengthen our market position through acquisitions.

We are convinced that the housing market in Berlin will continue to increasingly profit from demographic trends – especially from the increase in the number of households with stagnating new housing developments. Another, positive effect will come from a further differentiation of supply and demand structures. We focus on a large social segment consisting of people with average to small incomes. This customer group will tend to gain more significance in the coming years.

19 Compare: Berlin-Brandenburg Association of Housing Companies e.V., Market Monitor, Vacancy Rates 2005 to 2010

20 Compare: Amt für Statistik Berlin-Brandenburg, www.statistik-berlin-brandenburg.de, Statistische Berichte 2008, 2009 and 2010

21 Compare: Berlin Table of Rents 2009

22 Compare: Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V., Markt Monitor, 2005 bis 2010

23 Compare: GSW/CBRE Housing Market Report

3. CORPORATE MANAGEMENT

The business processes of the GSW Group are initiated and controlled centrally by the GSW Management Board and by the management. In doing so, financial as well as non-financial goals are used to manage the group and to measure performance. In 2010 the financial goals for GSW were mostly measured by the "Operative Cash Performance" (OCP) and the IFRS performance without valuation effects. While the OCP (net operating income minus maintenance and total operating expenses) represents the liquidity ratio and, thus, indicates the operative performance to cover the debt service and other costs, the IFRS performance adjusted by valuation effects (real estate property, loans, derivatives, financial assets etc.) includes the performance of all corporate divisions, beyond the operative performance, into the corporate performance management.

For the non-financial goals, performance is measured in particular by client satisfaction and social commitment of GSW. This includes a systematic client orientation and the systematic support of select projects in the field of arts, culture and social activities.

4. BUSINESS DEVELOPEMENT

GSW holds a portfolio of 48,776 apartments and 907 business properties for letting as well as one owner-occupied business unit and 7,679 garages/car spaces.

	Type of use	31/12/2010	31/12/2009	Change
Number of rental units	Residential	48,776	49,671	-895
	Business	908	917	-9
	Total, residential and business	**49,684**	**50,588**	**-904**
	Parking	7,679	7,686	-7
	Total	**57,363**	**58,274**	**-911**
Space available for letting	Residential	3,003,073	3,054,251	-51.177
	Business	101,202	101,835	-633
	Total, residential and business	**3,104.275**	**3,156,086**	**-51.810**
Current net cold rent	Residential	4.90 €	4.81 €	1.9%
	Business	6.53 €	6.52 €	0.1%
	Total, residential and business	**4.95 €**	**4.86 €**	**1.9%**
Vacancy rate (per units)	Residential	3.7%	4.5%	-0.8%
	Business	8.8%	9.7%	-0.9%
	Total, residential and business	**3.8%**	**4.6%**	**-0.8%**

The high level of rented apartments in the portfolio managed by GSW contributed to reducing the vacancy rate from 4.5% as per 31/12/2009 to 3.7% as per 31/12/2010. Thus, as in the previous year, the number of new rentals again exceeded the number of cancellations.

On a yearly average the average rent paid for apartments in the GSW portfolio increased in 2009 from 4.78 €/sqm by 1.9% to 4.87 €/sqm in 2010. When looking at the respective reporting dates, the average net cold rent increased from 4.81 €/ sqm of residential space/month on 31/12/2009 by 1,9% to 4.90 €/ sqm residential space/month on 31/12/2010.

The company systematically uses potentials to increase rents while not ignoring the financial capacity of its tenants in the respective houses and quarters.

The overall income from rental and lease could be increased by 6.3m €.

GSW closely monitors the framework conditions for real estate companies in Berlin and Brandenburg. The surveys on the Berlin housing market which were conducted in cooperation with CBRE provide the basis for an early recognition of trends and resulting opportunities and risks for the own portfolio. The survey predicts, for example, an increase in the number of households due to changing lifestyles. This development, in conjunction with the low new building numbers of the last years, will lead to a supply shortage in the housing market and, thus, improve the opportunities for the GSW portfolio.

The housing portfolio of GSW is located in all boroughs of Berlin with the exception of the borough of Marzahn-Hellersdorf. With a housing stock of about 49,000 apartments GSW is prepared to focus on risk diversification with about 22% of its portfolio located in the Spandau borough and another 18% in the Reinickendorf borough.

As per 31/12/2010 the average rent for an apartment in our portfolio was 4.90 €/sqm. The externally prepared survey in connection with our real estate valuation gives an average market rent of 5.26 €/sqm and, thus, indicates a leeway for rental increases. It is expected that the publication of the new Berlin Table of Rents 2011 will show further potential for the non-regulated segment. With respect to the still price-regulated properties, the Berlin Senate is currently considering to adjust the level of regulated rents. It is not possible to assess the effects of such adjustments on the basis of current discussions.

With about 87% of refurbished or partly refurbished apartments the GSW portfolio is well positioned in the Berlin market. Purposeful investments into the substance of the buildings as well as into the equipment standard of the apartments support the lasting rentability of the real estate portfolio and the attractiveness of the apartments offered for rent.

Additionally, GSW is closely cooperating with the “Quartiersmanagement“, the borough management of the “Socially integrative city“ program of the Department of Urban Development of the Senate of Berlin as well as with numerous neighbourhood and borough management centres.

GSW believes that such activities provide an opportunity for the company to improve the company image and to further increase tenant satisfaction.

The performance of the GSW real estate portfolio in 2010 was slightly positive. With comparable framework conditions of the Berlin-Brandenburg real estate market we can expect stable market values for the future.

In the context of its privatisation strategy, GSW sold 897 units during the financial year 2010, mainly to own users and investors. Contracts for 11.9m € with a date of sale after the reporting period have already been concluded.

5. FINANCIAL REVIEW

5.1. PERFORMANCE

Select items from the corporate income statement:

kEUR	01/01-31/12/2010	01/01 –31/12/2009
Rental income	139,871	133,582
Income from investment property	2,840	-2,759
Income from the valuation investment property	-3,263	129,207
General and administrative expenses	-37,975	-31,066
Other income	26	0
Operating result	**101,500**	**228,964**
Income from other financial assets	97	-730
Interest income	11,193	43,576
Interest paid	-65,217	-97,407
Income before taxes	**47,572**	**174,403**
Income taxes	1,690	-2,304
Net profit	**49,262**	**172,099**

The net profit for the group for the financial year 2010 is 49.3m €.

The profit situation of the GSW Group is mostly dependent on the development of the rental housing market, on the sales results in accordance with the portfolio strategy, the performance of the property portfolio and the development of interests.

In the financial year 2010 GSW was able to increase the rental income to 139.9m € (2009: 133.6m €).

The income from the sale of investment property was 48.0m € which was 6.1m € above market value according to IAS 40. The strategy to sell a small number of units only, however, for a significantly better price, continued to pay-off. The income from sales increased from –2.8m € to 2.8m € , because the previous year's result was extremely burdened by a litigation provision of 2.9m €.

The investments of 17.1m € into the properties were virtually confirmed in full by an external expert valuation. The slightly negative valuation effect of 3.3m € results mainly from a decrease in public subsidies. With a fair value of 822 €/sqm (2009: 816 €/sqm) the financial year 2010 shows a 0.7% appreciation over the previous year. This increase in value is a result of the positive net operating income of 2010 with in increase in the net cold rent of rented apartments of 4.90 €/sqm (2009: 4.81 €/sqm) on the reporting date and a concomitant reduction of the vacancy rate from 4.5% to now 3.7%.

A total of 41.2m € (2009: 39.6m €) were spent on maintenance and modernisation of which 24.1m € (2009: 28.0m €) were attributable to maintenance. The general administrative expenses of 38.0m € (2009: 31.1m €) are attributable to personnel expenses with 29.2% or 11.1m €. The increase over the previous year is mainly due to expenses in connection with a one-time project.

The balance of interest received and interest paid has almost not changed over the previous year's numbers. In 2010 the GSW continued to profit from the low interest rates. The resulting decrease in interest payments was compensated by the drop in interest received which was mainly due to the back-payment of shareholder loans.

5.2. FINANCIAL SITUATION

Cash flow statement

kEUR	2010	2009
Cash provided by operating activities	48,430	54,455
Cash provided by investments	26,577	363,295
Cash provided by financing activities	-44,355	-485,836
Change in cash and cash equivalents	**30,652**	**-68,086**
Cash funds at the beginning of the period	40,129	108,215
Cash funds at the end of the period	**70,781**	**40,129**

The change in the cash flow from operating activities results from the optimized income structure which was over-compensated by expenses for special projects.

The cash flow reduction from investments mainly consists of income from sales (48.5m €) and expenses for investments into existing real estate property and the acquisition of a portfolio (21.2m € including deposits paid). Repayment of loan liabilities in the amount of 43.9m € mainly results in a financing cash outflow of 44.3m €.

The investment and financing cash flows are not comparable to the previous year since the financial year 2009 is characterized by the back-payment of a shareholder loan and dividend payments.

5.3. FINANCIAL STATEMENT

kEUR	2010		2009	
		%		%
Long-term assets	**2.585,706**	**96**	**2,600,881**	**97**
Investment property	2,571,723	96	2,585,281	97
Other long-term assets	13,983	0	15,600	0
Short-term assets	**95,996**	**4**	**84,568**	**3**
Liquid funds	70,781	3	40,129	1
Assets held for sale	9,030	0	21,909	1
Other short-term assets	16,185	1	22,530	1
	2,681,702	**100**	**2,685,449**	**100**
Equity	**976,369**	**36**	**926,126**	**34**
Long-term liabilities	**766,141**	**29**	**1,690,593**	**63**
Financial liabilities	706,748	26	1,629,949	61
Other long-term liabilities	59,393	3	60,644	2
Short-term liabilities	**939,192**	**35**	**68,730**	**3**
Financial liabilities	899,802	34	11,145	1
Other short-term liabilities	39,390	1	57,585	2
	2,681,702	**100**	**2,685,449**	**100**

Investment properties (2,572m €) constitute 96% of GSW´s major assets. The valuation was confirmed by a survey by CB Richard Ellis. The operating result for the financial year has increased the equity ratio by 2% to 36%.

As a result of the successful refinancing of a CMBS loan (Commercial Mortgage Backed Securities) in the reporting period, the loan previously reported under financial liabilities in the amount 890m € is now listed under short-term liabilities.

As per the reporting date of December 31 2010 no risks to the assets, to the financial situation and to the performance of the group are recognizable. The same applies to the future.

6. SUPPLEMENTARY REPORT

GSW has concluded an agreement on the refinancing of its CMBS loan with a volume of about 890m EURO as per the reporting date. This loan is returned through new bank loans with a volume of about 875m Euro and through own cash. GSW will diversify its financing by entering into bilateral loan agreements with six leading banks with a mean loan period of more than eight years at attractive terms. Refinancing was completed by February 15 2011 and considerably optimized the financial structures of the GSW group.

Furthermore, GSW sold its interest in BMH Berlin Mediahaus GmbH above book value for more than 20m € as per January 31 2011.

During the reporting period the GSW subsidiary, Gesellschaft fuer Stadterneuerung mbH, purchased 101 apartments in Berlin-Reinickendorf. The transfer of benefits and encumbrances became effective on January 1 2011.

In connection with fundamental strategic deliberations on the future development of the company, GSW is looking at the capital market.

7. RISIKS AND OPPORTUNITIES

7.1. RISIK MANAGEMENT

GSW has a company-wide risk management system for the ongoing identification, analysis, assessment as well as management and control of risks and opportunities for

- assets,
- earnings prospects,
- image

based on a pre-defined risk strategy. Strategic risks are determined by the corporate objectives and the business strategy. Operative risks can result from the implementation of such objectives through operating activities. Therefore, risk identification is mainly based on planning.

In addition to assessing past risks, a holistic view of the risks involved and their effects on the future development is applied. From answering and assessing the questions

- which risks may arise?
- what is the extent and probability of such risks?
- what can the company do to influence the risks?

GSW deducts the necessary measures for risk minimization.

The company is using a comprehensive computerized reporting system for all corporate activities which, in addition to the monthly or periodical controlling reports, leads to a quarterly risk reporting and constitutes a systematic and ongoing instrument for reaching corporate goals and business success.

Based on corporate and divisional planning, all factors are recorded which could influence corporate planning. Positive developments are considered as opportunities while negative ones are risks which must be analysed and assessed for their probability of occurrence and for quantitative effects. This also includes assessing whether individual risks, which under an isolated view may be of lesser significance, could aggregate to jeopardize the company. The reporting also includes risks from non-financial performance indicators.

This allows the timely inclusion of opportunity and risk aspects into corporate decision making and makes it possible to determine if operative goals are realistic or if a strategic adjustment is required. This serves to advance the sustainability of operational and risk strategies and to secure and increase the company value.

The risk management is supervised by a risk manager from the auditing department. The risk manager can, at any time, directly contact the management board. Risk management and internal controlling are described in a proper manual which is revised annually. GSW sees risk management as a process covering the interdependencies between organisational units in a holistic manner and thereby underlining the importance of risk aggregation.

The risk management process consists of

- creating awareness for risks and opportunities in the company
- an ongoing comparison of company goals and events to use risks and opportunities
- assessment,
- management,
- control of identified risks
- determining counter-measures
- using electronic information and communication systems

The identified risk categories are recorded in a constantly updated risk list and observed on an ongoing basis. Risks are assessed according to pre-defined risk categories and thresholds while factoring in the probability of occurrence and expected impacts. The risk management is classified into risk levels. Risks with a low risk classification are not subject to further measures before their next annual assessment. Risk management measures for risks of a medium to high category are reassessed periodically according to the risk potential.

Internal developments as well as external framework conditions require an ongoing adjustment and development of the risk management process. In 2010, the current risk management tool was subject to a critical analysis and addition/modification suggestions were presented with the goal of facilitating and reorganising the reporting process for the identification of risks, their probabilities and interdependencies.

The risk catalogue was revised and modified to become a risk checklist, risk potentials were further systemized. This serves to enable monitoring of the success of a risk strategy to include the smallest operative risk.

Following risks in particular are monitored on an ongoing basis:

- liquidity risk,
- vacancy and letting risk,
- portfolio risk,
- income risk,
- sales risk,
- financing risk,
- operational risks

7.2. RISIK REPORT

The following specific risks may arise for the group:

Loss of rent: In 2010, loss of rent and increasing receivables from rental contract obligations remained relatively unchanged over the previous years. Based on the upward trend in the economy and the resulting decrease in the number of unemployed a risk reduction is expected. Nevertheless, tenants may not be able to pay their monthly rent and could not comply with their obligation to pay arrears for utilities. Intensified monitoring of current receivables from rent and an intensive cooperation with job centres and credit counsellors are intended to prevent non-payments and resulting cancellations of rental contracts.

Vacancy and letting risk: As in the previous year, the housing market in Berlin was characterized by increased demand during the financial year 2010.

The socio-demographic development with the influx of young people who rented their first own apartment from GSW, led to an overall positive result.

Another positive influence for the rental income of GSW comes from the increased job-related mobility of tenants. More than one tenth of the clients moving to Berlin in the financial year 2010 claimed the vicinity to their jobs as their main reason for moving. The notes to the consolidated financial statement 2009 already indicated the potential for an increase in demand from the socio-demographic development resulting in increased interest in small, affordable apartments, and this trend has continued during 2010. In particular, increased acceptance of housing products with lower standards, which had already been noted in previous years, continued to stabilize.

The fact that the market situation tends to favour such housing products is confirmed by the slight decrease in the fluctuation rate of 10.01% in 2010 (2009: 10.4%).

The vacancy rate for the GSW housing stock has dropped further by 0.8% in 2010 from 4.5% to 3.7%. With the strategic goal to increase client loyalty and satisfaction, GSW is confronting the remaining vacancy rate by creating attractive living and housing conditions for households with children, people over 50 years of age and for so-called first households.

There is a cooperation with Caritas Altenhilfe GmbH. Three residential complexes for senior citizens were leased out and are now managed by CAH GmbH, which possesses target-group specific know how. Due to the meanwhile achieved letting rate, an even further drop in the vacancy rate is to be expected for 2011 and 2012. However, since the vacancy rate achieved has almost reached the base rate, the absolute numbers of the previous years will no longer be reached. Achievements of the past years must now be stabilized and the quality of tenancies must be continually improved.

Sales risks: Individual privatisations are subject to the risk that potential investors could prefer other asset classes and that it would then not be possible to reach the targeted liquidity and sales goals. The demand for capital assets, especially larger volumes, is increasing noticeably with special focus on residential complexes with little or no commercial units and reasonable refurbishment or restoration requirements. Buyers usually are investment groups, trusts or family offices from Germany or other European countries with a very high equity rate.

Sales figures for condominiums are stable and secured by a sales agreement coupled with a purchase guarantee valid until the end of 2012 .

Personnel risks: Our steady focus on client needs and our commitment to the professionalism of our staff is also reflected in our personnel policy. To realize strategic and operative goals, GSW requires qualified specialists and management as well as dynamic and committed employees. High fluctuation rates significantly affect the targeted increase in productivity. The risk is that employees with core competences will leave the company and that the company goals will not be achieved. With 4.4% of terminations from the staff the fluctuation rate at GSW is not in a critical range. The introduction of a competence management concept aims at adapting the knowledge of staff to current requirements and at securing indispensable specialist knowledge.

An active health management (flu shots, health days, sports activities and company doctor) aim at increasing health awareness of our employees.

IT risks: A complete failure of the IT system can compromise business processes. The main tasks of the system house for securing the functionality of IT systems in 2010 were to outsource hardware systems and to finalise essential portal functionalities as well as establishing IT processes. This was completed successfully and led to the creation of a Business Continuity Management. The goal was to secure the functionality of the necessary business processes within GSW. The continuity of business processes was checked against different failure scenarios and an emergency plan was set up and introduced. The emergency plan is repeated by the competent staff on a regular basis. The disaster recovery management of the service provider is also continuously checked against processes which are critical for the conduct of the business.

Legal risks: Legal risks can arise from non-compliance with regulations, non-implementation of new and modified laws, non-observance of agreements or from mismanagement of insurances.

Liquidity risks: A large portion of the available liquid funds is generated by GSW Grundbesitz GmbH & Co. KG and GSW Grundvermoegens- und Vertriebsgesellschaft mbH. Therefore, the coordination of the liquidity flow of all companies within the group and a group-wide, yield-optimised management of short-, medium- and long-term liquidity is of considerable importance.

An ongoing 12-months liquidity forecast gives a detailed indication of the expected monthly cash flow for GSW Immobilien AG, its subsidiaries and trusts. The weekly cash management report gives a planned/actual comparison reports on the respective business activities. During the financial year, the liquidity flow management is monitored and adjusted according to recent forecasts. In addition, a monthly report (Investor’s Report) is prepared based on cash flow considerations which includes all cash-relevant aspects.

Cash flow and liquidity management is monitored on a daily basis. The cash management is supported by the integrated software application Moneta for SAP. The "Working Capital Analysis" allows a liquidity management on the basis of actual daily cash flows.

In principle, the generation of liquidity is not threatened due to the stable monthly rental income. In 2010 the company was solvent at any time. Credit lines were not used.

Property risks: The risk of increased costs for new rentals due to the return of apartments in a below average condition or of apartments with outdated equipment, could be balanced by a price differentiation reflecting the actual condition of an apartment. This requires thorough consideration of potential net cold rents reachable with and without investments. On this basis a decision is then made for an investment or for of incentives such as vouchers, temporary or permanently reduced rents.

In addition to client satisfaction the maintenance process is characterized by the risk of uneconomical and excessive costs for the removal of defects.

Financing risk: With the refinancing of the CMBS loan GSW was able to profit to a great extent from the low interest levels in 2010. This effect becomes evident in the balance of interest paid and interest received of about -40.5m EUR in the cash flow statement. In 2011 and the following years we expect much higher interest expenses compared to the fiscal year 2009 and 2010.

In the next two years after the successful refinancing of the CMBS loan, fixed interests for a loan volume of about 23m EUR will expire. Since the respective contracts show interest rates between 4.4% - 7.1% and due to the relatively favourable current interest level, the risk of interest rate variations must be considered as relatively low. All in all, the interest rate risk is considered to be very low since the quota of loans without interest rate hedging in the form of fixed interest agreements or derivative financing instruments is below 1%. By concluding forward-rate agreements the interest positions which will be at disposal in 2011 can be covered in full or in part. In cooperation with an external service provider GSW has implemented an active interest management based on the value-at-risk method. Recommendations for action derived from this method are included in the planning process.

GSW has submitted the complete loan portfolio to a comprehensive risk analysis which is monitored, updated and developed on quarterly reporting dates. The analysis looks, among others, at the risks of interest rate variations and bulk risks but also at counterparty risks and risk from loan compliance.

As a result of the Lehman Brothers insolvency in 2008, bank credit rating is also a focus of our analysis and deteriorations in the credit rating or potential risks can be recognized at an early stage. The analysis especially monitors deposit guarantees and the default risk for derivative financial instruments. As a consequence, short-term financial investments in 2010 were only made with banks having offices in Germany.

For about 70% of our loan volume, the respective loan agreements include so-called financial covenants. Compliance with the conditions of the loan agreements (covenants) is also monitored on an ongoing basis and managed company-wide. These covenants use financial key figures such as the ratio between net rental income and debt service of the respective portfolio (Debt Service Coverage Ratio; DSCR). Through permanent contact and information exchange potential contractual penalties or cancellations by the banks due to a violation of the respective covenants can be avoided.
As per 31/12/2010 all covenants from loan agreements were complied with. Under unchanged framework conditions there is no indication that any of the covenants of major loan agreements could not be complied with.

In 2010 all reporting obligations from loan compliance were complied with in full.

7.3. OPPORTUNITY REPORT

While the crisis of the financial markets began with the so-called real estate bubble on the mortgage market, the real estate market in Germany has remained comparatively stable. However, with view to a lower price and rental level in comparison to international markets, property in Berlin is considered to offer a stable financial investment with the potential for growth. In addition, the housing market is less volatile than the business property market, the demand is influenced by regional and local developments, especially by changes in demographic figures and by the net income of tenants, by the interest level and by new building activities. Therefore, Berlin continues to offer good opportunities for growth. We are thoroughly monitoring the market and are analysing more than 50,000 rental offers per year. In 2010 we were able to register a revival in the transaction market and were ourselves able to complement our portfolio with the purchase of 101 apartments with transfer of possession as per January 2010.

8. COMPLIANCE

The code of conduct for the management and GSW operating principles are determined by the compliance requirements, which ensure that laws as well as internal regulations are met.

The compliance risk is governed by supplier assessment, procuration concept, authorization concept and purchase guidelines.

9. PERSONNEL AND NON-FINANCIAL PERFORMANCE INDICATORS

The average number of staff in the GSW group during the financial year was 597. On the reporting date of 31/12/2010 the group employed 570,69 full-time equivalents.

GSW currently has 24 trainees who are educated at the professional academy to become Bachelors (BA) of Real Estate Management and Real Estate Management Specialists.

The GSW fluctuation rate in 2010 – including all leavings –was 12.1% (BWG 11.0% and Facilita 14.5%). Looking at terminations of the employment by employees only, the fluctuation rate was 4.4% (BWG 0% and Facilita 2.0%).

The variable compensation components for performance assessment and a systematic agreement on objectives have continued to increase in importance and the results reconfirm the path taken by GSW to achieve a performance-related remuneration.

Another management instrument within GSW is systematic capacity planning, facilitating the forecast of personnel cost in the context of operations planning as well as a systematic personnel controlling.

With the new works agreement on flexible working hours GSW has laid the foundation for a modern work concept in which employees can now for the first time opt for the so-called trust-based working hours. Due to the significance of client loyalty an "Existing Client Management" project was initiated for 2010. The focus of this project is the fine-tuning of procedural structures with view to an interconnected, on schedule and high-quality revision of processes to secure lasting client loyalty.

10. ENVIRONMENTAL PROTECTION

GSW complies with the applicable environmental protection regulations for refurbishments and maintenance works and strives to improve the energy balance of its residential complexes.

11. PROGNOSTIC REPORT

GSW has completed the major reorganisation of the past years. We continue our careful privatisation of individual apartments in select complexes only. This continues to be a secondary value driver for the business success of GSW.

We believe that from 2011 on the crisis of the financial markets will no longer affect our business to a major extent and we even expect a slight revival of the real estate sector with positive effects on the employment and the increase of purchase power. However, this is not expected to affect the real estate market one-to-one but will take a certain time to become effective.

Rental income: Due to the continuing cautious new building activities we expect vacancy rates in Berlin to continue to decrease, which will have a positive effect on the rental performance of GSW.
Our commitment for 2011 will focus on increasing customer satisfaction in order to slightly decrease our fluctuation rate as well as on moderately reducing our vacancy rate which will be accompanied by one-time expenses for the refurbishment of these apartments.

Based on the current forecast, GSW expects average rental price increases as well as a further reduction of vacancy rates due to ongoing maintenance activities in connection with re-letting for the next two financial years.

Measurement gains: If the trend towards a housing shortage and, thus, increasing rental prices and decreasing vacancy rates should continue over the next few years, this will positively affect our real estate portfolio. We will further try to contribute with specific modernisation and marketing measures to promote this development.

Interest income:: Due to the refinancing of the CMBS loan and the improved financial structure, we expect higher interest expenses in the next years compared to the exceptionally low interest burden of the fiscal years 2009 and 2010. With the exception of certain small amounts of funding and rollover, more than 99% of the loan portfolio is secured by fixed-rate agreements and derivative financial instruments.

Further opportunities to improve the profit situation can arise from acquisitions in the Berlin region as long as the financing of such measures can be guaranteed, e.g. by a capital increase.

For the next two years, analysts expect a positive development of the German economy with a GNP increase of 2.0% in 2011 and 1.4% in 2012. We are expecting a similar trend for GSW with a moderate growth in the lower single-digit range

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Berlin, March 7 2011

GSW Immobilien AG

Thomas Zinnoecker   Joerg Schwagenscheidt   Andreas Segal

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR

FROM JANUARY 1, 2010 TO DECEMBER 31, 2010

GSW Immobilien AG, Berlin
Consolidated Balance Sheet

ASSETS	Note	Dec 31, 2010 EUR thousands	Dec 31, 2009 EUR thousands
Non-current assets		**2.585.706**	**2.600.881**
Investment property	(16)	2.571.723	2.585.281
Property, plant and equipment	(18)	2.578	3.224
Goodwill		1.125	1.125
Other intangible assets	(17)	841	1.156
Other investments	(19)	6.783	6.824
Receivables and other non-current assets		2.628	3.154
Trade receivables	(21)	1.602	1.675
Receivables from rental, leasing and asset management		234	212
Receivables from sales		1.368	1.463
Derivative	(23)	0	429
Other financial assets		1.026	1.050
Deferred tax assets		28	117
Current assets		**95.996**	**84.568**
Development of properties and inventories	(20)	94	94
Receivables and other current assets		16.091	22.436
Trade receivables	(21)	6.567	15.146
Receivables from property management		2.581	10.895
Receivables from sales		2.325	2.714
Other trade receivables		1.661	1.537
Receivables due from related parties		0	4
Receivables from related parties	(22)	0	4
Income tax receivables		2.242	3.053
Other current assets	(23)	7.282	4.233
Other financial assets		942	1.526
Other miscellaneous assets		6.340	2.707
Cash and cash equivalents		70.781	40.129
Assets held for sale	(24)	9.030	21.909
Investment property held for sale		8.726	21.909
Other assets held for sale		304	0
Total assets		**2.681.702**	**2.685.449**

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

GSW Immobilien AG, Berlin
Consolidated Balance Sheet

GSW

EQUITY AND LIABLITIES	Note	Dec 31, 2010 EUR thousands	Dec 31, 2009 EUR thousands
Equity	(25)	**976.369**	**926.126**
Subscribed capital		35.000	10.000
Additional paid-in capital		15.136	40.136
Consolidated retained earnings		937.301	888.038
Accumulated other comprehensive income		-11.068	-12.048
Non-current liabilities		**766.141**	**1.690.593**
Financial liabilities	(28)	706.748	1.629.949
Liabilities from financing investment properties		704.947	1.627.990
Other loans		0	0
Liabilities from finance leases		1.801	1.959
Employee benefits	(26)	1.960	2.029
Provisions	(27)	4.779	1.916
Trade payables		261	247
Property management liabilities		261	247
Income taxes payable		33.442	38.044
Other non-current liabilities	(30)	18.951	18.408
		15.010	15.857
Other financial liabilities		928	896
Other miscellaneous liabilities		3.013	1.655
Current liabilities		**939.192**	**68.730**
Financial liabilities	(28)	899.802	11.145
Liabilities from financing investment properties		899.577	10.898
Liabilities from finance leases		225	247
Provisions	(27)	2.256	7.418
Trade payables		23.551	35.094
Property management liabilities		22.758	33.495
Liabilities from services		0	6
Other trade payables		793	1.593
Payables due to related parties	(29)	20	20
Payables to related parties		20	20
Income taxes payable		6.793	7.239
Other current liabilities	(30)	6.752	7.814
Deferred grants		79	0
Other financial liabilities		1.031	1.180
Other miscellaneous liabilities		5.642	6.634
Liabilities associated with assets held for sale		18	0
Liabilities associated with other assets held for sale (IFRS 5)		18	0
Total equity and liabilities		**2.681.702**	**2.685.449**

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

GSW Immobilien AG, Berlin
Consolidated Income Statement

EUR'000	Ziffer	01.01.-31.12.2010	01.01.-31.12.2009
Net rental income	(7)	139.871	133.582
Gross rental income		193.056	196.722
Government grants		12.859	15.055
Property operating expenses		-66.043	-78.196
Result on disposal of investment property		2.840	-2.759
Investment property disposal proceeds		47.979	34.827
Carrying value of investment property disposals		-41.918	-28.962
Operating expenses for investment property disposed	(8)	-3.220	-8.623
Net valuation gains on investment property		-3.263	129.207
Valuation gains on investment property		56.749	173.603
Valuation losses on investment property		-60.011	-44.396
Administrative expenses	(8)	-37.975	-31.066
Other income, net	(9)	26	0
Net operating profit		**101.500**	**228.964**
Net result of investments		97	-730
Interest income	(11)	11.193	43.576
Interest expenses	(11)	-65.217	-97.407
Profit before income taxes		**47.572**	**174.403**
Income taxes	(12)	1.690	-2.304
Consolidated net income for the year		**49.262**	**172.099**
Earnings per share (basic and diluted), EUR		**1,41**	**4,92**

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 35 million
For the sake of comparability, the earnings per share for 2009 were also calculated using 35 million shares.

Thomas Zinnöcker   Jörg Schwagenscheidt   Andreas Segal

GSW Immobilien AG, Berlin
Statement of recognized income and expenses

EUR '000	Note	01.01. - 31.12.2010	01.01. - 31.12.2009
Consolidated net income for the year		49.262	172.099
Accumulative other comprehensive income			
Revaluation surplus from step acquisitions (IFRS 3)		-1	11
Revaluation surplus resulting from the fair market valuation of owner-occupied property		48	-57
Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges	(33)		
Fair value adjustment of derivatives in cash flow hedges		1.460	-4.254
Reclassification of interest derivatives affecting income		-321	-8.320
Defered taxes	(25)	-207	1.743
Total comprehensive income for the year		**50.242**	**161.222**

GSW Immobilien GmbH, Berlin

Statement of changes in the shareholders' equity

				Accumulative other comprehensive income				
	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, 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**
Changes in scope of consolidation							0	**0**
Proceeds in additional paid-in capital							0	**0**
Other changes			- 446.646				0	**- 446.646**
December 31, 2009	**10.000**	**40.136**	**888.038**	**7**	**171**	**- 12.227**	**- 12.048**	**926.127**
Total result for the year			49.262	- 1	34	947	980	**50.242**
Changes in scope of consolidation			1				0	**1**
Proceeds in additional paid-in capital	25.000	- 25.000					0	**0**
Other changes			0				0	**0**
December 31, 2010	**35.000**	**15.136**	**937.301**	**7**	**205**	**- 11.280**	**- 11.068**	**976.369**

GSW Immobilien AG
Consolidated cash flow statement

EUR '000	01.01.-31.12.2010	01.01.-31.12.2009
Consolidated net income for the year	49.262	172.099
Depreciation, amortization and impairment/write-ups of non-current assets	1.450	1.785
Gains (-) /losses (+) of fair value measurement of investment property	3.263	-129.207
Gains (-) /losses (+) from the disposal of intangible assets and property, plant and equipment	1	7
Gains on the disposal of shares associates and joint ventures	0	-2
Gains (-) /losses (+) from the disposal of asset held for sale and investment property	-6.060	-5.864
Increase /decrease in pension provisions and other long-term provisions	2.794	435
Gains (-) /losses (+) from the fair value measurement of derivatives	1.472	-3.454
Changes in deferred taxes	-118	1.767
Elimination of current income taxes	-1.572	537
Elimination of financial results	52.455	58.016
Increase /decrease in working capital		
Increase/ decrease in inventories	0	623
Increase/ decrease in receivables from property management	8.291	-1.314
Increase/ decrease in other assets	1.156	1.505
Increase/ decrease in current provisions	-6.663	4.225
Increase/ decrease in trade payables	-11.531	2.655
Changes in receivables due from related parties and payables due to related parties	4	-4
Increase/ decrease in other liabilities	329	-1.353
Other changes in operating activities	-878	-2.761
Income tax paid	-8.463	-15.492
Income tax received	3.674	698
Interest paid net of interest received	-40.532	-30.657
Distributions received	96	211
Cash flows from operating activities	**48.430**	**54.455**
Proceeds on disposals of intangible assets and property, plant and equipment	20	158
Proceeds on disposals of assets held for sale and investment property	48.462	34.827
Proceeds from the disposal of at equity consolidated companies	0	12
Proceeds from the disposal of other investments	0	214
Disbursements for investments in investment property	-21.170	-11.664
Disbursements for investments in intangibles assets and in property, plant and equipment	-816	-252
Net cash inflow (+) /outflow (-) from the acquisition of shares in consolidated companies	97	0
Disbursements for the acquisition of other investments	-16	0
Repayment of loans to shareholders	0	340.000
Cash flows from investing activities	**26.577**	**363.295**
Dividends	0	-446.646
Proceeds (+) / repayments (-) from liabilities from financing investment property and other loans	-49.731	-49.900
	5.822	11.390
Repayments of liabilities from financing leases	-446	-680
Cash flows from financing activities	**-44.355**	**-485.836**
Changes in cash and cash equivalents	**30.652**	**-68.086**
Cash and cash equivalents at the beginning of the period	40.129	108.215
Cash and cash equivalents at the end of the period	**70.781**	**40.129**

Thomas Zinnöcker Jörg Schwagenscheidt Andreas Segal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF GSW IMMOBILIEN AG, BERLIN

FOR THE FINANCIAL YEAR 2010 (IFRS)

GENERAL INFORMATION

(1) HISTORY OF THE GROUP

GSW Immobilien AG, Berlin, ("GSW") and its subsidiaries (together the "GSW Group") are among the biggest housing companies in the State of Berlin.

As of December 31 2010, our portfolio consisted of 49,684 units, of which 48,776 were own apartments and 908 commercial units. In addition, GSW manages about 16,000 other apartments.

GSW was founded in 1924 and has its offices at Charlottenstr. 4, 10969 Berlin. GSW is registered in the commercial register of the Charlottenburg local court with the registration number HRB 125788 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.

The resolution to increase the subscribed capital of GSW Immobilien AG from 10m EUR to now 35m EUR was registered in the commercial register on January 4 2010. According to the resolution adopted by the shareholder meeting, the capital increase comes from company reserves.

As of March 29 2010, GSW Immobilien GmbH, Berlin, was renamed GSW Immobilien AG, Berlin. As of December 31 2010 the following companies affiliated with the investment companies Whitehall and Cerberus held shares as follows Lekkum Holding B.V. two shares for a total of EUR 17,500,000 (50%), W2001 Capital B-V. two shares for a total of EUR 17,189,725 (49.11%); Archon Group Deutschland GmbH holds a share of EUR 310,275 (0.89%).

(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, 2010 reference is made to Note(3)(b).

Minority interests are income and net assets not attributable to the group. Minority interests in business partnerships are shown under Other Liabilities.

(3) BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

GSW's consolidated financial statements as of December 31, 2010 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, 2010	Dec. 31, 2009
Fully consolidated companies	17	15

As of January 1 2010 Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH was integrated where GSW holds 100% of the shares. Due to the 100% ownership, the company is shown as a subsidiary according to IAS 27 in the consolidated group financial statement. This had no significant impact on the results of the group for the reporting period.

As of July 1 2010 BMH Berlin Mediahaus GmbH was integrated, in which GSW holds 100% of the shares. Due to the 100% ownership the company is included as a subsidiary according to IAS 27 in the consolidated financial statement of the group. This had no significant impact on the results of the group for the reporting period.

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 2010.

(c) Company sales

No companies were sold in the financial year 2010.

(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 4.90/sqm (2009: EUR 4.81/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 0.5 % and 1.65 % (weighted average 1.04 %) 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 4.2 % as of the valuation date (2009: 5.0 %).

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 2020, 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 8.70/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 200.00/sqm (weighted average EUR 37) was assumed. Administrative expenses of between EUR 130.00 and EUR 400.00 (weighted average of EUR 163.00) 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 6.16 % (weighted average) (2009: 6.2 %) and normal market perpetuity capitalization rates averaging 5.38 % (weighted average) (2009: 5.34 %). 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 95,6 hectares (2009: 102 hectares) on December 31, 2010 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 2010 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 AG. 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 3.25 % 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 7.00 %.

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 carrying amount of the goodwill as of December 31, 2010 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.

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, 2010: kEUR 961. A total of kEUR 10 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 and disposal groups

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 longterm assets are measured at the lower of the book value and the fair value in accordance with IFRS 5. In case of investment properties classified 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. Disposal groups include assets and liabilities for which the disposal is regarded as highly probable within the next 12 months.

(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:

Cumulative fair value of derivatives in cash flow hedges in the statement of changes in equity. In **:**); in der Eigenkapitalveränderungsrechnung kumulierte Zeitwertanpassung von Derivaten im Cash flow hedges.

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. In the reporting year, the Group´s net equity ratio increased from 53.9% to 59.7%. The strategic objective of a net equity ratio of 30% is therefore achieved. The external minimum funding requirement (see also section 33.c) is achieved.

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, 2010	Dec. 31, 2009
Liabilities	1,705,333	1,759,323
Cash and cash equivalents	-70,781	-40,129
Interest-bearing monetary receivables	0	0
Net liabilities	**1,634,552**	**1,719,194**
Equity	976,369	926,126
Ratio of equity to net liabilities	**59,7%**	**53,9%**

(x) 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 and the supervisory 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 has no impact on the GSW Group.

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.

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 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.

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

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. At present, the amendments have no impact on the GSW Group´s asset, financial position and results.

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 financially hedged item. The amendments to IAS 39 are mandatory for financial years commencing on or after July 1, 2009. These amendments have no significant impact on the GSW Group.

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 revised 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. 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. This standard is of no relevance to the GSW Group.

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 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 Standard is of no relevance to the GSW Group.

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. IFRIC 16 is mandatory for financial years commencing on or after June 30, 2009. The Standard is of no relevance to the GSW Group.

IFRIC 17 „Distribution of Non-cash Assets to Owners“ contains provisions regarding the recognition and measurement of non-cash distributions. IFRIC 17 is mandatory for financial years commencing on or after November 1, 2009. The Standard is of no relevance to the GSW Group. The Standard is of no relevance to the GSW Group.

IFRIC 18 "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. IFRIC 18 is mandatory for financial years commencing on or after November 1, 2009. The Standard is of no relevance to the GSW Group. The Standard is of no relevance to the GSW Group.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

(7) NET RENTAL INCOME

(a) Gross rental income

The result from property management activities amounts to kEUR 139,871 (2009: kEUR 133,582).

Gross rental income comprises the following components:

kEUR	2010	2009
Income from rents	178,856	179,108
Income from management activities	3,995	3,943
Other income	10,205	13,671
Gross rental income	**193,056**	**196,722**
Income from direct government grants	**12,859**	**15,055**
Total rental income	**205,915**	**211,777**

Of the income from rents in the amount of kEUR 178,856 (2009: kEUR 179,108). kEUR 1,717 (2009: kEUR 1,844) are attributable to the Kochstraße property.

The decrease in other income in the amount of kEUR 3,466, is essentially due to the phase out of the master leases of the modernization funds on December 31, 2009.

(b) Income from direct government grants

This income is composed as follows:

kEUR	2010	2009
Direct rent subsidies	1,064	1,202
Direct government grants due to social housing	12,078	13,661
Other direct grants	-283	192
Income from direct government grants	**12,859**	**15,055**

(c) Expenses in connection with rental income

kEUR	2010	2009
Cost of materials	-45,627	-52,684
Personnel expenses	-16,254	-18,535
Depreciation and amortization	-557	-780
Other operating expenses	-12,334	-14,135
Total operating expenses	**-74,772**	**-86,134**
Other operating income	8,729	7,938
Property operating expenses	**-66,043**	**-78,196**

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.

The expenses in the amount of kEUR 3,237 (2009: kEUR 3,606) incurred as a result of rent and lease agreements are attributable to the Kochstrasse property. The master leases of the modernization funds have expired prior to December 31 2009.

The decrease in personnel expenses results predominantly from a decrease in the appropriation of premium provisions by kEUR 1,006 and by a decrease in personnel costs by kEUR 854 as a result of a reduction in staff and a reorganization of management and management assistant salaries of BWG.

(8) SELLING AND ADMINISTRATIVE EXPENSES

The selling and administrative expenses are composed as follows:

kEUR	2010	2009
Cost of goods and services	-5,247	-5,479
Personnel expenses	-554	-565
Depreciation and amortization	0	0
Other operating expenses	-98	-3,490
Other operating income	2,679	911
Selling expenses relating to the disposal of investment property	**-3,220**	**-8,623**
Personnel expenses	-11,084	-10,657
Depreciation and amortization	-899	-1,005
Legal and consulting expenses	-2,415	-3,293
Costs for annual financial statements, bookkeeping and audit	-1,527	-791
Expenses for postage, telecommunications and IT	-5,294	-4,558
Rent and leasing costs	-3,674	-2,989
IPO Costs	-7,978	-4,775
Other expenses	-6,668	-5,169
Other operating income	1,564	2,171
Administrative expenses	**-37,975**	**-31,066**

The selling and administrative expenses include kEUR 2,845 (2009: kEUR 2,618) relating to the part of the Kochstrasse property that is used by GSW. The general rent accounts for kEUR 2,140 (2009: kEUR 2,063), ongoing maintenance kEUR 19 (2009: kEUR 16) and operating costs kEUR 686 (2009: kEUR 539).

(9) OTHER INCOME AND EXPENSES

. The other reported income for the financial year 2010 in the amount of kEUR 26 results from goodwill from the integration of Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH and BMH Berlin Mediahaus GmbH into the consolidated statement. No other expenses apply to the financial year 2010. For the financial year 2009 no other income or expenses apply.

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

There were no investments in associates or joint-ventures that were recorded using the equity method during 2009 and 2010.

(11) INTEREST INCOME AND EXPENSES

The interest income and expenses are composed as follows:

kEUR	**2010**	**2009**
Interest on loans to shareholders	0	18,406
Gains on changes in the fair value of interest derivatives	2,527	9,325
Interest income on interest derivatives	2,361	4,417
Interest on cash in bank accounts	573	999
Interest on receivables	24	139
Interest on adjustments in loan terms	5,074	9,708
Other interest income	634	582
Interest income	**11,193**	**43,576**
Interest expenses from the financing of investment property	31,927	43,813
Net expenses from adjustments in loan terms *	14,211	32,867
Early redemption penalties	0	0
Losses on changes in the fair value of interest derivatives	3,999	5,871
Interest expense from interest derivatives	12,125	10,591
Interest expense from finance leases	206	218
Interest expense from the interest accrued on other provisions	2,428	3,853
Interest expense for other financial liabilities	197	148
Interest expense from changes in pension provisions	94	0
Other interest expenses	30	46
Interest expenses	**65,217**	**97,407**

** 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 62 due to new conditions which were agreed upon or became evident only after the conclusion of the agreement as well as changes in the fair value with effect on the profit and loss statement according to IAS 39 AG 8 due to estimate modifications of cash outflow or inflow.*

(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	**2010**	**2009**
Current tax expense / income	1,572	-537
Deferred tax expense / income	118	-1,767
Tax expense	**1,690**	**-2,304**

Current taxes unrelated to the current reporting period amount to kEUR -1,596 (2009: kEUR -180).

In the reporting year deferred taxes developed as follows:

kEUR	**2010**	**2009**
Deferred taxes as of Dec. 31, 2008	117	140
Changes affecting operating result	118	-1,767
Changes not affecting operating result	-207	1,744
Deferred taxes as of the end of the reporting period	**28**	**117**
- of which long-term	*25*	*114*
- of which short-term	*3*	*3*

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 2009: 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	**2010**	**2009**
Pre-tax income (IFRS)	47,572	174,403
Group tax rate as %	30	30
Expected tax expense	**-14,355**	**-52,626**
Changes in the impairment of deferred taxes	-65,156	51,923
Non-deductible operating expenses	-225	-40
Tax-free income	24	69
Additions and reductions in relation to trade tax	-1,018	-1,300
Tax from previous years	82,113	-180
Other effects	307	-150
Tax expense as reported on the income statement	**1,690**	**-2,304**

The amounts presented above in the tax reconciliation result from adjustments to the tax basis of investment properties. These adjustments also had an impact on the impairments recorded against the deferred tax assets.

Incorporated enterprises are subject to corporation tax at a rate of 15 % (2009: 15 %) plus a solidarity surcharge of 5.5 % (2009: 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 2010 (2009: 410 %).

The uniform base amount of trade tax amounts to 3.5 % (2009: 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 % (2009: 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, 2010 Deferred tax assets	Dec. 31, 2010 Deferred tax liabilities	Dec. 31, 2009 Deferred tax assets	Dec. 31, 2009 Deferred tax liabilities
Investment property	9,056	57,519	5,086	104,522
Property, plant and equipment	2,233	2,717	2,270	2,664
Investments	0	62	0	62
Development of properties and inventories	1	26	7	0
Receivables and other assets	5,049	4,779	9,445	4,421
Accumulated other comprehensive income	783	0	897	610
Special account with reserve characteristics	0	11,763	0	12,088
Employee benefits	103	0	108	0
Other provisions	289	1,356	1,400	1,348
Other bank loans	1,001	34,865	3,129	39,461
Trade payables	2	108	119	70
Other liabilities	4,232	4,779	246	4,690
Total temporary differences	**22,749**	**117,974**	**22,707**	**169,936**
Loss carry forward	95,253	0	147,346	0
Total	**118,002**	**117,974**	**170,053**	**169,936**
Offsetting	-117,974	-117,974	-169,936	-169,936
Amount recognized on balance sheet	**28**	**0**	**117**	**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 2010 no deferred tax assets were recognized for temporary differences of kEUR 31,026 (2009: kEUR 3,452), for tax loss carry forward for corporation tax purposes of kEUR 1,723,196 (2009: kEUR 1,618,614) and for trade tax purposes of kEUR 1,647,090 (2009: kEUR 1,303,593) as it is not likely that sufficient taxable income will be generated for these amounts in the near future.

On the reporting date, GSW does not consider it to be likely that the loss carry-forwards forward can be used. Thus, no deferred tax assets on taxable temporary differences are recognized. In general, for the purposes of the tax balance sheet at the end of the financial year, the operating assets must continue to be recorded in accordance with German general accounting principles (GoB) based on the German Commercial Code. However, certain tax options make it possible, in accordance with GoB, to use other valuation methods. In the past years, real estate valuations frequently led to write-downs according to the Commercial Code and, after assessing the substance of the depreciation, to a fiscal current-value depreciation. Currently, there is an option to mirror the current-value depreciation of the trade balance in the tax balance.

The total temporary differences for interests in subsidiaries for which no deferred tax liabilities have been recognized pursuant to IAS 12.39 is kEUR 129,760 (2009: kEUR 256,254).

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	2010	2009
Audit of annual financial statements	1,527	862
thereof previous year	583	0
Other certifications	1,460	1,797
thereof previous year	46	0
Tax consultancy	0	3
Other services	178	281
Tax fees	**3,165**	**2,943**

The other certification services provided by the auditor in the financial year 2010 amounting to kEUR 1,460 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	2010	2009
Personnel expenses	27,892	29,757
Depreciation and amortization	1,456	1,785
Cost of materials	50,875	58,162

The 2010 personnel expenses include restructuring expenses in the amount of kEUR 527 (2009: kEUR 781).

In the financial year, one-time project costs arose in the amount of kEUR 5.409 (2009: kEUR 2.917), thereof kEUR 3.062 (2009: kEUR 2.917) represented cost of materials. The one-time project costs relate to expenses incurred from third parties in the connection with the implementation of new software, significant software updates or relevant reorganization projects. Project costs in the amount of kEUR 2.347 (2009: kEUR 0) relate to the refinancing of the GSW Grundbesitz GmbH & Co KG. These mainly related to consulting services.

Further expenses in the amount of kEUR 7.979 (2009: kEUR 4.775) arose with respect to establishing the company´s capital market viability. Out of these expenses, kEUR 885 (2009: kEUR 2.405) for services not yet invoiced are included in provisions. Invoices in the amount of kEUR 2.405 (2009: kEUR 0) have been received so far with respect to this provision.

(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, 2010 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	582	0	0	-525	1,354	-3,275	206	-1,658
HTM	0	0	0	0	0	0	0	0
AFS	31	97	0	0	0	1	0	-128
FVTPL - FVO	0	0	0	0	0	0	0	0
FAHFT and FLHFT	-9,764	0	-1,387	0	0	0	0	-11,151
Other liabilities (at cost)	-41,284	0	0	0	0	45	-14	-41,253
Total	**-50,435**	**97**	**-1,387**	**-525**	**1,354**	**-3,230**	**192**	**-53,934**

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**

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 525) relate 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 2009 and 2010 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, 2010		Dec. 31, 2009		Dec. 31, 2008	
	Residential property	Commercial property	Residential property	Commercial property	Residential property	Commercial property
Units	48,776	907	49,671	916	50,108	942
Area (in sqm)	3,003,073	100,442	3,054,251	101,076	3,082,874	104,302

The portfolio of the GSW Group also includes 7,679 (2009: 7,686) parking spaces.

Furthermore, a commercial property is included under IAS 16.

The additions shown in the 2010 statement of changes in non-current assets consist exclusively of additions associated with modernization. Properties were not acquired in 2010.

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

kEUR	Dec. 31, 2010		Dec. 31, 2009	
	Investment property	Property held for sale	Investment property	Property held for sale
Built plots	2,546,939	8,726	2,559,958	20,569
Unbuilt plots	24,784	0	25,323	1,340
Total	**2,571,723**	**8,726**	**2,585,281**	**21,909**

The fair values of the properties in the portfolio (IAS 40/ IFRS 5) as of December 31, 2010 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, 2010:

kEUR	+ 0.5 %	- 0.5 %
Built plots	2,464,207	2,652,245
Unbuilt plots *	24,784	24,787
Total	**2,488,991**	**2,677,029**

* 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, 2010:

kEUR	Up to one year	Between one and five years	More than five years
Future payments for operating leases as per Dec. 31, 2010	43,337	7,496	1,182
Future payments for operating leases as per Dec. 31, 2009	49,154	7,073	670

Actual maintenance expenses and capitalization costs are shown in the table below:

kEUR	Dec. 31, 2010	Dec. 31, 2009
Maintenance expenses	24.066	28.042
Capitalization	17.126	11.580
Total	**41.192**	**39.622**

Maintenance expenses of kEUR 156 were capitalized for which government assistance was received. This was deducted from the book value of the respective property in accordance with IAS 20.

In addition, maintenance expenses of kEUR 1,500 from already recorded invoices were capitalized.

(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, 2010	Dec. 31, 2009
Amortized cost	5,822	5,862
Fair Value	961	962
Financial instruments of non-current assets in the "available for sale" category	**6,783**	**6,824**

(20) DEVELOPMENT OF PROPERTIES AND OTHER INVENTORIES

The property development is composed as follows:

kEUR	Dec. 31, 2010	Dec. 31, 2009
Developments of properties sold in the course of ordinary operating activities	94	94
Development of properties and other inventories	**94**	**94**

(21) TRADE RECEIVABLES

Trade receivables are composed as follows:

kEUR	Dec. 31, 2010	Dec. 31, 2009
Trade receivables (gross)	14,486	23,525
Impairment allowances for trade receivables	-6,317	-6,704
Trade receivables	**8,169**	**16,821**

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

kEUR	Dec. 31, 2010	Dec. 31, 2009
Receivables from property management	2,814	11,107
Receivables from sales of investment property	3,694	4,177
Other trade receivables	1,661	1,537
Trade receivables	**8,169**	**16,821**

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, 2010	6,566	1,474	129
December 31, 2009	15,145	1,543	133

(22) RECEIVABLES DUE FROM RELATED PARTIES

Receivables due from related parties are composed as follows:

kEUR	**Dec. 31, 2010**	**Dec. 31, 2009**
Receivables due from shareholders	0	0
Receivables due from joint ventures and associates	0	0
Receivables due from other related parties	0	4
Receivables due from related parties	**0**	**4**

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, 2010	0	0	0
December 31, 2009	4	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, 2010**	**Dec. 31, 2009**
Derivatives measured at fair value	0	429
Receivables from government grants	2	589
Receivables from employees	137	124
Creditors with debit balances	280	206
Miscellaneous	1,549	1,657
Other financial assets	**1,968**	**3,005**
Prepayments and deferred expenses	433	416
Receivables from other taxes	1,550	1,594
Advance payments	4,357	697
Other miscellaneous assets	**6,340**	**2,707**
Other assets	**8,308**	**5,712**

KEUR 4,320 were recognised as deposits on property acquisitions.

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, 2010	7,282	75	951
December 31, 2009	4,233	504	975

(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 of 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.

With a purchase and assignment contract dated December 22 2010, GSW sold 100% of its shares in BMH Berlin Mediahaus GmbH effective 31/01/2011. Assets and liabilities are classified according to IFRS 5. The respective items of BMH Berlin Mediahaus GmbH listed under assets held for sale and liabilities from assets held for sale as of December 31 2010 are as follows:

kEUR	Dec. 31, 2010
Long-term assets	**237**
Intangible assets and property, plant and equipment	237
Short term assets	**67**
Accounts receivable and other current assets	1
Cash and cash equivalents	66
Total assets	**304**
Short term liabilities and provisions	**18**
Trade payables	18
Provisions and liabilities	**18**
Net assets	**286**

(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 35,000,000. The Group holds a capital reserve in the amount of EUR 15,136,372. As regards the division of the shares among GSW's shareholders reference is made to Note (1).

The resolution adopted by the general assembly allows for increase of the subscribed capital of € 17.5m.

(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.

(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	**2010**	**2009**
Balance at January 1	**-12,048**	**-1,171**
Other equity accumulated from the fair market valuation of securities and other financial assets held for sale	-1	11
Other equity accumulated from the fair market valuation of owner-occupied properties	48	-57
Accumulated fair value changes of derivatives in cash flow hedges	1,140	-12,574
Deferred taxes	-207	1,743
Balance as of December 31	**-11,068**	**-12,048**

(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:

2010 ***kEUR***	**Before deferred taxes**	**Deferred taxes Jan. 1, to Dec. 31, 2010**	**After deferred taxes**
Group earnings	49,262	0	49,262
Other equity accumulated from the fair market valuation of AFS securities and other financial assets	-1	0	-1
Other equity accumulated from the fair market valuation of owner-occupied properties	48	-15	33
Fair value adjustment of derivatives in cash flow hedges	1,461	-246	1,215
Reclassification of interest derivatives affecting income	-321	54	-267
Total consolidated earnings	**50,449**	**-207**	**50,242**

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 with impact on the PnL	-8,320	1,144	-7,176
Total consolidated earnings	159,479	1,743	161,222

(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 former 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:

%	**2010**	**2009**
Interest rate - current pensioners	4.8%	4.8 %
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 2010, the defined benefit plans resulted in expenses of kEUR 95 (2009: kEUR 112) which were made up as follows :

kEUR	**2010**	**2009**
Past service cost	0	3
Interest expense	95	110
Realized actuarial gains	0	-1
Pension expenses	**95**	**112**

The value of the provision is made up as follows:

kEUR	**Dec. 31, 2010**	**Dec. 31, 2009**
Present value of pension commitments	1,980	2,053
Actuarial gains and losses not realized	-20	-24
Provision	**1,960**	**2,029**

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

kEUR	**2010**	**2009**
Present value on January 1	**2,053**	**1,866**
Pension expenses	0	3
Interest expense	95	110
Payments	-164	-170
Realizable actuarial income	-4	244
Present value of employee benefits as of December 31	**1,980**	**2,053**

In 2010, the payments made by the GSW Group to the Pension Institution of the Federal Republic and the Laender amounted to kEUR 1,657 (2009: kEUR 1,782).

(27) OTHER PROVISIONS

The other provisions are composed as follows:

kEUR	Status at Jan 1, 2010	Additions	Interest cost	Utilized	Reversed	Status at Dec. 31, 2010
Provision for onerous contracts	1,171	60	56	-27	0	1,260
Provision for other employee benefits	900	34	0	-513	-30	391
Provision for litigation costs	4,390	984	-237	-733	-1,518	2,886
Other miscellaneous provisions	2,873	1,662	5	-2,009	-33	2,498
Other provisions	**9,334**	**2,740**	**-176**	**-3,282**	**-1,581**	**7,035**

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 two properties held for purchase. The provision has an amortization of 2 years.

The Other miscellaneous provisions include provisions for the archiving of business documents in an amount of kEUR 677 with a remaining amortisation period of 10 years.

(28) FINANCIAL LIABILITIES

The financial liabilities are composed as follows:

kEUR	Dec. 31, 2010	Dec. 31, 2009
Liabilities from financing investment properties	1,604,525	1,638,888
Liabilities from finance leases	2,206	2,206
Financial liabilities	**1,606,550**	**1,641,094**

(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, 2010 [kEUR]	Dec 31, 2009[kEUR]	Interest rate as % in 2010
2010	0	10,898	
2011	899,578	916,449	EURIBOR + mark-up
2013	44,308	41,025	EURIBOR + mark-up
2014	28,665	28,444	EURIBOR + mark-up
2016	1,661	1,679	5.06
2017 to 2020	261,102	267,639	EURIBOR + mark-up
without contractual maturity	369,211	372,754	0.0 to 7.37
Total	**1,604,525**	**1,638,888**	

The 2011 maturity includes the Lehman loan taken out by the Group. The Group has the unilateral option to extend the loan until 2013.

Since GSW had already intended by the reporting date, to not exercise the option to extend but instead to refinance the loan, the book value of the loan was reassessed according to IAS 39 AG 8 by determining the cash value of the estimated future cash flow on the basis of the effective interest rate. The adjustment was recognized in the profit and loss statement.

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, 2010	899,578	72,973	631,974
December 31, 2009	10,898	985,918	642,072

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

	Dec. 31, 2010		Dec. 31, 2009	
In percent	**minimum**	**maximum**	**minimum**	**maximum**
1 – 5 years	1,78	6,01	3.05	6.25
6 – 10 years	2,62	6,92	3.52	6.72
11 – 20 years	3,90	7,14	3.90	6.92
21 – 30 years	4,02	8.10	4.02	8.10
> 30 years	3.87	7.27	3.87	7.27

(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, 2010	225	723	1,078
December 31, 2009	247	687	1,272

As of December 31, 2010, 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	417	1,324	1,390
Interest component	-192	-601	-312
Principal repayments	**225**	**723**	**1,078**

The reconciliation as of December 31, 2009 was 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**

(29) PAYABLES DUE TO RELATED PARTIES

The payables due to related parties are composed as follows:

kEUR	**Dec. 31, 2010**	**Dec. 31, 2009**
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, 2010**	**Dec. 31, 2009**
Restricted dividends	79	0
Restricted dividends	**79**	**0**
Derivatives	15,010	15,857
Derivatives	**15,010**	**15,857**
Other financial liabilities	1,960	2,076
Other financial liabilities	**1,960**	**2,076**
Accrued ground rent	1,599	1,627
Other taxes	1,338	1,145
Liabilities due to employees	3,872	5,053
Social security payments	369	296
Miscellaneous	1,476	168
Other miscellaneous liabilities	**8,654**	**8,289**
Other liabilities	**25,703**	**26,222**

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, 2010	6,752	16,050	2,901
December 31, 2009	7,814	11,975	6,433

(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 5.8 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 961 of the investments in the "Available For Sale" category were measured at fair value.

Assets as per Dec. 31, 2010	**Amortized cost**			**Fair value**				**Total**
Valuation category kEUR	Loans and receivables	AFS financial assets available for disposal	HTM financial assets held to maturity	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	961	0	0	0	961
Securities (at cost)	0	250	0	0	0	0	0	250
Other financial assets	0	5,572	0	0	0	0	0	5,572
Trade receivables	8,169	0	0	0	0	0	0	8,169
Other receivables	1,967	0	0	0	0	0	0	1,967
Derivatives [2]	0	0	0	0	0	0	0	0
Cash and cash equivalents	70,781	0	0	0	0	0	0	70,781
TOTAL ASSETS	**80,917**	**5,822**	**0**	**961**	**0**	**0**	**0**	**87,700**

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, 2009	Amortized cost			Fair value				Total
Valuation category kEUR	Loans and receivables	AFS financial assets available for disposal	HTM financial assets held to maturity	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			250
Other financial assets	0	5,572	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)

Liabilities as per Dec. 31, 2010	**Amortized cost**		**Fair value**						**Total**	
Valuation category	Other liabilities		FVTPL Financial liabilities measured at fair value and charged to the income statement				Derivatives in hedges acc. to IAS 39			
kEUR			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**
Financial liabilities	1,606,550	1,616,642	0	0	0	0	0	0	1,606,550	1,616,642
Trade payables	23,812	23,812	0	0	0	0	0	0	23,812	23,812
Derivatives [1]	0	0	2,886	2,886	0	0	12,124	12,124	15,010	15,010
Other liabilities	1,979	1,979	0	0	0	0	0	0	1,979	1,979
TOTAL liabilities	**1,632,341**	**1,642,433**	**2,886**	**2,886**	**0**	**0**	**12,124**	**12,124**	**1,647,351**	**1,657,443**

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, 2009	Amortized cost		Fair value						Total	
Valuation category	Other liabilities		FVTPL Financial liabilities measured at fair value and charged to the income statement				Derivatives in hedges acc. to IAS 39			
kEUR			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**
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)

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:

	Dec. 31, 2010		Dec. 31, 2009	
kEUR	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Liabilities from financing investment properties	1,604,525	1,614,616	1,638,888	1,608,257

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 board 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.

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, 2010	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2009
Balance sheet:				
Securities (fair value)	961	0	962	0
Securities (at cost)	250	0	250	0
Other financial assets	5,572	0	5,612	0
Trade receivables	8,169	0	16,821	0
Other receivables	1,967	0	2,580	0
Derivatives	0	0	429	0
Liquid funds	70,781	0	40,129	0
Non-balance sheet:				
Guarantees [1)]	3,552	0	6,214	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, 2010	Carrying amount before value impairment (in kEUR)	Value impairment (in kEUR)	Fair value of available collateral (in kEUR)
Securities (fair value)	961	0	0
Securities (at cost)	250	0	0
Other financial assets	5,572	0	0
Trade receivables	17,782	-9,613	0
Other receivables	2,013	-45	0
Total	**26,578**	**-9,658**	**0**

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**

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, 2010 (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)	961	961	0	0	0	0	0
Securities (at cost)	250	250	0	0	0	0	0
Other financial assets	5,572	5,572	0	0	0	0	0
Trade receivables	8,169	1,411	5,523	2,314	1,809	974	2,187
Other receivables	1,967	1,602	31	18	41	70	194
Total	**16,919**	**9,796**	**5,554**	**2,332**	**1,850**	**1,044**	**2,381**

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**

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. The amount of impairment allowances for the entire portfolio is €6,101 thousaand as of December 31, 2010, compared to €5,953 thousand as of December 31, 2009.

(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 mEUR 12,21 should the need arise. Approximately one-quarter of the credit lines are secured and approximately three-quarters 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, 2010	Carrying amount	Residual maturities		
		< 1 year	1 - 5 years	> 5 years
Non-derivative financial liabilities				
Financial liabilities	1,606,550	935,022	223,605	863,074
Trade payables	23,812	23,551	261	0
Other liabilities	1,979	1,051	928	0
Derivative financial liabilities	15,010	7,256	8,661	-125
Total	**1,647,351**	**966,880**	**233,455**	**862,949**

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**

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 3,552 (2009: kEUR 6, 214) 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, 2010 all covenants from loan agreements were complied with.

(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.

On November 15, 2010 a restructuring agreement for an existing swap was concluded. As at December 31, 2010 the swap has a nominal value of kEUR 14,075.

The structuring includes reducing the swap rate from 3.29% to 1.7% effective December 31, 2010. All other original contractual parameters remain unchanged.

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, 2010 kEUR
9 interest rate swaps	303,989	1,70% to 4,80 %	-15,010
2 caps	893,658	3.77 % to 4.27 %	0

The cash flows arising from underlying transactions hedged in the context of the cash flow hedge accounting will be due in the period 2011 to 2018 with an effect on the income statement.

In 2010, 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)	**2010**
Initial status as per Jan. 1, 2010	-12,591
Recognition in equity in the reporting period	1,460
Release from equity to the income statement	-321
Final status as per Dec. 31, 2010	**-11,452**

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**

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):

2010 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)	5	-5		
FVTPL instruments (fixed-interest)				
Primary financial instruments (variable-interest)				
Loans				
HtM securities				
Loans received			-4,964	4,964
AfS instruments (variable-interest)				
FVTPL instruments (variable-interest)				
Cash and cash equivalents (variable-interest)			354	-354
Derivative financial instruments & hedges				
Free-standing derivatives			1,871	-1,931
Cash flow hedges	2,446	-2,510	1	0
Total	**2,451**	**-2,515**	**-2,738**	**2,679**

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**

(34) MATERIAL SUBSIDIARIES

As of December 31, 2010 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 von 1996 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 %
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	100 %
BMH Berlin Mediahaus GmbH, Berlin	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

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 reporting year the Group had no business relations with the consortium of Whitehall and Cerberus and the other companies controlled or significantly influenced by Whitehall or Cerberus.

The following interest earnings from the prior period result from the repayment of shareholder loans as per July 1 2009. The interest paid on the shareholder loans corresponds to the 12 month Euribor rate + 5.5%.

Balance sheet (in kEUR)	Dec. 31, 2010	Dec. 31, 2009
Receivables from shareholders	0	0
Income statement (in kEUR)	**2010**	**2009**
Interest income	0	18,406

(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) Investments in associates and joint ventures

The GSW Group does not have investments in associates and joint ventures as at December 31, 2010.

(d) Relations with related parties

The total emoluments of GSW's management board members amounted to kEUR 2,022 in 2010 (2009: kEUR 1,815). Of this figure, kEUR 1,012 (2009: kEUR 945) was accounted for by fixed salary components and kEUR 1,010 (2009: kEUR 870) by variable components. In the reporting year no benefits at the end of employment contracts were paid (2009: kEUR 0).

Emoluments of former members of management and their surviving dependants amount to kEUR 163 (2009: kEUR 171). A provision of kEUR 1,960 (2009: kEUR 2,029) has been formed for retirement pensions payable to former members of management and their surviving dependants.

In the financial year 2010 the emoluments paid to the members of the supervisory board amounted to kEUR 84 (2009: kEUR 21).

kEUR 104.5 were paid for a consultancy agreement with chairman of the board, Dr. Scharpe, terminated during the financial year as well as for a new consultancy agreement.

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

	Average number of employees
Duly authorized officers (*Prokuristen*)	1
Clerical employees	425
Blue-collar workers	66
Caretakers	105
Total	**597**

(36) CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

kEUR	**Dec. 31, 2010**	**Dec. 31, 2009**
Warranties	3,552	6,214
Mortgages	10,635	10,635
Other liabilities	2,774	2,068

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, 2010**	**Dec. 31, 2009**
Future payments in operating leases	20,357	25,400
Purchase commitment in relation to investment property and property, plant and equipment	0	1

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, 2010	5,042	15,315	0
December 31, 2009	5,180	17,214	3,006

(38) MANAGEMENT AND SUPERVISORY BOARD

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

Dr. Eckart John von Freyend	Chairman of the Supervisory Board, shareholder of John von Freyend Verwaltungs- und Beteiligungs GmbH, retired, Bonn
Herr Dr. Jochen Scharpe	Deputy Chairman of the Supervisory Board, Managing Partner of AMCI GmbH, Munich
Herr Prof. Dr. Frank Richter	Vice President, Goldman Sachs & Co. OHG, Frankfurt a.M. (bis 04/2010)
Herr Thomas Wiegand	Managing Director of Cerberus Global Investments B.V., Baarn, NL
	Managing Director bei Cerberus Global Investments B.V., Baarn, NL
Herr Thomas E. Wagner	Managing Director of Cerberus Real Estate Capital Management LLC, New York (until 04/2010)
Herr Dr. Reinhard Baumgarten	Head of Assets Department in the Berlin Senate Finance Administration
Herr Chris Stallsworth	Real Estate Advisor at Archon Group Deutschland GmbH, Duesseldorf (until 04/2010)
Herr Wolfgang Schwindt	Executive Representative, Director of Letting at GSW Immobilien AG, Berlin (until 04/2010)
Herr Sascha Burucker	Employee Representative, Regional Asset Manager at GSW Immobilien AG, Berlin (until 04/2010)
Frau Veronique Frede	Employee Representative, Chairperson of the Works Council (exempt) at GSW Immobilien AG, Berlin
Herr Jonathan Lurie	Real Estate Investment Executive, Goldman Sachs International, London (since 04/2010)
Herr Sven Dahlmeyer	Chief Investment Officer, Archon Group Deutschland GmbH, Frankfurt a.M. (since 04/2010)
Herr Geert-Jan Schipper	Managing Director at Cerberus Global Investments B.V., Baarn, NL (since 04/2010)
Herr Claus Wisser	Founder and owner of WISAG Service Holding GmbH & Co. KG, now chairperson of AVECO Holding AG, retired, Frankfurt (since 04/2010)
	Ruhestand, Frankfurt a.M. (seit 04/2010)

The Management board for the reporting period consists of the following members:

Mr. Thomas Zinnoecker (Chairman of the Board – CEO), Diplom-Kaufmann (business graduate)

Mr. Joerg Schwagenscheidt (Operations – COO), real estate economist

Mr. Andreas Segal (Chief financial officer – CFO), jurist

(39) EVENTS AFTER THE BALANCE SHEET DATE

GSW has entered into an agreement for the refinancing of its CMBS loan (Commercial Mortgage Backed Securities) with a balance of 890m EURO as of the reporting date. This loan was paid back through new bank loans for a total of 875m Euro and with own cash. GSW will diversify its financing by entering into bilateral loan agreements with six leading banks with a mean credit period of more than eight years at attractive terms. The Refinancing was completed by February 15, 2011.

Furthermore, GSW has sold its interest in BMH Berlin Mediahaus GmbH above book value as per January 31, 2011.

During the reporting period the GSW subsidiary Gesellschaft fuer Stadterneuerung mbH purchased 101 apartments in Berlin-Reinickendorf. The transfer of benefits and encumbrances became effective on January 1, 2011.

In connection with fundamental strategic deliberations on the future strategic development of the company GSW is again considering its readiness for the capital market.

Berlin, March 07, 2011

GSW Immobilien AG

Thomas Zinnoecker Joerg Schwagenscheidt Andreas Segal

GSW Immobilien AG, Berlin
Consolidated fixed assets movement schedule for the year ended December, 31, 2010
Statement of changes in intangible assets

2010	Historical acquisition and manufacturing costs				Accumulated amortization/depreciation					Book value	
EUR '000	31.12.2009	Additions	Disposals	31.12.2010	31.12.2009	Adjustment fair value	Additions	Disposals	31.12.2010	31.12.2010	31.12.2009
Intangible assets	4.117	403	0	4.520	-1.837	0	-718	0	-2.554	1.966	2.281
Total	4.117	403	0	4.520	-1.837	0	-718	0	-2.554	1.966	2.281

GSW Immobilien AG, Berlin
Consolidated fixed assets movement schedule for the year ended December 31, 2010
Statement of changes in investment property and property, plant and equipment

2010	Historical acquisition and manufacturing costs					Accumulated amortization / depreciation						Book value	
EUR '000	31.12.2009	Additions	Disposals	Reclassification (IFRS 5)	31.12.2010	31.12.2009	Adjustment fair value	Additions	Disposals	Reclassification (IFRS 5)	31.12.2010	31.12.2010	31.12.2009
Investment property	2.082.658	18.469	-19.309	-6.168	2.075.649	502.624	-3.265	0	-1.083	-2.201	496.074	2.571.723	2.585.281
Land, similar rights and buildings	828	0	0	0	828	-38	48	-58	0	0	-48	780	790
Technical equipment, factory and office equipment	3.629	17	-325	-2.875	446	-3.106	0	-285	310	2.638	-443	3	523
Other equipment, factory and office equipment	891	233	-75	0	1.048	-569	0	-132	55	0	-646	403	321
Property, plant and equipment from finance lease	2.882	60	0	0	2.942	-1.292	0	-258	0	0	-1.550	1.392	1.590
Total	2.090.886	18.779	-19.710	-9.043	2.080.913	497.619	-3.217	-732	-718	436	493.388	2.574.301	2.588.505

Low-cost assets (acquisition cost < EUR 150,00) in the amount of EUR thousands 6 are not included (2009: EUR thousands 35)

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	Reclassifi-cations	Disposals	Reclassifi-cations (IFRS 5)	31.12.2009	01.01.2009	Change in scope of consolidation	Adjustment fair value	Additions	Disposals	Reclassifi-cations (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	Reclassifi-cations	Disposals	Reclassifi-cations (IFRS 5)	31.12.2009	01.01.2009	Change in scope of consolidation	Adjustment fair value	Additions	Disposals	Reclassifi-cations (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)