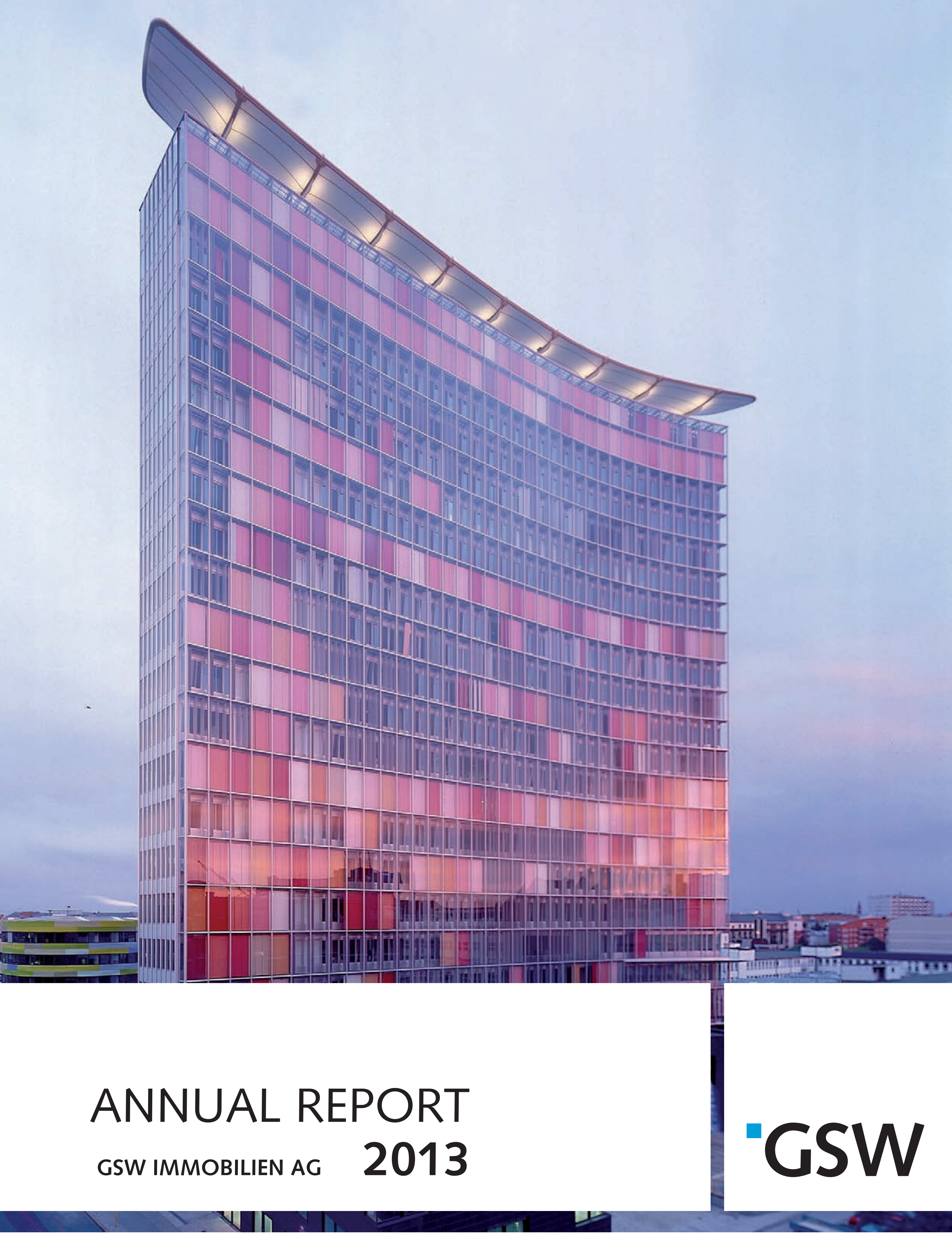

ANNUAL REPORT

GSW IMMOBILIEN AG 2013

MY BERLIN. MY HOME.

My Berlin. My Home.

The listed company GSW has been managing one of the largest property portfolios in Berlin for 90 years. Its name is synonymous with experience, stability and economic soundness.

We manage a real estate portfolio of around 61,000 residential and commercial units that was valued at EUR 3.5 billion as of 31 December 2013.

In order to maintain and expand our market position, we take new paths that bridge the gap between innovation and tradition. We continue to develop without abandoning the tried and trusted.

GSW's corporate strategy focuses on the long-term management of rental property using a systematic approach aimed at enhancing customer and employee satisfaction, operational efficiency and the value of our properties.

At the same time, we assume social responsibility for Berlin and are involved in social, cultural and sporting projects.

As a capital market-oriented housing company, we are bound to the interests and needs of all our stakeholders. Our duty is to identify and target shared objectives. We take responsibility for finding an appropriate and fair balance in the event of conflicts of interest.

Highlights

OPERATIONAL HIGHLIGHTS

	31.12.2013	31.12.2012
Vacancy rate (residential)	2.2 %	2.7 %
In-place rent (residential)	5.44 EUR / m²	5.22 EUR / m²

INCOME STATEMENT

EUR mn	01.01.-31.12.2013	01.01.-31.12.2012
Net rental income	179.5	160.0
Result on disposal of investment property	4.0	9.6
Net valuation gains on investment property	20.6	76.4
EBITDA	129.8	138.8
Adjusted EBITDA	147.6	131.2
Net operating profit (EBIT)	149.8	214.4
Consolidated net income for the year/period	60.0	143.3
FFO I (excl. result on disposal of investment property)	75.1	64.2
AFFO[1]	41.6	37.9
FFO II (incl. result on disposal of investment property)	79.1	73.8

[1] FFO I excl. capitalized maintenance expenses

BALANCE SHEET

EUR mn	31.12.2013	31.12.2012
Investment property	3,509.9	3,302.2
Cash and cash equivalents	70.7	167.7
Shareholders' equity	1,656.9	1,440.4
Financial liabilities	1,862.9	1,967.5
Balance sheet total	3,644.8	3,569.9
EPRA NAV (undiluted)	1,701.2	1,525.6
Loan-to-value	50.7%	53.8%
Equity Ratio	45.5%	40.3%

KEY FINANCIALS PER SHARE

EUR	01.01.-31.12.2013	01.01.-31.12.2012
FFO I per share[2]	1.48	1.35
AFFO per share[2]	0.82	0.80

EUR	31.12.2013	31.12.2012
EPRA NAV per share (undiluted)[3]	30.02	30.19
EPRA NAV per share (diluted)[4]	30.01	30.31

[2] Based on an average number of shares outstanding in the respective period following IAS 33.19 (regarding to calculation please refer to the notes)

[3] Based on the number of shares outstanding on reporting date

[4] Assumption that the convertible bond would have been converted into 0,06 mn new GSW shares on reporting date (5,21 mn by Dez 31, 2012). Number of shares have been reduced in 2013 since majority of the bond has been converted by the bondholders.

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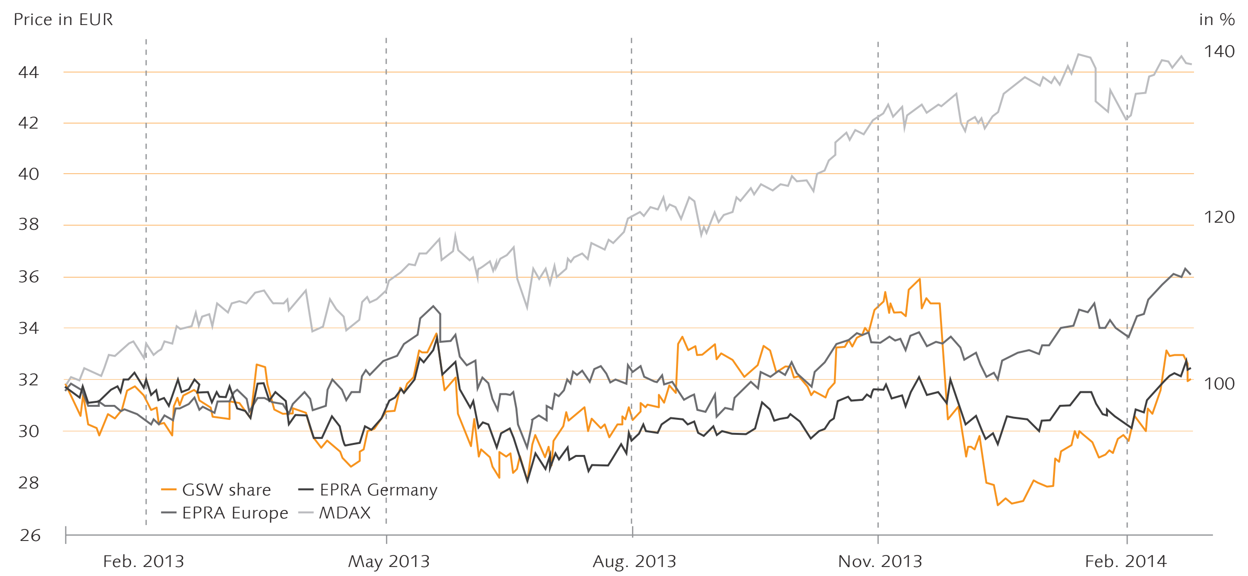
To our shareholders

Share

SHARE PRICE PERFORMANCE



KEY DATA

Sector	**Real estate**
ISIN	**DE000GSW1111**
German Securities Code Number (WKN)	**GSW111**
Stock exchange symbol	**GIB**
Reuters	**GIBG.DE**
Bloomberg	**GIB:GR**
Initial listing	**15 April 2011**
Market segment	**Prime Standard**
Trading centres	**Frankfurt Stock Exchange** **XETRA** **Regulated Market (Regulierter Markt) of the Berlin Stock Exchange**

KEY SHARE DATA

	2013	2012
Share capital (in EUR)	56,676,960	50,526,314
Number of shares as of 31 December	56,676,960	50,526,314
Closing price as of 31 December (XETRA, in EUR)	28.13	32.00
High (XETRA, in EUR)	35.80	33.48
Low (XETRA, in EUR)	27.17	21.19
Market capitalisation as of 31 December (in EUR)	1,594,322,885	1,616,842,048
Average daily trading volume (XETRA, in EUR)	4,516,781	3,415,065
Dividend per share (in EUR, paid in the current calendar year for the past financial year)	0.90	0.90

The stock exchange year 2013

Overall, the German capital markets developed positively in 2013. Over the course of the year, the DAX showed a continuous upward trend and reached an all-time high of 9,552 points at the end of the year (on 30 December 2013). The MDAX also performed strongly. At 16,574 points on 31 December 2013, it climbed more than 36 % over the course of the year.

The development of the GSW share was mixed over the course of 2013. The share reached its high of EUR 35.80 on 18 November 2013 and registered its low for the year of EUR 27.17 on 18 December 2013. On 27 December 2013, the GSW share closed at EUR 28.13, 12.1 % lower than the closing price at year-end 2012. This equates to market capitalisation of EUR 1.594 billion.

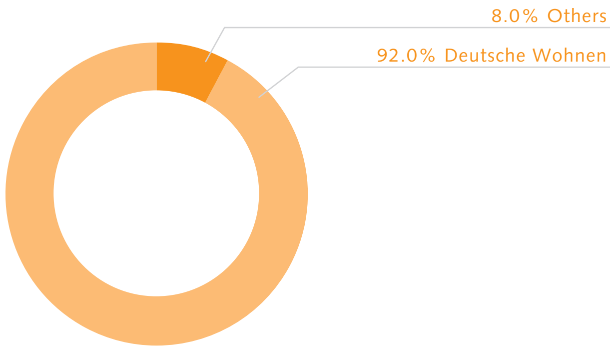
Voluntary public offer by Deutsche Wohnen AG

On 20 August 2013, Deutsche Wohnen AG announced its submission of a voluntary public takeover bid to the shareholders of GSW Immobilien AG. The takeover document for the acquisition of all outstanding shares of GSW ImmobilienAG was published on 2 October 2013. In line with this, GSW shareholders were given the opportunity to exchange every 20 GSW shares for 51 Deutsche Wohnen shares. In a reasoned statement dated 15 October 2013, the Management Board and Supervisory Board of GSW Immobilien AG recommended GSW shareholders to accept the exchange offer.

The regular acceptance period for GSW shareholders ended on 30 October 2013. By this date, more than 75 % of all GSW shareholders had provided their shares for exchange. The minimum acceptance level was therefore exceeded. Following the expiry of the extended exchange period pursuant to the German Securities Acquisition and Takeover Act on 18 November 2013, Deutsche Wohnen AG's stake amounted to 91.05 % of the share capital and thus the voting rights of GSW Immobilien AG.

On 20 November 2013, Deutsche Wohnen AG acquired outstanding GSW convertible bonds with a total nominal value of approximately EUR 181 million from the bondholders. Due to the exercise of the corresponding conversion rights, 6,150,646 new GSW Immobilien AG shares were created and transferred to Deutsche Wohnen AG. This increased the majority shareholder's stake in GSW Immobilien AG to about 92 % at the end of 2013.

SHAREHOLDER STRUCTURE 28.02.2014



As a consequence, the free float of GSW Immobilien AG fell to below 10 %. The GSW share was therefore withdrawn from the MDAX index on 28 November 2013 under application of the "fast exit rule". In addition, the share was excluded from the EPRA indices as of 29 November 2013.

The falling free-float market capitalisation of the GSW share has led to declining interest from financial analysts and the suspension of analyst coverage by some research houses.

Change of segment

On 19 February 2014, the Management Board of GSW Immobilien AG decided to apply for a repeal of the admission to the Prime Standard and to change to the General Standard. The change of stock exchange segment will reduce the cost associated with listing in the Prime Standard. The repeal of the admission will become effective as of 27 May 2014. The admission to the Regulated Market (General Standard) remains unaffected by the appeal.

Annual General Meeting and dividend

The Annual General Meeting for the past financial year was held in Berlin on 18 June 2013. Approximately 70 % of the voting share capital was represented. The Annual General Meeting almost unanimously approved the payment of a dividend of EUR 0.90 per dividend-bearing share for the 2012 financial year. This equates to a total amount of about EUR 45.5 million and a share of 71 % in the FFO I generated in 2012. Compared with the weighted average price for 2012 of EUR 27.56, this represents a dividend yield of 3.3 %.

The Annual General Meeting also approved the resolutions on Authorised Capital and Contingent Capital by large majorities.

In addition, decisions were made on the supplementary motions placed on the agenda by the Dutch pension fund PGGM. The motions concerned the recall of the Supervisory Board Chairman, Dr Eckart John von Freyend, and a vote of no confidence in the CEO, Dr Bernd Kottmann. 69.63 % of the capital present voted in favour of dismissing the Supervisory Board Chairman as a member of the Supervisory Board. The majority of 75 % required to pass the motion was therefore not achieved. 63.31 % of the share capital present voted in favour of the motion for a vote of no confidence in the CEO. The majority of 50 % of entitled voters required to pass the motion was therefore achieved. At the extraordinary Supervisory Board meeting held on 25th June 2013, the Supervisory Board Chairman, Dr. Eckart John von Freyend, resigned (effective 31 July 2013). In addition, the Supervisory Board and Dr Kottmann agreed by mutual consent to terminate his contract as CEO effective 15 July 2013.

IR contact

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Report of the Supervisory Board

Dear shareholders,

2013 was a successful and very eventful year for GSW Immobilien AG. The business model targeted at the still attractive and dynamic Berlin housing market has proven its worth again in the past financial year. The new majority shareholder, Deutsche Wohnen AG, also offers GSW Immobilien AG the strategic advantages of a strong Group for continued prosperous development.

During the period under review, the Supervisory Board carried out the duties incumbent on it in accordance with the law, the Articles of Association and the bylaws, and the German Corporate Governance Code. It continuously advised the Management Board on the management of the Company and monitored its activities. The Supervisory Board was involved in decisions of fundamental importance. The Supervisory Board satisfied itself as to the legitimacy, regularity and fitness for purpose of the Company's management by the Management Board.

Main focus of the activities of the full Supervisory Board

A total of seventeen meetings of the Supervisory Board were held in 2013.

The full Supervisory Board regularly dealt with revenue, earnings and business development at GSW Immobilien AG and the GSW Group, the financial and liquidity position, risk management and major acquisition and sales projects. The Management Board kept the Supervisory Board up to date as to its assessment of events on the market, business performance and its view of opportunities and risks. The Management Board's proposals for measures requiring approval were approved by the Supervisory Board after its own examination and discussion.

At its meeting on 18 March 2013, the Supervisory Board discussed the departure of Mr Thomas Zinnöcker as CEO and the appointment of his successor, Dr Bernd Kottmann.

The major topics of the Supervisory Board meeting on 21 March 2013 were the contractual regulations in connection with the departure/appointment of the above members of the Management Board. At this meeting, the Supervisory Board also discussed the report by the Audit Committee and the Company's single-entity and consolidated financial statements for the 2012 financial year and approved the single-entity and consolidated financial statements. In addition, the resolutions proposed to the Annual General Meeting, the report by the Supervisory Board to the Annual General Meeting and the Corporate Governance Report for the 2012 financial year were also adopted.

The meeting on 30 April 2013 focused on Management Board remuneration issues, and in the meeting on 10 May 2013 (teleconference), the Supervisory Board considered requested additions to the agenda of the Annual General Meeting and resolved to submit the declaration of conformity according to section 161 AktG.

On 13 May 2013, the Supervisory Board passed its proposed resolutions and statements on the amended agenda items of the upcoming Annual General Meeting.

The meeting on 4 June 2013 served primarily as preparation for the Annual General Meeting.

The Supervisory Board meeting on 25 June 2013 dealt with personnel matters in the Management Board and the establishment of a Personnel Committee. At this meeting, Dr John von Freyend resigned his Supervisory Board post effective 31 July 2013.

At the meeting on 11 July 2013, resolutions were mainly passed in connection with succession issues in the Management Board and Supervisory Board and with purchases and sales of residential portfolios.

At its meeting on 8 August 2013, the Supervisory Board elected Mr Claus Wisser as the new Chairman of the Supervisory Board. At this meeting and in its meeting on 15 August 2013 (teleconference), the Supervisory Board dealt with personnel issues.

At the Supervisory Board meeting on 23 August 2013, the Supervisory Board appointed the two Management Board members Mr Jörg Schwagenscheidt and Mr Andreas Segal as Co-CEOs. The Management Board stated its position on the announcement of a takeover bid by Deutsche Wohnen AG.

The Supervisory Board meeting on 19 September 2013 focused on the takeover bid by Deutsche Wohnen AG and personnel matters in the Supervisory Board and committees. In addition, the Rules of Procedure of the Management Board were adapted to the new management structure with two Co-CEOs.

The meeting on 30 September 2013 (teleconference) dealt with the court appointment of Mr Jan Bettink as a member of the Supervisory Board and – as in the meetings on 9 and 14 October 2013 – the takeover bid by Deutsche Wohnen AG.

On 14 October 2013, the status of the negotiations regarding the agreement with Deutsche Wohnen AG (business combination agreement) and the evaluation of the takeover bid was described in detail and discussed with financial and legal consultants. The Supervisory Board then passed a resolution on the issue of a joint statement with the Management Board on the Deutsche Wohnen AG takeover bid.

The meeting on 25 November 2013 primarily dealt with the issue of additional subscription shares in connection with the convertible bonds issued in November 2012.

At its meeting on 12 December 2013, the Supervisory Board focused on the budget proposed by the Management Board for the 2014 financial year and Management Board issues.

At the constitutive meeting of the Supervisory Board on 15 January 2014, Mr Uwe E. Flach was elected Chairman of the Supervisory Board and Dr Andreas Kretschmer as his deputy.

The departure of Mr Schwagenscheidt from the Management Board and a change to the wording of the Articles of Association were items for resolution in the meeting on 30 January 2014 (teleconference).

The subject of the meeting on 18 February 2014 (teleconference) was the authorisation of the Management Board to prepare and possibly conclude a profit transfer and control agreement with Deutsche Wohnen AG as controlling company.

Supervisory Board committees

In order to perform its tasks more efficiently, the Supervisory Board has established committees whose requirements and activities it evaluates on an ongoing basis in the reporting year. The Supervisory Board committees' work involves preparing the resolutions of the Supervisory Board and topics to be discussed by the full Supervisory Board. Individual decision-making powers of the Supervisory Board have been delegated to the committees. The chairs of the committees report to the full Supervisory Board on the Supervisory Board committees' work at the next meeting. In addition to the three permanent committees existing at the beginning of the reporting year, the Executive Committee, the Audit Committee and the Nomination Committee, plus the GSW Head Office Location Project Committee established in 2012, a Personnel Committee was added in 2013.

Executive Committee

The Executive Committee met four times in the year under review. It focused on personnel and remuneration issues of the Management Board.

Nomination Committee

The Nomination Committee did not meet in the 2013 financial year.

Audit Committee

The Audit Committee held three meetings in 2013, at which it dealt with the relevant issues of Supervisory Board work. This included in particular the preliminary audit of the single-entity financial statements, the consolidated financial statements and the management report for the 2012 financial year and the discussion of the proposal for the appropriation of profits. Additional subjects included the valuation of the Company's property portfolio, the selection of the auditor for the 2013 financial year, the findings of Internal Audit and the risk management system.

Personnel Committee

At its three meetings, the Personnel Committee addressed issues connected to the search for candidates for vacant positions on the Supervisory and Management Boards.

Project committee to determine the site of GSW's head office

In the reporting year, the GSW Head Office Location Project Committee met on 10 January 2013 and 21 March 2013. This project-related consulting committee ceased to operate in 2013.

Management Board remuneration

The German Corporate Governance Code recommends the regular review of the remuneration system for the Management Board. In the past financial year, the Supervisory Board again reviewed the Management Board remuneration system that was extensively updated in 2012. No changes were required. The remuneration system for the Management Board is described in detail in the remuneration report (page 42).

Corporate governance

In May 2013, the Management and Supervisory Boards adopted the declaration of conformity in accordance with section 161 AktG and made it permanently available on the Company's website.

More detailed information on corporate governance at the Company can be found in the Corporate Governance Report, which forms part of the Annual Report.

Single-entity and consolidated financial statements 2013

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft has audited the single-entity and consolidated financial statements prepared by the Management Board as well as the management report of GSW Immobilien AG and the GSW Group for the year ended 31 December 2013 and issued them with an unqualified audit opinion. The annual financial statements of GSW Immobilien AG and the management report of GSW Immobilien AG have been prepared in accordance with the requirements of German commercial law. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the supplementary provisions of German commercial law. The auditor performed the audit in accordance with the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – German Institute of Auditors) and the International Standards on Auditing (ISA). The aforementioned documents and the Management Board's proposal for the appropriation of profits were submitted to the Supervisory Board in good time. They were discussed extensively at the meeting of the Audit Committee meeting on 20 March 2014. The audit reports issued by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft were made available to all members of the Supervisory Board and were discussed in detail at the Supervisory Board meeting on 20 March 2014 in the presence of the auditor. The auditor reported on the key findings of its audit and confirmed that the Management Board has taken the legally required measures to establish a risk early warning system in an appropriate form and that the risk early warning system is suitable for detecting developments that endanger the company as a going concern at an early stage. The Management Board discussed the financial statements of GSW Immobilien AG and the Group and the risk management system. The auditor outlined the scope, focal points and costs of the audit.

The Supervisory Board agreed with the findings of the audit. Based on the final review by the Audit Committee and the Supervisory Board, no objections were raised. The Supervisory Board has approved the single-entity and consolidated financial statements for the year ended 31 December 2013; the annual financial statements of GSW Immobilien AG are therefore adopted. The Supervisory Board approved the Management Board's proposal of a carryforward of the 2013 annual net profit.

Since 27 November 2013, Deutsche Wohnen AG has held more than 50% of the share capital and voting rights of GSW Immobilien AG. Therefore, a report on relations with affiliates (dependency report) had to be compiled for the period from 27 November 2013 to 31 December 2013 pursuant to section 312 AktG.

The auditor issued this report by the Management Board the following audit opinion:

"Having conducted a proper audit and appraisal, we confirm that

1. the factual statements in the report are correct,

2. for the legal transactions listed in the report, the Company's consideration was not unreasonably high or disadvantages were compensated for."

The Supervisory Board reviewed the Management Board's report and the auditor's report. No objections were raised.

Changes in the composition of the Management Board

Mr Zinnöcker left the Management Board on 15 April 2013. Dr Kottmann was appointed as his successor from 16 April 2013. Dr Kottmann left the Management Board by mutual consent on 15 July 2013. On 23 August 2013, the two Management Board members, Mr Schwagenscheidt and Mr Segal, were appointed Co-CEOs. On 15 January 2014, the Supervisory Board appointed Mr Michael Zahn as CEO and Mr Lars Wittan as a member of the Management Board. Mr Schwagenscheidt left the Management Board on 31 January 2014.

Changes in the composition of the Supervisory Board

On 31 July 2013, the Chairman of the Supervisory Board, Dr Eckart John von Freyend, resigned his post. On 8 August 2013, the Supervisory Board elected Mr Claus Wisser as his successor at the head of the Supervisory Board. The position in the Supervisory Board made vacant was refilled by the court appointment of Mr Jan Bettink on 10 October 2013.

At the Supervisory Board meeting on 19 September 2013, Dr Reinhard Baumgarten was appointed as a member of the Executive Committee and Ms Gisela von der Aue was assigned to the Audit Committee.

Mr Wisser, Dr Scharpe, Mr Bettink and Ms Veronique Frede resigned their Supervisory Board posts effective 31 December 2013. By resolution of the Charlottenburg Local Court on 3 January 2014, Mr Uwe E. Flach, Dr Andreas Kretschmer, Mr Matthias Hünlein and Mr Helmut Ullrich were appointed as Supervisory Board members.

The Supervisory Board would like to thank the members of the Management Board and the employees of GSW Immobilien AG and all of the Group companies for their great personal commitment in a lively and successful 2013.

Berlin, 20 March 2014
GSW Immobilien AG

For the Supervisory Board

UWE E. FLACH
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

Corporate Governance refers to the entire system by which a company is managed and monitored, its corporate principles and guidelines, the system of internal and external control and supervisory mechanisms. The Management Board and the Supervisory Board of GSW Immobilien AG consider good, transparent corporate governance to be a key factor in the company's sustainable success, in addition to fostering the trust of investors, employees, business partners and the public in the management and monitoring of the company.

The Management Board and the Supervisory Board report jointly on corporate governance at GSW Immobilien AG in accordance with the recommendations of section 3.10 of the German Corporate Governance Code (the "Code") in the version dated 13 May 2013, as published in the Federal Gazette (Bundesanzeiger) on 10 June 2013. This report also contains the declaration on corporate governance in accordance with section 289a of the German Commercial Code (HGB).

Cooperation between the Management Board and the Supervisory Board

Details on the Management Board, the Supervisory Board and the cooperation between the two executive bodies can be found in the Report of the Supervisory Board and in the declaration on corporate governance in accordance with section 289a HGB.

Objectives of the Supervisory Board regarding its composition and status of implementation

The Supervisory Board of GSW Immobilien AG has six members and is composed in accordance with the provisions of the German Stock Corporation Act (AktG).

By way of resolution of the Charlottenburg Local Court of 3 January 2014, Mr. Uwe E. Flach, Dr. Andreas Kretschmer, Mr. Matthias Hünlein and Mr. Helmut Ullrich were appointed as members of the Supervisory Board until the end of the next Annual General Meeting. The Supervisory Board elected Mr. Uwe E. Flach as its Chairman and Dr. Andreas Kretschmer as its Deputy Chairman.

In accordance with the German Corporate Governance Code, the Supervisory Board must name specific objectives regarding its composition which, whilst considering the specifics of the company, take into account the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be specified for the members of the Supervisory Board and diversity. These objectives shall, in particular, stipulate an appropriate degree of female representation.

When electing new members, the Supervisory Board will take the objectives for its composition into account in its candidate proposals for the Annual General Meeting.

The Supervisory Board is of the opinion that it has an appropriate number of independent members. The Supervisory Board is also confident that its current composition is such that its members have the necessary knowledge, skills and professional experience to properly perform their duties.

Activities of the Supervisory Board and conflicts of interest

The members of the Supervisory Board disclose their potential conflicts of interests to the Supervisory Board. In the 2012 financial year, negotiations were conducted with a property service provider in connection with deciding the location of GSW's head office. A member of GSW's Supervisory Board held an interest in this company and was also a member of its supervisory board. In order to avoid conflicts of interest in this regard, the Supervisory Board therefore formed a project committee excluding the member of the Supervisory Board affected by this potential conflict of interests. The above negotiations ended in 2013; an agreement was not concluded.

Conflicts of interest can also arise when Supervisory Board members hold positions on executive bodies of other companies within the real estate industry. For example, a member of the Supervisory Board was also a member of the supervisory board of LEG Immobilien AG, Düsseldorf, until 31 December 2013. LEG Immobilien AG's business activities focus on the housing market in North Rhine-Westphalia, whereas GSW Immobilien AG concentrates on the housing market in Berlin and the surrounding area. As the activities of the two companies currently only overlap in marginal areas at most and competition on the Berlin market is characterised by a large number of investors and housing companies, the Management Board and the Supervisory Board of GSW Immobilien AG do not see LEG Immobilien AG as a significant competitor to the company based on their own examination. With the consent of this member of Supervisory Board, the Supervisory Board has also taken precautionary measures to ensure that any isolated conflicts of interest will not affect the discussions and resolutions of the Supervisory Board or its committees.

Mr Uwe E. Flach, Dr Andreas Kretschmer and Mr Matthias Hünlein are each members of the supervisory board of Deutsche Wohnen AG, which has held more than 90% of the shares in GSW since December 2013. This is known to all members of the Supervisory Board. In the opinion of the Supervisory Board, however, these ties to a major shareholder do not constitute a conflict of interests.

Shareholders and Annual General Meeting

The shareholders of GSW Immobilien AG exercise their rights at the Annual General Meeting. Each share confers an equal voting right on the holder. The Annual General Meeting decides on the tasks assigned to it by law, including the appropriation of profits, approval of the actions of the Management Board and the Supervisory Board, the appointment of the auditor, the election of Supervisory Board members, changes to the Articles of Association and capital measures. The Annual General Meeting is chaired by the Chairman of the Supervisory Board. In order to make it easier for shareholders to exercise their rights in person, the necessary documents are published online after the Annual General Meeting is convened. Shareholders have the option of appointing a proxy and issuing them with instructions for exercising their voting rights.

Accounting and auditing

The accounting of the consolidated financial statements comply with the International Financial Reporting Standards (IFRS) as applicable in the EU. The single-entity financial statements are prepared in accordance with the German Commercial Code (HGB). The Annual General Meeting on 18 June 2013 appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the auditor of the single-entity and consolidated financial statements for the 2013 financial year. The audit assignment was issued by the Supervisory Board. The Supervisory Board obtained a declaration of independence from the auditor prior to issuing this proposal.

Stock option plans and similar share-based incentive schemes of the company

In conjunction with its IPO in April 2011, the company granted a certain number of shares in the company on a one-off basis, voluntarily and free of charge to all employees (with the exception of the Management Board) who were in a non-terminated employment relationship with the company at the time of the IPO. The holding period, during which employees were not permitted to dispose of the shares allocated to them, ended on 30 June 2012.

Reportable securities transactions

In accordance with section 15a of the German Securities Trading Act (WpHG), members of the Management Board and the Supervisory Board and related parties are obliged to disclose reportable transactions in shares of GSW Immobilien AG or financial instruments based on these shares if the value of such transactions within a calendar year is equal to or greater than EUR 5,000 (directors' dealings). The corresponding notifications can be found on GSW Immobilien AG's website (www.gsw.de).

Declaration on corporate governance in accordance with section 289a HGB

The declaration on corporate governance contains the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG), relevant disclosures on the corporate governance practices applied above and beyond the statutory requirements, a description of the working practices of the Management Board and the Supervisory Board and the composition and working practices of their committees. It is also published on the company's website at www.gsw.de as part of the 2013 Annual Report. The declaration on corporate governance in accordance with section 289a HGB forms part of the Management Report. In accordance with section 317 (2) sentence 3 HGB, the disclosures are not included in the audit of the financial statements.

Declaration of compliance in accordance with section 161 (1) AktG

The Management Board and the Supervisory Board of GSW Immobilien AG issued the following declaration of compliance in accordance with section 161 (1) AktG on 14 May 2013:

"The Management Board and the Supervisory Board of GSW Immobilien AG declare that, since issuing its last declaration of compliance on 14 May 2012, GSW Immobilien AG has complied with the recommendations of the Government Commission of the German Corporate Code published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) with the following exceptions:

The company did not comply with the recommendation of item 5.4.6 (performance-based compensation for members of the Supervisory Board) of the German Corporate Governance Code ("Code"), in the version effective before 15 June 2012, as the members of the Supervisory Board of the company received exclusively fixed remuneration. In the company's opinion, the payment of only fixed remuneration to the members of the Supervisory Board represents the most appropriate remuneration structure in light of the Supervisory Board's responsibility for independently monitoring and reviewing the management of the company by the Management Board. In accordance with the version of the Code published in the Federal Gazette on 15 June 2012, exclusively fixed remuneration for members of the Supervisory Board no longer contradicts the recommendations of the Code.

GSW Immobilien AG complied with the other recommendations of the Code and intends to comply with them in future as well."

This and previous declarations of compliance are permanently available on the company's website (www.gsw.de).

Relevant disclosures on the corporate governance practices applied above and beyond the statutory requirements

Corporate social responsibility

More so now than in previous years, companies are expected to be good corporate citizens and to become involved in social and cultural life as part of their corporate social responsibility. With its 85-year history, GSW Immobilien AG is also committed to this responsibility

A traditional commitment to Berlin as a location is as much a part of the company's fundamental values as sustainable social responsibility.

GSW Immobilien AG places particular value on the careful use of natural resources and the ecological compatibility of its business. Further details are documented in the company's sustainability report, which is available on the Internet together with further information on corporate social responsibility.

Corporate Governance Code of the German Real Estate Industry

Furthermore, GSW Immobilien AG complies with the recommendations and principles developed by Initiative Corporate Governance der deutschen Immobilienwirtschaft e.V., which can be found on its website (www.immo-initiative.de), with the exception of the recommendation of item 4.3.6.i (2) and item 5.5.5i concerning the disclosure of all private real estate transactions conducted by members of the Management Board and the Supervisory Board. As any conflict between the interests of GSW Immobilien AG and the members of its executive bodies mainly concerns substantial transactions in the company's actual area of operations, i.e. property acquisitions or disposals and rentals in Berlin and Potsdam in particular, the duty of the members of the executive bodies to disclose private real estate transactions has been restricted.

Compliance, risk management and Internal Audit

Compliance, risk management and Internal Audit are elements of the internal control system.

For GSW Immobilien AG, its Group companies and its employees, compliance is an important factor in retaining the trust of shareholders, customers and contractual partners. Compliance covers the implementation and long-term adherence to the principles and rules of responsible corporate governance. These are the statutory provisions, the recommendations of the German Corporate Governance Code and the Corporate Governance Code of the German Real Estate Industry and the company's internal workflows and rules of conduct. GSW Immobilien AG has appointed a Chief Compliance Officer, who reports directly to the Management Board. The Chief Compliance Officer also maintains the company's list of insiders.

All of the company's divisions are made aware of compliance risks, new compliance risks are identified and existing risks adjusted and measures for risk reduction are developed as part of regular communication. The results are regularly reported to the Management Board and the Supervisory Board.

For the Management Board of GSW Immobilien AG, an appropriate risk management system is a key element of responsible corporate governance. The aim of risk management is the continuous identification and evaluation of risks affecting the assets, earnings prospects and public perception of the company on the basis of a defined risk strategy. GSW Immobilien AG has a simple and clear organisational structure with processes ensured internally and externally by control and monitoring mechanisms. The Group-wide risk management system in place is constantly adjusted in line with current developments and tested for functionality on an ongoing basis. GSW Immobilien AG's risk management system is presented in the management report.

Internal Audit provides support for the identification of breaches of regulations, particularly in establishing the facts of a matter, and performs audits as commissioned by the Management Board.

The Management Board reports regularly to the full Supervisory Board and the Audit Committee on the risk situation, risk management, risk controlling and compliance.

In addition, a qualified data protection officer ensures compliance with data protection requirements.

General terms and conditions for suppliers

The general terms and conditions for procurement of the company compel the company and its suppliers to act with integrity and in a spirit of cooperation. In accordance with these additional contractual terms for the performance of construction services for individual projects, suppliers undertake to observe the German Posted Workers Act in full and to only use employees from member states of the European Union or employees from non-EU countries who are in possession of a valid work permit. This also applies to any subcontractors commissioned with the approval of GSW Immobilien AG.

Description of the working practices of the Management Board and the Supervisory Board and the composition and working practices of their committees

In accordance with the relevant statutory provisions, GSW Immobilien AG has a two-tier management and control structure. The Management Board manages the company's operating business, while the Supervisory Board advises the Management Board on matters of corporate management and monitors its management of the company. The competencies of the Management Board and the Supervisory Board are set out in the AktG, the Articles of Association and the Rules of Procedure of the Management Board and the Supervisory Board. The Management Board and the Supervisory Board of GSW Immobilien AG work in close cooperation for the benefit of the company.

Management Board

The Management Board, which consists of three members, is responsible for managing the operating business of GSW Immobilien AG and acts as the company's legal representative. It develops the strategic focus of the company, coordinates this with the Supervisory Board and ensures its implementation. The Management Board discusses the status of strategic implementation with the Supervisory Board at regular intervals. In addition, the Management Board of GSW Immobilien AG ensures compliance with the relevant statutory provisions and internal guidelines and ensures that they are observed by the Group companies.

The continued development of risk management and controlling is also the responsibility of the Management Board. Each member of the Management Board manages the area allocated to him on the basis of the schedule of responsibilities independently and with departmental responsibility. Above and beyond this schedule of responsibilities, however, the members of the Management Board also bear joint responsibility for managing the company as a whole.

The members of the Management Board are appointed by the Supervisory Board. The Supervisory Board determines the remuneration paid to the members of the Management Board and the schedule of responsibilities of the Management Board. The composition of the Management Board takes into account the principles of diversity and, in particular, efforts to ensure an appropriate degree of female representation. The Management Board does not currently have any female members. The Supervisory Board will apply the principles of diversity as a key factor in any future decisions on the appointment of Management Board members.

Supervisory Board

The Supervisory Board advises and monitors the Management Board on matters of corporate management. It appoints the members of the Management Board and is authorised to dismiss them for cause.

The Supervisory Board is informed by the Management Board in a regular, timely and comprehensive manner on fundamental issues concerning corporate planning and the net assets, financial position and results of operations, profitability and business development of the company and its subsidiaries in particular. Article 8 of the Articles of Association states that the Supervisory Board shall consist of six members elected by the Annual General Meeting.

The Supervisory Board has appointed Dr Andreas Kretschmer as an independent member of the Supervisory Board with expertise in the areas of accounting and auditing in accordance with section 100 (5) AktG.

Supervisory Board committees

The Supervisory Board has established the following standing committees to improve the efficiency of its work:

Executive Committee of the Supervisory Board

The Executive Committee of the Supervisory Board consists of the Chairman of the Supervisory Board, the Deputy Chairman and another member elected by the Supervisory Board. The Executive Committee discusses key topics and long-term succession planning for the Management Board and prepares the resolutions of the Supervisory Board, particularly those concerning the appointment and dismissal of Management Board members, the appointment of the Chief Executive Officer, the conclusion, amendment and termination of contracts of employment with the members of the Management Board and the structure of the remuneration system for the Management Board. In addition, the Executive Committee decides on the approval of measures to be undertaken by the Management Board in place of the full Supervisory Board in cases where the Articles of Association of the company or the Rules of Procedure of the Management Board require that such measures be approved by the Supervisory Board, any delay of such approval would be unacceptable and it would not be possible to obtain a corresponding resolution by the full Supervisory Board in good time. The Executive Committee also decides on the approval of certain transactions in which members of the Management Board or Supervisory Board or the company's auditor are involved in cases where such approval is required in accordance with the law, the Articles of Association of the company or the Rules of Procedure of the Management Board or the Supervisory Board.

Nomination Committee

The Nomination Committee is composed of the Chairman of the Supervisory Board and the other members of the Executive Committee. The Nomination Committee suggests suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting.

Audit Committee

The Audit Committee is composed of three members elected by the Supervisory Board. The Audit Committee deals in particular with matters of accounting, risk management and compliance and prepares the resolutions of the Supervisory Board on the single-entity and consolidated financial statements, the proposal to the Annual General Meeting on the appointment of the auditor and the agreements with the auditor. The Audit Committee discusses the principles of compliance, risk identification and the appropriateness and functionality of the internal control systems with the Management Board. When electing the members of the Audit Committee, the Supervisory Board ensures that the Chairman of the Audit Committee is independent and has particular knowledge and experience in the application of accounting standards and internal control procedures.

Personnel Committee

A Personnel Committee was also set up in June 2013. This committee handled the preparations for personnel decisions in the context of the vacancies that arose in the Management Board and the Supervisory Board in the 2013 financial year.

Project committee to determine the site of GSW's head office

A project committee was also set up in December 2012 to determine the site of GSW's head office. The project committee monitored and advised the Management Board in its analyses and measures, and prepared the necessary resolutions by the full Supervisory Board. The activities of this project-based committee ended in 2013.

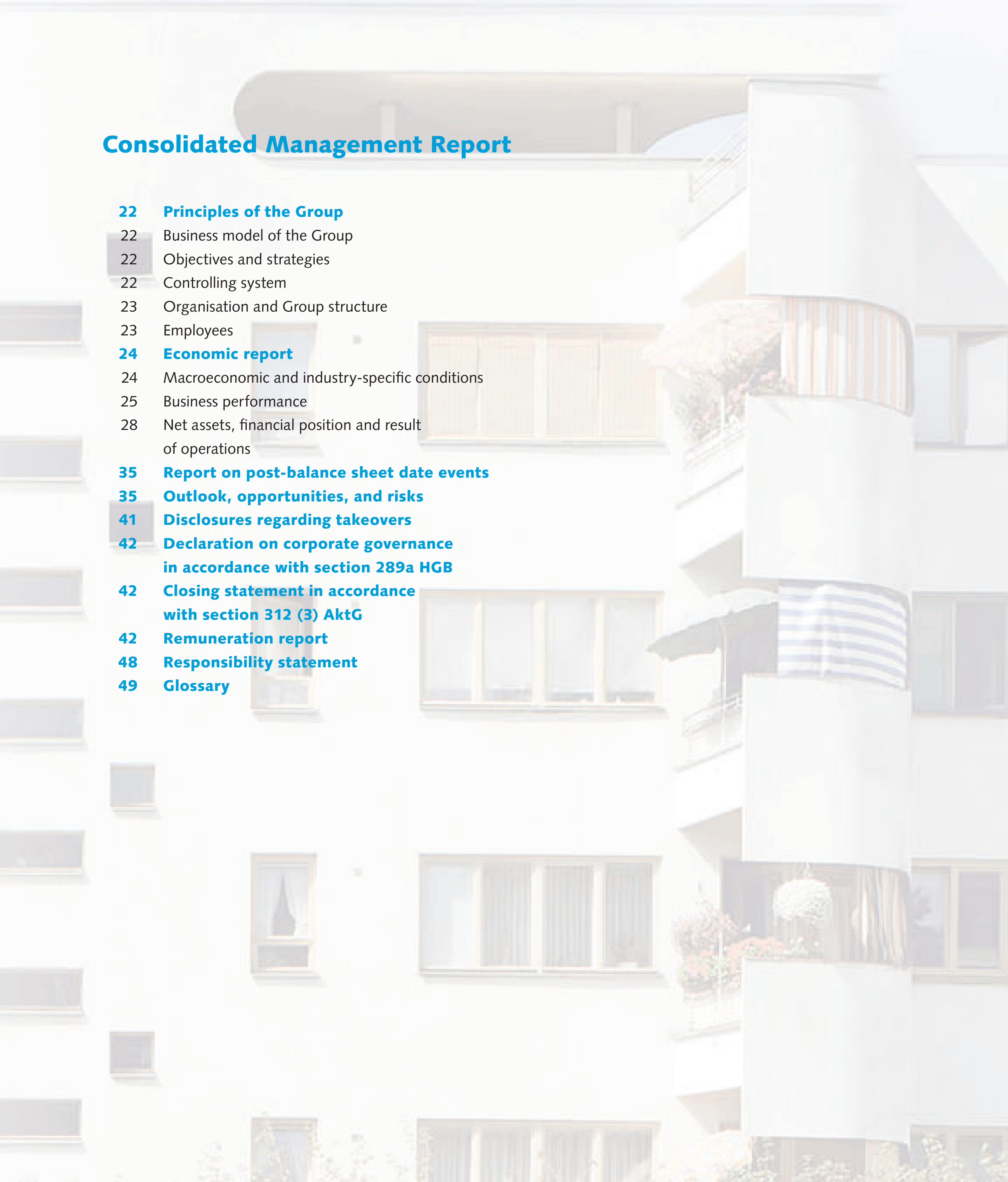
Further information on the activities of the Supervisory Board and its committees can be found in the Report of the Supervisory Board.

Remuneration of the Management Board and the Supervisory Board

For GSW Immobilien AG, transparent and comprehensible reporting on the remuneration paid to the members of the Management Board and the Supervisory Board is a key element of good corporate governance. Further information can be found in the comprehensive remuneration report that also forms part of the management report.

Berlin, 20 March 2014

For the Supervisory Board	For the Management Board
UWE E. FLACH Chairman of the Supervisory Board	MICHAEL ZAHN CEO



Consolidated Management Report

Principles of the group

Business model of the group

GSW Immobilien AG's business model is focused on the long-term rental of residential property in Berlin.

The conduct of business is centred on sustainable corporate governance to ensure the continued existence of the Company. GSW's business model is based on the efficient management of about 60,000 residential units in Berlin, which are conservatively financed for the long term and targeted at a broad segment of the population. The business model therefore has a balanced risk profile while simultaneously generating an appropriate return for the Group's investors. By focusing on Berlin, GSW also participates to a great extent in the dynamic development of the Berlin property market.

On 27 November 2013, Deutsche Wohnen AG, Frankfurt, acquired the majority of shares in GSW.

Objectives and Strategies

The Company's objectives and strategies are based on the following key issues:

Increasing profitability

GSW aims to further improve the efficiency of property management and increase profitability. This is to be achieved by the steady increase of net rental income and the reduction of costs.

Management of portfolio residential properties in Berlin as core business

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

Controlling System

GSW's controlling system is based on regular reporting by all technical departments to the Management Board. The key figures relevant to controlling are regularly calculated, analysed and assessed. The regular reporting and analysis enable the Management Board and other managers to identify opportunities and risks at an early stage and to implement suitable measures.

Reporting to the Management Board mainly occurs in the Portfolio Management, Corporate Finance, Investor Relations, Accounting, Controlling, Acquisitions and Sales departments. The developments that influence the Company's key figures are identified using plan / actual comparisons, and controlling measures are derived that are then implemented by management in the individual departments. Budget planning, which is updated continuously, serves as target orientation.

Group controlling focuses on the following key financial figures:

- Funds from Operations (FFO I),
- Adjusted Funds from Operations (AFFO),
- EBIT,
- EBITDA,
- NRI-margin (NRI = Net Rental Income),
- FFO I-margin,
- EPRA Net Asset Value (NAV),
- Loan-to-Value (LTV) as well as
- Cashflow.

Accounting and Controlling use these to prepare evaluations and analyses that are regularly reported to the Management Board.

In addition, the controlling of individual departments uses specific departmental key figures:

- Property Management and Portfolio Development regularly calculate and evaluate key figures including in-place rent / sqm, the vacancy rate, new rentals, grounds for termination, rent default rates, fair value / sqm, multiples and investment in maintenance.
- The Sales department regularly reports the number of units sold and the sales margin.
- The Corporate Finance department regularly reports key figures on the average financing interest rate, remaining financing term, hedging, risk management and compliance with covenants.
- In addition, peer-group comparisons are performed regularly by the Investor Relations department in order to monitor the competitive position and attractiveness of GSW on the capital market.

Organisation and group structure

GSW is a one-segment company, which covers the management of residential properties in Berlin.

GSW Immobilien AG is the parent company of the GSW Group. It performs the operating activities of the GSW Group together with Facilita Berlin GmbH. GSW Immobilien AG holds property and has its own staff.

As a 100 % subsidiary of GSW Immobilien AG, Facilita Berlin GmbH is independently responsible for facility management in the Group. This includes, for example, industrial cleaning, gardening, caretaking and small repairs, vacancy management and technical building management. Facilita employs the facility managers in the GSW Group and has its own administrative staff.

Major property portfolios are also held by the subsidiaries GSW Pegasus GmbH, GSW Corona GmbH and GSW Grundvermögens- und Vertriebsgesellschaft mbH. These companies do not have their own staff.

GSW also has majority interests in subsidiaries, some of which hold individual housing complexes. These companies also do not have their own staff.

GSW also has additional direct and indirect holdings.

As of 31 December 2013, the consolidated GSW Group consisted of 16 consolidated companies.

There are profit transfer and control agreements with the major subsidiaries. All companies are also included in Group-wide cash management, which secures the transfer of liquidity to the parent company.

Employees

The employees' commitment and high level of expertise is a major factor in the Group's successful business operations. As a result, the new acquisitions in the reporting year were integrated without a significant increase in staff.

The GSW Group's major employee-related key figures were as follows:

EMPLOYEES

	31.12.2013	31.12.2012
Number of employees in the GSW Group (not including apprentices)	545	528
Thereof at GSW Immobilien AG	322	308
Thereof at Facilita Berlin GmbH	223	220
Thereof male (%)	49.5	48.9
Thereof female (%)	50.5	51.1
Number of apprentices	18	17
Number of students	7	12
Proportion of women in management positions (%)	22.2	31.8
Turnover rate (%)	4.9	6.6
Average age (years)	45.9	46.7
Average length of service (years)	12.8	12.6

GSW also attaches great significance to the promotion and recruitment of young talented junior staff.

Our employees prove that the acquisition of talented junior staff is a very successful recruitment tool for GSW: On 31 December 2013, 112 employees who had completed an apprenticeship in the Group worked at GSW.

In addition, GSW again offered its employees a working environment that helped them to achieve a good work-life balance in 2013. This is reflected in the high proportion of women in management positions. This is why GSW obtained certification under the "berufundfamilie" (work-life balance) audit run by the charitable Hertie Foundation on 30 August 2012. This audit examined the existence of aids to foster a good work-life balance. At the same time, more extensive measures for a family-friendly personnel policy were defined in a target agreement, which is to be implemented in the next three years.

Furthermore, GSW actively promotes the health of its employees. A range of health promotion options is available to every GSW employee, such as smoking cessation programmes and participation in sports groups.

Economic report

Macroeconomic and industry-specific conditions

Economic development

As expected, economic performance in Germany in 2013 was rather weak. After 0.7 % growth in price-adjusted gross domestic product in 2012, the German economy grew only slightly by 0.4 % last year. The strong domestic demand did not fully compensate for the negative effects of the middling global economic momentum and the continuing recession in Europe.[1]

In contrast, the German employment market again developed very robustly. Averaging 6.9 %, the unemployment rate remained virtually unchanged compared to the previous year (6.8 %). Although the momentum on the employment market slowed somewhat over the year, more people were gainfully employed in 2013 than at any time since German reunification.[2] Inflation decreased from 2.0 % in the previous year to 1.5 % on average in 2013.[3] Irrespective of this, the European Central Bank (ECB) again lowered the headline rate in November of last year. Once more, an historic low has been reached at 0.25 %.[4]

Overall economic situation in Berlin

As in the previous year, Berlin's economy performed the best of all German federal states in the first half of 2013: With GDP of 0.5 % year on year, Berlin shared first place with Hamburg. And this positive trend is continuing. For example, Berlin gross domestic product is forecast to grow by 1.2 % in 2013, faster than the German average (0.5 %). Growth as high as 1.8 % is expected in 2014.[5] In this positive environment, the unemployment rate fell further to 11.7 % (2012: 12.3 %)[6]; the number of people in gainful employment rose accordingly by 1.9 % to a total of about 1.8 million.[7] Counter to this trend, the average gross monthly earnings including benefits of Berlin employees fell slightly by 0.3 % year on year (Q3 2013), which is attributable in particular to lower full-time employment.[8] The purchasing power of each Berlin inhabitant thus increased by 3.1 % to EUR 19,966 in 2013.[9] The moderate 2.2 % increase in consumer prices in 2013 also contributed to this.[10]

Residential real estate market in Berlin

In the view of real estate experts, Berlin remains the frontrunner in the German residential real estate market. This is due primarily to the steady population growth: In the first nine months of 2013, Berlin's population grew again by 0.8 % to about 3.4 million.[12] Secondly, the number of households has increased rapidly in recent years, which is attributable to the trend towards single-person households. Their share in all households was 54.3 % in 2012 (2007: 53.0 %).[13] The average household size remained virtually constant in 2012 at 1.73 people (2011: 1.74).[14]

[1] Federal Statistical Office, Press Release No. 16 dated 15 January 2014 | [2] German Federal Employment Agency, Press Release No. 2 dated 7 January 2014 | [3] Federal Statistical Office, Press Release No. 17 dated 16 January 2014 | [4] European Central Bank, Press Release dated 7 November 2013 | [5] Senate Department for Economy, Technology and Research, Economic Report: Economic situation in Berlin Q3 2013 | [6] Federal Employment Agency, Map and Key Data 2013 | [7] Office for Statistics Berlin-Brandenburg, Press Release No. 18 dated 23 January 2014 | [8] Office for Statistics Berlin-Brandenburg, Press Release No. 7 dated 15 January 2014 | [9] MB - Research GmbH, Purchasing Power 2013 in Germany
[10] Office for Statistics Berlin-Brandenburg, Press Release No. 2 dated 6 January 2014

Thirdly, the demand for housing continues to exceed supply, even though there has been a lot of construction again in Berlin in recent years. At the end of 2012, there were 1,899,335 residential units in Berlin, 0.3 % more than at the end of 2011.[15] In the first nine months of 2013, the number of approved new-build residential units increased by 40 % to 7,117.[16]

Nonetheless, the real estate experts of the IBB expect the supply of housing in Berlin to continue decreasing and housing costs to increase.[17] Rental prices continue to go up. In 2012, the increase in the average rent quoted for housing in Berlin was the highest after Munich at 8.1 % to EUR 7.60 / sqm. This trend is expected to continue in the long term. Since 2004, rents have increased by 2.6 % a year – Berlin has a leading position here, too, in second place after Hamburg.[18] The largest increases were seen in 2011 and 2012.[19]

The appeal of the Berlin residential real estate market is also expressed in relatively low purchase prices and high gross returns. Although prices for residential properties have increased considerably in recent years due to catch-up effects – from EUR 800 / sqm in 2011 to EUR 1,000 / sqm in the first half of 2013 – residential properties in the capital remain much better value for money than in other German metropolises (EUR 1,500 / sqm to EUR 3,300 / sqm). Accordingly, average gross returns in Berlin are approximately 7.0 %, while returns of only 5.4 % are achievable in Hamburg.[20]

That the city is still by far the most popular investment location for residential properties in Germany is also shown by the fact that, at approximately EUR 6.8 billion, four times as much capital was invested in the Berlin housing market in 2013 than in the previous year.[21]

General statement on economic conditions

The upturn in Berlin is continuing. This is demonstrated by economic growth, the employment market and the increase in the population. The result is an increase in demand for housing, which cannot currently be met by the existing housing supply and construction. Rents and purchase prices are rising, particularly in the low and medium price segments. As purchase prices are increasing but remaining at a moderate level compared to the rest of the country, attractive rental yields can be generated in Berlin while rents have been rising sharply lately.

Business performance

In 2013, the Berlin real estate industry found itself in a market environment that was still characterised by very high demand for housing space. As before, the continuing increase of Berlin's population and the still comparatively low level of construction ensured excess demand in the residential rental sector and the home ownership market. This was reflected in considerable rental price rises and significant increases in prices for home ownership. It was compounded by pressure on demand from foreign investors, who see the Berlin home ownership market as an opportunity to make purchases to secure assets against inflation and continue to consider prices for ownership low compared to other European capitals.

GSW observes market developments very intensively by way of the surveys carried out together with CBRE, from which it derives opportunities and risks for its own portfolio development.

[11] CBRE Press Release dated 1 October 2013 | [12] Office for Statistics Berlin-Brandenburg, Population in Berlin, OT_A1.10 – September 2013 | [13] Office for Statistics Berlin-Brandenburg, Press Release No. 301 dated 29 October 2013 | [14] Office for Statistics Berlin-Brandenburg, Statistical Report October 2013, Results of the Micro-Census in the State of Berlin 2012 Households, Families and Lifestyles | [15] Office for Statistics Berlin-Brandenburg, Press Release No. 337 dated 5 December 2013 | [16] Office for Statistics Berlin-Brandenburg, Press Release No. 304 dated 4 November 2013 | [17] IBB, Housing Market Barometer 2013 | [18] Jones Lang LaSalle, Housing Market Report Germany 2013 | [19] Jones Lang LaSalle, Housing Market Berlin – First Half of 2013 | [20] Jones Lang LaSalle, Housing Market Berlin – First Half of 2013 | [21] Jones Lang LaSalle, Press Release dated 7 January 2014

Portfolio development

The current high demand on the real estate market in Berlin can also be seen in the trend in rents in GSW's property portfolio. GSW took the opportunities to increase rents while taking into account the solvency of tenants in the respective properties and neighbourhoods. As of 31 December 2013, the monthly in-place rent increased to EUR 5.44 / sqm for residential space (31 December 2012: EUR 5.22 / sqm). In addition, a fall of the vacancy rate[22] in the residential portfolio to 2.2 % was recorded as of 31 December 2013 (31 December 2012: 2.7 %).

In the 2013 financial year, GSW acquired three property portfolios with a total of 3,089 residential and commercial units including the transfer of risks and rewards. A portfolio of about 200 units was transferred already on 1 January 2013. Another approximately 660 units were transferred with risks and rewards as of 1 October and 1 November 2013, and the remaining acquired units were transferred to GSW as of 31 December 2013. The acquisitions were made in the form of asset deals.

In the 2013 financial year, GSW sold 1,766 residential and commerical units (2012: 920 units) to owner-occupiers and investors. This also included 470 residential units in Duisburg, Essen, Magdeburg and Erfurt, which GSW had acquired in the previous year and were disposed of again including transfer of risks and rewards in November and December 2013. Overall, GSW generated disposal gains of EUR 4.0 million.

Contracts worth EUR 26.4 million where the transfer of risks and rewards will not take place until after the end of the reporting year have already been agreed.

The GSW Group's property portfolio was as follows on 31 December 2013:

HOUSING PORTFOLIO, COMPARISON OF 2012 / 2013

	Type of use	31.12.2013	31.12.2012	Change
Number of units	Residential units	59,949	58,668	1,281
	Commercial units	1,013	993	20
	Residential and commercial units	**60,962**	**59,661**	**1,301**
	Parking spaces	9,663	9,502	161
	Total	**70,625**	**69,163**	**1,462**
Rental space (in sqm)	Residential units	3,616,067	3,547,266	68,801
	Commercial units	113,217	107,708	5,509
	Residential and commercial units	**3,729,284**	**3,654,974**	**74,310**
In-place rent (EUR per sqm)	Residential units	5.44	5.22	0.22
	Commercial units	7.25	6.87	0.38
	Residential and commercial units	**5.50**	**5.26**	**0.24**
Vacancy (units)	Residential units (number)	1,293	1,594	-301
	Residential units (%)	2.2	2.7	-0.5
	Commercial units (number)	85	91	-6
	Commercial units (%)	8.4	9.2	-0.8
	Residential and commercial units (number)	**1,378**	**1,685**	**-307**
	Residential and commercial units (%)	**2.3**	**2.8**	**-0.5**

[22] Number of residential units that are not rented in relation to residential units available for rental

GSW's property portfolio covers nearly all districts of Berlin and therefore enjoys risk diversification in Berlin. The breakdown into districts of Berlin is as follows:

BREAKDOWN OF THE HOUSING PORTFOLIO BY DISTRICT (2012 / 2013)

District (%, related to number of residental units)	31.12.2013	31.12.2012	Change
Spandau	23.0	23.4	-0.4
Reinickendorf	16.0	16.5	-0.5
Friedrichshain-Kreuzberg	13.2	12.1	+1.1
Steglitz-Zehlendorf	9.4	9.9	-0.5
Pankow	8.0	7.0	+1.0
Charlottenburg-Wilmersdorf	7.8	8.3	-0.5
Tempelhof-Schöneberg	5.3	5.1	+0.2
Lichtenberg	5.1	4.1	+1.0
Mitte	4.9	5.2	-0.3
Neukölln	4.2	3.7	+0.5
Treptow-Köpenick	2.7	3.6	-0.9
Non-Berlin	0.4	1.2	-0.8
Total	**100.0**	**100.0**	

Targeted investments in the fabric of the buildings and the standard of the apartments serve to enhance the long-term rental viability of the property holdings and the attractiveness of the units available.

According to the appraisal by the independent property evaluator CBRE, GSW's property portfolio appreciated in value by approximately EUR 54.1 million in the 2013 financial year. Taking into account the comprised capitalised measures for modernisation and maintenance of EUR 33.5 million, the effective valuation result amounted to about EUR 20.6 million.

Dividend

At the Annual General Meeting (AGM) on 18 June 2013, distribution of the dividend for the 2012 financial year of EUR 0.90 per share entitled to receive dividends at a volume of EUR 45.5 million was resolved and distributed to the shareholders.

Management Board changes and takeover

In the 2013 financial year, various changes were made in the executive bodies. On 15 April 2013, the then CEO Thomas Zinnöcker left GSW. A motion of no confidence was passed against his successor Dr Bernd Kottmann at the Annual General Meeting on 18 June 2013. He also resigned effective 15 July 2013. The Chairman of the Supervisory Board, Dr John von Freyend, resigned his Supervisory Board post effective 31 July 2013. Thereafter, Mr Claus Wisser was elected as Chairman of the Supervisory Board on 8 August 2013. On 23 August 2013, the Management Board members Jörg Schwagenscheidt and Andreas Segal were appointed Co-CEOs.

In August 2013, Deutsche Wohnen AG, Frankfurt, submitted a bid to the GSW shareholders to acquire a majority stake in GSW. The GSW shareholders were offered 2.55 shares in Deutsche Wohnen AG for one GSW share. The Management Board of GSW examined the takeover bid in detail according to the provisions of the German Securities Acquisition and Takeover Act (WpÜG) and on 14 October 2013 recommended its shareholders to accept the offer. After all deadlines had expired on 18 November 2013, 91.05 % of GSW shareholders had accepted the exchange offer. In effect, GSW is therefore controlled by Deutsche Wohnen AG and has been consolidated in Deutsche Wohnen's consolidated financial statements. The examination of the takeover bid and the issue of the reasoned statement incurred costs of EUR 14.2 million.

On 20 November 2013, GSW paid the interest of EUR 3.7 million accrued on the convertible bond issued in 2012 to the bondholders. In November 2013, Deutsche

Wohnen AG acquired about 99 % (nominal value of EUR 181 million) of the convertible bond on the capital market and exercised the conversion option to convert it into 6,150,646 new GSW shares on 23 December 2013. This increased the subscribed capital and the capital reserves of GSW accordingly. On 31 December 2013, convertible bonds with a nominal value of EUR 1.9 million were still outstanding.

General statement on business performance

The 2013 financial year was another extremely successful year for the GSW Group. GSW managed to reduce the vacancy rate to 2.2 %, increasing the in-place rent to EUR 5.44 / sqm and raising FFO I from property management to EUR 75.1 million. At the same time, the loan-to-value ratio (LTV) fell significantly to 50.7 %, while the equity ratio increased to 45.5 %, underlining the Group's sound long-term financing.

Result of operations, financial position and net assets

Results of operations

Net rental income was composed as follows:

NET RENTAL INCOME

EUR mn	01.01.-31.12.2013	01.01.-31.12.2012
Income from rents	229.7	202.1
Income from management activities and other income	6.0	9.8
Gross rental income	**235.7**	**212.0**
Income from direct government grants	5.5	7.9
Total rental income	**241.2**	**219.8**
Cost of materials	(37.9)	(36.6)
Personnel expenses	(16.5)	(17.6)
Other property operating expenses / income	(7.2)	(5.7)
Net rental income	**179.5**	**160.0**

In the 2013 financial year, net rental income increased by EUR 19.5 million compared with the previous year to EUR 179.5 million (2012: EUR 160.0 million). The major factor influencing the increase was the acquisition of several property portfolios in the fourth quarter of 2012, which impacted earnings over the full reporting year. In addition, parts of the portfolio acquisitions in the 2013 financial year were already having an effect in the fourth quarter of 2013.

Higher average rents and the lower vacancy year on year also made a particular contribution to this increase. As of 31 December 2013, the rent for rented residential units increased to EUR 5.44 / sqm (31 December 2012: EUR 5.22 / sqm). The vacancy rate for these properties decreased to 2.2 % (31 December 2012: 2.7 %).

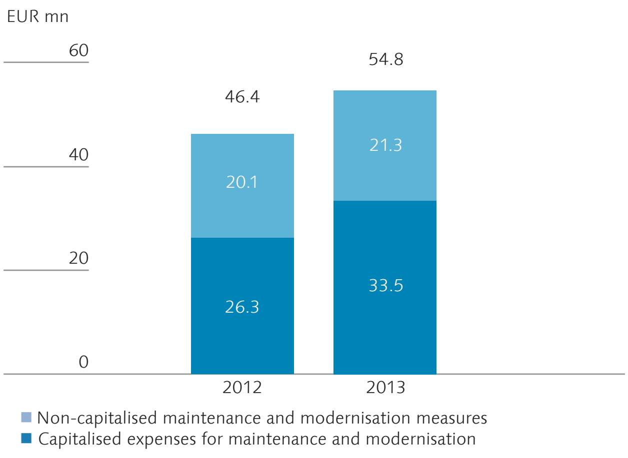
The decline in income from management activities and other revenues is attributable to the sale of GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH (BWG), Berlin, as of 1 October 2012, which meant there was no income from management activities. The remaining income relates to the third-party business of Facilita Berlin GmbH.

Income from government grants decreased as planned to EUR 5.5 million (2012: EUR 7.9 million).

The cost of materials rose by EUR 1.3 million year on year. This is mainly the result of the EUR 1.2 million increase in non-capitalised expenses for maintenance due to the larger property portfolio.

The following chart shows total investments for maintenance and modernisation measures (excluding provision effects).

INVESTMENTS FOR THE MAINTENANCE AND MODERNISATION MEASURE



Total investments for modernisation and maintenance measures rose to EUR 54.8 million in the reporting year (2012: EUR 46.4 million). This equated to investments of EUR 15.10 / sqm (2012: EUR 14.00 / sqm). Thereof EUR 33.5 million was capitalised for measures that increased the value of the existing portfolio (2012: EUR 26.3 million). The rise in the capitalisation rate resulted from the high volume of specific measures aimed at enhancing value.

The fall in personnel expenses totalling EUR 1.0 million was mainly the result of the sale of BWG from the fourth quarter of 2012 (58 employees as at 30 September 2012).

The result on disposals was broken down as follows:

RESULT ON DISPOSALS

EUR mn	01.01. – 31.12.2013	01.01. – 31.12.2012
Investment property disposal proceeds	110.2	68.5
Carrying amount of investment property disposals	(98.4)	(49.5)
Operating expenses for investment property disposed	(7.8)	(9.4)
Result on disposal of investment property	**4.0**	**9.6**

Due to the extremely good market demand for properties in Berlin, GSW sold 1,766 residential and commercial units including the transfer of risks and rewards (2012: 920 units). This included the strategic sale of a housing complex of more than 400 units in Berlin-Köpenick with the aim of optimising the property portfolio and the sale of more than 470 units outside Berlin, which were acquired in the previous year in a portfolio acquisition. As lower sales margins are usually generated on block sales than on the sale of owner-occupied apartments, the result on disposal was EUR 5.6 million lower overall at EUR 4.0 million despite the higher volume of sales.

General administrative expenses developed as follows in the reporting year:

GENERAL ADMINISTRATIVE EXPENSES

EUR mn	01.01.- 31.12.2013	01.01.- 31.12.2012
General administrative expenses	**(54.2)**	**(37.2)**
Other operating expenses for capital measures	0.9	0.0
LTIP	1.2	2.5
Project expenses (pro rata in administration)	19.3	1.1
Acquisition expenses	0.4	3.5
Administrative expenses (adjusted)	**(32.4)**	**(30.2)**
Costs in connection with Management Board changes	2.1	-
Administrative expenses (adjusted) after extraordinary expenses	**(30.3)**	**(30.2)**

General administrative expenses rose by a total of EUR 17.0 million in the reporting year to EUR 54.2 million. This increase resulted primarily from consulting expenses of EUR 14.2 million for the review of the takeover bid by Deutsche Wohnen AG. In addition, provisions of EUR 5.0 million were recognised for future restoration obligations at the GSW administration building. Expenses for the preparation of a capital measure also contributed to the increase in general administrative expenses. Adjusted for extraordinary expenses, general administrative expenses remained virtually constant year on year.

Net interest income is composed as follows:

NET INTEREST INCOME

EUR mn	01.01.– 31.12.2013	01.01.– 31.12.2012
Income from valuation of derivatives and loans	20.7	12.6
Interest income from derivatives	2.0	8.0
Other interest income	0.9	2.8
Interest income	**23.6**	**23.3**
Expenses from valuation of derivatives and loans	(21.1)	(19.5)
Interest expenses from derivatives	(26.9)	(29.3)
Interest expenses from financing of investment property	(45.4)	(47.9)
Other interest expenses, breakage costs from financing activities and finance leases	(0.9)	(1.3)
Interest expenses for convertible bond	(6.3)	(0.8)
Interest expenses	**(100.6)**	**(98.8)**
Net interest income	**(76.9)**	**(75.5)**

Interest income increased by EUR 0.3 million year on year to EUR 23.6 million. This was due mainly to an increase in income from the remeasurement of derivatives, which arose from the loss of a hedge between a loan and the derivative assigned to it in the second quarter of 2013. However, these effects were largely offset by lower income from interest rate derivatives and lower other interest income due to the generally low level of interest rates.

Interest expenses increased to EUR 100.6 million. This increase was primarily the result of interest expenses for the convertible bond issued in the previous year. It was offset by lower remeasurement and interest expenses for loans and derivatives and a reduction in interest expenses for the financing of investment property, which resulted from the declining level of interest rates for variable loans.

Overall, net interest income therefore fell by EUR 1.4 million to EUR -76.9 million.

Adjusted for non-cash interest expenses and income as well as non-recurring disbursements, the net cash outflow for interest payments is made up as follows:

ADJUSTED NET INTEREST INCOME

EUR mn	01.01.-31.12.2013	01.01.-31.12.2012
Interest income	23.6	23.3
Interest expense	(100.6)	(98.8)
Less proceeds from interest receivables of previous years	0.1	0.0
Less changes in the fair value of loans	6.0	4.6
Less changes in the fair value of interest derivatives	(5.6)	2.4
Less discounting	0.3	0.9
Less non-cash expenses convertible bond	3.0	0.8
Less accrued interest for loans and derivatives	(1.4)	(1.2)
Less non-cash interest receivables	(0.0)	(0.7)
Cash flow net interest	**(74.5)**	**(68.8)**
Breakage costs from financing activities	-	0.2
Cash flow net interest (normalised)	**(74.5)**	**(68.6)**

Normalised interest disbursements (cash flow net interest) increased by EUR 5.9 million compared with the previous year, since the loan volume was larger than in the previous year because of the portfolio acquisitions and because interest was paid for the convertible bond in the reporting year.

The income statement is as follows:

INCOME STATEMENT

EUR mn	01.01.–31.12.2013	01.01.–31.12.2012
Net rental income	179.5	160.0
Result on disposal of investment property	4.0	9.6
Net valuation gains / losses on investment property	20.6	76.4
General administrative expenses	(54.2)	(37.2)
Other income and expenses	0.0	5.7
Net operating profit (EBIT)	**149.8**	**214.4**
Net result of investments	0.3	1.2
Net interest income	(76.9)	(75.5)
Profit before income taxes (EBT)	**73.2**	**140.1**
Income taxes	(13.2)	3.2
Consolidated net income for the year	**60.0**	**143.3**

Overall, consolidated net income for the year declined by EUR 83.3 million to EUR 60.0 million, which resulted primarily from the lower net valuation result (EUR 55.8 million) and the increase in general administrative expenses (EUR 17.0 million). In addition, consolidated net income for 2012 was increased by the non-recurring gain on the sale of BWG of approximately EUR 5.7 million.

Adjusted for non-recurring effects, EBIT declined by EUR 42.0 million. The decline resulted from the lower result on disposal and net valuation result. This was offset by the higher net rental income.

According to the appraisal by the independent property evaluator CBRE, GSW's property portfolio appreciated in value by approximately EUR 54.1 million in the 2013 financial year. Taking into account the comprised capitalised measures for modernisation and maintenance of EUR 33.5 million, the effective valuation result amounted to about EUR 20.6 million.

The net result of investments fell year on year. The previous year's result was influenced by non-recurring income from a dividend payment of a former subsidiary from previous years in the amount of EUR 1.1 million.

Income taxes include current tax expenses in the amount of EUR -0.1 million and expenses from deferred taxes in the amount of EUR 13.3 million. The increase in deferred taxes mainly resulted from the takeover by Deutsche Wohnen and the associated effects of the elimination of a portion of the tax loss carry forwards.

FFO I is derived from EBIT as a key performance indicator in the real estate industry:

ADJUSTED EBITDA / FFO

EUR mn	01.01.–31.12.2013	01.01.–31.12.2012
EBIT	**149.8**	**214.4**
Depreciation and amortisation	0.5	0.8
Fair value adjustment of investment properties	(20.6)	(76.4)
EBITDA	**129.8**	**138.8**
Expenses for capital measures	0.9	0.0
LTIP	1.2	2.5
Restructuring expenses	0.0	0.1
Project expenses	19.3	1.6
Acquisition expenses	0.4	3.5
Gains / losses on disposal of shares	0.0	(5.7)
Result on disposals	(4.0)	(9.6)
Adjusted EBITDA	**147.6**	**131.2**
Cash flow net interest (normalised)	(74.5)	(68.6)
Net result of investments	0.3	1.2
Cash flow net taxes	1.6	0.4
FFO I (excl. sales result)	**75.1**	**64.2**
Capitalised expenses for modernisation and maintenance work	(33.5)	(26.3)
AFFO (excl. capitalised expenses for modernisation and maintenance work)	**41.6**	**37.9**
Result on disposals	4.0	9.6
FFO II (FFO I incl. sales result)	**79.1**	**73.8**

The EUR 16.4 million increase in adjusted EBITDA mainly reflects the higher net rental income compared with the previous year.

In line with planning, current interest payments increased year on year due to the acquisitions, which resulted in a higher net cash outflow. Adjusted for interest and tax payments, FFO I was EUR 75.1 million in the reporting year (2012: EUR 64.2 million) and thus significantly higher than in the previous year.

AFFO takes into account all investments in the property portfolio that must be paid from FFO I on an ongoing basis. After the deduction of capitalised modernisation and maintenance expenses from FFO I, AFFO amounted to EUR 41.6 million (2012: EUR 37.9 million).

Financial Position

Capital Structure

The objective of GSW's financial management is to ensure a product appropriate risk-return profile with a reasonable loan-to-value ratio. At the same time, the existing financing conditions are compared with market developments on an ongoing basis and favourable refinancing options are used if they represent a financial advantage.

GSW's loan-to-value ratio decreased in the 2013 financial year as follows:

LOAN-TO-VALUE

EUR mn	31.12.2013	31.12.2012
Financial liabilities	1,862.9	1,967.5
Cash and cash equivalents	(70.7)	(167.7)
Net debt	**1,792.2**	**1,799.8**
Investment property	3,509.9	3,302.2
Assets held for sale	26.4	45.3
Loan-to-value ratio	**50.7 %**	**53.8 %**

The reduction in the loan-to-value ratio is the result of the increase in property assets in relation to slightly lower net debt. The reduction of debt resulted primarily from the conversion of the convertible bond at a nominal value of EUR 181 million by the bondholder Deutsche Wohnen AG. In this connection bond liabilities of approximately EUR 160 million were converted into equity by the issue of new shares.

GSW satisfied its obligations under loan agreements at all times in the 2013 financial year. The maturity structure was as follows:

MATURITY STRUCTURE OF THE FINANCIAL LIABILITIES AS OF 31 DECEMBER 2013

nominal value in EUR mn	< 1 year	1 to 5 year	> 5 year	Total
Loans	67.9	1,075.2	812.6	1,955.7
Convertible bond	1.9	-	-	1.9
Total	**69.8**	**1,075.2**	**812.6**	**1,957.6**

Overall, the financial liabilities have an average remaining term of 9.6 years.

The average Group interest rate secured for the financial liabilities amounted to approximately 3.6 % on 31 December 2013. The interest rates of more than 99 % of the financial liabilities are hedged with fixed-interest agreements or interest rate swaps.

In addition, there is a credit facility at Landesbank Berlin that provides short-term financing for acquisitions. As of 31 December 2013, the credit facility had not been utilised.

No major refinancing was carried out in the past financial year. The credit conditions were also largely unchanged compared to the previous year.

Investments

In the 2013 financial year, the GSW Group acquired three property portfolios with about 3,100 residential and commercial units. The investment volume including incidental acquisition costs amounted to approximately EUR 232.9 million and was financed primarily by the convertible bond issued in the 2012 financial year.

In addition, self-financed maintenance and modernisation investments amounting to EUR 54.8 million were made in the property portfolio.

The Group generated additional financial resources from divestments. Owner-occupied apartments from the privatisation stock were sold along with the non-Berlin properties acquired in an acquisition in the 2012 financial year. This provided the Company with net funds of EUR 72.6 million after the deduction of selling costs and non-scheduled repayments on the mortgaged sale properties.

There were no outstanding investment commitments as of the reporting date.

Liquidity

On the basis of the cash flow statement, the liquidity position is as follows:

CASH FLOW STATEMENT

EUR mn	01.01.-31.12.2013	01.01.-31.12.2012
Cash flow from operating activities	45.1	25.5
Cash flow from investing activities	(146.1)	(189.0)
Cash flow from financing activities	4.0	268.6
Changes in cash and cash equivalents	**(97.1)**	**105.1**
Cash and cash equivalents at the beginning of the period	167.7	62.6
Cash and cash equivalents at the end of the period	**70.7**	**167.7**

Cash flow from operating activities increased by EUR 19.6 million year on year to EUR 45.1 million. This was attributable primarily to higher net rental income, but was negatively affected by cash outflows for extraordinary expenses for the examination of the takeover bid.

The cash flow from investing activities changed to EUR -146.1 million. The substantial disbursements were largely attributable to the acquisition of new property portfolios and investment in maintenance (EUR 255.4 million). This was offset by net cash inflows of EUR 109.4 million from the disposal of residential properties.

The cash flow from financing activities decreased to EUR 4.0 million in the reporting year. This was attributable to the high cash inflows of the previous year, which resulted from the capital increase and the convertible bond. The net cash inflow from the repayment and refinancing of loans amounted to approximately EUR 49.5 million in the reporting year. This was offset by the payment of the dividend for the 2012 financial year (EUR 45.5 million), which was resolved at the Annual General Meeting on 18 June 2013.

In the 2013 financial year, the Company was able to meet its financial liabilities at all times. In addition, no short-term liquidity bottlenecks can be identified at the time of the preparation of these financial statements. As of the reporting date, there were restrictions on the availability of cash and cash equivalents to the amount of EUR 2.9 million.

Net assets

The condensed balance sheet is as follows:

BALANCE SHEET

EUR mn	31.12.2013	31.12.2012
Non-current assets	**3,526.5**	**3,324.0**
Investment property	3,509.9	3,302.2
Other non-current assets	16.7	21.8
Current assets	**118.2**	**245.9**
Receivables and other current assets	21.1	32.8
Cash and cash equivalents	70.7	167.7
Assets held for sale	26.4	45.3
Total assets	**3,644.8**	**3,569.9**
Shareholders' equity	**1,656.9**	**1,440.4***
Non-current liabilities	**1,868.5**	**1,992.4**
Financial liabilities	1,793.8	1,888.8
Other liabilities	74.7	103.6*
Current liabilities	**119.4**	**137.0**
Financial liabilities	69.1	78.7
Other liabilities	50.3	58.4
Total equity and liabilities	**3,644.8**	**3,569.9**

* Prior-year figure adjusted due to retrospective amendments to IAS 19

The main asset of the GSW Group, accounting for approximately 96.3 % of total assets (2012: 92.5 %) is its investment property. The property portfolio expanded, primarily as a result of the addition of about 3,100 residential and commercial units over the course of 2013. In addition, the properties appreciated in value in the 2013 financial year, which was confirmed by the appraisal by the independent external property assessor CBRE GmbH.

The property purchases increased GSW's loan liabilities. In contrast, the liabilities from the convertible bond decreased because it was converted by the bondholder at a nominal value of EUR 181 million in December 2013. Overall, financial liabilities fell by EUR 104.6 million.

Equity increased by EUR 216.5 million in total as of the reporting date, largely as a result of the positive consolidated net income and the capital increase in connection with the conversion of the convertible bond. In addition, positive effects from the remeasurement of derivatives contributed to an increase in equity. However, this was offset by the dividend disbursement for the 2012 financial year of EUR 45.5 million in June 2013. Overall, the GSW Group's equity ratio increased significantly from 40.3 % to 45.5 % as of 31 December 2013.

Adjusted for the negative fair value of financial instruments and the deferred taxes associated therewith, which are recognised in other comprehensive income (OCI), the EPRA NAV rose year on year. Due to the higher number of shares as a result of the conversion of the convertible bond, the EPRA NAV per share decreased slightly:

NET ASSET VALUE

	31.12.2013			31.12.2012
EUR mn	Undiluted	Effect of exercising the convertible bond	Diluted	Undiluted
Equity	**1,656.9**		**1,656.9**	**1,440.4***
Effect of exercise of options, convertibles and other equity interests		1.7	1.7	
NAV	**1,656.9**		**1,658.6**	**1,440.4**
Fair value of financial derivatives (net)	57.3		57.3	91.2
Deferred taxes	(13.0)		(13.0)	(6.0)
EPRA NAV	**1,701.2**		**1,702.9**	**1,525.6**
Number of shares (mn)	56.68	0.06	56.74	50.53
EPRA NAV per share (EUR)	**30.02**		**30.01**	**30.19**

* Values adjusted retrospectively due to amendments to IAS 19

Report on post-balance sheet date events

Effective 31 December 2013, Claus Wisser (Chairman of the Supervisory Board), Dr Jochen Scharpe (Deputy Chairman of the Supervisory Board), Jan Bettink and Veronique Frede resigned from their Supervisory Board posts at GSW.

Their court-appointed successors are Uwe E. Flach, Dr Andreas Kretschmer, Matthias Hünlein and Helmut Ullrich.

At its constitutive meeting on 15 January 2014, the newly appointed Supervisory Board appointed Michael Zahn und Lars Wittan, members of the Deutsche Wohnen AG Management Board, as additional members of the GSW Management Board. At the same time, Michael Zahn was appointed as the new CEO. In addition, Uwe E. Flach and Dr Andreas Kretschmer were elected as Chairman and Deputy Chairman of the Supervisory Board respectively.

The former Co-CEO Jörg Schwagenscheidt left GSW effective 31 January 2014.

In January 2014, EUR 0.5 million of the convertible bond was refunded at the request of the bondholders. Subsequently, GSW Immobilien AG decided on 11 February 2014 to terminate and prematurely repay the outstanding convertible bonds at a total nominal value of EUR 1.4 million in accordance with section 4 (3) of the bond conditions as of 13 March 2014.

On 19 February 2014, the Management Board of GSW Immobilien AG decided to apply for a repeal of the admission to the Prime Standard and to change to the General Standard. It was also resolved to apply for a repeal of the shares' admission to the Berlin Stock Exchange.

The management boards of Deutsche Wohnen AG and of GSW Immobilien AG agreed on 7 March 2014, with the approval of the respective supervisory board, to prepare a domination agreement between Deutsche Wohnen AG, as the controlling entity, and GSW Immobilien AG, as the controlled entity, and to conclude such agreement. Deutsche Wohnen AG will offer the minority shareholders of GSW Immobilien AG to acquire their shares in exchange for newly issued shares of Deutsche Wohnen AG, and the minority shareholders will be offered a compensation payment for the duration of the agreement. The companies will determine the final structure of the provisions regarding the consideration in shares and the annual compensation payment under the agreement on the basis of a company valuation and in accordance with legal requirements.

Outlook, opportunities and risks

GSW identifies opportunities for the Group's further development on an ongoing basis. However, risks must usually be taken in order to make use of such opportunities. To control risks and recognise opportunities, GSW has a Group-wide risk management system (RMS), which relates the risks and opportunities to the major performance indicators.

Outlook

Fulfilment of the previous year's forecasts

The forecasts for the 2013 financial year presented in the previous year's management report were fulfilled. For example, net rental income was increased with purchases, rent increases and falling vacancy rates, and a positive net valuation result was achieved.

Forecasts for the 2014 financial year

Net rental income

The Management Board expects net rental income to increase to between EUR 187 million and EUR 192 million in the 2014 financial year.

This will be due mainly to property purchases in the 2013 financial year, which will be included in GSW's full-year earnings for the first time. In addition, we expect the positive industry environment to continue in 2014, which will be reflected in sustained high demand for housing. This should have a positive effect on GSW's plans to continue reducing vacancy and to make use of the scope for rent increases.

Net interest income
On the basis of the increased financing volume due to acquisitions in recent financial years, we anticipate low net interest income of EUR 80 to 85 million.

In the next 12 months, we expect no significant increase in the level of interest rates. In addition, only low loan volumes are scheduled for refinancing and renewal next year. More than 99 % of the Group's loan portfolio is hedged by way of fixed-interest agreements or interest rate swaps with an average nominal interest rate of well below 3.6 % as of the particular date. In this respect, we currently see no major interest rate fluctuation risk

Consolidated net income for the year
It is extremely difficult to quantify the consolidated net income for the year due to the many unforeseeable non-recurring effects. However, on the basis of the above partial income forecasts, we expect consolidated net income for the year to increase considerably in the 2014 financial year.

FFO I
In the 2014 financial year, the Management Board expects FFO I of at least EUR 80 million. This does not fully include synergies arising from the takeover.

LTV
The Management Board expects LTV of approximately 50 %, as no further refinancing measures are scheduled and a stable property valuation is anticipated.

EPRA NAV
On the basis of stable operating business and increasing consolidated net income for the year, we expect EPRA NAV to increase slightly.

No effects of current business or other non-recurring effects on the period after 2014 can currently be identified. In this respect, no statements can be made on major effects after the forecast period.

Risk report

Risk management system

Objectives and strategies of risk management
The operation of an appropriate risk management system (RMS) is a key element of responsible corporate governance.

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

The risk management system is linked to all of the Company's divisions. This ensures that risks from all divisions are identified quickly and analysed centrally by the risk manager. In the RMS, the risks are illustrated in relation to the Group's major performance indicators and thus make clear any potential consequences.

The following principles apply in order to guarantee the functionality of the RMS:

- The risk management handbook is the Group-wide basis for the RMS, is available to every employee on the intranet and is updated on an ongoing basis

- Risk management is part of day-to-day business and is practised throughout the Company

- Risk management is a permanent process for the identification, evaluation, controlling, monitoring and reporting of all significant risks

- The employees are made aware of risk and urged to report new or changed potential risks to their manager or risk manager immediately

All of the Group's risks are recorded on the basis of a quarterly risk inventory (risk survey). The aim of this inventory is to track and update all risks and risk-handling measures. All identified risks are continually checked for plausibility and reported to the risk manager by the divisional heads.

In addition, outside quarterly risk reporting, there is a duty to report significant changes to the risk situation immediately. On the basis of these risk notifications, the risk manager creates an updated report and informs the Management Board. In addition, the Supervisory Board receives extensive information on all relevant risk developments in the Group at each of its meetings. This ensures that all of the Company's decision-making bodies are aware of all major Group risks at all times.

As a listed stock corporation, GSW is legally obliged to commission an auditor to audit the functionality of its risk identification system. The functionality was again confirmed without objections in the reporting year.

Specific company risks

Like every company, GSW is subject to general market and specific business and industry risks. The Company has identified the following risks. The risks have not been quantified where they were not quantified for internal controlling purposes or the information is not material for the readers.

Macroeconomic and strategic risks

Potential macroeconomic risks arise from economic crises that could have a negative impact on GSW depending on their progression. For example, they could make it more difficult to obtain refinancing on the international capital markets or negatively influence inflation.

There is also the inherent risk that changing market trends on the property market may not be recognised at an early stage. For example, demographics could change to the extent that GSW is unable to offer any adequate housing in a particular housing segment.

Legal risks

Legal risks can arise from non-compliance with legal regulations, the non-implementation of new and amended laws, non-compliance with agreements or the mismanagement of insurance policies and can potentially lead to financial losses. For example, the acquisition of portfolios entails liability risks that may result in losses.

Tax risks

GSW's business activities are subject to the tax conditions in Germany, which could change disadvantageously. It is possible that GSW will have to pay additional taxes following external audits of Group companies. The external audits for the years following 2008 are not yet concluded.

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

Changes to the shareholder and organisational structure of GSW may also trigger real estate transfer taxes or eliminate tax loss carryforwards.

IT risks

Given the high level of process automation and IT support, a failure of the IT system is a major risk for the GSW Group. GSW therefore employs specialist third-party service providers to manage and minimise the risk of failure. In addition, the systems and processes for dealing with emergencies and crises in the central computer centre are monitored on an ongoing basis.

The measures identified and implemented have made a material contribution to minimising the stability risks for GSW's critical processes. In addition, GSW has launched projects and established corresponding processes to further optimise the security standard on the basis of a new security policy.

HR risks

The professionalism, expertise and commitment of the employees are key success factors for the attainment of corporate targets. In this respect, there is a risk of losing important expertise as a result of unintended employee turnover. GSW counters this risk with a supportive HR policy that allows its employees satisfaction, responsibility, and prospects for development. Key elements of the HR policy also include fair remuneration that reflects performance, the active promotion of individual development and a strong focus on achieving a good life-work balance. At present, GSW Immobilien AG's low employee turnover suggests a high degree of employee loyalty.

Market risks

Deterioration in the general economic and business situation in Germany and especially in Berlin could negatively influence GSW's result of operations and liquidity. For example, economic slumps and rising unemployment could lead to a decline in demand for housing and buying interest.

This could give rise to significant earnings risks for GSW that could influence business performance – including a lower increase in rents for new rental agreements, a slowdown in price development in existing rents, vacancy increases, an increase in defaults on rent and a decline in residential property sales.

The consequences of the current political debate about limiting the scope for rent increases could also have a negative impact on the future development of our rents.

Since May 2013, GSW has countered **rent development risk** by concluding rental agreements with predetermined rent increases. New rentals that are not bound to price-fixing usually are agreed with an annual increase of the monthly in-place rent of EUR 0.20/sqm over a period of up to eight years.

GSW counters the **vacancy and new rental risk** primarily with targeted rental marketing. Furthermore, the residential units are kept in an attractive condition with targeted maintenance and improvement measures.

The rent **default risk** is minimised before a rental agreement is signed with evidence of creditworthiness provided by the tenant. If tenants should fall into financial difficulties later, GSW tries to support them by working with tenant debt advice centres. In addition, if a tenant is in difficulty, they have recourse to funds from a tenant social fund set up by GSW.

The **sales risk** is minimised through cooperation with an external service provider. Sales are made through a specialist company with whom certain quantities and minimum sales values, which reflect market conditions, can be agreed as a part of a service contract. If the quantities are not achieved, the service provider must pay penalty payments to GSW.

GSW is generally exposed to **interest rate risk**, which may affect its earnings in floating rate loans. This risk, however, is almost completely covered by the use of interest rate hedging instruments.

Portfolio risk

Portfolio risks can affect both individual properties and the portfolio as a whole. At property level, for example, they can be maintenance shortcomings, damage or contamination that entail high costs for maintenance and remediation. At portfolio level, for example, risks can arise from the deterioration of the location, which can result in lower rental viability and impairment losses.

GSW counters these portfolio risks with a range of measures that ensure that the portfolio retains its value while continuing to develop:

- GSW's maintenance strategy operates on a condition-based valuation of all properties and value-oriented measures derived therefrom, which keep the properties in an attractive condition so as to be rented.
- Furthermore, GSW's property portfolio enjoys broad risk diversification with regard to individual locations. It is located in all districts of Berlin except for Marzahn-Hellersdorf and is evenly spread among properties of all ages.
- In addition, GSW is socially involved in its housing portfolio through a wide range of commitments and is also engaged as a culturally responsible entity. As such, GSW seeks to attract and maintain a long-term tenant clientele that will have a positive long-term effect on its property portfolio.

The positive value performance of the property portfolio in recent years attests to the success of these measures.

Acquisition and investment risks

Risks to the development of the Company's results can arise if acquired portfolios do not develop as desired and expected rent increases or reductions in vacancy cannot be realised. In share deals, acquired tax risks from previous years can also impact results. There is a possibility that the integration of acquired portfolios will require higher costs than planned or that expected synergies will not be achieved as intended.

GSW tries to minimise these risks in the acquisition process with comprehensive due diligence in consultation with lawyers, tax advisors and technical experts. Usually, acquired risks lower the purchase price of an acquisition, so GSW actually only acquires risks arising after the transfer of risks and rewards.

In addition, there is a risk that large maintenance and modernisation measures will result in cost overruns or non-compliance with planned completion deadlines. This can have a temporary negative effect on net rental income. No such major risks can be discerned at present.

Regulatory risks

Political regulatory decisions can also influence GSW's earnings situation. For example, the stipulation of blanket rent caps could result in the Company's earnings growing more slowly than planned. In view of the ongoing political debate in Berlin, it cannot currently be predicted which regulatory measures will be implemented and what their quantitative effects on GSW's development will be.

Overall picture of the risk situation

Of all the risks described, we consider portfolio risk, acquisition risk and the associated tax risks in the context of share deals to be the most significant risks. In the 2013 financial year, the overall risk situation did not change significantly compared to the previous years. No existing risks have developed further or become so substantial as to enable reliable quantification. We also rate the risks as moderate and manageable overall with regard to the countermeasures taken. We estimate that there are currently no substantial risks that endanger the Company as a going concern.

Opportunities of future development

GSW has successfully established itself among the major German real estate companies in recent years. With successful financing measures such as the CMBS refinancing, the IPO, the capital increase and the issue of the convertible bond and with various property acquisitions, some of which with complex structures, the management of the Group has proven its expertise and evolved. We are therefore convinced that we will continue to utilise our expertise and our good reputation both on the property and the capital market to increase our value in future and after the takeover by Deutsche Wohnen AG. In particular, this includes our expertise with regard to efficient residential property management.

We also see opportunities in the value growth of our property portfolio. With our broadly diversified portfolio of properties in Berlin and a clear focus on the residential segment, we see further potential for value growth thanks to the continuingly positive development of the Berlin property market.

Moreover, the current high demand for Berlin property is supporting our efforts to increase rents and further reduce vacancy. This is reflected in higher revenues and thus in an improvement to the results of operations.

In addition, we see opportunities in increasing the efficiency of residential property management. These opportunities can be taken by acquiring additional properties, because the current organisational platform allows growing property portfolios to be managed while the number of employees remains virtually constant, which reduces the administrative costs per unit (economies of scale).

Major changes to opportunities compared with the previous year resulted from the takeover by Deutsche Wohnen AG and the accompanying synergy potential of up to EUR 25 million a year in the Group as a whole.

Overall, GSW considers the opportunities and risks to be balanced.

ICS and risk management system in relation to the group account process

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

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

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

Risk reporting on the use of financial instruments

There is regular risk reporting on Group-wide financial instruments. The objective of risk management is the early recognition of existing and potential risks that could arise in connection with financial instruments. These are primarily interest-related cash flow risks, default risks and liquidity risks.

In the case of floating rate loans, there is a risk of increasing interest rates when the general level of interest rates goes up.

The **interest rate risk** is considered minor as interest rate hedges (fixed rate and swap agreements) are in place for 99 % of the loan portfolio. Interest management on the basis of the value-at-risk method has been implemented in order to optimise the interest strategy. Recommendations derived from this are incorporated into planning.

Default risks in relation to loans granted within the GSW Group are considered minor. As the borrowers are Group companies, with some of which control and profit transfer agreements are in place, GSW is informed of their economic situation at all times.

Liquidity risks arise if banks do not extend expiring loan agreements or do so only at less favourable conditions. This can lead to temporarily more expensive interim financing and thus negatively affect net rental income. However, GSW currently considers this risk minor because the weighted average term of the Company's loans at the reporting date was about 9.6 years. As of 31 December 2013, GSW's refinancing volume amounted to approximately EUR 1,957.6 million (nominal value), of which approximately EUR 70 million will mature in 2014.

In addition, about 75 % of the loan agreements (percentage of remaining capital loans with covenants in the total loan volume) include financial covenants that target adherence to certain performance indicators. If these covenants are not complied with and certain conditions are met, the bank can terminate the loan agreement or demand rectification. Such a case can also theoretically result in short-term reductions in liquidity. At the moment, however, this is considered very unlikely.

The loan compliance reporting requirements for banks were complied with in full in 2013. With general conditions unchanged, there will be no foreseeable non-compliance with the covenants of key loan agreements.

Significant liquidity risks from the convertible bond issued in the 2012 financial year no longer exist, especially since the conversion of the majority by the new bondholder Deutsche Wohnen. As of the reporting date, there remained an unconverted residual bond with a nominal value of EUR 1.9 million, which can be terminated prematurely by GSW due to the insignificance of the outstanding nominal value and repaid at the nominal value plus accrued interest.

GSW's complex Group structure requires sophisticated management with regard to Group liquidity in order to safeguard the operating activities. In addition, rising vacancy, cost increases and unexpected expenses can have a negative impact on free liquidity.

Therefore, the liquidity of all GSW Group companies is coordinated on a Group-wide basis. Rolling liquidity planning, which is updated during the year to reflect current forecasts, provides a detailed preview of the anticipated monthly cash flows. Plan / actual analyses are made in weekly cash management reports, including reporting on the investments made. Liquidity monitoring and cash management are practised on a daily basis and are supported by an integrated software application. This makes liquidity management possible to the day based on daily cash flow updates.

Discolures regarding takeovers

As a listed company within the meaning of section 264d of the German Commercial Code (HGB), GSW is obliged to made additional disclosures in accordance with section 315 (4) HGB.

The disclosures regarding the composition of the subscribed capital can be found in the equity section of the notes to GSW's consolidated financial statements. No restrictions on voting rights or transferability exist or are known to the Management Board.

As of 31 December 2013, the direct share of the voting rights held by Deutsche Wohnen AG, Frankfurt, was more than 10 % (92.02 %).

There were no shares with special rights conferring control powers.

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

As at 31 December 2013, there are the following authorisations to issue or buy back shares:

The Management Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions by a total of up to EUR 17,000,000.00 up to and including 17 June 2018 by issuing up to 17,000,000 new no-par value bearer shares in exchange for cash and / or non-cash contributions.

On 18 June 2013, the Annual General Meeting (AGM) authorised the Management Board to issue bearer and / or registered convertible bonds and / or bonds with warrants and / or profit participation rights and / or participating bonds with or without conversion rights or options or conversion obligations or a combination of these instruments, with or without a restriction on their term, with a total nominal amount of up to EUR 350,000,000.00 on one or more occasions up to and including 17 June 2018, and to grant the holders or bearers of such instruments conversion rights or options for the subscription of up to 7,500,000 new no-par value bearer shares of GSW Immobilien AG with a total nominal interest in the share capital of up to EUR 7,500,000.00 (Contingent Capital 2013).

Due to the conversion of the convertible bond on 23 December 2013 and the subsequent supply of 6,150,646 new GSW shares, a portion of the Contingent Capital 2013 of EUR 1,098,015.00 has already been used. As of 31 December 2013, the Contingent Capital 2013 therefore amounted to EUR 6,401,985.00.

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

A change of control in connection with a takeover bid will not affect any existing agreements in GSW's company agreements. No major financial consequences would arise from change of control clauses in loan agreements.

There are no compensation agreements with the Management Board or employees in the event of takeover bids. Information on agreements for the premature termination of the employment of Management Board members is included in the remuneration report.

Declaration on corporate governance in accordance with section 289a HGB

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

Closing statement in accordance with section 312 (3) AktG

With regard to relations to companies of the Deutsche Wohnen Group as affiliates according to section 312 AktG, the Management Board declares that the Company received appropriate compensation for every transaction according to the circumstances known at the time the respective transaction was carried out.

In the reporting year, measures at the behest of or in the interest of Deutsche Wohnen AG or its affiliates were not performed or omitted.

With regard to relations to other affiliates, the Management Board declares in accordance with section 312 AktG that no reportable events occurred in the 2013 reporting period.

Remuneration report

In accordance with the legal provisions and the recommendations of the German Corporate Governance Code in the version dated 13 May 2013, the remuneration report explains the structure of the remuneration system for the Management Board and Supervisory Board of GSW Immobilien AG as well as the remuneration of individual members of the Management Board and Supervisory Board. The remuneration report is part of the management report.

Remuneration system of the mangement board

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

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

Composition of the Management Board in the 2013 financial year

Mr Thomas Zinnöcker left the Management Board of GSW Immobilien AG as CEO on 15 April 2013. Dr Bernd Kottmann was CEO of the Company from 16 April 2013 until the suspension of his Management Board employment contract on 15 July 2013.

On 23 August 2013, the Company's Supervisory Board appointed the serving Management Board members Mr Jörg Schwagenscheidt and Mr Andreas Segal as equally entitled Co-CEOs. The contractual remuneration was not changed.

Fixed basic remuneration

The basic remuneration of Management Board members consists of a fixed amount, which is disbursed in twelve equal monthly instalments. The fixed annual basic remuneration for the two Co-CEOs Jörg Schwagenscheidt and Andreas Segal amounted to EUR 395,000.00 each per annum. The Management Board employment contracts of the CEOs who departed in the 2013 financial year, Mr Thomas Zinnöcker and Dr Bernd Kottmann, each provided for fixed annual basic remuneration of EUR 490,000.00. The annual payments are made pro rata temporis if the Management Board member has not been appointed to the Board for the entire financial year.

Gross annual performance-related remuneration (short term incentive)

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

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

The annual performance-related remuneration (Short Term Incentive) was limited to a maximum of EUR 237,000 gross for the Management Board members Jörg Schwagenscheidt and Andreas Segal (cap) in the reporting year. The Management Board employment contracts of the CEOs who departed in the 2013 financial year, Mr Thomas Zinnöcker and Dr Bernd Kottmann, each limit the Short Term Incentive to a maximum of EUR 294,000 gross.

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

Multi-annual performance-related remuneration (long term incentive)

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

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

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

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

Other benefits in kind

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

Management Board remuneration in the 2013 financial year

Total remuneration

The total remuneration of Management Board members for the 2013 financial year amounted to EUR 3,448 thousand (previous year: EUR 2,682 thousand). The payments made in connection with the termination of Dr Bernd Kottmann's Management Board contract totalled EUR 1,250 thousand in the 2013 financial year.

Individually, the members of the Management Board received the following remuneration for their work or in connection with the termination of their contracts in the 2013 financial year:

MANAGEMENT BOARD REMUNERATION IN THE 2013 FINANCIAL YEAR

EUR thousand (gross)	Gross basic remuneration	Gross annual performance-related remuneration (short term incentive)	Multi-annual performance-related remuneration (long term incentive)	Ancillary benefits	Termination benefits	Total
Andreas Segal	395	237	237	17	-	886
Jörg Schwagenscheidt	395	237	237	24	-	893
Dr Bernd Kottmann	122	-	-	4	1,250	1,376
Thomas Zinnöcker	143	72	71	7	-	293
Gesamt	**1,055**	**546**	**545**	**52**	**1,250**	**3,448**

With regard to the granting of multi-annual share-based remuneration, the takeover by Deutsche Wohnen AG in November 2013 gave rise to changes that no longer allow the remuneration claim to be measured on the basis of regulations in the contracts with the Management Board members.

The withdrawal of the GSW share from the EPRA Germany Index and other indices removed the basis for the calculation of remuneration claims.

In the context of the suspension of the Management Board contract of employment with Mr Schwagenscheidt, the Supervisory Board agreed a settlement amount for the claims for share-based remuneration in the 2012 and 2013 financial years under its legal duty of care.

Provisions were recognised on the basis of the withdrawn cap regulation (120 %).

The application of the settlement regulation to Mr Segal's share-based remuneration claims is subject to the approval of the Supervisory Board.

Contractual regulations in the event of employment ending prematurely

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

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

Payments made in connection with the termination of Management Board contracts in the 2013 financial year

GSW Immobilien AG, represented by the Supervisory Board, concluded termination agreements with Mr Thomas Zinnöcker and Dr Bernd Kottmann in connection with the termination of their Management Board contracts.

The payments made to Mr Thomas Zinnöcker and Dr Bernd Kottmann on the basis of the termination agreements included a lump-sum settlement for the claims granted by GSW Immobilien AG from the annual performance-related remuneration (Short Term Incentive) and the multi-annual performance-related remuneration (Long Term Incentive), some of which were already vested.

Other

Members of the Management Board were not granted any benefits under occupational pension plans in the 2013 financial year. Members of the Management Board received no loans from the Company.

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

GSW Immobilien AG did not grant or promise the members of the Management Board any financial or other non-cash advantages or benefits in connection with the takeover bid by Deutsche Wohnen AG beyond the regulations in their employment contracts.

Remuneration system for the supervisory board

The Supervisory Board's remuneration is regulated in Article 8 of the Articles of Association and consists of two elements:

Fixed remuneration

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

Additional compensation for the exercise of certain functions

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

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

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

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

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

Supervisory Board compensation in the 2013 financial year

In detail this resulted in the following compensation for the Supervisory Board members for the 2013 financial year:

SUPERVISORY BOARD COMPENSATION

EUR thousand (net)		2013	2012
Claus Wisser (Chairman from 8 August 2013)	Chairman of the Supervisory Board (from 8 August 2013), member of the Executive Committee (Chairman from 8 August 2013), member of the Nomination Committee (Chairman from 8 August 2013), member of the GSW Head Office Location Committee, member of the Personnel Committee	89.5	39.8
Dr Eckart John von Freyend (Chairman until 31 July 2013)	Chairman of the Supervisory Board (until 31 July 2013), Chairman of the Executive Committee (until 31 July 2013), Chairman of the Nomination Committee (until 31 July 2013), member of the Audit Committee (until 31 July 2013)	71.2	96.2
Dr Jochen Scharpe (Deputy Chairman)	Deputy Chairman of the Supervisory Board, Chairman of the Audit Committee, Chairman of the GSW Head Office Location Committee, Chairman of the Personnel Committee, member of the Executive Committee, member of the Nomination Committee	112.5	68.4
Dr Reinhard Baumgarten	Member of the Executive Committee (from 19 September 2013), member of the Audit Committee, member of the Personnel Committee	57.1	39.5
Veronique Frede		40.0	35.1
Gisela von der Aue	Member of the Audit Committee (from 19 September 2013), member of the GSW Head Office Location Committee, member of the Personnel Committee	57.1	20.4
Jan Bettink (from 10 October 2013)		9.1	0

Other

The Company has not granted any loans to the members of the Supervisory Board. GSW Immobilien AG did not grant or promise the members of the Supervisory Board any financial or other non-cash advantages or benefits in connection with the takeover bid by Deutsche Wohnen AG beyond the remuneration provided for by the Articles of Association.

Responsibility Statement

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

Berlin, 10 March 2014

GSW Immobilien AG
The Management Board

MICHAEL ZAHN
Chief Executive Officer (CEO)

ANDREAS SEGAL
Management Board

LARS WITTAN
Management Board

Glossary

GLOSSARY	
general	EBIT, EBITDA, adjusted EBITDA, FFO, EPRA NAV and LTV are not recognised as performance indicators in the HGB or IFRS. The EBIT, EBIDA, adjusted EBITDA, FFO, EPRA NAV and LTV that we report here are not necessarily comparable to the performance figures published by other companies under the same or a similar designation.
EBIT	Earnings before interest and taxes and results on investments.
EBITDA	Earnings before interest, taxes, depreciation and amortisation, EBITDA represents the consolidated net income for the relevant period before net interest, results of associates and joint ventures accounted for at equity, net result of investments, income taxes depreciation and amortisation, and net valuation gains on investment property.
Adjusted EBITDA	Adjusted EBITDA represents EBITDA adjusted for capital measurements, profit from business combination, restructuring expenses, project expenses, LTIP, onetime acquisition expenses regarding to the purchase of investment properties (asset or share deals) and gains on the disposal of shares, associates and joint ventures.
FFO I (excl. Sales result)	GSW calculates FFO I ("funds from operations") by taking Adjusted EDITDA for the period and adjusting it for cash flow net interest, results of associates and joint ventures accounted for at equity, net result of investments and normalised cash flow net taxes.
AFFO	AFFO ("adjusted funds from operations") represents the FFO I, deducting capitalised expenses for maintenance and modernization
FFO II (incl. Sales result)	GSW calculates FFO II by taking FFO I for the period and adding the result on disposal of investment property.
NAV	NAV ("net asset value") shows the intrinsic equity value of a real estate company on the respective reporting date.
EPRA NAV (basic and diluted)	EPRA NAV is used to highlight the fair value of equity on a long-term basis and is calculated from NAV. Items that have no impact on the Group's long-term, such as fair value of derivatives and deferred taxes on property fair values are excluded. Diluted NAV is calculated from shareholders' equity adjusted for the effect of the exercise of options, convertibles and other equity interests.
LTV	Loan-to-value ratio is the ratio of financial liabilities minus cash and cash equivalents to our investment properties and assets held for sale.
Project expenses	Project expenses are expenses for ventures, which are mostly non-recurring and extraordinary.
Acquisition expenses	Acquisition expenses are expenses for failed investment property purchases (conducted as an asset- or share deal).
LTIP	LTIP ("long term incentive plan") refers to certain parts of the board members' as well as one supervisory board members' compensation which depend on long term achievements under an agreement with former shareholders in the course of the IPO.
LTI	LTI ("long term incentive") refers to certain parts of the board members' compensation which depend on long term achievements.

Consolidated financial statements and notes

Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET – ASSETS

EUR thousand	Note	31.12.2013	31.12.2012
Non-current assets		**3,526,537**	**3,324,001**
Investment property	(15)	3,509,862	3,302,195
Property, plant and equipment	(16)	1,876	2,130
Goodwill	(17)	1,125	1,125
Other intangible assets	(18)	185	203
Shares in related companies	(19)	6,106	6,087
Trade receivables	(20)	182	321
Receivables from property management		93	133
Receivables from sales		90	188
Other non-current assets	(22)	7,187	11,926
Derivatives		166	0
Other financial assets		7,021	11,926
Deferred tax assets	(12)	15	14
Current assets		**118,243**	**245,869**
Trade receivables	(20)	11,039	6,920
Receivables from property management		10,030	4,998
Receivables from sales		704	1,264
Other trade receivables		305	658
Receivables due from related parties	(21)	30	505
Income tax receivables		830	2,787
Other current assets	(22)	9,221	22,595
Other financial assets		7,480	1,661
Other miscellaneous assets		1,741	20,934
Cash and cash equivalents		70,684	167,737
Investment property held for sale	(23)	26,439	45,325
Total assets		**3,644,780**	**3,569,870**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABLITIES

EUR thousand	Note	31.12.2013	31.12.2012
Equity	**(24)**	**1,656,881**	**1,440,435***
Total shareholders' equity		1,656,429	1,440,089*
Subscribed capital**		56,677	50,526
Additional paid-in capital		489,568	328,722
Consolidated retained earnings		1,154,628	1,140,177*
Accumulated other comprehensive income		(44,444)	(79,336)*
Non controlling interest		452	346
Non-current liabilities		**1,868,491**	**1,992,397***
Financial liabilities	(27)	1,793,777	1,888,817
Liabilities due to banks from financing investment property		1,792,459	1,728,578
Liabilities from convertible bond		0	158,728
Liabilities from finance leases		1,318	1,511
Employee benefits	(25)	2,153	2,345*
Provisions	(26)	7,896	3,055
Trade payables		501	483
Other non-current liabilities	(29)	63,743	97,434
Derivatives		56,860	90,952
Other financial liabilities		454	507
Other miscellaneous liabilities		6,429	5,975
Deferred tax liabilities	(12)	421	263
Current liabilities		**119,408**	**137,038**
Financial liabilities	(27)	69,139	78,687
Liabilities due to banks from financing investment property		67,202	78,449
Other loans and bank overdrafts		1,685	0
Liabilities from finance leases		252	238
Provisions	(26)	693	3,039
Trade payables		35,587	31,029
Property management liabilities		31,677	30,351
Other trade payables		3,911	678
Payables due to related parties	(28)	21	29
Income taxes payable		45	191
Other current liabilities	(29)	13,924	24,063
Derivatives		639	265
Other financial liabilities		5,077	6,971
Other miscellaneous liabilities		8,209	16,827
Total equity and liabilities		**3,644,780**	**3,569,870**

* Previous-year figure adjusted retrospectively in accordance with IAS 19

** Contingent capital of EUR 6.4 mn as of 31 December 2013 (31 December 2012: EUR 7.5 mn)

Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	01.01.-31.12.2013	01.01.-31.12.2012
Net rental income	**(7)**	**179,474**	**159,987**
Gross rental income		235,706	211,963
Government grants		5,456	7,876
Property operating expenses		(61,688)	(59,852)
Result on disposal of investment property	**(8)**	**4,002**	**9,602**
Investment property disposal proceeds		110,224	68,493
Carrying value of investment property disposals		(98,434)	(49,462)
Operating expenses for investment property disposed		(7,788)	(9,429)
Net valuation gains on investment property		**20,575**	**76,351**
Valuation gains on investment property		76,288	133,841
Valuation losses on investment property		(55,713)	(57,490)
Administrative expenses	(9)	(54,206)	(37,248)
Other income and expense	(10)	0	5,728
Net operating profit		**149,845**	**214,420**
Net result of investments		277	1,163
Interest income	(11)	23,649	23,282
Interest expenses	(11)	(100,571)	(98,760)
Profit before income taxes		**73,199**	**140,105**
Income taxes	(12)	(13,187)	3,170*
Consolidated net income for the year		**60,013**	**143,275***
Thereof attributable to:			
Shareholders of GSW Immobilien AG		59,925	143,228*
Non controlling interest	(24d)	88	47
Earnings per share (basic), EUR	**(14)**	**1,18**	**3,02***
Earnings per share (diluted), EUR	**(14)**	**1,18**	**2,77***

Calculation of earnings per share (EPS) has been conducted in accordance with IAS 33.19 on the basis of a weighted average number of shares within every reporting period.

* Previous-year figure adjusted retrospectively in accordance with IAS 19

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	01.01. - 31.12.2013	01.01. - 31.12.2012*
Consolidated net income for the year		**60,013**	**143,275**
Accumulative other comprehensive income	(24c)		
thereof Non-Recycling			
Revaluation of properties classified as IAS 16		38	38
Deferred taxes		(11)	(11)
thereof Recycling			
Revaluation surplus resulting from acturial gains and losses of defined benefit obligations		96	(401)
Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges	(34e)		
Fair value adjustment of derivatives in cash flow hedges		27,614	(36,681)
Reclassification of interest derivatives affecting income		351	854
Deferred taxes	(12)	6,823	3,056
Total comprehensive income for the year		**94,923**	**110,130**
Profit attributable to:			
Shareholders of GSW Immobilien AG		94,816	110,130
Non controlling interest		107	0

* Previous-year figure adjusted retrospectively in accordance with IAS 19

Consolidated statement of changes in the shareholders' equity

CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

EUR thousand	Subscribed capital	Additional paid-in capital	Consolidated retained earnings
Note	(24a)	(24a)	(24b)
December 31, 2011	**41,053**	**128,800**	**1,042,422**
Total result for the year	0	0	143,228
Changes in scope of consolidation	0	0	0
issue of equity instruments	9,474	192,439	0
Transaction costs for issuing equity instruments	0	(10,748)	0
issue of convertibles	0	14,980	0
Dividend distribution	0	0	(45,474)
Repurchase of equity instruments	0	0	0
Additional paid in capital regarding to board compensations	0	3,252	0
December 31, 2012	**50,526**	**328,722**	**1,140,177**
thereof classified as Non-recycling	0	0	0
thereof classified as Recycling	0	0	0
December 31, 2012*	**50,526**	**328,722**	**1,140,177**
Total result for the year	0	0	59,925
Changes in scope of consolidation	0	0	0
issue of equity instruments	0	0	0
Transaction costs for issuing equity instruments	0	0	0
issue of convertibles	6,151	160,230	0
Dividend distribution	0	0	(45,474)
Repurchase of equity instruments	0	(1,063)	0
Additional paid in capital regarding to board compensations	0	1,679	0
December 31, 2013	**56,677**	**489,568**	**1,154,628**
thereof classified as Non-recycling	0	0	0
thereof classified as Recycling	0	0	0

* Previous-year figure adjusted retrospectively in accordance with IAS 19

	Accumulative other comprehensive income						
	Revaluation surplus resulting from the fair market valuation of owner-occupied property	Revaluation surplus resulting from acturial gains and losses of defined benefit obligations	Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges	Total accumulative other comprehensive income	Total shareholders' equity	Minority Interest	Consolidated equity
				(24c)		(24d)	
	252	**(116)**	**(46,374)**	**(46,237)**	**1,166,038**	**257**	**1,166,295**
	27	(377)	(32,748)	(33,098)	110,129	0	110,130
	0	0	0	0	0	89	89
	0	0	0	0	201,913	0	201,913
	0	0	0	0	(10,748)	0	(10,748)
	0	0	0	0	14,980	0	14,980
	0	0	0	0	(45,474)	0	(45,474)
	0	0	0	0	0	0	0
	0	0	0	0	3,252	0	3,252
	279	**(493)**	**(79,122)**	**(79,336)**	**1,440,090**	**346**	**1,440,435**
	279	0	0	279	0	0	0
	0	(493)	(79,122)	(79,614)	0	0	0
	279	**(493)**	**(79,122)**	**(79,336)**	**1,440,090**	**346**	**1,440,435**
	27	190	34,675	34,891	94,816	107	94,923
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
	0	0	0	0	166,380	0	166,380
	0	0	0	0	(45,474)	0	(45,474)
	0	0	0	0	(1,063)	0	(1,063)
	0	0	0	0	1,679	0	1,679
	306	**(303)**	**(44,447)**	**(44,444)**	**1,656,429**	**452**	**1,656,881**
	306	0	0	306	0	0	0
	0	(303)	(44,447)	(44,749)	0	0	0

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	01.01.- 31.12.2013	01.01.- 31.12.2012
Consolidated net income for the year		60,013	143,275*
Elimination of current income taxes	(12)	13,187	(3,170)
Elimination of financial results		76,645	74,315
Depreciation, amortization and impairment/write-ups of non-current assets		539	756
Result of fair value measurement of investment property		(20,575)	(76,351)
Result from the disposal of assets held for sale and investment property		(11,790)	(19,030)
Result from the disposal of intangible assets and property, plant and equipment		0	(11)
Result from the disposal of consolidated companies		0	(5,728)
Changes in inventories, receivables and other assets		(5,144)	(27,614)
Changes in provisions		1,798	(1,196)
Changes in payables		3,414	7,062
Other non-cash expenses and income	(37)	1,740	3,310
Operating cash flow		**119,827**	**95,618**
Income tax paid / received		1,741	(566)
Interest paid		(79,480)	(72,198)
Internet received		3,013	1,991
Distributions received		284	1,246
Proceeds from the disposal of derivative receivables		(297)	(590)
Cash flow from operating activities		**45,087**	**25,501**
Proceeds on disposals of investment property		109,442	69,784
Disbursements for investments in investment property		(255,416)	(183,838)
Proceeds on disposals of intangible assets and property, plant and equipment and other investments		0	16
Disbursements for investments in intangibles assets and in property, plant and equipment and other investements		0	(96)
Proceeds from disposals of previously consolidated companies net of cash acquired		0	4,820
Expenditures for acquisitions of consolidated companies net of cash acquired		(174)	(79,707)
Cash flow from investing activities		**(146,148)**	**(189,021)**

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	01.01.- 31.12.2013	01.01.- 31.12.2012
Proceeds from the issuance of equity instruments		0	201,913
Transaction costs of equity instruments		0	(10,695)
Dividends paid		(45,474)	(45,474)
Proceeds from convertible loans		0	182,900
Transaction costs of convertible loans		0	(2,862)
Repayments from loans		(109,894)	(90,945)
Proceeds from loans		159,376	33,802
Cash flow from financing activities		**4,009**	**268,639**
Changes in cash and cash equivalents		**(97,052)**	**105,119**
Cash and cash equivalents at the beginning of the period		**167,737**	**62,618**
Cash and cash equivalents at the end of the period		**70,684**	**167,737**

* Previous-year figure adjusted retrospectively in accordance with IAS 19

Contents

Notes to the consolidated financial statements of GSW Immobilien AG, Berlin for the 2013 financial year

General Information

1. GSW

GSW Immobilien AG (hereinafter "GSW") is a listed stock corporation domiciled in Berlin. Together with its subsidiaries (hereinafter the "GSW Group", "the Group"), it is one of the biggest housing companies in the federal state of Berlin.

GSW was founded in 1924 and has its offices at Charlottenstrasse 4, 10969 Berlin. The company is registered with the commercial register of the Charlottenburg Local Court under HRB 125788 B. The GSW Group's business activities primarily involve the management of company-owned residential and commercial properties with a focus on the core region of Berlin.

Since the IPO on 15 April 2011, GSW has been listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange and the Regulated Market of the Berlin Stock Exchange. The GSW share has been included in the MDAX segment of the Frankfurt Stock Exchange since September 2011.

In August 2013, Deutsche Wohnen AG, Frankfurt (hereinafter: "DW") presented the GSW shareholders with a public takeover bid that proposed the exchange of one GSW share for 2.55 DW shares.

As of 30 October 2013, more than 75 % of GSW shareholders had accepted DW's exchange offer. By 18 November 2013, further GSW shareholders used the extended offer period to exchange their GSW shares, whereby DW became the majority shareholder of GSW Immobilien AG with a 91.05 % stake. Since 27 November 2013, GSW Immobilien AG is therefore a dependent company as defined by section 17 (1) of the German Stock Corporation Act (AktG), because it is majority owned by Deutsche Wohnen AG.

Due to the takeover, the GSW share withdrew from the MDAX as of 28 November 2013.

GSW prepared its consolidated financial statements on 10 March 2014. They are expected to be approved by the Supervisory Board on 20 March 2013.

2. Principles of the consolidated financial statements

As a listed enterprise, GSW has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union, and the supplementary provisions of commercial law applicable in accordance with section 315a (1) of the German Commercial Code (HGB). The financial statements constitute an annual financial report as defined in the German Transparency Directive Implementation Act (section 37 v of the German Securities Trading Act (WpHG)) dated 5 January 2007.

The requirements of the standards applied were complied with in full and give a true and fair view of the Group's net assets, financial position and results of operations.

The consolidated financial statements comprise the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes. Individual items in the income statement and in the statement of financial position have been combined to aid the clarity of presentation. These items are explained in the notes. The income statement is structured according to the cost of sales method.

The consolidated financial statements are generally prepared on the basis of accounting for assets and liabilities at amortised cost. Exceptions are investment property, owner-occupied property, securities classified as available-for-sale and derivative financial instruments recognised at fair value as at the end of the reporting period.

The financial year of GSW Immobilien AG and the subsidiaries included in the consolidated financial statements is the calendar year. The currency for the consolidated financial statements is the euro (EUR). Unless indicated otherwise, all figures are rounded to the nearest thousand EUR (EUR thousand) or million EUR (EUR million). As rounded figures are used in the calculations for presentation reasons, discrepancies between rounded and mathematically precise figures may occur in tables or references in the text.

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

3. Use of estimates

The preparation of the consolidated financial statements requires judgements, estimates and assumptions by management that influence the recognition and measurement of assets and liabilities as well as income and expenses and the disclosure of contingent liabilities at the end of the reporting period.

These mainly relate to the measurement of investment property (note 15), the impairment test on goodwill (note 17), the recognition and measurement of provisions and the measurement of derivative financial instruments with respect to the future trend in interest rates (note 34e). Estimates are also made in connection with the first-time recognition of loans and in the recognition of deferred tax assets.

Owing to the uncertainty associated with estimates and assumptions, the actual amounts resulting in future may differ from the recognised figures resulting from estimates and assessments, and lead to adjustments in carrying amounts.

4. Consolidation principles

The consolidated financial statements of the GSW Group include all material 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 using the acquisition method. The date of acquisition is defined as the date on which the means of controlling the net assets and financial and operating activities of the acquired company is transferred to the GSW Group. 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 capitalised as goodwill. Negative differences resulting from capital consolidation at the time of acquisition are reversed directly to profit or loss.

Expenses and income as well as receivables and liabilities between consolidated companies have been eliminated. Intragroup transactions are eliminated.

The financial statements of GSW and of the subsidiaries, associates and joint ventures included in the reporting entity are prepared using uniform accounting policies. The financial statements of the subsidiaries, associates and joint ventures included in the reporting entity are prepared as at the end of the reporting period of GSW.

Non controlling interests represent the share of earnings and net assets not attributable to the Group. Non controlling interests in business partnerships are reported under other liabilities.

Details of the scope of consolidation in the GSW Group including GSW as parent are provided in the following table:

	31.12.2013	31.12.2012
Fully consolidated companies	16	16

The full list of the Group's shareholdings in accordance with section 313 (2) no. 1 to 4 and (3) HGB is shown under note (36). The scope of consolidation does not include any associates or joint ventures included using the equity method.

5. Accounting policies

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.

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

Investment property held for sale whose sale is seen as highly probable within the next twelve months is recognised under assets held for sale in the current assets in accordance with IFRS 5; its measurement is consistent with the measurement of the investment property.

Properties, which the GSW Group both uses itself and lets to third parties, are separated, if division of the properties in question is legally possible and neither the parts used by the Group nor the parts let to third parties are immaterial. The parts let to third parties are allocated to 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 recognised as income or expense.

According to this standard, costs associated with adding to, partially replacing or servicing the property (IAS 40.17) are capitalised to the extent that the component approach (IAS 40.19) results in the replacement of parts of a unit and reliable measurement of the costs is possible. Furthermore, the costs are capitalised if the activities lead to an increased future benefit and reliable measurement of the costs is possible. The capitalised costs are not depreciated as depreciation is generally not applied in connection with the option under IAS 40 relating to recognition of the fair value.

As at 31 December 2013, 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 their potential for development. In accordance with IFRS 13, the fair values thus calculated by GSW correspond to the prices received in an orderly transaction between market participants for the sale of properties (IAS 40.5 rev.).

The market values were determined on the basis of the forecast 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 terminal value was recognised on the basis of the capitalisation of the predicted net profit for the year during the eleventh period.

Due to the limited availability of market data or data and measurement parameters not directly observable on the market, the complexity of property valuation, and property's degree of specificity, the measurement of the fair value of investment properties is allocated to level 3 of the IFRS 13.86 measurement hierarchy (measured on the basis of unobservable inputs). These unobservable inputs include primarily the following:

Future cash flows from rents	Based on the location, type and quality of the properties and in comparison with the market rent for similar properties
Discount rates	Reconciliation to the present value of the rent cash flows
Estimated vacancy rates	Estimated development of vacancy in the relevant period, taking into account the current situation and market developments
Maintenance costs	Consideration of all investments needed to keep the properties in lettable condition
Capitalisation rates	Based on the location, size and quality of the properties, considering all market data on the measurement date

The parameters included in the measurement by CBRE in 2013 are as follows:

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 in-place rent of the properties let from the assets being measured is EUR 5.44 / sqm (2012: EUR 5.22 / sqm) at the valuation date. The trend in the 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. Rents under old tenancy agreements are developed within the framework permitted by law, in which, allowing for location and property-specific characteristics, an individual upper limit was also specified in deviation from the local comparative rent for the property. 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 recognised market-rent increases range between 0.50 % and 1.50 % (weighted average

1.06 %) and are based on the average rates of increase in the local areas (market data) which are adjusted, where necessary, in line with the specific potential for a property. Just like the rent development, the development of vacancy rates is also geared to the average values for the areas and, where necessary, was adjusted on a property-specific basis allowing for location- and property-specific characteristics. The vacancy rate for residential and commercial real estate was 2.4 % as at the measurement date (2012: 3.1 %).

Publicly subsidised properties have been treated differently, depending on whether rents are capped and how long this will last. For subsidised economic units without a rent cap, rent adjustments have been made in accordance with the procedure for non-subsidised properties. For properties where the rent cap continues after 2021, rent adjustments 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 recognised. Rent subsidies have been included in the valuation 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 is assumed.

Discounting of cash flows is based on standard and matching discount rates and standard capitalisation rates for perpetuity, which were calculated on a property-specific basis using the actual management costs ratio and are intended to reflect the individual risk/opportunity profile for the properties. 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 76.6 hectares (2012: 94.7 hectares) as at 31 December 2013 have been calculated on the basis of the current ground values published by Berlin's Gutachterausschuss (Appraiser Committee). The use to which the land is put and any further special features of the individual plots has been taken into account by way of discounts and surcharges.

Unobservable input parameters interact. An increase in the expected structural vacancy rate could also affect the discount rate due to higher risk. An increase in future rental income can be accompanied by higher management expenses.

b) Property, plant and equipment

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

Owner-occupied properties are also measured at fair value in accordance with the option in IAS 16 ("revaluation model"). The adjustments resulting from the revaluation are recognised in accumulated other comprehensive income outside profit and loss if the adjustment to fair value exceeds the amortised cost. Depreciation and amortisation, impairment losses and reductions in fair value are recognised in profit or loss unless this constitutes compensation for reversals of impairments posted in previous periods outside profit or loss.

Gains and losses from the disposal of non-current assets are reported under other operating income or other operating expenses.

Depreciation and amortisation are based on the following useful lives, which are uniform throughout the Group:

	Useful life in years
Owner-occupied properties	25
Technical equipment, factory and office equipment	5-20
Other fittings, furniture and office equipment	3-13

The treatment of low-value items is consistent with the provisions of section 6 (2a) EStG. Accordingly, assets costing between EUR 150 and EUR 1,000 are allocated to an omnibus account in the year they are acquired and depreciated on a straight-line basis over five years. On the other hand, low-value items costing up to EUR 150 net are written off in full in the year they are acquired.

c) Intangible assets

Acquired intangible assets are capitalised at cost.

The acquired intangible assets with expected useful lives of three and five years are mainly software licences and ERP software systems. These are amortised on a straight-line basis over their expected useful lives from the time that the licences are granted.

The acquired goodwill was capitalised at cost and valued at its recoverable amount on an ongoing basis in accordance with IAS 36. Its useful life is indefinite.

There are no internally generated intangible assets.

d) Impairment

Intangible assets and property, plant and equipment are reviewed to establish whether impairment losses should be recognised in accordance with IAS 36 (impairment test). On the other hand, investment property is not subject to an impairment test in accordance with IAS 36, since it is reported at fair value.

At the end of each reporting period, the carrying amounts of intangible assets and property, plant and equipment are reviewed for any signs of potential impairment. In this case, the recoverable amount of the asset in question is below the reported carrying amount. The difference represents the amount by which the value of the asset must be adjusted. The recoverable amount of the asset equals the higher of fair value less the costs of disposal and the value in use. The value in use corresponds to the present value of the expected cash flows before taxes. The discount rate is based on the interest rate before taxes that is consistent with market conditions. If no recoverable amount can be calculated for an individual asset, the recoverable amount for the cash generating unit (CGU) to which the asset in question can be allocated is determined and the independent cash flows generated.

Where an asset's recoverable amount is lower than its carrying amount, the value of the asset is adjusted immediately in profit or loss. If, at a future date, a higher recoverable amount be produced for an asset or CGU after impairment has been recognised, the write-down on the asset or CGU will be reversed to an amount not exceeding the recoverable amount. The reversal is limited to the net carrying amount that would have arisen if no adjustment had been carried out in the past. The reversal is recognised in profit or loss. Goodwill impairment cannot be reversed.

Goodwill is accounted for in accordance with the impairment only approach specified in IFRS 3. This stipulates that goodwill must be measured at cost less cumulative corrections from impairment in any subsequent measurement. As a result, any acquired goodwill may no longer be depreciated on a scheduled basis but must, just like intangible assets with unlimited useful lives, be subjected to an annual impairment test in accordance with IAS 36 irrespective of whether there are any signs of possible impairment. The obligation to test for impairment in the event of there being indications of impairment remains.

Goodwill resulting from the acquisition of companies is allocated to the CGU or groups of CGUs that are expected to benefit from the synergies generated by the acquisition. Such groups of assets represent the Group's lowest reporting level at which goodwill is monitored by management for internal control purposes. The carrying amount of a CGU, which contains goodwill, is tested for impairment annually and also on other occasions if there are indications of possible impairment. For adjustments in connection with a CGU that contains goodwill, existing goodwill is reduced first of all. If the scope of any required write-down exceeds the carrying amount recognised for the goodwill, the difference is usually distributed among the remaining non-current assets of the CGU on a pro rata basis.

e) Investments and securities

In the GSW Group, regular way purchases or sales of financial assets are reported in principle on the settlement date, i.e. on the date on which the financial asset is delivered.

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". Miscellaneous 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 measured at fair value, which usually equals the transaction price plus any transaction costs incurred, at the time they are acquired. "Available for sale financial assets" are subsequently measured at cost if the fair value cannot be determined or cannot be reliably determined. If there is objective evidence of impairment, impairment amounts are recognised in profit or loss. There is no reversal for financial assets measured at cost in accordance with IAS 39.66.

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 recognised at cost. Interests in subsidiaries are not listed. The fair value of these instruments cannot be reliably determined since the results are subject to substantial fluctuations depending on individual assumptions. There is no market for such instruments. At present, the Group does not intend to sell such interests in the foreseeable future.

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

f) Recognition of tenancy and leasing agreements as lessee

Rented or leased assets where, according to IAS 17, the GSW Group is the beneficial owner (finance lease) are capitalised at the present value of the rent or leasing instalments or, where lower, at the fair value of the leased asset in non-current assets and depreciated on a straight-line basis. If ownership is transferred to the GSW Group at the end of the lease, the item is depreciated over its economic useful life and, if not, over the term of the lease. A liability will be recognised here either in the amount of the fair value of the leased asset or, if lower, at the present value of the payment obligations resulting from the future rent and lease instalments. The recognised liability will be reduced over the term of the lease through payments of rent or lease instalments.

Contracts where the GSW Group is the beneficial owner 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, contracts of this kind should be classified according to the rules of IAS 17.

Tenancy and lease agreements where the GSW Group is not the beneficial owner are classified as operating leases. The lease instalments resulting from these agreements are reported as expense in accordance with the principle of causality at the time 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 characterised 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 lessor. For commercial properties, the risks and rewards are also attributable to the GSW Group. Residential and commercial properties in the portfolio continue to be measured at fair value in accordance with IAS 40. Lease income realised from property management is recognised on a straight-line basis over the term of the leases.

h) Development of properties and inventories
Inventories are recognised at cost. This is done on the basis of a weighted average or individual costs attributable to the service provided and production-related overheads. As at the end of the reporting period, inventories are measured at the lower of cost or the net realisable value.

i) Receivables and other current assets
Trade receivables and other current assets are allocated to the “loans and receivables” category in accordance with IAS 39. These are measured at fair value plus transaction costs when recognised for the first time. They are subsequently measured at amortised cost.

To date, the GSW Group has not exercised the option of designating financial assets as financial assets at fair value through profit and loss when recognising them for the first time.

Regular way purchases and sales of financial assets are recognised on the trading date, the day on which the Group agrees to buy or sell the asset.

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 amortised cost, a distinction is made between individual value adjustments and lump-sum individual value adjustments.

The individual value adjustment relates to the value adjustment on a financial asset for which it is unlikely that all contractually agreed payments (interest and / or repayment) are achievable at maturity.

Risk assessments in the GSW Group are based on the following criteria:

1. Considerable solvency problems on the part of the debtor
2. Breach of contract (e.g. loss or default on interest payments or repayments)
3. Observable data indicating a measurable reduction in the expected future cash flows
4. Adverse changes to the payment status of debtors
5. Local economic conditions correlating to defaults.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash in bank accounts and cash on hand with an original term of not more than three months and are stated at their nominal value.

k) Assets held for sale and liabilities associated with assets held for sale

As a rule, investment property or operations or disposal groups for which there is a specific intention to sell and their sale is viewed as highly probable within the next twelve months are shown under assets held for sale in the consolidated financial statements of GSW.

Accordingly, liabilities, which are to be transferred together with these assets, are shown separately as "liabilities associated with assets held for sale".

Assets held for sale are measured at the lower of their carrying amount or fair value less selling costs in accordance with IFRS 5. For investment property classified as held for sale, the transaction costs are not deducted from the fair value as the valuation rules contained in IFRS 5 are not applicable in this case.

l) Employee benefits

Provisions for employee benefits and similar obligations are calculated using the projected unit credit method in accordance with IAS 19, taking into account future adjustments in salary and pensions. Employee benefits in accordance with IFRS also include indirect obligations, in as far as the GSW Group becomes 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 into account any assets available to cover these obligations (plan assets). Actuarial gains and losses resulting from a change in the actuarial parameters are recognised in other comprehensive income.

Past service cost and realised actuarial gains and losses are recognised as staff costs. The interest component contained in pension expenses is recognised under interest expenses.

m) Other provisions

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 settlement amount in accordance with IAS 37. Long-term provisions are discounted on the basis of corresponding market interest rates and recognised at their present value.

n) Liabilities

On first-time recognition, liabilities are measured at fair value, taking into account transaction costs as well as premiums and discounts. The fair value at the time the liability is incurred corresponds to the present value of future payment obligations on the basis of a market interest rate matching the term and the risk.

Liabilities are subsequently measured at amortised 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 amount of the liability are charged to the income statement. If changes to the conditions lead to substantially different contractual terms as defined in IAS 39 AG 62, the original liability is treated as if it were repaid in full in accordance with IAS 39.40. Subsequently it is recognised at fair value as a new liability. If a change to the terms is attributable to a change in the anticipated cash outflows or inflows as defined in IAS 39 AG 8, the carrying amount of the liability is recalculated at its present value on the basis of the original effective interest rate. Gains or losses in relation to the previous carrying amount of the liability are charged to the income statement.

To date, the GSW Group has not exercised the option of designating financial liabilities as financial assets at fair value through profit and loss when recognising them for the first time.

For details of the reporting of the convertible bond, please refer to the information under note (27b).

o) Income taxes

Current income taxes are recognised in profit or loss in the year that the liability is incurred. Income tax assets and liabilities are measured at the amount at which reimbursement by or payment to the tax authority is expected. Current tax assets and liabilities are only netted if the taxes are collected by the same tax authority and can be set off against each other.

Deferred taxes are recognised in accordance with IAS 12 to take into account the future tax effects of temporary differences between the tax assessment basis of the assets and liabilities and their carrying amounts in the IFRS financial statements and tax loss carryforwards. Deferred taxes are measured on the basis of the regulations issued by the legislator for financial years in which the differences are balanced out or the loss carryforwards can probably be utilised. Deferred tax assets for temporary differences or loss carryforwards are only recognised in as far as their future realisation seems sufficiently certain.

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

Changes in deferred tax assets recognised in and outside of profit or loss are allocated on a reasonable pro rata basis.

Temporary differences between amounts stated in the IFRS and the tax accounts, which result from the first-time recognition of assets and liabilities as part of an asset deal are not recognised in compliance with IAS 12.24 (b) and IAS 12.15 (b).

p) Derivatives

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

Derivative financial instruments are recognised 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 recognised as income or expense.

Derivatives used as hedging instruments in cash flow hedges are accounted at fair value. A distinction is made in the measurement result between an effective and an ineffective portion. Effectiveness in past periods is determined using the dollar offset method.

The effective portion corresponds to the portion of the measurement result which constitutes an effective hedge against the cash flow risk. The effective portion is recognised in a separate item in equity (hedge reserve) after taking into account deferred taxes; cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges in the statement of changes in equity.

The ineffective portion of the measurement result is recognised in profit or loss and reported in the interest result.

Upon termination of the hedge the amounts recognised in equity are transferred to the income statement when the results associated with the previous underlying transaction are recognised as income or expense.

q) Realisation of income and expense

Rental income where the tenancy and leasing agreements are classified as operating leases is recognised over the term of the agreement using the straight-line method. Rent rebates are considered as reducing total rental income over the term of the tenancy or leasing agreement.

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

Proceeds from the disposal of property are recognised when the significant risks and opportunities in relation to the property have been transferred to the buyer. The transfer of economic ownership can generally be assumed when the significant rights of ownership and use as well as the effective control of the property have been transferred to the purchaser. No revenues are realised as long as there are still material obligations towards the buyer or he has been given guarantees regarding returns or has a right of return.

Profits from the sale of properties, which are re-let simultaneously, are accounted for as sale and leaseback transactions in accordance with IAS 17. If the tenancy agreement is to be classified as a finance lease, the gains on the sale are deferred over the term of the tenancy agreement and reversed in instalments. If it is classified as an operating lease, in principle any gain or loss is recognised immediately through profit and loss.

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

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

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

r) Government grants

Government grants are recognised if there is sufficient certainty that the grants will be awarded and that the Company will fulfil the conditions associated with the grants. They must be recognised on a systematic basis as income over the periods required to be able to offset them against the expenses, for which the government grants are intended to compensate.

Investment subsidies are grants that are provided for the acquisition or manufacture of an asset. They are deducted from the cost of the asset in the GSW Group. The grants are recognised in instalments by means of a reduced figure for depreciation over the useful life of the depreciable assets.

Current grants in the form of maintenance, rental and expenses grants are recognised through profit and loss. They are recognised in net rental income as income from directly awarded grants.

The expenses and below-market rate loans are property loans, which are reported as financial liabilities. Both feature benefits compared with market loans such as low interest rates or periods in which no interest payments and repayments are required. They are recognised at present value on the basis of the market interest rate at the time they were raised. The difference is allocated to a deferred item, which is reversed in favour of the expenses from repaying the loans using the straight-line method over the remaining term of the loans.

s) Borrowing costs

Interest associated with the purchase or construction of real estate or other property, plant and equipment is included in the cost of these assets in accordance with IAS 23.

t) 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 correspond approximately to the carrying amounts recognised at the end of the respective reporting periods.

For 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 as at the end of the reporting period. The fair values of derivative financial instruments are calculated on the basis of the reference rates as at the end of the reporting period.

For financial instruments to be reported at fair value, the fair value is calculated on the basis of corresponding market or stock exchange prices.

Where no market or stock exchange prices are available, a valuation is made using normal market valuation methods allowing for instrument-specific market parameters.

The discounted cash flow method is used to calculate the fair value, with individual credit ratings and other market circumstances being taken into account in the form of normal market credit rating and liquidity spreads when calculating the present value. As of the 2013 financial year, the risk of non-performance (counterparty risk) and the company's own credit risk are included in the measurement in accordance with IFRS 13.42ff.

When calculating the fair value of derivative financial instruments, the relevant market prices and interest rates observed at the end of the reporting period and obtained from recognised external sources are used as input parameters for the valuation models. Accordingly, derivatives are classified as level 2 of the valuation hierarchies as defined by IFRS 13.81ff. (valuation on the basis of observable input data).

u) Capital management

The Group's capital is managed with a view to maximising income by optimising the ratio of equity to financial liabilities. The aim is to achieve an increase in the value of the overall Group, expressed in terms of its equity, while obtaining an appropriate return on equity. In this context, GSW ensures that all Group companies are able to operate in accordance with the going-concern principle.

The Management Board reviews the Group's loan-to-value ratio (LTV) every quarter. For information on the calculation of the LTV, please refer to the management report. The legal minimum capital requirements for limited companies were fulfilled.

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

v) Segment reporting
The business activities of GSW are mainly focused on letting apartments in the Berlin area. Sales of portfolio properties to tenants, owner-occupiers and private investors are carried out when market conditions generate favourable opportunities for this and are recognised within the internal reporting on the letting of apartments. GSW has not generated revenues exceeding 10 % of the Group's revenues with any of their customers.

Accordingly, one reportable segment has been identified in accordance with the criteria of IFRS 8, which contains all of the Group's operating activities and about which reports are regularly submitted to the chief operating decision makers, namely the Management Board and Supervisory Board (management approach).

w) Shared based payment
For information on the presentation of share-based payment, please refer to section 37 and to the remuneration report in the management report.

6. Application of IFRS in the 2013 financial year

GSW has continued both the accounting policies applicable in the previous year and the duties of disclosure unchanged in the 2013 consolidated financial statements, unless new standards or interpretations were mandatory.

a) The following changes to standards were applicable in the consolidated financial statements of GSW in the 2013 financial year:

Standard / Interpretation	Contents	To be applied for financing years starting on
IAS 1	„Amendments to IAS 1 Presentation of Items of Other Comprehensive Income"	1 July 2012
IAS 12	„Amendments to IAS 12 Income Taxes: Deferred Tax - Recovery of Underlying Assets"	1 January 2013
IAS 19	„Amendments to IAS 19 Employee Benefits"	1 January 2013
IFRS 7	„Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities"	1 January 2013
IFRS 13	„Fair Value Measurement"	1 January 2013
Annual Improvements 2009-2011	„Annual Improvements to IFRSs 2009-2011 Cycle"	1 January 2013

- The amendment to IAS 1 "Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income" in June 2011 refined the presentation of other comprehensive income (OCI). Accordingly, OCI must be divided into items that are to be recycled through profit and loss ("recycling") and into items that will remain in equity ("non-recycling") (IAS 1.82A). GSW already applied the standard voluntarily as at 31 December 2012.

- The amendment to IAS 12 “Income Taxes: Deferred Tax – Recovery of Underlying Assets” introduced the rebuttable presumption that the carrying amount of an asset is recovered through sale. There are no changes for GSW from the application of this standard, because German tax law does not prescribe different tax rates for proceeds on disposal.

- The amendments to IAS 19 “Amendments to IAS 19 Employee Benefits” removed options for accounting for actuarial gains and losses. The corridor method was eliminated and all actuarial gains and losses shall now be recognized immediately and in full in OCI. GSW applied this amendment in 2013 and adjusted the previous-year figures retrospectively.

- According to the amendments to IFRS 7 “Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities”, financial assets and financial liabilities must be offset in the disclosures in the notes if they are already to be offset according to IAS 32.42 or due to existing netting agreements. At GSW, there were no applications for this in the 2013 financial year.

- IFRS 13 provides a central definition for the term “fair value” and uniform guidelines on the calculation of fair values and the requisite disclosures in the notes. Furthermore, the input data for the measurements are classified in three levels on a qualitative basis. At GSW, this does not result in any additional disclosures in the notes regarding input parameters. There were effects on the measurement and recognition of loans and derivatives.

b) The following published but not yet mandatory standards (IFRS) and interpretations (IFRIC) may affect GSW in future:

Standard / Interpretation	Contents	To be applied for financing years starting on
IAS 19	"Amendments to IAS 19 Employee Benefits: Defined Benefit Plans - Employee contributions"	1 July 2014
IAS 27	"Separate Financial Statements"	1 January 2014
IAS 28	"Investments in Associates and Joint Ventures"	1 January 2014
IAS 32	"Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities"	1 January 2014
IAS 36	"Amendments to IAS 36 Impairment of assets: Recoverable Amount Disclosures for Non-Financial Assets"	1 January 2014
IAS 39	"Amendments to IAS 39 Financial instruments: Novation of Derivatives and Continuation of Hedge Accounting"	1 January 2014
IFRS 10	"Consolidated Financial Statements"	1 January 2014
IFRS 12	"Disclosures of Interests in Other Entities"	1 January 2014
IFRS 10, 11 and 12	"Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)"	1 January 2014
IFRS 9	"Financial Instruments (Nov 2009 and Oct 2010) and subsequent amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transitions Disclosures (Dec 2011); Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (Nov 2013)"	Open (not yet endorsed)
Annual Improvements	"Annual Improvements to IFRSs 2010-2012 Cycle (issued on 12 Dec 2013)"	1 July 2014 (not yet endorsed)
Annual Improvements	"Annual Improvements to IFRSs 2011-2013 Cycle (issued on 12 Dec 2013)"	1 July 2014 (not yet endorsed)

- The amendment to IAS 19 in November 2013 clarified IAS 19.93 with regard to the treatment of employee benefits in the context of defined benefit plans. This has no impact on GSW's pension commitments.

- The new IAS 27 was amended so that it now only regulates accounting for separate financial statements. No impact on GSW is currently expected.

- The new IAS 28 "Investments in Associates and Joint Ventures" regulates the recognition of investments in associates and joint ventures. The standard is to be applied by all entities that have joint control or significant influence over an investee. No impact on GSW is currently expected.

- The amendment to IAS 32 clarifies the requirements for offsetting financial instruments. In particular, the significance of a current legally enforceable right to offset the amounts is highlighted here. GSW currently anticipates no effects.

- The amendment to IAS 36 aimed to clarify the disclosures in the notes on the measurement of the recoverable amount of an impaired asset. GSW currently anticipates no effects.

- The amendment to IAS 39 regulates the novation of a derivative traded over the counter ("OTC") as a hedging instrument without interrupting the hedging relationship. This currently has no impact.

- IFRS 10 "Consolidated Financial Statements" relates in particular to de facto control in consolidation issues. This is not expected to result in changes in the scope of consolidation at GSW.

- IFRS 12 "Disclosure of Interests in Other Entities" requires disclosures in the notes on interests in other entities with regard to risk and significance for the net assets, financial position and results of operations. This is expected to result in additional disclosures in the notes for GSW.

- The "Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)" mainly limits the previous-year comparative figures to one comparative year in the event of changes due to the application of new standards. At GSW, this resulted in no applications in the 2013 financial year.

- The published IFRS 9 provides new rules on the classification and measurement of financial assets. Only three measurement categories are provided. In future, the classification of financial investments will be based, firstly on the company's business model and, secondly, on characteristic features of the contractual cash flows of the respective financial investments. In essence, the existing regulations in IAS 39 will be adopted for the classification and measurement of financial liabilities. There is a change for financial liabilities measured at fair value. For these liabilities, the part of the change to fair value that results from a change in the credit risk of the liability must be recognised in other comprehensive income and not as a profit or loss. The existing regulations in IAS 39 on the derecognition of financial instruments was also included in IFRS 9 without any changes. The IASB intends to add new rules on the impairment of financial assets measured at amortised cost and hedge accounting to IFRS 9. GSW expects this to affect the consolidated financial statements.

c) The following statements published by the IASB and IFRIC have no impact on the consolidated financial statements of GSW:

Standard / Interpretation	Contents	To be applied for financing years starting on
IFRS 1	"Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	1 January 2013
IFRS 1	"Government loans (Amendments to IFRS 1)"	1 January 2013
IFRS 11	"Joint Arrangements"	1 January 2014
IAS 27, IFRS 10, IFRS 12	"Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)"	1 January 2014
IFRIC 20	"Stripping Costs in the Production Phase of a Surface Mine"	1 January 2013
IFRIC 21	"IFRIC 21 Levies"	1 January 2014 (not yet endorsed)

Notes to the consolidated income statement

7. Net rental income

Net rental income amounts to EUR 179,474 thousand (2012: EUR 159,987 thousand) and is composed as follows:

EUR thousand	2013	2012
Income from rents	229,690	202,148
Income from management activities	0	3,519
Other income	6,016	6,295
Gross rental income	**235,706**	**211,963**
Direct rent subsidies	759	862
Direct government grants due to social housing	4,697	7,013
Income from direct government grants	**5,456**	**7,876**
Total rental income	**241,162**	**219,839**
Cost of materials	(37,942)	(36,593)
Personnel expenses	(16,539)	(17,587)
Depreciation and amortisation	(306)	(312)
Other operating expenses	(12,883)	(11,268)
Other operating income	5,982	5,908
Property operating expenses	**(61,688)**	**(59,852)**
Net rental income	**179,474**	**159,987**

In the 2013 financial year, net rental income increased by EUR 19,487 thousand as against the previous year. This was primarily attributable to the transfer of ownership of the approximately 7,000 apartments acquired in the previous year at the end of 2012 / beginning of 2013. Higher average rents and the lower vacancy compared with the previous year also made a contribution to this increase in earnings.

Because of the sale of the equity interest in GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH (BWG), Berlin, as at 1 October 2012, there was no income from management activities for external owners from the fourth quarter of 2012.

Income from government grants decreased, as planned, to EUR 5,456 thousand (2012: EUR 7,876 thousand).

The cost of materials is composed as follows:

EUR thousand	2013	2012
Total expenses for maintenance and modernisation	(54,753)	(46,391)
Capitalised expenses for maintenance and modernisation	33,464	26,332
Non-capitalised expenses for maintenance and modernisation	**(21,289)**	**(20,059)**
Non-reversible operating expenses	(7,548)	(8,289)
General lease expenses	(2,079)	(2,113)
Marketing expenses	(1,540)	(1,590)
Legal expenses	(2,918)	(3,395)
Other	(2,568)	(1,148)
Cost of materials	**(37,942)**	**(36,593)**

The cost of materials increased by EUR 1,349 as against the previous year. This is mainly the result of the EUR 1,230 thousand increase in non-capitalised expenses for maintenance. In addition, operating expenses fell by EUR 741 thousand and legal expenses by EUR 477 thousand while other costs of materials rose by EUR 1,420 thousand.

Income from rents of EUR 1,805 thousand (2012: EUR 1,780 thousand) and property operating expenses of EUR 3,110 (2012: EUR 3,207 thousand) relate to the Charlottenstrasse (formerly Kochstrasse) property.

No disclosures can be provided of the expenses for individual apartments that are not let as the corresponding information is not available for all types of costs at the level of the individual apartments in the cost accounting of the GSW Group.

8. Result on disposal of investment property

The result on the disposal of investment property is composed as follows:

EUR thousand	2013	2012
Investment property disposal proceeds	**110,224**	**68,493**
Carrying amount of investment property disposals	**(98,434)**	**(49,462)**
Cost of goods and services	(7,125)	(8,899)
Personnel expenses	(508)	(504)
Depreciation and amortisation	0	(2)
Other operating expenses	(160)	(69)
Other operating income	6	45
Operating expenses for investment property disposed	**(7,788)**	**(9,429)**
Result on disposal of investment property	**4,002**	**9,602**

In the 2013 financial year, GSW sold 1,766 residential and commercial units including the transfer of risks and rewards in 2013 (2012: 920 units). Among others, GSW sold a condominium with over 400 units in Berlin-Köpenick in order to optimize the real estate portfolio, and sold more than 470 units outside of Berlin, which had been acquired in the previous year as part of a portfolio purchase. Since block sales generally have lower sales margins than sales of condominiums, the sales result was lower despite the higher overall sales volume.

9. General administrative expenses

General administrative expenses are composed as follows:

EUR thousand	2013	2012*
Personnel expenses	(13,659)	(13,257)
Long term incentive plan (LTIP)	(1,246)	(2,484)
Depreciation and amortisation	(234)	(447)
Expenses for IT and telecommunication	(4,256)	(4,642)
Expenses for annual financial statements and audit	(1,108)	(619)
Rental and leasing expenses	(3,579)	(3,645)
Legal and consulting expenses	(20,543)	(6,658)
Sponsoring	(609)	(591)
Insurance	(259)	(310)
Contributions and fees	(746)	(839)
Office expenses	(592)	(777)
Financial communication	(386)	(477)
Other expenses	(7,434)	(3,001)
Other operating income	444	500
General administrative expenses	**(54,206)**	**(37,248)**

* Previous-year result adjusted in line with the unification with the Deutsche Wohnen Group.

General administrative expenses increased by EUR 16,958 thousand to EUR 54,206 thousand as against the previous year. This increase was the result of expenses for the preparation of a capital measure (EUR 891 thousand), the addition of a provision of EUR 5,000 thousand for the “Kochstrasse” office building for maintenance obligations on the expiration of the tenancy agreement, included in other expenses, and higher personnel expenses due to legitimate claims for severance on the part of the CEO, Dr Kottmann, who left the management board prematurely.

Personnel expenses totalled EUR 30,706 thousand (2012: EUR 31,348 thousand) in the reporting year.

Furthermore, non-recurring project expenses in connection with the review of a takeover bid by Deutsche Wohnen AG (EUR 14,161 thousand) resulted in an increase in legal and consulting expenses.

Please see note (37) for information on remuneration components with a long-term incentive effect.

The general administrative expenses contain expenses amounting to EUR 3,101 thousand (2012: EUR 2,975 thousand) relating to the part of the “Kochstrasse” property used by GSW. Of this figure, EUR 2,332 thousand (2012: EUR 2,231 thousand) is attributable to the general rent, EUR 53 thousand (2012: EUR 59 thousand) to expenses for ongoing maintenance and EUR 717 thousand (2012: EUR 685 thousand) to operating costs.

All costs incurred by the Group (including GSW Immobilien AG and all affiliated companies) for the audit of the annual financial statements in the financial year are included in the costs of the annual financial statements and auditing.

10. Other income and expenses

No other income and expenses arose in the 2013 financial year.

In the previous year, this item included income from the sale of shares in GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH (BWG), Berlin, with a capital gain of more than EUR 5.7 million.

11. Net interest income

Net interest income is composed as follows:

EUR thousand	2013	2012
Interest income from financial receivables	0	734
Interest income from amortisation of loan	11,768	12,534
Income from valuing interest derivatives at fair value	8,918	34
Interest income from interest derivatives	2,043	7,960
Interest income from bank deposit	723	1,596
Other interest income	196	424
Interest income	**23,649**	**23,282**
Interest expenses from financing of investment property	(45,355)	(47,927)
Interest expenses from amortisation of loan	(17,809)	(17,105)
Expenses from valuing interest derivatives at fair value	(3,288)	(2,387)
Interest expenses from interest derivatives	(26,890)	(29,284)
Interest expenses from convertible bonds	(6,261)	(772)
Breakage costs from financing activities	(417)	(187)
Other interest expenses	(552)	(1,098)
Interest expenses	**(100,571)**	**(98,760)**
Net interest income	**(76,922)**	**(75,478)**

12. Income Taxes

Expenses and income for current income taxes as well as deferred taxes are reported as income taxes. Current income taxes result from corporation tax and the solidarity surcharge as well as trade taxes.

Corporations are subject to corporation tax at a rate of 15 % (2012: 15 %) plus a solidarity surcharge of 5.5 % (2012: 5.5 %) of the corporation tax set less amounts imputed against it.

Corporations and commercially active partnerships are also subject to trade tax levied at different rates by different municipal authorities. The trade tax rate for the Berlin municipality was 410 % in the 2013 financial year (2012: 410 %).

Taking account of the collection rate and the base rate for municipal trade tax of 3.5 % (2012: 3.5 %), the trade tax rate accordingly amounts to 14.35 %.

Consequently, the domestic tax rate used to calculate deferred taxes and for the GSW Group's anticipated (theoretical) tax expense amounts to 30.175 % in the year under review (2012: 30.175 %).

Income taxes in the 2013 financial year can be broken down as follows:

EUR thousand	2013	2012
Current tax expense / tax income	100	(120)
Deferred tax expense / tax income	(13,287)	3,290*
Tax expense/tax income	**(13,187)**	**3,170***

* The amendments to IAS 19 from 1 January 2013 were applied retrospectively and therefore led to adjustments to the previous year's figures for deferred taxes amounting to EUR -24 thousand.

There were the following changes to deferred tax assets in the financial year:

EUR thousand	2013	2012
Deferred tax assets as of the end of the reporting period	14	42
Changes affecting operating result	(13,140)	3,553*
Changes in equity not affecting operating result	6,318	(6,625)
Changes not affecting operating result (through OCI)	6,823	3,045*
Deferred tax assets as of the end of the reporting period	**15**	**14**
Thereof non-current	15	14
Thereof current	0	0

* The amendments to IAS 19 from 1 January 2013 were applied retrospectively and therefore led to adjustments to the previous year's figures for changes in deferred taxes affecting operating result of EUR -24 thousand and for changes not affecting operating result through OCI amounting to EUR 24 thousand.

There were the following changes to deferred tax liabilities in the financial year:

EUR thousand	2013	2012
Deferred tax liabilities as of the end of the reporting period	263	0
Changes affecting operating result	147	263
Changes not affecting operating result (through OCI)	11	0
Deferred tax liabilities as of the end of the reporting period	**421**	**263**
Thereof non-current	420	263
Thereof current	1	0

The expected (theoretical) income tax expense can be reconciled with the income taxes according to the statement of comprehensive income as follows:

EUR thousand	2013	2012
Profit before income taxes (IFRS)	73,199	140,105
Group tax rate in %	30,175	30,175
Expected tax expense	**(22,088)**	**(42,277)**
Change in deferred tax assets not recognised	(14,404)	47,548*
Non-deductible operating expenses	(102)	(124)
Tax-free income	88	24
Additions and reductions in relation to trade tax	(1,761)	(1,685)
Tax from previous years	233	583
Non-periodic deferred taxes on changes in tax bases	25,346	0
Other effects	(500)	(901)
Tax income/expense as reported on the income statement	**(13,187)**	**3,170***

* The amendments to IAS 19 from 1 January 2013 were applied retrospectively and therefore led to adjustments to the previous year's figures for changes in deferred tax assets not recognised amounting to EUR 24 thousand .

Additions in terms of trade tax result from the charges relating to interest on debt that is added to trading income on a pro rata basis. Reductions must be taken into account with respect to the properties' assessed values. The changes in tax bases shown in the reconciliation result from subsequent adjustments of the tax carrying amounts in the property portfolio on the basis of tax audit results.

Deferred tax assets and liabilities arise from temporary differences and tax loss carryforwards as follows:

	31.12.2013		31.12.2012	
EUR thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets*	Deferred tax liabilities
Investment property	5,243	138,269	4,787	137,741
Property, plant and equipment	0	434	0	445
Investments	8	42	7	42
Receivables and other current assets	4,371	1,935	4,436	1,968
Derivatives	13,860	1,114	7,761	0
Special account with reserve characteristics	0	10,789	0	11,114
Employee benefits	135	0	120	0
Other provisions	323	179	153	0
Liabilities (banks)	1,199	30,940	917	32,391
Liabilities (convertible bonds)	242	307	0	7,294
Trade payables	30	514	14	303
Other liabilities	1,498	2,077	2,553	2,092
Total temporary differences	**26,910**	**186,600**	**20,749**	**193,390**
Loss carry forward	159,284	0	172,391	0
Total	**186,193**	**186,600**	**193,140**	**193,390**
Offsetting	(186,179)	(186,179)	(193,126)	(193,126)
Amount recognised on balance sheet	**15**	**421**	**14**	**263**

* The amendments to IAS 19 from 1 January 2013 were applied retrospectively and therefore led to adjustments to the previous year's figures for deferred tax assets for employee benefits amounting to EUR 30 thousand .

Deferred tax assets are recognised for temporary differences and tax loss carryforwards to the extent that their realisation in the near future seems sufficiently certain. In the 2013 financial year, no deferred tax assets were recognised for temporary differences of EUR 16.3 million (2012: EUR 21.0 million) as well as for tax loss carryforwards for corporation tax purposes of EUR 148 million (2012: EUR 1,367 million) and for trade tax purposes of EUR 148 million (2012: EUR 2,015 million) as it is not likely that sufficient taxable income will be generated for these amounts in the near future. The year-on-year decrease in loss carryforwards not recognized resulted from the elimination of loss carryforwards following the acquisition of shares in GSW Immobilien AG by Deutsche Wohnen AG. As at the end of the reporting period, GSW does not consider it likely that the loss carryforwards can be used. Thus, no deferred tax assets on taxable temporary differences are recognised.

The sum of temporary differences on interests in subsidiaries for which no deferred tax liabilities have been recognised in accordance with IAS 12.39 is EUR 4,544 thousand (2012: EUR 1,827 thousand).

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

13. Total auditor's fees

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

EUR thousand	2013	2012
Audit of annual financial statements	655	936
Other assurance services	274	537
Tax consultation services	137	6
Other services	198	73
Total fees	**1,264**	**1,552**

The other assurance services provided by the auditor in 2013 amounting to EUR 269 thousand also form part of the expenses for capital measures (2012: EUR 521 thousand).

14. Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated in accordance with IAS 33.19 by dividing consolidated net income for the period by the weighted number of shares in circulation in the financial year.

The weighted average number of shares in circulation in the respective financial year is calculated as follows:

	2013	2012
Number of shares outstanding at the beginning of the period	50,526,314	41,052,630
Capital increase on 27 April	0	9,473,684
Conversion of convertible bond on 23 December	6,150,646	0
Number of shares outstanding at the end of the period	56,676,960	50,526,314
Weighted average number of shares	**50,661,123**	**47,497,841**

Accordingly, the basic earnings per share amount to:

	2013	2012*
Group earnings attributable to GSW's shareholders (EUR thousand)	59,925	143,228
Average weighted number of shares outstanding	50,661,123	47,497,841
Basic earnings per share, EUR	**1.18**	**3.02**

* Previous-year result adjusted due to retrospective changes in accordance with IAS 19 rev.

b) Diluted earnings per share

Diluted earnings per share are calculated on the basis of the average number of shares outstanding and the assumption of full utilisation of conversion rights into shares. At the same time, the annual net profit is adjusted by the reduction in expenses for interest payments resulting from complete conversion and the resulting tax effect.

As at 31 December 2013, GSW had around 0.06 million potentially diluting shares with a nominal value of EUR 1.9 million outstanding from a convertible bond.

The diluted earnings per share amount to:

	2013	2012*
Group earnings attributable to GSW's shareholders (EUR thousand)	59,925	143,228
Coupon on the convertible bond after taxes (EUR thousand)**	27	2,554
Consolidated net income for the period for diluted earnings per share (EUR thousand)	59,952	145,782
Average weighted number of shares outstanding	50,661,123	47,497,841
Number of potential new shares if the convertible bond is exercised	64,565	5,051,788
Number of shares for diluted earnings per share	50,725,688	52,549,629
Diluted earnings per share, EUR	**1.18**	**2.77**

* Group earnings 2012 adjusted due to retrospective adjustments pursuant to IAS 19 rev

** 2 % on EUR 1.9 million (2012: EUR 182.9 million) after deduction of the Group tax rate of 30.175 %

Notes to the consolidated balance sheet

15. Investment property, including investment property held for sale

There were the following changes to the carrying amount of investment property in the financial year:

EUR thousand	2013	2012
Carrying amount on 1 January	**3,302,195**	**2,930,249**
Change in scope of consolidation	0	181,620
Additions	267,590	193,116
Disposals	(54,125)	(33,888)
Reclassification in accordance with IFRS 5	(26,439)	(45,253)
Reclassification	66	0
Fair value adjustments	20,575	76,351
Carrying amount on 31 December	**3,509,862**	**3,302,195**

The additions in the 2013 financial year mainly relate to the purchase of three property portfolios. Under a purchase agreement dated 17 October 2012, GSW Immobilien AG acquired 210 residential units and seven commercial units in Berlin-Spandau with a transfer of title as of 1 January 2013.

In addition, GSW acquired 310 residential units and one commercial unit in Berlin-Neukölln under a purchase agreement dated 25 July 2013.

Thirdly, GSW acquired a property portfolio with 2,514 residential units and 47 commercial units in Berlin under purchase agreements dated 12 August 2013 and 19 December 2013 respectively.

There were also additions from modernisation measures. In the 2013 financial year, expenses for maintenance and modernisation totalling EUR 54,753 thousand (2012: EUR 46,391 thousand (see note (7)) were incurred; this equates to expenses and investment of about EUR 15.10 / sqm (2012: EUR 14.00 / sqm).

Expenses for maintenance amounting to EUR 33,464 thousand (2012: EUR 26,332 thousand) were capitalised. EUR 212 thousand (2012: EUR 28 thousand) of these related to expenses for maintenance for which government assistance was received. This was deducted from the carrying amounts of the respective properties in accordance with IAS 20.

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

	31.12.2013		31.12.2012	
	Residential property	Commercial property	Residential property	Commercial property
Units	59,949	1,012	58,668	992
Area (in sqm)	3,616,067	112,457	3,547,266	106,949

One commercial unit used by the GSW Group is recognised in accordance with IAS 16.

The following table shows the unobservable input factors CBRE used for the valuation of the developed plots (level 3):

	Discount rate	Capitalisation rate	Increase in market rent	Vacancy rate
Residential area according to “Mietspiegel“	Weighted average			
Simple location	6.2 %	5.3 %	1.0 %	1.3 %
Medium location	5.9 %	5.1 %	1.1 %	1.1 %
Good location	5.5 %	4.6 %	1.4 %	1.0 %
Weighted average	**6.0%**	**5.2%**	**1.1%**	**1.2%**

The sensitivities of the properties in the portfolio as at 31 December 2013 would be as follows if the discount and capitalisation rate had varied by + / - 0.5 % from the interest rate used as at 31 December 2013:

Sensitivities of the properties (change in EUR million)	2013	Change due to discount rate		
		- 0.5 %	0.0 %	0.5 %
Change due to capitalisation rate	-0.5 %	388.4	241.0	99.7
	0.0 %	135.9	0.0	(129.3)
	0.5 %	(70.4)	(197.3)	(317.5)

In the previous year, the following sensitivities of properties in the portfolio would have been as follows:

Sensitivities of the properties (change in EUR million)	2012	Change due to discount rate		
		- 0.5 %	0.0 %	0.5 %
Change due to capitalisation rate	-0.5 %	359.1	220.8	88.7
	0.0 %	127.2	0.0	(121.7)
	0.5 %	(62.1)	(181.1)	(293.8)

Some of the investment property is let 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. Generally, the tenancy agreements concluded by the GSW Group for residential property can be terminated by the tenants subject to a notice period of three months as at the end of the month. The following payment claims from the minimum rents / leasing instalments are expected over the next few years on the basis of the agreements in place as at 31 December 2013:

EUR thousand	Due within one year	Due between one year and five years	Due after five years
Future cash flows expected for operating leases as of 31 December 2013	62,124	8,403	472
Future cash flows expected for operating leases as of 31 December2012	58,207	6,806	612

16. Property, plant and equipment

There have been the following changes to property, plant and equipment in the financial year:

EUR thousand	Land, similar rights and buildings	Technical equipment, factory and office equipment	Other equipment, factory and office equipment	Property, plant and equipment from finance lease	Total
Cost of acquisition or manufacture as at 1 January 2012	**828**	**446**	**995**	**3,005**	**5,273**
Accumulated depreciation and amortisation as at 1 January 2012	**(38)**	**(443)**	**(654)**	**(1,774)**	**(2,908)**
Net carrying amount as at 1 January 2012	**790**	**3**	**341**	**1,231**	**2,365**
Additions	0	0	48	102	150
Reclassification in accordance with IFRS 5	0	0	0	0	0
Fair value adjustments	38	0	0	0	38
Depreciation and amortisation	(58)	0	(149)	(213)	(420)
Cost of acquisition or manufacture as at 31 December 2012	**828**	**446**	**818**	**3,107**	**5,199**
Accumulated depreciation and amortisation as at 31 December 2012	**(58)**	**(444)**	**(581)**	**(1,987)**	**(3,069)**
Net carrying amount as at 31 December 2012	**770**	**3**	**237**	**1,119**	**2,130**
Additions	0	0	29	55	84
Disposals	0	0	0	0	0
Fair value adjustments	38	0	0	0	38
Depreciation and amortisation	(58)	0	(108)	(210)	(376)
Cost of acquisition or manufacture as at 31 December 2013	**828**	**446**	**807**	**1,993**	**4,074**
Accumulated depreciation and amortisation as at 31 December 2013	**78**	**444**	**648**	**1,028**	**2,198**
Net carrying amount as at 31 December 2013	**750**	**2**	**159**	**965**	**1,876**

17. Goodwill

In the year under review, the annual goodwill impairment test did not result in the need to recognise 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 value in use 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. A growth rate of 1 % (2012: 1 %) was taken into account to explore the last year of the plan. The weighted average cost of capital used for discounting purposes is based on the risk-free interest rate of 2.75 % (2012: 2.25 %) and a market risk premium of 6.5 % (2012: 6.5 %). In addition, a beta factor derived from the respective peer group, a tax rate and the capital structure are taken into account for the CGUs. The cash flows were discounted on the basis of an after-tax discount rate of 4.91 %.

The value in use of the cash generating units is generally determined on the basis of the company's planning figures. Both past data and expected market performance are included in the calculation. The carrying amount of goodwill as at 31 December 2013 was EUR 1,125 thousand (2012: EUR 1,125 thousand).

Management is of the opinion that no change to the basic assumptions made in determining the cash generating units' value in use that can reasonably be expected could lead to the carrying amounts of the cash generating units significantly exceeding their recoverable amounts.

18. Other intangible assets

There have been the following changes to other intangible assets in the financial year:

EUR thousand	2013	2012
Cost of acquisition or manufacture as at 1 January	**2,969**	**3,003**
Accumulated depreciation and amortisation as at 1 January	**(2,766)**	**(2,606)**
Net carrying amount as at 1 January	**203**	**396**
Additions	139	48
Depreciation and amortisation	(157)	(241)
Cost of acquisition or manufacture as at 31 December	**3,043**	**2,969**
Accumulated depreciation and amortisation as at 31 December	**(2,858)**	**(2,766)**
Net carrying amount as at 31 December	**185**	**203**

19. Other investments

The financial instruments contained in the "available for sale financial assets" in the amount of EUR 6,106 thousand contained in other non-current investments are measured at cost at the end of the reporting period since there is no active market for these financial assets or the fair value cannot be reliably determined using other measurement methods. This item contains non-consolidated shares in subsidiaries and securities from subsidiaries, in which liquidity currently not needed is invested.

For information on the composition of other investments, please see note (31) "Additional disclosures on financial instruments".

20. Trade receivables

Trade receivables are composed as follows:

EUR thousand	31.12.2013	31.12.2012
Trade receivables (gross)	18,557	15,786
Impairment allowances for trade receivables	(7,336)	(8,545)
Trade receivables	**11,221**	**7,241**

The amount recognised for trade receivables breaks down as follows among the individual operating activities of the GSW Group:

EUR thousand	31.12.2013	31.12.2012
Receivables from property management	10,123	5,131
Receivables from sales	794	1,452
Other trade receivables	305	658
Trade receivables	**11,221**	**7,241**

The remaining terms of trade receivables are as follows:

EUR thousand	Due within one year	Due between one year and five years	Due after five years
31.12.2013	11,039	168	14
31.12.2012	6,920	299	22

21. Receivables due from related parties

In the year under review, there are receivables due from related parties of EUR 30 thousand (2012: EUR 505 thousand). Impairment allowances for recognisable default risks were not required as at the end of the respective reporting periods. As in the previous year, receivables due from related parties are due within one year. Further information on related parties can be found under note (38).

22. Other currents assets

Other current assets break down as follows:

EUR thousand	31.12.2013	31.12.2012
Derivatives	**166**	**0**
Receivables from employees	73	112
Creditors with debit balances	147	482
Provision of collateral for maintenance obligations	12,090	10,977
Miscellaneous	2,191	2,016
Other financial assets	**14,501**	**13,587**
Prepayments and deferred expenses	349	461
Receivables from other taxes	1,125	1,129
Advance payments	69	19,343
Miscellaneous	198	1
Other miscellaneous assets	**1,741**	**20,934**
Other current assets	**16,408**	**34,521**

The provision of collateral for maintenance obligations consists of pledged credit balances in favour of banks to hedge maintenance measures, which are not available short-term.

The advance payments are payments as part of the purchase of new properties where the transfer of risks and rewards will take place in the 2013 financial year.

The remaining terms of other current assets are as follows:

EUR thousand	Due within one year	Due between one year and five years	Due after five years
31.12.2013	9,221	2,307	4,880
31.12.2012	22,595	7,176	4,750

23. Assets held for sale and liabilities associated with assets held for sale

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

As at 31 December 2013, as in the previous year, there are no other assets and liabilities held for sale apart from properties held for sale.

24. Shareholder's equity

The changes in the components making up the Group's equity are reported in the statement of changes in consolidated equity.

a) Subscribed capital, capital reserves and authorised capital

As at 31 December 2013, GSW's **subscribed capital** amounts to EUR 56,676,960 (2012: EUR 50,526,314) and is divided into an equal number of ordinary shares issued at a nominal value of EUR 1.00 each. The shares are fully issued and fully paid.

The capital increase of EUR 6,150,646 (or shares) resulted from the conversion of the convertible bond issued in the 2012 financial year by the bondholder on 23 December 2013. The convertible bond with a nominal volume of EUR 181 million was converted into new GSW shares at a conversion price of EUR 29.43.

The **capital reserves** likewise increased by EUR 160.2 million on the conversion of the bond, as the conversion causes the bond liabilities to be transferred to equity.

GSW's capital reserves also increased by a total of EUR 616 thousand in the period under review as a result of the share-based remuneration components for Management Board members in accordance with IFRS 2. After the takeover by Deutsche Wohnen AG, share-based remuneration of the LTI was no longer possible as planned and is to be made as a cash settlement, so a corresponding portion of EUR 1,063 thousand was reclassified from the capital reserves into other liabilities.

In accordance with the resolution by the Annual General Meeting (AGM) on 18 June 2013, a dividend of EUR 0.90 per share (totalling EUR 45.5 million) was distributed from **retained earnings** for the 2012 financial year.

Additional resolutions:

By way of resolution of the Annual General Meeting on 18 June 2013, the authorisation for the simplified disapplication of subscription rights in accordance with section 186 (3) sentence 4 of the Aktiengesetz (AktG – German Stock Corporation Act) included in Authorised Capital 2012 but no longer usable following the issue of the convertible bond in November 2012 was revoked and Authorised Capital 2012 was supplemented by a new authorisation for the simplified disapplication of subscription rights. In terms of content, this should largely match the authorisation for the simplified disapplication of subscription rights in Authorised Capital 2012, but exclude the shares to be issued on the basis of the convertible bond issued in November 2012 from being counted towards the 10 % limit stipulated in section 186 (3) sentence 4 AktG.

The Management Board was also authorised by way of resolution of the Annual General Meeting to contingently increase the share capital of the company by up to EUR 7,500,000.00 by issuing up to 7,500,000.00 new bearer shares with a notional interest in the share capital of EUR 1.00 by 17 June 2018 (Contingent Capital 2013). Due to the conversion of the convertible bond on 23 December 2013 and the subsequent supply of 6,150,646 new GSW shares, a portion of the Contingent Capital 2013 of EUR 1,098,015.00 has already been used. The remaining Contingent Capital 2012 of EUR 5,052,630.00 was used at the same time. As of 31 December 2013, the available Contingent Capital 2013 therefore amounted to EUR 6,401,985.00.

b) Consolidated retained earnings

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.

The amendments to IAS 19 from 1 January 2013 were applied retrospectively and therefore led to changes in consolidated retained earnings amounting to EUR -30 thousand .

c) Accumulated other comprehensive income

Accumulated other comprehensive income, which includes the adjustments in fair value for owner-occupied properties measured according to the revaluation method, the fair value changes of derivative interest rate contract constituting in cash flow hedges, and the actuarial gains and losses from the measurement of pension commitments, developed as follows:

EUR thousand	2013	2012*
Balance as at 1 January	**(79,336)**	**(46,237)**
Revaluation surplus resulting from actuarial gains and losses from pension commitments	96	(401)
Revaluation surplus from the fair market valuation of owner-occupied properties	38	38
Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges	27,965	(35,827)
Deferred taxes	6,812	3,044
	(44,425)	(79,382)
Thereof attributable to non controlling interests	(19)	47
Balance as of 31 December	**(44,444)**	**(79,336)**

* The amendments to IAS 19 from 1 January 2013 were applied retrospectively and therefore led to adjustments to the previous year's figures for other comprehensive income amounting to EUR -493 thousand .

d) Non controlling interests

The share of total comprehensive income for the year attributable to non controlling interests is as follows as at the end of the reporting period:

EUR thousand	31.12.2013	31.12.2012
Non controlling interests in consolidated net income for the year	88	47
Non controlling interests in accumulated other comprehensive income	19	(47)
Non controlling interests in total comprehensive income for the year	**107**	**0**

Non-controlling interests in accumulated other comprehensive income of EUR 19 thousand (previous year: EUR -47 thousand) relate to the change in the fair value of interest derivatives in cash flow hedges.

e) Statement of comprehensive income

The statement of other comprehensive income, which includes the adjustments in fair value for owner-occupied properties measured according to the revaluation method, the fair value changes of derivative interest rate contract constituting in cash flow hedges, and the actuarial gains and losses from the measurement of pension commitments, developed as follows:

	01.01.-31.12.2013		
EUR thousand	Before deferred taxes	Deferred taxes	After deferred taxes
Consolidated net income for the year	60,013	0	60,013
Revaluation surplus resulting from actuarial gains and losses from pension commitments	96	95	191
Revaluation surplus from the fair market valuation of owner-occupied properties	38	(11)	27
Fair value adjustment of derivatives in cash flow hedges	27,614	6,644	34,258
Reclassification of interest derivatives affecting income	351	84	435
Total comprehensive income for the year	**88,111**	**6,812**	**94,923**

	01.01.-31.12.2012*		
EUR thousand	Before deferred taxes	Deferred taxes	After deferred taxes
Consolidated net income for the year	143,275	0	143,275
Revaluation surplus resulting from actuarial gains and losses from pension commitments	(401)	24	(377)
Revaluation surplus from the fair market valuation of owner-occupied properties	38	(11)	27
Fair value adjustment of derivatives in cash flow hedges	(36,681)	3,104	(33,577)
Reclassification of interest derivatives affecting income	854	(72)	782
Total comprehensive income for the year	**107,085**	**3,045**	**110,130**

*The amendments to IAS 19 from 1 January 2013 were applied retrospectively and therefore led to adjustments to the previous year's figures in the total comprehensive income amounting to EUR -377 thousand .

25. Employee benefits

The pension systems are designed as defined contribution plans and defined benefit plans. Pension provisions are recognised for obligations due to the vested rights of certain former employees of 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 the employees in question converting salary into pension contributions.

In addition, the companies of the GSW Group are members of the federal and state retirement fund (VBL "Versorgungsanstalt des Bundes und der Länder"). VBL is a public corporation that grants an additional pension to employees of public corporations and certain legal entities incorporated under private law. Due to its present constitution and regulations, the VBL is to be classified as a multi-employer defined benefit plan. In accordance with IAS 19.34(a), however, the commitments made by VBL are recognised as a defined contribution plan as a calculation is not possible.

Should the GSW companies exit the federal and state retirement fund, payment claims could arise from the VBL. Currently, we assume that such an obligation will not occur.

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

in %	2013	2012
Interest rate - current pensioners	3.0	2.5
Pension trend	2.0	2.0

The companies of the GSW Group used the 2005G Heubeck mortality tables.

In 2013, the defined benefit plans resulted in expenses of EUR 57 thousand (2012: EUR 81 thousand) which were made up as follows:

EUR thousand	2013	2012
Interest expense	57	81
Pension expenses	**57**	**81**

The amendments to IAS 19 from 1 January 2013 were applied retrospectively and therefore led to adjustments to the previous year's figures for employee benefits amounting to EUR 523 thousand. The employee benefits developed as follows in the corresponding periods:

EUR thousand	2013	2012
Provision as at 1 January	2,345	2,016
Pension expenses	0	0
Interest expense	57	81
Payments	(153)	(152)
Actuarial gains/losses	(96)	400
Provision as at 31 December	**2,153**	**2,345**

In 2013, the payments made by the GSW Group to VBL amounted to EUR 1,322 thousand (2012: EUR 1,638 thousand). The employer portion of the statutory pension came to EUR 2,025 thousand in 2013 (2012: EUR 2,176 thousand).

On the basis of employee benefits recognised by the GSW Group as at the end of the reporting period, a hypothetical change in the actuarial interest rate, pension trend and life expectancy would have the following effects:

	Impact on employee benefits		
EUR thousand	Change in supposition	Increase in supposition	Decrease in supposition
Interest rate - current pensioners	0.50 %	(108)	118
Pension trend	0.25 %	56	(54)
		Increase in supposition by one year	Decrease in supposition by one year
Life expectancy		96	(99)

Increases and decreases of the actuarial interest rate, pension trend or life expectancy do not affect the calculation of employee benefits by the same absolute amount. If several suppositions are changed at the same time, the total amount does not necessarily have to correspond to the sum of the individual effects of the changes in the suppositions. Furthermore, it should be noted that the sensitivities only reflect a change in employee benefits for the relevant specific magnitude of the change in the suppositions (e.g. 0.5 %). If the suppositions change by a different order of magnitude, this will not necessarily have a linear effect on the amount of the employee benefits.

26. Other provisions

Other provisions are composed as follows:

EUR thousand	As at 01.01.2013	Additions	Interest cost	Utilised	Reversed	As at 31.12.2013
Provision for onerous contracts	775	82	13	(41)	0	829
Provision for obligations to maintain GSW's head office	0	5,000	0	0	0	5,000
Provision for other employee benefits	318	17	5	(100)	(3)	237
Provision for litigation costs	1,313	267	25	(6)	(382)	1,217
Other miscellaneous provisions	3,688	283	(6)	(2,532)	(128)	1,305
Other provisions	**6,094**	**5,649**	**37**	**(2,679)**	**(513)**	**8,588**

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 concerning residential units that have not yet been modernised must be satisfied by GSW within an unlimited timescale.

In the 2013 financial year, provisions for possible lease restoration obligations to the landlord of the GSW headquarters were formed as an extension of the lease agreement is unlikely.

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 arrears accrued during the entitled employee's active phase and from a top-up. Obligations to employees who have concluded an agreement concerning part-time employment for older workers were included in the calculation. The payments in question to satisfy these obligations will accrue up to the 2014 financial year.

The provisions for litigation costs mainly include risks relating to the removal of defects for three properties that are for sale. The provision has a remaining term of two years.

Other miscellaneous provisions primarily include provisions for archiving business documents of EUR 811 thousand (2012: EUR 791 thousand) with a remaining term of ten years.

27. Financial liabilities

Financial liabilities are composed as follows:

EUR thousand	31.12.2013	31.12.2012
Liabilities due to banks from financing investment properties	1,859,660	1,807,027
Liabilities from convertible bonds	1,685	158,728
Liabilities from finance leases	1,570	1,749
Financial liabilities	**1,862,916**	**1,967,504**

a) Liabilities due to banks from financing investment properties

The liabilities due to banks are predominantly the result of financing for investment properties. All loans were granted in euro. 99.01 % of liabilities (2012: 99.81 %) carry a fixed rate of interest or are hedged via interest-rate swaps.

Liabilities to banks increased by EUR 52,633 thousand to EUR 1,859,660 thousand compared with the previous year.

The increase is mainly the result of the financing of a property portfolio acquired in 2013 (purchase price: EUR 89,000 thousand). Furthermore, amortisation effects from the effective interest method in accordance with IAS 39.9, as well as present value changes in accordance with IAS 39 AG 8 due to new conditions which were agreed upon or became evident only after conclusion of the agreement led to an increase in the carrying amount. These developments were offset by scheduled repayments and non-scheduled repayments.

Liabilities are generally secured by the provision of matching collateral in rem and the assignment of rights under the tenancy agreements. All portfolio properties and properties for sale serve as collateral.

The remaining terms of liabilities to banks from property financing are as follows:

EUR thousand	Due within one year	Due between one year and five years	Due after five years
31.12.2013	67,202	1,086,002	706,457
31.12.2012	78,449	843,147	885,431

b) Liabilities from convertible bonds

As at 31 December 2013, convertible bonds with a carrying amount of EUR 1,685 thousand (2012: EUR 158,728) are reported.

GSW issued a convertible bond in the 2012 financial year. After deduction of transaction costs of EUR 2,922 thousand , the net proceeds of the issue of EUR 179,978 thousand were divided into an equity component and a debt component (IAS 32.28). The debt component was accounted for at present value on the date of issue, 15 November 2012, on the basis of a comparable bond without a conversion option. The liabilities from the convertible bond will subsequently be measured at amortised cost using the effective interest method. The bond originally had a seven year maturity.

On 20 November 2013, GSW paid the interest of EUR 3.7 million accrued on the convertible bond to the bondholders. In November 2013, Deutsche Wohnen AG acquired about 99 % (nominal value of EUR 181 million) of the convertible bond on the capital market and exercised the conversion option to convert it into 6,150,646 new GSW shares on 23 December 2013. This increased the subscribed capital and the capital reserves of GSW accordingly. Therefore, convertible bonds with a nominal value of EUR 1.9 million were still outstanding on 31 December 2013, which were repaid to the bondholders at nominal value plus accrued interest in January and February 2014 and therefore reclassified as current financial liabilities.

c) Finance lease liabilities

Financial lease liabilities result from heating contracts and IT leases. Their remaining terms are as follows:

EUR thousand	Due within one year	Due between one year and five years	Due after five years
31.12.2013	252	930	388
31.12.2012	238	886	625

Future payments resulting from finance leases can be reconciled with the carrying amount of recognised liabilities as follows:

EUR thousand	Due within one year	Due between one year and five years	Due after five years
31.12.2013			
Payments	397	1,292	463
Interest component	(145)	(362)	(75)
Repayment component	**252**	**930**	**388**
31.12.2012			
Payments	401	1,336	755
Interest component	(163)	(450)	(130)
Repayment component	**238**	**886**	**625**

28. Payables due to related parties

In the year under review, there are payables due to related parties of EUR 21 thousand (2012: EUR 29 thousand). Payables due to related parties are all due within one year.

Further information on related parties can be found in note (38).

29. Other liabilities

Other liabilities can be broken down as follows:

EUR thousand	31.12.2013	31.12.2012
Derivatives	57,498	91,217
Other financial liabilities	5,531	7,478
Accrued ground rent	1,515	1,543
Other taxes	1,550	11,785
Liabilities due to employees	5,809	4,361
Social security payments	375	403
Miscellaneous	5,389	4,710
Other miscellaneous liabilities	14,638	22,802
Other liabilities	**77,667**	**121,497**

Other liabilities have the following remaining terms:

EUR thousand	Due within one year	Due between one year and five years	Due after five years
31.12.2013	13,924	51,327	12,416
31.12.2012	24,063	91,837	5,597

Notes to the cash flow statement

30. Information on the cash flow statement

The cash flow statement presents the change in cash and cash equivalents as a result of cash inflows and outflows in accordance with IAS 7. The cash flows from operating activities are derived indirectly from the consolidated net income for the period, while cash flows from investing and financing activities are determined directly.

The Group's cash and cash equivalents encompass EUR 70,684 thousand and are mostly freely available. Cash and cash equivalents of limited availability amount to EUR 2,871 thousand . This relates to purchase price accounts pledged as collateral whose cash receipts directly service debt.

Other disclosures

31. Additional disclosures on financial instruments

Cash and cash equivalents and trade receivables predominantly have short remaining terms. Their carrying amounts as at the end of the reporting period therefore approximately match their fair value.

The financial investments class includes financial instruments with a value of EUR 6,106 thousand in the available for sale measurement category, which are not measured at fair value due to a lack of market data. These financial instruments are measured at cost. The fair value of finance lease liabilities matches the reported carrying amount.

31.12.2013	Measurement category as per IAS 39	Amortised cost		Fair value	No measurement category in accordance with IAS 39	Not financial instruments in accordance with IAS 32	Total balance sheet items
EUR thousand		Carrying value	Fair Value	Carrying value	Carrying value	Carrying value	Carrying value
Securities (at cost)	AfS	250	n / a	0	0	0	250
Other investments	AfS	5,856	n / a	0	0	0	5,856
Trade receivables	LaR	11,221	11,221	0	0	0	11,221
Other receivables	LaR	14,270	14,270	0	0	2,001	16,272
Derivatives[1]	FAHfT	0	0	166	0	0	166
Cash and cash equivalents	LaR	70,684	70,684	0	0	0	70,684
Total financial assets		**102,281**	**96,175**	**166**	**0**	**2,001**	**104,449**
Financial liabilities[2]	FLaC	1,859,660	1,959,929	0	0	0	1,859,660
Liabilities from convertible bonds[2]	FLaC	1,685	1,820	0	0	0	1,685
Liabilities from finance leases		0	0	0	1,570	0	1,570
Trade payables	FLaC	28,359	28,359	0	0	7,729	36,088
Derivatives[1]	FLHfT	0	0	5,938	51,560	0	57,498
Other liabilities	FLaC	4,335	4,335	0	0	15,855	20,190
Total financial liabilities		**1,894,040**	**1,994,444**	**5,938**	**53,130**	**23,584**	**1,976,692**

Classification of the input factor for the calculation of fair value according to IFRS 13.93(b) and IFRS 13.97: [1] Derivatives: level 2 in the fair value hierarchy (measured on the basis of observable input factors / market data) | [2] Financial liabilities and liabilities from convertible bonds: level 2 in the fair value hierarchy (measured on the basis of observable input factors / market data)

31.12.2012	Measurement category as per IAS 39	Amortised cost		Fair value	No measurement category in accordance with IAS 39	Not financial instruments in accordance with IAS 32	Total balance sheet items
EUR thousand		Carrying value	Fair Value	Carrying value	Carrying value	Carrying value	Carrying value
Securities (at cost)	AfS	250	n / a	0	0	0	250
Other investments	AfS	5,837	n / a	0	0	0	5,837
Trade receivables	LaR	7,241	7,241	0	0	0	7,241
Other receivables	LaR	13,759	13,759	0	0	21,268	35,027
Derivatives[1]		0	0	0	0	0	0
Cash and cash equivalents	LaR	167,737	167,737	0	0	0	167,737
Total financial assets		**194,824**	**188,737**	**0**	**0**	**21,268**	**216,091**
Financial liabilities[2]	FLaC	1,807,027	1,878,202	0	0	0	1,807,027
Liabilities from convertible bonds[2]	FLaC	158,728	169,975	0	0	0	158,728
Liabilities from finance leases		0	0	0	1,749	0	1,749
Trade payables	FLaC	22,342	22,342	0	0	9,169	31,511
Derivatives[1]	FLHfT	0	0	6,205	85,013	0	91,217
Other liabilities	FLaC	5,861	5,861	0	0	24,447	30,309
Total financial liabilities		**1,993,958**	**2,076,380**	**6,205**	**86,762**	**33,617**	**2,120,541**

Classification of the input factor for the calculation of fair value according to IFRS 13.93(b) and IFRS 13.97: [1] Derivatives: level 2 in the fair value hierarchy (measured on the basis of observable input factors / market data) | [2] Financial liabilities and liabilities from convertible bonds: level 2 in the fair value hierarchy (measured on the basis of observable input factors / market data)

32. Fair value calculations

The input factors for measuring the fair values of financial instruments can be classified in the following categories in accordance with IFRS 13:

- Level 1: The market prices (unadjusted) of identical assets and liabilities used on an active market
- Level 2: Inclusive data other than the market prices included in level 1 that are either directly (i.e. as a price) or indirectly (i.e. derived from the price) observable for the assets and liabilities
- Level 3: Inclusive data for the assets and liabilities not based on market data

All financial instruments recognised at fair value were classified as level 2. See the table in note (31) for the level classification.

In the 2013 financial year, there were no transfers between individual input levels.

The fair values of financial instruments not traded on an active market (e.g. over-the-counter derivatives) are calculated using a valuation technique. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. If all data required for the fair value are observable, the instrument is classified as level 2.

33. Net earnings by measurement category

In accordance with IFRS 7.20 (a) net profits and losses on financial instruments must be disclosed for each measurement category defined in IAS 39. The effects on earnings of finance leases and derivatives used in hedges are not included, since these are either not covered by IAS 39 or are accounted for in accordance with special provisions and therefore cannot be allocated to any of the measurement categories specified in IAS 39.

Net earnings from financial instruments, classified according to the individual measurement categories specified in IAS 39, are as follows:

EUR thousand	Measurement category as per IAS 39	2013	2012
Loans and receivables	LaR	(1,792)	(111)
Available for sale financial assets	AfS	469	33
Financial assets or liabilities (held for trading purposes) measured at fair value through profit and loss	FLHfT	(3,629)	(3,496)
Financial liabilities measured at amortised cost	FlaC	(57,771)	(52,568)
Total		**(62,723)**	**(56,141)**

Net earnings from the measurement category “loans and receivables” contain interest income from cash and cash equivalents, impairments and write-ups from the reversal of impairments on rent owed as well as depreciation on rent owed.

Net earnings from the measurement category “available for sale financial assets” contain dividend payments from affiliates as well as depreciation of investments reported at amortised cost.
Net earnings from the measurement category “financial instruments held for trading purposes” contain interest expenses and income for derivative financial instruments without an effective hedge and the results of measuring these derivatives at market values.

Net earnings from the measurement category “financial liabilities measured at amortised cost” contain interest expenses for current debt service and the convertible bond as well as result from amortisation of loan.

34. Risks arising from 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 organisation for the risk control process.

Financial policy is drawn up by the Management Board and monitored by the Supervisory Board. The Corporate Finance 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 existing 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 stipulate that trading and settlement are kept strictly separate.

b) Default risks

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

Default risks exist for all classes of financial instruments, particularly for trade receivables. The GSW Group does not consider itself 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.

The credit rating of contractual partners is subject to ongoing monitoring. Where a contractual partner's credit rating deteriorates significantly, GSW aims to reduce the positions with such partners as swiftly as possible and refrains from entering into further positions with them.

The highest possible default risk is equal to the carrying amount of the financial assets not including the value of collateral received or other agreements aimed at reducing risk. The maximum amount that the company may be called upon for guarantees it has assumed for subsidiaries and investment companies comes to EUR 3,307 thousand .

The following table presents the financial assets that had been subject to impairment as at the end of the reporting period:

	31.12.2013	
EUR thousand	Carrying amount before impairment	Impairment
Securities (at cost)	250	0
Other investments	5,861	(5)
Trade receivables	22,868	(11,647)
Other receivables	14,366	(96)
Total	**43,345**	**(11,748)**

	31.12.2012	
EUR thousand	Carrying amount before impairment	Impairment
Securities (at cost)	250	0
Other investments	5,916	(79)
Trade receivables	18,709	(11,468)
Other receivables	13,799	(40)
Total	**38,673**	**(11,587)**

There are gross receivables from rental and leasing totalling EUR 11.3 million.

On the other hand, there is collateral of EUR 6.9 million (essentially rent deposits), of which EUR 3.3 million may be used to offset outstanding receivables if the legal preconditions are met.

Impairment developed as follows in 2013:

EUR thousand	Impairment at the start of the period	Change in impairment affecting profit and loss	Derecognition of financial assets	Impairment at the end of the period
Securities (at cost)	0	0	0	0
Other investments	(79)	0	75	(5)
Trade receivables	(11,468)	1,209	(1,389)	(11,647)
Other receivables	(40)	(56)	0	(96)

Impairment developed as follows in 2012:

EUR thousand	Impairment at the start of the period	Change in impairment affecting profit and loss	Derecognition of financial assets	Impairment at the end of the period
Securities (at cost)	0	0	0	0
Other investments	(38)	0	(41)	(79)
Trade receivables	(10,791)	(766)	88	(11,468)
Other receivables	(78)	(17)	55	(40)

The following table shows the receivables that are past due but not subject to impairment at the end of the reporting period. Securities and investments classified as available for sale are not due at the end of the reporting period.

31.12.2013	Total carrying amount	Thereof: neither impaired nor past due at the end of the reporting period	Thereof: past due and not impaired at the end of the reporting period				
EUR thousand			< 180 days	180 - 360 days	360 - 540 days	540 - 720 days	> 720 days
Trade receivables	11,221	7,083	3,105	22	237	1	126
Other receivables	14,270	14,110	15	4	0	1	137
Total	**25,491**	**21,193**	**3,120**	**26**	**237**	**2**	**264**

31.12.2012	Total carrying amount	Thereof: neither impaired nor past due at the end of the reporting period	Thereof: past due and not impaired at the end of the reporting period				
EUR thousand			< 180 days	180 - 360 days	360 - 540 days	540 - 720 days	> 720 days
Trade receivables	7,241	3,599	2,546	8	19	8	187
Other receivables	13,759	13,171	154	5	63	37	323
Total	**21,000**	**16,770**	**2,699**	**13**	**82**	**44**	**511**

Impairment allowances on receivables were based on various impairment rates depending on the number of days the receivables were past due. From 180 days onwards, the impairment rate was 25 %, rising gradually to 50 %, 75 % and 100 % thereafter.

c) Offsetting financial assets and financial liabilities

On the basis of master netting agreements, financial assets and liabilities are only set off when an enforceable legal right of set-off exists on the reporting date and the intention is to settle on a net basis. If a right of set-off is not enforceable in the normal course of business, the master netting agreement only gives a conditional right of set-off. In this case, the financial assets and liabilities are shown at their gross amounts in the statement of financial position on the reporting date.

To hedge cash flow risks, GSW enters into financial forward contracts with financial service institutions. These contracts are based on a standardized master agreement between the financial service institutions, known as the "Master Agreement for Financial Forward Contracts". A conditional right of set-off can be derived from the agreement that results in reporting financial forward contracts on a gross basis on the reporting date. The conditional right of set-off is shown in the table under derivatives.

The following financial assets and financial liabilities are subject to offsetting, an enforceable master netting agreement or similar agreements:

2013 Financial assets EUR thousand	Gross carrying amount	Set-off amount (carrying amount of financial liability)	Net value (net carrying amount)	Amounts that cannot be set off (carrying amount of financial liability)	Fair value of financial collateral	Total net value
Derivatives	166	0	166	(166)	0	0
Receivables from operating costs not yet invoiced	137,876	(131,888)	5,988	0	0	5,988
Total	**138,042**	**(131,888)**	**6,154**	**(166)**	**0**	**5,988**

2013 Financial liabilities EUR thousand	Gross carrying amount	Set-off amount (carrying amount of financial asset)	Net value (net carrying amount)	Amounts that cannot be set off (carrying amount of financial asset)	Fair value of financial collateral	Total net value
Derivatives	57,498	0	57,498	(166)	0	57,332
Advances received from operating costs	131,888	(131,888)	0	0	0	0
Total	**189,386**	**(131,888)**	**57,498**	**(166)**	**0**	**57,332**

2012 Financial assets EUR thousand	Gross carrying amount	Set-off amount (carrying amount of financial liability)	Net value (net carrying amount)	Amounts that cannot be set off (carrying amount of financial liability)	Fair value of financial collateral	Total net value
Derivatives	0	0	0	0	0	0
Receivables from operating costs not yet invoiced	125,933	(125,233)	700	0	0	700
Total	**125,933**	**(125,233)**	**700**	**0**	**0**	**700**

2012 Financial liabilities EUR thousand	Gross carrying amount	Set-off amount (carrying amount of financial asset)	Net value (net carrying amount)	Amounts that cannot be set off (carrying amount of financial asset)	Fair value of financial collateral	Total net value
Derivatives	91,217	0	91,217	0	0	91,217
Receivables from operating costs not yet invoiced	125,233	(125,233)	0	0	0	0
Total	**216,450**	**(125,233)**	**91,217**	**0**	**0**	**91,217**

d) Liquidity risks

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

To ensure the GSW Group always has sufficient funds to meet its liabilities for a certain period, the treasury department monitor and plan the Group's liquidity requirements on an ongoing basis. Sufficient cash and cash equivalents are held at all times in order to be able to meet the Group's obligations for a defined period. The Group also has access to short-term credit lines of EUR 90 million should the need arise. EUR 80 million of this relates to an acquisition facility, which is available in the short term for asset or share deals. The credit line is unsecured.

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

31.12.2013	Carrying value	Maturities		
EUR thousand		Due within one year	Due between one year and five years	Due after five years
Primary financial liabilities				
Liabilities due to banks from financing investment properties	1,859,660	115,712	1,231,399	1,027,183
Liabilities from convertible bonds	1,685	1,900	0	0
Liabilities from finance leases	1,570	397	1,292	463
Trade payables	28,359	27,858	501	0
Other liabilities	4,335	3,881	454	0
Derivative financial liabilities	**57,498**	**21,753**	**42,911**	**(4,174)**
Total	**1,953,107**	**171,501**	**1,276,557**	**1,023,472**

31.12.2012	Carrying value	Maturities		
EUR thousand		Due within one year	Due between one year and five years	Due after five years
Primary financial liabilities				
Liabilities due to banks from financing investment properties	1,807,027	124,355	993,721	1,228,388
Liabilities from convertible bonds	158,728	3,658	14,632	190,216
Liabilities from finance leases	1,749	401	1,336	755
Trade payables	22,342	21,859	483	0
Other liabilities	5,861	5,354	507	0
Derivative financial liabilities	**91,217**	**23,451**	**68,586**	**1,063**
Total	**2,086,924**	**179,078**	**1,079,265**	**1,420,422**

This includes all instruments for which payments have already been contractually agreed as at the end of the reporting period. Budget 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 end of the reporting period. Financial liabilities repayable at any time are always allocated to the earliest possible time slot.

Furthermore, there are financial guarantees amounting to EUR 3,307 thousand (previous year: EUR 3,397 thousand) that are due within one year.

Some loan agreements include financial covenants, which, in the event of non-compliance, will allow the bank to terminate the agreement unless the infringements are rectified.

As at 31 December 2013, no breaches of any covenants were identified.

e) Market risks (interest risks)

The GSW Group is exposed to a significant interest rate fluctuation risk due to its business activities. This interest rate fluctuation risk results in particular from floating rate 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 market interest rates on interest income and expenses, on trading profits and losses and on equity as at the end of the reporting period are determined. The interest rate risk may occur both as a fair value risk (assessment as at the end of the reporting period) and as a cash flow risk (flow variables assessment).

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

To minimise the risks resulting from interest rate fluctuations, selective use is made of derivative financial instruments for certain forms of financing. No derivative financial instruments are used for speculative purposes.

The use of derivative financial instruments is regulated by relevant guidelines and they may only be used to hedge existing 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 stipulate that trading and settlement are kept strictly separate.

GSW completely reversed an existing swap agreement on 4 July 2013 and the term of another swap ended on 28 March 2013.

As a consequence of property sales and the resultant non-scheduled repayment of loans at GSW in the course of the financial year, the layer of the hedging instrument applicable to the underlying transaction that has been repaid was removed and this layer of the hedge is no longer reported. The hedge reserve attributable to the reversed subamount, which had previously been recognised outside profit or loss, was reversed in profit or loss in the amount of EUR 215 thousand (2012: EUR 15 thousand).

In addition, a new swap agreement was concluded and recognized on a stand-alone basis following the acquisition of a property portfolio.

GSW also concluded a forward swap agreement with a term of six years on 26 September 2012. The interest swap will start on 31 January 2015. The swap was initially recognised as a hedging instrument in accordance with IAS 39. Due to non-scheduled repayments and the accompanying partial reversal of the swap agreement, the hedge was terminated on 17 May 2013 and the swap recognised on a stand-alone basis.

As of 31 December 2013, the Group had the following derivative financial instruments:

EUR thousand	Nominal value	Swap rates	FV as at 31.12.2013
12 interest rate swaps	1,187,738	1.52 % bis 4.80 %	(57,332)

The cash flows arising from underlying transactions hedged in the context of cash flow hedge accounting will be due in the period 2014 to 2021 and will affect the income statement at that time.

In 2013, losses resulting from instances of ineffectiveness totalling EUR 9 thousand (2012: EUR 9 thousand) were recognised in the income statement.

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

EUR thousand	2013	2012
Initial status as per 1 January	(85,065)	(49,238)
Recognition in equity in the reporting period	27,614	(36,681)
Release from equity to the income statement	351	854
Final status as per 31 December	**(57,100)**	**(85,065)**

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 at the end of the reporting period, a hypothetical change in the key interest rates for the respective instruments would have had the following effects (before taxes):

2013 sensitivities:

	Equity effect		Income statement effect	
EUR thousand	+ 50 BP	- 50 BP	+ 50 BP	- 50 BP
Primary financial instruments				
Loans received	–	–	(314)	314
Cash and cash equivalents	–	–	353	(353)
Derivative financial instruments & hedges				
Free-standing derivatives	–	–	8,124	(8,530)
Cash flow hedges	13,723	(14,080)	–	–
Total	**13,723**	**(14,080)**	**8,163**	**(8,569)**

2012 sensitivities:

	Equity effect		Income statement effect	
EUR thousand	+ 50 BP	- 50 BP	+ 50 BP	- 50 BP
Primary financial instruments				
Loans received	–	–	(337)	337
Cash and cash equivalents	–	–	839	(839)
Derivative financial instruments & hedges				
Free-standing derivatives	–	–	1,234	(1,130)
Cash flow hedges	23,710	(24,743)	(9)	11
Total	**23,710**	**(24,743)**	**1,727**	**(1,621)**

35. Other financial liabilities

As at the end of the reporting period, the Group's other financial liabilities include future (net) payments due under operating leases of EUR 9,817 thousand (2012: EUR 15,333 thousand) as well as the purchase obligations for investment property and property, plant and equipment of EUR 1,050 thousand (2012: EUR 4,496 thousand).

Future payment commitments under operating leases that cannot be apportioned or terminated mature as follows:

EUR thousand	Due within one year	Due between one year and five years	Due after five years
31.12.2013	5,292	4,524	0
31.12.2012	5,410	9,923	0

The major operating lease agreements include the master lease for the Charlottenstrasse office building (formerly Kochstrasse), the SAP operator agreement and the lease for the in-house printer.

36. List of shareholdings

GSW had the following shareholdings as at 31 December 2013:

EUR thousand	Equity	Share of the capital	Result
Affiliates, fully consolidated			
GSW Grundvermögens- und Vertriebsgesellschaft mbH, Berlin[1]	90,256	100.0 %	0
Facilita Berlin GmbH, Berlin	1,220	100.0 %	240
GSW Gesellschaft für Stadterneuerung mbH, Berlin	290	100.0 %	5
Stadtentwicklungsgesellschaft Buch mbH, Berlin	2,568	100.0 %	365
Grundstücksgesellschaft Karower Damm mbH, Berlin[1]	189	100.0 %	0
GSW Aquisition 3 GmbH, Berlin[1]	75,456	100.0 %	0
GSW Immobilien Beteiligungs GmbH, Berlin	(412)	100.0 %	(423)
Zweite GSW Verwaltungs- und Betriebsgesellschaft mbH, Berlin	26	100.0 %	1
GSW Wohnwert GmbH, Berlin[1]	26	100.0 %	0
GSW Corona GmbH, Berlin[1,4]	(11,517)	100.0 %	0
GSW Pegasus GmbH, Berlin[1,4]	(10,849)	100.0 %	4,813
Wohnanlage Leonberger Ring GmbH, Berlin[1,4]	(530)	100.0 %	0
Zisa Grundstücksbeteiligungs GmbH & Co. KG, Berlin[1,4]	74	94.9 %	50
GSW Immobilien GmbH & Co. Leonberger Ring KG, Berlin[1]	491	94.0 %	105
GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Zweite Beteiligungs KG, Berlin[1]	(26,036)	93.4 %	1,445
Affiliates, not consolidated			
Zisa Verwaltungs GmbH, Berlin[2]	25	100.0 %	6
GSW Berliner Asset Invest Verwaltungs GmbH , Berlin[2]	22	100.0 %	(2)
GSW Berliner Asset Invest GmbH & Co. KG , Berlin[2]	6	100.0 %	(3)
DCM GmbH & Co. KG Renditefonds 506 KG, Munich[3,6]	29	99.0 %	0
DCM GmbH & Co. KG Renditefonds 507 KG, Munich[3,6]	277	99.0 %	0
DCM GmbH & Co. KG Renditefonds 508 KG, Munich[3,6]	83	99.0 %	0
DCM GmbH & Co. KG Renditefonds 510 KG, Munich[3,6]	270	99.0 %	0
Joint ventures, not consolidated			
SIWOGE 1992 Siedlungsplanung und Wohnbauten Gesellschaft mbH, Berlin[2,5]	4,517	50.0 %	176
Stadtentwicklungsgesellschaft Eldenaer Straße mbH i.L., Berlin[2]	255	50.0 %	9
GSZ Gebäudeservice und Sicherheitszentrale GmbH, Berlin[2,5]	161	33.3 %	79
Associates, not consolidated			
Zisa Beteiligungs GmbH, Berlin[2,5]	9	49.0 %	(13)
GSW-Fonds Weinmeisterhornweg 170-178 GbR, Berlin[2]	(7,543)	49.9 %	27

[1] Utilisation of the exemption rules according to section 264 (3) HGB and section 264b HGB | [2] Due to immateriality not consolidated and reported as an equity investment
[3] No consolidation since control excluded under the Articles of Association | [4] The calculated proportional shareholding is 99.7 % at GSW Corona GmbH, 99.7 % at GSW Pegasus GmbH, 99.6 % at Wohnanlage Leonberger Ring GmbH, 97.4 % at Zisa Grundstücksbeteiligung GmbH & Co. KG | [5] Figures from 2012 | [6] Figures from 2011

37. Shared based payment

a) Long-term incentive plan under old manager employment agreements (exit LTIP)
As part of the successful IPO in the 2011 financial year, the Management Board members were granted long term incentives in the form of a long term incentive plan (LTIP).

The aim here was for Management Board members to have the option of participating in the capital appreciation achieved on capital employed by investors at the time the investors finally withdraw (exit).

The compensation was fully paid by the former shareholders. There are no negative impacts on liquidity or repayment obligations towards the former shareholders for GSW that result from agreements. The remuneration is partly settled in cash, and partly asa (deferred) share transfer (share components). The LTIP is treated as cash-settled share-based payment transactions (according to IFRS 2) and is reflected in the personnel expenses and in GSW's capital reserves.

The total LTIP amounts to about EUR 13.5 million as at the time of the amendment in March 2011 and breaks down as follows: Mr Zinnöcker: EUR 9.6 million; Mr Schwagenscheidt: EUR 2.2 million; Mr Segal: EUR 1.7 million. EUR 1,246 thousand (2012: EUR 2,205 thousand) of this was recognised in the 2013 IFRS consolidated financial statements as an expense.

As a result of Mr Zinnöcker's departure, the vesting period has been shortened, which in the 2013 financial year has resulted in immediate recognition of the expenses accruing up to the end of the period in which remuneration is due under the LTIP in their entirety. Expenses of EUR 926 thousand were incurred from this.

Furthermore, as a result of the takeover bid by Deutsche Wohnen AG and the associated full share allotment by the former shareholders, expenses were recognised in the full amount of remuneration owed to Mr Schwagenscheidt and Mr Segal by the end of the LTIP.

Thus, the LTIP is finished. No further expenses from this are expected in subsequent periods.

b) LTI (multi-annual share-based payment)
As multi-annual performance related remuneration, each Management Board member is promised a certain number of the Company's shares (performance shares) at the end of each financial year. The number of shares promised equals the amount of the annual performance-related remuneration paid for the past financial year divided by the stock exchange price of the GSW share.

Three years after the end of the financial year for which the Management Board member was promised the shares, the Supervisory Board will set the number of shares actually to be granted. This will be decided by the average performance of the GSW Immobilien AG share price in the respective three-year period compared with the performance of the EPRA Germany Index.

The granting of performance shares does not presuppose that the Management Board member's appointment to the Board or his employment contract will continue until the date on which they are allocated.

In connection with the takeover by Deutsche Wohnen AG in November 2013, changes arose that no longer allow the remuneration claim to be measured on the basis of regulations in the contracts with the Management Board members.

The delisting of the GSW share from the EPRA Germany Index and other indices removed the basis for the calculation of remuneration claims.

In the context of the suspension of the Management Board contract of employment with Mr Schwagenscheidt, the Supervisory Board agreed a settlement amount for the claims for share-based remuneration in the 2012 and 2013 financial years under its legal duty of care. Against this backdrop, no shares will be allocated to the Management Board members for the 2013 financial year. Provisions were recognised on the basis of the withdrawn cap regulation (120%). The application of the settlement regulation to Mr Segal's share-based remuneration claims is subject to the approval of the Supervisory Board.

Please see the remuneration report in the management report for more information on share-based payment.

38. Relations with related persons and companies

For the GSW Group, related parties in accordance with 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.

On 29 November 2013, Deutsche Wohnen AG, Frankfurt am Main, notified the company in accordance with section 21 (1) WpHG that its share in the voting rights of GSW Immobilien AG exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % and 75 % of the voting rights on 27 November 2013 and amounted to 91.05 % on this date. Since 27 November 2013, GSW Immobilien AG is therefore a dependent company as defined by section 17 (1) of the German Stock Corporation Act (AktG), because it is majority owned by Deutsche Wohnen AG. Deutsche Wohnen AG and companies of the Deutsche Wohnen Group are therefore related parties.

In addition, the members and related dependents of members of the Management Board and Supervisory Board of GSW, members of the management with key management roles and the subsidiaries, associates and joint ventures of the GSW Group are defined as related parties.

In addition to the subsidiaries included in the consolidated financial reports through full consolidation, the following relations with related persons and companies existed:

a) Relations with Deutsche Wohnen AG and affiliates of the Deutsche Wohnen Group
In November 2013, Deutsche Wohnen AG acquired about 99 % (nominal value of EUR 181 million) of GSW Immobilien AG's convertible bond on the capital market and exercised the conversion option to convert it into 6,150,646 new GSW shares on 23 December 2013. Please see the information under note (27b).

With respect to the exchange of goods and services, there were no other relations with affiliates of the Deutsche Wohnen Group existed.

b) Relations with related persons

The total remuneration of the members of GSW's Management Board amounted to EUR 3,448 thousand in 2013 (total remuneration previous year: EUR 2,682 thousand).

2013 EUR thousand	Gross basic remuneration	Gross annual performance-related remuneration (short term incentive)	Multi-annual performance related remuneration (long term incentive)	Gross ancillary benefits	Gross termination benefits	Total
Andreas Segal	395	237	237	17	–	886
Jörg Schwagenscheidt	395	237	237	24	–	893
Dr. Bernd Kottmann	122	0	0	4	1,250	1,376
Thomas Zinnöcker	143	72	71	7	–	293
Total	**1,055**	**546**	**545**	**52**	**1,250**	**3,448**

2012 EUR thousand	Gross basic remuneration	Gross annual performance-related remuneration (short term incentive)	Multi-annual performance related remuneration (long term incentive)	Gross ancillary benefits	Total
Thomas Zinnöcker (CEO)	490	258	258	22	1,028
Jörg Schwagenscheidt	395	208	208	20	831
Andreas Segal	395	208	208	12	823
Total	**1,280**	**674**	**674**	**54**	**2,682**

In 2013, EUR 1,250 thousand was paid at the end of employment contracts (2012: EUR 0).

The former shareholders W2001 Capitol B.V. and Lekkum Holding B.V. shall bear the costs for a supplementary payment component offering a long-term incentive plan (LTIP) as part of bilateral agreements with Management Board members. This year, the company reported expenses and a contribution to the capital reserves of EUR 1,246 thousand (2012: EUR 2,205 thousand) in accordance with IFRS 2. No further expenses are expected in subsequent years. Please see note (37a).

These agreements do not give rise to any liquidity reductions or (re)payment obligations to former shareholders on the part of GSW. In summary, the total remuneration of the Management Board in accordance with IAS 24.17 therefore amounts to EUR 4,694 thousand (2012: EUR 4,984 thousand).

Remuneration of former members of management and their surviving dependants amounts to EUR 153 thousand (2012: EUR 152 thousand). A provision of EUR 1,790 thousand (2012: EUR 1,822 thousand) has been recognised for retirement pensions payable to former members of management and their surviving dependants.

Regarding the compensation agreement in accordance with section 315 (4) no. 9 HGB, the Management Board member shall have a special right of termination and - associated herewith - a claim to severance in the event of his appointment to the Management Board in accordance with section 84 AktG being revoked before 1 December 2013, if the Management Board member in question is not responsible for the reason for his dismissal.

The claims to Supervisory Board remuneration acquired in the 2013 financial year amounted to EUR 437 thousand (2012: EUR 299 thousand).

Payment made to employee representatives in the Supervisory Board for work outside their work for the Supervisory Board was in line with the market.

c) Relations with non-consolidated affiliates

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

d) Relations with associates and joint ventures

The GSW Group does not have any relations with associates and joint ventures as at 31 December 2013.

39. Contingent liabilities

The Group has the following contingent liabilities:

EUR thousand	31.12.2013	31.12.2012
Warranties	3,307	3,397
Mortgages	10,635	10,635
Other liabilities	3,127	2,864

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

40. Management and the supervisory board

The members of the Management Board of GSW Immobilien AG are as follows:

	Memberships of supervisory boards and other supervisory bodies as defined in section 285 no. 10 HGB in conjunction with section 125 (1) sentence 5 AktG
Michael Zahn (from 15 January 2014) Economics graduate, Chief Executive Officer (CEO)	Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Chairman of the Supervisory Board), GEHAG GmbH, Berlin (Chairman of the Supervisory Board), KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin (Chairman of the Supervisory Board), G+D Gesellschaft für Energiemanagement GmbH, Magdeburg (Chairman of the Advisory Board) Funk Schadensmanagement GmbH, Berlin (Chairman of the Advisory Board)
Andreas Segal, Lawyer, Management Board member Co-Chief Executive Officer (Co-CEO, 23 August 2013 to 15 January 2014)	none
Lars Wittan (from 15 January 2014) Business management graduate, Management Board member	KATHARINENHOF® Seniorenwohn- und Pflegeanlage Betriebs-GmbH, Berlin (Deputy Chairman of the Supervisory Board), Eisenbahn-Siedlungs-Gesellschaft Berlin mbH, Berlin (Member of the Supervisory Board),
Jörg Schwagenscheidt (until 31 January 2014) Real estate economist, Management Board member (COO) Co-Chief Executive Officer (Co-CEO, 23 August 2013 to 15 January 2014)	none

Continued on following page

Dr Bernd Kottmann (16 April to 15 July 2013) Business management graduate, (CEO)	Hamborner REIT AG (Deputy Chairman of the Supervisory Board)
Thomas Zinnöcker (until 15 March 2013) Business graduate, CEO	taskforce - Management on Demand GmbH (Deputy Chairman of the Supervisory Board)

By way of resolution of 18 March 2013, the Supervisory Board terminated Mr Zinnöcker's appointment as CEO effective from the end of 15 April 2013. By way of resolution of 18 March 2013, the Supervisory Board appointed Dr Kottmann as CEO effective 16 April 2013.

At the Annual General Meeting on 18 June 2013, 63.31 % of the share capital present voted in favour of the motion proposing a vote of no confidence in the CEO, Dr Bernd Kottmann. At the extraordinary Supervisory Board meeting on 25 June 2013, the Supervisory Board and Dr Bernd Kottmann agreed by mutual consent to terminate his contract as CEO effective 15 July 2013. Dr Kottmann was released with immediate effect.

In its meeting on 23 August 2013, the Supervisory Board resolved that Jörg Schwagenscheidt and Andreas Segal would lead GSW together as equally entitled Co-CEOs.

The members of the Supervisory Board of GSW Immobilien AG are as follows:

	Memberships of supervisory boards and other supervisory bodies as defined in section 285 no. 10 HGB in conjunction with section 125 (1) sentence 5 AktG
Uwe E. Flach (from 3 January 2014) Chairman of the Supervisory Board (from 15 January 2014), Senior Advisor Oaktree GmbH Frankfurt / Main	Deutsche Wohnen AG, Frankfurt / Main (Chairman of the Supervisory Board), DZ Bank AG, Frankfurt / Main (Member of the Advisory Board), Prime Office AG, Cologne (Deputy Chairman of the Supervisory Board)
Gisela von der Aue Senator of Justice of the State of Berlin (retired) President of the State Audit Office Brandenburg (retired)	none
Dr Reinhard Baumgarten Corporate consultant, Berlin	BCIA GmbH (Chairman of the Supervisory Board)
Jan Bettink (from 10 October to 31 December 2013) CEO of Berlin Hyp AG, Berlin (from 1 January 2014), Member of the Management Board of LBB Holding AG Member of the Management Board of Landesbank Berlin AG (until 31 December 2013)	KfW (Kreditanstalt für Wiederaufbau) A.ö.R. – Member of the Board of Directors
Veronique Frede (until 31 December 2013) Chairperson of the Works Council (exempt) at GSW Immobilien AG	none
Dr Eckart John von Freyend (until 31 July 2013) Chairman of the Supervisory Board (until 31 July 2013), Corporate consultant, Bonn	Hamborner REIT AG (Chairman of the Supervisory Board), Hahn Immobilien-Beteiligungs AG (Deputy Chairman of the Supervisory Board), EUREF AG (Member of the Supervisory Board; from 1 July 2013 Chairman of the Supervisory Board), VNR Verlag für die Deutsche Wirtschaft AG (Member of the Supervisory Board), Investmentaktiengesellschaft für langfristige Investoren TGV (Deputy Chairman of the Supervisory Board), AVECO Holding AG (Member of the Supervisory Board), FMS Wertmanagement AöR (Member of the Board of Directors until 8 July 2013), Bundesanstalt für Immobilienaufgaben (Member of the Board of Directors)

Continued on following page

Matthias Hünlein (from 3 January 2014) Managing Director Tishman Speyer Properties Deutschland GmbH, Frankfurt / Main	Deutsche Wohnen AG, Frankfurt / Main (Member of the Supervisory Board), A.A.A. Aktiengesellschaft Allgemeine Anlagenverwaltung (Member of the Supervisory Board)
Dr Andreas Kretschmer (from 3 January 2014) Deputy Chairman of the Supervisory Board (from 15 January 2014), Managing Director of Ärzteversorgung Westfalen-Lippe Einrichtung der Ärztekammer Westfalen-Lippe - KöR, Münster	Deutsche Wohnen AG, Frankfurt / Main (Deputy Chairman of the Supervisory Board), BIOCEUTICALS Arzneimittel AG, Bad Vilbel (Chairman of the Supervisory Board), Amprion GmbH (Deputy Chairman of the Supervisory Board)
Dr Jochen Scharpe (until 31 December 2013) Deputy Chairman of the Supervisory Board, Managing Director of AMCI GmbH, München	LEG Immobilien AG LEG NRW GmbH (Chairman of the Supervisory Board) LEG Wohnen NRW GmbH (Chairman of the Supervisory Board) FFIRE AG (Deputy Chairman of the Supervisory Board) Geneba N.V., Amsterdam (from July 2013)
Helmut Ullrich (from 3 January 2014) Assessor jur.	none
Claus Wisser (until 31 December 2013) Chairman of the Supervisory Board (from 8 August 2013 to 31 December 2013), Founder of WISAG Facility Service Holding GmbH & Co. KG, Chairman of the Supervisory Board of AVECO Holding AG	AVECO Holding AG (Chairman of the Supervisory Board) DFV Deutsche Familienversicherung AG (Member of the Supervisory Board)

41. Group employees

The Group's average number of employees in 2013 was as follows:

Headcount[1]	Average number of employees
Duly authorised officers (Prokuristen)	4
Salaried employees	426
Blue-collar workers	20
Caretakers	86
Total	**536**

[1] Not including apprentices and BA students

42. Events after the end of the reporting period

By way of resolution of 15 January 2014, the Supervisory Board appointed Mr Michael Zahn and Mr Lars Wittan to the Management Board of the company.

Jörg Schwagenscheidt left the company by mutual agreement on 31 January 2014.

On 11 February 2014, GSW Immobilien AG decided to terminate the convertible bonds issued by the company in November 2012 with a total nominal value of EUR 182.9 million, to the extent they are still outstanding, effective 13 March 2014 and to repay them prematurely.

The shares of GSW are admitted for trading on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange and the Regulated Market of the Berlin Stock Exchange. On 19 February 2014, the Management Board of GSW Immobilien AG decided to apply for a repeal of the admission to the Prime Standard and to change to the General Standard. It was also resolved to apply for a repeal of the shares' admission to the Berlin Stock Exchange.

The management boards of Deutsche Wohnen AG and of GSW Immobilien AG agreed on 7 March 2014, with the approval of the respective supervisory board, to prepare a domination agreement between Deutsche Wohnen AG, as the controlling entity, and GSW Immobilien AG, as the controlled entity, and to conclude such agreement. Deutsche Wohnen AG will offer the minority shareholders of GSW Immobilien AG to acquire their shares in exchange for newly issued shares of Deutsche Wohnen AG, and the minority shareholders will be offered a compensation payment for the duration of the agreement. The companies will determine the final structure of the provisions regarding the consideration in shares and the annual compensation payment under the agreement on the basis of a company valuation and in accordance with legal requirements.

43. Declaration of compliance in accordance with section 161 of the German stock exchange corporation act

The Management Board and the Supervisory Board apply the rules of the German Corporate Governance Code with restrictions. The declaration of compliance can be accessed at all times at www.gsw.de.

Berlin, 10 March 2014
GSW Immobilien AG, Berlin

MICHAEL ZAHN
CEO

ANDREAS SEGAL
Management Board member

LARS WITTAN
Management Board member

Auditor's Report

We have audited the consolidated financial statements prepared by the GSW Immobilien AG, comprising the statement of financial position, the income statement and statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch“: German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

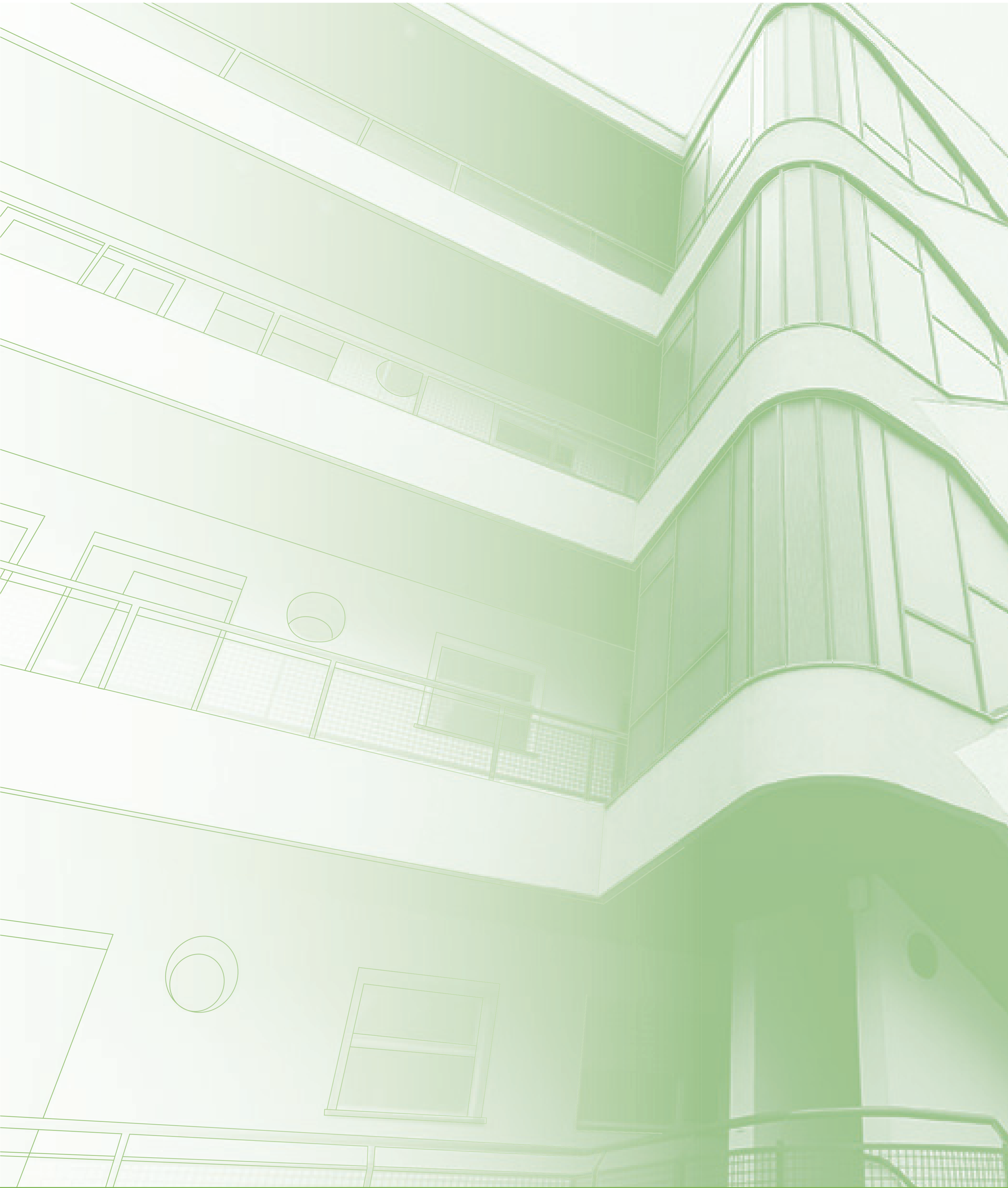
Berlin, March 13, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Thomas Kieper	ppa. Dr. Frederik Mielke
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

List of abbreviations

AFFO	Adjusted Funds from operations
AfS	Available for Sale
AG	Aktiengesellschaft (Limited Company)
AktG	German Stock Corporation Act
BGB	German Civil Code
BMH	Berliner Mediahaus GmbH
BP	Basis Points
BWG	GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau mbH
CBRE	CB Richard Ellis
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CMBS	Commercial Mortgage Backed Securities
COO	Chief Operative Officer
DAX	German Stock Index
DCF method	Discounted Cash flow method
DCGK	German Corporate Governance Codex
DSCR	Debt Service Coverage Ratio
D&O insurance	Directors and Officers Liability Insurance
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECB	European Central Bank
EPRA	European Public Real Estate Association
EUR	Euro
EUR mn	EUR million
FFO	Funds from operations
FLaC	Financial Liabilities at Cost
FLHfT	Financial Liabilities Held for Trading
FTSE	Financial Times Stock Exchange Index
FVO	Fair Value Option
FVTPL	Fair Value Through Profit and Loss
GmbH	Gesellschaft mit beschränkter Haftung (Company with limited liability)
GoB	Grundsätze ordnungsmäßiger Buchführung (German General Accounting Principles)
HGB	Handelsgesetzbuch (German Commercial Code)
HRB	Commercial Register Section B
HtM	Held to Maturity
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBB	Investitionsbank Berlin
ICR	Interest Coverage Ratio
IDW	German Institute of Auditors
IFRIC	International Annual Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IfW	Kiel Institute for the World Economy
IPO	Initial Public Offering
IT	Information Technology
KG	Kommanditgesellschaft (Partnership Limited)
LaR	Loans and Receivables
LBIE	Lehman Brothers International (Europe)
LTI	Long Term Incentive
LTIP	Long Term Incentive Plan
LTV	Loan-to-Value
MDAX	Mid Cap German Stock Index
NAREIT®	National Association of Real Estate Investment Trusts®
NAV	Net Asset Value
NL	Netherlands
No.	Number
OCI	Other comprehensive income
P&L	Profit and Loss
RMS	Risk Management System
S. A.	Société anonyme
SAP	SAP Deutschland AG & Co. KG
SDAX	Small Cap German Stock Index
WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)
XETRA	Exchange Electronic Trading



Disclaimer

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in the Risk Report of this annual report. We do not assume any obligation to update the forward-looking statements contained in this report. This annual report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor shall there be any sale, issuance or transfer of the securities referred to in this report in any jurisdiction in contravention of applicable law.

Editor´s note

Rounding differences may occur in the tables.

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