

# INTERIM REPORT

GSW IMMOBILIEN AG **H1-2013**

**GSW**



MY BERLIN. MY HOME.

# Highlights

## OPERATIONAL HIGHLIGHTS

	30.06.2013	30.06.2012
Vacancy rate (residential)	2.7 %	3.2 %
In-place rent (residential)	5.31 EUR / sqm	5.14 EUR / sqm

## INCOME STATEMENT HIGHLIGHTS

EUR mn	1.1.-30.06.2013	1.1.-30.06.2012
Net rental income	91.8	78.9
Result on disposals	4.3	4.8
EBITDA	76.4	66.7
Adjusted EBITDA	76.3	66.0
Net operating profit (EBIT)	76.1	66.3
Consolidated net income for the period	42.5	25.0
FFO I (excl. sales result)	42.5	32.6
AFFO <sup>1</sup>	35.1	24.6
FFO II (incl. sales result)	46.8	37.4

<sup>1</sup> FFO I excl. capitalised expenses for modernisation and maintenance

## BALANCE SHEET HIGHLIGHTS

EUR mn	30.06.2013	31.12.2012
Investment property	3,287.0	3,302.2
Cash and cash equivalents	158.5	167.7
Shareholders' equity	1,460.7	1,440.4
Financial liabilities	1,948.4	1,967.5
Balance sheet total	3,528.1	3,569.9
EPRA NAV	1,517.3	1,525.6
Loan-to-Value	53.8 %	53.8 %
Equity Ratio	41.4 %	40.3 %

## KEY FINANCIALS PER SHARE

EUR	1.1.-30.06.2013	1.1.-30.06.2012
FFO I per share <sup>2</sup>	0.84	0.73
AFFO per share <sup>2</sup>	0.69	0.55

EUR	30.06.2013	31.12.2012
EPRA NAV per share <sup>3</sup>	30.03	30.19
EPRA NAV per share (diluted) <sup>4</sup>	30.10	30.31

<sup>2</sup> Based on an average number of shares outstanding in the respective period following IAS 33.19 (re calculation, please refer to the notes)

<sup>3</sup> Based on outstanding shares on the reporting date | <sup>4</sup> Assuming the convertible bond is exercised in full and converted into 5.21 mn new GSW shares on the reporting date

## **My Berlin. My Home.**

The listed company GSW has been managing one of the largest property portfolios in Berlin for more than 85 years. Its name is synonymous with experience, stability and economic soundness.

We manage a real estate portfolio of around 60,000 residential and commercial units that was valued at EUR 3.3 billion as of 31 December 2012.

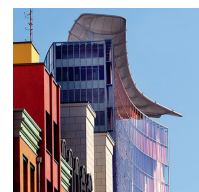
In order to maintain and expand our market position, we take new paths that bridge the gap between innovation and tradition. We continue to develop without abandoning the tried and trusted.

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.

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## To our shareholders

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DEAR SHAREHOLDERS,  
LADIES AND GENTLEMEN,

The first six months of this year were operationally successful for us and brought several changes in the Management Board and Supervisory Board of GSW. Following the presentation of the results of voting at this year's Annual General Meeting on 18 June 2013, the Chairman of the Supervisory Board, Dr. John von Freyend, announced his resignation and left the Supervisory Board of GSW at his own request as at 31 July 2013. In addition, the Supervisory Board and Dr. Kottmann, who was CEO of GSW from 16 April 2013, resolved the consensual dissolution of his Management Board contract as at 15 July 2013. Dr. Kottmann was relieved of office with immediate effect. We wish to thank Dr. John von Freyend and Dr. Kottmann for their work and their commitment to GSW, and wish them every success in their new ventures. The Supervisory Board has since been working to devise a succession solution. Until further notice, business is being run by the two members of the Management Board, Jörg Schwagenscheidt and Andreas Segal.

GSW continued to operate with its usual style and continuity in the past six months. For example, GSW again increased its rental and property management income. Furthermore, GSW acquired around 2,800 apartments in Berlin in two transactions at the end of July and the start of August. With a monthly in-place rent of around EUR 5.62 /sqm, their vacancy rate is just around 0.9 %. The total purchase price for the two portfolios was around EUR 201 million or EUR 1,176 /sqm.

The properties are essentially in Friedrichshain-Kreuzberg (28 %), Pankow (26 %) and Lichtenberg (24 %) and have mostly been modernised. The purchases will mostly affect our total comprehensive income from the coming year. Thanks to these acquisitions, we are anticipating a lasting positive influence on our operating margins and an additional FFO contribution of EUR 6.2 to 6.6 million. Thus, we have fully – and profitably – invested the cash inflows generated by the capital measures of 2012. We will continue this course advisedly. In doing so we will monitor the ongoing development on the Berlin residential market and the international capital markets to identify attractive opportunities for our future value-driven growth.

As against the first half of 2012, net rental income rose by 16.3 % to EUR 91.8 million, adjusted EBITDA by 15.5 % to EUR 76.3 million and consolidated net income by 69.7 % to EUR 42.5 million. In addition to our acquisitions in the previous year, this was aided by the further improvement in our operating performance. Thus, our average rent climbed from EUR 5.14 to EUR 5.31 and the vacancy rate declined from 3.2 % to 2.7 % year-on-year.

Some of this success is due to the continuous improvement of the market environment in Berlin. Rents continued to rise, as was also confirmed by the 2013 rent index. On average, rents have increased by 3.1 % per year since the last Berlin rent index in 2011. The weighted average in-place rent in the 2013 index is now EUR 5.54/sqm per month. On this basis, we will implement rent increases of approximately 5.4 % for around 19,000 apartments.

As a result of the positive operating performance and the larger property portfolio compared to the previous year, FFO I climbed by 30.4 % to EUR 42.5 million, while AFFO rose by 42.6 % to EUR 35.1 million. Thus, even the extraordinary expenses in connection with the changes in the Management Board and the Supervisory Board have been compensated for. Net asset value (EPRA NAV) – the Group's economic capital – amounted to EUR 30.03 as at the end of the first half of the year. The loan-to-value ratio remained constant at 53.8 %.

Overall, we are confirming our FFO I forecast for the 2013 financial year of EUR 73 to EUR 78 million.

Berlin, August 2013



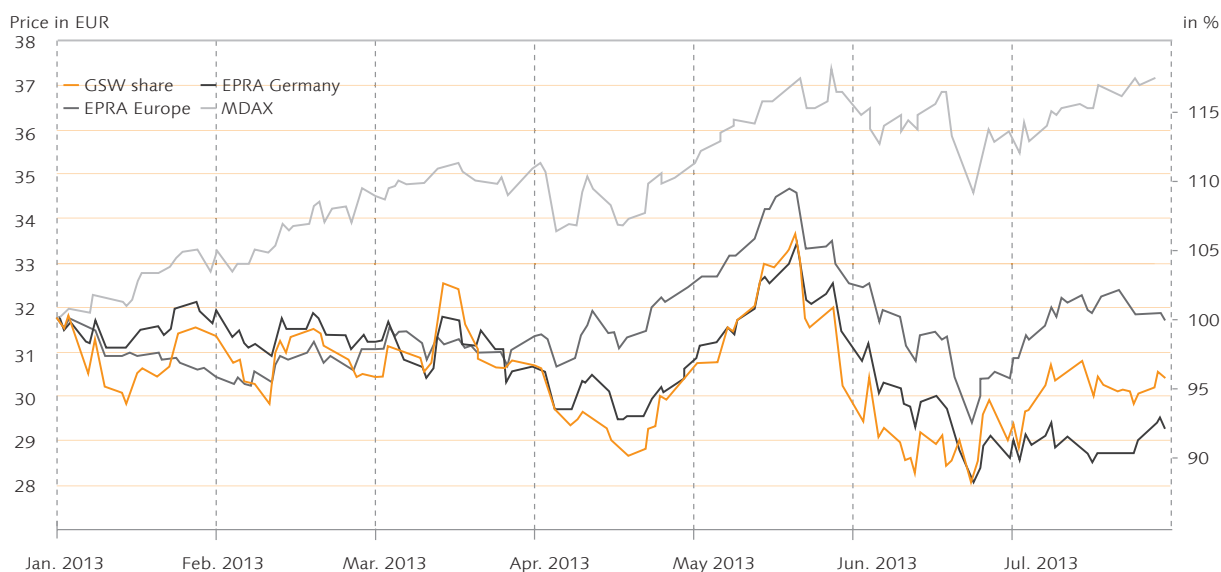
JÖRG SCHWAGENSCHIEDT  
COO



ANDREAS SEGAL  
CFO

# Share

## SHARE PRICE PERFORMANCE



### KEY DATA

Sector	<b>Real estate</b>
ISIN	<b>DE000GSW1111</b>
German Securities Code Number (WKN)	<b>GSW111</b>
Stock exchange symbol	<b>GIB</b>
Reuters	<b>GIBG.DE</b>
Bloomberg	<b>GIB:GR</b>
Initial listing	<b>15 April 2011</b>
Market segment	<b>Prime Standard</b>
Trading centres	<b>Frankfurt Stock Exchange</b> <b>XETRA</b> <b>Regulated Market of the Berlin Stock Exchange</b>
Indices	<b>MDAX</b> <b>FTSE EPRA / NAREIT Global Real Estate Index Serie</b> <b>GPR 250, STOXX Europe 600</b> <b>TR / GPR Global 100 Index EUR</b>
Designated sponsors	<b>Deutsche Bank</b> <b>Goldman Sachs International</b> <b>DZ Bank</b>

### KEY SHARE DATA

	31.07.2013	31.07.2012
Share capital as of 31 July (in EUR)	50,526,314	50,526,314
Number of shares as of 31 July	50,526,314	50,526,314
Closing price as of 31 July (XETRA, in EUR)	30.42	29.95
High (XETRA, in EUR) (current year)	33.75	30.28
Low (XETRA, in EUR) (current year)	27.88	21.19
Market capitalisation as of 31 July (in EUR m)	1,537.0	1,513.3
Average daily trading volume (XETRA, in EUR) (current year)	4,000,298	3,413,522



## Annual General Meeting (AGM) and dividend

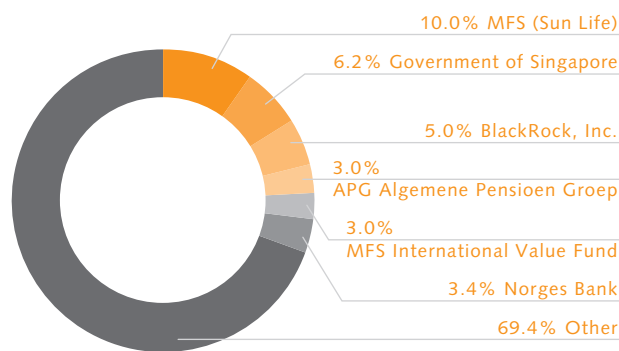
The ordinary Annual General Meeting (AGM) for the past financial year took place in Berlin on 18 June 2013. Distribution of a dividend of EUR 0.90 per share entitled to receive dividends was resolved almost unanimously by the Annual General Meeting (AGM) for the 2012 financial year. This corresponds to a total dividend payment of around EUR 45.5 million and a 71 % share of the FFO I achieved 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 (AGM) also approved the resolutions on authorised capital and contingent capital by large majorities and consequently created the basis for continuing the value-oriented growth strategy.

Decisions were also reached on the supplementary motions placed on the agenda by the Dutch pension fund PGGM to deselect the Chairman of the Supervisory Board, Dr Eckart John von Freyend, and to table a vote of no-confidence in the CEO, Dr Bernd Kottmann. 69.63 % of the capital present voted in favour of deselecting the Chairman of the Supervisory Board as a member of the Supervisory Board. The 75 % majority required to accept the motion was not reached. 63.31 % of the capital present voted in favour of motion to table a vote of no-confidence in the CEO.

The results of the votes on the supplementary motions from PGGM were discussed at the extraordinary Supervisory Board meeting on 25 June 2013. In response to these, the Chairman of the Supervisory Board, Dr Eckart John von Freyend, announced his resignation as of 31 July 2013. The Supervisory Board and Dr Kottmann have also agreed by mutual consent to terminate his contract as CEO as of 15 July 2013. Business will be run by the two Management Board members Andreas Segal and Jörg Schwagenscheidt until further notice.

### SHAREHOLDER STRUCTURE AS OF 31 JULY 2013



As of: 31 July 2013 (based on last voting rights announcements due to WpHG); Free float according to Deutsche Börse approx. 94 %

### FINANCIAL CALENDAR

19 – 20 August 2013	<b>Roadshow London</b>
21 August 2013	<b>Roadshow Paris</b>
22 August 2013	<b>Roadshow Zurich</b>
15 November 2013	<b>Interim Report 9M-2013</b>



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## Economic report

### Market and economic environment

#### Overall economic situation in Europe and Germany

The economic downturn in Europe continued in the first half of 2013. The Kiel Institute for the World Economy (IfW) forecasts global economic growth of 3.2 % for 2013, while the economy in the EU is expected to shrink again with a fall of 0.2 %. The IfW is more optimistic for Germany, for which it forecasts growth in GDP of 0.5 %.<sup>1</sup> However, in the first three months of 2013, German price-adjusted economic output only grew by a weak 0.1 % compared with the previous quarter, having fallen by 0.7 % in the final quarter of 2012.<sup>2</sup>

Given the risks to the economy, the ECB is keeping interest rates low: Having reduced the headline rate to 0.75 % in mid-2012, a further cut to a new low of 0.5 % followed in May 2013.<sup>3</sup>

#### Overall economic situation in Berlin

Berlin again demonstrated its economic dynamism in 2012: at 1.2 %, Berlin's economy grew far more strongly than the national average. In the services sector, which is crucial to Berlin, growth in gross value added came to 1.6 % in 2012.<sup>4</sup> The positive economic trend is also reflected on the employment market: In June 2013, the unemployment rate in Berlin stood at only 11.6 % compared with 12.0 % in June 2012.<sup>5</sup> At the same time, average gross monthly income including benefits rose by 2.8 % year-on-year<sup>6</sup> and

exceeded the rise in consumer prices<sup>7</sup> by 0.4 percentage points.

Contrary to demographic trends in Germany, the population in Berlin has grown continuously since 2005. In 2012, the number of Berlin citizens increased by a further 1.5 %.<sup>8</sup> Demand for housing is also boosted by the increase in the total number of households, which is to grow by around 6 % compared with 2011 by 2020 according to calculations by the Investitionsbank Berlin (IBB). The proportion of single-person households, which is the most common form of household in Berlin, accounting for 54 % of all households, is particularly significant. According to IBB, this proportion is also set to increase in future.<sup>9</sup> Demand for housing, which has not previously been matched by a corresponding expansion in supply despite an increase in construction activity, is therefore expected to remain brisk.

The Berlin rentals reflect this trend in part, as is clear from the Berlin rent index for 2013. Within the last two years, rents have risen by ca. 6.3 % compared with the rent index for 2011. Despite this, the rental level in Berlin remains far lower than in other German cities.

<sup>1</sup> Kiel Institute for the World Economy, "World Economy in Summer 2013", 19 June 2013 | <sup>2</sup> Federal Office for Statistics, "Detailed Findings on Economic Output", Press Release No. 174 dated 24 May 2013 | <sup>3</sup> ECB website, download: 31 July 2013 | <sup>4</sup> Office for Statistics Berlin-Brandenburg, Press Release No. 87 dated 27 March 2013 | <sup>5</sup> Federal Agency for Employment, map benchmark figures, June 2013 | <sup>6</sup> Office for Statistics Berlin-Brandenburg, Press Release No. 101 dated 18 April 2013 | <sup>7</sup> Office for Statistics Berlin-Brandenburg, Press Release No. 2 dated 3 January 2013 | <sup>8</sup> Office for Statistics Berlin-Brandenburg, Population Census, online tables, download: 11 July 2013 | <sup>9</sup> IBB Housing Market Report 2012

## Development of the housing portfolio

### Overview

GSW's business model is focused on managing residential property in Berlin to generate stable cash surpluses that grow steadily over time. As one of Germany's most attractive residential real estate markets, Greater Berlin offers excellent background conditions, especially as – contrary to the national average – it has been characterised by positive demographic trends for some years.

Active, value-oriented portfolio management with the objective of generating sustainable yields and increasing them as well as ensuring the value retention of the portfolio and GSW's competitiveness in the long term constitute one of GSW's key strategic components. Among

other things, this includes the continuous development of the company's own housing stock by means of maintenance and modernisation measures and constant efficiency improvements that add value while maintaining a clear customer focus in property management.

In addition to optimising its current portfolio, GSW is planning to conduct targeted and appropriately priced acquisitions of new housing stock with good development and yield prospects, providing that these involve only a slight increase in administrative expenses and sustained consolidation of the company's local market position in the Greater Berlin area.

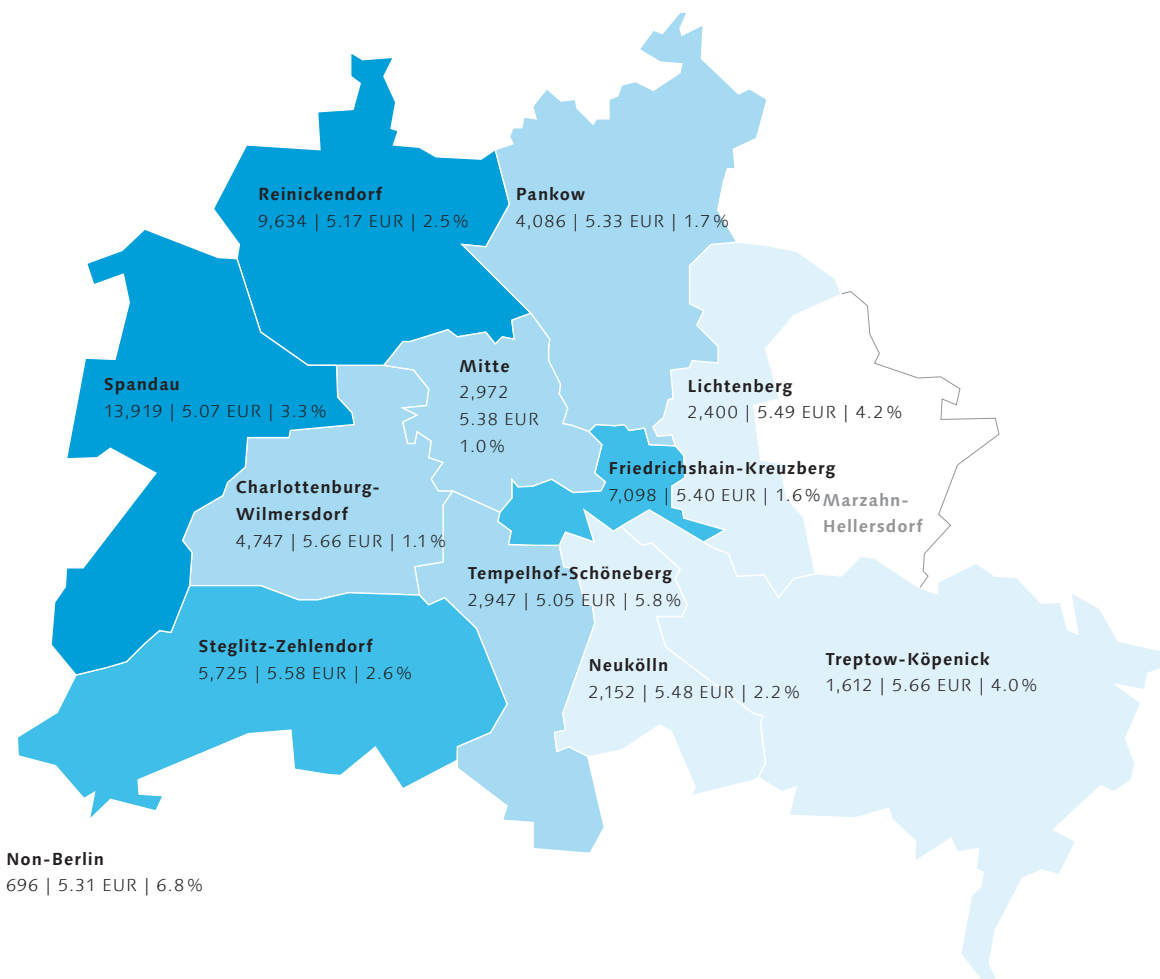
### HOUSING PORTFOLIO 30.06.2013

#### District

No. of residential units | In-place rent in EUR/sqm | Vacancy rate<sup>1</sup> in %

#### No. of GSW residential units

□ 0   ■ < 2,500   ■ < 5,000   ■ < 7,500   ■ > 7,500



<sup>1</sup> The vacancy rate represents the ratio of vacant units to total lettable units.

Selective opportunistic sales of apartments and sub-portfolios enhance the company's options. The majority of sales involve owner-occupied apartments and serve to optimise income from property management. Additional cash flow for the company is also generated by this means.

With 57,988 of its own apartments, 977 commercial units as well as 9,493 garages / parking spaces, GSW manages one of the largest real estate portfolios in the German capital. On the reporting date, the vacancy rate for the apartments was 2.7 % (30 June 2012: 3.2 %). The average in-place rent for the portfolio as a whole amounted to EUR 5.31 / sqm on 30 June 2013 and was therefore EUR 0.09 / sqm higher than at the end of 2012. This was due both to rent increases for existing tenants and new rentals of units, which were well above existing rents on average.

Following a transitional period, the entire Berlin portfolio purchased in 2012 has been integrated. The economic data for the approx. 6,500 apartments are developing in line with expectations. At 30 June 2013, the reporting date, the in-place rent of the apartments was EUR 5.46 / sqm and the vacancy rate was 1.9 %.

### **Maintenance and modernisation**

Through continuous investment in both the fabric of its buildings and the standard of its residential units, GSW ensures that its housing stock can be let long-term and that its residential units are very attractive. For instance, residential units are modernised before being re-let to ensure they meet modern standards and thereby allow an adjustment in line with current market rents. This approach ensures that the generally sound positioning of the GSW portfolio on the Berlin market is consolidated and developed.

### **Acquisitions**

Purchase agreements for some 2,830 residential units in Berlin were concluded in July and August in two transactions. Completion of the agreement is subject to

normal market conditions and is expected by the year-end. The properties are mainly located in Friedrichshain-Kreuzberg (28 %), Pankow (26 %) and Lichtenberg (24 %) with the remainder being spread among Neukölln, Tempelhof-Schöneberg and Mitte. The properties are largely modernised and the majority were constructed in the 1970s and 1980s (85 %). The in-place rent across all residential units averages EUR 5.62 / sqm, the vacancy rate stands at some 0.9 %. The purchase price for the portfolios amounts to some EUR 201 million, which equates to ca. EUR 1,176 / sqm or 16.95 times the in-place rent. Assuming acquisition financing of ca. 50 % LTV (Loan-to-Value), the new properties should generate an FFO I contribution of ca. EUR 6.2 to 6.6 million from 2014.

### **Sales**

A total of 896 residential and commercial units were sold in the first half of 2013. Of this figure, the sale of 386 units were to owner-occupiers and private capital investors as part of the Group's privatisation strategy. Further 510 units were sold on an opportunistic basis to streamline the portfolio; the vast majority of sales involved un-modernised properties located on the edge of Berlin-Köpenick.

Additionally, the approximately 480 residential and commercial units in Duisburg, Essen, Erfurt and Magdeburg acquired by GSW in the previous year were sold in line with the portfolio strategy as planned. Execution of the contracts, which is in line with standard market conditions, is expected by 1 November 2013.

### **Berlin rent index 2013**

The new rent index for the Berlin housing market was published on 23 May 2013. As in previous years, it is an updated, accurate rent index, which is recognised by the Senate Department for Urban Development and key stakeholders, which include the Berlin tenants' association, the Berlin tenant protection association, the Bund der Berliner Haus- und Grundbesitzervereine (association of Berlin property owners) and the Verband Berlin-

Brandenburgischer Wohnungsunternehmen (association of housing companies). The rent index shows typical local comparative rents for non-rent-restricted rental apartments on 1 September 2012. The type, size, facilities, condition and position of the apartments are analysed as comparison parameters.

The table structure of the property portfolios was amended, among other things, in preparing the rent index. The rent index table was made easier to understand by merging or splitting columns – there are now 7 construction year clusters instead of the previous 11. Special features are shown with details of when they were constructed / installed for the first time in the 2013 rent index. For instance, the estimates for a modern bath range from EUR 0.23 /sqm to EUR 0.28 /sqm (2011: EUR 0.11 /sqm) and for floor covering from EUR 0.25 to 0.69 /sqm (previously: EUR 0.50 /sqm). The calculation of the typical local comparative rent was also systematically adjusted. In the first stage of the calculation, the special features were offset against the average and the remaining difference to the upper / lower value can be exploited through the guidance in the second stage.

The averages of rent index rents in Berlin rose from EUR 5.21 /sqm in 2011 to EUR 5.54 /sqm in 2013 and therefore by around 6.3 %. Rents for older buildings and for modest locations have posted above-average increases; smaller residential units have also experienced slightly higher growth rates. By contrast, rents for properties in average and good residential areas have risen at below-average rates.

Overall, the increase in rents in the 2013 rent index highlights the dynamic growth and sustained appeal of the Berlin housing market. However, compared with the previous rent index, the increase in 2013 is more moderate than it was in 2011: the 2011 Berlin rent index showed an increase in rents of 7.9 % compared with the 2009 rent index. However, as in the previous rent index, there are signs of continued differentiation in residential rents in

2013 as well. The figures range from EUR 4.28 /sqm for the lowest and EUR 8.57 /sqm for the highest average.

On 30 June 2013, some 75 % of the residential units in GSW's portfolio are below the Berlin rent index. Adjusted for vacancies as well as rental units, for which no rent index figure is shown ca. 72 % of the entire portfolio remains. To date, a rent has been achieved through new leases, which is above the rent index rent for the respective locations, for around 35 % of these residential units or ca. 25 % of the portfolio as a whole.

The evaluation and implementation of the new 2013 Berlin rent index is largely complete. GSW assumes that it will implement rent increases for ca. 12,000 residential units this year. Further adjustments will follow in 2014.

## Net assets, financial position and results of operations

### Results of operations

NET RENTAL INCOME		
EUR mn	01.01.- 30.06.2013	01.01.- 30.06.2012*
Income from rents	114.6	101.0
Income from management activities and other income	2.8	5.3
<b>Gross rental income</b>	<b>117.4</b>	<b>106.2</b>
Income from direct government grants	3.0	4.1
<b>Total rental income</b>	<b>120.4</b>	<b>110.3</b>
Cost of materials	(17.9)	(19.1)
Personnel expenses	(8.0)	(9.4)
Other property operating expenses / income	(2.7)	(2.9)
<b>Net rental income</b>	<b>91.8</b>	<b>78.9</b>

\* Changes in the presentation of the corresponding amounts for cost of materials, personnel and other property expenses from the previous year. In the interests of clearer presentation, income from the reversal of provisions was netted off against the corresponding expenses from the 2012 financial year.



In the first half of 2013, net rental income amounted to EUR 91.8 million and was consequently EUR 12.9 million up on the comparative period in the previous year. This was primarily attributable to the acquisition of some 7,000 residential units where economic ownership was transferred at the turn of the year 2012/2013. Higher average rents compared with the comparative period in the previous year and the lower vacancy also made a significant contribution to the improvement in earnings. By comparison, the in-place rent for leased residential units increased to EUR 5.31 /sqm as of 30 June 2013 (30 June 2012: EUR 5.14 /sqm); GSW cut the vacancy rate for these properties to 2.7 % (30 June 2012: 3.2 %).

By contrast, as expected, income from government grants fell to EUR 3.0 million in the first half of 2013 (1st half of 2012: EUR 4.1 million).

The cost of materials has decreased by EUR 1.1 million in comparison with the previous year, which is mainly attributable to the reduction in expenses for operating costs because of the reduction in the vacancy rate and to lower legal expenses.

Total expenses for maintenance came to some EUR 18.8 million in the first half of 2013, of which EUR 7.4 million was capitalised.

#### RESULT ON DISPOSALS

EUR mn	01.01.- 30.06.2013	01.01.- 30.06.2012
Investment property disposal proceeds	58.7	35.7
Carrying amount of investment property disposals	(51.3)	(26.2)
Operating expenses for investment property disposed	(3.1)	(4.7)
<b>Result on disposal of investment property</b>	<b>4.3</b>	<b>4.8</b>

On the basis of strong market demand for property in Berlin, GSW sold a total of 896 residential and commercial units, transferring the associated risks and rewards, in the first half of the current financial year (1st half of 2012: 477 units). This included the strategic sale of a housing complex of over 400 units in Berlin-Köpenick with the

aim of optimising the real estate portfolio. Since lower sales margins are achieved on block sales, as a rule, than on the sale of condominiums, the result on disposal is EUR 0.5 million lower, at EUR 4.3 million, than in the comparative period in the previous year.

#### GENERAL ADMINISTRATIVE EXPENSES

EUR mn	01.01.- 30.06.2013	01.01.- 30.06.2012
<b>General administrative expenses</b>	<b>(19.9)</b>	<b>(17.4)</b>
Expenses for capital measures	0.9	0.0
Long Term Incentive Plan (LTIP)	1.1	1.6
Project expenses	0.9	0.7
Acquisition expenses	1.0	1.4
<b>Administrative expenses (adjusted)</b>	<b>(16.0)</b>	<b>(13.7)</b>
Severance claims Dr Kottmann	1.3	–
Expenses in connection with the change of CEO	0.4	–
<b>Administrative expenses (adjusted) after extraordinary expenses</b>	<b>(14.3)</b>	<b>(13.7)</b>

General administrative expenses rose by EUR 2.6 million to EUR 19.9 million in the first half of 2013. This increase was primarily the result of expenses for the preparation of a capital measure in the first quarter of 2013 as well as from a liability for claims for severance enforced by the CEO, Dr Kottmann, who left on 15 July 2013.

Adjusted for non-recurring effects, general administrative expenses came to EUR 14.3 million and in as much were some EUR 0.6 million up on the comparative period in the previous year (1st half of 2012: EUR 13.7 million). This increase is firstly the result of higher consulting expenses relating to strategic issues, among other things, and secondly of higher personnel expenses in connection with capital market requirements and the increase in collectively agreed salaries since the fourth quarter of 2012.

The expenses associated with the change of CEO were included in the FFO, as are severance issues.

#### NET INTEREST INCOME

EUR mn	01.01.- 30.06.2013	01.01.- 30.06.2012
Income from valuation of derivatives and loans	14.0	5.6
Interest income from derivatives	1.0	5.9
Other interest income	0.4	0.6
<b>Interest income</b>	<b>15.4</b>	<b>12.1</b>
Expenses from valuation of derivatives and loans	(10.2)	(12.2)
Interest expenses from derivatives	(13.5)	(15.3)
Interest expenses from financing of investment property	(22.5)	(25.5)
Other interest expenses / finance lease	(0.2)	(0.4)
Interest expenses for convertible bond	(3.3)	-
Breakage costs from financing activities	(0.4)	(0.1)
<b>Interest expenses</b>	<b>(50.2)</b>	<b>(53.6)</b>
<b>Interest result</b>	<b>(34.8)</b>	<b>(41.5)</b>

The company's interest income rose to EUR 15.4 million year-on-year. A key factor here was an increase in income from measuring derivatives, which arose from the loss of a hedging relationship between a loan and the derivative assigned to it in the second quarter of 2013. This was partly offset by lower income from interest rate derivatives due to the generally low level of interest rates.

Interest expenses decreased to EUR 50.2 million. This fall was mainly attributable to a reduction in valuation expenses, a reduction in expenses for derivatives and a reduction in interest expenses from financing of investment property because of the fall in the level of interest rates for variable-rate loans. This was balanced by interest expenses from the convertible bond for the accrued coupon interest and the measurement of the liability.

Overall, net interest income fell by EUR 6.8 million to EUR -34.8 million.

#### INCOME STATEMENT

EUR mn	01.01.- 30.06.2013	01.01.- 30.06.2012
Net rental income	91.8	78.9
Result on disposal of investment property	4.3	4.8
Net valuation gains / losses on investment property	- *)	- *)
General administrative expenses	(19.9)	(17.4)
<b>Net operating profit (EBIT)</b>	<b>76.1</b>	<b>66.3</b>
Net result of investments	0.3	1.2
Interest result	(34.8)	(41.5)
<b>Profit before income taxes</b>	<b>41.6</b>	<b>26.0</b>
Income taxes	0.9	(1.0)
<b>Consolidated net income for the period</b>	<b>42.5</b>	<b>25.0</b>

To date, in the 2013 financial year, GSW generated consolidated net income for the period of EUR 42.5 million and consequently exceeded the result for the comparative period in the previous year by EUR 17.5 million. Adjusted for non-recurring effects, there has been a sharp rise in EBIT of EUR 11.7 million, which is mainly due to the increase in income from letting.

The increase in net income and tax result also contributed to the consolidated net income for the period.

\* In principle, the properties are valued by an external surveyor once a year on 31 December.



FFO I is a key performance indicator for GSW and its shareholders. This liquidity-related indicator is derived from EBIT and shows the level of earnings from GSW's core business (not including the result on disposals) in the relevant period. Non-recurring effects and non-cash influences are eliminated here:

ADJUSTED EBITDA / FFO		
EUR mn	01.01.- 30.06.2013	01.01.- 30.06.2012
<b>Net operating profit (EBIT)</b>	<b>76.1</b>	<b>66.3</b>
Depreciation and amortisation	0.3	0.4
<b>EBITDA</b>	<b>76.4</b>	<b>66.7</b>
Expenses for capital measures	0.9	0.0
Restructuring expenses	0.0	0.1
Project expenses	1.1	1.0
Acquisition expenses	1.0	1.4
Long Term Incentive Plan (LTIP)	1.1	1.6
Gains / losses on disposal of property, plant and equipment and financial investments	(0.0)	(0.0)
Result on disposal of investment property	(4.3)	(4.8)
<b>Adjusted EBITDA</b>	<b>76.3</b>	<b>66.0</b>
Cash flow net interest	(35.2)	(34.5)
Net result of investments	0.3	1.2
Cash flow net taxes	1.2	(0.1)
<b>FFO I (excl. sales result)</b>	<b>42.5</b>	<b>32.6</b>
Capitalised expenses for modernisation and maintenance	(7.4)	(8.0)
<b>AFFO (FFO I excl. capitalised expenses for modernisation and maintenance)</b>	<b>35.1</b>	<b>24.6</b>
<b>FFO II (incl. result on disposals)</b>	<b>46.8</b>	<b>37.4</b>

The increase in adjusted EBITDA of EUR 10.3 million reflects the increase in the rental income compared with the comparative period in the previous year. Total financial liabilities rose in line with the financing of the real estate portfolios acquired. This led to a slight increase in interest payments.

Adjusted for interest and tax payments, FFO I for the first half of 2013 amounted to EUR 42.5 million (1st half of 2012: EUR 32.6 million).

AFFO (Adjusted FFO I) takes into account the necessary investments in the property portfolio to maintain the long-term asset value, which 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 35.1 million.

## Net assets

BALANCE SHEET		
EUR mn	30.06.2013	31.12.2012
<b>Non-current assets</b>	<b>3,308.6</b>	<b>3,324.0</b>
Investment property	3,287.0	3,302.2
Other non-current assets	21.6	21.8
<b>Current assets</b>	<b>219.4</b>	<b>245.9</b>
Receivables and other current assets	23.6	32.8
Cash and cash equivalents	158.5	167.7
Assets held for sale	37.4	45.3
<b>Total assets</b>	<b>3,528.1</b>	<b>3,569.9</b>
<b>Shareholders' equity</b>	<b>1,460.7</b>	<b>1,440.4*</b>
<b>Non-current liabilities</b>	<b>1,947.8</b>	<b>1,992.4</b>
Financial liabilities	1,874.8	1,888.8
Other liabilities	73.0	103.6*
<b>Current liabilities</b>	<b>119.6</b>	<b>137.0</b>
Financial liabilities	73.5	78.7
Other liabilities	46.0	58.4
<b>Total equity and liabilities</b>	<b>3,528.1</b>	<b>3,569.9</b>

Shareholders' equity rose by EUR 20.3 million as of 30 June 2013 and was influenced largely by the current positive net profit for the period. The positive effects from measuring derivatives also had an impact on other comprehensive income by increasing equity.

The share-based remuneration components ("LTIP") agreed with the former shareholders on the basis of the successful IPO were also accounted for in full immediately as a result of the departure of Mr Zinnöcker. These were allocated to the capital reserve in accordance with the regulations contained in IFRS 2 (Share-Based Payments).

By contrast, the dividend paid for the 2012 financial year of EUR 45.5 million on 18 June 2013 reduced equity.

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 fell slightly year on year.

\* Adjustment to the figures for the previous year based on the changes to IAS 19 as at 1 January 2013, which means that actuarial gains and losses on pension obligations are recognised immediately and in full in other comprehensive income. The amendments must be carried out retrospectively.

The additional calculation means that effects resulting from the convertible bond are presented in a diluted EPRA NAV:

## NET ASSET VALUE

EUR mn	30.06.2013			31.12.2012*		
	Undiluted	Effect of exercising the convertible bond	Diluted	Undiluted	Effect of exercising the convertible bond	Diluted
<b>Equity (before non-controlling interests)</b>	<b>1,460.7</b>		<b>1,460.7</b>	<b>1,440.4</b>		<b>1,440.4</b>
Effect of exercising options, convertibles and other equity interests		160.2	160.2		158.7	158.7
<b>NAV</b>	<b>1,460.7</b>		<b>1,621.0</b>	<b>1,440.4</b>		<b>1,599.2</b>
Fair value of financial derivatives (net)	61.9		61.9	91.2		91.2
Deferred taxes	(5.3)		(5.3)	(6.0)		(6.0)
<b>EPRA NAV</b>	<b>1,517.3</b>		<b>1,677.6</b>	<b>1,525.6</b>		<b>1,684.3</b>
Number of shares (mn)	50.53	5.21	55.74	50.53	5.05	55.58
<b>EPRA NAV per share (EUR) (undiluted/diluted)</b>	<b>30.03</b>		<b>30.10</b>	<b>30.19</b>		<b>30.31</b>

## Loan-to-value ratio

GSW's loan-to-value ratio developed as follows as of 30 June 2013:

## LOAN-TO-VALUE

EUR mn	30.06.2013	31.12.2012
Financial liabilities	1,948.4	1,967.5
Cash and cash equivalents	(158.5)	(167.7)
<b>Net debt</b>	<b>1,789.9</b>	<b>1,799.8</b>
Investment property	3,287.0	3,302.2
Assets held for sale	37.4	45.3
<b>Loan-to-value ratio</b>	<b>53.8%</b>	<b>53.8%</b>

Despite the reduction in financial liabilities, the loan-to-value ratio remained constant at 53.8 % mainly because of the outflow of cash and cash equivalents for the 2012 dividend payment, since the property portfolios have reduced simultaneously as a result of sales.

## Financial position

## CASH FLOW STATEMENT

EUR mn	01.01.-30.06.2013	01.01.-30.06.2012
Cash flow from operating activities	21.4	23.9
Cash flow from investing activities	37.1	28.7
Cash flow from financing activities	(67.8)	118.8
<b>Changes in cash and cash equivalents</b>	<b>(9.3)</b>	<b>171.4</b>
Cash and cash equivalents at the beginning of the period	167.7	62.6
<b>Cash and cash equivalents at the end of the period</b>	<b>158.5</b>	<b>234.1</b>

The cash flow from operating activities decreased by EUR 2.5 million in total year-on-year. The inflows from the increase in the property portfolio over the course of the financial year to date were more than offset by higher expenses for consulting services in connection with the change of CEO, the costs of preparing for a capital increase and higher personnel expenses.

The cash flow from investing activities rose as a result of higher inflows from sales activities. This was balanced by outflows for property tax from the purchases at the beginning of 2013.

\* Adjustment to the figures for the previous year based on the changes to IAS 19 as at 1 January 2013, which means that actuarial gains and losses on pension obligations are recognised immediately and in full in other comprehensive income. The amendments must be carried out retrospectively.

The cash flow from financing activities decreased compared with the same period in the previous year mainly because of the inflow from the capital increase in the first half of 2012.

## REPORT ON POST-BALANCE SHEET DATE EVENTS

The interim CEO Dr Kottmann left the company with effect from 15 July 2013. Until further notice the Management Board members Jörg Schwagenscheidt and Andreas Segal will be responsible for this role.

There are ongoing changes in the GSW Supervisory Board. The previous Chairman of the Supervisory Board, Dr John von Freyend, resigned his office and left on 31 July 2013. The current Deputy Chairman of the Supervisory Board, Dr Scharpe, will also leave the Supervisory Board at his own request on 31 December 2013.

At an extraordinary Supervisory Board meeting on 8 August 2013, Mr Claus Wisser was appointed as the new Chairman of the Supervisory Board with immediate effect.

In July 2013, the 105 residential and commercial units in Essen, Magdeburg and Erfurt acquired by the subsidiary GSW Gesellschaft für Stadterneuerung mbH in the previous year and the further 375 residential and commercial units in Duisburg were sold by GSW Immobilien Beteiligungs GmbH with the transfer of risks and rewards taking place on 1 November 2013.

Under a purchase agreement dated 25 July 2013, GSW acquired more than 300 apartments in Berlin-Neukölln. The rewards and risks will be transferred to GSW on 1 October 2013.

GSW also acquired a property portfolio comprising some 2,500 units in Berlin under a purchase agreement dated 12 August 2013. The rewards and risks will probably be mainly transferred to GSW on 31 December 2013.

The sales and acquisitions took place in the form of asset deals.

## RISKS AND OPPORTUNITIES REPORT

GSW Immobilien AG is exposed to various risks as a result of its operating activities. Apart from general economic risks, these are mainly vacancy risks, rental default risks as well as interest rate and liquidity risks. In some cases, these risks could arise without the company being either responsible for them or able to influence them. Defaults on rents could be increased by changes to political rules or interest rate and liquidity risks could be increased by decisions on headline rates.

The possible risks and the appropriate processes for measuring these risks are described in detail in the Annual Report 2012 of GSW Immobilien AG on pages 75 to 79. No additional risks have emerged for the company since the reporting date.

Viewed as a whole, the Management Board does not expect any risks to occur in the current 2013 financial year, which could jeopardise the continued existence of GSW Immobilien AG and its subsidiaries.

## OUTLOOK

The following factors, which determine the housing market in the German capital to a large extent, form the basis for GSW's success: in addition to generally low levels of new construction activity, demand for housing space is driven by increasing numbers of people moving to Berlin. At the same time, the number of households is rising because of the trend to single households. The company therefore expects rents to increase further and vacancy rates to fall in the German capital. Given these circumstances, the company can look forward with optimism and confidence that rental income will be on a growth trend which will positively affect the company's revenue and earnings.

Taking into account all expected and unexpected income and expenses in the first half of 2013, the Management Board is maintaining its forecast for 2013 as a whole of achieving FFO of between EUR 73 and 78 million.



## **Interim consolidated financial statements and notes**

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## Consolidated Balance Sheet

### CONSOLIDATED BALANCE SHEET - ASSETS

EUR thousand	Note	30.06.2013	31.12.2012
<b>Non-current assets</b>		<b>3,308,648</b>	<b>3,324,001</b>
Investment property	(13)	3,287,000	3,302,195
Property, plant and equipment		1,949	2,130
Goodwill		1,125	1,125
Other intangible assets		116	203
Other investments		6,087	6,087
Trade receivables		276	321
Receivables from rental, leasing and asset management		111	133
Receivables from sales		165	188
Other non-current assets		12,086	11,926
Deferred tax assets		9	14
<b>Current assets</b>		<b>219,427</b>	<b>245,869</b>
Trade receivables		14,630	6,920
Receivables from rental, leasing and asset management		10,375	4,998
Receivables from sales		3,858	1,264
Other trade receivables		397	658
Receivables due from related parties		5	505
Income tax receivables		1,325	2,787
Other assets		7,605	22,595
Other financial assets		5,665	1,661
Other miscellaneous assets		1,940	20,934
Cash and cash equivalents		158,464	167,737
Assets held for sale		37,398	45,325
<b>Total assets</b>		<b>3,528,075</b>	<b>3,569,870</b>



## CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR thousand	Note	30.06.2013	31.12.2012
<b>Equity</b>	<b>(14)</b>	<b>1,460,734</b>	<b>1,440,435</b>
Total shareholders' equity		1,460,350	1,440,089
Subscribed capital*		50,526	50,526
Additional paid-in capital		329,852	328,722
Consolidated retained earnings		1,137,140	1,140,177
Accumulated other comprehensive income		(57,168)	(79,336)
Non controlling interest		384	346
<b>Non-current liabilities</b>		<b>1,947,772</b>	<b>1,992,397</b>
Financial liabilities	(15)	1,874,821	1,888,817
Liabilities due to banks from financing investment property		1,713,196	1,728,578
Liabilities from convertible bond		160,229	158,728
Liabilities from finance leases		1,397	1,511
Employee benefits		2,269	2,345
Provisions		2,585	3,055
Trade payables		220	483
Other non-current liabilities		67,587	97,434
Derivatives	(16)	60,616	90,952
Other financial liabilities		507	507
Other miscellaneous liabilities		6,464	5,975
Deferred tax liabilities		290	263
<b>Current liabilities</b>		<b>119,569</b>	<b>137,038</b>
Financial liabilities	(15)	73,539	78,687
Liabilities from financing investment property		71,057	78,449
Liabilities from convertible bond		2,246	0
Liabilities from finance leases		236	238
Provisions		2,532	3,039
Trade payables		28,298	31,029
Property management liabilities		26,050	30,351
Other trade payables		2,248	678
Payables due to related parties		21	29
Income taxes payable		177	191
Other current liabilities		15,002	24,063
Derivatives	(16)	1,332	265
Other financial liabilities		6,374	6,971
Other miscellaneous liabilities		7,296	16,827
<b>Total equity and liabilities</b>		<b>3,528,075</b>	<b>3,569,870</b>

\* Contingent capital of EUR 7.5 million as at 30 June 2013 (previous year: EUR 7.5 million)

## Consolidated Income Statement

### CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	01.01.- 30.06.2013	01.01.- 30.06.2012	01.04.- 30.06.2013	01.04.- 30.06.2012
<b>Net rental income</b>	<b>(9)</b>	<b>91,768</b>	<b>78,918</b>	<b>46,128</b>	<b>39,233</b>
Gross rental income		117,366	106,233	58,777	53,122
Government grants		3,049	4,112	1,505	2,037
Property operating expenses		(28,647)	(31,428)	(14,154)	(15,925)
<b>Result on disposal of investment property</b>		<b>4,272</b>	<b>4,776</b>	<b>859</b>	<b>2,686</b>
Investment property disposal proceeds		58,717	35,680	33,566	19,681
Carrying value of investment property disposals		(51,341)	(26,197)	(31,093)	(14,369)
Operating expenses for investment property disposed		(3,104)	(4,707)	(1,614)	(2,626)
<b>Administrative expenses</b>	<b>(10)</b>	<b>(19,936)</b>	<b>(17,358)</b>	<b>(10,280)</b>	<b>(7,288)</b>
<b>Net operating profit (EBIT)</b>		<b>76,104</b>	<b>66,335</b>	<b>36,706</b>	<b>34,631</b>
Net result of investments		258	1,229	160	1,130
Interest income	(11)	15,401	12,074	9,395	4,733
Interest expenses	(11)	(50,158)	(53,590)	(24,227)	(24,495)
<b>Profit before income taxes</b>		<b>41,604</b>	<b>26,049</b>	<b>22,034</b>	<b>15,999</b>
Income taxes		853	(1,030)	665	294
<b>Consolidated net income for the period</b>		<b>42,457</b>	<b>25,019</b>	<b>22,699</b>	<b>16,293</b>
<b>Thereof attributable to:</b>					
Shareholders of GSW Immobilien AG		42,437	25,011	22,688	16,293
Non controlling interest		20	8	11	0
<b>Earnings per share (basic), EUR</b>	<b>(12)</b>	<b>0.84</b>	<b>0.56</b>	<b>0.45</b>	<b>0.34</b>
<b>Earnings per share (diluted), EUR</b>	<b>(12)</b>	<b>0.79</b>	<b>0.56</b>	<b>0.42</b>	<b>0.34</b>

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.

## Statement of comprehensive income

### STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	01.01. - 30.06.2013	01.01. - 30.06.2012	01.04. - 30.06.2013	01.04. - 30.06.2012
<b>Consolidated net income for the period</b>		<b>42,457</b>	<b>25,019</b>	<b>22,699</b>	<b>16,293</b>
Accumulative other comprehensive income	(14c)				
thereof Non-Recycling					
Revaluation of properties classified as IAS 16		0	0	0	0
Deferred taxes		0	0	0	0
thereof Recycling					
Revaluation surplus resulting from actuarial gains and losses of defined benefit obligations		0	0	0	0
Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges					
Fair value adjustment of derivatives in cash flow hedges	(16)	22,666	(17,605)	10,205	(9,557)
Reclassification of interest derivatives affecting income		351	555	75	456
Deferred taxes		(832)	716	(605)	228
<b>Total comprehensive income for the period</b>		<b>64,642</b>	<b>8,684</b>	<b>32,374</b>	<b>7,421</b>
Profit attributable to:					
Shareholders of GSW Immobilien AG		64,604	8,695	32,353	7,426
Non controlling interest		38	(11)	21	(6)



## Statement of changes in the shareholders' equity

### STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

EUR thousand	Subscribed capital	Additional paid-in capital	Consolidated retained earnings	Accumulative other comprehensive income			Total accumulative other comprehensive income	Total shareholders' equity	Minority interest	Consolidated equity
				Revaluation surplus resulting from the fair market valuation of owner-occupied property	Revaluation surplus resulting from actuarial gains and losses of defined benefit obligations	Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges				
Note	(14a)	(14a)	(14b)				(14c)			
<b>December 31, 2011</b>	<b>41,053</b>	<b>128,800</b>	<b>1,042,422</b>	<b>252</b>	<b>(116)</b>	<b>(46,374)</b>	<b>(46,237)</b>	<b>1,166,038</b>	<b>257</b>	<b>1,166,295</b>
Total result for the period	0	0	25,011	0	0	(16,316)	(16,316)	8,695	(11)	8,684
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0
Issue of equity instruments	9,474	192,439	0	0	0	0	0	201,913	0	201,913
Transaction costs for issuing equity instruments	0	(10,737)	0	0	0	0	0	(10,737)	0	(10,737)
Issue of convertibles	0	0	0	0	0	0	0	0	0	0
Dividend distribution	0	0	(45,474)	0	0	0	0	(45,474)	0	(45,474)
Additional paid-in capital regarding to board compensations	0	1,924	0	0	0	0	0	1,924	0	1,924
<b>June 30, 2012</b>	<b>50,526</b>	<b>312,425</b>	<b>1,021,960</b>	<b>252</b>	<b>(116)</b>	<b>(62,689)</b>	<b>(62,553)</b>	<b>1,322,358</b>	<b>246</b>	<b>1,322,604</b>
thereof classified as Non-recycling	0	0	0	252	0	0	252	0	0	0
thereof classified as Recycling	0	0	0	0	(116)	(62,689)	(62,805)	0	0	0
<b>December 31, 2012</b>	<b>50,526</b>	<b>328,722</b>	<b>1,140,177</b>	<b>279</b>	<b>(493)</b>	<b>(79,122)</b>	<b>(79,336)</b>	<b>1,440,089</b>	<b>346</b>	<b>1,440,435</b>
Total result for the period	0	0	42,437	0	0	22,167	22,167	64,604	38	64,642
Changes in scope of consolidation	0	0	0	0	0	0	0	0	0	0
Issue of equity instruments	0	0	0	0	0	0	0	0	0	0
Transaction costs for issuing equity instruments	0	0	0	0	0	0	0	0	0	0
Issue of convertibles	0	0	0	0	0	0	0	0	0	0
Dividend distribution	0	0	(45,474)	0	0	0	0	(45,474)	0	(45,474)
Repurchase of equity instruments	0	(227)	0	0	0	0	0	(227)	0	(227)
Additional paid-in capital regarding to board compensations	0	1,357	0	0	0	0	0	1,357	0	1,357
<b>June 30, 2013</b>	<b>50,526</b>	<b>329,852</b>	<b>1,137,140</b>	<b>279</b>	<b>(493)</b>	<b>(56,954)</b>	<b>(57,168)</b>	<b>1,460,350</b>	<b>384</b>	<b>1,460,734</b>
thereof classified as Non-recycling	0	0	0	279	0	0	279	0	0	0
thereof classified as Recycling	0	0	0	0	(493)	(56,954)	(57,447)	0	0	0

## Consolidated cash flow statement

### CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	01.01.- 30.06.2013	01.01.- 30.06.2012
Consolidated net income for the period	42,457	25,019
Elimination of current income taxes	(851)	1,030
Elimination of financial results	34,500	40,287
Depreciation, amortisation and impairment / write-ups of non-current assets	285	411
Result from the disposal of asset held for sale and investment property	(7,377)	(9,483)
Result from the disposal of intangible assets and property, plant and equipment	0	(1)
Changes in inventories, receivables and other assets	(9,031)	(4,629)
Changes in provisions	(2,793)	(659)
Changes in payables	(1,109)	6,837
Other non-cash expenses and income	1,003	1,970
<b>Operating cash flow</b>	<b>57,085</b>	<b>60,782</b>
Income tax paid / received	1,317	(1,481)
Interest paid	(38,658)	(37,282)
Interest received	1,626	607
Distributions received	258	1,229
Proceeds from the disposal of derivative receivables	(225)	0
<b>Cash flow from operating activities</b>	<b>21,401</b>	<b>23,855</b>
Proceeds on disposals of investment property	53,091	36,723
Disbursements for investments in investment property	(15,968)	(7,966)
Proceeds on disposals of intangible assets and property, plant and equipment and other investments	0	2
Disbursements for investments in intangibles assets and in property, plant and equipment and other investments	(16)	(12)
<b>Cash flow from investing activities</b>	<b>37,108</b>	<b>28,747</b>
Proceeds from the issuance of equity instruments	0	201,913
Transaction costs of equity instruments	0	(8,288)
Dividends paid	(45,482)	(45,482)
Repayments from loans	(72,425)	(62,952)
Proceeds from loans	50,126	33,648
<b>Cash flow from financing activities</b>	<b>(67,781)</b>	<b>118,839</b>
<b>Changes in cash and cash equivalents</b>	<b>(9,272)</b>	<b>171,441</b>
Cash and cash equivalents at the beginning of the period	167,737	62,618
<b>Cash and cash equivalents at the end of the period</b>	<b>158,464</b>	<b>234,059</b>

## **Selected explanatory notes to the interim consolidated financial statements of GSW Immobilien AG, Berlin, as of 30 June 2013**

### General information

#### **1) Business activities of the group**

GSW Immobilien AG (hereinafter "GSW") is a listed stock corporation domiciled in Berlin. Together with its subsidiaries (hereinafter the "GSW 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. Since 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 company's shares have also been included in the MDAX segment of the Frankfurt Stock Exchange since September 2011.

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.

#### **2) Principles of the interim consolidated financial statements**

As a listed enterprise, GSW has prepared its interim condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 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 requirements of IAS 34 (Interim Financial Reporting) were complied with. In accordance with the option in IAS 34.10, the notes in these interim consolidated financial statements have been condensed. They have not been reviewed by the auditor.

The interim 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. The income statement is structured according to the cost of sales method.

The currency for the interim 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 GSW Group's letting activities are generally free from seasonality or cyclicity. However, the sale of apartments is subject to cyclicity.

### **3) Accounting policies**

Basically, GSW applies the same accounting policies as in the previous year. The accounting policies applied in the interim consolidated financial statements are the same as the methods presented in detail in the IFRS consolidated financial statements. These interim consolidated financial statements must therefore be read in conjunction with GSW's consolidated financial statements as at 31 December 2012.

GSW has applied all newly applicable standards and interpretations, which are mandatory for financial years starting on 1 January 2013, in the interim consolidated financial statements as at 30 June 2013.

The amendments to IAS 19 applicable from 1 January 2013 had to be undertaken retrospectively and therefore led to adjustments to the previous year's figures for employee benefits (EUR 523 thousand) and to accumulated other comprehensive income (EUR -493 thousand) as well as to consolidated retained earnings (EUR -30 thousand).

### **4) Changes in scope of consolidation**

There have been no changes to the scope of consolidation since 31 December 2012.

### **5) Significant judgements and estimates**

The preparation of the interim consolidated financial statements requires judgements, estimates and assumptions by management that influence the accounting for 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, the recognition and measurement of provisions and the measurement of derivative financial instruments with respect to the future trend in interest rates. Estimates also take place in connection with the first-time recognition of loans and in the recognition of deferred tax assets.

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

### **6) Presentational changes in the interim consolidated financial statements**

To improve transparency, GSW has decided to make the following presentational changes from the 2012 annual financial statements:

- Provisions will be reversed against the item that was originally created. The presentation of the figures in the comparative period in 2012 was amended accordingly.
- The presentation of administrative expenses in the notes was made more detailed and expanded. This has resulted in changes to the presentation of the amounts in the corresponding comparative period in 2012.

## 7) Segment reporting

There have been no changes to management reporting compared with the information in the consolidated financial statements as at 31 December 2012.

There is therefore still one reportable segment according to IFRS 8, which contains all of the Group's operating activities (letting of apartments in the Berlin area) and about which reports are regularly submitted to the Management Board as the chief operating decision maker.

## 8) Fair value calculation

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 and derivative financial instruments recognised at fair value as at the end of the reporting period. The measurement of properties held for sale in accordance with IFRS 5 is consistent with the measurement of investment property.

"Available for sale" securities are not measured at fair value due to a lack of market data. These financial instruments are measured at cost.

The fair values thus calculated by GSW correspond to the prices defined in accordance with IFRS 13, which would have to be received from the sale of an asset or would have to be paid for the transfer of a liability between market participants as part of an orderly transaction on the measurement date (IFRS 13.9).

Investment property, property held for sale, property used by GSW and derivative financial instruments are measured on a recurring basis. There were no transfers between the levels in the fair value hierarchy in the reporting period.

GSW last determined the fair values of investment property, property used by GSW and property held for sale on 31 December 2012 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.

The fair 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 fair 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. No new measurement took place on the date of these interim consolidated financial statements. As regards quantitative information about material non-observable input data, the influence of measurement on the profit or loss and the sensitivity analysis, please see the information in the consolidated financial statements as of 31 December 2012.

The discounted cash flow method is used to calculate fair value of derivative financial instruments taking account of both the company's own risk and counterparty risk.

## Selected notes to the consolidated income statement

### 9) Net rental income

Net rental income was composed as follows:

EUR thousand	01.01.- 30.06.2013	01.01.- 30.06.2012
Income from rents	114,606	100,952
Income from management activities	0	2,275
Other income	2,760	3,006
<b>Gross rental income</b>	<b>117,366</b>	<b>106,233</b>
Direct rent subsidies	382	444
Direct government grants due to social housing	2,666	3,668
<b>Income from direct government grants</b>	<b>3,049</b>	<b>4,112</b>
<b>Total rental income</b>	<b>120,414</b>	<b>110,346</b>
Cost of materials	(17,948)	(19,076)
Personnel expenses	(7,956)	(9,414)
Depreciation and amortisation	(158)	(157)
Other operating expenses	(6,107)	(5,745)
Other operating income	3,522	2,963
<b>Property operating expenses</b>	<b>(28,647)</b>	<b>(31,428)</b>
<b>Net rental income</b>	<b>91,768</b>	<b>78,918</b>

In the first half of 2013, net rental income increased by EUR 12,850 thousand as against the comparative period in the previous year. This was primarily attributable to the transfer of ownership of the approximately 7,000 apartments acquired in 2012 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.

As expected, income from government grants reduced in the first half of 2013 to EUR 3,049 thousand.

The cost of materials decreased by EUR 1,128 thousand year on year to EUR 17,948 thousand. The cost of materials was composed as follows:

EUR thousand	01.01.- 30.06.2013	01.01.- 30.06.2012
Total expenses for maintenance and modernisation	(18,834)	(17,247)
Capitalised expenses for maintenance and modernisation	7,377	7,966
<b>Non-capitalised expenses for maintenance and modernisation</b>	<b>(11,457)</b>	<b>(9,281)</b>
Non-reversible operating expenses	(3,682)	(4,460)
General leases	(1,044)	(1,074)
Marketing expenses	(616)	(891)
Legal expenses	(1,330)	(1,642)
Other	181	(1,728)
<b>Cost of materials</b>	<b>(17,948)</b>	<b>(19,076)</b>

## 10) General administrative expenses

General administrative expenses were composed as follows:

EUR thousand	01.01.- 30.06.2013	01.01.- 30.06.2012
Personnel expenses	(8,047)	(6,193)
Long term incentive plan (LTIP)	(1,088)	(1,604)
Depreciation and amortisation	(127)	(255)
Expenses for IT and telecommunication	(2,132)	(2,252)
Expenses for annual financial statements and audit	(370)	(282)
Rental and leasing expenses	(1,838)	(1,781)
Legal and consulting expenses	(1,897)	(1,643)
Sponsoring	(453)	(274)
Insurance	(148)	(165)
Expenses for acquisitions <sup>1</sup>	(1,023)	(1,376)
Expenses for capital measures	(937)	(7)
Contributions and fees	(411)	(258)
Office expenses	(220)	(423)
Financial communication	(511)	(252)
Other expenses	(957)	(839)
Other operating income	224	244
<b>General administrative expenses</b>	<b>(19,936)</b>	<b>(17,358)</b>

General administrative expenses increased by EUR 2,578 thousand to EUR 19,936 thousand as against the comparative period in the previous year. This increase was primarily the result of expenses for the preparation of a capital measure in the first quarter of 2013 as well as valid claims for severance on the part of the CEO, Dr Kottmann, who has left prematurely.

Higher personnel expenses in connection with capital market requirements and higher legal and consultancy expenses, which were influenced in particular by non-recurring project expenses<sup>2</sup>, have contributed to an increase in general administrative expenses. In total, non-recurring project expenses of EUR 889 thousand (comparative period in the previous year: EUR 667 thousand) were recognised under general administrative expenses.

The increase was partly offset by lower expenses for the long term incentive plan (LTIP) as well as lower expenses for planned acquisitions.<sup>1</sup>

<sup>1</sup> The acquisition expenses comprise all expenses in connection with the acquisition of investment property (in the form of asset deals or share deals).

<sup>2</sup> The project expenses included expenses for projects, which are largely non-recurring, where a complex structure is involved and the objective must be achieved with the materials specified in the timeframe specified.

## 11) Net interest income

Net interest income was composed as follows:

EUR thousand	01.01.- 30.06.2013	01.01.- 30.06.2012
Interest income from financial receivables	0	175
Interest income from amortisation of loan*	7,571	5,579
Income from valuing interest derivatives at fair value	6,389	19
Interest income from interest derivatives	979	5,850
Interest income from bank deposit	348	431
Other interest income	113	19
<b>Interest income</b>	<b>15,401</b>	<b>12,074</b>
Interest expenses from financing of investment property	(22,538)	(25,536)
Interest expenses from amortisation of loan*	(9,847)	(10,705)
Expenses from valuing interest derivatives at fair value	(351)	(1,499)
Interest expenses from interest derivatives	(13,528)	(15,292)
Interest expenses from convertible bonds	(3,331)	0
Breakage costs from financing activities	(395)	(115)
Other interest expenses	(169)	(442)
<b>Interest expenses</b>	<b>(50,158)</b>	<b>(53,590)</b>
<b>Net interest income</b>	<b>(34,757)</b>	<b>(41,516)</b>

\* In addition to amortisation effects from the effective interest method in accordance with IAS 39.9, this item in the income statement also contains present value changes recognised in profit or loss and the results of disposals in accordance with IAS 39 AG 62 based on new contractual conditions as well as present value changes recognised in profit or loss in accordance with IAS 39 AG 8 based on changes to estimates regarding cash outflows or inflows.

Interest income increased by EUR 3,327 thousand as against the comparative period in the previous year to EUR 15,401 thousand. This is mainly the result of a rise in income from valuing interest rate derivatives at fair value, since an interest rate swap in the portfolio has no longer fulfilled the preconditions of IAS 39 for recognition as a hedging instrument since the second quarter of 2013 and consequently the changes in the fair value of this interest rate swap must be taken into account in the income statement. This increase was partly offset by lower interest income from interest rate derivatives due to the generally low level of interest rates and an overall reduction in holdings of interest rate derivatives.

Interest expenses decreased by EUR 3,431 thousand to EUR 50,158 thousand. This was the result of a reduction in interest expenses from financing investment property loans because of the generally level of low interest rates and a reduction in the number of interest rate derivatives. These developments were offset by interest expenses from the convertible bond issued in November 2012.

## 12) Earnings per share

### a) Basic earnings per share

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 reporting period.



The average number of shares outstanding in the reporting period was 50,526,314 (comparative period in the previous year: 44,436,089). No additional shares were issued.

The basic earnings per share amounted to:

	01.01.- 30.06.2013	01.01.- 30.06.2012
Consolidated net income for the period attributable to GSW's shareholders (EUR thousand)	42,437	25,011
Average weighted number of shares outstanding	50,526,314	44,436,089
<b>Earnings per share (basic, EUR)</b>	<b>0.84</b>	<b>0.56</b>

### 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.

At the end of the reporting period, GSW has potentially diluting shares outstanding from a convertible bond. This authorises bondholders to convert bonds into up to about 5.21 million new GSW shares. The number of convertible shares has increased from 5.05 million to 5.21 million due to the dividend payment for the 2012 financial year.

The diluted earnings per share amount to:

	01.01.- 30.06.2013	01.01.- 30.06.2012
Consolidated net income for the period attributable to GSW's shareholders (EUR thousand)	42,437	25,011
Coupon on the convertible bond after taxes* (EUR thousand)	1,277	-
Consolidated net income for the period for diluted earnings per share (EUR thousand)	43,714	25,011
Average weighted number of shares outstanding	50,526,314	44,436,089
Average number of potential new shares if the convertible bond is exercised	5,062,475	-
Number of shares for diluted earnings per share	55,588,789	44,436,089
<b>Earnings per share (diluted, EUR)</b>	<b>0.79</b>	<b>0.56</b>

\* 2% on EUR 182.9 million after deduction of the Group tax rate of 30.175% in relation to half a year

## Selected notes to the consolidated balance sheet

### 13) Investment property, including investment property held for sale

On the date of the interim consolidated financial statements, the investment property in accordance with IAS 40 including investment property held for sale in accordance with IFRS 5 were composed as follows:

	30.06.2013		31.12.2012	
	Residential properties	Commercial properties	Residential properties	Commercial properties
Units	57,988	976	58,668	992

One commercial unit used by the GSW Group was recognised in property, plant and equipment in accordance with IAS 16.

The fair values of investment property and property held for sale accounted for in accordance with IFRS 5, can be broken down as follows:

EUR thousand	30.06.2013		31.12.2012	
	Investment property <sup>1</sup>	Property held for sale <sup>2</sup>	Investment property <sup>1</sup>	Property held for sale <sup>2</sup>
Developed plots	3,266,212	37,287	3,281,110	45,249
Undeveloped plots	20,788	111	21,085	77
<b>Total</b>	<b>3,287,000</b>	<b>37,398</b>	<b>3,302,195</b>	<b>45,325</b>

Classification within the fair value hierarchy in accordance with IFRS 13.93 (b) 97 in conjunction with IFRS 7.25 and IFRS 7.27:

<sup>1</sup> Investment property: level 3 (valued on the basis of other input factors)

<sup>2</sup> Property held for sale: level 3 (valued on the basis of other input factors)

The fall in property assets of EUR 23,122 thousand in total compared with 31 December 2012 was mainly the result of disposals from the sale of residential and commercial units where the transfer of risks and rewards took place in the first half of 2013.

This was offset by the transfer of ownership of a property portfolio comprising 218 residential and commercial units in Berlin-Spandau acquired in 2012 on 1 January 2013 as well as the capitalisation of maintenance expenses.

## 14) Shareholders' 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 and capital reserve

As of 30 June 2013, the subscribed capital of GSW was EUR 50,526 thousand (previous year: EUR 50,526 thousand). The number of ordinary shares issued amounts to 50,526,314 shares with a notional interest in the share capital of EUR 1.00 per share. The shares are fully issued and fully paid.

The capital reserve of GSW increased by EUR 1,130 thousand in the period under review as a result of the share-based remuneration for Management Board members (first half of 2012: EUR 1,645 thousand) to reach EUR 329,825 thousand on 30 June 2013.

As a result of the cash settlement of Mr Zinnöcker's share-based LTI remuneration components, the non-forfeitable claims were withdrawn from the capital reserve in the amount of the corresponding settlement (EUR 227 thousand). Please see the information provided under note 18.

## 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 as well as dividends.

The share of total comprehensive income for the year attributable to non-controlling interests was EUR 20.3 thousand in the first half of 2013 (first half of 2012: EUR 7.7 thousand).

## c) Accumulated other comprehensive income

Accumulated other comprehensive income contains the adjustments in fair value for owner-occupied properties measured according to the revaluation method and the fair value changes of derivative interest rate contracts constituting cash flow hedges as well as actuarial profits and losses from the measurement of pension commitments. The changes in accumulated other comprehensive income are reported in the statement of changes in consolidated equity.

Non-controlling interests in accumulated other comprehensive income of EUR 17.7 thousand (previous year: EUR -18.6 thousand) relates to the change in the fair value of interest derivatives in cash flow hedges.

By resolution of the Annual General Meeting (AGM) on 18 June 2013, the authorisation concerning the simplified exclusion of subscription rights in accordance with section 186 (3) sentence 4 AktG included in the Authorised Capital 2012 but no longer usable following the issue of the convertible bond in November 2012 was cancelled and a new authorisation concerning the simplified exclusion of subscription rights was added to the Authorised Capital 2012, leading to an Authorised Capital 2013. In terms of content, this should largely match the authorisation concerning the simplified exclusion of subscription rights in the Authorised Capital 2012, but exclude those shares, which are to be issued on the basis of the convertible bond issued in November 2012, from being set off against the 10 % limit stipulated in section 186 (3) sentence 4 AktG.

The Management Board was also authorised by resolution of the Annual General Meeting (AGM) to increase the company's capital conditionally by up to EUR 7,500,000.00 by issuing up to 7,500,000 new bearer shares with a notional interest in the share capital of EUR 1.00 up to 17 June 2018 (Contingent Capital 2013).

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 for the 2012 financial year.

## 15) Financial liabilities

Financial liabilities were composed as follows:

EUR thousand	30.06.2013	31.12.2012
Liabilities due to banks from financing investment properties	1,784,253	1,807,027
Liabilities from convertible bonds	162,475	158,728
Liabilities from finance leases	1,633	1,749
<b>Financial liabilities</b>	<b>1,948,360</b>	<b>1,967,504</b>

The liabilities due to banks are predominantly the result of financing for investment properties. Liabilities due to banks have decreased in comparison with 31 December 2012 as a result of scheduled repayments and non-scheduled repayments in particular.

Loans were also refinanced in the period under review. GSW Immobilien AG issued a promissory note loan secured against real estate of EUR 201.6 million with a term of around 4 years in the first quarter of 2013. As part of this transaction, an existing loan on the same terms was repaid on 28 March 2013. A loan agreement in the amount of EUR 50 million with a term of 7 years was also concluded to refinance loans maturing in 2013 and smaller acquisitions. The loan has a fixed interest rate of 2.92 % and the standard covenants.

This was offset by amortisation effects from the effective interest method in accordance with IAS 39.9 and present value changes in accordance with IAS 39 AG 62 due to new contractual conditions.

## 16) Derivatives

The GSW Group uses derivative financial instruments to hedge the interest rate risks for property financing. No derivative financial instruments are used for speculative purposes. Derivative financial instruments are recognised at fair value.

As at 30 June 2013, the Group had the following derivative financial instruments:

EUR thousand	Nominal value	Swap-Rate	FV as at 30.06.2013
12 interest rate swaps	1,136,095	1.96 % to 4.80 %	(61,948)

Three of the interest rate swaps held at the reporting date did not meet the preconditions of IAS 39 for recognition as a hedging instrument. Changes in the fair value of the interest rate swaps 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.

The cash flows arising from underlying transactions hedged in the context of cash flow hedge accounting will be due in the period 2013 to 2021 and will affect the income statement at that time.

In the period under review, income from the changes in the fair value of derivatives totalling EUR 22,666 thousand (comparative period in the previous year: expenditure of EUR 17,605 thousand) was recognised in equity outside profit and loss in the interim consolidated financial statements and a further EUR 6,379 thousand (comparative period in the previous year: expenditure of EUR 925 thousand) was recognised as income in the income statement.

The hedge reserve of EUR 351 thousand in total (comparative period in the previous year: EUR 555 thousand) recognised in equity was also reversed in profit and loss, of which EUR 290 thousand (comparative period in the previous year: EUR 15 thousand) was the result of non-scheduled repayments of loans and the reversal of the layer of the hedging instrument applicable to the underlying transaction that has been repaid. This layer of the hedge is no longer reported.

In the reporting period, income resulting from instances of ineffectiveness totalling EUR 9 thousand (comparative period in the previous year: EUR 0 thousand) was also recognised in the income statement.

## Other information

### 17) Additional disclosures on financial instruments

The carrying amounts and the fair values of financial instruments according to classes and measurement categories can be found in the following table:

30.06.2013	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
		Carrying value	Fair value				
EUR thousand							
Securities (at cost)	AfS	250	250	0	0	0	250
Other investments	AfS	5,837	5,837	0	0	0	5,837
Trade receivables	LaR	14,906	14,906	0	0	0	14,906
Other receivables	LaR	17,369	17,369	0	0	2,328	19,696
Derivatives*		0	0	0	0	0	0
Cash and cash equivalents	LaR	158,464	158,464	0	0	0	158,464
<b>Total financial assets</b>		<b>196,826</b>	<b>196,826</b>	<b>0</b>	<b>0</b>	<b>2,328</b>	<b>199,154</b>
Liabilities due to banks from financing investment properties*	FLaC	1,784,253	1,857,242	0	0	0	1,784,253
Liabilities from convertible bonds*	FLaC	162,475	170,204	0	0	0	162,475
Liabilities from finance leases		0	0	0	1,633	0	1,633
Trade payables	FLaC	22,404	22,404	0	0	6,114	28,518
Derivatives*	FLHfT	0	0	5,365	56,583	0	61,948
Other liabilities	FLaC	5,603	5,603	0	0	15,059	20,662
<b>Total financial liabilities</b>		<b>1,974,735</b>	<b>2,055,453</b>	<b>5,365</b>	<b>58,216</b>	<b>21,173</b>	<b>2,059,489</b>

\* Classification within the fair value hierarchy in accordance with IFRS 13.93 (b), 97 in conjunction with IFRS 7.25 and IFRS 7.27: Level 2 (valued 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	250	0	0	0	250	
Other investments	AfS	5,837	5,837	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*		0	0	0	0	0	0	
Cash and cash equivalents	LaR	167,737	167,737	0	0	0	167,737	
<b>Total financial assets</b>		<b>194,824</b>	<b>194,824</b>	<b>0</b>	<b>0</b>	<b>21,268</b>	<b>216,091</b>	
Liabilities due to banks from financing investment properties*	FLaC	1,807,027	1,878,202	0	0	0	1,807,027	
Liabilities from convertible bonds*	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*	FLHfT	0	0	6,205	85,013	0	91,217	
Other liabilities	FLaC	5,861	5,861	0	0	24,447	30,309	
<b>Total financial liabilities</b>		<b>1,993,958</b>	<b>2,076,380</b>	<b>6,205</b>	<b>86,762</b>	<b>33,617</b>	<b>2,120,541</b>	

\* Classification within the fair value hierarchy in accordance with IFRS 13.93 (b), 97 in conjunction with IFRS 7.25 and IFRS 7.27: Level 2 (valued on the basis of observable input factors / market data)

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.

Financial instruments within the financial investments class were allocated to the available for sale measurement category. These financial instruments were not measured at fair value but at cost due to lack of market data. The fair value of finance lease liabilities matches the reported carrying amount.

## 18) 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.

Accordingly, the members of the Management Board and the Supervisory Board 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:

## I. Relations with related persons

Material relations with related persons exist in the form of Management Board remuneration. These are presented in detail in the interim consolidated financial statements because of changes to the Management Board.

EUR thousand (gross)	Gross basic remuneration	Gross annual performance-related remuneration (short term incentive)	Multi-annual performance related remuneration (long term incentive)	Benefit due on termination of the employment relationship	Total
Thomas Zinnöcker	143	72	71	0	286
Dr. Bernd Kottmann	102	0	0	1,250	1,352
Jörg Schwagenscheidt	198	99	99	0	396
Andreas Segal	198	99	99	0	396
<b>Total</b>	<b>641</b>	<b>270</b>	<b>269</b>	<b>1,250</b>	<b>2,430</b>

Both Mr Zinnöcker and Dr Kottmann have left the company. Please refer to the information provided in note 19 regarding the changes to the Management Board.

The payments to Mr Zinnöcker (EUR 576 thousand) for 2012 and 2013 and Dr Kottmann (EUR 1,250 thousand) arranged as part of the termination agreements also included a lump-sum settlement of the claims granted by GSW, some of which had already become non-forfeitable over time, from the performance-related remuneration components (STI and LTI, please refer to the information in note 38 c of the notes to the consolidated accounts as at 31 December 2012 and to the remuneration report in the Group management report). The resultant expenses in 2013 are included in the above table.

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 (Long Term Incentive plan, LTIP) within the framework of bilateral agreements with the Management Board members. In the first half of 2013, the company reported expenses and a contribution to the capital reserves of EUR 1,088 thousand (2012: EUR 1,325 thousand) in accordance with IFRS 2.

Further expenses are expected in subsequent years, which is to be paid by the former shareholders in shares and is linked to the precondition of Management Board members remaining with GSW. These agreements do not give rise to any charge on GSW's liquidity or (re)payment obligations vis-à-vis the former shareholders.

Because of the Mr Zinnöcker's premature departure, the vesting period for the LTIP has been shortened, which 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 and for the recognition in instalments of expenses for the period up until Mr Zinnöcker's withdrawal.

## II. Relations with non-consolidated affiliates

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

## III. Relations with associates and joint ventures

The GSW Group maintains no material relations with associates and joint ventures.

## 19) Management and the supervisory board

By resolution of 18 March 2013, the Supervisory Board agreed to Mr Zinnöcker's request to terminate his appointment as CEO with effect from the end of 15 April 2013. By resolution of 18 March 2013, the Supervisory Board appointed Dr Kottmann as new CEO with effect from 16 April 2013.

At the Annual General Meeting (AGM) on 18 June 2013, 63.31 % of the share capital present voted in favour of the motion proposing a vote of non-confidence in the CEO, Dr Kottmann. At the extraordinary Supervisory Board meeting on 25 June, the Supervisory Board and Dr Kottmann agreed by mutual consent to terminate his contract as CEO with effect from 15 July 2013. Dr Kottmann was released with immediate effect.

The members of the Management Board of GSW Immobilien AG were as follows in the reporting period:

		Membership of supervisory boards and other supervisory bodies as defined in section 285 no. 10 HGB in conjunction with section 125 (1) sentence 5 AktG
Thomas Zinnöcker (until 15 April 2013)	Business graduate, CEO	taskforce - Management on Demand GmbH (Deputy Chairman of the Supervisory Board)
Dr. Bernd Kottmann (16 April until 15 July 2013)	Business management graduate, CEO	Hamborner REIT AG (Deputy Chairman of the Supervisory Board)
Jörg Schwagenscheidt	Real estate economist, Chief Operating Officer (COO)	none
Andreas Segal	Lawyer, Chief Financial Officer (CFO)	none

At the Annual General Meeting (AGM) on 18 June 2013, 69.63 % of the share capital present voted in favour of deselection of Dr John von Freyend as a member of the Supervisory Board. A majority of 75 % would have been required to have the motion accepted meaning that the motion was rejected by the Annual General Meeting (AGM).

The Chairman of the Supervisory Board, Dr John von Freyend, announced his withdrawal with effect from 31 July 2013 at the extraordinary meeting of the Supervisory Board on 25 June 2013.



The members of the Supervisory Board of GSW Immobilien AG were as follows in the reporting period:

		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
Claus Wisser (since 8 August 2013)	Chairman of the Supervisory Board  Founder of WISAG Facility Service Holding GmbH & Co. KG	AVECO Holding AG (Chairman of the Supervisory Board) DFV Deutsche Familienversicherung AG
Dr. Eckart John von Freyend (until 31 July 2013)	Chairman of the Supervisory Board, Corporate Consultant, Bonn	<b>Memberships of Supervisory Boards:</b> 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; Chairman of the Supervisory Board from 1 July 2013), 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), <b>Other memberships:</b> FMS Wertmanagement AöR (Member of the Board of Directors; until 8 July 2013), Bundesanstalt für Immobilienaufgaben (Member of the Board of Directors)
Dr. Jochen Scharpe (until 31 December 2013)	Deputy Chairman of the Supervisory Board,  Managing Director of AMCI GmbH, Munich	LEG Immobilien AG LEG NRW GmbH (Chairman of the Supervisory Board) LEG Wohnen NRW GmbH (Chairman of the Supervisory Board) FFIRE AG (Deputy Chairman of the Supervisory Board)
Gisela von der Aue	Former Senator of Justice of the State of Berlin	none
Dr. Reinhard Baumgarten	Corporate Consultant, Berlin	BCIA GmbH (Chairman of the Supervisory Board)
Veronique Frede	Chairperson of the Works Council (exempt) at GSW Immobilien AG	none

## 20) Events after the end of the reporting period

In July 2013, the 105 residential and commercial units in Essen, Magdeburg and Erfurt acquired by the subsidiary GSW Gesellschaft für Stadterneuerung mbH in the previous year and the further 375 residential and commercial units in Duisburg were sold by GSW Immobilien Beteiligungs GmbH with the transfer of risks and rewards taking place on 1 November 2013.

Under a purchase agreement dated 25 July 2013, GSW acquired 311 residential and commercial units in Berlin-Neukölln. The transfer of economic ownership will take place on 1 October 2013.

GSW also acquired another real estate portfolio containing a total of 2,564 residential and commercial units in Berlin under a purchase agreements dated 12 August 2013. In essence, the rewards and risks are expected to be transferred to GSW on 31 December 2013.

On 18 July 2013, the Deputy Chairman of the Supervisory Board of GSW Immobilien AG, Dr Scharpe, informed the Management Board that he would resign his office with effect from 31 December 2013 and would leave the Supervisory Board at the year-end.

At the extraordinary meeting of the Supervisory Board on 8 August 2013, Mr Claus Wisser was appointed as the new Chairman of the Supervisory Board.

Berlin, 15 August 2013  
GSW Immobilien AG, Berlin  
The Management Board



| JÖRG SCHWAGENSCHIEDT  
COO



| ANDREAS SEGAL  
CFO

## Responsibility statement

To the best of our knowledge and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements of GSW Immobilien AG for the first half of 2013 give a true and fair view of the Group's net assets, financial position and results of operations, and the interim consolidated management report includes a fair view of the business development including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year.

Berlin, 15 August 2013  
GSW Immobilien AG, Berlin  
The Management Board



JÖRG SCHWAGENSCHIEDT  
COO



ANDREAS SEGAL  
CFO

## 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 the GSW annual report 2012. We do not assume any obligation to update the forward-looking statements contained in this report. This 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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