

# INTERIM REPORT

GSW IMMOBILIEN AG **Q1-2013**

**GSW**



# Highlights

## OPERATIONAL HIGHLIGHTS

	31.03.2013	31.03.2012
Vacancy rate (residential)	2.7 %	3.3 %
In-place rent (residential)	5.26 EUR / sqm	5.12 EUR / sqm

## INCOME STATEMENT HIGHLIGHTS

EUR mn	1.1.-31.03.2013	1.1.-31.03.2012
Net rental income	45.6	39.7
Result on disposals	3.4	2.1
EBITDA	39.6	31.9
Adjusted EBITDA	38.7	33.3
Net operating profit (EBIT)	39.4	31.7
Consolidated net income for the period	19.8	8.7
FFO I (excl. sales result)	19.8	15.0
AFFO <sup>1</sup>	16.7	11.4
FFO II (incl. sales result)	23.3	17.1

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

## BALANCE SHEET HIGHLIGHTS

EUR mn	31.03.2013	31.12.2012
Investment property	3,317.6	3,302.2
Cash and cash equivalents	167.7	167.7
Shareholders' equity	1,473.3	1,440.4
Financial liabilities	1,948.9	1,967.5
Total assets	3,558.1	3,569.9
EPRA NAV	1,545.6	1,525.6
Loan-to-Value	53.2 %	53.8 %
Equity ratio	41.4 %	40.3 %

## KEY FINANCIALS PER SHARE

EUR	1.1.-31.03.2013	1.1.-31.03.2012
FFO I per share <sup>2</sup>	0.39	0.37
AFFO per share <sup>2</sup>	0.33	0.28

EUR	31.03.2013	31.12.2012
EPRA NAV per share <sup>3</sup>	30.59	30.19
EPRA NAV per share (diluted) <sup>4</sup>	30.68	30.31

<sup>2</sup> Based on an average number of shares outstanding in the first quarter following IAS 33.19 (regarding to calculation please refer to the notes)

<sup>3</sup> Based on the number of shares outstanding on reporting date | <sup>4</sup> Assuming full exercise of the convertible bond into 5.05 million new GSW shares at 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.

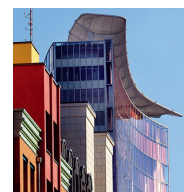
In order to maintain and expand our market position, we take new paths that bridge the gap between innovation and tradition. We continue to develop without abandoning the tried and trusted.

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.

# Contents



## To our shareholders

- 6 Letter from the Management Board**
- 7 Share**

## Interim consolidated management report

- 9 Economic report**
  - 9 Development of the housing portfolio
  - 11 Net assets, financial position and results of operations
- 15 Report on post-balance sheet date events**
- 15 Risks and opportunities**
- 15 Outlook**

## Interim consolidated financial statements

- 17 Balance sheet**
- 19 Income statement**
- 20 Statement of comprehensive income**
- 21 Statement of changes in shareholders' equity**
- 22 Cash flow statement**
- 23 Selected explanatory notes to the interim consolidated financial statements**
  
- 35 Responsibility statement
- 36 Disclaimer
- Imprint



## To our shareholders

- 6 Letter from the Management Board
- 7 Share

DEAR SHAREHOLDERS,  
LADIES AND GENTLEMEN,

GSW has made a good start to 2013. One contributing factor here was that the approximately 7,000 residential units we acquired in 2012 have been generating income from rents recognised through profit and loss for the first time since the beginning of the year. We have thus already invested a large portion of the cash inflows from the capital measures in 2012 in a way that generates profits and capital appreciation. We will continue to pursue this course carefully, while also monitoring further developments on the Berlin housing market and the international capital markets so as to identify attractive opportunities for our future value-oriented growth. Compared to the first quarter of 2012, net rental income increased by 15.0 % to EUR 45.6 million, adjusted EBITDA by 16.2 % to EUR 38.7 million and consolidated net income for the quarter by 126.4 % to EUR 19.8 million. In addition to our acquisitions in the previous year, this was also attributable to further improvement in the operating performance. For example, our average in-place-rent climbed from EUR 5.12 /sqm to EUR 5.26 /sqm and the vacancy rate fell from 3.3 % to 2.7 % as against the same quarter of 2012.

FFO I increased by 32.2 % year-on-year to EUR 19.8 million as a result of the positive operating performance and the larger property portfolio, while AFFO rose by 46.5 % to EUR 16.7 million.

The net asset value (EPRA NAV), representing the Group's economic equity, increased to EUR 1,545.6 million as of the end of the first quarter. The loan-to-value ratio accordingly decreased to 53.2 %. The market value of our property portfolio, which comprises around 60,000 residential and commercial units, was approximately EUR 3.3 billion as of the end of the first quarter.

For the 2013 financial year, we are forecasting FFO I of between EUR 73 million and EUR 78 million.

Since 16 April 2013, Dr. Bernd Kottmann has been the new CEO of GSW. Dr. Kottmann has more than 25 years' experience as a management board and supervisory board member of listed real estate companies. He has gained expertise in both the commercial and the residential property segment and has also been a long-standing member of the management board of an MDAX-listed group. There is still no change planned in GSW's proven strategy with the new Management Board line-up.

We would like to take this opportunity to express our personal thanks to Mr. Thomas Zinnöcker for his work in developing GSW from a privatised municipal housing company into a modern, MDAX-listed housing company. We wish him every success and the best of luck with his new tasks.

Berlin, May 2013



DR. BERND KOTTMANN  
CEO



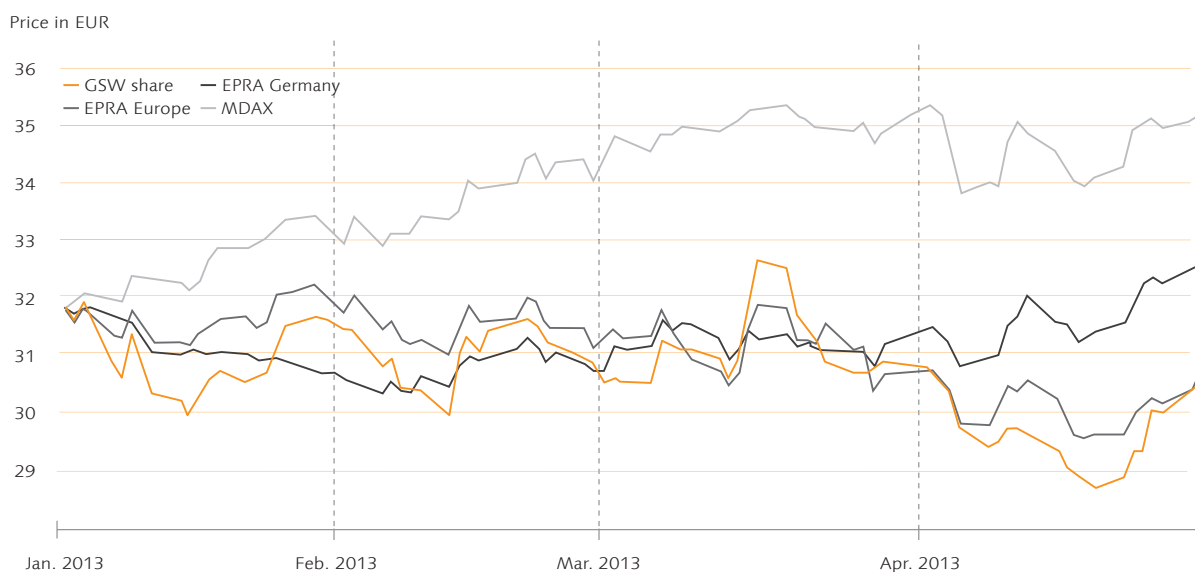
JÖRG SCHWAGENSCHIEDT  
COO



ANDREAS SEGAL  
CFO

# 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 of the Berlin Stock Exchange
Indices	MDAX FTSE EPRA/NAREIT Global Real Estate Index Series GPR 250, STOXX Europe 600 TR/GPR Global 100 Index EUR
Designated sponsors	Deutsche Bank Goldman Sachs International DZ Bank

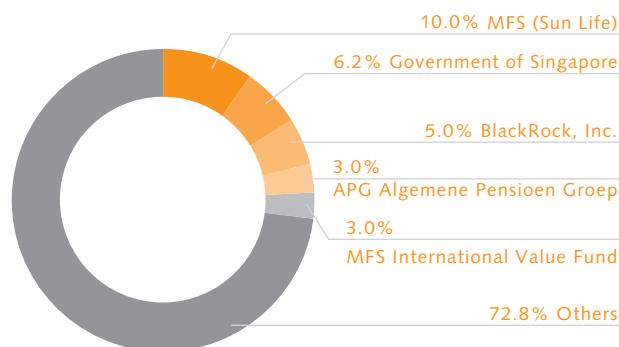
### FINANCIAL CALENDAR

15 May 2013	Interim report Q1-2013
29 May 2013	Kempen European Property Seminar (Amsterdam)
18 June 2013	Annual General Meeting (Berlin)
20 June 2013	Morgan Stanley Conference (London)
15 August 2013	Interim report H1-2013
15 November 2013	Interim report 9M-2013

### KEY SHARE DATA

	30.04.2013	30.04.2012
Share capital (in EUR)	50,526,314	41,052,630
Number of shares as of 30 April	50,526,314	41,052,630
Closing price as of 30 April (XETRA, in EUR)	30.47	25.15
High (XETRA, in EUR)	32.63	26.00
Low (XETRA, in EUR)	28.63	21.29
Market capitalisation as of 30 April (in EUR mn)	1,539.5	1,032.5
Average daily trading volume since 1 January 2013 (XETRA, in EUR)	3,725,711	2,720,956

### SHAREHOLDER STRUCTURE AS OF 30 APRIL 2013



As of: 30 April 2013 (based on last voting rights announcements due to WpHG); Free float according to Deutsche Börse approx. 94%



## Interim consolidated management report

### 9 Economic report

9 Development of the housing portfolio

11 Net assets, financial position and results of operations

15 Report on post-balance sheet date events

15 Risks and opportunities

15 Outlook





## Economic report

### Development of the housing portfolio

#### Overview

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

One of the key strategic components is active, value-oriented portfolio management with the objective of generating sustainable yields and increasing these, as well as ensuring the value retention of the portfolio and GSW's competitiveness in the long term. 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 sustainably strengthen the company's local market position in Greater Berlin.

Selective opportunistic sales of residential units and sub-portfolios round off our options for action. Such sales will be made particularly from the portfolio of owner-occupied apartments and will serve to further optimise income from property management. This will also generate additional cash flows for the company.

GSW manages one of the largest real estate portfolios in Germany's capital, with 58,540 company-owned residential units, 985 commercial units and 9,499 garages / parking spaces. As at the reporting date, the vacancy rate for the residential units was 2.7 % (31 March 2012: 3.3 %). The overall portfolio has achieved an average in-place-rent of EUR 5.26 / sqm as at 31 March 2013, up EUR 0.04 / sqm in the first quarter of the financial year 2013. This was attributable both to rent increases for existing tenants and to new leases for units at rents that were significantly higher than existing rents on average.

The acquisitions of 2012 have been successfully integrated into the GSW portfolio management. The economic data of the roughly 6,500 residential units in Berlin are developing in line with expectations. As at 31 March 2013, the in-place rent of these properties averaged EUR 5.44 / sqm with a vacancy rate of 1.7 %.

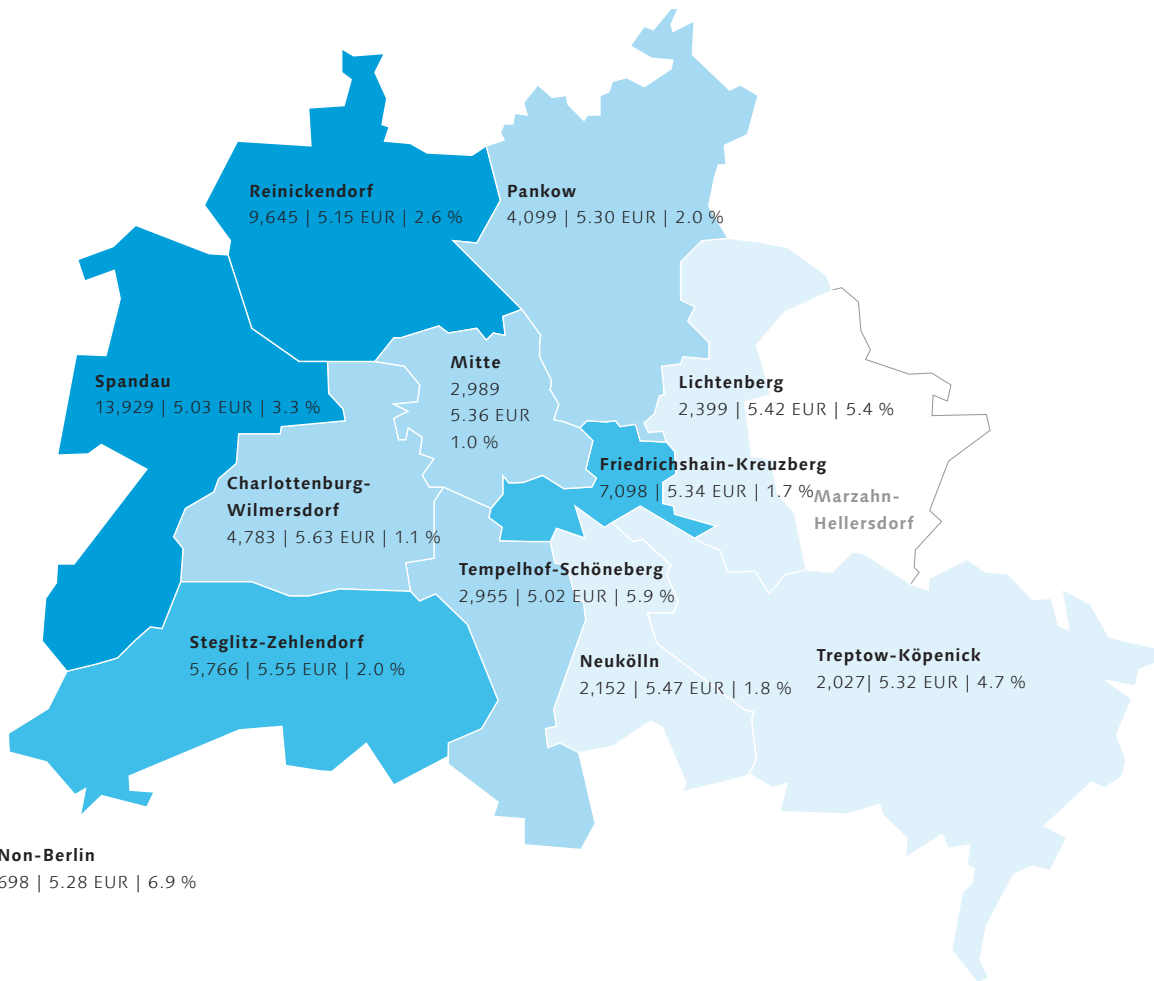
#### Maintenance and modernisation

By means of continuous investments in both the fabric of the buildings and the standard of the apartments, GSW secures the basis for the long-term rental viability of its residential portfolio and the attractiveness of its range of apartments. For instance, modernisation measures are carried out when re-letting apartments in order to bring them into a contemporary condition and thereby allow an adjustment in line with current market rents. This consolidates and expands the GSW portfolio's solid overall positioning on the Berlin market.

HOUSING PORTFOLIO 31.03.2013

**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 in the respective portfolio.

## Result of operations, net assets and financial position

### Result of operations

#### NET RENTAL INCOME

EUR mn	01.01.- 31.03.2013	01.01.- 31.03.2012*
Income from rents	57.3	50.4
Income from management activities and other income	1.3	2.7
<b>Gross rental income</b>	<b>58.6</b>	<b>53.1</b>
Income from direct government grants	1.5	2.1
<b>Total rental income</b>	<b>60.1</b>	<b>55.2</b>
Cost of materials	(9.0)	(9.7)
Personnel expenses	(4.0)	(4.6)
Other property operating expenses / income	(1.5)	(1.2)
<b>Net rental income</b>	<b>45.6</b>	<b>39.7</b>

Net rental income rose by EUR 5.9 million year-on-year, largely due to the acquisition of approximately 7,000 residential units with the transfer of economic ownership taking place as at the turn of the year (2012/2013). Higher average rents and the lower vacancy compared with the same period of the previous year also made a significant contribution to the improvement in earnings. Compared to the previous year, the average rent for leased residential units increased to EUR 5.26/sqm as at 31 March 2013 (31 March 2012: EUR 5.12/sqm), while the vacancy rate for residential units was reduced to 2.7 % (31 March 2012: 3.3 %).

By contrast, income from government grants decreased as expected to EUR 1.5 million in the first quarter of 2013 (Q1 2012: EUR 2.1 million).

The decline in the cost of materials resulted primarily from reduced property management expenses for operating costs and legal expenses.

#### RESULT ON DISPOSALS

EUR mn	01.01.- 31.03.2013	01.01.- 31.03.2012
Investment property disposal proceeds	25.2	16.0
Carrying amount of investment property disposals	(20.2)	(11.8)
Operating expenses for investment property disposed	(1.5)	(2.1)
<b>Result on disposal of investment property</b>	<b>3.4</b>	<b>2.1</b>

Due to the strong market demand for properties in Berlin at present, GSW sold 335 residential and commercial units including the transfer of risks and rewards in the first quarter of the current financial year (Q1 2012: 208 units). This resulted in a year-on-year increase in the result on disposals, which totalled EUR 3.4 million.

#### GENERAL ADMINISTRATIVE EXPENSES

EUR mn	01.01.- 31.03.2013	01.01.- 31.03.2012
<b>General administrative expenses</b>	<b>(9.7)</b>	<b>(10.1)</b>
Expenses for capital measures	1.0	1.2
Long Term Incentive Plan (LTIP)	0.4	0.9
Project expenses	0.5	0.2
Acquisition expenses	0.5	1.1
<b>Administrative expenses (adjusted)</b>	<b>(7.2)</b>	<b>(6.7)</b>

General administrative expenses declined to EUR 9.7 million in the first quarter of 2013. Adjusted for non-recurring effects, general administrative expenses amounted to EUR 7.2 million and were thus higher than the previous year's figure (Q1 2012: EUR 6.7 million). This increase resulted firstly from higher consulting expenses, including for strategic issues, and secondly from higher personnel expenses in connection with the capital market requirements.

\* Adjustment of prior-year figures for cost of materials, personnel expenses and other expenses. To allow for better presentation, income from the reversal of provisions has been netted against the corresponding expenses, starting from the 2012 financial year.

## NET INTEREST INCOME

EUR mn	01.01.- 31.03.2013	01.01.- 31.03.2012
Income from valuation of derivatives and loans	5.4	3.4
Interest income from derivatives	0.5	3.8
Other interest income	0.1	0.1
<b>Interest income</b>	<b>6.0</b>	<b>7.3</b>
Expenses from valuation of derivatives and loans	(6.1)	(7.1)
Interest expenses from derivatives	(6.8)	(8.3)
Interest expenses from financing of investment property	(11.3)	(13.2)
Other interest expenses/ finance lease	(0.1)	(0.4)
Interest expenses for convertible bond	(1.7)	0.0
Breakage costs from financing activities	0.0	0.0
<b>Interest expenses</b>	<b>(25.9)</b>	<b>(29.1)</b>
<b>Net interest income</b>	<b>(19.9)</b>	<b>(21.8)</b>

The company's interest income decreased year-on-year to EUR 6.0 million. The initially considerably higher income from the valuation of derivatives and loans was more than offset by lower income from interest rate derivatives, leading to an overall decline in interest income.

Interest expenses also decreased to EUR 25.9 million, mainly as a result of lower valuation expenses, lower expenses for derivatives and lower interest expenses for financing investment property due to decreasing interest rates for floating rate loans.

The interest expenses on the convertible bond are composed of prorated expenses for the coupon payment in the 4th Quarter of 2013 in the amount of EUR 0.9 million and the accrued interest on the debt component of the convertible bond of EUR 0.8 million.

Overall, net interest income therefore fell by EUR 1.9 million to EUR -19.9 million.

## INCOME STATEMENT

EUR mn	01.01.- 31.03.2013	01.01.- 31.03.2012
Net rental income	45.6	39.7
Result on disposal of investment property	3.4	2.1
Net valuation gains/ losses on investment property/ Valuation result	- *	- *
General administrative expenses	(9.7)	(10.1)
<b>Net operating profit (EBIT)</b>	<b>39.4</b>	<b>31.7</b>
Net result of investments	0.1	0.1
Net interest income	(19.9)	(21.8)
<b>Profit before income taxes (EBT)</b>	<b>19.6</b>	<b>10.0</b>
Income taxes	0.2	(1.3)
<b>Consolidated net income for the period</b>	<b>19.8</b>	<b>8.7</b>

During the 2013 financial year to date, GSW generated consolidated net income of EUR 19.8 million, thus exceeding the previous year's figure by EUR 11.0 million. Adjusted for non-recurring effects, EBIT increased substantially by EUR 6.8 million, mainly as a result of the higher net rental income and result on disposals.

In addition, the improved net interest income, the net result of investments and tax income together led to consolidated net income of EUR 19.8 million in the first quarter of 2013.

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.

\* External valuation of properties generally takes places on an annual basis as at 31 December.

## ADJUSTED EBITDA / FFO

EUR mn	01.01.- 31.03.2013	01.01.- 31.03.2012
<b>Net operating profit (EBIT)</b>	<b>39.4</b>	<b>31.7</b>
Depreciation and amortisation	0.2	0.2
<b>EBITDA</b>	<b>39.6</b>	<b>31.9</b>
Expenses for capital measures	1.0	1.2
Restructuring expenses	0.0	0.1
Project expenses	0.6	0.2
Acquisition expenses	0.5	1.1
Long Term Incentive Plan (LTIP)	0.4	0.9
Result on disposals of investment property	(3.4)	(2.1)
<b>Adjusted EBITDA</b>	<b>38.7</b>	<b>33.3</b>
Cash flow net interest (normalised)	(18.9)	(18.4)
Net result of investments	0.1	0.1
Cash flow net taxes	(0.0)	(0.0)
<b>FFO I (excl. sales result)</b>	<b>19.8</b>	<b>15.0</b>
Capitalised expenses for modernisation and maintenance	(3.2)	(3.6)
<b>AFFO (FFO I less capitalised expenses for modernisation and maintenance)</b>	<b>16.7</b>	<b>11.4</b>
<b>FFO II (incl. sales result)</b>	<b>23.3</b>	<b>17.1</b>

The increase in adjusted EBITDA of EUR 5.4 million reflects higher net rental income compared with the same period of the previous year. As a result of financing for the acquired property portfolios, the total amount of financial liabilities increased accordingly, leading to somewhat higher interest payments. Adjusted for interest and tax payments, FFO I for the first quarter of 2013 amounted to EUR 19.8 million (Q1 2013: EUR 15.0 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 16.7 million.

## Net assets

## BALANCE SHEET

EUR mn	31.03.2013	31.12.2012
<b>Non-current assets</b>	<b>3,339.4</b>	<b>3,324.0</b>
Investment property	3,317.6	3,302.2
Other non-current assets	21.8	21.8
<b>Current assets</b>	<b>218.7</b>	<b>245.9</b>
Receivables and other current assets	18.5	32.8
Cash and cash equivalents	167.7	167.7
Assets held for sale	32.5	45.3
<b>Total assets</b>	<b>3,558.1</b>	<b>3,569.9</b>
<b>Equity</b>	<b>1,473.3</b>	<b>1,440.4*</b>
<b>Non-current liabilities</b>	<b>1,986.5</b>	<b>1,992.4</b>
Financial liabilities	1,897.2	1,888.8
Other liabilities	89.3	103.6*
<b>Current liabilities</b>	<b>98.3</b>	<b>137.0</b>
Financial liabilities	51.6	78.7
Other liabilities	46.7	58.4
<b>Total equity and liabilities</b>	<b>3,558.1</b>	<b>3,569.9</b>

Equity increased by EUR 32.8 million as at 31 March 2013, largely as a result of the current positive consolidated net income. Positive effects from the valuation of derivatives also had the effect of increasing 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 rose in comparison to 31 December 2012.

\* Adjustment of the prior-year figures due to the amendments to IAS 19 as at 1 January 2013, according to which actuarial gains and losses on pension commitments are recognised in other comprehensive income immediately and in full. The amendments are to be applied retrospectively.

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

#### NET ASSET VALUE

EUR mn	31.03.2013			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>1,473.3</b>		<b>1,473.3</b>	<b>1,440.4</b>		<b>1,440.4</b>
Effect of exercise of options, convertibles and other equity interests		159.5	159.5		158.7	158.7
<b>NAV</b>	<b>1,473.3</b>		<b>1,632.8</b>	<b>1,440.4</b>		<b>1,599.2</b>
Fair value of financial derivatives (net)	77.6		77.6	91.2		91.2
Deferred taxes	(5.3)		(5.3)	(6.0)		(6.0)
<b>EPRA NAV</b>	<b>1,545.6</b>		<b>1,705.1</b>	<b>1,525.6</b>		<b>1,684.3</b>
Number of shares (mn)	50.53	5.05	55.58	50.53	5.05	55.58
<b>EPRA NAV per share (EUR) (undiluted/diluted)</b>	<b>30.59</b>		<b>30.68</b>	<b>30.19</b>		<b>30.31</b>

#### Loan-to-value-ratio

GSW's loan-to-value ratio decreased as follows as at 31 March 2013:

##### LOAN-TO-VALUE

EUR mn	31.03.2013	31.12.2012
Financial liabilities	1,948.9	1,967.5
Cash and cash equivalents	(167.7)	(167.7)
<b>Net debt</b>	<b>1,781.2</b>	<b>1,799.8</b>
Investment property	3,317.6	3,302.2
Assets held for sale	32.5	45.3
<b>Loan-to-value ratio</b>	<b>53.2 %</b>	<b>53.8 %</b>

The reduction in the loan-to-value ratio resulted from the decline in net debt, mainly due to loan repayments.

#### Financial position

##### CASH FLOW STATEMENT

EUR mn	01.01.-31.03.2013	01.01.-31.03.2012
Cash flow from operating activities	13.6	9.9
Cash flow from investing activities	4.9	13.4
Cash flow from financing activities	(18.5)	(15.4)
<b>Changes in cash and cash equivalents</b>	<b>(0.0)</b>	<b>7.9</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>167.7</b>	<b>70.5</b>

Cash flow from operating activities increased year-on-year by EUR 3.7 million. This was primarily due to the higher net rental income.

Cash flow from investing activities decreased mainly due to disbursements for real estate transfer taxes.

Cash flow from financing activities declined year-on-year to EUR -18.5 million, chiefly due to the repayment of bank loans.

\* Adjustment of the prior-year figures due to the amendments to IAS 19 as at 1 January 2013, according to which actuarial gains and losses on pension commitments are recognised in other comprehensive income immediately and in full. The amendments are to be applied retrospectively.

## REPORT ON POST-BALANCE SHEET DATE EVENTS

By resolution of 18 March 2013, the Supervisory Board appointed Dr. Bernd Kottmann as new CEO with effect from 16 April 2013. The previous CEO Thomas Zinnöcker left the company with effect from 15 April 2013.

## RISKS AND OPPORTUNITIES

GSW Immobilien AG is exposed to various risks as a result of its business activities. Alongside general economic risks, these chiefly include vacancy risk, rental default risk, interest rate risk and liquidity risk. In some cases, the company cannot influence or is not responsible for these risks occurring. For example, rental defaults could be increased by changes in political regulations, or interest rate and liquidity risks could be increased by decisions regarding key interest rates.

Possible risks and the corresponding processes for evaluating these risks are described in detail in the 2012 annual report of GSW Immobilien AG on pages 75 to 79. No additional risks for the company have arisen since the reporting date.

Overall, the Management Board does not expect any risks to occur in the current financial year that could jeopardise the existence of GSW Immobilien AG and its subsidiaries as a going concern.

## OUTLOOK

The following factors significantly determine the trends in Berlin's residential property market, thus underpinning GSW's success: construction activity is generally low, while demand for housing space is rising, driven by growing numbers of residents in the city. At the same time, the number of households is increasing due to the trend towards single-occupant apartments. As a result, the company expects rents to increase further and vacancy rates to fall in the German capital. Given these circumstances, the company can look forward with optimism and confidence that rental income will be on a growth trend which will positively affect the company's revenue and earnings. The Management Board of GSW is therefore confirming its forecast for the 2013 financial year to FFO I of between EUR 73 million and EUR 78 million.





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

- 17 Balance sheet**
- 19 Income statement**
- 20 Statement of comprehensive income**
- 21 Statement of changes in shareholders' equity**
- 22 Cash flow statement**
  
- 23 Selected explanatory notes to the interim consolidated financial statements**

## Consolidated Balance Sheet

### CONSOLIDATED BALANCE SHEET - ASSETS

EUR thousand	Note	31.03.2013	31.12.2012
<b>Non-current assets</b>		<b>3,339,410</b>	<b>3,324,001</b>
Investment property	(13)	3,317,608	3,302,195
Property, plant and equipment		2,038	2,130
Goodwill		1,125	1,125
Other intangible assets		150	203
Other investments		6,087	6,087
Trade receivables		299	321
Receivables from rental, leasing and asset management		125	133
Receivables from sales		174	188
Other non-current assets		12,089	11,926
Deferred tax assets		14	14
<b>Current assets</b>		<b>218,697</b>	<b>245,869</b>
Trade receivables		12,141	6,920
Receivables from rental, leasing and asset management		7,228	4,998
Receivables from sales		4,595	1,264
Other trade receivables		318	658
Receivables due from related parties		10	505
Income tax receivables		2,774	2,787
Other current assets		3,550	22,595
Other financial assets		1,292	1,661
Other miscellaneous assets		2,258	20,934
Cash and cash equivalents		167,704	167,737
Assets held for sale		32,518	45,325
<b>Total assets</b>		<b>3,558,107</b>	<b>3,569,870</b>

## CONSOLIDATED BALANCE SHEET - EQUITY AND LIABILITIES

EUR thousand	Note	31.03.2013	31.12.2012
<b>Equity</b>	<b>(14)</b>	<b>1,473,277</b>	<b>1,440,435</b>
Total shareholders' equity		1,472,914	1,440,089
Subscribed capital		50,526	50,526
Additional paid-in capital		329,295	328,722
Consolidated retained earnings		1,159,955	1,140,177
Accumulated other comprehensive income		(66,862)	(79,336)
Non controlling interest		363	346
<b>Non-current liabilities</b>		<b>1,986,515</b>	<b>1,992,397</b>
Financial liabilities	(15)	1,897,237	1,888,817
Liabilities due to banks from financing investment properties		1,736,303	1,728,578
Liabilities from convertible bond		159,479	158,728
Liabilities from finance leases		1,455	1,511
Employee benefits		2,307	2,345
Provisions		3,036	3,055
Trade payables		365	483
Other non-current liabilities		83,307	97,434
Derivatives		77,457	90,952
Other financial liabilities		507	507
Other miscellaneous liabilities		5,343	5,975
Deferred tax liabilities		263	263
<b>Current liabilities</b>		<b>98,315</b>	<b>137,038</b>
Financial liabilities	(15)	51,638	78,687
Liabilities due to banks from financing investment properties		50,070	78,449
Liabilities from convertible bonds		1,331	0
Liabilities from finance leases		237	238
Provisions		3,624	3,039
Trade payables		27,729	31,029
Property management liabilities		20,806	30,351
Other trade payables		6,923	678
Payables due to related parties		24	29
Payables to non-consolidated subsidiaries		3	5
Payables to related parties		21	24
Income taxes payable		191	191
Other current liabilities		15,109	24,063
Derivatives		186	265
Other financial liabilities		6,453	6,971
Other miscellaneous liabilities		8,470	16,827
<b>Total equity and liabilities</b>		<b>3,558,107</b>	<b>3,569,870</b>

\* Contingent capital of EUR 7.5 million as at 31 March 2013 (previous year: EUR 7.5 million)

## Consolidated Income Statement

### CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	01.01.- 31.03.2013	01.01.- 31.03.2012
<b>Net rental income</b>	<b>(9)</b>	<b>45,640</b>	<b>39,684</b>
Gross rental income		58,589	53,112
Government grants		1,544	2,076
Property operating expenses		(14,492)	(15,503)
<b>Result on disposal of investment property</b>		<b>3,414</b>	<b>2,090</b>
Investment property disposal proceeds		25,151	15,999
Carrying value of investment property disposals		(20,248)	(11,828)
Operating expenses for investment property disposed		(1,490)	(2,081)
<b>Net valuation gains on investment property</b>		<b>0</b>	<b>0</b>
Valuation gains on investment property		0	0
Valuation losses on investment property		0	0
<b>Administrative expenses</b>	<b>(10)</b>	<b>(9,656)</b>	<b>(10,070)</b>
<b>Other income and expense</b>		<b>0</b>	<b>0</b>
<b>Net operating profit (EBIT)</b>		<b>39,398</b>	<b>31,704</b>
Net result of investments		97	99
Interest income	(11)	6,006	7,341
Interest expenses	(11)	(25,931)	(29,094)
<b>Profit before income taxes</b>		<b>19,570</b>	<b>10,050</b>
Income taxes		188	(1,324)
<b>Consolidated net income for the period</b>		<b>19,758</b>	<b>8,726</b>
<b>Thereof attributable to:</b>			
Shareholders of GSW Immobilien AG		19,749	8,723
Non controlling interest		9	3
<b>Earnings per share (basic), EUR</b>	<b>(12)</b>	<b>0.39</b>	<b>0.21</b>
<b>Earnings per share (diluted), EUR</b>	<b>(12)</b>	<b>0.37</b>	<b>0.21</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.

## Consolidated statement of comprehensive income

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	01.01. - 31.03.2013	01.01. - 31.03.2012
<b>Consolidated net income for the period</b>		<b>19,758</b>	<b>8,726</b>
Accumulative other comprehensive income	(14c)		
Thereof non recycling			
Revaluation of properties classified as IAS 16		0	0
Deferred taxes		0	0
Thereof Recycling			
Actuarial gains and losses of defined benefit obligations		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)	12,461	(8,048)
Reclassification of interest derivatives affecting income		276	99
Deferred taxes		(227)	488
<b>Total comprehensive income for the period</b>		<b>32,268</b>	<b>1,264</b>
Profit attributable to:			
Shareholders of GSW Immobilien AG		32,251	1,269
Non controlling interest		17	(5)

## 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	Accumulative other comprehensive income			Total accumulative other comprehensive income	Total shareholders' equity	Non controlling 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				
<b>December 31, 2011</b>	<b>41,053</b>	<b>128,800</b>	<b>1,042,423</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	8,723	0	0	(7,454)	(7,454)	1,269	(5)	1,264
Additional paid-in capital regarding to board compensations	0	890	0	0	0	0	0	890	0	890
<b>March 31, 2012</b>	<b>41,053</b>	<b>129,690</b>	<b>1,051,145</b>	<b>252</b>	<b>(116)</b>	<b>(53,828)</b>	<b>(53,691)</b>	<b>1,168,197</b>	<b>251</b>	<b>1,168,448</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)	(53,828)	(53,944)	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	19,747	0	0	12,503	12,503	32,251	17	32,268
Additional paid-in capital regarding to board compensations	0	573	0	0	0	0	0	573	0	573
<b>March 31, 2013</b>	<b>50,526</b>	<b>329,295</b>	<b>1,159,925</b>	<b>279</b>	<b>(493)</b>	<b>(66,618)</b>	<b>(66,832)</b>	<b>1,472,914</b>	<b>363</b>	<b>1,473,277</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)	(66,618)	(67,111)	0	0	0

## Consolidated cash flow statement

### CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	01.01.- 31.03.2013	01.01.- 31.03.2012
Consolidated net income for the period	19,758	8,726
Elimination of current income taxes	(188)	1,324
Elimination of financial results	19,828	21,654
Depreciation, amortisation and impairment / write-ups of non-current assets	153	225
Result from the disposal of assets held for sale and investment property	(4,904)	(4,171)
Changes in inventories, receivables and other assets	(1,657)	(1,908)
Changes in provisions	152	903
Changes in payables	438	2,412
Other non-cash expenses and income	479	1,130
<b>Operating cash flow</b>	<b>34,058</b>	<b>30,295</b>
Income tax paid / received	(38)	(798)
Interest paid	(20,905)	(19,668)
Interest received	585	0
Distributions received	97	99
Proceeds from the disposal of derivative receivables	(225)	0
<b>Cash flow from operating activities</b>	<b>13,572</b>	<b>9,928</b>
Proceeds on disposals of investment property	16,118	16,997
Disbursements for investments in investment property	(11,231)	(3,621)
Disbursements for investments in intangible assets and in property, plant and equipment and other investments	(8)	(7)
<b>Cash flow from investing activities</b>	<b>4,879</b>	<b>13,369</b>
Repayments from loans	(45,596)	(15,520)
Proceeds from loans	27,113	117
<b>Cash flow from financing activities</b>	<b>(18,483)</b>	<b>(15,403)</b>
<b>Changes in cash and cash equivalents</b>	<b>(33)</b>	<b>7,894</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>167,704</b>	<b>70,512</b>



## **Selected explanatory notes to the interim consolidated financial statements of GSW Immobilien AG, Berlin, as at 31 March 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 condensed interim consolidated financial statements for the period from 1 January 2013 to 31 March 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) have been taken into account. In accordance with the option under IAS 34.10, the notes to these interim consolidated financial statements are presented in a condensed form.

A limited review by the auditor has not been performed.

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 rental business is largely free of seasonal and cyclical influences, but sales of residential units are subject to cyclical influences.

### **3) Accounting policies**

GSW has generally applied the same accounting policies as in the same period of the previous year. The accounting policies applied in the interim consolidated financial statements correspond to the policies described in detail in the IFRS consolidated financial statements. These interim consolidated financial statements should therefore be read in conjunction with GSW's consolidated financial statements as at 31 December 2012.

In the interim consolidated financial statements as at 31 March 2013, GSW has applied all new standards and interpretations that must be applied for financial years beginning on or after 1 January 2013.

The amendments to IAS 19 as of 1 January 2013 were to be applied retrospectively and therefore led to adjustments of the prior-year figures under pension provisions (EUR 523 thousand), other comprehensive income (EUR -493 thousand) and consolidated retained earnings (EUR -30 thousand).

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

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

### **5) Significant discretionary decisions and estimates**

The preparation of the interim consolidated financial statements requires the management to make discretionary decisions, estimates and assumptions that affect both the recognition and measurement of assets, liabilities, income and expenses and also the disclosure of contingent liabilities at the end of the reporting period.

These primarily relate to the measurement of investment property, the recognition and measurement of provisions and the measurement of derivative financial instruments with regard to the future interest rate development. Estimates are also made in connection with the initial recognition of loans and the recognition of deferred tax assets.

Due to the uncertainty associated with estimates and assumptions, the amounts that actually arise in the future may differ from the reported figures based on estimates and assumptions, leading to adjustments of the relevant carrying amounts.

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

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

- Provisions will be reversed against the item that was originally created. The presentation of the comparative amounts as at 31 March 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 corresponding comparative amounts as at 31 March 2012.

## **7) Segment reporting**

There have not been any changes in management reporting as compared to the information in the consolidated financial statements as at 31 December 2012.

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

## **8) Calculation of fair value**

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.

Securities classified as available for sale are not measured at fair value due to a lack of market data. These financial instruments are measured at cost.

The fair values calculated by GSW correspond to the prices defined in accordance with IFRS 13 that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13.9).

Investment property, property held for sale, owner-occupied property and derivative financial instruments are measured on a recurring basis. There were no transfers between fair value hierarchies in the period under review.

GSW last calculated the fair values of investment property, owner-occupied property and property held for sale as at 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. As at the reporting date of these interim consolidated financial statements, there had been no revaluation. For quantitative information on significant non-observable input data, the impact of the valuation on profit or loss and the sensitivity analyse, please refer to the information in the consolidated financial statements as at 31 December 2012.

The fair value of derivative financial instruments is calculated using the discounted cash flow method, taking into account both the company's own risk and the counterparty risk.

## Selected notes to the consolidated income statement

## 9) Net rental income

Net rental income is composed as follows:

EUR thousand	01.01.- 31.03.2013	01.01.- 31.03.2012
Income from rents	57,317	50,431
Income from management activities	0	1,101
Other income	1,272	1,579
<b>Gross rental income</b>	<b>58,589</b>	<b>53,112</b>
Direct rent subsidies	188	222
Direct government grants due to social housing	1,355	1,854
<b>Income from direct government grants</b>	<b>1,544</b>	<b>2,076</b>
<b>Total rental income</b>	<b>60,133</b>	<b>55,188</b>
Cost of materials	(9,041)	(9,663)
Personnel expenses	(3,985)	(4,591)
Depreciation and amortisation	(81)	(79)
Other operating expenses	(3,010)	(3,009)
Other operating income	1,625	1,839
<b>Property operating expenses</b>	<b>(14,492)</b>	<b>(15,503)</b>
<b>Net rental income</b>	<b>45,640</b>	<b>39,684</b>

In the first quarter of 2013, net rental income increased by EUR 5,956 thousand as against the previous year. This was primarily attributable to the transfer of ownership of 6,791 residential units as at 31 December 2012 and another 209 residential units as at 1 January 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.

Income from government grants decreased, as planned, to EUR 1,544 thousand in the first quarter of 2013.

The cost of materials fell by EUR 622 thousand as against the previous year. The cost of materials is composed as follows:

EUR thousand	01.01.- 31.03.2013	01.01.- 31.03.2012
Total expenses for maintenance and modernisation	(8,483)	(8,145)
Capitalised expenses for maintenance and modernisation	3,156	3,621
<b>Non-capitalised expenses for maintenance and modernisation</b>	<b>(5,327)</b>	<b>(4,524)</b>
Non-reversible operating expenses	(1,879)	(2,241)
General leases	(518)	(537)
Marketing expenses	(333)	(460)
Legal expenses	(738)	(1,273)
Other	(245)	(629)
<b>Cost of materials</b>	<b>(9,041)</b>	<b>(9,663)</b>

## 10) General administrative expenses

General administrative expenses are composed as follows:

EUR thousand	01.01.- 31.03.2013	01.01.- 31.03.2012
Personnel expenses	(3,242)	(3,146)
Long term incentive plan (LTIP)	(428)	(890)
Depreciation and amortisation	(73)	(145)
Expenses for IT and telecommunication	(1,025)	(1,149)
Expenses for annual financial statements and audit	(129)	(165)
Rental and leasing expenses	(863)	(866)
Legal and consulting expenses	(1,215)	(433)
Sponsoring	(252)	(194)
Insurance	(88)	(34)
Expenses for acquisitions <sup>1)</sup>	(525)	(1,121)
Expenses for capital measures	(1,001)	(1,168)
Contributions and fees	(184)	(191)
Office expenses	(131)	(208)
Financial communication	(107)	(111)
Other expenses	(477)	(463)
Other operating income	83	215
<b>General administrative expenses</b>	<b>(9,656)</b>	<b>(10,070)</b>

General administrative expenses decreased by EUR 414 thousand to EUR 9,656 thousand as against the same period of the previous year. The fall is mainly attributable to the decrease in expenses for the long term incentive plan by EUR 462 thousand and in expenses for acquisition measures by EUR 595 thousand. The decrease was partly offset by increased legal and consulting expenses, which increased by EUR 782 thousand and were chiefly influenced by non-recurring project expenses.

In total, non-recurring project expenses of EUR 524 thousand are attributable to general administrative expenses (prior-year period: EUR 158 thousand).

General administrative expenses include expenses amounting to EUR 708 thousand (prior-year period: EUR 755 thousand) relating to the part of the property on Charlottenstrasse (formerly Kochstrasse) used by GSW. Of this figure, EUR 549 thousand (prior-year period: EUR 568 thousand) is attributable to the general rent, EUR 8 thousand (prior-year period: EUR 36 thousand) to expenses for ongoing maintenance and EUR 151 thousand (prior-year period: EUR 151 thousand) to operating costs.

<sup>1</sup> Acquisition expenses are expenses which are related to the purchase of Investment properties conducted as an asset- or share-deal.

<sup>2</sup> Project expenses are expenses for ventures that are mostly non-recurring with a complex structure and with objectives that are accomplished with specified funds and in a specified time frame.

## 11) Net interest income

Net interest income is composed as follows:

EUR thousand	01.01.- 31.03.2013	01.01.- 31.03.2012
Interest income from financial receivables	2	0
Interest income from loan amortisation*	4,535	3,387
Income from valuing interest derivatives at fair value	898	12
Interest income from interest derivatives	467	3,829
Interest income from bank deposit	100	111
Other interest income	4	2
<b>Interest income</b>	<b>6,006</b>	<b>7,341</b>
Interest expenses from financing of investment property	(11,281)	(13,216)
Interest expenses from loan amortisation*	(5,835)	(6,539)
Expenses from valuing interest derivatives at fair value	(276)	(604)
Interest expenses from interest derivatives	(6,796)	(8,303)
Interest expenses from convertible bonds	(1,666)	0
Breakage costs from financing activities	0	(3)
Other interest expenses	(76)	(431)
<b>Interest expenses</b>	<b>(25,931)</b>	<b>(29,094)</b>
<b>Net interest income</b>	<b>(19,925)</b>	<b>(21,753)</b>

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

Interest income decreased by EUR 1,335 thousand year-on-year to EUR 6,006 thousand. This decline is mainly attributable to lower interest income from interest derivatives due to the decrease in the general interest rate level and a reduced number of interest derivatives.

At the same time, interest expenses decreased by EUR 3,163 thousand to EUR 25,931 thousand. This is also due to the general fall in the level of interest rates compared with the same period of the previous year, combined with an increase in loans and a reduction in the number of interest derivatives. These factors were partly offset by interest expenses from the convertible bond issued in November 2012.

## 12) Earnings per share

### 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 period under review.

The average number of shares outstanding in the reporting period was 50,526,314 (prior-year period: 41,052,630). No additional shares were issued.

Basic earnings per share amount to:

	01.01.- 31.03.2013	01.01.- 31.03.2012
Consolidated net income for the period attributable to GSW's shareholders (EUR thousand)	19,749	8,723
Average weighted number of shares outstanding	50,526,314	41,052,630
<b>Earnings per share (basic, EUR)</b>	<b>0.39</b>	<b>0.21</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 March 2013, GSW has potentially diluting shares outstanding from a convertible bond. This authorises bondholders to convert bonds into up to about 5.05 million new GSW shares.

The diluted earnings per share amount to:

	01.01.- 31.03.2013	01.01.- 31.03.2012
Consolidated net income for the period attributable to GSW's shareholders (EUR thousand)	19,749	8,723
Coupon on the convertible bond after taxes* (EUR thousand)	639	-
Consolidated net income for the period for diluted earnings per share (EUR thousand)	20,388	8,723
Average weighted number of shares outstanding	50,526,314	41,052,630
Number of potential new shares if the convertible bond is exercised	5,051,788	-
Number of shares for diluted earnings per share	55,578,102	41,052,630
<b>Earnings per share (diluted, EUR)</b>	<b>0.37</b>	<b>0.21</b>

\* 2% on EUR 182.9 million after deduction of the Group tax rate of 30.175%, in relation to one quarter

## Selected notes to the consolidated balance sheet

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

As at the reporting date of the interim consolidated financial statements, investment property in accordance with IAS 40 including properties held for sale in accordance with IFRS 5 are composed as follows:

	31.03.2013		31.12.2012	
	Residential properties	Commercial properties	Residential properties	Commercial properties
Units	58,540	984	58,668	992

In addition, one commercial unit used by the GSW Group is recognised under property, plant and equipment in accordance with IAS 16.



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

EUR thousand	31.03.2013		31.12.2012	
	Investment property <sup>1</sup>	Properties held for sale <sup>2</sup>	Investment property <sup>1</sup>	Properties held for sale <sup>2</sup>
Developed plots	3,296,709	32,272	3,281,110	45,249
Undeveloped plots	20,899	246	21,085	77
<b>Total</b>	<b>3,317,608</b>	<b>32,518</b>	<b>3,302,195</b>	<b>45,326</b>

Classification within 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> Properties held for sale: Level 3 (valued on the basis of other input factors)

The increase in property assets by a total of EUR 2,606 thousand as against 31 December 2012 results firstly from the transfer of ownership of a property portfolio acquired in 2012 with 218 residential and commercial units in Berlin-Spandau as at 1 January 2013. In addition, expenses for maintenance were capitalised.

This was offset by disposals from the sale of residential and commercial units with the transfer of risks and rewards in the first quarter of 2013.

## 14) 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 reserves

As at 31 March 2013, GSW's subscribed capital amounts to EUR 50,526 thousand (31 December 2012: EUR 50,526 thousand). There are 50,526,314 ordinary shares outstanding, each with a notional interest in the share capital of EUR 1.00. The shares are fully issued and fully paid.

As a result of the share-based remuneration for Management Board members, GSW's capital reserves increased by EUR 573 thousand in the reporting period to EUR 329,295 thousand as at 31 March 2013.

### 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 share of total comprehensive income for the period attributable to non-controlling interests amounts to EUR 16.9 thousand (first quarter 2012: EUR -5.2 thousand) in the first quarter of the 2013 financial year.

### c) Accumulated other comprehensive income

Accumulated other comprehensive income includes fair value adjustments for owner-occupied properties measured according to the revaluation method, adjustments in the fair value of derivatives in cash flow hedges, and actuarial gains 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 -8 thousand (previous year: EUR 8 thousand) relate to the change in the fair value of interest derivatives in cash flow hedges.

### 15) Financial liabilities

Financial liabilities are composed as follows:

EUR thousand	31.03.2013	31.12.2012
Liabilities due to banks from financing investment properties	(1,786,373)	(1,807,027)
Liabilities from convertible bonds	(160,810)	(158,728)
Liabilities from finance leases	(1,692)	(1,749)
<b>Financial liabilities</b>	<b>(1,948,875)</b>	<b>(1,967,504)</b>

The liabilities due to banks are predominantly the result of financing for investment properties. They decreased in comparison to 31 December 2012, in particular due to scheduled and non-scheduled repayments.

Loans were also refinanced in the reporting period. In the first quarter of 2013, GSW Immobilien AG issued a promissory note loan of approximately EUR 201.6 million secured by real estate and with a term of around four years. As part of this transaction, an existing loan was repaid as at 28 March 2013 at the same conditions. In addition, a loan agreement in the amount of EUR 50 million with a term of seven years was concluded in order to refinance loans due in 2013 and smaller acquisitions. The loan has a fixed interest rate of 2.92 % and is subject to standard covenants.

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 led to the opposite development.

### 16) Derivatives

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

As at 31 March 2013, the Group had the following derivative financial instruments:

EUR thousand	Nominal value	Swap rates	FV as at 31.03.2013
12 interest rate swaps	1,142,149	1.95 % to 4.80 %	(77,643)

Two of the interest rate swaps held by the Group as at the reporting date do not fulfil the requirements of IAS 39 for recognition as a hedging instrument. Changes in the fair value of these 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.

Income from changes in the fair value of derivatives totalling EUR 12,461 thousand (prior-year period: expense of EUR 8,048 thousand) was recognised directly in equity in the interim consolidated financial statements in the reporting period, and another EUR 889 thousand (prior-year period: expense of EUR 493 thousand) was recognised through profit and loss in the income statement.

In addition, the hedge reserve recognised in equity was reversed in expenses in a total amount of EUR 276 thousand (prior-year period: EUR 99 thousand), of which EUR 215 thousand (prior-year period: EUR 15 thousand) resulted from non-scheduled repayments of loans and the removal of the layer of the hedging instrument allocated to the underlying transaction that had been repaid. This layer of the hedge was then no longer reported.

In the period under review, income from instances of ineffectiveness totalling EUR 9 thousand (prior-year period: EUR 0 thousand) were recognised in the income statement as part of hedge accounting.

## Other information

### 17) Additional disclosures on financial instruments

The following table shows the carrying amounts and the fair values of the financial instruments by class and measurement category:

31.03.2013	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	Carrying value	Carrying value	Carrying value	Carrying value	
EUR thousand								
Securities (at cost)	AfS	250	250	0	0	0	0	250
Other investments	AfS	5,837	5,837	0	0	0	0	5,837
Trade receivables	LaR	12,440	12,440	0	0	0	0	12,440
Other receivables	LaR	13,220	13,220	0	0	0	2,429	15,649
Derivatives*		0	0	0	0	0	0	0
Cash and cash equivalents	LaR	167,704	167,704	0	0	0	0	167,704
<b>Total financial assets</b>		<b>199,451</b>	<b>199,451</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,429</b>	<b>201,880</b>
Liabilities due to banks from financing investment properties*	FLaC	1,786,373	1,866,037	0	0	0	0	1,786,373
Liabilities from convertible bonds*	FLaC	160,810	170,988	0	0	0	0	160,810
Liabilities from finance leases		0	0	0	1,692	0	0	1,692
Trade payables	FLaC	24,640	24,640	0	0	0	3,453	28,094
Derivatives*	FLHFT	0	0	5,316	72,327	0	0	77,643
Other liabilities	FLaC	5,631	5,631	0	0	0	15,165	20,797
<b>Total financial liabilities</b>		<b>1,977,454</b>	<b>2,067,296</b>	<b>5,316</b>	<b>74,019</b>	<b>18,619</b>	<b>18,619</b>	<b>2,075,410</b>

\* Classification within 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 <sup>†</sup>		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 <sup>†</sup>	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 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 values.

The financial instruments within the class of financial assets were classified as „available for sale“. Due to the absence of market data, these financial instruments are measured at cost instead of fair value. 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 Supervisory Board of GSW and their related dependents, 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

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 quarter of 2013, the company reported expenses and a contribution to the capital reserves of EUR 428 thousand (2012: EUR 890 thousand) in accordance with IFRS 2.

Further expenses are expected in subsequent years, which are to be paid by the former shareholders in shares and are 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.

## **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 does not have any material relations with associates and joint ventures.

## **19) Management and the Supervisory Board**

As at 31 March 2013, there were no changes in the composition of the Management Board and the Supervisory Board of GSW Immobilien AG in comparison to the disclosures as at 31 December 2012.

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

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

There were no material transactions after the end of the reporting period.

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



| DR. BERND KOTTMANN  
CEO



| 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 quarter 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 May 2013  
GSW Immobilien AG, Berlin  
The Management Board



DR. BERND KOTTMANN  
CEO



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.



# Imprint

## Publisher

### **GSW Immobilien AG**

Charlottenstraße 4  
10969 Berlin  
Germany

Phone: +49 (0) 30 68 99 99 – 0  
Fax: +49 (0) 30 68 99 99 99 – 9  
E-Mail: [ir@gsw.de](mailto:ir@gsw.de)  
[www.gsw.de](http://www.gsw.de)

## IR Contact

### **René Bergmann**

Phone: +49 (0) 30 2534 – 1362  
Fax: +49 (0) 30 2534 233 – 1960  
E-Mail: [ir@gsw.de](mailto:ir@gsw.de)

## PR Contact

### **Thomas Rücker**

Phone: +49 (0) 30 2534 – 1332  
Fax: +49 (0) 30 2534 – 1934  
E-Mail: [thomas.ruecker@gsw.de](mailto:thomas.ruecker@gsw.de)

## Editing & Typesetting

### **cometis AG**

Unter den Eichen 7  
65195 Wiesbaden  
Germany

Phone: +49 (0) 611 20 58 55 – 0  
Fax: +49 (0) 611 20 58 55 – 66  
E-Mail: [info@cometis.de](mailto:info@cometis.de)  
[www.cometis.de](http://www.cometis.de)

## Photos

### **Jens Storkan**

**Werner Popp**  
**Annette Kisling**

