GWB Immobilien AG

Planning. Development. Building. Management.

Annual report 2009

Key data

in € million	2009	2008
Sales	20.4	10.2
Total performance	18.6	30.3
EBIT	–7.2	7.4
Profit from ordinary activities	–5.8	–6.0
Net profit	–8.9	1.7
Earnings per share (in €)	–1.66	0.35
Operating cash flow	0.8	–2.3
Current assets	43.3	46.3
Non-current assets	95.0	101.4
Equity	24.4	30.9
Capital ratio (in %)	17.7	20.9

GWB Immobilien AG

The specialist for retail shopping centres and specialty retail centres

Market research & location analysis	**Land-use planning**	**Planning, development, building**	**Leasing, sales**	**Facility management**
> Systematic search for locations > Analysis of purchasing behaviour	> Urban and development planning > Obtaining building permits	> Concept development > Purchase of property > Development of entire planning framework	> Leasing activity > Marketing of property constructed	> Commercial management > Technical management

Mission Statement

The strength of the GWB business model is that the company acts as a single, integrated source for the provision of all the necessary services, covering the entire supply chain from project development and construction to marketing and management. We benefit at the same time from our many years of market know-how and property expertise, particularly in the retail trade.

We concentrate on the implementation of large retail properties as well as on the revitalisation of existing shopping centres. In our operations, revitalisation means restructuring of the properties, changes to the existing tenant structure and rental space and development of a new corporate identity for each property. The objective of revitalisation exercises is to increase profitability by exploiting our potential. We focus in this context on medium-sized towns and suburban areas in Germany.

Our profile

> Specialist for building and revitalising shopping and specialty retail centres

> Co-operation with reputable tenants (major retail groups and chains)

> 18 years of experience

> More than 40 centres successfully built, rented and sold

> Management of own portfolio as well as external properties

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The Management Board

Dipl.-Ing.
Wolfgang Mertens-Nordmann
CTO
Planning, building development, property management, insurance

Member of the Management Board and Deputy Chairman since 21 March 2006; since 1993 partner of the legal predecessor to GWB Immobilien AG. From 1979 to 1993, employee of ECE Projektmanagement GmbH (building of shopping centres); from 1980 divisional head of construction management.

Dr rer. oec.
Norbert Herrmann
CEO
Property purchase, permits and authorisations, leasing, property sales, finance and accounting, personnel

CEO of GWB Immobilien AG since 21 March 2006. Founded GEG Gesellschaft für die Entwicklung von Discount- und Fachmärkten mbH & Co. KG (now GWB) in 1992. From 1982 until 1992 CEO of DIVI-Basar SB-Warenhaus KG, subsidiary of ASKO Deutsche Kaufhaus AG (now METRO AG).

Betriebswirt (WAH)
Jörg Utermark
COO
Location development, leasing

Member of the Management Board of GWB Immobilien AG since 28 March 2006. Employed since 1994 by the legal predecessor of GWB Immobilien AG as head of leasing, from 1999 as authorised signatory; 1991 to 1994 Conoco Mineralöl GmbH, as Manager for Site Development; 1989 to 1991 with the commercial property department of Engel & Völkers.

Letter to shareholders

Dear shareholders,

We had an eventful and difficult financial year in 2009: while GWB's sales doubled, we were unable to avoid negative comprehensive income – in spite of major cost savings – because of revaluations we made of our property portfolio.

Following the severe impact of the financial crisis on the property market too, there are now initial signs that we have reason to be optimistic again. The gap between the purchase prices for retail properties expected by buyers and sellers is in particular continuing to narrow. This means that we are finally returning to normal in this area. CB Richard Ellis has concluded that investment on the German property market is starting to recover. In the retail property sector, it is expected that transaction volumes will be determined by German institutional investors in particular. We can confirm this positive trend from the discussions we are currently holding.

After the challenging year that lies behind us, we have had to answer the questions of what action we can take to control the present situation and what steps are necessary for GWB to operate effectively in future. The capital increase made in the 1st quarter of 2010 improved company liquidity. Further measures need to follow in order to generate stable business results, however. We are working very intensively on them.

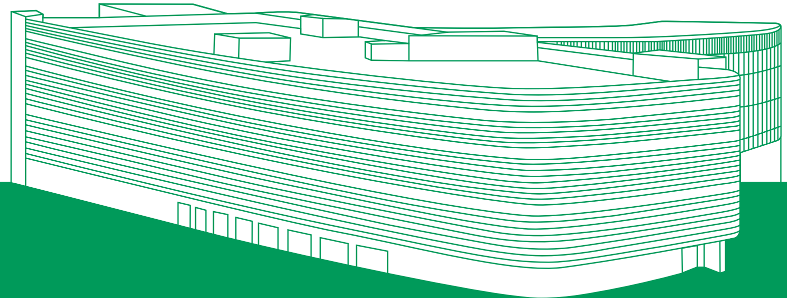
Banks are demanding a higher proportion of equity in their funding of development projects – the figure at the moment ranges between 20 and 25 %. What this means for our current Speyer, Völklingen and Bremerhaven projects with a total investment volume of about €85 million is that we need about €20 million in equity. We can obtain this capital that we require to implement our projects either by selling projects or by including partners.

We already reduced our operating costs drastically in 2009, in order to limit losses as far as possible. We will be maintaining our strict cost planning in 2010 too. The primary assignment we now face is to continue stabilisation of GWB and to return the company to profit.

We would like to thank all our shareholders who have stood by us throughout this difficult period in spite of the absolutely unsatisfactory development of the company and the share price. We are convinced that we will manage to cope with this situation successfully.

Kind regards,

Dr Norbert Herrmann, Chief Executive Officer



CITY CENTER VÖLKLINGEN

Shopping in the “new centre” of Völklingen

City Center Völklingen: Top town centre location and excellent road network

Brief outline of the project

- > Central location in the town centre
- > Top road network
- > 40 shops and gastronomy
- > Modern architecture
- > “New center” of Völklingen

Property data[1]

> Rental space	**12,370 m**
> Net rent p.a. (target)	**€2.6 million**
> Exp. market value	**€39 million**

With more than 40,000 inhabitants today, Völklingen is a medium-sized town that is the fourth-largest in Saarland after Saarbrücken, Neunkirchen and Homburg. Völklingen is located on the banks of the River Saar a few kilometres away from the state capital of Saarbrücken. The UNESCO World Heritage Site “Völklinger Hütte” is close to the centre of the town. This industrial monument stands for the town’s past and attracts far more than 200,000 tourists every year.

GWB is planning to build the new shopping centre “City Center Völklingen” here. The outstanding feature of this property is its excellent location in the town centre combined at the same time with connections to the national road network. It will be built on a convenient site in the centre of Völklingen while having a direct exit to the B 51, which connects Saarbrücken and Saarlouis, for example. The A 620 motorway can be reached by car in a few minutes too.

The unusual combination of a connection to the national road network with a location in the town centre is a key advantage of the property and will represent one of the success factors of the “City Center Völklingen”. There will be space for customers to park about 480 vehicles in the multi-storey car park.

The new “City Center Völklingen” will house about 40 shops and catering outlets with more than 10,300 m² of sales space. The light and inviting entry mall facing the old town hall will encourage shoppers to make a lengthy visit. The rental space of the property amounts to 12,370 m².

The main entrance is on the new square that is being created in front of the old town hall. This new square is at the same time the new centre of Völklingen. As one of Völklingen’s shopping streets, Rathausstrasse is being upgraded by this new attraction.

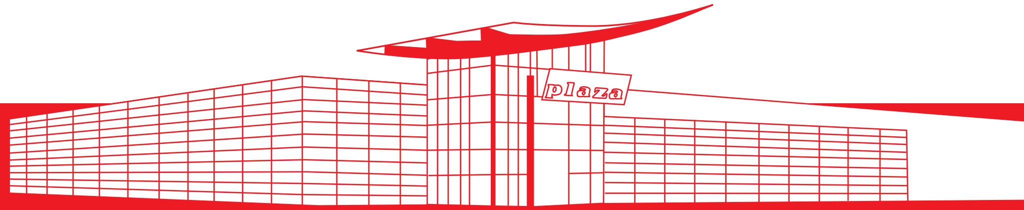
[1] *Status March 2009.*

Left
View from the street

Centre and right
Main entrance

Since there has been a lack of high-quality rental space in the town up to now, Völklingen is in many different respects an underdeveloped area on the retail map. Thanks to its generous rental space and appealing modern architecture, the new shopping centre will be closing the gap in the town convincingly.

Main entrance
In between the old town hall and the city center the "new centre" of Völklingen is being created.



PLAZA BUXTEHUDE

Self-service department store with long term tenant

Daily shopping in Buxtehude

Property data

> Rental space	**6,010 m**
> Net rent p.a. (target)	**€791 thousand**
> Selling price	**€10,1 million**

At the end of 2009, GWB Immobilien AG completed a self-service department store with a gross floor area of 6,160 m² in Buxtehude and handed it over to the buyer.

The property is rented to COOP Schleswig-Holstein. The rental contract ends in 17 years.

GWB has in the meantime secured the adjacent land to add to this property.

The site is reached via Konrad-Adenauer-Allee, which is planned to be the approach road to the new motorway, so that the location is guaranteed excellent connections to the road network in future.

The property is also located very conveniently with respect to the town centre, which is close by and easy to reach.

Buxtehude is a medium-sized town in the borough of Stade in Lower Saxony south of the city of Hamburg. The town's geographical location is between the Neugraben-Fischbek section of Hamburg and the town of Stade. Buxtehude has about 40,000 inhabitants and is the second-largest town in the borough.

Left
Entrance area

Centre and right
Parking area and side view

Main entrance
The self-service department store was completed in October 2009 and handed over to the tenant Plaza.

CLINIC BREMERHAVEN

Medical and rehabilitation centre with model concept

Medical care close to the North Sea coast

Property data

> Rental space	**5,970 m**
> Net rent p.a. (target)	**€998.5 thousand**
> Exp. market value	**€13.8 million**

GWB already developed a concept for a clinic in 2003 and 2004 and built it in Lübeck-Travemünde. The government of the state of Schleswig-Holstein chose this project as a model concept recommended for implementation elsewhere too.

GWB is now building a medical and rehabilitation centre that largely follows the Travemünde concept in Bremerhaven as an extension to Bremerhaven-Reinkenheide Hospital.

Bremerhaven-Reinkenheide Hospital is a non-profit limited company operated by the Bremerhaven municipal authorities that is a maximum-care hospital for the Bremerhaven region and the surrounding communities in Lower Saxony. It was built in 1972 and currently has about 700 beds and 1,700 staff.

The hospital and other investors, such as GWB Immobilien AG, are or will in the next few years be carrying out various building projects on hospital land in order to make the hospital more attractive by increasing the range of medical treatment available there.

GWB is building the medical and rehabilitation centre as an investor on the basis of the requirements of the hospital, which is adding specialised doctors' practices to its programme. Further tenants are such service providers as a chemist's shop, a medical supply store and a large cafe.

The current plan is to build a three-storey property with 7,384 m² of gross floor space. The rentable area amounts to 5,970 m².



Left
Entrance

Centre and right
Different views of the building

Bremerhaven is a city in the state of Bremen that had about 116,000 inhabitants in June 2007. It is the biggest navy location in Germany and the largest city on the North Sea coast. The seaport between the River Weser and the River Elbe is an economic and cultural centre for more than 300,000 people in the region.

Bremerhaven is currently one of the fast-growing regions of North Germany.

CURRENT PROPERTY PORTFOLIO

We sold the Buxtehude property in 2009. The balance sheet value of our entire portfolio amounted to €134.9 million at the end of the year.

Bad Sülze

Completion	1997
Rental space	2,400 m²
Net rent p. a. (target)	€138.0 thousand
Balance sheet value on 31.12.09	€1.9 million
Status	Portfolio GWB

GWB built this shopping centre in Mecklenburg-Western Pomerania in 1997. Bad Sülze is a small health resort in rural Mecklenburg (moor peat bath) and is developing – albeit slowly – into an active sub-centre. The property includes 150 parking spaces. The main tenant of the property is the NETTO Group.

City-Center Clausthal-Zellerfeld

Completion	2001
Rental space	2,410 m²
Net rent p. a. (target)	€140.4 thousand
Balance sheet value on 31.12.09	€2.3 million
Status	Portfolio GWB

GWB built this “City-Center” in the middle of Clausthal-Zellerfeld in 2000. The space is rented to specialty retail stores like Takko, Quick-Schuh etc. The building has retail and office space and two car parks at different levels. The building design corresponds to the character of the buildings normally found in the Harz region.

Shopping centre, Guben

Completion	1997
Rental space	2,372 m²
Net rent p. a.	€271.7 thousand
Balance sheet value on 31.12.09	€3.4 million
Status	Portfolio GWB

The shopping centre was built by GWB in 1997. Guben is on the border to Poland and is a town divided into two sections: Guben on the German side of the River Neiße and Gubin on the Polish side. The property is in a densely populated residential area and has closed a supply gap there. This shopping centre is firmly established in the meantime, with REWE, Schlecker, Sparkasse, a chemist’s shop and other stores as the tenants. 100 % of the space in the property is rented.

KÖNIGPASSAGE Lübeck

Completion	2007
Rental space	15,051 m²
Net rent p. a. (target)	€2.9 million
Balance sheet value on 31.12.09	€35.1 million
Status	Portfolio GWB

KÖNIGPASSAGE is located in the old part of Lübeck. This property combines historical buildings and modern extensions. It was acquired by GWB in 2007 with the aim of creating a new focal point in Lübeck by changing the concept completely. The objective is to upgrade the quality of the centre. With the RENO flagship store an important new tenant was found. It opened on 25 February 2010 and has a rental space of 1,900 m².

Nauen

Acquired	2007
Rental space	11,094 m²
Net rent p. a. (target)	€698.4 thousand
Balance sheet value on 31.12.09	€7.9 million
Status	Portfolio GWB

Shopping centre MAXIMUM, Nürnberg

Acquired	2007
Rental space	12,734 m²
Net rent p. a. (target)	€1.5 million
Balance sheet value on 31.12.09	€17.1 million
Status	Portfolio GWB

Office building in Reinbek

Completion	2004
Rental space	2,572 m²
Net rent p. a.	€290.4 thousand
Balance sheet value on 31.12.09	€4.7 million
Status	Portfolio GWB

This shopping centre was offered to us via one of the major German banks. The property is 92% rented, is in good condition and only requires capable management. The shopping centre has a good blend of tenants for this location (NETTO, KIK, NKD and Rossmann). This property will be able to continue competing on the market effectively with the help of a new marketing concept and the restructuring of some of the rental areas. The property was acquired in 2007 and is part of the GWB portfolio.

This modern property is located in the centre of Nuremberg (Färberstraße). The technically sophisticated property was built in 1989/1990. There was no professional marketing concept for this location because of the insolvency of the owner at the time. In 2007, GWB acquired the property inexpensively and started to revitalise it. Restructuring of rental space, replacement of tenants and building alterations will make this property called MAXIMUM an important focal point in Nuremberg again.

The property is an office building that GWB erected for the tenant Tetra Pak. This company from Sweden has had a large presence in Reinbek for many years. This office building houses the development centre, in which about 80 highly qualified engineers work. The property was built on columns, so that parking is possible at ground level. The office space itself begins on the 1st floor. This solution made it possible to build the property on a small site.

CURRENT PORTFOLIO

Shopping centre, Röbel

Completion	1996
Rental space	1,465 m²
Net rent p. a.	€158.4 thousand
Balance sheet value on 31.12.09	€2.1 million
Status	Portfolio GWB

The retail and service centre was built by GWB in 1996. The local shopping centre function, the attractive selection of stores in the property and its extremely visible location are outstanding features that have helped to guarantee successful operation of the centre for years now. Enough parking spaces are available to the customers free of charge. All of the space in the property is rented.

Office building, "Spaldinghof", Hamburg

Acquired	2008
Rental space	12,695 m²
Net rent p. a. (target)	€1.5 million
Balance sheet value on 31.12.09	€17.4 million
Status	Portfolio GWB

The "Spaldinghof" office building was acquired by GWB in 2008 as an addition to the portfolio. It is a commercial property at a very central location in the city of Hamburg. The location has good public transport connections. The retail space on the ground floor is rented to STAPLES and an electronics store. The striking feature of the other four office floors is that they are divided up into small units. There are office areas starting at 70 m² in this property – something that is unusual in inner-city Hamburg. Nearly all of the space in the property is rented.

Shopping centre, Tangstedt

Completion	2003
Rental space	2,549 m²
Net rent p. a.	€284.4 thousand
Balance sheet value on 31.12.09	€4.1 million
Status	Portfolio GWB

A small shopping centre on the outskirts of Hamburg. The property has closed a supply gap in the region with the main tenants EDEKA and ALDI and is very popular. The clinker brick building was constructed in North German style. The shopping centre has 160 parking spaces.

Self-service department store, Wuppertal

Acquired	2007
Rental space	8,520 m²
Net rent p. a.	€1.7 million
Balance sheet value on 31.12.09	€14.9 million
Status	Portfolio GWB

This property is a self-service department store that is rented to the "real,-" corporate group (METRO). The Wuppertal city authorities stopped all current projects in 2007, so that no new properties will be built in the foreseeable future. This decision has increased the value of this location, which prompted GWB to buy the property. The existing rental contract is a triple net contract.

DEVELOPMENT PROJECTS

Medical and rehabilitation centre, Bremerhaven

Planned completion	2011
Rental space	5,970 m²
Planned net rent p. a.	€998,5 thousand
Planned investment	€10.7 million
Exp. market value	€13.8 million
Status	Construction to begin HY2 2010

Following the successful planning and construction of the clinic in Lübeck-Travemünde, GWB will implement another project in the health care field: A modern medical and rehabilitation centre at Bremerhaven-Reinkenheide Hospital. The existing medical treatment centre will be renting additional space in the new building that is planned. Other prospective tenants are a cardiological practice and a practice for occupational therapy and logopaedics. There are also plans for an outpatient operation centre and a pedicure practice as well as a hairdresser, a bakery with a café and a medical supply store.

Shopping centre POSTGALERIE, Speyer

Planned completion	2011/2012
Rental space	15,472 m²
Planned net rent p. a.	€3.5 million
Planned investment	€43.7 million
Exp. market value	€53.2 million
Status	Construction to begin 2010

Where the modern and the traditional meet. The biggest and most modern shopping centre in the Speyer region with 15,472 m² of rental space is being created behind listed facades of what used to be home to the German national postal service. The property is at an absolutely central location in the heart of Speyer. Building permission has been granted and the plan is to start construction work at short notice. It is GWB's biggest property at the moment. GWB OBJEKT is assuming responsibility for management of the centre.

Shopping centre, Völklingen

Planned completion	2012
Rental space	12,370 m²
Planned net rent p. a.	€2.6 million
Planned investment	€30.4 million
Exp. market value	€39 million
Status	Planning stage

Völklingen is a town in Saarland with about 40,000 inhabitants. The retail structure of the town is to be improved in connection with extensive modernisation exercises in the centre of Völklingen. GWB has secured key sites for the shopping centre that is planned in the heart of the town. GWB expects to be able to start construction work in 2010.

GWB Immobilien AG acts as a single, integrated source for the provision of all the services required in connection with commercial property – from project development and construction to property marketing and management. This is one of the main strengths of our business model. We concentrate not only on the implementation of large retail properties but also on the modernisation of existing shopping centres ("revitalisation"). The development of a property portfolio is another corporate objective. The GWB supply chain consists of five areas of operation that are closely linked:

GWB Immobilien AG: "Single, integrated source"

Market research and location analysis – GWB MAFO

Empirical location and market analysis is one of the most important bases for all of GWB's operations. Our subsidiary GWB MAFO has had many years of experience in this field, during which it has developed special expertise. It compiles comprehensive location analyses before retail projects are implemented. An investigation is carried out to determine whether there is sustained demand for the creation of new retail space. Crucial questions about catchment areas, demographics, shopping patterns and the competitive situation at the location are answered too. To identify potential development locations, GWB MAFO focusses on 2,450 German towns and makes a systematic search for locations where there is surplus purchasing power in relation to existing retail space. GWB concentrates here on medium-sized towns and suburban areas. GWB is currently screening 132 locations and is actively developing eight of them as potential GWB locations.[1]

GWB has established regional offices for acquisition purposes. We have made changes to our acquisition locations on the basis of the latest purchasing power data published by Michael Bauer Research GmbH. We have increased the intensity of our activities in the region of Germany with the highest purchasing power via the south-west and south locations.

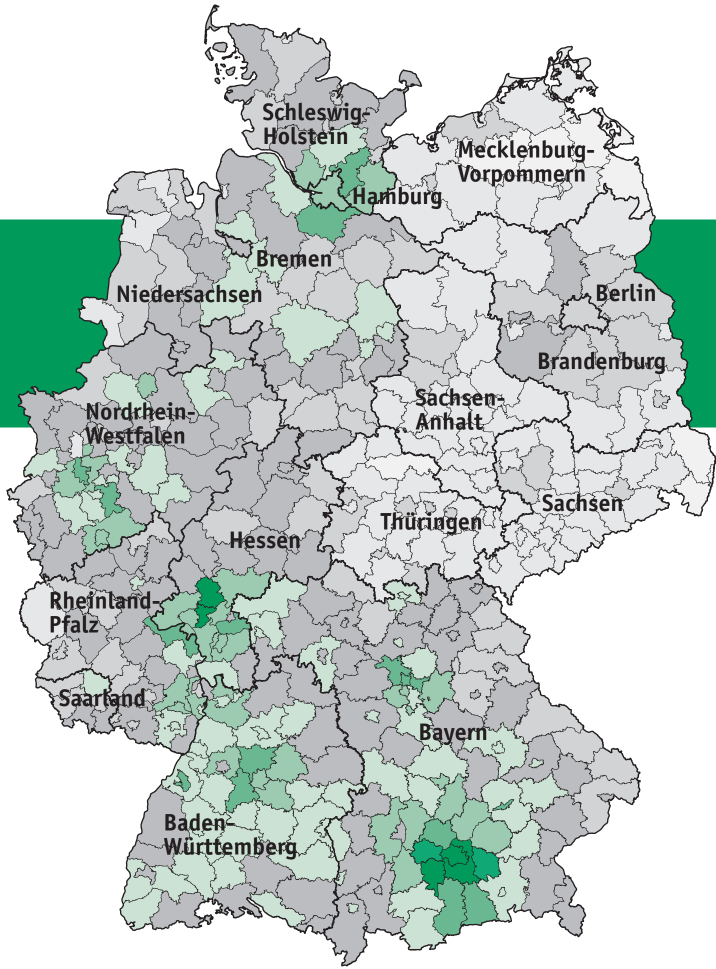
[1] *See "Status market coverage" on page 17.*

Administration and facility management – GWB OBJEKT

Our subsidiary GWB OBJEKT is responsible for the administration and facility management operations. It takes comprehensive and reliable action to maintain and increase property values. Its assignments include not only organisational administration but also commercial and technical management. It also carries out all the necessary formalities in co-operation with the property management function. The administration assignments include maintenance services, facility management and technical management of the properties.

Development and construction

When the planning assignments have been completed, the properties in question are built with well-known, appropriately qualified building companies under GWB's management. Commissions are placed with large, experienced subcontractors as well as with capable regional construction companies.



Purchasing power in Germany 2010

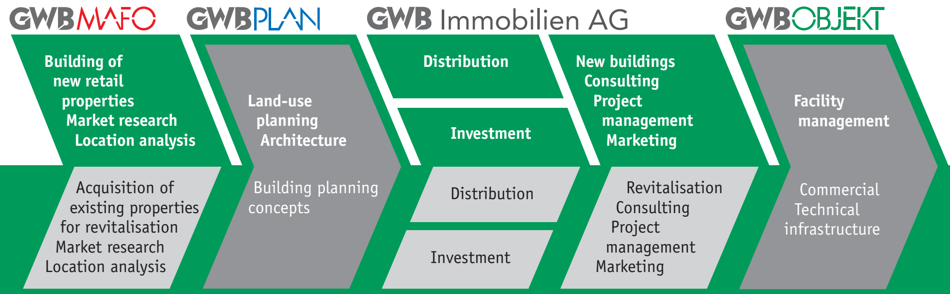
€ per person

- Less than 15,000
- 15,000 to 16,500
- 16,500 to 18,000
- 18,000 to 19,500
- 19,500 to 21,000
- 21,000 to 22,500
- 22,500 to 24,000
- 24,000 to 25,500
- 25,500 or more

Source: Michael Bauer Research GmbH, Purchasing power in Germany 2010.

Rental and sale

GWB Immobilien AG retains a local presence as partner after the construction work has been completed too: alongside the development of a portfolio, the core area of our operations are still the rental and sale of commercial properties. So far, we have completed and successfully sold more than 40 projects. Our customers in this field include well-known German and European investors. We have a separate rental and sales department that has the specific market know-how; a balanced and long-term tenant mix is a particularly high priority for us in this context. The rental operations are one of the most important features in the economic structure of a property. We have found a way to maximise the positive impact on our development by creating additional regional rental functions. Our tenants mainly consist of large retail groups from various areas and well-known chain, discount and specialised stores as well as supermarkets.



GWB value-added chain

Focussed strategy for sustained growth

In order to guarantee sustained development of the company, GWB Immobilien AG concentrates its corporate activities on the following core areas:

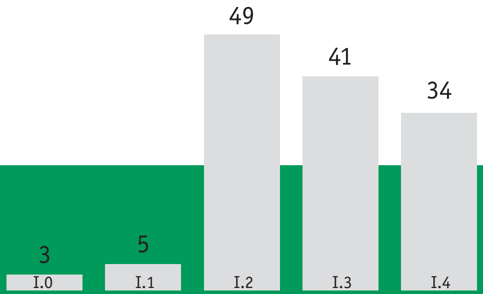
1. Planning, development and building of new shopping and specialty retail centres
2. Revitalisation of existing shopping and specialty retail centres

Specialist in an attractive niche market

Building of new shopping and specialty retail centres

We are operating in a profitable niche market with our clear focus on shopping centres in medium-sized towns. Shopping centres are a firmly established feature of the retail trade in Germany: GWB Immobilien AG was quick to identify the process of change in the retail trade and now concentrates its business operations primarily on shopping centres in the cores areas of medium-sized towns. More and more major retail chains are realising in the meantime that it is not enough simply to have outlets in cities; it is necessary to go where the customers are. This trend is being encouraged by the extension in store opening times too.

If they are planned carefully, shopping centres make a town more attractive and improve the quality of life there. The wide range of goods available in one place cuts consumers' travelling and shopping times. Chain stores benefit at the same time from the appeal of an extensive range and large numbers of customers. Retail properties provide stable cash flow due to longer-term rental contracts.



Number of locations according to the stage reached in market processing

Development potential of retail property

Retail property (shopping centre) in m per 1,000 inhabitants

Sweden	371
The Netherlands	349
Austria	310
Denmark	283
Spain	252
Great Britain	251
Finland	246
France	232
Ø EU	207
Italy	195
Switzerland	182
Czech Republic	159
Germany	151
Poland	146
Hungary	114
Turkey	59

Status: 03/2008
Source: Cushman & Wakefield, press release of 3 November 2008

Retail properties continue to be in demand, in spite of the international financial crisis. However, demand is selective and properties only have a chance of being sold at the moment if they are in good condition, have a good set of tenants and good rental contracts and are managed carefully. We are in a position to fulfil these requirements to a large extent with the properties that we offer for sale.

We have established ourselves in the niche market of “medium-sized towns” – towns in Germany with 30,000 to 100,000 inhabitants. At the strategic level, we are concentrating primarily on the German market, in which there is considerable pent-up demand by European standards in such medium-sized towns and suburban areas. We are currently focussing on 1,432 further locations (status II) alongside the locations that are already being screened (status I).

Status market coverage

Status I

> 3 locations with priority I.0
  > negotiations about purchase contracts
  > legal reviews of building potential
  > start of space rental

> 5 locations with priority I.1
  > fixed locations
  > property available
  > negotiations progressing

> 49 locations with priority I.2
  > location under consideration
  > opportunities

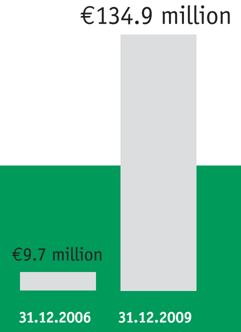
> 41 locations with priority I.3
  > location under observation

> 34 locations with priority I.4
  > market analysis suggests opportunities
  > location not yet visited

Status II

1.432 locations not yet analysed

Portfolio development
(balance sheet figures)



Revitalisation of shopping and specialty retail centres

The renovation and modernisation of existing retail properties – "revitalisation", as it is known – has developed into a strong emphasis in GWB's operations in recent years. GWB is focussing in this context on shopping centres that need major revitalisation. In the course of revitalisation, the company optimises the tenant structure of the centre and carries out professional property management and remodelling exercises in order to make a sustained increase in the value of the properties. Its many years of market know-how guarantees GWB optimum location and property choice. GWB is currently aware of properties with an investment volume of more than €300 million that belong in this group. This demonstrates that our analysis of this market segment is correct and that there is sufficient growth potential.

We calculate that equity amounting to 25 – 30 % of the investments will be required in order to be able to finance the acquisition of such properties. These funds are only available to GWB to a limited extent, so that we can only continue to grow in this segment if we find partners who provide the necessary equity to us. Intensive negotiations are being held about this. We are concentrating in this sector exclusively on properties that have added value potential, i.e. with which more and higher rent can be generated by making functional and content changes. Structural alterations are combined with adaptation to the tenants' current requirements. Tenants' attitude to the implementation of such projects is largely positive as a result.

Development of the property portfolio

Since the IPO 4 years ago, the GWB Immobilien AG portfolio has increased from €9.7 million (31.12.2006) to €134,9 million (31.12.2009). This figure does not include the Buxtehude property, that was sold in 2009. Total rental income in the 2009 financial year was €8.9 million.

A portfolio can only be developed in small stages if we aim to do this with our own resources. Without partners, we can only generate equity via the proceeds of the sale of properties. Now that the market is returning to normal more and more, we will be operating successfully again in the sales field too. We can also obtain equity by making a further increase in company capital. Although we do not rule out the possibility of such an approach any more either, it should then be a major move, in order to develop a strategy with the aim of expanding the portfolio substantially.

We are still finding new locations. We have not cut back on our activities; on the contrary, we are working on new projects at numerous locations. We will be continuing to focus intensively on our goal of developing and

Why we are successful

We have been operating in the retail and commercial property field in Germany for eighteen years now: our many years of experience, our comprehensive market know-how and our principle of acting as single, integrated source of all the necessary services are among the most important strengths we have in a tough competitive environment.

building new shopping centres in medium-sized towns in particular, because the market potential is there.

Our competitive strengths

We operate in an extremely competitive environment. At the moment, however, there are practically no rivals of comparable size who provide comprehensive market research, land-use planning, site development and property management services of the kind we do on the German market in their business operations.

Our particular competitive strengths include our management, which has had many years of experience and has a successful track record in its field. With our concept of acting as a single, integrated source of all the necessary services, we develop dependable relationships at the local level, since specific contacts are available when conflicts arise. Thanks to our success in the past, we have achieved high customer loyalty with key accounts, who have concluded strategic partnerships with us as a result. We also have a large network of financially reliable anchor tenants. With our clear focus on shopping centres in medium-sized towns, we operate in a profitable niche market and implement a sound location acquisition concept.

Many years of expertise

GWB is considered to be a specialist for retail properties thanks to the many years our management has spent in the retail trade and in the development of major shopping centre projects. So far, we have implemented more than 40 successful projects. Our professional know-how and many years of market experience in numerous projects make our staff experts in their individual areas.

“Single, integrated source”

The approach GWB has adopted ever since it was established is to act as single, integrated source for all the services required in connection with the development and sale of retail and commercial properties. We have the resources to carry out an entire commercial property project ourselves, from empirical choice of the location, planning and development to rental, sale and subsequent management of the property after it has been finished. This comprehensive approach enables us to combine interdisciplinary co-ordination of all the stages in the process with fast decision-making processes.

Key investment highlights

Special location analysis expertise

Capable location analysis is the basis for successful project development. Our special expertise in this field is one of the particular features of GWB's operations: we build our shopping and specialty retail centres where it has been determined analytically that there is sustained demand. Empirical location and market analysis in liaison with local authorities reveals whether there is sufficient purchasing power, what the regional supply structure is, how the local authorities intend to contribute and what operators are interested. GWB only starts to look for appropriate sites when all the parameters are fulfilled to the optimum extent.

Attractive tenant network

Thanks to our many years of operation, we have a comprehensive national network of potential tenants and potential buyers for our properties. Our retail property rental experts maintain good contacts to retail groups and chains. In addition to this, we pool special know-how about renting retail space in an in-house department rather than marketing retail space via estate agents.

Our experience with reputable, financially sound tenants is one of particular reasons for GWB's success. They include such retail groups and chains as Hallhuber, DM, Müller-Kaufhaus, ALDI, C&A, EDEKA, Kaiser's Tengelmann, Bestseller, S.Oliver, Triumph, Das Depot, REWE, RENO, H&M, Rossmann or Deichmann.

Tenant quality and occupancy rates are very important to us. Because property sales prices can be maximised primarily when there are long-term contracts with tenants.

Strong partners

Our strong market position makes us a welcome partner: we have a large network of financially sound investors and thus potential buyers for our shopping and specialty retail centres and commercial properties.

Our market potential

Tremendous development potential for retail space

Retail properties continue to be a very attractive proposition because of the stable, effectively predictable income they generate. There has been a steady increase in the amount of space needed by the retail trade since the 90s and this has made it necessary for many shopping centres to move to the outskirts of towns. Bookstores, sports and consumer electronics outlets, perfume stores and chemist's shops now require far more than twice the retail space they used to.

Many older shopping centres are at the same time in urgent need of revitalisation: we think that there is tremendous potential for increasing the value of these properties via modernisation and restructuring. The carefully co-ordinated tenant structure at our shopping and specialty retail centres increases their appeal, guarantees low turnover rates as well as generates synergy potential. Our tenants benefit from local concentration of market supply. We increase profit potential by renting out vacant space in shopping centres that are acquired.

"Purchasing power in Germany has been increasing stably for years. Although double-digit growth rates cannot be achieved in the country any more now, average prosperity is still rising very consistently at quite a high level. So the challenge for the business community is more than ever before to exploit the financial potential of German consumers – who are known to be keen savers – by creating an attractive and varied market structure."[1]

Retail companies frequently operate anti-cyclically in securing new locations. They expand and rent space, even though sales in Germany are stagnant and are perhaps decreasing in some sectors. In view of the long-term rental contracts, planning is carried out with the future in mind rather than concentrating on the current situation.

According to GfK, Germans will have average disposable annual income of €18,904 in 2010. This is almost exactly the same as in the previous year (€18,946).[2]

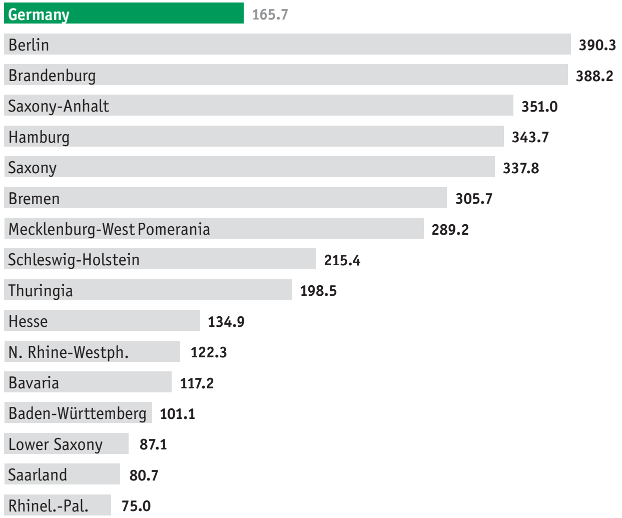
[1] Simone Baecker-Neuchl, GfK GeoMarketing 01/2008.
[2] Source: GfK GeoMarketing press release, 14 December 2009

By European standards, Germany continues to have high development potential where shopping centres are concerned. According to a survey by Cushman & Wakefield, Germany is at the lower end of the scale with 151 m² of retail space (shopping centres) per 1,000 inhabitants, which is considerably below the EU average of 207 m² of retail space per 1,000 inhabitants.[1]

EHI Retail Institute is expecting the construction of shopping centres in Germany to continue growing up to the end of 2010. A breakdown by states reveals that there are considerable differences in the space available. The largest amount of retail space per inhabitant is in Berlin, Brandenburg and Saxony-Anhalt. Development potential is particularly large in Rhineland-Palatinate, Lower Saxony, Baden-Württemberg and Bavaria – all of which are in what used to be West Germany (source: EHI Retail Institute; Wegweiser Demographischer Wandel (WDW)). The chart on the right gives a statistical breakdown of retail space by state.

Shopping centres: space per 1,000 inhabitants

Total area 13.7 million m (date: January 2007)



Source: Institut für Gewerbezentren (IfG), Starnberg.

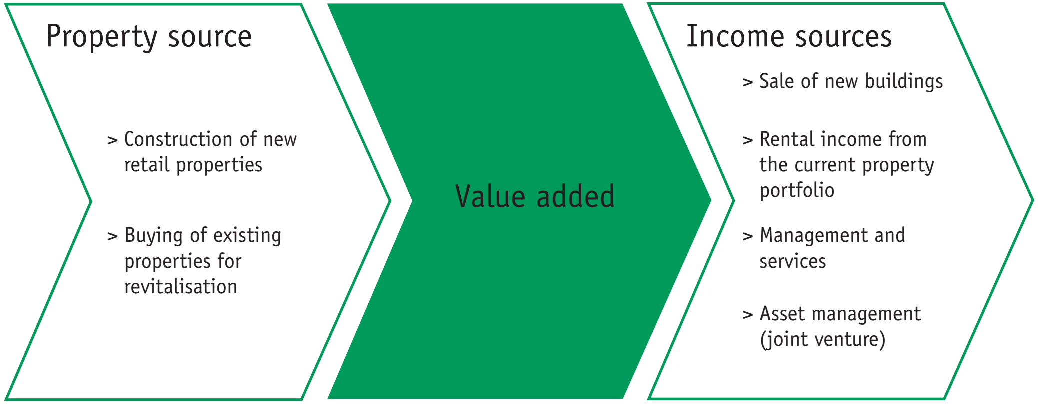
[1] *See table on page 18*

Attractive pipeline

There is sufficient market volume in the two areas on which GWB's operations are based – project development and revitalisation. As has already been mentioned, new locations are in the process of being developed. In addition to the Speyer, Völklingen and Bremerhaven properties, we are also working on projects that can be implemented in the coming years. The investment volume amounts here to about €110 million. Since it will not be possible to obtain building rights for all these properties, this total must be considered the potential market.

The larger market for GWB is the acquisition of existing retail properties that need to be revitalised, with the result that their value can be increased. We are aware of properties with a volume of about €300 million that are suitable for this segment. How large the volume will be that GWB can tackle will depend essentially on the equity that is available. We refer in this context to our comments about this subject on page 18.

GWB Immobilien AG business model



Shareholder structure in April 2010
in %

GWB share performance
in €

Share

Basic data about the share		2009	2008
Number of shares	*in €'000*	6,525	4,900
High for the year	*in €*	2.55	10.40
Low for the year	*in €*	1.22	1.30
Year-end price	*in €*	1.89	2.33
Market Cap on 31.12.	*in €m*	12.3	11.4
Share capital on 31.12.	*in €m*	6.5	4.9
Shareholders' equity on 31.12.	*in €m*	24.4	30.9

In 2009 it was difficult for both buyers and sellers to obtain funding in the commercial property market, as was, in the final analysis, the case in practically every other sector in Germany too. This was particularly the case for medium-sized companies.

Following the completely unexpected decision taken in mid-June, when the Supervisory Board of Hanseatic Group vetoed the company's proposed investment, and the fact that it was not possible to implement the planned co-operation with HSH Real Estate AG either because of the problems faced by HSH Nordbank AG, GWB succeeded in stabilising its capital base during the financial and banking crisis by making a capital increase.

The capital increase amounting to 1.625 million shares, which was subscribed completely in September, generated an inflow of about €2.5 million in funds. Numerous new shareholders were attracted in this context. The share capital of the company increased from €4,900,000 to €6,525,000.

In a separate transaction, a new investor interested in assuming a long-term role as a strategic partner was found in July, when 600,000 shares from the portfolio of HR-MN Vermögensverwaltungsgesellschaft were sold to the medium-sized property investment company Cologne Property Administration.

One of the consequence of both these measures was to increase the free float substantially.

In the 2009 financial year, the price of the GWB Immobilien AG share ranged between €1.22 (low on 19.03.09) and €2.55 (high on 09.10.09). It started the year at €2.20 on 02.01.09. The successful placement of the new shares in September led to a considerable increase in both the share price and trading volume. The share price ended the year at €1.89 on 30.12.09.

The portfolio value and the balance sheet total decreased slightly in the 2009 financial year due to the sale of the Buxtehude property. Rental income was almost exactly the same as in 2008. In spite of this small reduction in the balance sheet total and the larger number of shares as a result of the capital increase, the net asset value of the company was still substantially higher than the share value over the year at €3.76 on 31.12.09.

An investment in GWB shares continues to be an investment in growth as well as in the many years of know-how and commitment of the staff at a company which has a clearly focussed strategy.

Corporate Governance Report

Responsible company management

Corporate governance is the basis for the decision-making and control processes at GWB Immobilien AG: the Management Board and the Supervisory Board identify with the objectives of the German Corporate Governance Code and promote responsible and transparent corporate management and control, with the aim of achieving a sustained increase in the value of the company. We implement the recommendations and suggestions of the German Corporate Governance Code with a few exceptions. For the Management Board and the Supervisory Board, good corporate governance focusses on values like sustainability, transparency and value orientation.

The Management Board and the Supervisory Board have joint responsibility for the GWB Immobilien AG corporate governance report in accordance with Section 3.10 of the German Corporate Governance Code. It describes the principles of the management and control structure as well as the main rights of the GWB Immobilien AG shareholders.

Management and control structure

In accordance with German company law, the two-stage system of corporate management and control by the Management Board and the Supervisory Board forms the basis for responsible corporate governance of GWB Immobilien AG.

The Management Board of GWB Immobilien AG continues to consist of three members. It acts exclusively in the interests of GWB Immobilien AG and is committed to the goal of a sustained increase in the value of the company. Extensive reports about corporate planning and strategic developments as well as about the current business situation (including risk exposure) are presented to the Supervisory Board regularly and promptly.

In their conduct of the company's business, the Management Board is advised and controlled by the Supervisory Board, which currently consists of three members. The Supervisory Board co-ordinates the corporate strategy and implementation of it. It also discusses quarterly reports and reviews and approves the annual financial statements of GWB Immobilien AG.

The compensation paid to the members of the Management Board and the Supervisory Board is outlined in the Group management report on pages 91.

Members of the Supervisory Board

Dr Thomas Röh (Chairman)

After completing an apprenticeship as tax assistant, Dr. Thomas Röh studied law at Hamburg University. Following graduation, he obtained a doctorate in 1995. Since 1997, Dr. Röh has been a tax consultant and lawyer and a partner in the tax consultancy firm Hügel, Röh & Hinrichs in Hamburg.

Dr. Röh is also Chairman of the Executive Board of Stiftung Käte + Werner Staats, Hamburg, a member of the Hamburger Sparkasse Advisory Board for the north-east region and a member of the Supervisory Board of Portalis AG, Hamburg.

Banker/Bank Clerk Jürgen Mertens

Mr Jürgen Mertens completed a bank apprenticeship and then obtained more advanced qualifications in banking services and operations. Mr Mertens started his career at Bank von 1867 eG Volksbank in Cologne in 1988, where he held various positions that focussed on property development transactions as well as property development and investor financing. Mr Mertens headed the private building financing operations from 1998 to 1999, when he assumed responsibility for commercial property financing. In 2002, Mr Mertens joined SEB AG in Cologne/Düsseldorf, where he was director of the commercial real estate department. Mr Mertens has been in charge of the commercial property financing division at KBC Bank Deutschland AG since the beginning of 2007.

Dipl.-Ing. Michael Müller

Mr Michael Müller studied civil and structural engineering at Bochum University. After graduation, Mr Müller started his career in the project development field at Philipp Holzmann AG in Neu-Isenburg in 1994. From 1996 onwards, Mr Müller held senior positions at various Philipp Holzmann AG locations as syndicate construction manager and project manager. At the end of 1999, Mr Müller took over the position of turnkey building project manager at Günther Fischer Gesellschaft für Baubetreuung mbH in Cologne. He was appointed director in 2001 and has been managing partner since 2003.

Shareholders' meeting

Every shareholder is invited to attend the shareholders' meeting. Votes are taken on resolutions about such subjects as approval of the conduct of the business by the Management Board and the Supervisory Board, choice of the auditor, changes to the articles of association and measures involving capital changes. German legislation stipulates in the context of good corporate governance that the shareholders have to approve all measures involving capital changes. Reports about the development of the business as well as about the company's asset position, financial situation and earnings are presented to the shareholders four times a year in accordance with a specific financial calendar. GWB Immobilien AG also publishes letters to shareholders with important information on its website (www.gwb-immobilien.de).

Directors' dealings

In accordance with § 15a Paragraph 1 Sentence 1 of the German Securities Trading Act (WpHG), GWB Immobilien AG reports dealings by people with management assignments. They include members of a Management or Supervisory Board as well as other people who have regular access to insider information. The dealings have to be disclosed on the website as soon as they become known.

Executed directors' dealings (§ 15 a WpHG)

Name and Position	Nature of the transaction	Title of security	ISIN	Date, location	Number	Price	Total volume
						in €	*in €*
HR-MN Vermögensverwaltungs-gesellschaft	Purchase	Share	DE000A0JKHG0	15.09.2009, OTC	30,000	1.55	46,500
Jörg Utermark	Purchase	Share	DE000A0JKHG0	15.09.2009, OTC	5,000	1.55	7,750
Wolfgang Mertens-Nordmann	Purchase	Share	DE000A0JKHG0	15.09.2009, OTC	12,000	1.55	18,600
Norbert Herrmann	Purchase	Share	DE000A0JKHG0	15.09.2009, OTC	7,000	1.55	10,850
HR-MN Vermögensverwaltungs-gesellschaft	Sell	Share	DE000A0JKHG0	16.07.2009, OTC	600,000	1.50	900,000
Wolfgang Mertens-Nordmann	Sell	Share	DE000A0JKHG0	22.04.2009, OTC	80,000	12.50	1,000,000
Norbert Herrmann	Sell	Share	DE000A0JKHG0	22.04.2009, OTC	80,000	12.50	1,000,000

Changes in voting rights in accordance with the WpHG

The new German transparency regulation implementation legislation stipulates that the threshold for disclosing voting rights in a listed company was reduced to 3 % on 20 January 2007. Companies are also required to make their mandatory disclosures accessible all over Europe. GWB Immobilien AG uses an appropriate service provider for distribution of the information all over Europe.

Shareholders

Dr Norbert Herrmann and Wolfgang Mertens-Nordmann, who are both members of the Management Board, hold direct interests of 14.36 % (Dr Norbert Herrmann) and 14.36 % (Wolfgang Mertens-Nordmann) of the shares in GWB Immobilien AG. They also hold an indirect interest in the company via HR-MN Vermögensverwaltungsgesellschaft mbH. The latter owns 5.10 % of the shares and each of the two above members of the Management Board holds a 50 % interest in it.

The free float amounts to 66.19 %.[1]

[1] *All information on shareholders: Status April 2010.*

Risk management

Responsible risk management is an elementary assignment of good corporate governance. GWB Immobilien AG implements systematic risk management procedures to make sure that potential risks are identified promptly and are kept to a minimum. This system is optimised and adapted to the general conditions on an ongoing basis. The risk management system is presented in detail in the "Risk report" on page 45.

Compliance statement

The Management Board and the Supervisory Board of GWB Immobilien AG issued the compliance statement in December 2009. It confirms that the company implements the recommendations of the Government Commission/German Corporate Governance Code (as amended on 18 June 2009) to a very large extent. GWB Immobilien AG has committed itself to compliance with the recommendations in the 2010 financial year too.

The recommendations made in the German Corporate Governance Code are implemented by GWB Immobilien AG with the following exceptions:

> *3.8 D&O insurance deductible*
GWB Immobilien AG has taken out a D&O insurance policy for its boards that does not include a deductible. The Management Board and Supervisory Board take the view that the deductible of a D&O insurance policy is not an adequate means to reach the objectives of the Code. Deductibles can be insured by the members of the Management Board and the Supervisory Board themselves, so that they do not achieve what they are supposed to. In the final analysis, such a deductible merely leads to a small reduction in the compensation of the Management Board and the Supervisory Board due to the privately paid premium.

> *5.1.2 Specification of an age limit for members of the Management Board*
An age limit has not been specified for members of the Management Board, because the expertise of experienced Management Board members needs to remain available to the company. It does not appear to the Management Board and the Supervisory Board to be advisable to exclude members purely for age reasons, as this could prevent optimum filling of Management Board positions.

> *5.3.1, 5.3.2 and 5.3.3 Formation of committees, establishment of an audit committee and an nomination committee*
In view of the fact that the articles of association of GWB Immobilien AG stipulate that the Supervisory Board consists of only three members, the Supervisory Board has not formed any committees and has not established an audit committee in particular. The assignments are carried out by all three members together.

> *5.4.1 Age limit for Supervisory Board members*
An age limit has not been specified for members of the Supervisory Board, because the expertise of experienced Supervisory Board members needs to remain available to the company. It does not appear to the Management Board and the Supervisory Board to be advisable to exclude members purely for age reasons, as this could prevent optimum filling of Supervisory Board positions.

> *5.4.6 Individualised disclosure of Supervisory Board compensation*
We do not comply with the recommendation made in the Code to disclose Supervisory Board compensation on an individualised basis. In our opinion, the invasion of privacy this involves is not justified by the benefits of such a disclosure.

> *5.4.6 Performance-related compensation for the Supervisory Board*
The members of the Supervisory Board receive only fixed compensation. There are no plans to introduce performance-related compensation. The main assignment of the Supervisory Board is to control and monitor the conduct of the business by the management. The Management Board and Supervisory Board do not think that compensation which is linked to company performance helps to reach this objective.

Auditor

The GWB Immobilien AG shareholders' meeting chose GHP Revision GmbH to audit GWB Immobilien AG's annual financial statements. At no time were there any business, financial, personal or other relationships between the firm of auditors and its boards and auditing managers on the one hand and GWB Immobilien AG and the members of its boards on the other hand that might raise doubts about the independence of the auditing firm.

On the basis of the choice of the auditor made by the shareholders' meeting, the Supervisory Board of GWB Immobilien AG commissions the auditor to carry out the audit and makes the fee arrangements with the firm. In connection with placement of the auditing commission, the Supervisory Board also reaches agreement with the auditor about the reporting requirements in accordance with the German Corporate Governance Code.

The auditor attends the meetings of the Supervisory Board about the annual financial statements and the consolidated annual financial statements and presents reports about the main findings of his audit.

Advisory and control function for the company management

The Supervisory Board carried out its advisory and control function comprehensively in the 2009 financial year. It completed the assignments and exercised the powers specified for it by law and the company's articles of association in every respect, advising and monitoring the Management Board accordingly. It was kept informed by the Management Board regularly, comprehensively and promptly in written and oral reports about all the major aspects of business development, important business transactions and corporate profitability, including risk exposure and the risk management system. At its meetings, the Supervisory Board reviewed the reports submitted by the Management Board and discussed them with the Management Board. Six meetings were held in the financial year. The Supervisory Board

Report of the Supervisory Board

was informed about projects and transactions of particular importance between the meetings. Votes were taken on resolutions in writing where this was necessary.

Implementation of the corporate strategy was the main issue covered in communication between the Management Board and the Supervisory Board during the year under review. The emphasis was on financial planning and making sure the necessary liquidity was maintained. Different approaches were discussed with the Management Board with the aim of strengthening the company's capital base substantially.

> Sales and earnings development as well as the asset position, financial situation and profitability of the company
> Corporate planning, including investment and personnel planning
> Strategic alignment of the company
> Optimisation of the risk early-warning systems

Changes in the Supervisory Board

Mr Henrik Lingenhölin, who was Deputy Chairman of the Supervisory Board until 20.05.2009, and Mr David Maxwell resigned from the Supervisory Board of GWB Immobilien AG on 20.05.2009. Mr Jürgen Mertens and Mr Carsten Hahne were elected to be new members of the Supervisory Board in motions passed at the shareholders' meeting held on 20.05.2009. Mr Mertens was elected to be Deputy Chairman of the Supervisory Board of GWB Immobilien AG on 02.06.2009. Mr Carsten Hahne resigned from the Supervisory Board on 16.06.2009.

At the company's request, Mr Michael Müller was appointed to be another member of the Supervisory Board of GWB Immobilien AG in accordance with a ruling by Lübeck Court of 17.06.2009.

Committees

In view of the fact that our articles of association specify a Supervisory Board consisting of three members, the Supervisory Board has not formed any committees, so that there is in particular no Audit Committee. The assignments are carried out by all three members together.

Corporate governance and compliance statement

The Supervisory Board focussed on further implementation of the measures included in the German Corporate Governance Code. In December 2009, the

Management Board and the Supervisory Board issued a compliance statement in accordance with § 161 of the Germany Company Act (AktG) and made it available to the shareholders on a permanent basis on the company website (www.gwb-immobilien.de).

Audit of the annual financial statements and consolidated financial statements of GWB Immobilien AG

The Management Board compiled the annual financial statements and consolidated financial statements of GWB Immobilien AG and the respective management reports and had them as well as the bookkeeping records audited by GHP Revision GmbH, Wirtschaftsprüfungsgesellschaft. An unqualified certificate was issued about both of them. The consolidated financial statements were prepared in accordance with the IFRS, exercising the option provided in § 292 a of the German Commercial Code (HGB).

The Supervisory Board reviewed the annual financial statements compiled by the Management Board, the management report and the proposal made by the Management Board about appropriation of the retained earnings on the basis of these audit reports. The company auditors were present during the Supervisory Board's discussions on 27 April 2010 and presented a report about the main findings of the audit. The Supervisory Board agreed with the findings of the audit by the auditors and did not raise any objections after it had completed its own review. At its meeting on 27 April 2010, the Supervisory Board approved the annual financial statements compiled by the Management Board. The annual financial statements have therefore been adopted.

Final remarks

The Supervisory Board would like to thank both customers and shareholders for the confidence they have placed in GWB Immobilien AG. Its thanks also go to the Management Board and all employees for their loyalty to the company as well as for their capability and commitment.

Siek/Hamburg, 27 April 2010

Dr Thomas Röh

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It was a difficult year for GWB Immobilien AG. However, we managed to double our sales. Our earnings are significantly affected by a negative result from revaluation of the property portfolio. Please read all about it in the section Financial Information.

Group management report

1. General conditions and overall economic development in 2009

The German economy recorded negative growth for the first time in six years in 2009. After adjustment to eliminate the impact of price changes, the Gross Domestic Product (GDP) was down 5.0 % on the previous year (according to provisional calculations at the time when this report was prepared), a larger decrease than in any other post-war year.

GDP growth over the previous year was 1 % in 2008 and 2.6 % in 2007.

This means that the financial and capital market crisis, which began in the United States in mid-2007, hit Germany as well with full force in 2009, after the German economy had performed comparatively well by international standards in 2008 and there had still been hopes until then that the special features of the German banking sector would stop the international financial crisis spreading to Germany.

A number of measures were taken at both the national and international level in an attempt to reduce the impact of the crisis. The initial emphasis in this context was on stabilisation of the financial system, since banks considered too big to fail were also affected by the turbulence in the course of the crisis and it was essential that a collapse of the financial and capital market was avoided. The Financial Market Stabilisation Act and the special financial market stabilisation fund resulting from it are two significant measures taken in Germany. Strengthening of banks' equity basis, restoration of the refinancing system or the purchase of problematic securities were some of the instruments that were used.

Several economic stimulus programmes were launched, including the environmental bonus scheme, which encouraged the buying of new cars. The German statistical authorities report that the impact of this programme was very noticeable: without this scheme, private consumption would have been 0.5 % lower in 2009.

In addition to this, the increased use of short-time working at companies helped to make sure that the recession was not reflected as strongly as feared on the employment market. The average unemployment rate for the year increased from 7.8 % in 2008 to 'only' 8.2 % in 2009.

This positive effect of short-time working is, however, offset by the reduction in work productivity in the economy as a whole in 2009. It decreased by 4.9 % in 2009, whereas the drop in 2008 over 2007 was only 0.1 %.

Exports were down 14.7 % over the previous year too and therefore contributed to a major extent to the large shortfall in the Gross Domestic Product.

The financial and economic crisis was reflected clearly in the government funding deficit of €77.2 billion calculated by the German statistical authorities. This deficit was attributable to both government income and expenses. Income was 2.2 % lower than in the previous year in 2009, whereas expenditure was up as much as 5.0 %.

Developments on the property market

Nationally registered investment sales in the commercial property field amounted to about €10.59 billion in 2009. This meant that sales were about 49 % lower than in the previous year. This slump is of an order of magnitude that reflects the extent of the impact of the capital and financial market crisis on the property market. It should nevertheless be emphasised that most of the transaction indicators have pointed to a stabilisation and upward trend from the third quarter of 2009 onwards, even though the level is still low.

Property transactions worth more than €100 million are also being reported again to an increasing extent; this is an order of magnitude that was practically never reached any more in the two years before.

The biggest investments in Germany in 2009 were in office properties, with a transaction volume of about €3.71 billion (this represents 35 % of the total investments in commercial property). Retail properties accounted for the second-largest volume (about €3.3 billion), which corresponds to a good 31 % of the total.

€705 million were invested in logistic properties (= 6.7 %) and about €2.87 billion in all other types of properties, such as hotel, leisure and social properties as well as properties used for more than one different purpose (= about 27 %).

The proportion of total sales accounted for by international investors decreased again in 2009. Compared with about 57 % in 2008, the figure was only just under 14 % in 2009.

GWB is working on the assumption that the market players will return to a commercial property market that could correspond to the situation in 2005 if and when the capital and credit conditions are back to normal.

When the property market is being reviewed and assessed, talk is too frequently limited to 'property' in general, with no distinction being made between the individual segments. GWB focusses on the retail property segment. The market in this segment is once again proving to be stable, because demand is higher and price development is more positive in this segment.

2. GWB Immobilien AG

GWB's business operations and market

GWB Immobilien AG (hereinafter referred to as "GWB") has already been operating on the market for commercially used property since 1992 and continued to concentrate on this market in 2009 as well. In this context, the market for commercial property consists in particular of the market for retail space.

Ever since it was established, GWB has focussed on the planning, development, renting, management, construction and sale of shopping centres, self-service department stores, specialty retail centres, office buildings and supermarkets. GWB's emphasis in its operations in this area is on retail properties, primarily in medium-sized towns.

GWB's track record since 1992 involves over 40 successfully implemented projects.

GWB Immobilien AG produced the two best earnings performances in its corporate history in 2006 and 2007. GWB Immobilien AG reported positive EBIT and positive net earnings for the 2008 financial year too. It was not possible to continue this development in 2009 because of the financial crisis and the consequences of it.

GWB strategy and business model

From 2004 to mid-2007, there was a development on the market for commercial property that was characterised by increasing interest from foreign investors in German commercial property. GWB already realised that this process of change was in progress in 2004 and 2005 and adapted the company's objectives and strategy accordingly. Many different contacts to foreign investors were established during this period. The market has changed in the last one-and-a-half years as a result of the capital market crisis. The list of potential investors is now topped to a greater extent by German players again, whereas demand from England in particular has decreased.

In 2008 and 2009, the market was dominated by a lack of liquidity on the part of both buyers and sellers. The proportion of large property sale and acquisition transactions, which accounted for an increasingly major part of trading volume between 2004 and 2007, decreased considerably. 'Safety' and 'return on investment' in relation to individual properties were the criteria that now had priority in investors' decision-making processes, so that transactions were carried out very much more selectively and with lower volumes. Market players on the buyers' side were now investors with a good to very good equity base or large investment trusts.

The core element of GWB's strategy is concentration on the construction of shopping centres in medium-sized towns. We operate successfully in this area by choosing the right location in combination with a set of financially sound tenants in line with local requirements and by implementing a business model that involves complete coverage of the entire supply chain. At the present time, there are practically no other comparable competitors who operate in the same market as GWB and provide the same range of services.

In its retail centre building operations, GWB has always focussed on discount stores too. We will be continuing to concentrate on this segment in future. The general legal conditions are, however, making it increasingly difficult to implement such projects. In view of this, GWB has been paying closer and closer attention to inner-city projects for some time now.

The consequence of new consumption patterns, longer store opening hours and new approaches adopted by large chains is that existing structures will need to change and adapt regularly. For GWB this means: the bigger the changes, the greater the potential for new areas of operation.

Choice of the right location and conclusion of long-term contracts with a set of financially sound tenants in line with local requirements are the key factors on which economic success depends – not only as far as the generation of high returns with portfolio properties is concerned, but also with regard to maximum profits when properties are sold. GWB has had exceptionally long experience in the rental field here and maintains strong, long-term relationships with all the major anchor tenants in Germany. It is also in a position to have a detailed evaluation of the success prospects of a location carried out in advance by GWB MAFO, which makes extensive and precise location analyses.

GWB concentrates on medium-sized towns, which have been – and still are being – downgraded more and more into dormitories due to the implementation of regional planning objectives. These towns are becoming increasingly self-assertive and are also being put under pressure by their inhabitants to develop structures of their own – particularly in the retail sector. An additional factor is that GWB has given priority in this area to industrial and commercial wasteland and has launched new developments on such sites.

Revitalisation

We have played a prominent role in defining this concept in the retail property field in recent years. We make concerted searches for retail properties that have seen better days but have a high-quality location. If the functional features can be upgraded to modern standards, if the existing market volume is large enough and if the location is good, then the property is a suitable candidate for the GWB revitalisation programme. To operate successfully in this segment, a company needs to have market research facilities, an in-house rental department, construction operations and property management skills. GWB covers all these areas and is therefore in a position to make a rapid assessment and evaluation of a location and take a prompt decision. We think that there is considerable potential in this area in the coming years.

Approach adopted by GWB

GWB only develops projects where an analysis has demonstrated that there are definite needs. It is not GWB's philosophy to carry out projects at all costs no matter how great the resistance; instead of this, it invests precisely where everyone involved agrees that there are supply gaps which can be closed. This approach facilitates all the subsequent steps particularly effectively. GWB MAFO plays an especially important role here.

The successful sale of retail and commercial properties depends to a crucial extent on the occupancy level and the quality (financial standing) of the tenants. The GWB business model specifies that the construction phase of a project only begins once an occupancy level of at least 60–70 % has been reached. The quality of the preparatory location analysis and rental of the property by staff with many years of experience who focus exclusively on the assignments required are therefore particularly important to GWB.

Building projects are completed in co-operation with selected architectural practices, while the construction work itself is commissioned from a general contractor in each case. Construction engineers and other staff from GWB are involved in facilitating and monitoring the progress made in the building phase and the implementation of the relevant assignments by the general contractor throughout the project.

Towns and other local authorities frequently have retail reports that are then analysed by GWB MAFO. If such reports are not available, the location analyses are made by GWB MAFO Kommanditgesellschaft für Markt- und Standortanalysen mbH & Co.. In the meantime, GWB MAFO also enjoys a good external reputation as a respected market research company that specialises in retail analyses.

The corporate group includes not only GWB MAFO but also GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH and GWB OBJEKT Gesellschaft für Objektmanagement mbH.

This means that GWB is in a position to carry out projects throughout the supply chain, from empirical location selection to in-house management of the properties after completion.

GWB's objective ever since it was founded has been to act as a single integrated source – and it continues to work systematically on optimisation of its role.

This not only has significant economic advantages; it also leads to considerable synergy benefits with respect to professional skills. In its many years of experience, GWB has developed in-depth know-how that covers all the different areas involved when new commercial building projects and remodelling exercises are completed.

These skills are available to external customers as well. GWB MAFO, GWB OBJEKT and GWB PLAN provide services not only within the corporate group; they also act independently as external service providers that are responsible for making sure they operate profitably.

The properties are generally sold to investment companies, funds, asset managers and private individuals.

The proceeds of the sales are used, on the one hand, to pay back existing loans to banks and, on the other hand, to fund the company and new projects.

Organisation

The GWB corporate group

GWB Immobilien AG

100 %	100 %	100 %
GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH	GWB MAFO Kommandit-Gesellschaft für Markt und Standort-analysen mbH & Co.	GWB OBJEKT Gesellschaft für Objektmanagement mbH

GWB's operating companies

GWB MAFO Kommanditgesellschaft für Markt- und Standortanalysen mbH & Co.

This company was established in 2002. Its assignments are the systematic search for and analysis of locations. Individual locations and possible sites are evaluated and analysed on the basis of many different criteria, such as the number of inhabitants at the location/in the catchment area, shopping patterns, purchasing power, geographical position and infrastructure features as well as the competitive situation.

Thanks to its market expertise and database facilities, GWB MAFO also provides advice about rental issues. Searching for new retail companies, processing criteria that are important to these companies and determining their objectives have become a key assignment for GWB MAFO.

GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH

Land-use planning is the basis for the implementation of any major building project. GWB PLAN is responsible for providing the entire planning framework in this context and carries out all the construction planning assignments for the GWB properties; it is often commissioned to do so by local authorities.

The area of operation was changed in 2008: activities for third parties were reduced and GWB PLAN took over additional property planning assignments due to the professional skills of its staff. This enables us to make sure in competitions in particular that our concepts are not revealed externally at too early a stage. Interior design and architecture have been given higher priority too.

GWB OBJEKT Gesellschaft für Objektmanagement mbH

Since 1 January 2004, GWB OBJEKT has been responsible for managing GWB's portfolio properties as well as the properties that are to be sold or have already been sold. GWB OBJEKT's activities in this context consist of technical supervision of the properties, tenant service via facility management, collection of rent and settlement of ancillary cost accounts. GWB OBJEKT manages 16 properties at the moment.

GWB OBJEKT assumes the role of centre manager for the larger retail properties (rental area of at least about 15,000 m²). This applies to properties that are managed for third parties too.

Changes in Management and Supervisory Board membership

Mr Jürgen Mertens was elected to be a member of the Supervisory Board of GWB Immobilien AG in a motion passed by the shareholders' meeting held on 20.05.2009. He replaced Mr Henrik Lingenhölin, who resigned from the Supervisory Board on this date.

The shareholders' meeting held on 20.05.09 also passed a resolution relieving Mr David Maxwell from his position as a member of the Supervisory Board. Mr Carsten Hahne was elected to be a new member of the Supervisory Board of GWB Immobilien AG in another motion passed at the same shareholders' meeting.

Mr Michael Müller was appointed to be a new member of the Supervisory Board of GWB Immobilien AG with effect from 17.06.09 in accordance with a ruling by Lübeck Court of 23.07.09. Mr Müller replaced Mr Carsten Hahne, who resigned from the Supervisory Board with effect from 17.06.09.

GWB Immobilien AG control system

GWB's business policy is based on specific parameters that have been chosen as fundamental decision-making principles:

1. Sites for new projects are only acquired if the sales contracts include an option for GWB to cancel the contracts that can be exercised at any time until building rights have been obtained.

2. For every retail property, it has to be demonstrated that the market potential (purchasing power) is available to justify building a property in the region concerned.

3. A project is only carried out when the total investment does not exceed 11.0–11.8 times the planned net annual rent.

4. A start is only made on the construction of properties when definite rental contracts have been signed for at least 60–70 % of the rental area.

5. The gross return (ratio of rent to investment) should not be lower than 8.5 %.

6. The gross return should not be lower than 8.0 % when existing shopping centres are acquired.

7. No properties are built or acquired that include or require a proportion of flats.

8. Properties are only built or acquired in Germany.

Personnel and social affairs

GWB's staff have had many years of professional experience in the areas in which they operate. GWB Immobilien AG (including GWB OBJEKT) had 22 permanent employees in 2009. GWB OBJEKT has a further 12 employees deployed in centre management at the properties in Lübeck, Bamberg and Nauen (previous year: 11). GWB Immobilien AG is only burdened with these costs to a limited extent, because most of them are charged to the tenants as part of the ancillary costs.

The employee turnover rate has been low ever since the company was established. Basic and advanced training is discussed with each employee separately and is supported by the company accordingly, depending on deployment potential. No apprenticeships are offered at the present time. There is no works council.

The following list shows what organisational structure has been created at GWB and the staff responsible for the different areas of operation. With this team, GWB is in a position to control the company effectively.

Organisational structure

Dr rer. oec. **Norbert Herrmann** Chairman of the Management Board (CEO)	**Wolfgang Mertens-Nordmann** Deputy Chairman of the Management Board (CTO)	**Jörg Utermark** Deputy Chairman of the Management Board (CTO)
Controlling, investor relations S. Westphal **Financial accounting** G. Schlögl **Organisation, risk management, property acquisition/disposal** H. Schröder-Breiholdt **Town and land-use planning, architecture** I. Fernandes **Market research** M. Reißmann	**Building processing** H. Grefrath **Property management** M. Eggers **Building engineering** H. Dittloff, E. Olthoff **Project development**	**Location development and renting** C. Dette **Quality management** P. Balewski **Acquisition/ obtainment of locations** Regional offices: North Germany, Central Germany South Germany, South-West Germany

3. Information about business and economic development

The major changes in overall conditions and the consequences of them made it impossible for us to continue the planned strategy at the intended speed. The fact that a new partner dropped out in 2009 and the withdrawal of HSH Real Estate AG from the jointly established project companies meant that we were unable to generate the inflow of funds required for further growth.

Many corporate groups in Germany are affected by the developments on the financial markets. It is true of us as well as of potential buyers of properties. It is difficult for medium-sized companies to obtain sufficient funding.

The introduction of a new major shareholder that was planned in May 2009 failed, because the agreed funds could not be provided. An additional problem was that the planned co-operation with HSH Real Estate AG could not be implemented, because this company was restricted in its activities by the situation at HSH Nordbank AG. The result was a shortfall of about €42 million in funds.

We were therefore unable to start construction work on the Speyer property. To reduce the risk, we have replanned the property so that the investment has been cut from the initial figure of €49 million to €43.7 million now. We are working on the assumption that this property will be completed by the end of 2011.

The Plaza property in Buxtehude was completed, sold and handed over to the buyer in 2009. The purchase price has been paid. All of the planning work on the Bremerhaven property has been finished, most of the space has been rented and the application for a building permit has been filed. The investment amounts to €10.7 million.

The CityCenter property in Völklingen is in the process of active implementation and we are working on the assumption that a start can be made on construction work at the beginning of the second half of 2010. The investment amounts to about €30 million.

In September 2009, GWB made a capital increase based on a resolution passed by the Management Board of GWB Immobilien AG on 18.05.2009, which was approved by the Supervisory Board; this capital increase was subscribed completely. The share capital of GWB Immobilien AG increased from €4,900,000 to €6,525,000 as a result. The new shares were issued at a price of €1.55 per share. The company obtained total gross proceeds of about €2.5 million from this capital increase.

On the basis of a resolution passed by the Management Board of GWB Immobilien AG on 15 October 2009 and a resolution passed by the Supervisory Board, GWB Immobilien AG made a convertible bond issue in October 2009. A total of 345,828 bearer bonds of equal standing with a nominal amount of €2.50 each were placed. GWB received proceeds of €864,570 from this placement.

Further information can be found in the “Investor relations” section of the company website (www.gwb-immobilien.de).

Operating results

Consolidated net profit before non-controlling interests amounted to –€8.932 million in 2009 (previous year: €1.725 million). Earnings per share decreased from €0.35 to –€1.66, with the new 1,625,000 shares having an impact on earnings. EBIT were down €14.557 million at €–7.194 million (previous year: €7.363 million).

The sales generated by GWB Immobilien AG in 2009 amounted to about €20.4 million (previous year: about €10.1 million). Apart from the proceeds of the sale of the Buxtehude property (about €10.1 million), most of them were attributable to rental income (€8.9 million), as was already the case in the previous year (€9.0 million).

The inventory movements of €2.953 million were influenced not only by the disposal following the sale of the Plaza Buxtehude property (€10.7 million) but also the investments of €11.2 million in various properties. This figure mainly includes the investments in the Buxtehude (€7.1 million), Speyer (€3.5 million), Bremerhaven (€0.4 million) and Völklingen (€98,000) properties. These expenses are included, for example, in the cost of materials as well.

The cost of materials also includes the ancillary cost expenses of €1.9 million for the managed properties (particularly Lübeck, Nauen, Nuremberg and Spaldinghof) (previous year: €2.2 million).

Personnel expenses amounted to €2.7 million in 2009. This means that they were reduced again over the previous year – by 8.6 % (previous year: €2.9 million).

The other operating expenses decreased by €1.446 million over 2008 to €2.8 million in 2009 (previous year: €4.3 million). This is a very substantial saving of 33.7 %. As with the personnel expenses, this was the second saving in succession in the operating expenses too. The other operating expenses were already cut by 5.5 % in 2008.

The financial result was down €15,000 over 2008 and amounted to –€5.0 million in the period under review (previous year: –€5.1 million). This change was due to the expansion of the property portfolio, higher financing costs because of the difficult market conditions and a revaluation of the swap transaction (€285,000). The swap transaction will not lead to an outflow of liquidity.

Asset position

The balance sheet total of GWB Immobilien AG amounted to €138.3 million on 31.12.2009, which was about €9.374 million lower than in the 2008 financial year.

The inventories item mainly includes the finished properties Wuppertal, Bad Freienwalde, Anklam and Bad Sülze as well as the unfinished properties Speyer, Buxtehude and Bremerhaven. Borrowing costs of €1.6 million were included in the production costs for the Speyer and Buxtehude properties in accordance with IAS 23.

The Guben, Clausthal-Zellerfeld, Reinbek, Tangstedt, Lübeck, Nauen, Nuremberg and Röbel properties are shown in the investment property item. The Spaldinghof property is included in the non-current assets held for sale.

The current liabilities include the liabilities arising from the current business operations, maintenance costs, building costs and short-term property funding.

The non-current financial debt includes property funding in accordance with the agreed term of more than one year.

The current liabilities of the company exceed the current assets by about €50.2 million. The non-current assets exceed the non-current liabilities by €74.6 million.

GWB Immobilien AG's shareholders' equity amounted to €24.2 million at the end of 2009, which is a decrease of about €6.5 million over 31.12.2008 (figure in the previous year: €30.9 million).

The equity ratio was almost exactly the same as on 31.12.2008 and amounted to 17.7 % on 31.12.2009 (previous year: 20.9 %).

Financial situation

The cash flow from financing activities of –€4.7 million was attributable primarily to the loan repayments using the proceeds of the sale of the Buxtehude property, the cash inflows from the capital increase and the ongoing expansion of the property portfolio.

This cash flow was lower than in the previous year, because the acquisition costs of the Speyer and Buxtehude properties, which were in the process of being built, and further properties were financed in the previous year.

Together with the cash flow from business activities and from investment activities, the cash and cash equivalents available to the company increased by about €788,000 on 31.12.2009 and amounted to €1.8 million at the end €782,000 of the period under review. It is essential for the ongoing development of GWB that the necessary liquidity is guaranteed, so the Management Board is giving this issue top priority. The action taken includes negotiations about measures to create liquidity, e.g. property sales, capital increases or joint venture partnerships. Reducing overdrafts by €3.6 million has helped to ease the liquidity situation as well.

Extensions to all the financing arrangements were agreed with the banks concerned. Negotiations are being held about the Lübeck property (loan of €29.7 million), which is being financed by HSH Nordbank AG, but a long-term agreement has not been concluded yet. For this reason, the loan had to be included temporarily in current liabilities and increased this item accordingly.

4. Risk report

Risk and opportunity management

Risk and opportunity management is an integrated feature of the planning and implementation of our strategies. Organisational structures that minimise the risks which can arise in our area of operation to the largest possible extent have been found for the different processes required in our business activities. The GWB Management Board is directly involved in all the decisions with risk relevance thanks to the arrangement of our corporate control concept. Risks and opportunities are identified by keeping a constant eye on situations, developments and changes that deviate from our objectives. Since 1 January 2007, the results of the risk and opportunity management activities are documented at the end of each quarter and are reported to the Supervisory Board.

The main individual risks are explained below:

Dependence on overall economic conditions

The building and property industry is dependent on the overall economic conditions. GWB specialises in the planning and implementation of commercial properties in general and retail properties in particular. The purchasing power and shopping patterns of consumers are therefore two factors that play a considerable role. Changes in these general conditions and unfavourable overall economic developments that may be associated with them can lead to a reduction in the investments made by market players, an increase in property prices and a reduction in the rents paid for retail properties.

Risks associated with the sale of commercial properties

GWB buys, develops and builds on sites with the aim of selling them. This means that the company is dependent on finding buyers for these properties who are willing to pay the prices GWB asks. GWB issues rent guarantees to the buyers not only for space vacant at the time of the sale but also – in the case of rental contracts for short periods of time – including subsequent renting, which can lead to demands being made on GWB.

Dependence on the existence of suitable properties

GWB's business model is dependent on GWB being able to acquire retail and commercial properties as well as suitable sites for project development in economically attractive regions at reasonable prices in future as well. It needs to identify new locations for retail and commercial properties and acquire them at reasonable conditions on an ongoing basis.

Failure to market space and properties that have not been rented or sold in advance

It is not out of the question that the space which has not been rented or sold in advance cannot be rented or sold at all or at reasonable prices and conditions during the development phase or afterwards.

Higher project costs than planned

The originally planned costs may be exceeded when developed properties are built.

General risks associated with renting commercial space

As a commercial space renter, GWB bears not only the general risks of tenant insolvency or unwillingness to pay but also, after rental contracts have expired, the risk associated with either extension of them with the existing tenants or finding new tenants.

Dependence on future funding via borrowed capital and internal resources

The company finances its business operations to a large extent via borrowed capital. GWB therefore depends on obtaining borrowed capital at favourable conditions. One of the preconditions for the financing of future projects via borrowed capital is the availability to the company of sufficient internal funds, since sources of borrowed capital insist in almost all cases in connection with the funding of projects on the provision of a proportion of the total capital by the borrower.

Dependence on permits from public authorities

Before it starts planned construction work, the company is dependent on the necessary permits, particularly building permits, being issued by the relevant public authorities. It might not otherwise be possible to implement the project concerned, so that expenses already incurred would be lost.

Change in the valuation basis if the property market develops negatively

There is the risk that the valuation basis chosen by the company may have to be corrected if there are negative developments on the property market or in the general economic situation.

Risks associated with a change in the competitive environment

The competition that already exists in this market segment anyway may increase. Companies with larger capital resources, in particular, might enter this market segment, leading to price reductions, lower margins or losses of market share by GWB.

Increase in the general interest rate level

A substantial rise in the current interest rate level would lead to a considerable increase in the company's financing costs when refinancing or extending existing loans and when obtaining funding for future property projects.

Legal risk

Our business model is based on the current legal situation, public administration practice and court rulings, which may change at any time, however.

Evaluation of overall risk exposure

On the basis of the monitoring system outlined above, GWB Immobilien AG has taken action that is appropriate for its size in order to identify at an early stage any developments that could jeopardise the survival of the company. Thanks to the established risk management system, GWB is in a position to take countermeasures directly if such developments become apparent.

In view of the upheavals on the financial and property markets in 2009, GWB did not manage to complete the planned sales, so that the funds attributable to them are not available either. The liquidity situation of the company is tight as a result and company survival/solvency depends on the generation of additional liquid funds. Various measures are to be taken in the initial months of 2010 in response to this situation (sale of properties, capital increase, obtainment of loans). Some of these measures were already carried out in March 2010.

5. Main features of the internal control and risk management system for the accounting process

The objective of our internal control and risk management system for the accounting process is to make sure that corporate issues are always included, processed and reflected accurately in financial accounting and reporting. A basic precondition for this is reliable identification, evaluation and monitoring of all the risks that could stop this objective being reached.

The responsibilities for the accounting process are clearly defined in the Group. GWB's main focus is on the development and construction of retail properties. To limit the risk, we implement a multi-stage concept, with which it is possible to identify very early on whether a project is economically viable. Our procedure guarantees early detection and enables us to act appropriately:

Stage 1
Market research:
We only develop properties at locations with sustained purchasing power. The uncommitted purchasing power at the location must be large enough to guarantee the necessary sales by a retail property.

Stage 2
Determination of rentability (assignment: rental department):
A retail property can only be built and run economically if tenants are available and the planned rent can be obtained in practice too. A tenant plan is prepared first of all for every property on the basis of the concept for use of it, including not only the planned rent but also the target rent. Preliminary meetings held in person with the most important tenants reveal whether their response to the location we have in mind is positive or negative. If these meetings show that most of the tenants are negative about the location, the project is abandoned.

Stage 3
Profitability calculation:
A profitability calculation (basis: DIN 276) is made for the new project, in which all the costs are included. If it is apparent from the planned costs and the anticipated rent that an initial gross return of about 8% is not reached, the project is abandoned. These data are reviewed by the whole of the Management Board.

Stage 4
Obtainment of the sites:
GWB only concludes sales contracts if they include an option to cancel the contracts if building rights are not granted or GWB abandons the location for economic reasons. Development of the project can as a result be discontinued at any time.

Stage 5
Technical planning and cost control:
The project implementation department is responsible for planning the property, preparing the budget, holding the negotiations and issuing building commissions. The costs are planned in detail. We use the APSIS conjekt system for this cost controlling assignment. Cost control is carried out by the controlling department in liaison with the financial accounting department. Deviations are identified and reported to the Management Board.

Stage 6
Analysis after completion of the project:
The controlling department analyses the deviations between the plans (profitability calculation/budget) and the actual results as determined by the financial accounting department. Deviations are recorded and findings are evaluated for new properties.

It is a fundamental rule that a strict distinction is made between recording and reviewing functions. Work instructions, such as evaluation principles or mandatory double-checking in specified cases, are documented in writing and are available to all the staff involved at all times. They make sure that operations of the same kind are completed identically throughout the Group. Accounting is carried out with the help of proven standard software; all the systems are protected against unauthorised access by third parties.

The viability of the internal control and risk management system for the accounting process is reviewed regularly internally by the Management Board and the Supervisory Board and externally by the auditor.

6. Outlook for the business and the general conditions

In the outlook section of our 2008 Annual Report, we already pointed out that it was difficult to make forecasts about 2009 and that the company's performance depended on how successfully existing properties could be sold for acceptable prices. The buyers' market for property has improved considerably in the meantime and we are currently holding promising negotiations about several transactions. 2010 will be a difficult year even so, because we have not returned to normal times in Germany yet in spite of planned sales and other measures that will be strengthening the company.

GWB's major projects, such as Postgalerie Speyer, CityCenter in Völklingen and the rehabilitation clinic in Bremerhaven, will finally be entering the construction phase this year. We have had to find new equity partners and are now certain that the projects will be realised. These three properties involve an investment volume of about €84 million. These properties will be completed in 2011 and are then to be sold.

We have other new properties in the pipeline and have received offers about finished properties that we can acquire. Since the equity requirements have increased, we will only be able to finance this ongoing development with partners or by selling properties.

What is positive in this context is the fact that there is in the meantime a large market for equity partners, so that we can continue development of our company. We do not rule out the possibility of another extensive capital increase either and can also imagine growing strategically via new partnerships.

A capital increase of €650,000 (650,000 shares) was made in March 2010. This issue was subscribed within a day. We have succeeded in continuing to strengthen the company by taking this measure and have broadened our shareholder base at the same time.

Further measures to create liquidity (property sales, capital increases, refinancing) are necessary in order to guarantee company survival and implementation of the planned property developments. The Management Board is working on the assumption that it will be possible to generate the necessary funds in the short term.

We aim to reach break-even in 2010. We already cut our costs substantially in 2009 as a precaution and will be continuing these measures in 2010 as well.

We are expecting extremely positive results in 2011, because the Speyer, Völklingen and Bremerhaven properties are being sold in that year.

Competitive situation

We have explained our strategy of building shopping centres in medium-sized towns on regular occasions in recent years. Growth is going to be taking place in these towns in the next few years. This conviction is now shared by many others too, so that growing attention is being paid to such towns. The consequence of this is that the major players are also focussing on the market for these locations. On the one hand, this means competition, but on the other hand the significance of these locations is increasing as a result, so that more and more investors will be considering this philosophy. We therefore consider this increase in attention to be positive.

Our in-depth know-how about regional markets makes us confident that we do not need to be afraid of any major rivals. GWB won a European contest about a shopping centre in the middle of Völklingen against impressive competition last year.

There will be a return to normal in the coming years and GWB too will then be able to start performing again the way we did in 2006 and 2007.

7. Information as specified by § 315 Paragraph 2 No. 4 of the German Commercial Code (HGB) and § 315 Paragraph 4 of the HGB

Subscribed capital and voting rights (§ 315 Paragraph 4 No. 1 of the HGB)

The share capital of GWB Immobilien AG amounts to €6,525,000 and is divided up into 6,525,000 bearer shares with no par value. Each share accounts for €1.00 of the share capital.

Information about interests in the capital that exceed 10 % of the voting rights (§ 315 Paragraph 4 No. 3 of the HGB)

in %	
Dr Norbert Herrmann	15.79
Mr Mertens-Nordmann	15.79
Deutsche Land plc	11.80

Provisions about the appointment and dismissal of members of the Management Board and about changes to the articles of association (§ 315 Paragraph 4 No. 6 of the HGB)

With respect to the appointment and dismissal of members of the Management Board, attention is drawn to the legal regulations in §§ 84, 85 of the German Companies Act (AktG). In addition to this, § 8 Paragraph 1 of the articles of association specifies that the Management Board consists of one or more people. The Management Board can consist of only one person even if the company has a share capital of more than €3,000,000.00. The Supervisory Board determines the number of members the Management Board has. Deputy members of the Management Board can be appointed. In accordance with § 8 Paragraph 2 of the articles of association, the Supervisory Board is entitled, if the Management Board consists of several persons, to appoint one of the members of the Management Board to be Chairman of the Management Board and one of the members of the Management Board to be Deputy Chairman of the Management Board.

Changes to the articles of association are subject to the provisions of §§ 179 ff. of the AktG.

Authorisation of the Management Board to issue or buy back shares (§ 315 Paragraph 4 No. 7 of the HGB)

The extraordinary shareholders' meeting of GWB Immobilien AG passed a resolution on 11 January 2008 to revise § 4 Paragraph 5 of the articles of association. The Management Board is now authorised to increase the share capital of the company on one or more occasions up to 10 January 2013 by up to €2,450,000 with the approval of the Supervisory Board by issuing up to 2,450,000 new bearer shares with no par value, each of which accounts for €1.00 of the share capital, in return for the injection of cash or other assets. Following use of part of it, the authorised capital still amounts to €825,000.

Conditional capital

In accordance with a resolution passed by the shareholders' meeting held on 20 May 2009, the share capital has been conditionally increased by up to €1,225,000 by issuing new bearer shares that are entitled to participate in profits from the beginning of the financial year in which they are issued (conditional capital). The conditional capital created in accordance with the resolution passed on 2 June 2006 no longer exists.

The purpose of the conditional capital is to provide shares to the holders or creditors of warrant or convertible bonds, which are issued by the company up to 30 April 2014 in accordance with the authorisation given by the shareholders' meeting held on 20 May 2009. The increase is only made to the extent that warrant or conversion rights associated with the above-mentioned bonds are exercised or conversion commitments arising from such bonds are met and to the extent that other performance alternatives are not used. The Management Board is authorised to specify the further details about implementation of the conditional capital increase with the approval of the Supervisory Board.

No treasury shares were bought or sold in the course of the financial year.

Basic features of the compensation system

The compensation paid to the members of the Management Board, which is specified by the Supervisory Board, consists of components that are not performance-based and components that are performance-based. The parts that are not performance-based consist of fixed remuneration for the assignments carried out as well as compensation in kind (company car). The fixed remuneration is paid in 12 identical monthly instalments at the end of each month. The performance-based components consist of bonuses. The size of the bonus depends on the annual profit/loss on ordinary operations generated by the company. There is a maximum limit for the bonus, which is due for payment within 30 days after the annual financial statements have been adopted. If the employment contract with the member of the Management Board in question begins or ends in within a financial year, the bonus is calculated on a pro rata basis.

The compensation that is not performance-based which was paid to the members of the Management Board in the 2009 financial year amounted in total to €783,324.16. No performance-based compensation was paid to the Management Board in 2009.

If a member of the Management Board dies, the fixed compensation continues to be paid for a period of up to 6 months. The bonus is paid on a pro rata basis until death occurs. If a member of the Management Board becomes an invalid, the fixed compensation continues to be paid in full for 6 months and the member of the Management Board then receives transition pay for the following 6 months that is based on a percentage of the fixed compensation that was paid most recently. The bonus is paid on a pro rata basis here too.

In addition to this, each member of the Supervisory Board receives the theoretical per capita share of the premium for financial loss liability insurance concluded in the name of the company at standard market conditions in favour of the members of the Management Board and the Supervisory Board.

The compensation paid to the members of the Supervisory Board amounts to €2,500 per meeting for the Chairman of the Supervisory Board and €1,000 per meeting for the other members of the Supervisory Board. Each member of the Supervisory Board is also entitled to reimbursement of necessary expenses. The above-mentioned amounts do not include any VAT that has to be paid. The Supervisory Board received total compensation of €20,000 in the 2009 financial year.

8. Events after the end of the Group's 2009 financial year (§ 315 Paragraph 2 No. 1 of the HGB)

At the beginning of March 2010, the Management Board passed a resolution to make a capital increase from authorised capital in return for the injection of cash, suspending existing shareholders' subscription right. 650,000 bearer shares were placed with institutional investors for an issue price of €1.55 in the context of this capital increase. The inflow of new funds into the company as a result amounted to about €1.0 million.

Responsibility statement in the consolidated financial statements

The responsibility statement required by § 37y No. 1 of the German Securities Trading Act (WpHG) in conjunction with §§ 297 Paragraph 2 Sentence 3 and 315 Paragraph 1 Sentence 6 of the HGB

"To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair picture of the assets, liabilities, financial position and profit or loss of the Group and the consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Siek, April 2010

Dr Norbert Herrmann	Wolfgang Mertens-Nordmann	Jörg Utermark

Group balance sheet (IFRS)

in €	Notes	31.12.2009	31.12.2008
Assets			
Current assets			
Cash and cash equivalents	34	1,817,620	1,036,401
Inventories	35	40,979,877	43,933,149
Trade receivables	36	236,730	385,542
Income tax assets	37	171,533	225,926
Other current assets	37	130,117	719,372
Total current assets		**43,335,876**	**46,300,391**
Non-current assets			
Intangible assets	26	1,000	16,168
Goodwill	24, 27	272,369	187,073
Tangible assets	28, 29	146,651	173,229
Investment property	30	76,569,000	100,385,000
Non-current assets held for sale	31	17,392,000	0
Financial assets	32	599,858	628,903
Total non-current assets		**94,980,877**	**101,390,373**
Total assets		**138,316,753**	**147,690,764**

in €	Notes	31.12.2009	31.12.2008
Liabilities and shareholders' equity			
Current liabilities			
Current financial debt	43	65,460,842	66,412,809
Trade payables	45	6,973,194	5,146,453
Tax liabilities	42	17,764	27,094
Liabilities for non-current assets held for sale	31	17,860,230	0
Other current liabilities	46	3,174,598	2,553,365
Total current liabilities		**93,486,627**	**74,139,720**
Non-current liabilities			
Non-current financial debt	43	18,137,661	37,964,625
Derivative financial instruments	33	410,807	126,282
Deferred taxes	41	594,100	3,985,000
Profit participation certificate capital	39	535,135	535,135
Borrowed capital component/convertible bond issue	40	726,568	0
Total non-current liabilities		**20,404,271**	**42,611,041**
Shareholders' equity			
Subscribed capital	38	6,525,000	4,900,000
Capital reserves	38	16,250,274	15,466,255
Revenue reserves	38	248,581	248,581
Revaluation reserves	38	–60,407	–69,081
Retained earnings	38	1,249,178	10,286,615
Non-controlling interests	38	213,229	107,633
Total shareholders' equity		**24,425,855**	**30,940,003**
Total liabilities and shareholders' equity		**138,316,753**	**147,690,764**

Group profit and loss account (IFRS)

in €	Notes	2009	2008
Sales	47	20,380,130	10,149,671
Inventory movements	48	–2,953,273	19,619,372
Other operating income	50	1,164,071	546,207
Cost of materials	51	–13,758,513	–23,980,010
Personnel expenses	52	–2,692,896	–2,945,324
Depreciation of intangible and tangible assets	29	–60,407	–33,693
Other operating expenses	53	–2,849,092	–4,295,284
Financial expenses	54	–5,061,184	–5,712,317
Financial income	54	12,656	648,193
Profit/loss on ordinary operations		**–5,818,507**	**–6,003,184**
Changes due to the adjustment of the fair value of investment property	55	–3,931,000	8,302,235
Changes due to the adjustment of the fair value of the non-current assets held for sale	31	–2,493,000	0
Taxes on income and earnings	56	3,310,667	–574,314
Consolidated net profit/loss for the year		**–8,931,840**	**1,724,737**
Retained earnings brought forward from the previous year		10,286,615	8,582,038
Non-controlling interest in the consolidated net profit		–105,596	–20,160
Retained earnings		**1,249,178**	**10,286,615**
Earnings per share (in €)	57	–1.66	0.35

Statement of comprehensive income

in €	Notes	2009	2008
I. Net profit/loss for the year		**−8,931,840**	**1,724,737**
II. Other comprehensive income			
+/− Profit/loss from tangible asset revaluation	38	−193,928	0
+/− Profit/loss from available-for-sale financial instruments	38	8,674	−71,688
− Taxes on other comprehensive income	38	−52,100	0
= Other comprehensive income after tax		**−237,354**	**−71,688**
III. Comprehensive income		**−9,169,194**	**1,653,049**
of which attributable to non-controlling interests		0	0
= of which attributable to shareholders of the parent company		**−9,169,194**	**1,653,049**

Group cash flow statement (IFRS)

in € '000	2009	2008
Cash flow from business activities		
Earnings before tax and interest	–7,194	2,299
Adjustments to reconcile the earnings before tax to net cash flows		
Depreciation of non-current assets	60	34
Increase in the fair value of investment property and non-current assets available for sale	6,424	–8,302
Other income/expenses that have no impact on payment	–20	1,033
Investment income through profit or loss	0	–648
Financing expenses through profit or loss	0	5,712
Decrease/increase in inventories	2,953	–19,618
Decrease/increase in trade receivables	149	635
Decrease/increase in other receivables and other assets (where they are not investment or financing activities)	631	23
Decrease/increase in other liabilities (where they are not investment or financing activities)	2,558	4,700
Taxes paid on income and earnings	–51	–100
Cash flow from business activities	**5,510**	**–14,232**
Cash flow from investment activities		
Cash outflows for investments in tangible assets	–1	–9
Cash outflows for investments in property held in accordance with IAS 40	0	–17,480
Cash outflows for investments in financial assets	–117	–145
Cash inflows from disposals of financial assets	60	59
Changes in financial assets due to consolidation	0	0
Decrease/increase in the fair value of available-for-sale securities	0	72
Cash outflows for the acquisition of subsidiaries	–1	0
Cash flow from investment activities	**–59**	**–17,503**

in € '000	2009	2008
Cash flow from financing activities		
Cash inflow from the obtainment of loans	5,831	36,705
Cash outflows from the repayment of loans	−8,613	−1,597
Cash inflows from the capital increase	3,383	0
Cash inflows from the issue of profit participation certificates	0	466
Cash outflow from the buying back of profit participation certificates	0	0
Income/losses from profit-sharing/profit participation certificates	0	−584
Interest paid	−5,283	−5,567
Interest received	13	50
Cash flow from financing activities	**−4,669**	**29,473**
Changes in cash and cash equivalents that have an impact on payment	**782**	**−2,262**
Cash and cash equivalents at the beginning of the period	1,036	3,298
Cash and cash equivalents at the end of the period	1,818	1,036
Breakdown of the cash and cash equivalents	1,818	1,036
Cash in hand and at banks	1,818	1,036

Group segment reporting 2009

in € '000	Sale/rental	Management	Others	Elimination	Total
Sales					
External sales	18,869	1,496	15	0	20,380
Sales between the segments	2,278	530	293	–3,101	0
Total sales	**21,147**	**2,026**	**308**	**–3,101**	**20,380**
Earnings					
Segment earnings	–7,594	281	118	0	–7,195
Interest income	12	0	1		13
Interest expenses	–5,057	0	–4		–5,061
Taxes on income and earnings					3,311
Non-allocated expenses					0
Non-controlling interests					–106
Consolidated net loss for the year					**–9,038**
Main segment income					
Earnings from IAS 40 valuation	–3,931	0	0	0	–3,931
Information about the asset situation					
Segment assets	137,271	47	127	0	137,445
Non-allocated assets					872
Total assets					**138,317**
Segment liabilities	112,774	45	26	0	112,845
Non-allocated liabilities					1,046
Total liabilities					**113,891**
Further segment information					
Investments in intangible and tangible assets	1	0	0	0	1
Scheduled depreciation	26	2	32	0	60
Other expenses apart from depreciation that have no impact on payment	3,978	0	0	0	3,978

Group segment reporting 2008

in € '000	Sale/rental	Management	Others	Elimination	Total
Sales					
External sales	8,983	1,089	78	0	10,150
Sales between the segments	1,914	872	208	–2,994	0
Total sales	**10,897**	**1,961**	**286**	**–2,994**	**10,150**
Earnings					
Segment earnings	1,733	146	–117		1,762
Interest income					648
Taxes on income and earnings					–574
Non-allocated expenses[1]					–111
Non-controlling interests					–20
Consolidated net profit for the year					**1,705**
Main segment income					
Earnings from IAS 40 valuation	8,302	0	0	0	8,302
Information about the asset situation					
Segment assets	146,793	42	40	0	146,875
Non-allocated assets					816
Total assets					**147,691**
Segment liabilities	112,090	64	50	0	112,204
Non-allocated liabilities					4,547
Total liabilities					**116,751**
Further segment information					
Investments in intangible and tangible assets	9	0	0	0	9
Scheduled depreciation	31	2	1	0	34
Other expenses apart from depreciation that have no impact on payment	1,026	0	0	0	1,026

[1] The non-allocated expenses involve interest expenses incurred in connection with the profit participation certificates.

Statement of changes in group equity (IFRS) 2008 and 2009

in €	**Share capital**	**Capital reserve**	**Revenue reserve**	**Revaluation reserves**	**Retained earnings**	**Minority interests**	**Total shareholders' equity**
Balance on 01.01.2008	**4,900,000**	**15,466,255**	**248,581**	**2,607**	**8,582,038**	**87,473**	**29,286,954**
Capital movements	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
Market valuation of available-for-sale securities	0	0	0	–71,688	0	0	–71,688
Earnings in the period	0	0	0	0	1,704,577	20,160	1,724,737
Balance on 31.12.2008	**4,900,000**	**15,466,255**	**248,581**	**–69,081**	**10,286,615**	**107,633**	**30,940,003**
Balance on 01.01.2009	**4,900,000**	**15,466,255**	**248,581**	**–69,081**	**10,286,615**	**107,633**	**30,940,003**
Capital increase	1,625,000	893,750	0	0	0	0	2,518,750
Costs of the capital increase	0	–139,865	0	0	0	0	–139,865
Convertible bond issue	0	30,134	0	0	0	0	30,134
Market valuation of available-for-sale securities	0	0	0	8,674	0	0	8,674
Earnings in the period	0	0	0	0	–9,037,436	105,596	–8,931,840
Balance on 31.12.2009	**6,525,000**	**16,250,274**	**248,581**	**–60,407**	**1,249,178**	**213,229**	**24,425,855**

Notes

Accounting principles and methods

1. Accounting principles

GWB Immobilien AG, which has its registered office in 22962 Siek (Germany), has had entry number HRB 6613 HL in the commercial register at Lübeck Court since 21 March 2006. The shares in the company (Securities Identification Number A0JKHG) were traded in the Prime Standard index on the Regulated Market at Frankfurt Stock Exchange for the first time on 4 October 2006 in the context of the IPO.

GWB Immobilien AG operates on the market for commercially used property. The Group is involved in the acquisition, construction, renting, management and sale of retail and commercial property. The business operations focus on retail property.

The consolidated financial statements of GWB Immobilien AG as per 31 December 2009 were prepared in accordance with the rules issued by the International Accounting Standards Board (IASB), London, that applied on the balance sheet date and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). In the consolidated financial statements, the Group took into consideration all the IFRS rules that were mandatory for the 2009 financial year to the extent that they were relevant to the consolidated financial statements. In accordance with the applicable accounting regulations, appropriate comparative figures are indicated for the previous year. All the information and explanations required by German commercial law are also published, even when they are not required by the IFRS.

The cost summary method was again chosen for the income statement. The consolidated financial statements were prepared in euros (€). Unless information is provided to the contrary, all the figures were rounded up or down to the nearest thousand euros (€ ’000) in accordance with commercial practice.

The Management Board approved the release of the consolidated financial statements to the Supervisory Board on 26 March 2010. The consolidated financial statements were adopted at the balance sheet meeting that was held on 30 March 2010. This means that it is possible for the Supervisory Board to make changes to the consolidated financial statements up to this time.

2. Changes to the accounting and valuation principles

The accounting and valuation principles applied correspond to those applied in the previous year.

3. Newly published accounting standards

The consolidated financial statements as per 31 December 2009 were prepared on the basis of all the standards and interpretations adopted by the European Union that were mandatory for the 2009 financial year.

The following standards and interpretations had to be applied for the first time in IFRS financial statements as per 31 December 2009:

	Standard	Publication date	Mandatory from
IFRS 2	Share-based Payment: Vesting Conditions and Cancellations June 2009	June 2009	1 January 2009
IFRS 4	Insurance Contracts	March 2009	1 January 2009
IFRS 7	Financial Instruments: Disclosures	March 2009	1 January 2009
IFRS 8	Operating Segments	November 2006	1 January 2009
IAS 1	Presentation of Financial Statements (revised in 2007)	September 2007	1 January 2009
IAS 23	Borrowing Costs (revised)	May 2008	1 January 2009
IAS 32	Financial Instruments: Presentation (Puttable Instruments)	February 2008	1 January 2009
IFRIC 9	Reassessment of Embedded Derivatives	March 2009	1 January 2009
IFRIC 13	Customer Loyalty Programmes	June 2007	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	July 2008	1 October 2008
Diverse	Improvements to IFRS in 2008	May/April 2008	1 January 2009

Application of these standards, interpretations and amendments for the first time did not have any major impact on the asset position, financial situation and operating results of the company.

The IASB and the IFRIC have published the standards and interpretations listed below that have already been incorporated in European Union law but were not yet mandatory in the 2009 financial year. The Group is not applying these standards and interpretations in advance.

	Standard	Publication date	Mandatory from
IFRS 3	Business Combinations (revised)	January 2008	1 July 2009
IAS 27	Consolidated and Separate Financial Statements	May 2008	1 July 2009
IAS 32	Financial Instruments: Presentation	October 2009	1 February 2010
IAS 39	Financial Instruments: Recognition and Measurement	March 2009	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estate	July 2008	1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	November 2008	1 November 2009
IFRIC 18	Transfers of Assets from Customers	January 2009	1 July 2009

IFRS 3 Business Combinations

The IASB published the revised version of IFRS 3 Business Combinations in January 2008. This standard stipulates that business combinations still have to be accounted for by the purchase method. The main changes effect, for example, the recognition of a possible share held by non-controlling interests in goodwill and the presentation of this in equity. The transition rules specify prospective application of the new regulations. No changes need to be made for assets and liabilities that result from business combinations before the new standard is applied for the first time. Application of the full goodwill method, the accounting rules for successive company acquisitions and the mandatory inclusion of contingent consideration at the acquisition date will tend to increase goodwill.

IAS 27 Consolidated and Separate Financial Statements
IAS 27 (revised) stipulates that a change in the size of the investment in a subsidiary which does not lead to the loss of control is accounted for as a transaction with shareholders in their capacity as shareholders. Such a transaction cannot therefore result in either goodwill or a profit or loss. Regulations about the distribution of losses to shareholders of the parent company and the shares with no controlling influence and the accounting rules for transactions which lead to a loss of control were also changed. The new rules in IAS 27 (revised) will impact future acquisitions of or losses of control over subsidiaries and transactions with shares with no controlling influence.

IAS 39 Financial Instruments: Recognition and Measurement.
The changes to IAS 39 relate to qualifying hedged items.

IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 15 specifies rules for the recognition of income from the sale of real estate before construction has been completed. The interpretation clarifies whether an agreement about the construction of real estate is covered by IAS 11 Construction Contracts or IAS 18 Revenue Recognition.

IFRIC 17 Distribution of Non-cash Assets to Owners
The interpretation provides guidance about the appropriate accounting treatment for cases in which a company distributes non-cash assets to owners.

IFRIC 18 Transfers of Assets from Customers
The interpretation relates to the accounting from the perspective of the recipient of transfers of assets by customers and draws the conclusion that in cases where the asset transferred satisfies the definition of an asset from the perspective of the recipient, then the recipient must recognise the asset at its fair value on the date of transfer. The counter entry is made as revenue in line with IAS 18 Revenue Recognition.

The IASB and the IFRIC have published the following standards and interpretations that were not yet mandatory in the 2009 financial year. They have not been adopted by the EU or incorporated in European law so far. The Group does not apply these standards and interpretations.

	Standard	**Publication date**	**Mandatory from**
IFRS 2	Group Cash-settled Share-based Payment Transactions	July 2009	1 January 2010
IFRS 9	Financial Instruments	November 2009	1 January 2013
IAS 24	Related Party Disclosures	November 2009	1 January 2011
IAS 32	Classification of Rights Issues	October 2009	1 February 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement	November 2009	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	November 2009	1 July 2010
Various	Improvements to IFRS in 2009	April 2009	1 January 2010

IFRS 2 Group Cash-settled Share-based Payment Transactions
IFRS 2 Share-based Payments clarifies how an individual subsidiary in a group is supposed to account for certain share-based payments in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but the parent or another entity in the group must pay those employees or suppliers.

IFRS 9 Financial Instruments
IFRS 9 adopts a new and less complex approach for classifying and measuring financial assets. There are only two classifications for financial assets now instead of the four there have been in the past. Classification is based, on the one hand, on the company's business model and, on the other hand, on characteristic features of the contractual cash flows of the individual financial asset.

The existing mixed measurement model is being retained. Separate accounting is only provided now for non-financial basic contracts with respect to structured products with embedded derivatives. Structured products with financial basic contracts must classified and measured as a whole.

IAS 24 Related Party Disclosures
The IASB published the revised IAS 24 Related Party Disclosures in November 2009. The main changes relate to the definition of related parties.

IFRIC 14 Prepayments of a Minimum Funding Requirement
The IASB published an amendment to IFRIC 14, an interpretation of IAS 19 Employee Benefits, in November 2009. The amendment to the interpretation enables companies to recognise the benefit of prepayments of minimum funding requirements in pension schemes as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
This interpretation clarifies the requirements in the IFRS when a company renegotiates the conditions of a financial liability with the creditor and the creditor accepts shares or other equity instruments of the company to extinguish the financial liability completely or partially.

4. Major discretionary decisions, estimates and assumptions

Estimates and assumptions have to be made when the consolidated financial statements are being prepared. They have an influence on the amounts indicated for assets, liabilities and contingent liabilities on the balance sheet date as well as on the income and expenditure shown for the period under review. The actual figures may differ from these estimates.

Discretionary decisions, estimates and assumptions that have a major impact on the valuation of assets and liabilities influence the valuation of investment property in particular.

The valuation of investment property is based on different estimates and assumptions, with the potential profits of a property being determined on the basis of future income and expenditure. The rental income in future is forecast on the basis of current rental contracts and planned annual rental income. When business rental contracts expire, calculations are based on what is a sustainable market rent at the time in question.

Management and building costs are based on the account settlements for the property concerned and include operating and maintenance costs that cannot be charged as well as future repair costs in accordance with annual budgets for several years. These figures only take costs into consideration that are incurred to sustain the fabric of the property, in order to make sure that the contract and market rent level on which valuation is based is maintained in the long term. No allowance is made for future investments that increase value and thus rental income.

The discounting and capitalisation rates are based on the interest paid for long-term, risk-free investments plus a real estate specific risk markup.

The estimates and the assumptions on which they are based are reviewed at regular intervals. Adjustments to the estimates and assumptions of relevance to corporate accounting are taken into consideration in the period when the changes are made, provided that the change only relates to this period. A change is taken into consideration in the period when the change is made and in subsequent periods, provided that the change relates not only to the period under review but also to the subsequent periods. Assessments by Group management about assumptions and estimates made as well as about discretionary decisions taken are presented in the outline given of the relevant assets, liabilities, expenses or income, when they have a major impact on the consolidated financial statements.

5. Business combinations and goodwill

Business combinations are accounted for by the purchase method.

When it is recognised for the first time, goodwill is stated at acquisition cost, which is defined as the excess of the acquisition cost of the business combination over the Group share of the fair value of the identifiable assets, liabilities and contingent liabilities of the company acquired.

Following recognition for the first time, goodwill is stated at acquisition cost less accumulated impairment expenses. For the purpose of the annual impairment test, the goodwill acquired in the context of a business combination is allocated to the cash-generating units of the Group that are to benefit from the business combination from the time of acquisition onwards.

Non-controlling interests represent the proportion of earnings and net assets that is not attributable to the Group. Non-controlling interests are shown separately in the income statement and the balance sheet. Recognition in the balance sheet is in shareholders' equity, separately from the shareholders' equity accounted for by the shareholders of the parent company.

The financial statements of the subsidiaries are prepared with the same balance sheet date as the financial statements of the parent company, with application of consistent accounting and valuation principles.

Profits and losses, sales, expenses and income within the Group and the receivables and payables between the consolidated companies are eliminated.

All the subsidiaries in which GWB Immobilien AG holds a majority of the voting rights directly or indirectly are included in the consolidated financial statements. The shares held by other companies in the joint ventures in previous years have been taken over by the parent company The consolidated financial statements prepared as per 31 December 2009 therefore include not only the parent company but also thirteen (previous year: eight) fully consolidated German subsidiaries and no (previous year: five) German joint ventures consolidated on a pro rata basis. Inclusion in the consolidated financial statements is made at the time when GWB Immobilien AG obtains a majority of the voting rights in the company.

6. Intangible assets

The intangible assets consist entirely of acquired assets. Intangible assets that are subject to wear and tear are measured at acquisition cost less scheduled depreciation by the straight-line method on a pro rata basis according to the probable useful life.

7. Tangible assets

Tangible assets are capitalised at acquisition cost less scheduled depreciation by the straight-line method on a pro rata basis according to the probable economic useful life. For simplicity's sake, minor-value assets with acquisition costs of up to €150 are written off in the year of addition and are shown as disposals in the statement of changes in non-current assets. A compound item is formed for movable non-current assets that are subject to wear and tear with acquisition costs of between €150 and €1,000. A fifth of the compound item is released through profit and loss in the financial year in which it is formed and in the four following financial years.

Scheduled depreciation of the tangible assets is based essentially on the following planned useful lives:

Operating and office equipment	**3**	**to**	**15**	**years**

The residual values, useful lives and depreciation methods of the assets are reviewed at the end of every financial year.

8. Investment property

Investment property is the term used for property that GWB Immobilien AG keeps on a long-term basis to generate rental income and/or with the aim of increasing value.

Properties acquired in the financial year are also included in investment property, when a final decision has not yet been taken on the balance sheet date about the use to which they are to be put. After the planned use has been decided, these properties are recognised as owner-occupied property, investment property or inventory property, depending on the use to which they are being put.

In accordance with IFRS 5, investment properties are recognised separately at market values as non-current assets held for sale, when a decision has been taken to sell them to third parties.

When properties are recognised for the first time, they are valued initially at acquisition or production cost. In the subsequent periods, investment properties are stated at their fair values (market values). The market value reflects the market conditions on the balance sheet date and includes consideration of the rental income generated by the current rental contracts as well as reasonable and justifiable assumptions about future rental contracts and income on the basis of the current market conditions.

The market values of investment property with a value of more than €20 million are based on valuations by well-known independent experts (Jones Lang LaSalle GmbH) in accordance with international valuation standards on the basis of discounted future income surpluses calculated by the DCF method. The market values of investment property with a value of up to €20 million are based on in-house valuations by comparable methods.

The DCF method involves discounting of the surplus funds expected from a property in future as per the qualifying date for valuation. For this purpose, the inflow surpluses of the properties concerned are determined in a detailed planning period (Value > €20 million = 10 years; value < €20 million = 5 years). These surpluses are calculated by balancing the anticipated inflows and outflows. The inflow surpluses in each period are discounted as per the qualifying date for valuation using a discounting interest rate that is specific to the property concerned and is in line with market conditions.

A residual value is forecast for the property that is being valued for the end of the detailed planning period. In this context, the inflow surpluses of the last year are capitalised as a perpetual annuity using what is known as the capitalisation interest rate. The residual value is then discounted as per the qualifying date for valuation, again applying a discounting interest rate. The total of the discounted fund surpluses and the discounted residual value represents the fair value of the property that is being valued.

The discounting rate was between 4.5 % and 11.25 % on 31 December 2009. The capitalisation rate in the financial year was between 6.00 % and 6.5 %.

Profits and losses attributable to the change in market values are recognised in the income statement in the year they are made.

Investment property is derecognised when it is disposed of or when no further use is being made of it on a long-term basis and no economic benefits are expected from it any longer in the future in the case of disposal. Profits and losses attributable to shutdown or disposal are recognised in the income statement in the year when the shutdown or sale occurs.

On the balance sheet date, GWB Immobilien AG continued to work on the assumption that future fluctuations in the fair value will result to a very large extent from factors that are not under GWB’s control. These factors essentially include the discounting and capitalisation interest rates used in valuation. Potential effects of changes in the assumptions made about these two valuation parameters can be found in the following table.

Discounting interest rate	**Capitalisation interest rate**		
in € ’000			
	−0.25 %	0.00 %	+0.25 %
−0.25 %	79,891	77,689	75,657
0.00 %	78,734	76,570	74,565
+0.25 %	77,605	75,469	73,500

9. Non-current assets held for sale Non-current assets held for sale

Non-current assets that are to be sold via an asset deal are shown separately as held for sale in the consolidated financial statements in accordance with IFRS 5, provided that it is highly probable that they will be sold in the next twelve months.

The assets held for sale are valued at the lower of the carrying amount and the fair value less disposal costs on the reclassification date and on every subsequent qualifying date.

10. Financial assets

In IAS 39, financial assets are defined either as financial assets at fair value through profit or loss or as loans and receivables or as held-to-maturity investments or as available-for-sale financial assets. Financial assets must be stated with their fair value the first time they are recognised. In the case of different financial assets from those that are classified as financial assets at fair value through profit or loss, transaction costs that can be allocated directly to the acquisition are also taken into account.

The financial assets are classified to the valuation categories when they are recognised for the first time. Reclassifications are made at the end of the financial year, provided that they are allowed and necessary.

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes the financial assets held for trading and financial assets that are designated on initial recognition as ones to be measured at fair value. Gains or losses attributable to such financial assets are recognised directly in the income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity investments when the Group intends and is in a position to hold them to maturity. After they have been recognised for the first time, these assets are measured at amortised cost on an effective yield basis. Gains and losses are recognised in the period earnings.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After they have been recognised for the first time, loans and receivables are measured at amortised cost on an effective yield basis less any impairments. Gains and losses are recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and are not classified in one of the other three categories. After they have been valued for the first time, these financial assets are included in the financial statements at fair value. Unrealised gains or losses are recognised in shareholders' equity until the asset has been disposed of.

11. Accounting for derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge interest and exchange rate risks. These derivative financial instruments are recognised at fair value at the time when the contract is concluded and are revalued at fair value in the subsequent periods. Derivative financial instruments are recognised as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Gains or losses attributable to changes during the financial year in the fair value of derivative financial instruments that do not meet the criteria for hedge accounting and the ineffective part of an effective hedging instrument are recognised immediately in profit or loss.

On 31 December 2009, the derivative financial instruments held by the Group did not satisfy the conditions for hedge accounting, so they were recognised at fair value through profit or loss.

12. Deferred taxes

In accordance with IAS 12, tax deferrals are made by the liability method with respect to temporary differences between the tax base and valuation in accordance with IFRS. The deferrals are made equivalent to the probable tax burden or relief in subsequent financial years. It is a fundamental rule that trade tax, corporation tax and reunification tax are taken into consideration in valuation.

The tax rates applicable or de facto decided on the balance sheet date are used to calculate deferred taxes. Deferred tax assets are only included in the financial statements to the extent that future tax-deductible earnings will probably be available to make use of the temporary differences/tax losses. Deferred taxes are recognised through profit or loss, except for items that are recognised directly in shareholders' equity.

Deferred tax liabilities and assets are balanced to the extent that offsetting options are available.

Deferred tax assets are included for tax losses carried forward to the extent that it is probable that taxable income will be available in future to make use of them. The assumption that it will be possible to make use of the tax losses carried forward is justified by the general earnings development or by events that occurred up to the time when the financial statements were prepared.

13. Inventories

Inventories are stated at the lower of acquisition or production cost and the net realisable value (selling price that can probably be obtained less costs still necessary to make the sale).

Administrative costs are taken into consideration to the extent that they can be attributed directly to the construction and acquisition of properties.

14. Trade receivables and other assets

Trade receivables and other assets are recognised at their nominal value less allowances for doubtful accounts, taking all apparent risks into consideration. Individual allowances had to be made for doubtful accounts.

15. Asset impairment charges

Asset impairment charges (unscheduled depreciation) are always made when the carrying amount is higher than the amount that can probably be realised.

16. Cash and cash equivalents

Cash on hand and at banks is recognised at nominal value.

17. Provisions

Provisions are formed for legal and de facto obligations arising from past events, when it is probable that satisfaction of the commitment will lead to an outflow of Group resources and a reliable estimate can be made of the size of the commitment. The amount that is most likely to be required is taken as the assumption basis here.

18. Trade liabilities and other liabilities

Trade liabilities and other liabilities are stated at their repayment amount.

19. Financial debt

Financial debt is stated at the repayment amount.

20. Foreign currency translation

The consolidated financial statements and all the financial statements of the companies included in the consolidated financial statements are prepared in euros (functional currency). Foreign currency transactions are converted to euros initially at the spot rate applicable on the date of the business transaction. It is a fundamental rule that monetary assets and liabilities in a foreign currency are converted into euros on every qualifying date using the exchange rate on the qualifying date. All exchange rate differences are recognised through profit or loss.

21. Realisation of income and expenses

Sales and other operating income are recognised when definable services or products have been supplied, irrespective of the time of payment. Operating expenses are recognised through profit or loss when the service is provided/ at the time when they are incurred. Interest income and interest expenses are recognised in the relevant period.

22. Borrowing costs

Borrowing costs that can be allocated directly to the acquisition, construction or production of qualifying assets are added to the costs of these assets up to the time when the assets are essentially ready for their proposed use or sale.

All other borrowing costs are recognised directly in expenses in the period in which they are incurred.

23. Leasing contracts

Leasing contracts are classified as finance leases when the leasing conditions specify transfer of essentially all the opportunities and risks associated with ownership to the lessee. All other leasing contracts are classified as operating leases. All the Group contracts are operating leases.

Rental income and rental payments in operating lease contracts are spread over the term of the leasing contract in question on a linear basis in period earnings.

The Group has concluded leasing contracts for the commercial letting of its investment property. It has been determined in this context on the basis of an analysis of the contractual conditions that all the main opportunities and risks associated with ownership of these properties that are let via operating lease contracts remain within the Group, which therefore includes these contracts in its financial statements as operating leases.

Explanatory notes about the balance sheet

24. Business combinations

A list of the companies included in the consolidated financial statements can be found in the following table.

Company	Regis-tered office	Shareholders' equity on 31.12.2009	Net profit/loss for the year in 2009	Share-holding
		in € '000	*in € '000*	*in %*
GWB OBJEKT Gesellschaft für Objektmanagement mbH	Siek	25	0	100
GWB MAFO KG für Markt- und Standortanalysen mbH & Co.	Siek	–170	56	100
Projektgesellschaft market 1 GmbH	Siek	1,412	0	100
Projektgesellschaft market 2 GmbH	Siek	4,568	0	100
Projektgesellschaft market 3 GmbH & Co. KG	Siek	–1,016	–2,427	100
Projektgesellschaft market 4 GmbH	Siek	–121	0	100
Projektgesellschaft market 6 GmbH	Siek	2,082	1,056	90
Projektgesellschaft market 10 GmbH & Co. KG	Siek	96	–2	100
Projektgesellschaft market 11 GmbH & Co. KG	Siek	17	–1	100
Projektgesellschaft market 12 GmbH & Co. KG	Siek	18	–1	100
Verwaltung Projektgesellschaft market 10 GmbH	Siek	28	–1	100
GWB Vermögens- und Grundbesitz-verwaltungsgesellschaft mbH	Siek	36	0	100
GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH	Siek	37	57	100

The 50 % interest in **GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH** was acquired by GWB Immobilien AG for a purchase price of €1. The business combination took effect on 1 January 2009.

GWB Immobilien AG is the sole shareholder of GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH.

The fair values of the identifiable assets and liabilities of GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH and the relevant carrying amounts directly before the acquisition date were as follows:

in € '000	Carrying amounts on the acquisition date	Adjustments	Fair values on the acquisition date
Other current assets	9	0	9
Non-current assets	17	0	17
Deferred tax assets	30	0	30
Total acquired assets	**56**	**0**	**56**
Tax liabilities	0	0	0
Other current liabilities	138	0	138
Total acquired liabilities	**138**	**0**	**138**
Net assets acquired	**–82**	**0**	**–82**
Goodwill from the company acquisition	82	–	–
Total acquisition cost	**0**	**–**	**–**

There was no outflow of funds as a result of the company acquisition.

GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH contributed €57,000 to consolidated earnings after the acquisition date.

The sales generated by the company following the business combination amounted to €212,000 in the period under review. The profit for the period under review totalled €57,000.

The shares in **Projektgesellschaft market 10 GmbH & Co. KG, Projektgesellschaft market 11 GmbH & Co. KG, Projektgesellschaft market 12 GmbH & Co. KG** and **Verwaltung Projektgesellschaft market 10 GmbH** held by third parties were taken over by GWB Immobilien AG in the year under review. The business combination took effect in each case on 14 December 2009. GWB Immobilien AG held 100 % of the shares in the above-mentioned companies on the balance sheet date.

GWB Immobilien AG acquired voting rights of 49 % of each of the above-mentioned companies in 2009.

The fair values of the identifiable assets and liabilities of **Projektgesellschaft market 10 GmbH & Co. KG** and the relevant carrying amounts directly before the acquisition date were as follows:

in € '000	**Carrying amounts on the acquisition date**	**Adjustments**	**Fair values on the acquisition date**
Cash and cash equivalents	29	0	29
Non-current assets	20		29
Total acquired assets	**49**	**0**	**49**
Other current liabilities	1	0	1
Total acquired liabilities	**1**	**0**	**1**
Net assets acquired	48	0	48
Goodwill from the company acquisition	1	–	–
Total acquisition cost	49	–	–

in € '000	
Funds acquired with the subsidiary	29
Outflow of funds	49
Actual outflow of funds	**20**

Projektgesellschaft market 10 GmbH & Co. KG contributed –€2,000 to consolidated earnings after the acquisition date.

The sales generated by the company following the business combination amounted to €0 in the period under review. The loss for the period under review totalled €2,000.

The fair values of the identifiable assets and liabilities of **Projektgesellschaft market 11 GmbH & Co. KG** and the relevant carrying amounts directly before the acquisition date were as follows:

in € '000	Carrying amounts on the acquisition date	Adjustments	Fair values on the acquisition date
Cash and cash equivalents	10	0	10
Total acquired assets	**10**	**0**	**10**
Other current liabilities	1	0	1
Total acquired liabilities	**1**	**0**	**1**
Net assets acquired	**9**	**0**	**9**
Goodwill from the company acquisition	1	–	–
Total acquisition cost	**10**	**–**	**–**

in € '000	
Funds acquired with the subsidiary	10
Outflow of funds	0
Actual inflow of funds	**10**

Projektgesellschaft market 11 GmbH & Co. KG contributed –€1,000 to consolidated earnings after the acquisition date.

The sales generated by the company following the business combination amounted to €0 in the period under review. The loss for the period under review totalled €1,000.

The fair values of the identifiable assets and liabilities of **Projektgesellschaft market 12 GmbH & Co. KG** and the relevant carrying amounts directly before the acquisition date were as follows:

in € '000	Carrying amounts on the acquisition date	Adjustments	Fair values on the acquisition date
Cash and cash equivalents	10	0	10
Total acquired assets	**10**	**0**	**10**
Other current liabilities	1	0	1
Total acquired liabilities	**1**	**0**	**1**
Net assets acquired	**9**	**0**	**9**
Goodwill from the company acquisition	1	–	–
Total acquisition cost	**10**	**–**	**–**

in € '000	
Funds acquired with the subsidiary	10
Outflow of funds	0
Actual inflow of funds	**10**

Projektgesellschaft market 12 GmbH & Co. KG contributed –€1,000 to consolidated earnings after the acquisition date.

The sales generated by the company following the business combination amounted to €0 in the period under review. The loss for the period under review totalled €1,000.

The fair values of the identifiable assets and liabilities of **Verwaltung Projektgesellschaft market 10 GmbH** and the relevant carrying amounts directly before the acquisition date were as follows:

in € '000	**Carrying amounts on the acquisition date**	**Adjustments**	**Fair values on the acquisition date**
Cash and cash equivalents	14	0	14
Total acquired assets	**14**	**0**	**14**
Total acquired liabilities	**0**	**0**	**0**
Net assets acquired	**14**	**0**	**14**
Goodwill from the company acquisition	1	–	–
Total acquisition cost	**15**	**–**	**–**

in € '000	
Funds acquired with the subsidiary	14
Outflow of funds	15
Actual outflow of funds	**–1**

Verwaltung Projektgesellschaft market 10 GmbH contributed –€1,000 to consolidated earnings after the acquisition date.

The sales generated by the company following the business combination amounted to €2,000 in the period under review. The loss for the period under review totalled €1,000.

25. Shares in joint ventures

The shares in joint ventures held by third parties in previous years were taken over by GWB Immobilien AG in the year under review.

26. Intangible assets

The intangible assets relate to property rights, licences and an acquired customer base. The property rights and licences were depreciated over a useful life of three to five years. The development of the intangible assets is shown in the statement of changes in non-current assets (see Note 29). The useful life of the customer base is assumed to be unlimited. As a result of an impairment in accordance with IAS 36, the carrying amount of the customer base on 31.12.2009 was €0. Depreciation of non-current assets is shown in the depreciation item of the consolidated income statement.

Impairment expenses in accordance with IAS 36 of €30,000 were charged in the year under review for intangible assets. The impairment charge was made, because it cannot be assumed that it will be possible to make use of this customer base in future to generate sales. The impairment expenses in accordance with IAS 36 are shown in the depreciation item of the consolidated income statement.

27. Goodwill impairment

The goodwill acquired in the context of business combinations was allocated to the following cash-generating units for the purposes of impairment testing in accordance with IAS 36:

> GWB MAFO Kommanditgesellschaft für Markt- und Standortanalysen mbH & Co.
> GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH
> Projektgesellschaft market 3 GmbH & Co. KG
> Projektgesellschaft market 6 GmbH
> Projektgesellschaft market 10 GmbH & Co. KG
> Projektgesellschaft market 11 GmbH & Co. KG
> Projektgesellschaft market 12 GmbH & Co. KG
> Verwaltung Projektgesellschaft market 10 GmbH

The goodwill in the GWB Group books was accounted for by the following cash-generating units on 31 December 2009:

in € '000	**2009**	**2008**
GWB MAFO Kommanditgesellschaft für Markt- und Standortanalysen mbH & Co.	63	63
GWB Plan Gesellschaft für Bauleit- und Stadtplanung mbH	111	30
Projektgesellschaft market 3 GmbH & Co. KG	14	14
Projektgesellschaft market 6 GmbH	80	80
Projektgesellschaft market 10 GmbH & Co. KG	1	n. a.
Projektgesellschaft market 11 GmbH & Co. KG	1	n. a.
Projektgesellschaft market 12 GmbH & Co. KG	1	n. a.
Verwaltung Projektgesellschaft market 10 GmbH	1	n. a.
Total	**272**	**187**

The amount that can be recovered by the cash-generating units is determined on the basis of the calculation of a value in use with the help of cash flow forecasts. The discounting rate before tax used for the cash flow forecasts amounts to 4.8 %. In view of the fact that the company has a high level of borrowed funds, the discounting rate is based on the basic interest rates for future-oriented zero bonds published by the German central bank. The basic interest rates were specified in this context in accordance with the principles of the IDW. Cash flows generated after a period of five years are extrapolated using a growth rate of 2 %.

Basic assumptions for calculation of the value in use

There are estimates for the following assumptions on which calculation of the value in use of the cash-generating units was based:

> Development of income and expenses
> Discounting rates
> Growth rate on which extrapolation of the cash flows is based.

The assumptions are based on the best possible estimates by the company management. Deviations can occur if the market situation develops differently from the assumptions on which the planning is based.

The impairment test in accordance with IAS 36 showed that there has been no impairment of the goodwill recognised in the financial statements.

The additional goodwill of €85,000 was generated essentially by the take-over of 50 % of the shares in GWB Plan GmbH with effect from 1 January 2009.

28. Tangible assets

Tangible asset development is shown in the statement of changes in non-current assets (see Note 29). The tangible assets consist essentially of property improvements and operating and office equipment. The additions relate essentially to new computers, printers and office furniture.

No unscheduled depreciation of tangible assets was necessary.

29. Statement of changes in non-current assets

in € '000	Intangible assets	Goodwill	Miscellaneous tangible assets	Total
Acquisition cost				
01.01.2008	**32**	**187**	**374**	**593**
Additions	0	0	9	9
31.12.2008	32	187	383	602
Additions	**24**	**85**	**8**	**111**
31.12.2009	56	272	391	713
Accumulated depreciation				
01.01.2008	**13**	**0**	**180**	**193**
Additions	3	0	30	33
31.12.2008	16	0	210	226
Additions	**9**	**0**	**34**	**37**
Impairments in accordance with IAS 36	**30**	**0**	**0**	**30**
31.12.2009	55	0	244	293
Carrying amounts				
31.12.2008	**16**	**187**	**173**	**376**
31.12.2009	**1**	**272**	**147**	**420**

30. Investment property

The "investment property" item developed as follows:

in € '000	31.12.2009	31.12.2008
As of 01.01.	**100,385**	**51,807**
Additions/company takeover	0	0
Additions/acquisitions	0	17,481
Reclassifications to inventories	0	–17,916
Reclassifications from inventories	0	40,711
Reclassifications/IFRS 5	–19,885	–
Net gains from adjustments of the market value	–3,991	8,302
As of 31.12.	**76,509**	**100,385**

The market values on 31 December 2009 are attributable to the following properties:

in € '000	31.12.2009	31.12.2008
Lübeck property	35,060	38,500
Nürnberg property	17,092	17,476
Nauen property	7,911	9,009
Reinbek property	4,732	3,920
Tangstedt property	4,058	3,676
Guben property	3,364	3,270
Clausthal-Zellerfeld property	2,292	2,503
Röbel property	2,060	2,146
Spaldinghof property	0	19,885
Totals	**76,569**	**100,385**

The rental income from the investment property amounted to €6.667 million (including ancillary cost prepayments). The operating expenses (excluding interest expenses and ancillary cost prepayments), which can be allocated directly to the investment property and with which rental income was generated during the financial year, amounted to €3.012 million.

The Group companies own all the investment property.

31. Information about non-current assets that are classified as held for sale

In accordance with IFRS 5, the Spaldinghof property is accounted for as a non-current asset that is held for sale. The reclassification was made due to the decision to sell the property. It is assumed that the property will be sold within the next financial year. The property is shown in the "Sale/rental" segment in the consolidated segment report.

The impairment expenses recognised in 2009 in connection with the assets accounted for in accordance with IFRS 5 amounted to €2.493 million in the financial year.

32. Financial assets

The financial assets can be broken down as follows:

in € '000	**31.12.2009**	**31.12.2008**
Loans and receivables	0	151
Available-for-sale financial assets:		
Securities	599	473
Co-operative shares	1	5
Totals	**600**	**629**

The loan to HR-MN Vermögensverwaltungsgesellschaft mbH included in the loans and receivables in the previous year was repaid in the financial year.

The purpose of the securities is exclusively to provide security for the profit participation certificates that have been issued and the securities are classified as "available-for-sale financial assets".

Due to the fact that new profit participation certificates were issued in the 2009 financial year, securities with an acquisition cost of €117,000 were bought. A write-up of €9,000 to the fair value of the securities had to be made on the balance sheet date at the same time. The write-up was recognised in the shareholders' equity in accordance with IAS 39.

33. Derivatives

The Group uses interest rate swaps to hedge interest rate change risks.

in € '000	31.12.2009	31.12.2008
Market value of the interest rate swaps	–411	–126

The value of the interest rate swaps corresponds exactly to the market values, which were taken over unchanged.

Adjustment of the carrying amount to the fair value on the balance sheet date was made through profit and loss, taking deferred taxes into consideration.

The term of the derivative financial instruments in the form of interest rate swaps is the same as the term of the relevant loans.

34. Cash and cash equivalents

in € '000	31.12.2009	31.12.2008
Current cash and cash equivalents		
Time deposits	923	663
Current accounts	894	372
Cash on hand	1	1
	1,818	**1,036**

All of the current cash and cash equivalents were due within 3 months.

35. Inventories

The breakdown of the inventories on the balance sheet date was as follows:

in € '000	31.12.2009	31.12.2008
Unfinished products and services	22,988	22,317
Finished products	17,992	21,616
	40,980	**43,933**

The unfinished products and services relate essentially to properties in Speyer, Buxtehude and Bremerhaven. All of the property in Buxtehude except for part of the site was sold in the year under review.

Properties that have already been finished in Wuppertal, Bad Freienwalde, Senftenberg, Dassow, Anklam and Bad Sülze are shown in the finished products.

Reference is made to Note 41 with respect to the mandatory information about the land charges of the individual properties.

In view of the current market situation, it is not possible to predict whether and to what extent properties included in inventories can be sold within the next twelve months.

36. Trade receivables

The trade receivables on the balance sheet date consisted essentially of outstanding rent and ancillary costs.

Individual allowances of €82,000 were made for doubtful accounts. These allowances were made because it cannot be expected any longer that it will be possible to collect the receivable. The receivable is not derecognised until uncollectibility is certain, however.

The definite losses from bad debts amounted to €69,000 at Group level in the year under review.

The trade receivables do not bear interest and were all due within one year.

37. Other current assets and income tax assets

The other assets can be broken down as follows:

in € '000	31.12.2009	31.12.2008
Income tax assets	172	226
Discount	55	237
Creditors with debit balances	1	31
Building cost grant	0	386
Miscellaneous	74	65
	302	**945**

The income tax assets include receivables from previous years (€172,000).

38. Shareholders' equity

Breakdown of Group shareholders' equity on 31 December 2009:

in € '000	31.12.2009	31.12.2008
Share capital	6,525	4,900
Capital reserves	16,250	15,466
Revenue reserves	249	249
Revaluation reserves	–60	–69
Retained earnings	1,249	10,286
Non-controlling interests	213	108
Total shareholders' equity	**24,426**	**30,940**

Reference is made to the statement of equity movements (Appendix 3) with respect to the development of the different elements of shareholders' equity.

Subscribed capital

The subscribed capital of €6,525,000 is fully paid-up and is divided up into 6,525,000 shares with no par value. The subscribed capital was increased by €1,625,000 to €6,525,000 in the year under review by issuing 1,625,000.00 new shares from the authorised capital.

Authorised capital
The Management Board was authorised by a resolution passed at the shareholders' meeting held on 11 January 2008 to increase the share capital of the company on one or more occasions up to 10 January 2013 by up to €2,450,000 with the approval of the Supervisory Board by issuing up to 2,450,000 new bearer shares with no par value, each of which accounts for €1.00 of the share capital, in return for the injection of cash or other assets. Ordinary shares and/or preference shares with no voting rights may be issued. The Management Board is authorised to specify the further details about and conditions for implementation of capital increases from authorised capital and the issuing of shares with the approval of the Supervisory Board. Following use of part of it, the authorised capital still amounts to €825,000.

Conditional capital
In accordance with a resolution passed by the shareholders' meeting held on 20 May 2009, the share capital has been conditionally increased by up to €1,225,000 by issuing new bearer shares that are entitled to participate in profits from the beginning of the financial year in which they are issued (conditional capital). The conditional capital created in accordance with the resolution passed on 2 June 2006 no longer exists.

The purpose of the conditional capital is to provide shares to the holders or creditors of warrant or convertible bonds, which are issued by the company up to 30 April 2014 in accordance with the authorisation given by the shareholders' meeting held on 20 May 2009. The increase is only made to the extent that warrant or conversion rights associated with the above-mentioned bonds are exercised or conversion commitments arising from such bonds are met and to the extent that other performance alternatives are not used. The Management Board is authorised to specify the further details about implementation of the conditional capital increase with the approval of the Supervisory Board.

No treasury shares were bought or sold in the course of the financial year.

The Group shareholders' equity includes €249,000 that were recognised as revenue reserves in connection with the preparation of the IFRS opening balance sheet as per 1 January 2003. The revenue reserves amounted to €211,000 at the time when the switch was made to IFRS. The deferred taxes included in the revenue reserves have been offset against the shareholders' equity accordingly in the subsequent years.

The revaluation reserves (€60,000) include the adjustments to the available-for-sale financial assets that are recognised with no effect on profit or loss.

Capital reserves
Premiums received in the context of the IPO and the equity component of the convertible bond issue are shown in the consolidated capital reserves.

The company received a premium of €16.215 million in the context of the initial share issue. The premium increased by €894,000 to €17.109 million as a result of the capital increase in the financial year.

In accordance with IAS 32.35, the costs of issuing shares in the context of the IPO and the transaction costs in connection with the convertible bond issue were accounted for as a deduction from the capital reserves, net of related income tax benefits. Total transaction costs of €195,000 were accounted for as a deduction from shareholders' equity in the financial year.

39. Profit participation certificate capital

The parent company of the Group, GWB Immobilien AG, which operated as GWB Gesellschaft für Geschäfts- und Wohnbauten mbH & Co. KG until 21 March 2006, issued profit participation certificates in the 2006 financial year. The profit participation certificates are traded on the Frankfurt and Stuttgart stock exchanges under the securities identification number A0DQSE. The participation rights expire on 31 December 2019; premature termination is not possible.

The paid-up participation rights grant the holders minimum interest of 6 % on the nominal amount in each case (basic interest). In addition to this, the participation rights provide pro rata participation in a share of 35 % of the issuer's net profit for the year that is available for distribution (net income for the year under commercial law) (profit participation). There is a maximum limit to the profit participation, however; together with the basic interest, 12 % of the nominal amount of the profit participation rights may not be exceeded per year. The basic interest is paid on 30 June of the year following the relevant financial year or, if the annual financial statements have not been adopted yet by this time, directly after they have been finally adopted.

The profit participation certificates share in a loss GWB Immobilien AG makes under commercial law on a pro rata basis. In the 2009 financial year, no share of losses made under commercial law were assigned to the profit participation rights, because the participation in the loss is limited to the nominal capital of the participation rights and the profit participation certificate capital was completely eroded by the loss participations in the previous years.

in € '000	**31.12.2009**	**31.12.2008**
Nominal value of the profit participation certificates	1,848	1,848
Premium	8	8
Discount	–120	–120
Loss allocation	–1,201	–1,201
	535	**535**

40. Convertible bond issue

GWB Immobilien AG issued convertible bonds in the 2009 financial year. The total maximum nominal amount of the convertible bond issue is €3,062,500. An amount of €864,570 had been subscribed on 31.12.2009. This corresponds to 345,828 convertible bonds with a nominal amount of €2.50 each. The convertible bonds give the holder conversion rights and interest of 7.5 % p. a. is paid from 14 November 2009 until 31 October 2014.

The shares into which the bonds can be converted are ordinary shares with voting rights that account for a theoretical amount of €1.00 of the share capital of the company each. A resolution about conditional capital II up to an amount of €1,225,000.00 was passed for this purpose and was entered in the commercial register.

There are rules for when the conversion right can be exercised, which is restricted to several periods. Conversion is possible 14 working days before the end of the term, on the third day after every annual shareholders' meeting and the ten following working days and on 15 December of the calendar years 2009 to 2013 and the ten previous working days. It is also the case that the bonds cannot be converted on a working day on which

GWB Immobilien AG publishes an offer to subscribe to new shares or convertible bonds with conversion and warrant rights in the company's official announcement media and on the working days following this offer until the last day of the subscription period has ended.

The issuer has the right to specify conversion of the convertible bonds issued under certain conditions. The conversion ratio of the convertible bonds is 1:1. The conversion price and/or the conversion ratio can be adjusted under certain conditions, e.g. in the case of a capital increase or the issue of new bonds with conversion or warrant rights.

41. Deferred taxes

Measurement of deferred tax assets and liabilities is carried out in accordance with IAS 12. Deferred taxes are made with respect to all temporary differences between the tax base and valuation in the financial statements, to consolidation operations and to realisable losses carried forward.

The development of deferred taxes (net amount of deferred tax liabilities after deduction of deferred tax assets) is summarised in the following table:

in € '000	2009	2008
As of 01.01.	**3,985**	**3,400**
Taxes recognised in the income statement	–3,310	585
Taxes not recognised in the income statement	–81	0
As of 31.12.	**594**	**3,985**

The breakdown of the deferred tax assets and liabilities according to balance sheet items is as follows:

	2009		2008	
in € '000	Aktiv	Passiv	Aktiv	Passiv
Customer base	0	0	0	1
Investment property	0	4,424	0	6,626
Financial instruments	0	29	0	0
Current financial debt	0	253	0	0
Losses carried forward	3,813	0	2,541	0
Rent guarantees	137	0	67	0
Derivative financial instruments	110	0	34	0
Transaction costs recognised in shareholders' equity in accordance with IFRS	52	0	0	0
	4,112	**4,706**	**2,642**	**6,627**

GWB had tax losses of €15.343 million on 31.12.2009. These tax losses can be offset indefinitely against future taxable earnings of the companies at which these losses are incurred. Deferred tax assets of €4.093 million have been formed for these tax losses carried forward. The tax losses relate mainly to the parent company and consist of the losses for the last three financial years. The company has sufficient taxable differences or tax planning options to enable it to recognise deferred tax assets. The company is working on the assumption that the tax losses will be maintained even if further capital measures are taken.

42. Tax liabilities

The taxes on income and earnings (trade tax) due for the previous year are shown in the tax liabilities item. Due to the loss made under tax law, no taxes on income and earnings are being incurred for the current year.

43. Financial debt

The financial debt can be broken down as follows:

in € '000	**31.12.2009**	**31.12.2008**
Current financial debt	65,461	66,413
Non-current financial debt	18,138	37,965
	83,599	**104,378**

The financial debt relates to loans and current account overdrafts.

The current financial debt relates to the current account lines made use of by the GWB Group at company banks and loans with a residual term of less than one year. Interest is charged at variable rates when use is made of the lines. The loans granted by HSH Nordbank for the property in Speyer and the property in Lübeck are also included in the current financial debt. Although the basic purpose of the loans is to provide long-term funding for the properties, the loans are being extended in the short term.

The non-current financial debt relates to bank liabilities with a residual term of more than one year.

There is financial debt with a residual term of more than five years totalling €4.558 million.

The financial debt includes €3.138 million of debt in a foreign currency (CHF). Translation was made at the exchange rate on the balance sheet date, as a result of which an exchange rate loss of €3,000 was made.

The following table presents the carrying amounts of the assets that have been provided as security for liabilities:

Kreditinstitut	**Security**	**Carrying amount of the assets**
		in € '000
Eurohypo AG	Land charge/Guben property	3,364
Eurohypo AG	Land charge/Röbel property	2,060
Hamburger Sparkasse	Land charge/ Clausthal-Zellerfeld property	2,292
Hamburger Sparkasse	Land charge/Dassow property	90
HSH Nordbank AG	Land charge/Lübeck property	35,000
HSH Nordbank AG/BBG Bodensee Beteiligungs- GmbH & Co. KG	Land charge/Speyer property	21,304
Deutsche Hypothekenbank	Land charge/ Bad Sülze property	1,872
Deutsche Hypothekenbank	Land charge/Anklam property	690
Deutsche Pfandbriefbank AG/ Hauck & Aufhäuser	Land charge/ Wuppertal property	14,900
Berlin-Hannoversche Hypothekenbank	Land charge/Nauen property	7,911
Hamburger Sparkasse	Land charge/ Tangstedt property	4,058
Eurohypo AG	Land charge/Reinbek property	4,732
KBC Bank Deutschland AG	Land charge/ Nuremberg property	17,092
SEB Bank	Land charge/ Spaldinghof property	17,132
SEB Bank	Land charge/ Bad Freienwalde property	363
Private loan(s)	Land charge/Reinbek property	4,732
Norddeutsche Landesbank	Land charge/ Bremerhaven property	664

There are land charges with a total volume of €148.778 million.

The rental income from the Guben, Wuppertal, Clausthal-Zellerfeld, Bad Sülze, Anklam, Bad Freienwalde, Lübeck, Spaldinghof, Reinbek, Tangstedt, Röbel, Bremerhaven, Speyer and Nuremberg properties have also been assigned in dormant form to secure the liabilities.

The proceeds of the sale of the properties concerned have in addition been ceded to the bank for the Lübeck, Speyer, Buxtehude, Nuremberg and Wuppertal loans. The claims from contracts for work and services as well as from builder's liability, carcase and fire insurance for the Speyer property have been assigned too. In the context of the loan contract for the Wuppertal property, the rights and claims from insurance policies and property management contracts have been assigned as well. The rights from the general contractor contract or from the contracts about the specific individual work or services have been assigned for the Bremerhaven property.

A time deposit account (amount: €840,000) has been pledged for the Guben loan.

Credit balances of €8,000 in the current accounts have also been pledged for the Lübeck and Speyer loans.

There is an additional cash covenant agreement linked to the loan for the Spaldinghof property. According to this, a non-recurring amount equivalent to 15 % of the net annual rent has to be saved by GWB AG and pledged to the bank within the first three years of the financing arrangement.

A credit balance of €13,000 has been pledged for a current account.

The following table shows the conditions and maturity dates for the main Group loans on 31 December 2009:

in € '000	**Interest rate**	**Maturity date**	**2009**	**2008**
Bank loan for T€ 29.790 million	EURIBOR +1,5	Negotiation	29,790	29,790
Bank loan for T€ 13.350 million	3,792	31.12.2012	12,945	13,283
Bank loan for T€8.500 million	Capital market interest rate +2,0	30.10.2011	8,333	8,500
Bank loan for T€ 12.850 million	3-month +1,1	Negotiation	10,653	11,708
Bank loan for T€ 9.312 million	3-month EURIBOR	Negotiation	9,312	8,995

For brevity's sake, only the conditions for the most important GWB Group loans have been included here. Apart from the loans indicated above, there are 10 more bank loans for a total of €18.910 million (previous year: 11/€21.422 million), which the Group has obtained in order to finance the individual properties.

With respect to the loans from Bodensee Beteiligungs-GmbH & Co. KG, there was a default on the balance sheet date of 31.12.2009 due to delays in payment by GWB Immobilien AG. The carrying amount of the loan liabilities where payment was late at the end of the period under review was €6.438 million.

44. Financial risk management objectives and methods

The major financial liabilities used by the Group – with the exception of derivative financial instruments – include loans for which interest is charged and trade payables. The main purpose of these financial liabilities is to fund the Group's business operations. The Group has receivables from loans it has granted, trade receivables and miscellaneous receivables as well as cash and cash equivalents. The Group also concludes contracts about derivative financial instruments.

GWB Immobilien AG is exposed to market, credit and liquidity risks.

Financial risk management
In the GWB Group, the Management Board is directly responsible for monitoring and controlling the above-mentioned risks.

Market risk
The market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. GWB Immobilien AG's main market risk exposure where financial instruments are concerned is in the area of changes in interest rates. Exchange rate and other price risks only play a minor role in the Group.

Sensitivity analysis about interest rates
The sensitivity of Group earnings before tax to a change in interest rates that is reasonably possible (due to the impact on loans with variable interest rates) is outlined below. All the other variables remain unchanged. In contrast to the previous year, all the Group's financial liabilities were included in the sensitivity analysis.

A sensitivity analysis was made for the Group's financial liabilities in the application area of IFRS 7. An increase of 1 percentage point in the interest rate level would increase the net interest expenses per year by €1 million.

Liquidity risk
The Group monitors the risk of a potential liquidity bottleneck constantly via a planning system.

The main financial liabilities of the Group were due within the following periods on 31 December 2009. The data are based on the contractually agreed, undiscounted payments.

in € '000	**Due daily**	**Up to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**
Current accounts	2,370	0	0	0	0
Trade payables	6,973	0	0	0	0
Convertible bond issue	**0**	**0**	**0**	**727**	**0**
Other current liabilities	0	3,275	0	0	0
Loans on which interest is charged	0	16,679	51,681	26,171	4,558
Totals	**9,343**	**19,954**	**51,681**	**26,898**	**4,558**

Credit risk
The credit risk to which the Group is exposed is that a partner does not meet its contractual commitments and this leads to financial losses for GWB Immobilien AG. The Group controlling department monitors due debts and customers' credit standing on an ongoing basis. The trade receivables and the other assets consist of a large number of claims on tenants. The maximum default risk in the debtors and other receivables corresponds to the carrying amount. Specific allowances are made for debts when there are doubts whether they can be collected. In the 2009 financial year, the Group suffered losses of €69,000 because of bad debts.

The credit risk exposure with cash and cash equivalents, securities and derivative instruments is considered to be small, because the credit standing of all the banks with which the Group co-operates is good. The maximum credit risk here also corresponds to the current carrying amounts.

45. Trade payables
All the trade payables are due within one year.

46. Other current liabilities

The other current liabilities have a residual term of up to one year and can be broken down as follows:

in € '000	31.12.2009	31.12.2008
Miscellaneous provisions	1,978	1,331
Liabilities attributable to deposits received	424	458
Tax liabilities	392	355
Liabilities attributable to the minimum interest guaranteed for the profit participation certificates	222	111
Debtors with credit balances	0	1
Miscellaneous other liabilities	259	298
	3,275	**2,554**

The tax liabilities relate to miscellaneous tax liabilities (VAT), excluding taxes on income and earnings.

The miscellaneous provisions (German Commercial Code/HGB) are included in the other current liabilities and represent the “accruals” specified in accordance with IAS 37. They essentially relate to provisions for the previous year’s bonuses for the members of the GWB Immobilien AG Management Board (€600,000), provisions for rent guarantees (€516,000), provisions for outstanding invoices (€616,000) and costs incurred in the preparation and auditing of annual financial statements (€196,000).

The other current liabilities have a residual term of up to one year.

Explanatory notes about the income statement

47. Sales

The sales breakdown is as follows:

in € '000	2009	2008
Revenues/property sales	10,085	0
Sales generated by rental operations	8,886	9,055
Services	798	300
Revenues/joint advertising	353	773
Miscellaneous sales	258	22
	20,380	**10,150**

All of the property in Buxtehude except for part of the site was sold in the year under review.

The sales generated by rental operations relate to the recurring payments made in the context of operating lease contracts for properties.

Rental income depends on size and square metre prices. Fixed terms of ten years have been arranged in most cases. Extension options have not yet been taken into account. There are no other leasing restrictions.

48. Inventory movements

The inventory movements can be broken down as follows:

in T€	01.01.2009	Inventory movements	31.12.2009
Unfinished products and services	22,317	671	22,988
Finished products and services	21,616	–3,624	17,992
	43,933	**–2,953**	**40,980**

49. Other own work capitalised

No other own work was capitalised in the 2009 financial year.

50. Other operating income

The other operating income can be broken down as follows:

in € '000	2009	2008
Derecognition/liability	950	0
Compensation in kind	83	82
Release of provisions	51	105
Exchange rate gains	3	0
Building cost grants	0	324
Miscellaneous income	77	35
	1,164	**546**

51. Cost of materials

The cost of materials can be broken down as follows:

in € '000	2009	2008
Expenses for finished products	10,702	20,794
Expenses/ancillary costs for rent	3,057	3,186
	13,759	**23,980**

52. Personnel expenses

in € '000	2009	2008
Wages and salaries	2,367	2,617
Social security contributions	326	328
	2,693	**2,945**

The Group had 34 employees on average over the year, including directors and Management Board members (previous year: 21). The employees of GWB Plan GmbH (consolidated on a pro rata basis in the previous year) were included in the number of Group employees in the year under review. The personnel expenses for the 2009 financial year do not include any bonuses.

53. Other operating expenses

The following items are major elements that are included in calculation of the other operating expenses:

in € '000	2009	2008
Legal and consulting costs	547	734
Travel and marketing expenses	362	328
Loan service charges	318	291
Investor relations and annual shareholders' meeting expenses	281	359
Space costs	219	213
Outsourced operations	215	418
Non-deductible input tax	141	120
Bad debt losses	69	373
Operating leasing	37	30
Expenses/exchange rate differences	0	323
Rent guarantees	0	285
Sales commission	0	190
Profit participation certificate expenses	0	70
Miscellaneous	660	561
	2,849	**4,295**

The other operating expenses include leasing expenses from operating lease contracts of €207,000 (previous year: €283,000).

54. Financial result

The following table gives a breakdown of the financial result:

in € '000	2009	2008
Miscellaneous interest and similar income	13	648
Payments for profit participation capital	–111	–111
Interest and similar expenses	–4,950	–5,601
	–5,048	**–5,064**

Borrowed capital interest of €943,000 was capitalised directly as acquisition or production costs of qualifying assets in the course of the financial year (previous year: €304,000). The borrowed capital interest was determined by applying the interest rates on which the loans were based.

The interest and similar expenses item also includes the expenses incurred due to valuation of the interest rate swaps on 31 December 2009 (€285,000; previous year: €126 000).

The interest expenses calculated by the effective yield method for financial liabilities that are valued at fair value and are not recognised in the income statement amounted to €11,000 in the period under review.

55. Changes in the fair value of investment property

The changes in fair value are accounted for by the individual properties as follows:

in € '000	2009	2008
Reinbek property	812	0
Tangstedt property	382	0
Guben property	94	117
Spaldinghof property	0	2,406
Wuppertal property	0	–1,114
Röbel property	–86	97
Clausthal-Zellerfeld property	–211	–1
Nuremberg property	–384	0
Nauen property	–1,098	1,479
Lübeck property	–3,440	5,318
	–3,931	**8,302**

56. Taxes on income and earnings

This item includes not only the taxes on income and earnings paid or owed but also the deferred taxes formed in the Group. The taxes on income and earnings are calculated on the basis of the applicable laws and regulations.

The taxes on income and earnings can be broken down as follows:

in € '000	2009	2008
Taxes on income and earnings/ expenses – income	1	–11
Deferred taxes on income and earnings	3,310	585
	3,311	**574**

The current expenses incurred due to taxes on income and earnings consist exclusively of amounts from the income statements included in the consolidated financial statements and relate exclusively to the profit/loss on ordinary operations. All the earnings are retained.

Reconciliation of the theoretically expected tax expenses to the amount actually recognised in the consolidated financial statements is as follows:

in € '000	2009	2008
Earnings before taxes on income and earnings	−12,663	2,239
Theoretical tax rate in %	26,7	26,7
Theoretical tax expenses	**−3,381**	**598**
Tax increases due to expenses that are not tax-deductible	0	0
Other tax effects	−31	−24
Expenses reported that were incurred due to taxes on income and earnings	**−3,412**	**574**

The theoretical tax rate in 2009 consisted of the average trade tax rate, the corporation tax rate and the reunification tax rate, so that an average tax rate of 26.7 % was used as the basis.

57. Earnings per share

In accordance with IAS 33, earnings per share are determined by dividing the Group net profit for the year by the weighted average number of shares outstanding. The result can be diluted by what are known as potential shares or by capital increases. Dilution occurred at GWB Immobilien AG in the 2009 financial year due to the convertible bond issue.

The undiluted earnings per share are as follows:

	2009	2008
Group earnings attributable to the shareholders of the parent company (EUR)	−9,037,436	1,704,577
Number of shares in circulation	6,525,000	4,900,000
Average number of shares in circulation	5,441,667	4,900,000
Undiluted earnings per share (EUR)	**−1,66**	**0,35**

The diluted earnings per share are as follows:

	2009
Group earnings attributable to the shareholders of the parent company, adjusted to eliminate the impact on earnings of potential shares (EUR)	−9,029,211
Average number of shares in circulation	5,441,667
Average number of potential shares in circulation	57,638
Diluted earnings per share (EUR)	**−1,64**

On 11 March 2009, GWB Immobilien AG made a capital increase from authorised capital in return for an injection of cash, suspending existing shareholders' subscription rights. A total of 650,000 bearer shares were issued.

Miscellaneous information

58. Consolidated statement of cash flows

The company only holds cash and cash equivalents that are available without any restrictions.

The cash and cash equivalents consist of cash on hand and at banks.

59. Segment report

The segments are divided up according to areas of operation. Division into geographical segments has not been carried out, because the company only operates in one region and a geographical segment report is not therefore necessary.

The segments have been divided up into the following areas: sale and rental, management and market research & planning. In contrast to the project description breakdown, only three segments are presented here, because the market research & planning areas are combined to form a single business segment.

The sale and rental segment represents what is the real core of GWB Immobilien AG's business operations. The company acquires sites to build retail and commercial properties on them. This includes renting out properties that are kept in the company's own portfolio.

The management operations involve making sure the rental income is generated, maintaining the fabric of the buildings and reducing management costs. The company provides these services for commercial properties that the Group keeps in its own portfolio, that are to be sold or that have already been sold. External service providers are commissioned to carry out technical management assignments.

Market and location analyses are, on the one hand, carried out in the "Market research and planning" segment. Before a retail project is implemented, an investigation is made of whether there is sustained demand for the creation of new retail space. This segment also includes the planning assignments, on the other hand. As soon as a site has been acquired for the development of a project, the entire planning framework and all the building planning assignments associated with this are developed. Actual implementation of the building projects is then carried out by various general contractors.

The prices charged between the different segments correspond to market prices.

60. Miscellaneous financial commitments

The miscellaneous financial commitments from rental and leasing contracts with residual terms of up to seven years amount in total to €1.619 million. €443,000 (previous year: €297,000) are accounted for by the following financial year, €791,000 (previous year: €731,000) by the period between two and five years and €385,000 (previous year: €462,000) by the period longer than five years.

The leasing contracts essentially involve the rental agreement for the building in Siek. This agreement has a fixed term of 15 years, with a residual term of 8 years on 31 December 2009. There are also leasing contracts for hardware, telephone systems and cars, with terms of between three and five years.

61. Transactions with related parties

The members of the Management Board and the Supervisory Board of GWB Immobilien AG are related parties as defined by IAS 24. HR-MN Vermögensverwaltungsgesellschaft mbH is another related party as defined in IAS 24.9(e).

Business transactions between the company and its subsidiaries that are related parties were eliminated in the course of consolidation and are not explained in this Note. Details about the business transactions with other related parties are disclosed below.

The Management Board of the company is:

Dr Norbert Herrmann, Chairman of the Management Board (CEO)
Wolfgang Mertens-Nordmann, Deputy Chairman (CTO)
Jörg Utermark, member of the Management Board (COO)

The members of the Management Board received total compensation of €783,000 for their activities in the period between January and December 2009 (previous year: €820,000). The information specified in § 285 No. 9 a Sentence 5–9 of the HGB is not provided due to the resolution passed by the shareholders' meeting on 21 July 2006.

On 31 December 2009, the Management Board held a total of 2.1 million shares (previous year: 2.2 million shares) and thus more than 1 % of the share capital of GWB Immobilien AG.

The members of the Supervisory Board are as follows:

- Dr Thomas Röh (Chairman of the Supervisory Board), tax consultant, lawyer, Chairman of the Executive Board of Stiftung Käte und Werner Staats, Hamburg
- Henrik Lingenhölin (member of the Supervisory Board until 20.05.2009; Deputy Chairman of the Supervisory Board until 20.05.2009), director of the Hofkammer des Hauses Württemberg
- David Maxwell (member of the Supervisory Board until 20.05.2009), CEO of Deutsche Land plc
- Jürgen Mertens (member of the Supervisory Board since 20.05.2009; Deputy Chairman of the Supervisory Board since 02.06.2009)
- Carsten Hahne (20.05.2009 to 17.06.2009), auditor, tax consultant and Chairman of the Supervisory Board of Hanseatic Holding AG
- Michael Müller (since 17.06.2009), managing partner of Cologne Property Administration GmbH and Günther Fischer Gesellschaft für Baubetreuung GmbH

At the shareholders' meeting held on 20 May 2009, Mr David Maxwell was relieved of his position as a member of the Supervisory Board, while Mr Jürgen Mertens and Mr Carsten Hahne were at the same time elected to the Supervisory Board. Mr Henrik Lingenhölin resigned from his position as a member of the Supervisory Board.

The compensation paid to the members of the Supervisory Board amounted in total to €20,000 in the past financial year (previous year: €21,000).

HR-MN Vermögensverwaltungsgesellschaft mbH held a total of 0.4 million shares and thus more than 1 % of the share capital of GWB Immobilien AG on 31 December 2009 (previous year: 0.9 million shares).

There were no receivables from related parties on the balance sheet date. The receivables from related parties amounted in total to €151,000 in the previous year. No allowances for uncollectible or doubtful debts were made with respect to related parties in the period under review.

The liabilities to related parties can be broken down as follows:

in € '000	**2009**	**2008**
HR-MN Vermögensverwaltung GmbH	720	0
Dr Norbert Herrmann and Wolfgang Mertens-Nordmann	272	0
Cologne Property Administration GmbH	650	0
	1,642	0

Interest of 9 % p. a. is paid on the loan provided by HR – MN Vermögensverwaltung GmbH. Interest of 10 % p. a. is paid on the loan provided by Dr Herrmann and Mr Mertens-Nordmann.

Interest of 11 % p. a. is paid on the loans provided by Cologne Property Administration GmbH. With respect to one loan of €400,000, Cologne Property Administration GmbH has the right to demand this loan back at any time via the transfer of shares. This conversion right is based on a price that is 20 % lower than the stock market price at the time, with a minimum of €1.55.

The members of the Management Board have given the company personal guarantees amounting to a total of €661,000.

62. Fee paid to the auditor

The fee paid to the auditor of the consolidated financial statements, GHP Revision, Wirtschaftsprüfungsgesellschaft, Hamburg, in the financial year amounted to €106,000 for auditing the financial statements (previous year: €98,000), €3,000 for other certification and evaluation services (previous year: €10,000) and €29,000 for other services (previous year: €32,000).

63. Compliance statement

In December 2009, the Management Board and Supervisory Board of the company issued their joint compliance statement about the recommendations made by the Government Commission/German Corporate Governance Code in accordance with § 161 of the German Companies Act (AktG) for the 2009 financial year. The statement was made available to the shareholders on a permanent basis by being published on the company's website.

64. Risk reporting

A detailed description of the risk reporting system is given in the consolidated management report.

65. Events after the balance sheet date

Business development is going according to plan in 2010.

Siek, April 2010

GWB Immobilien AG
The Management Board

Dr Norbert Herrmann   Wolfgang Mertens-Nordmann   Jörg Utermark

Auditors' report

We have audited the consolidated financial statements prepared by GWB Immobilien AG, Siek, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st, 2009 to December 31st, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 of the HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control systems and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German Commercial law pursuant to § 315a Abs. 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 21 April 2010

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10 May 2010
Publication 1st quarterly report

1 July 2010
Shareholders’ meeting

August 2010
Publication 2nd quarterly report

November 2010
Publication 3rd quarterly report

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