GWB Immobilien AG

Planning. Development. Building. Management.

Annual report 2008

Highlights 2008

€10.1 million
Sales were increased by 42.9% to €10.1 million

€147.7 million
Balance sheet total up by €42.5 million to €147.7 million

€7.4 million
was earned before interest and taxes (EBIT). The net result for the year after taxes was €1.7 million

€144.3 million
Property portfolio up from €98.9 million in previous year to €144.3 million

€30.9 million
Total shareholders' equity increased from €29.3 million to €30.9 million

Key data

in € million	**2008**	**2007**
Sales	10.2	7.1
Total performance	30.3	53.5
EBIT	7.4	11.7
Profit from ordinary activities	–6.0	-5.1
Net profit	1.7	6.7
Earnings per share (in €)	0.35	1.36
Operating cash flow	–2.3	–6.4
Investments	–17.5	22.5
Current assets	46.3	52.4
Non-current assets	101.4	52.8
Equity	30.9	29.3
Capital ratio (in %)	20.9	27.8

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)

> 17 years of experience

> More than 40 centres successfully built, rented and sold

> Management of own portfolio as well as external properties

> Pipeline with a total investment volume of about €275 million

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,

GWB Immobilien AG did not have a good year, because we failed to buck the market trends even though we did everything in our power to make this possible. GWB Immobilien AG's results should have been better, since the plan was to sell properties from the existing portfolio. We did not reach this objective. The fact that we managed to report positive IFRS earnings even so confirms that we valued our property portfolio soundly and cautiously in the past as well as in 2008. Valuations only had to be reduced to a limited extent as a result.

Many property companies are suffering from the increasingly tough financing conditions and/or from reluctance on the part of investors to acquire property. This situation only enables buyers with strong liquidity positions to enter these markets. In recent years, when financial investors with large amounts of borrowed capital have dominated property transactions, it has often been particularly the case that such companies with high levels of internal funding have lost out. The crisis is creating opportunities as well, however: property has become a higher priority for institutional investors, because it represents a good balance of opportunities and risks. Respected surveys demonstrate that a large proportion of German institutional investors intend to increase their property commitment substantially. We are expecting a further increase in this trend as a result of the financial crisis and decreasing interest rates. Thanks to the fact that most of the rental contracts have been concluded for lengthy periods of time, the current economic downswing will not be leading to rent reductions in the GWB portfolio.

The large drop in the GWB share price does not reflect the true value of the company. On 31 December 2008 the Net Asset Value (NAV) amounted to €6.30. We are working on the assumption that stock market prices will be recovering due to the "back to property" trend we anticipate and that the value of the GWB share will be returning to a level that corresponds to the real value of the company.

We have launched two major projects with the start of construction work on the property in Buxtehude and the start of construction work scheduled for 2009 on the property in Speyer. Construction in Bremerhaven will be beginning in 2009 as well. These properties are soundly financed, so that the development of GWB Immobilien AG will not impacted negatively by the financial crisis due to these projects. As a precaution, we have taken a number of cost-cutting measures for 2009. Last year was strenuous and made tremendous demands on the entire GWB team. 2009 will be no easier and it will be necessary to search for new solutions over and over again. If we are unable to find any, we will create them.

I would like to thank our team for their commitment and effort. My Management Board colleagues and all the company staff stand behind GWB and we will be doing everything we can to maintain and increase the value of your investment.

Yours sincerely,

Dr. Norbert Herrmann, Chief Executive Officer

POSTGALERIE
SPEYER

Modern shopping in historical surroundings

POSTGALERIE SPEYER – biggest project in the company's history

Brief outline of the project

- > Central inner-city location
- > Listed facade
- > Biggest and most modern shopping centre in the Speyer region
- > Milestone in GWB's history
- > Improvement in the quality of the retail outlets in the city centre
- > Sales space on three levels

Property data[1]

> Rental space	**15,472 m²**
> Expected net rent p.a.	**€3.5 million**
> Approx. market value	**€52.6 million**

GWB is implementing its biggest and architecturally most attractive project to date with POSTGALERIE SPEYER: the modern shopping centre is being created in the heart of the city of Speyer, right on the Maximilianstrasse shopping street, which attracts numerous visitors every day. The listed historical facade and the modern interior will be the special features of POSTGALERIE. A lively new focal point is being established without changing the face of inner-city Speyer – a modern shopping centre with a gross floor area of about 24,000 m² and 15,472 m² of rental space. The planned sales areas are spread over three levels, that will be connected by modern escalators and lifts. A total of 30 attractive shops, cafés, bistros and restaurants are planned in POSTGALERIE.

Speyer is a university city that is considered to be one of the birthplaces of European culture and it enchants more than 1.7 million enthusiastic visitors every year. Thanks to its central position in the middle of Europe and its good infrastructure, Speyer has become an attractive location with an economic catchment area that goes far beyond the city alone. Motorway connections, two Rhine ports, the public airfield in the south of the city and optimum railway connections are among the most important advantages of the city. A healthy blend of industry, craft businesses, retail trade and the service sector has created favourable conditions for continued development as well as advantageous market structures. More than 23,000 people work in the cathedral city. Due to the strength of its retail trade, which accounts for 10% of the total number of local jobs, Speyer is considered to be "the shopping city" on the edge of the Rhine-Neckar triangle.

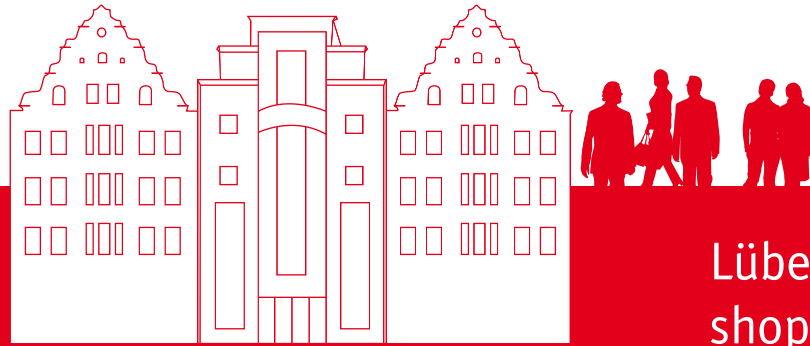
[1] *Status March 2009.*

Left
Exterior view of the historical facade

Centre and right
Interior views of the upper floors

GWB Immobilien AG has acquired the property and will be responsible for building the shopping centre. Investments of about €42.8 million are planned for this purpose. Potential tenants are showing tremendous interest in POSTGALERIE. The quality of the retail outlets available in the centre of Speyer is to be improved by the planned set of tenants. Thanks to a parking control system to which it will be connected, visitors will reach POSTGALERIE quickly and conveniently. The market value of the property will amount to about €52.6 million once it is completed in the 2nd half of 2010.

Main entrance (Ground floor)
New use for the group of historical buildings in the old part of the city



KÖNIGPASSAGE
LÜBECK

Lübeck's biggest shopping centre

Brief outline of the project

- Location: historical old part of Lübeck
- group of listed buildings
- Increase in quality
- Expansion of the exclusive position on the market
- Revised shop concept
- Optimisation/change in the tenant structure

Property data

> Rental space	**15,051 m²**
> Net rent p.a. (target)	**€2.7 million**
> Balance sheet value on 31.12.08	**€38.5 million**

Popular place to shop in the Hanseatic city

KÖNIGPASSAGE is considered to be one of the most attractive shopping centres in the Hanseatic city of Lübeck. It has been a favourite place for the people of Lübeck to meet and shop for 13 years now. The shopping centre is located right in the heart of the city – directly on Königstrasse – and is one of the biggest attractions where fashion and lifestyle are concerned. 30 specialised stores with about 15,000 m² of rental space make it an inviting place to go shopping.

UNESCO included the unique Hanseatic cityscape of Lübeck in its World Cultural Heritage List in 1987. The old part of Lübeck is not just a popular destination for tourists on excursions, however; it is also the hub of a lively city with some 535,000 inhabitants in the whole of its catchment area. The positive development of tourism and the strengthening of manufacturing and service industries have led to stable purchasing power and high demand potential for the retail trade.

GWB Immobilien AG took over the KÖNIGPASSAGE shopping centre in May 2007. The new marketing concept has been developed and a start has been made on revitalisation. The measures include revision of the shop concept and an increase in the quality of the range by optimising the tenant structure.

Left
Front view of KÖNIGPASSAGE in Königstraße

Centre and right
Inside the shopping centre

A large number of chain stores that can be found in other cities of comparable size in Germany are missing in Lübeck. An initial market survey has enabled us to pinpoint the gaps and we are now working concertedly on implementing changes. New tenants have been obtained in the meantime. The revitalisation process is to be completed by the end of 2009.

Location of the property
Right in the heart of the city

MAXIMUM
NÜRNBERG

Shopping paradise in the heart of Nuremberg

A shopping experience to savour

Brief outline of the project

- > Built to high technical standards in 1989/1990
- > Own multi-storey car park
- > Rearrangement of the rental space
- > Revised shop concept
- > Optimised tenant structure

Property data

> Rental space	**12,734 m²**
> Net rent p.a. (target)	**€1.4 million**
> Balance sheet value on 31.12.08	**€17.5 million**

MAXIMUM is located in the heart of Nuremberg, in the middle of the historical old part of the city. The shopping centre with its unusual modern architecture was built in 1989, was acquired by GWB in 2007 and is now being revitalised. 70% of the total commercial space (12,734 m²) has already been rented again.

New concepts for alignment accentuate the two entrance areas. While the area at the Kornmarkt is designed for the concept “Home&Office”, the entrance area Färberstraße will comprise the concept “LifeStyle” as well as “retail”. The restructuring process, the outcome of which will essentially be a new tenant mix, has begun in the meantime. Only small investments are necessary, since the sophisticated property was built to high technical standards.

Nuremberg is classified as one of the European metropolitan regions with international significance and economic importance. A balanced blend of large companies and medium-sized businesses, of high-tech and traditional industries is the distinctive feature of the corporate environment. Its central position and excellent transport connections have traditionally made Nuremberg a location for companies from the transport and logistics sector. The Nuremberg metropolitan region has 3.5 million inhabitants and purchasing power of about €9.3 billion.

Left
A view of Kornmarkt

Centre and right
Impressive new look for the MAXIMUM shopping centre in Färberstraße

Thanks to its central location and the unmistakable architecture of the building, MAXIMUM is well-known far beyond Nuremberg alone. The existing facade of the main entrance is being opened to create a generous entrance area that can already be seen from the shopping street. An atrium provided between the building axes connects the individual storeys and makes sure that a very pleasant atmosphere is created due to the natural lighting and spacious, airy feel.

CURRENT PROPERTY PORTFOLIO

We made further systematic progress in the expansion of our property portfolio in 2008 as well: The volume of our portfolio has increased to a balance sheet value of €144.3 million in the meantime.

Medical and rehabilitation centre, Bremerhaven

Planned completion	2010
Rental space	6,000 m²
Net rent p.a. (target)	€865.7 thousand
Planned investment	€8.5 million
Status	Construction to begin HY2 2009

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.

Bad Sülze

Completion	1997
Rental space	2,400 m²
Net rent p.a. (target)	€178.7 thousand
Balance sheet value on 31.12.08	€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. Negotiations are currently being held about an increase in the size of the NETTO market.

Self-service department store, Buxtehude

Completion	2009
Rental space	6,010 m²
Net rent p.a.	€791 thousand
Planned investment	€9 million
Status	Under construction

After the Lüneburg Higher Administrative Court cleared the way for building the self-service department store by announcing its approval of the project, a start was made on the construction work at the end of 2008. The scheduled completion date is August 2009. The entire property has been rented to coop Schleswig-Holstein eG. The plaza self-service department stores operated by coop provide a comprehensive selection of food products with a range of up to 70,000 different articles as well as catering outlets, service providers and specialised stores that supplement the entrance area.

City-Center Clausthal-Zellerfeld

Completion	2001
Rental space	2,410 m²
Net rent p.a. (target)	€210 thousand
Balance sheet value on 31.12.08	€2.5 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.

Specialty retail centre, Ensdorf

Planned completion	2010
Rental space	16,000 m²
Net rent p.a. (target)	€2.1 million
Planned investment	€21.5 million
Approx. market value	€27.7 million
Status	Planning stage

A project developer has been working on this property for several years and succeeded in obtaining a building permit in 2008. GWB Immobilien AG has concluded a project development contract with the owner. The sales contract is to be concluded in 2009. This specialty retail centre is located on a major road between Saarlouis and Luxembourg with an exceptionally high traffic volume. A large number of retail companies will be opening outlets at this location. It is possible that construction work will be starting before the end of 2009.

Shopping centre, Guben

Completion	1997
Rental space	2,372 m²
Net rent p.a.	€277 thousand
Balance sheet value on 31.12.08	€3.3 Mio. €
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

Acquired	2007
Rental space	15,051 m²
Net rent p.a. (target)	€2.7 million
Investment	€33.2 million
Balance sheet value on 31.12.08	€38.5 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. It is already a special shopping destination in Lübeck today, with tenants like Bogner, Bree, Esprit and others.

Nauen

Acquired	2007
Rental space	11,094 m²
Net rent p.a. (target)	€706 thousand
Balance sheet value on 31.12.08	€9.0 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, RENO, Rossmann and MäcGeiz). 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.

CURRENT PROPERTY PORTFOLIO

Shopping centre MAXIMUM, Nürnberg

Acquired	2007
Rental space	12,734 m²
Net rent p. a. (target)	€1.4 million
Balance sheet value on 31.12.08	€17.5 million
Status	Portfolio GWB

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.

Office building in Reinbek

completion	2004
Rental space	2,572 m²
Net rent p. a.	€290.4 thousand
Balance sheet value on 31.12.08	€3.9 million
Status	Portfolio GWB

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.

Shopping centre Röbel

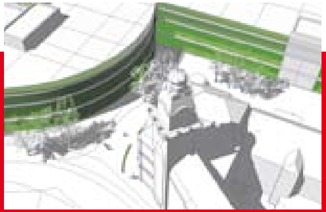
completion	1996
Rental space	1,465 m²
Net rent p. a.	€170.5 thousand
Balance sheet value on 31.12.08	€2.1 million
Status	Portfolio GWB

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.	€1.5 million
Balance sheet value on 31.12.08	€19.9 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. All of the space in the property is rented.



Shopping centre, POSTGALERIE Speyer[1]

Planned completion	2010
Rental space	15,472 m²
Exp. net rent p.a.	€3.5 million
Planned investment	€42.8 million
Exp. market value	€52.6 million
Status	Construction to begin 2009

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, Tangstedt

Completion	2003
Rental space	2,549 m²
Net rent p.a.	€283.9 thousand
Balance sheet value on 31.12.08	€3.7 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.

Shopping centre, Völklingen

Planned completion	2010
Rental space	19,000 m²
Net rent p.a. (target)	€2.3 million
Planned investment	€27.4 million
Approx. market value	€31 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. The investors are currently being selected. GWB expects that the contractual arrangements will be made in 2009 and that construction of the property can begin in 2010.

Self-service department store, Wuppertal

Acquired	2007
Rental space	8,520 m²
Net rent p.a.	€1.7 million
Balance sheet value on 31.12.08	€17.9 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.

[1] *Status March 2009.*

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 171 locations and is actively developing ten of them as potential GWB locations.

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.

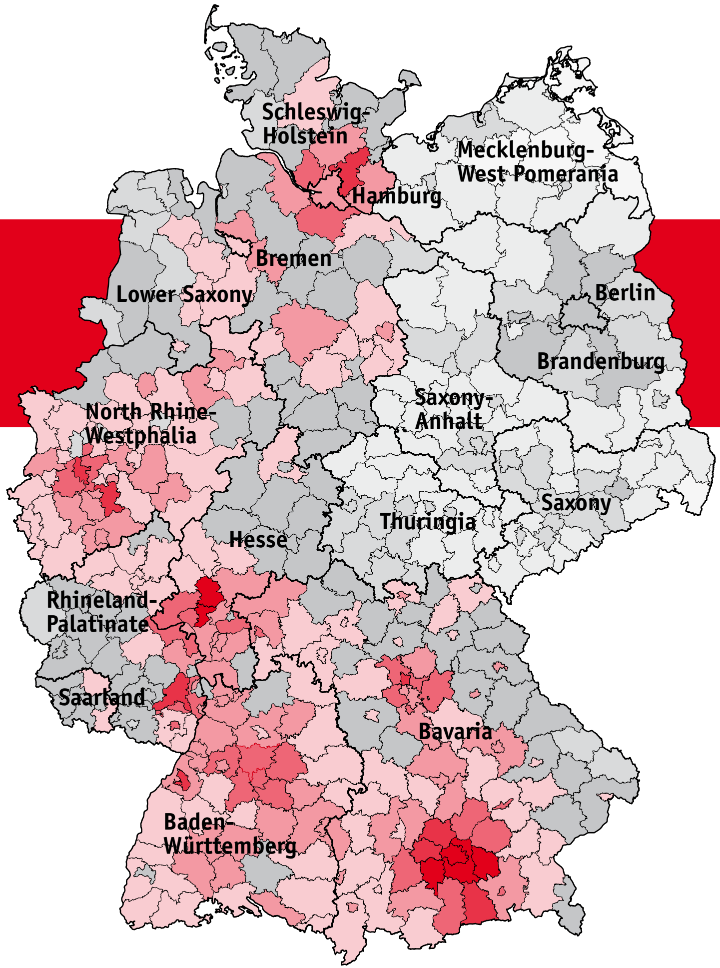
[1] *see "Status market coverage" on page 17.*

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 like STRABAG, Bilfinger Berger, Wayss & Freytag or Hochtief as well as with capable regional construction companies.



Purchasing power in Germany in 2008

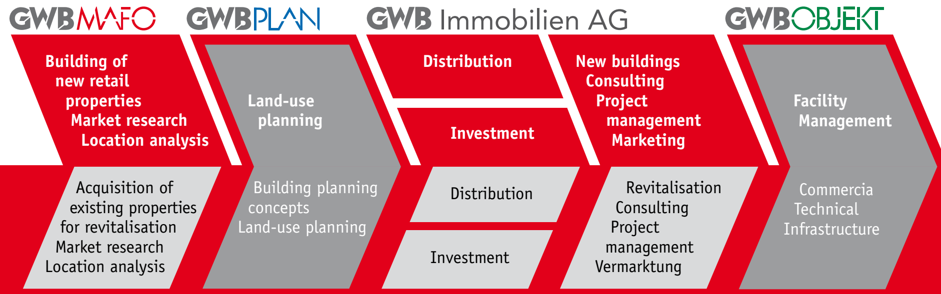
€ per person

Less than 14,000	17,00 to 18,500	21,500 to 23,000
14,000 to 15,500	18,500 to 20,000	23,000 to 24,500
15,500 to 17,000	20,000 to 21,500	24,500 or more

Source: Michael Bauer Research GmbH, Purchasing power in Germany 2008, 2008.

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:

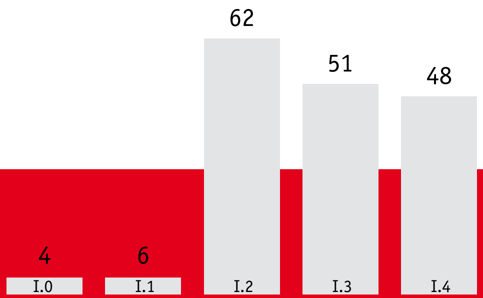
1. Planning, development and building of new shopping and specialty retail centres
2. Revitalisation of existing shopping and specialty retail centres

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.

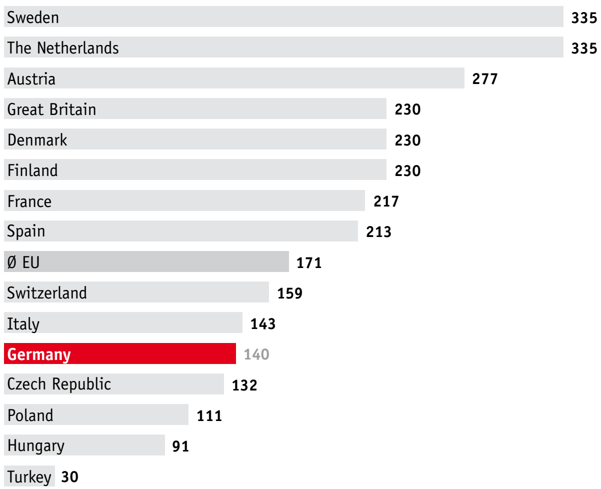
If they are planned carefully, shopping centres make a town more attractive and improve the quality of life there. The wide range of goods available in one place cuts consumers' travelling and shopping times. Chain stores benefit at the same time from the appeal of an extensive range and large numbers 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 m² per 1,000 inhabitants



Source: Cushman & Wakefield, 03/2006.

Retail properties continue to be in demand, in spite of the international financial crisis. Demand increased in the first few weeks of 2009 in particular and it can be confirmed that there is an adequate pool of buyers in Germany and other European countries. They are selective, however, 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 1,297 further locations (status II) alongside the locations that are already being screened (status I).

In 2008, we processed nine locations in the priority category 1.0. Of these nine locations, the three properties in Speyer, Buxtehude and Bremerhaven were developed to the construction phase. These properties are now being built and are to be completed in 2009 and 2010.

Status market coverage

Status I

> 4 locations with priority I.0
  > negotiations about purchase contracts
  > legal reviews of building potential
  > start of space rental

> 6 locations with priority I.1
  > fixed locations
  > property available
  > negotiations progressing

> 62 locations with priority I.2
  > location under consideration
  > opportunities

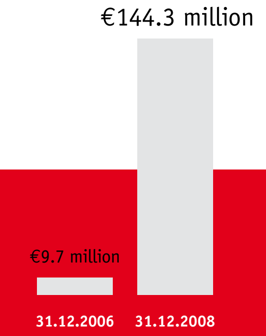
> 51 locations with priority I.3
  > location under observation

> 48 locations with priority I.4
  > market analysis suggests opportunities
  > location not yet visited

Status II

1.297 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. GWB takes advantage of its many years of market know-how to guarantee optimum location and property choice: properties with an investment volume of about €60 million are currently in the pipeline for this segment.

The changes on the market are playing a central role here too. Whereas the retail trade recorded stagnant and declining sales for many years in succession, this trend appears to be reversing. The increases in purchasing power in Germany will have an impact on retail sales and the consequence of this is that retail companies are being prompted to expand actively again. This is a good sign as far as revitalisation processes are concerned. An additional factor is that new companies are emerging in Germany almost every year, while existing retail companies are expanding with new sales channels. It is not yet clear what impact the financial crisis will have on the retail trade in Germany. We are working on the assumption that the retail trade will continue to expand in spite of this situation; numerous discussions with our tenants confirm this assessment too.

Development of the property portfolio

Within two years, the GWB Immobilien AG portfolio has grown from €9.7 million (on 31.12.2006) to €144.3 million (on 31.12.2008). Rental income amounts in the meantime to about €9.1 million.

Further expansion is planned and will be attributable to a very large extent to new building projects in the coming two years. A start has been made on building the property in Buxtehude (investment of €9 million) and the shopping centre in Speyer (investment of €42.8 million). The acquisition of existing properties continues to be planned, this depending above all on the obtainment of funding. Properties with an investment volume of about €215 million are currently in the pipeline for this segment.

Why we are successful

We have been operating in the retail and commercial property field in Germany for almost fifteen 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.

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 Bogner, Esprit, Hallhuber, Pandora, Görtz, DM, Müller-Kaufhaus, ALDI, C&A, Edeka, Kaiser's Tengelmann, REWE, 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.

Partnerships enable us to increase growth. In the meantime, GWB has, for example, succeeded in finding financially sound partners for joint project companies, in which it will hold an interest of 51% in each case and which put GWB in a position to implement projects with the planned investment volume.

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 still have an average annual disposable income of €18,946 in 2009 (€212 more than in the previous year).[2]

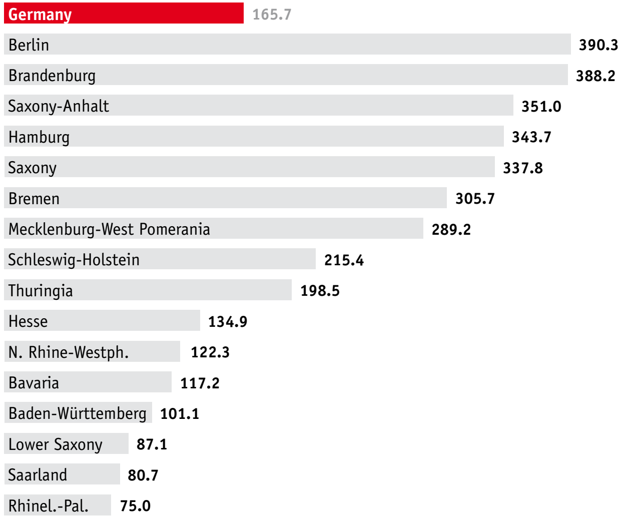
[1] Simone Baecker-Neuchl, GfK GeoMarketing 01/2008.
[2] Source: press release, GfK GeoMarketing 16.12.08

A survey carried out by the Commercial Centres Institute reveals that there are 563 shopping centres in Germany with store space of 8,000 m² or more (date: January 2007). The total retail space at these centres amounts to about 13.7 million m². This means that there is about 165.7 m² of shopping centre space per 1,000 inhabitants. Germany is considerably below average by European standards as a result and still has substantial pent-up demand.

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 m² (date: January 2007)



Source: Institut für Gewerbezentren (IfG), Starnberg.

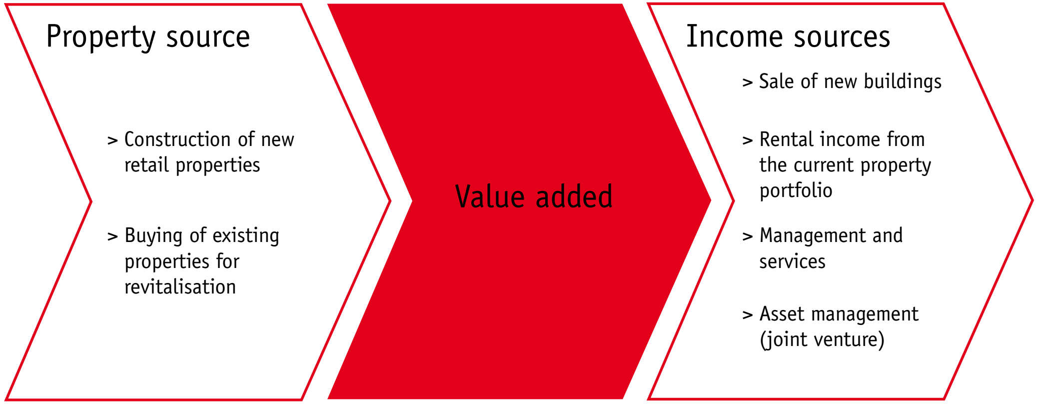
Attractive pipeline

The projects planned by GWB Immobilien AG have a total investment volume of about €275 million. We estimate that about 80% of this amount will be going into new shopping centres in the coming two years, while acquisitions of existing properties will account for about 20%.

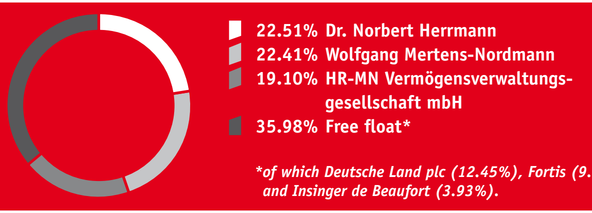
It must not be assumed in this context that all the projects can be implemented, because it is regularly the case that some properties do not meet our requirements and because it is not out of the question either that other properties fail to satisfy the general legal conditions. This is also the reason why we investigate such a large number of potential locations, since this is the only way for us to safeguard further growth.

In the Annual Report 2007, we forecast that we would be creating gross floor space of about 40,000 m². The gross floor space of the Speyer, Buxtehude and Bremerhaven properties alone amounts to about 46,000 m².

GWB Immobilien AG business model

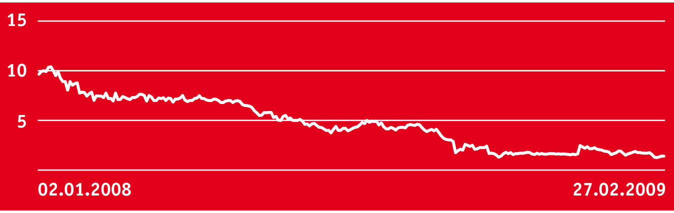


Shareholder structure in March 2008
in %



**of which Deutsche Land plc (12.45%), Fortis (9.90%) and Insinger de Beaufort (3.93%).*

GWB share performance
in €



Share

The financial and capital markets experienced profound upheavals in 2008. In view of this, it is difficult to make any statements about share development that go beyond an outline of how the price changed. Whereas it was still possible to talk about an “unfavourable market environment” in 2007, which was attributable in particular to rising interest rates and investors' increasing reluctance to take risks, the only word that can be used to describe 2008 – particularly in the final months and at least as far as the property sector is concerned – is perhaps “deadlock”. In some cases, sales contracts that had been concluded, loan and funding commitments and agreements were quite literally no longer worth the paper they were printed on.

The GWB Immobilien AG share started the 2008 stock market year at a price of €9.65 and reached its high for the year of €10.40 on 10 January 2008, after which it fell until it reached the low for the year of €1.30 in October (27.10.2008). It rallied slightly up to the end of the year. At the end of the final day of trading in the year, the GWB Immobilien AG share was priced at €2.33.

Even though the disposals planned for 2008 could not be made due to the situation outlined above, GWB continued to grow in 2008. The balance sheet total, portfolio assets and rental income went up again, so that the intrinsic value of the company increased even more – in contrast to the development of the share price – and the share was therefore being traded at a considerably lower level than the net asset value of the company (€6.30).

Buying GWB shares is an investment not just in shares with growth potential but also in the know-how of a strong team that has been working together for years and has demonstrated its capabilities. Our sustained growth is based on a clearly focussed strategy that guarantees a full pipeline and thus safeguards operations in future years. We are not allowing the current market situation to slow us down: we are making good progress with the start of construction work on three more properties and the joint venture with HSH Real Estate AG.

Basic data about the share		2008	2007
Number of shares	*in ’000*	4,900	4,900
High for the year	*in €*	10.40	15.85
Low for the year	*in €*	1.30	9.02
Year-end price	*in €*	2.33	9.90
Stock market capitalisation on 31.12.	*in € million*	11.4	48.5
Share capital on 31.12.	*in € million*	4.9	4.9
Shareholders’ equity on 31.12.	*in € million*	30.9	29.3

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 49–50.

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 Portales AG, Hamburg.

Henrik Michael Lingenhölin (Deputy Chairman)

Mr Henrik Michael Lingenhölin completed a bank apprenticeship before graduating in business administration. He spent 1991 to 2003 at Bankhaus Ellwanger & Geiger KG in Stuttgart, finally becoming managing partner of its subsidiary E & G Financial Services GmbH. From January 2004 to the end of 2007, Mr Lingenhölin was director with overall responsibility for all the business operations of Hauck & Aufhäuser Immobilien- und Vermögensberatungs GmbH in Munich. From January to December 2008, he was Property Manager Germany and Austria at Bank Vontobel Österreich AG, Munich. Since the beginning of 2009, Mr Lingenhölin has been a member of the board of directors of the Hofkammer des Hauses Württemberg, Friedrichshafen.

David Maxwell

David Maxwell is one of the founding members of Deutsche Land plc and is the company CEO. Deutsche Land plc currently has a property portfolio of €500 million. Mr Maxwell holds a bachelor's degree in economics and a master's degree in real estate finance from Cambridge University. He began his career at Bee Bee Developments and went on to set up The Cleland Group in 2003. He is a major shareholder in Cleland Capital Ltd., providing equity and debt funding for UK development companies.

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.

Directors' dealings (§ 15 a WpHG)

Name and Position	Nature of the transaction	Title of security	ISIN	Date, location	Number	Price	Total volume
						in €	*in €*
Dr. Norbert Herrmann	Purchase	Share	DE000A0JKHG0	27.10.2008 XETRA	4,703	2	9,406
Jörg Utermark	Purchase	Share	DE000A0JKHG0	13.10.2008 XETRA	4,000	2.475	9,900
Dr. Norbert Herrmann	Purchase	Share	DE000A0JKHG0	10.10.2008 XETRA	297	2	594
Wolfgang Mertens-Nordmann	Purchase	Share	DE000A0JKHG0	07.02.2008 OTC	1,000	7.45	7,450
Dr. Norbert Herrmann	Purchase	Share	DE000A0JKHG0	04.02.2008 OTC	1,000	7.7	7,700
Jörg Utermark	Purchase	Share	DE000A0JKHG0	18.01.2008 XETRA	1,000	8.6	8,600

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 22.51% (Dr. Norbert Herrmann) and 22.41% (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 19.10% 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 35.98%. It includes Deutsche Land plc (12.45% of the share capital) and Fortis Investments (9.9% of the share capital).

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 2008. It confirms that the company implements the recommendations of the Government Commission/ German Corporate Governance Code (as amended on 6 June 2008) to a very large extent. GWB Immobilien AG has committed itself to compliance with the recommendations in the 2009 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.

> *5.4.7 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.

Report of the Supervisory Board

Advisory and control function for the company management

The Supervisory Board carried out its advisory and control function comprehensively in the 2008 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. Five meetings were held in the financial year. 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 further development of the portfolio via acquisition of existing properties requiring revitalisation and the start of new projects. The project in Speyer continues to play a particularly prominent role in the history of GWB Immobilien AG.

> 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

In a unanimous vote, the Supervisory Board of GWB Immobilien AG elected its member Dr. Thomas Röh to be the new Chairman with effect from 17 December 2008. The previous Chairman of the Supervisory Board, Henrik M. Lingenhölin, resigned from the position of Chairman because of other professional commitments, but continues to be a member and Deputy Chairman of the Supervisory Board of GWB Immobilien AG.

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 2008, 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 24 March 2009 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 24 March 2009, the Supervisory Board approved the annual financial statements compiled by the Management Board. The annual financial statements have therefore been adopted. The Supervisory Board agrees with the proposal made by the Management Board about appropriation of the retained earnings for the 2008 financial year.

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, 24 March 2009

Dr. Thomas Röh   Henrik Michael Lingenhölin   David Maxwell

Financial information

Highlights in 2008

It was a difficult year for GWB Immobilien AG. However, we managed to increase our sales by 42.9% compared to the previous year and achieved earnings before interest and taxes (EBIT) of €7.4 million. Read all about it in the section Financial Information.

€10.1 million

Sales were increased by 42.9% to €10.1 million

€144.3 million

Property portfolio up from €98.9 million in previous year to €144.3 million

€147.7 million

Balance sheet total up by €42.5 million to €147.7 million

€31.9 million

Total shareholders' equity increased from €29.3 million to €30.9 million

€7.4 million

was earned before interest and taxes (EBIT). The net result for the year after taxes was €1.7 million

Group management report

1. General conditions and overall economic development in 2008

The German economy grew considerably more slowly in 2008 than in the two previous years.

According to provisional calculations by the German statistical authorities, the Gross Domestic Product (GDP) increased by 1.3% over the previous year in 2008 (after adjustment to eliminate the impact of price changes). GDP growth amounted to 2.5% in 2007 and 3% in 2006.

By international standards, the German economy still performed comparatively well in the face of the financial and capital market crisis even so. Provisional figures indicate that GDP growth decreased less than in the Eurozone (growth in 2008: 1.2%; 2007: 2.7%), in the EU 27 (1.4%; 2.9%) and in Japan (0.4%; 2.1%).

As in 2007, all sectors of the economy again made positive contributions to total growth in 2008, although most of the growth rates were substantially lower than in 2007. One major difference from the previous year in 2008 was the fact that the balance between exports and imports of goods and services was negative for the first time in years. This was attributable to a smaller increase in demand from abroad, while imports to Germany continued to be high.

The situation on the employment market and with respect to disposable income remained good in 2008. The highest level of employment since the reunification of Germany was reached. The number of unemployed in 2008 reached the lowest level since 1993 too. Private households' disposable income increased by 2.6% over the previous year in 2008 – the highest growth rate since 2001.

In spite of the comparatively good statistical data, the general conditions in the 2008 financial year were dominated by the in some cases dramatic developments and turbulence on the capital market. Liquidity bottlenecks and uncertainty led to a major loss in confidence by market players and there is no indication yet of when this situation will be rectified again.

Developments on the property market

According to a survey by Cushman & Wakefield, investments in commercial property dropped about 59% in 2008 due to the capital market crisis, following record years in 2006 and 2007. The North American property market was responsible for a particularly large proportion of this decrease.

This means that global investment volume was at the same level as in 2004 – with a shift in distribution away from the established markets in the USA and Europe and towards the markets in the newly industrialised countries. The latter registered growth in the proportion of the total transactions they accounted for from 9 to 22%. Most property investments (41% of the total volume) were made in Europe in 2008.

Another change from the previous years is that property transactions were made more selectively and on a smaller scale. The outstanding features of the boom years in 2006 and 2007, on the other hand, were large investment deals and sales of property packages to foreign investors.

Property sales decreased in Germany in 2008 too. According to a survey by IVD-Marktforschung, the change from the previous year amounted to –17.45%. Larger property transactions were affected particularly strongly by this trend. The report nevertheless comes to the conclusion that the German property market is fundamentally intact. In spite of the financial crisis, the long-term average value of the property transactions in Germany was exceeded in 2008.

In its Global ViewPoint Q4 2008, CB Richard Ellis points out that there are signs of an increase in interest from investors again in some markets. In view of the economic downswing and its consequences (higher vacancy rates and lower rent), there is a distinct trend – the report says – towards fully rented properties and investments ranging between €20 and 50 million.

Domestic property investors are focussing on Germany again to an increasing extent in this context. Investors with strong internal financial resources are apparently monitoring the situation and are waiting for the right time to enter the market.

2. GWB Immobilien AG

GWB's business operations and market

The GWB Group (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 2008 as well. In this context, the market for commercial property consists in particular of the market for office space, the market for commercial and service space and 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 40 successfully implemented projects.

GWB Immobilien AG produced the two best earnings performances in its corporate history in 2006 and 2007. GWB is reporting positive EBIT and positive net earnings for the 2008 financial year too.

The planning assignments for the property in Speyer, which was bought and completely financed at the end of 2007, were completed in 2008. Thanks to the progress made in the rental operations, construction work is expected to start on schedule in 2009. The investment volume will amount to about €46 million. It is the biggest and most attractive project in GWB's history to date. GWB launched two new projects in Buxtehude and Bremerhaven in 2008 as well. In spite of the turbulence on the finance markets, all the funding required for these two properties has been obtained. Construction work on the property in Buxtehude has already begun.

GWB strategy and business model

From 2004 to mid-2007, when the financial crisis began, 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. While package sales of several properties in a single transaction were the predominant feature of the business from 2005 to mid-2007, investors adopted a considerably more selective approach in 2008, with the individual transactions involving smaller volumes at the same time. Sound locations and good property rental contracts are currently the major criteria in property searches.

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. They will be continuing to expand their market share in future and will at the same time be increasing the size of their sales areas. This means that modern new locations will have to be found and developed in future as well.

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.

Development of retail space requirements

in m²	2006/2007	1990
Shoe shops	400–800	250–400
Sport	1.000–3.000	450–600
Pharmacies	350–800	150–200
Perfume stores	350–1.000	150–200
Books	600–2.000	250–350
Consumer electronics	3.500–5.000	150–2.500
Discount food stores	600–800	400–600
Young fashion	1.500–3.000	1.000–1.200

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

GWB has played a prominent role in defining this concept in the retail property field in recent years. What it involves is making 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; on the contrary, 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 60–75% 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. KG. 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% from 1.1.2009 onwards	**100%**	**100%**
GWBPLAN Gesellschaft für Bauleit- und Stadtplanung mbH	GWBMAFO Kommanditgesellschaft für Markt- und Standort-analysen mbH & Co.	GWBOBJEKT Gesellschaft für Objektmanagement mbH

GWB's operating companies

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

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.

GWB Immobilien AG became sole shareholder of GWB PLAN with effect from 1 January 2009.

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 28 properties at the moment and assumes the role of centre manager for the larger retail properties (rental area of at least about 15,000 m²). The latter applies to properties that are managed for third parties too.

Changes in Management and Supervisory Board membership

In a unanimous vote, the Supervisory Board of GWB Immobilien AG elected its member Dr. Thomas Röh to be the new Chairman with effect from 17 December 2008. The previous Chairman of the Supervisory Board, Henrik M. Lingenhölin, resigned from the position of Chairman because of other professional commitments, but continues to be a member and Deputy Chairman of the Supervisory Board of GWB Immobilien AG.

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 21 permanent employees in 2008. 14 of them have been with the company for more than five years. GWB OBJEKT has a further eleven employees deployed in centre management at the properties in Lübeck, Bamberg and Nauen (previous year: nine). GWB Immobilien AG is not burdened with these costs, because they are charged to the tenants as part of the ancillary costs.

Insurance contracts for amounts corresponding to the maximum limits permitted by tax legislation have been concluded for four employees to increase their pension entitlements. The employee turnover rate is extremely low. 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 not only what organisational structure has been created at GWB but also 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)	Dipl.-Ing. **Wolfgang Mertens-Nordmann** Deputy Chairman of the Management Board (CTO)	Betriebswirt (WAH) **Jörg Utermark** Member of the Management Board (COO)
Controlling, investor relations Business administration graduate S. Westphal **Financial accounting** Qualified balance sheet accountant G. Schlögl **Organisation, risk management, property acquisition/disposal** Lawyer H. Schröder-Breiholdt **Town and land-use planning, architecture** Graduate architect I. Fernandes **Market Research**	**Project development** Engineering and business administration graduate V. Kruch **Building processing** Engineering graduate H. Grefrath **Property management** Real estate management assisant M. Eggers **Building engineering** H. Dittloff E. Olthoff	**Location development and renting** Graduate in property management S. Tscharntke **Quality management** Real estate management assisant P. Balewski **Acquisition / obtainment of locations** Regional offices: North Germany Central Germany South Germany South-West Germany

3. Information about business and economic development

Our aim was to sell properties from the portfolio in 2008, in order to be able to report a good operating result. Due to the turbulence on the market, we were unable to reach this aim. The problems caused by the financial crisis were already starting to have an impact and led to paralysis of the market. It proved to be impossible to complete several promising sales negotiations, because the parties with whom we were negotiating during this time were no longer able to demonstrate that they had sound funding. We already started to encounter these problems at the end of 2007 and they continued in a much intensified form in 2008. If GWB had reduced its sales prices substantially in the course of 2008, it might have been possible to sell the properties. However, the Management Board of GWB continues to be convinced that the company portfolio is realistically valued and is unwilling to destroy any corporate assets. GWB did not achieve some of its corporate objectives for 2008. It succeeded in making further progress in development of the company all the same.

The company managed to secure the funding needed for the Buxtehude property (€9.5 million) and the property that is planned in Bremerhaven in spite of the difficult situation on the financial markets. Positive results were also achieved in planning and renting the major property in Speyer, so that a start will be made on implementing this project soon as well. GWB has won three different competitions and signed appropriate contracts for new locations.

Sales, which consisted to a large extent of rental income, were increased by more than 42% to €10.1 million in 2008 (previous year: €7.1 million). The GWB portfolio grew from €98.9 million (on 31 December 2007) to €144.3 million now. In the balance sheet as per 31 December 2008, GWB is able to report EBIT of +€7.4 million and a net profit for the year of +€1.7 million. This performance is attributable essentially to valuation of the properties that were not included in the investment property before and/or were new additions. Even though the properties were valued realistically, GWB was able to capitalise these reserves.

It is nevertheless necessary for the company to do everything in its power to sell properties from the portfolio, in order guarantee sustained liquidity. These efforts have been intensified even more in the meantime and will be producing appropriate results. The individual figures are presented in the "Operating results" section.

It can be concluded by way of summary that the market position has been strengthened and that growth can continue when sufficient internal funds are available. These internal funds can only be generated by selling properties or by increasing capital and/or by entering into partnerships (joint ventures). The GWB Management Board is holding negotiations in all these areas and is working on the assumption that results will be achieved in the first 6 months of 2009.

Operating results

The net profit amounted to €1.7 million in the 2008 financial year (previous year: €6.7 million). Earnings per share decreased from €1.36 in 2007 to €0.35 in 2008, the year under review. Total performance was 43.3% lower than in the previous year at €30.3 million (2007: €53.5 million), while EBIT amounted to €7.4 million in the 2008 financial year compared with €11.7 million in the previous year (change: –37.2%).

Profitability

in € million	**2008**	**2007**	**2006**
Total performance	30.3	53.5	45.8
Gross profit	6.3	5.2	7
EBIT	7.4	11.7	1.9
Net profit for the year	1.7	6.7	1.9

In the 2008 financial year, GWB Immobilien AG increased sales by 42.9% over the previous year, from €7.1 million to €10.1 million. Rental income rose from €6.1 million to €9.1 million, which represents growth of 49.5%.

The value of the investment property increased by €8.3 million in the 2008 financial year (previous year: €14.2 million) due to inclusion of the Lübeck and Nauen properties in the portfolio and the addition of the new

Spaldinghof property, with the result that investment property made a major contribution to the net profit for the year in 2008.

The income from services provided by the subsidiaries and the miscellaneous sales remained practically unchanged at €1.1 million (previous year: €1.0 million).

The cost of materials totalling €24.0 million mainly includes the investments in the Speyer and Buxtehude properties and the ancillary cost payments for the GWB properties of €3.2 million.

Personnel expenses amounted to €2.9 million in the 2008 financial year, which was 6.0% lower than in the 2007 financial year (€3.1 million).

The other expenses decreased over the previous year in 2008 too. In the year under review, they amounted to €4.3 million compared with €4.5 million in 2007. This represents savings of 5.5%.

The financial result in the 2008 financial year amounted to –€5.1 million (previous year: –€2.6 million). This reduction is due not only to rising financing costs because of the difficult market conditions but also to the fact that the new properties in Lübeck, Nuremberg and Nauen acquired in 2007 were included in the GWB portfolio throughout the year in 2008. The Spaldinghof property was added to the portfolio for the first time too and therefore contributed to the increase in interest expenses as well. This increase in interest expenses was compensated for by higher rental income.

Asset position

The balance sheet total increased by €42.5 million over the previous year to €147.7 million in the 2008 financial year.

Balance sheet

in € million	**2008**	**2007**	**2006**
Total assets	147.7	105.2	66.9
Non-current assets	101.4	52.8	9.1
Inventories	43.9	47.1	1.3

The main reasons for the increase in total assets were the acquisition of the Spaldinghof property, the investments in the Speyer and Buxtehude properties and the outcome of revaluation of the investment property. The investment property includes the Guben, Clausthal-Zellerfeld, Tangstedt, Reinbek, Lübeck, Nauen, Nuremberg, Röbel and Spaldinghof properties. The adjustment of the investment property to the actual market value related in particular to the Lübeck (+€5.3 million), Nauen (+€1.5 million) and Spaldinghof (+€2.4 million) properties.

The reduction in inventories is due in particular to reclassification of the properties in Lübeck and Nauen to investment property. The properties in Wuppertal, Speyer and Buxtehude were included in inventories.

On the liabilities and shareholders' equity side, financial debt increased due to funding of the properties. The proportion of total liabilities accounted for by non-current debt increased over 2007 and amounted to 37% (previous year: 27%). Shareholders' equity amounted to €30.9 million in 2008, which was therefore an increase of €1.6 million over the previous year. The equity ratio amounted to 20.9% (previous year: 27.8%).

Financial situation

Group liquidity decreased by €2.3 million in the financial year, from €3.3 million at the beginning of the financial year to €1.0 million on the balance sheet date.

The negative cash flow from business activities of €14.2 million is due essentially to the change in inventories and includes the reclassification of the properties in Lübeck and Nauen, which are shown in non-current assets on the balance sheet date.

The cash flow from investment activities of –€17.5 million is determined to by far the largest extent by the item "Cash outflows for investments in property", which essentially includes the acquisition of the Spaldinghof property.

The cash flow from financing activities is attributable essentially to the balance of cash inflow from the obtainment of loans (€36.7 million), cash outflows from the repayment of loans (€1.6 million) and interest paid (€5.6 million).

The non-current assets of the Group (€101.4 million) were offset on 31 December 2008 by non-current liabilities of €42.6 million.

The current assets of the Group (€46.3 million) were offset by current liabilities of €74.1 million. This total includes the liabilities of the Lübeck property, which is incorporated in GWB's non-current assets. Due to the special situation at the end of 2008, it was not possible to implement a planned long-term extension of the loan for the Lübeck property (€29.8 million). This long-term extension will be made in 2009.

It is essential for the ongoing development of GWB that company liquidity is maintained, so this issue is given top priority by the Management Board. The activities include negotiations about measures that create liquidity, which can involve property sales, capital increases or joint venture partnerships.

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 the 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 external capital and internal resources

The company finances its business operations to a large extent via external capital. GWB therefore depends on obtaining external capital at favourable conditions. One of the preconditions for the financing of future projects via external capital is the availability to the company of sufficient internal funds, since sources of external 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. We also draw attention here to the information we provide in the Notes.

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. We also draw attention here to the information we provide in the Notes.

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 way the market developed in 2008, GWB did not manage to complete planned sales, so that the liquidity inflows attributable to them are not available either. It is essential for the ongoing development of GWB that company liquidity is maintained and this issue is given top priority by the Management Board. Liquidity gaps are to be closed in the first few months of 2009 by taking a number of different measures (sale of properties, capital increase, obtainment of loans).

5. Outlook for the business and the general conditions

We have continued our corporate strategy unchanged. The value of our portfolio amounted to €144.3 million in total on 31 December 2008. This means that we exceeded the target of €120 million we forecast in the 2007 Annual Report.

We have compiled our medium-term planning, which is based on the development of new properties and the acquisition of existing ones. The forecasts can only be fulfilled if the financial markets return to normal general conditions and if banks provide adequate funding again. The trends on the property market have to be analysed in order to be able to make sound predictions. It is a positive fact that there is an increasingly large number of specialised property analysts here in Germany and that more transparency is being created as a result. Transparency is a very effective way to develop confidence. The establishment of the REIT segment will also increase interest in “stock market listed property ownership” and GWB will be benefitting from this too. The spreading concerns about inflation are stimulating property shares and are helping them to attract more attention again.

GWB Immobilien AG is in the process of developing new projects with an investment volume of about €215 million. They include three properties for which construction work could start at the end of 2009 if GWB succeeds in funding project development. These three projects alone have an investment volume of about €52 million.

It is difficult to make forecasts about 2009, because GWB's performance depends on how successful the company is at implementing new projects or at selling existing properties. Steady development of the business can be expected if GWB's efforts prove to be successful. A positive development is anticipated in the subsequent years.

The Management Board does not expect prices to take off again for a second time, but values will be stabilising again at a realistic level. GWB will have to adopt new approaches in property financing and has already started to do this by establishing a joint venture with HSH Real Estate AG. The planned capital increase, convertible bond issue(s) and further joint ventures will be the instruments with which GWB will be adapting to the times ahead.

Competitive situation

Our competitors are frequently smaller developers who operate mainly with external capital. They try to build at the lowest possible cost and are not always focussed on the long-term development of the property.

The major developers (e.g. ECE, MfI) concentrate on metropolitan regions and the European market. They have practically no presence in medium-sized towns and are unlikely to find the market they are looking for in this segment with their current strategies and volume targets either.

Local developers frequently lack the necessary expertise about market opportunities and potential. Foreign investors, who try their hand at direct investments, take the local circumstances into account too little.

GWB tries to keep the long term in mind when it takes its decisions. Market research plays a particularly important role here. Quality and sustainability have top priority for GWB and can only be achieved by deploying qualified managers in development, planning, construction, renting and facility management.

In the past few years, GWB has built up a special position, which will now be producing results more and more effectively.

Growth and strategic co-operation

GWB is expecting the investment volume in 2009 to amount to between €40 and 60 million, including the current properties in Speyer, Buxtehude and Bremerhaven. It may be increased by investments relating to revitalisation projects, which are likely to total between €20 and 30 million in 2009. These investments require a considerable amount of capital and strategic partnerships. GWB is holding negotiations with major partners with whom these objectives can be reached.

In view of the current market situation, it is not possible for us at the present time to make a more detailed forecast about GWB's corporate development in the next two years. We will issue both qualitative and quantitative statements as soon as viable assumptions can be made for our markets again.

6. 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 €4,900,000 and is divided up into 4,900,000 bearer shares with no par value, each of which 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	22,51%
Wolfgang Mertens-Nordmann	22,41%
HR-MN Vermögensverwaltungsgesellschaft mbH*	19,10%
Deutsche Land plc	12,45%

** Dr. Norbert Herrmann and Mr Mertens-Nordmann each hold 50% of the shares in this company.*

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. In accordance with § 18 Paragraph 2 of the articles of association, the Supervisory Board is entitled to make changes to the articles of association which only affect their wording.

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. Ordinary shares and/or preference shares with no voting rights may be issued. The Management Board is authorised to suspend the shareholders' subscription right in certain cases with the approval of the Supervisory Board.

The extraordinary shareholders' meeting of GWB Immobilien AG also passed a resolution on 11 January 2008 authorising the company to acquire treasury shares up to a total of 10% of the present share capital of €4,900,000, i.e. up to 490,000 bearer shares with no par value, each of which accounts for €1.00 of the share capital, by 11 July 2009. The acquisition can be made via the stock market or via a public offer to buy them submitted by the company to all the shareholders. The Management Board is authorised to use shares of the company that are acquired on the basis of this authorisation for all legal purposes and in particular as follows:

> The shares can be sold again with the approval of the Supervisory Board. They can be sold either via the stock market or via a public offer to sell them to all the shareholders or in a different way, provided that the treasury shares acquired are sold at a price that is not substantially lower (no more than 5% at any rate) than the stock market price of equivalent company shares at the time of the sale;
> With the approval of the Supervisory Board, the treasury shares can be used to satisfy subscription rights associated with convertible bonds that have been issued;
> The treasury shares can be withdrawn with the approval of the Supervisory Board.

The subscription right of the shareholders to the treasury shares is suspended to the extent that these shares are sold again or are used to satisfy rights associated with convertible bonds.

In accordance with § 4 Paragraph 6 of the articles of association, the share capital is conditionally increased by up to €1,070,000 by issuing up to 1,070,000 bearer shares that are entitled to participate in profits from the beginning of the financial year in which they are issued (conditional capital). The purpose of the conditional capital is to provide shares to the holders or creditors of option or convertible bonds, which are issued by the company or companies in which the company holds a direct or indirect majority interest up to 31 May 2011 in accordance with the authorisation given by the shareholders' meeting held on 2 June 2006. The increase is only made to the extent that option 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.

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 twelf 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 2008 financial year amounted in total to €816,340.32. No performance-based compensation was paid to the Management Board in 2008.

If a member of the Management Board dies, the fixed compensation continues to be paid for a period of up to six 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 six months and the member of the Management Board then receives transition pay for the following six 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 €21,000 in the 2008 financial year.

7. Events after the end of the Group's 2008 financial year (§ 315 Paragraph 2 No. 1 of the HGB)

50% of the shares in GWB PLAN were taken over with effect from 1 January 2009, so that the company is being included in the consolidated financial statements in full from 1 January 2009 onwards.

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, March 2009

Dr. Norbert Herrmann | Wolfgang Mertens-Nordmann | Jörg Utermark

Group profit and loss account (IFRS)

in € '000	Notes	2008	2007
Sales	45	10,150	7,103
Inventory movements	46	19,619	45,780
Other own work capitalised	47	0	31
Other operating income	48	546	556
Cost of materials	49	–23,980	–48,262
Personnel expenses	50	–2,945	–3,134
Depreciation of intangible and tangible assets	29	–34	–32
Other operating expenses	51	–4,295	–4,544
Financial expenses	52	–5,712	–3,081
Financial income	52	648	493
Profit/loss on ordinary operations		**–6,003**	**–5,090**
Changes due to the adjustment of the fair value of investment property	53	8,302	14,221
Taxes on income and earnings	54	–574	–2,432
Net profit for the year		**1,725**	**6,699**
Retained earnings brought forward from the previous year		8,582	1,902
Minority interests in the net profit		–20	–20
Retained earnings		**10,287**	**8,582**
Earnings per share *(in €)*	55	0,35	1,36

Group balance sheet (IFRS)

in € '000	Notes	31.12.2008	31.12.2007
Assets			
Current assets			
Cash and cash equivalents	33	1,036	3,298
Inventories	34	43,933	47,110
Trade receivables	35	386	1,021
Income tax assets	36	226	156
Other current assets	36	719	812
Total current assets		**46,300**	**52,397**
Non-current assets			
Intangible assets	26, 29	16	20
Goodwill	27, 29	187	187
Tangible assets	28, 29	173	194
Investment property	30	100,385	51,807
Financial assets	31	629	601
Total non-current assets		**101,390**	**52,810**
Total assets		**147,691**	**105,207**

in € '000	Notes	31.12.2008	31.12.2007
Liabilities			
Current liabilities			
Current financial debt	41, 42	66,413	52,105
Trade payables	43	5,146	868
Tax liabilities	40	27	68
Other current liabilities	44	2,553	2,210
Total current liabilities		**74,140**	**55,251**
Non-current liabilities			
Non-current financial debt	41, 42	37,965	16,615
Derivative financial instruments	32	126	0
Deferred taxes	39	3,985	3,401
Profit participation certificate capital	38	535	653
Total non-current liabilities		**42,611**	**20,669**
Shareholders' equity			
Subscribed capital	37	4,900	4,900
Capital reserves	37	15,466	15,466
Revenue reserves	37	249	249
Revaluation reserves	37	–69	3
Retained earnings	37	10,287	8,582
Minority interests	37	108	87
Total shareholders' equity		**30,940**	**29,287**
Total liabilities and shareholders' equity		**147,691**	**105,207**

Group cash flow statement (IFRS)

in € '000	2008	2007
Cash flow from business activities		
Earnings before tax	2,299	9,131
Adjustments to reconcile the earnings before tax to net cash flows		
Depreciation of non-current assets	34	32
Increase in the fair value of investment property	–8,302	–14,221
Other income/expenses that have no impact on payment	1,033	–17
Profit/loss on asset disposals	0	–96
Investment income through profit or loss	–648	–493
Financing expenses through profit or loss	5,712	3,081
Decrease/increase in inventories	–19,618	–45,781
Decrease/increase in trade receivables	635	45,287
Decrease/increase in other receivables and other assets (where they are not investment or financing activities)	23	–420
Decrease/increase in other liabilities (where they are not investment or financing activities)	4,700	–2,078
Taxes paid on income and earnings	–100	–140
Cash flow from business activities	**–14,232**	**–5,715**
Cash flow from investment activities		
Cash outflows for investments in tangible assets	–9	–43
Cash outflows for investments in property held in accordance with IAS 40	–17,480	–24,300
Cash outflows for investments in financial assets	–145	–40
Cash inflows from disposals of financial assets	59	2,487
Changes in financial assets due to consolidation	0	130
Decrease/increase in the fair value of available-for-sale securities	72	–3
Cash outflows for the acquisition of subsidiaries	0	–688
Cash flow from investment activities	**–17,503**	**–22,457**

in € '000	**2008**	**2007**
Cash flow from financing activities		
Cash inflow from the obtainment of loans	36,705	58,270
Cash outflows from the repayment of loans	–1,597	–33,169
Cash inflows from the issue of profit participation certificates	466	0
Cash outflows from the buying back of profit participation certificates	0	–2,771
Income/losses from profit-sharing/profit participation certificates	–584	46
Expenses in connection with the buying back of profit participation certificates	0	1,658
Interest paid	–5,567	–2,727
Interest received	50	476
Cash flow from financing activities	**29,473**	**21,783**
Changes in cash and cash equivalents that have an impact on payment	**–2,262**	**–6,389**
Cash and cash equivalents at the beginning of the period	3,298	9,687
Cash and cash equivalents at the end of the period	1,036	3,298
Breakdown of the cash and cash equivalents		
Cash in hand and at banks	1,036	3,298
	1,036	**3,298**

Group segment reporting 2008

in € '000	Sale/ rental	Manage- ment	Others	Elimi- nation	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	0	1,762
Interest income					648
Taxes on income and earnings					–574
Non-allocated expenses[1]					–111
Minority 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.

Group segment reporting 2007

in € '000	Sale/ rental	Manage- ment	Others	Elimi- nation	Total
Sales					
External sales	6,146	727	230	0	7,103
Sales between the segments	227	639	155	–1,021	0
Total sales	**6,373**	**1,366**	**385**	**–1,021**	**7,103**
Earnings					
Segment earnings	10,053	209	16	0	10,278
Interest income					493
Taxes on income and earnings					–2,432
Non-allocated expenses[1]					–1,640
Minority interests					–20
Consolidated net profit for the year					**6,679**
Main segment income					
Earnings from IAS 40 valuation	14,221	0	0	0	14,221
Information about the asset situation					
Segment assets	103,876	298	89	0	104,263
Non-allocated assets					944
Total assets					**105,207**
Segment liabilities	71,464	31	42	0	71,537
Non-allocated liabilities					4,383
Total liabilities					**75,920**
Further segment information					
Investments in intangible and tangible assets	43	0	0	0	43
Scheduled depreciation	28	2	2	0	32
Other expenses apart from depreciation that have no impact on payment	1,511	3	3	0	1,517

[1] The non-allocated expenses involve expenses in connection with the buying back of the profit participation certificates (€1.516 million) and interest expenses incurred in connection with the profit participation certificates (€124,000).

Statement of changes in group equity (IFRS) 2007 und 2008

in € '000	Share capital	Capital reserve	Revenue reserve	Revaluation reserves	Retained earnings	Minority interests	Total shareholders' equity
Balance on 01.01.2007	**4,900**	**15,224**	**249**	**0**	**2,145**	**0**	**22,517**
Correction	0	243	0	0	–243	0	0
Capital movements	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	68	68
Market valuation of available-for-sale securities	0	0	0	4	0	0	4
Deferred taxes	0	0	0	–1	0	0	–1
Earnings in the period	0	0	0	0	6,680	20	6,699
Balance on 31.12.2007	**4,900**	**15,466**	**249**	**3**	**8,582**	**87**	**29,287**
Balance on 01.01.2008	**4,900**	**15,466**	**249**	**3**	**8,582**	**87**	**29,287**
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	–72	0	0	–72
Earnings in the period	0	0	0	0	1,705	20	1,725
Balance on 31.12.2008	**4,900**	**15,466**	**249**	**–69**	**10,287**	**108**	**30,940**

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 2008 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 2008 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 18 March 2009. The consolidated financial statements were adopted at the balance sheet meeting that was held on 24 March 2009. 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 2008 were prepared on the basis of all the standards and interpretations adopted by the European Union that were mandatory for the 2008 financial year.

The following standards and interpretations had to be applied for the first time in IFRS financial statements as per 31 December 2008:

	Standard	Publication date	Mandatory from
IAS 39	Reclassification of Financial Assets	Oktober 2008	1 July 2008
IFRS 7	Reclassification of Financial Assets: Effective Date and Transition	November 2008	1 July 2008
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	November 2006	1 March 2007
IFRIC 12	Service Concession Arrangements	November 2006	1 January 2008
IFRIC 14	IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	July 2007	1 January 2008

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 2008 financial year. The Group is not applying these standards and interpretations in advance.

	Standard	Publication date	Mandatory from
IAS 1	Presentation of Financial Statements (revised in 2007)	September 2007	1 January 2009
IAS 23	Borrowing Costs	March 2007	1 January 2009
IAS 32	Financial Instruments: Presentation (Puttable Instruments)	February 2008	1 January 2009
IFRS 1/ IAS 27	Cost of Investments in Subsidiaries, Jointly Controlled Entities and Associates	May 2008	1 January 2009
IFRS 2	Share-Based Payment (Vesting Conditions and Cancellations)	January 2008	1 January 2009
IFRS 8	Operating Segments	November 2006	1 January 2009
IFRIC 13	Customer Loyalty Programmes	June 2007	1 July 2008
Various	Annual Improvement Project 2008	May 2008	1 January 2009

IAS 1 Presentation of Financial Statements

IAS 1 Presentation of Financial Statements includes new regulations about presentation of the financial statements. The main changes relate to the presentation and statement of financial information in the annual financial statements. The amended standard was published in September 2007 and has to be applied for the first time to financial years that begin on or after 1 January 2009. The amendments relate in particular to the introduction of a statement of comprehensive income that includes not only the earnings generated in a period but also the profits and losses which have not been realised yet and have been recognised in shareholders' equity up to now and that replaces the existing income statement. When changes are made to accounting and valuation principles and when mistakes are corrected, a balance sheet also has to be prepared at the beginning of the comparative period.

The new standard will have an impact on the way in which Group financial information is published, but not on the statement and valuation of assets and liabilities.

IAS 23 Borrowing Costs

In the version of IAS 23 published in March 2007, the IASB removed the option for the treatment of borrowing costs that are incurred in direct connection with the acquisition, construction or production of qualifying assets. In future, these borrowing costs have to be capitalised as acquisition or production costs. The new version of IAS 23 has to be applied for the first time to financial years that start on or after 1 January 2009. Application of the standard is not expected to have any impact.

IAS 27 Consolidated and Separate Financial Statements in Accordance with IFRS

The amended IAS 27 rules that were published on 10 January 2008 have to be applied at the latest for financial years that begin on or after 1 July 2009. The amendments relate essentially to the accounting rules for minority interests, which will participate in full in the losses of the Group in future, and for transactions which lead to the loss of control over a subsidiary and the effects of which have to be recognised through profit or loss. The effects of share disposals that do not lead to the loss of control have to be recognised in shareholders' equity, on the other hand. The changes have to be applied prospectively.

If a loss situation that continues unchanged leads in the financial year of initial application to complete exhaustion of amounts stated for minority interests, the proportion of the loss accounted for by the minority interests is nevertheless allocated to the latter in full. The negative amount that results from this is shown separately in shareholders' equity.

Amendment to IAS 32 Financial Instruments: Presentation
In view of the legal structure of the company as well as the relevant legal regulations and provisions of corporate law, the amendment will not lead to any changes in the classification, valuation and statement of shareholders' capital in future.

Amendment to IFRS 2 Share-Based Payment
Since the Group does not make any share-based payments, this amendment does not have any impact on the asset position, financial situation and operating results of the company.

IFRS 8 Operating Segments
IFRS 8 was published in November 2006 and has to be applied for the first time to financial years that begin on or after 1 January 2009. IFRS 8 replaces IAS 14 Segment Reporting, which applies until then. When IFRS 8 is introduced, the obligation to specify primary and secondary segment reporting formats for a company ends, because IFRS 8 bases the identification of operating segments on what is known as the "management approach", according to which the formation of reporting segments is determined solely by the financial information that is used for internal control purposes by the company's decision-makers.

The Group has decided not to apply IFRS 8 in advance and is continuing to apply IAS 14. The new standard will have an impact on the way financial information about the Group's business operations is published, but not on the statement and valuation of assets and liabilities in the consolidated financial statements.

IFRIC 13 Customer Loyalty Programmes
The Group does not have any customer loyalty programmes at the present time, so that this interpretation does not have any impact on the consolidated financial statements.

The IASB and the IFRIC have published the following standards and interpretations that were not yet mandatory in the 2008 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 3	Business Combinations (revised in 2008)	January 2008	July 2009
IFRIC 15	Agreements for the Construction of Real Estate	July 2008	January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	July 2008	Oktober 2008

IFRS 3 Business Combinations
The IASB published the revised IFRS 3 Business Combinations in January 2008. This standard specifies that business combinations continue to be accounted for by the acquisition method. The main changes include effects on the recognition of possible minority interests in goodwill and statement of this in shareholders' equity. The transition rules stipulate prospective application of the amendment. There are no changes for assets and liabilities that result from business combinations before the new standard is applied for the first time. Application of the full goodwill model, presentation of gradual business acquisitions and mandatory inclusion of conditional consideration at the time of acquisition will tend to increase goodwill.

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.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
The companies included in the consolidated financial statements do not have any foreign operations as defined by IFRIC 16, so this interpretation will not have any impact on the annual financial statements.

4. Error correction in accordance with IAS 8

The error correction relates to the following issues:

The process of auditing the consolidated financial statements as per 31 December 2006 was completed by Deutsche Prüfstelle für Rechnungslegung (DPR) in 2008. The outcome of the process is a change in the assessment of the accounting for the transaction costs incurred in the context of the IPO of GWB Immobilien AG in the consolidated financial statements as per 31 December 2006. According to IAS 8, they need to be corrected retrospectively. The figures for the previous year and the comparative information in the Notes were adjusted accordingly.

On balance, there was a change in the size of the transaction costs posted in the balance sheet, since percentage allocation on the basis of the total number of the existing shares is considered to be more appropriate than allocation on the basis of the existing share capital in the issue of equivalent shares of the same value. The correction has the following effects:

In the consolidated financial statements as per 31 December 2006, transaction costs of €992,000 were posted in the balance sheet and only €113,000 were recognised in profit and loss, taking the relevant tax benefits into consideration. Following allocation of the transaction costs on the basis of the number of shares, it was determined that the capital reserves stated were €243,000 too low. In addition to this, transaction costs of €378,000 were not recognised in the other operating expenses and the tax expenses shown were €135,000 too high.

The correction is as follows:

in € '000	**31.12.2006 before correction**	**Adjustment**	**31.12.2006 after correction**	**31.12.2007 before correction 2006**	**Adjustment**	**31.12.2007 after correction 2006**
Subscribed capital	4,900	0	4,900	4,900	0	4,900
Capital reserves	15,224	242	15,466	15,224	242	15,466
Revaluation reserves	0	0	0	3	0	3
Revenue reserves	248	0	248	248	0	248
Profit carried forward	33	0	33	2,145	–242	1,903
Net profit for the year	2,112	–242	1,870	6,699	0	6,699
Minority interests	0	0	0	–20	0	–20
Minority interests	0	0	0	88	0	88
Total shareholders' equity	**22,517**	**0**	**22,517**	**29,287**	**0**	**29,287**

5. 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 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.

6. Business combinations and goodwill

Business combinations are accounted for by the acquisition 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.

Minority interests represent the proportion of earnings and net assets that is not attributable to the Group. Minority 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.

Joint ventures are included in the consolidated financial statement on a pro rata basis in accordance with IAS 31. The assets and liabilities, income and expenses of the joint ventures are included in the consolidated financial statements according to the interest held in this company. Pro rata capital consolidation and the treatment of goodwill are by the same procedure as in the inclusion of subsidiaries. The financial statements of the joint venture are prepared on 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 and two joint ventures are included in the consolidated financial statements. The consolidated financial statements prepared as per 31 December 2008 include not only the parent company but also eight (previous year: eight) fully consolidated German subsidiaries and five (previous year: one) 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.

7. 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.

8. 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.

9. 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 in accordance with international valuation standards on the basis of market prices, price comparisons or discounted future income surpluses calculated by the DCF method. 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 of ten 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 ten-year detailed planning period. In this context, the inflow surpluses of the tenth 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 the 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 market values of investment property with a value of less than €20 million are based on valuations by the company on the basis of market prices, price comparisons or discounted future income surpluses calculated by the DCF method. The inflows and outflows expected in future as well as location and risk factors specific to the property concerned are taken into consideration in valuation. Valuation is based on a five-year detailed planning phase.

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 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.

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 admissible 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 impairment. 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 2008, the derivative financial instruments held by the Group did not satisfy the conditions for hedge accounting, so they were recognised through profit or loss at fair value.

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 in expenses, 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.

13. Inventories

Inventories are stated at the lower of acquisition or production cost and the net realisable value (estimated selling price 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 31.12.2008	Net profit / loss for the year in 2008	Sharehol-ding
		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	–227	–7	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	1,411	1,437	100
Projektgesellschaft market 4 GmbH	Siek	–121	0	100
Projektgesellschaft market 6 GmbH	Siek	1,026	202	90
Projektgesellschaft market 10 GmbH & Co. KG	Siek	98	–2	51
Projektgesellschaft market 11 GmbH & Co. KG	Siek	19	–1	51
Projektgesellschaft market 12 GmbH & Co. KG	Siek	19	–1	51
Verwaltung Projektgesellschaft market 10 GmbH	Siek	29	–1	51
GWB Vermögens- und Grundbesitz-verwaltungs-gesellschaft mbH	Siek	36	0	100
GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH	Siek	–165	–159	50

25. Shares in joint ventures

GWB Immobilien AG owns 50% of GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH, a joint venture based in Siek that specialises in the planning of retail property projects.

The share of the assets, liabilities, income and expenses of the joint venture attributable to the Group on 31 December 2008 and 31 December 2007 was as follows:

in € '000	**2008**	**2007**
Current assets	9	57
Non-current assets	16	17
Current liabilities	26	36
Non-current liabilities	0	0
Income	187	259
Inventory movements	–33	20
Personnel expenses	–185	–180
Other operating expenses	–68	–85
Financial expenses	–9	–5
Earnings before taxes on income and earnings	–108	9
Taxes on income and earnings	0	0
Earnings after taxes on income and earnings	**–108**	**9**

In the period between the balance sheet date and the release of the financial statements, GWB Immobilien AG acquired a further 50% of GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH and therefore owns 100% of the company.

A new joint venture, the purpose of which is to invest in retail properties, was also established in 2008 – the year under review – together with HSH Real Estate AG.

The companies Projektgesellschaft market 10 GmbH & Co. KG, Projektgesellschaft market 11 GmbH & Co. KG, Projektgesellschaft market 12 GmbH & Co. KG and Verwaltung Projektgesellschaft market 10 GmbH that were established on 1 August 2008 were included in the consolidated financial statements for the first time on a pro rata basis as per 31 December 2008.

GWB Immobilien AG holds a 51% interest in the newly established companies. The contractual arrangements specify that the companies are joint ventures.

The share of the assets, liabilities, income and expenses of the joint ventures attributable to the Group on 31 December 2008 was as follows:

in € '000	**Verwaltung PG market 10 GmbH**	**PG market 10 GmbH & Co. KG**	**PG market 11 GmbH & Co. KG**	**PG market 12 GmbH & Co. KG**
		in € '000	*in € '000*	*in %*
Current assets	15	30	10	10
Non-current assets	0	20	0	0
Current liabilities	0	1	1	1
Other operating expenses	–2	–2	–1	–1
Income from investments	1	0	0	0
Earnings after taxes on income and earnings	–1	–2	–1	–1

The total volume that is supposed to be invested by the joint venture that has been established amounts to €100 million. GWB Immobilien AG has committed itself to making a share of 25% of the total planned shareholders' loans of €30 million, i.e. €7.5 million, available.

If the first property acquisition by the newly established joint venture has not been made within six months after conclusion of the contract or if no further property has been acquired by the joint ventures within six months after acquisition of a property, the party to the contract has the right to sell the limited partner's share to GWB Immobilien AG for the market value, with the latter being obliged to buy it on the specified conditions.

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).

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

The goodwill in the GWB Group books was accounted for by the following cash-generating units on 31 December 2008:

in €	**2008**	**2007**
GWB MAFO Kommanditgesellschaft für Markt- und Standortanalysen mbH & Co.	63	63
GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH	30	30
Projektgesellschaft market 3 GmbH & Co. KG	14	14
Projektgesellschaft market 6 GmbH	80	80
	187	**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.

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**	**Miscellane-ous tangible assets**	**Total**
Acquisition costs				
As of 01.01.2007	**32**	**107**	**331**	**470**
Additions	0	80	43	123
As of 31.12.2007	32	187	374	593
Additions	**0**	**0**	**9**	**9**
As of 31.12.2008	32	187	383	602
Accumulated depreciation				
As of 01.01.2007	**10**	**0**	**152**	**162**
Additions	3	0	28	31
As of 31.12.2007	13	0	180	193
Additions	**3**	**0**	**30**	**33**
As of 31.12.2008	16	0	210	226
Carrying amounts				
31.12.2007	**19**	**187**	**194**	**400**
31.12.2008	**16**	**187**	**173**	**376**

30. Investment property

The "investment property" item developed as follows:

in € '000	**31.12.2008**	**31.12.2007**
As of 01.01.	**51,807**	**5,690**
Additions / company takeover	0	7,596
Additions / acquisitions	17,481	24,300
Reclassifications to inventories	–17,916	0
Reclassifications from inventories	40,711	0
Net gains from adjustments of the market value (cf. Note 53)	8,302	14,221
As of 31.12.	**100,385**	**51,807**

The market values on 31 December 2008 are attributable to the following properties:

in € '000	**31.12.2008**	**31.12.2007**
Wuppertal property	0	19,030
Lübeck property	38,500	0
Nauen property	9,009	0
Nuremberg property	17,476	17,476
Röbel property	2,146	2,049
Tangstedt property	3,676	3,676
Reinbek property	3,920	3,920
Guben property	3,270	3,152
Clausthal-Zellerfeld property	2,503	2,504
Spaldinghof property	19,885	0
Totals	**100,385**	**51,807**

Due to changes in the use concepts and the conclusion of new rental contracts, the Lübeck and Nauen properties were reclassified from inventories to investment property in the 4th quarter of 2008. The difference between the market value of the properties and the previous carrying amounts was recognised in earnings.

Due to the uncertainty about the use to which it would be put, the Wuppertal property was included in investment property last year. The sale of the property officially recorded in March 2008 had to be cancelled because of the insolvency of the buyer. In connection with the cancellation of the contract, the use to which the property was to be put was specified: a decision was taken to sell the property in the context of ordinary business operations. The property was reclassified to the inventories at the market value. The difference between the market value at the time of reclassification and the previous carrying amount was recognised in earnings.

The rental income from the investment property amounted to €7.078 million. 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 €2.696 million.

The Group companies own all the investment property.

31. Financial assets

The financial assets can be broken down as follows:

in € '000	**31.12.2008**	**31.12.2007**
Loans and receivables	151	114
Available-for-sale financial assets:		
Securities	473	482
Co-operative shares	5	5
Totals	**629**	**601**

The loans and receivables include a loan to HR-MN Vermögensverwaltungsgesellschaft mbH that earns interest of 6% per year. €10,000 were 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 2008 financial year, securities with acquisition costs of €49,000 were bought. A reduction of €72,000 to the fair value of the securities had to be made on the balance sheet date at the same time. The reduction was recognised in the shareholders' equity in accordance with IAS 39.

32. Derivatives

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

in € '000	**31.12.2008**	**31.12.2007**
Market value of the interest rate swaps	–126	0

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.

33. Cash and cash equivalents

in € '000	31.12.2008	31.12.2007
Current cash and cash equivalents		
Time deposits	663	2,461
Current accounts	372	835
Cash on hand	1	1
	1,036	**3,297**

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

34. Inventories

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

in € '000	31.12.2008	31.12.2007
Unfinished products and services	22,317	2,512
Finished products	21,616	44,597
	43,933	**47,109**

The unfinished products and services relate essentially to properties in Speyer, Buxtehude, Bremerhaven, Westerkappeln, Münster and Hörstel.

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

The Anklam property was written down by €204,000 to the net realisable value (€950,000).

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

35. Trade receivables

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

Individual allowances of €54,000 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 €373,000 at Group level in the year under review.

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

36. Other current assets and income tax assets

The other assets can be broken down as follows:

in € '000	31.12.2008	31.12.2007
Building cost grant	386	0
Discount	237	0
Income tax assets	226	156
Creditors with debit balances	31	552
Miscellaneous	65	260
	945	**968**

The building cost grant relates to the Lübbenau property.

The income tax assets include receivables from previous years (€156,000).

37. Shareholders' equity

Breakdown of Group shareholders' equity on 31. December 2008:

in € '000	31.12.2008	31.12.2007
Share capital	4,900	4,900
Capital reserves	15,466	15,466
Revenue reserves	249	249
Revaluation reserves	–69	3
Retained earnings	10,286	8,582
Minority interests	108	87
Total shareholders' equity	**30,940**	**29,287**

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 €4,900,000 is fully paid-up and is divided up into 4,900,000 shares with no par value.

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.

Conditional capital

In accordance with a resolution passed by the shareholders' meeting held on 2 June 2006, the share capital has been conditionally increased by up to €1,070,000 by issuing up to 1,070,000 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 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 or companies in which the company holds a direct or indirect majority interest up to 31 May 2011 in accordance with the authorisation given by the shareholders' meeting held on 2 June 2006. The increase is only made to the extent that option 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 company received a premium of €16.215 million in the context of the share issue. In accordance with IAS 32.35, the costs of issuing shares in the context of the IPO were accounted for as a deduction from the capital reserves, net of related income tax benefits.

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 (€69,000) include the adjustments to the available-for-sale financial assets that are recognised with no effect on profit or loss.

38. 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 of the participation rights to 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 2008 financial year, a share of €584,000 of the loss made under commercial law was assigned to the profit participation rights and this amount continued to be recognised through profit or loss in accordance with the procedure followed in the previous years.

in € '000	**31.12.2008**	**31.12.2007**
Nominal value of the profit participation certificates	1,848	1,301
Premium	8	8
Discount	–120	–39
Loss allocation	–1,201	–617
	535	**653**

39. 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.

Development of deferred taxes
(net amount of deferred tax liabilities after deduction of deferred tax assets):

in € '000	2008	2007
As of 01.01.	**3,400**	**809**
Taxes recognised in the income statement	585	2,363
Taxes not recognised in the income statement	0	228
As of 31.12.	**3,985**	**3,400**

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

in € '000	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Customer base	0	1	0	0
Investment property	0	6,626	0	4,183
Financial assets	0	0	0	1
Non-current financial debt	0	0	0	67
Losses carried forward	2,541	0	851	0
Rent guarantees	67	0	0	0
Derivative financial instruments	34	0	0	0
	2,642	**6,627**	**851**	**4,251**

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 Group had tax losses carried forward of €8,807,000 on the balance sheet date that had not been used yet. The assumption that it will be possible to make use of the tax losses carried forward is justified by the general earnings development in the regions concerned or by events that occurred up to the time when the financial statements were prepared.

40. 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 were incurred for the current year.

41. Financial debt

The financial debt can be broken down as follows:

in € '000	31.12.2008	31.12.2007
Current financial debt	66,413	52,105
Non-current financial debt	37,965	16,615
	104,378	**68,720**

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 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 €4.468 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 €70,000 was made.

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

Bank	Security	Carrying amount of the assets
		in € '000
Eurohypo AG	Land charge / Guben property	3,270
Eurohypo AG	Land charge / Röbel property	2,146
Hamburger Sparkasse	Land charge / Clausthal-Zellerfeld property	2,503
Hamburger Sparkasse	Land charge / Dassow property	90
HSH Nordbank AG	Land charge / Lübeck property	38,500
HSH Nordbank AG/BBG Bodensee Beteiligungs- GmbH & Co. KG	Land charge / Speyer property	17,743
Deutsche Hypo Real Estate Bank AG	Land charge / Bad Sülze property	1,872
Deutsche Hypo Real Estate Bank AG	Land charge / Anklam property	950
Norddeutsche Landesbank	Land charge / Buxtehude property	3,956
Deutsche Hypo Real Estate Bank AG	Land charge / Wuppertal property	17,915
Berlin-Hannoversche Hypothekenbank	Land charge / Nauen property	9,009
Hamburger Sparkasse	Land charge / Tangstedt property	3,676
Eurohypo AG	Land charge / Reinbek property	3,920
KBC Bank Deutschland AG	Land charge / Nuremberg property	17,476
SEB Bank	Land charge / Spaldinghof property	19,885
Norddeutsche Landesbank	Land charge / Bremerhaven property	229
SEB Bank	Land charge / Bad Freienwalde	712
		143,852

There are land charges with a total volume of €96.940 million.

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

The proceeds of the sale of the properties have in addition been ceded to the bank for the Lübeck, Speyer, Bremerhaven, 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. The rights from the general contractor contract or from the contracts about the specific individual work or services have been assigned for the Buxtehude and Bremerhaven properties. 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 time deposit account (amount: €610,000) has been pledged for the Guben loan. The credit balance of €15,000 in the current account has 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.

The following table shows the conditions and maturity dates for the main Group loans on 31 December 2008:

in € '000	**Interest rate**	**Maturity rate**	**2008**	**2007**
Bank loan for €29.790 million	EURIBOR + 1.5	31.03.2009	29,790	29,790
Bank loan for €13.350 million	3.792	2009–2012	13,283	0
Bank loan for €8.500 million	5.97	2009–2011	8,500	0
Bank loan for €12.850 million	3 months EURIBOR + 1.1	30.06.2009	11,708	12,404
Bank loan for €8.995 million	3 months EURIBOR	30.09.2009	8,995	8,995
Bank loan for €4.700 million	**5.46**	**2009–2010**	**4,524**	**4,651**

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 eleven more bank loans for €21.422 million, which the Group has obtained in order to finance the individual properties.

42. 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. For simplicity's sake, existing current accounts were not included in the analysis and the loan portfolio at the end of the year was taken as the calculation basis.

If the variable interest rate changed by 15 basis points on average, the impact on Group earnings would be €147,000, while it would amount to €196,000 if the change was 20 basis points. The possible effects were €41,000 and €57,000 higher than in the previous year, because of the further increase in the loan portfolio.

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 2008. 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	3,234	0	0	0	0
Trade payables	5,206	0	0	0	0
Other current liabilities	0	2,580	0	0	0
Loans on which interest is charged	0	34,723	32,775	35,324	4,660
Totals	**8,440**	**37,303**	**32,775**	**35,324**	**4,660**

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 2008 financial year, the Group suffered losses of €373,000 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.

43. Trade payablesn

All the trade payables are due within one year.

44. 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	31.12.2008	31.12.2007
Miscellaneous provisions	1,331	1,244
Liabilities attributable to deposits received	458	0
Tax liabilities	355	28
Liabilities attributable to the minimum interest guaranteed for the profit participation certificates	111	78
Debtors with credit balances	1	471
Miscellaneous other liabilities	298	389
	2,554	**2,210**

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 (€250,000), provisions for annual bonuses for the GWB staff (€96,000), provisions for outstanding invoices (€180,000) and costs incurred in the preparation and auditing of annual financial statements (€155,000).

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

Explanatory notes about the income statement

45. Sales

The sales breakdown is as follows:

in € '000	2008	2007
Sales generated by rental operations	9,055	6,056
Services	300	861
Revenues / joint advertising	773	186
Miscellaneous sales	22	0
	10,150	**7,103**

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.

46. Inventory movements

Breakdown:

in € '000	01.01.2008	Reclassificationsrungen	Inventory movements	31.12.2008
Unfinished products and services	2,512	0	19,805	22,317
Finished products and services	44,597	–22,795	–186	21,616
	47,109	**–22,795**	**19,619**	**43,933**

The reclassifications relate to the Lübeck, Nauen and Wuppertal properties.

47. Other own work capitalised

No other own work was capitalised in the 2008 financial year. The other own work capitalised in the previous year amounting to €31,000 related to the Nuremberg property.

48. Other operating income

The other operating income can be broken down as follows:

in € '000	2008	2007
Building cost grants	324	0
Release of provisions	105	30
Compensation in kind	82	73
Miscellaneous income	35	201
Exchange rate gains	0	252
	546	**556**

49. Cost of materials

The cost of materials can be broken down as follows:

in € '000	2008	2007
Expenses for finished products	20,794	46,775
Expenses / ancillary costs for rent	3,186	1,149
Miscellaneous	0	338
	23,980	**48,262**

50. Personnel expenses

in € '000	2008	2007
Wages and salaries	2,617	2,854
Social security contributions	328	280
	2,945	**3,134**

The Group had 21 employees on average over the year, including directors and Management Board members (previous year: 21). Companies that are only consolidated on a pro rata basis have eight additional employees. The personnel expenses for the 2008 financial year do not include any bonuses.

51. Other operating expenses

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

in € '000	2008	2007
Legal and consulting costs	734	270
Outsourced operations	418	333
Bad debt losses	373	0
Investor relations expenses	359	477
Travel and marketing expenses	328	179
Expenses / exchange rate differences	323	112
Loan service charges	291	542
Rent guarantees	285	296
Space costs	213	220
Sales commission	190	0
Non-deductible input tax	120	75
Profit participation certificate expenses	70	0
Operating leasing	30	54
Expenses incurred in the buying back of profit participation certificates	0	1,516
Miscellaneous	561	470
	4,295	**4,544**

The other operating expenses include leasing expenses from operating lease contracts of €283,000 (previous year: €286,000).

The leasing contracts essentially involve the rental agreement for the building in Siek. This agreement had a fixed term of 15 years, with a residual term of nine years on 31 December 2008.

52. Financial result

The following table gives a breakdown of the financial result:

in € '000	2008	2007
Miscellaneous interest and similar income	648	493
Payments for profit participation capital	–111	–124
Interest and similar expenses	–5,601	–2,957
	–5,064	**–2,588**

Borrowed capital interest of €304,000 was capitalised directly as acquisition or production costs of qualifying assets in the course of the financial year (previous year: €0). 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 2008 (€126,000).

53. Changes in the fair value of investment property

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

in € '000	2008	2007
Lübeck property	5,318	0
Spaldinghof property	2,406	0
Nauen property	1,479	0
Guben property	117	–32
Röbel property	97	1
Nuremberg property	0	8,237
Clausthal-Zellerfeld property	–1	0
Tangstedt property	0	0
Wuppertal property	–1,114	6,015
	8,302	**14,221**

54. 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	2008	2007
Taxes on income and earnings / expenses	–11	68
Deferred taxes on income and earnings	585	2,363
	574	**2,431**

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	2008	2007
Earnings before taxes on income and earnings	2,239	9,131
Theoretical tax rate in %	26.7	35.9
Theoretical tax expenses	**598**	**3.278**
Tax increases due to expenses that are not tax-deductible	0	108
Effects of changes in tax rates from 35.9% to 26.7%	0	–1,098
Other tax effects	–24	143
Expenses reported that were incurred due to taxes on income and earnings	**574**	**2,431**

The theoretical tax rate in 2008 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.

55. 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.

	2008	2007
Group earnings attributable to the shareholders of the parent company (EUR)	1,704,577	6,679,574
Number of shares in circulation	4,900,000	4,900,000
Average number of shares in circulation	4,900,000	4,900,000
Earnings per share (EUR)	**0.35**	**1.36**

The undiluted earnings per share and the diluted earnings per share are identical, because no instruments are in circulation that would have a diluting effect.

Miscellaneous information

56. 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.

57. 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 "Others" 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.

58. Miscellaneous financial commitments

The miscellaneous financial commitments from rental and leasing contracts with residual terms of up to eight years amount in total to €1.490 million. €297,000 (previous year: €284,000) are accounted for by the following financial year, €731,000 (previous year: €673,000) by the period between two and five years and €462,000 (previous year: €560,000) by the period longer than five years.

The leasing contracts essentially involve the rental agreement for the building in Siek. This agreement had a fixed term of 15 years, with a residual term of nine years on 31 December 2008. There are also leasing contracts for hardware, telephone systems and cars, with terms of between three and five years.

59. 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 (previously: GWB IMMO Die Immobilien AG) is another related party as defined in IAS 24.3(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 €820,000 for their activities in the period between January and December 2008 (previous year: €1.596 million). The difference from the previous year is attributable to the variable compensation of €600,000 that was paid in the previous year. 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 2008, the Management Board held a total of 2.2 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 since 17 December 2008), tax consultant, lawyer, Chairman of the Executive Board of Stiftung Käte und Werner Staats, Hamburg
- Henrik Michael Lingenhölin (Chairman of the Supervisory Board until 17 December 2008, Deputy Chairman since 17 December 2008), director of the Hofkammer des Hauses Württemberg
- David Maxwell, CEO of Deutsche Land plc

Mr Henrik Michael Lingenhölin resigned from the position of Chairman of the Supervisory Board at the Supervisory Board meeting on 17 December 2008, when the Deputy Chairman of the Supervisory Board, Dr. Thomas Röh, was at the same time elected to be Chairman of the Supervisory Board.

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

HR-MN Vermögensverwaltungsgesellschaft mbH held a total of 0.9 million shares and thus more than 1% of the share capital of GWB Immobilien AG on 31 December 2008 (previous year: 0.9 million shares).

Receivables from related parties:

in € '000	**31.12.2008**	**31.12.2007**
HR-MN Vermögensverwaltungs-gesellschaft mbH	55	65
GWB PLAN	96	49

The receivables involve loans granted and, in the case of GWB PLAN, the payment already made by GWB Immobilien AG relating to the capital increase made with effect from 1 January 2009. The loans were granted at interest rates that are comparable to average market interest rates.

There are trade payables to GWB PLAN GmbH amounting to €1,000 for planning services provided (previous year: €7,000).

The sales generated by GWB PLAN GmbH with GWB Immobilien AG in the period under review, which did not have to be consolidated, amounted to €81,000.

No allowances for uncollectible or doubtful debts were made with respect to related parties in the period under review.

60. 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 €98,000 for auditing the financial statements (previous year: €72,000), €10,000 for other certification and evaluation services (previous year: €15,000) and €32,000 for other services.

61. Compliance statement

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) in December 2008. The statement was made available to the shareholders on a permanent basis by being published on the company's website.

62. Risk reporting

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

63. Events after the balance sheet date

Business development is going according to plan in 2009.

GWB Immobilien AG acquired 50% of GWB PLAN GmbH with effect from 1 January 2009, so that the company is fully included in the consolidated financial statements with effect from 1 January 2009.

Siek, March 2009

GWB Immobilien AG
The Management Board

Dr. Norbert Herrmann   Wolfgang Mertens-Nordmann   Jörg Utermark

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."

Auditors' report

We have audited the consolidated financial statements – comprising balance sheet, income statement, cash flow statement, statement of changes in equity and notes – as well as the group management report of GWB Immobilien AG, Siek, for the fiscal year from 1 January until 31 December 2008. The preparation of the consolidated financial statements and group management report in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied within the EU, and the supplementary commercial law regulations in § 315 a subs. 1 HGB ("German Commercial Code") to be applied, is the responsibility of the company's management board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. 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 German principles of proper accounting 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 internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies 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, the consolidated financial statements of GWB Immobilien AG, Siek, comply with the IFRS, as they are to be applied within the EU, and the supplementary commercial law regulations of § 315a subs. 1 HGB to be applied and in compliance with these regulations conveys a true and fair view of the net assets, financial position and results of operations of the group. 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.

The English translation of the GWB Immobilien AG's Consolidated Financial Statements is provided for convenience only. The German original is definitive. The Auditors report relates to the German original.

Hamburg, March 18th, 2009

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