GWB Immobilien AG

Planning. Development. Building. Management.

Annual Report 2010

Key data

in € million	**2010**	**2009**
Sales	21.3	20.4
EBIT	0.7	−7.2
Profit from ordinary activities	−4.6	−5.8
Net profit	−2.9	−8.9
Earnings per share (in €)	−0.35	−1.66
Operating cash flow	12.0	5.5
Current assets	31.0	43.3
Non-current assets	92.7	95.0
Equity	22.4	24.4
Capital ratio (in %)	18.1	17.7

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. The building of health centres is a new segment of GWB's operations.

Our profile

> Specialist for building and revitalising shopping and specialty retail centres

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

> 19 years of experience

> More than 40 centres successfully built, rented and sold

> Management of own portfolio as well as external properties

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.

Dear Shareholders,

dear ladies and gentlemen,

2010 was another year that was not easy for GWB. Thanks to the sale of one of the portfolio properties, Group sales were nevertheless slightly higher than in the previous year, while the operating result improved to €0.7 million too. In order to boost GWB's liquidity, we made a capital increase in March 2010, which generated gross proceeds of about €1 million for the company.

In an encouraging development, we succeeded in obtaining the necessary funding for the biggest project in the history of the company, POSTGALERIE SPEYER, by entering into new corporate partnerships with investors that have strong financial resources. A start has in the meantime been made on construction work. We also succeeded in selling the project company behind the Bremerhaven property that is in the process of being built. We have now been commissioned to implement the property as planned. 2010 did not produce the results we were aiming for even so. The loss of two major investors in the 2009 financial year is continuing to have an impact.

This has led to strategic changes too: we have decided to focus on project development to a greater extent in future, with the subsequent sale of the new projects. In our operations we will also be concentrating on the development of smaller shopping centres again. We think that there is still great potential here in many smaller and medium-sized towns. We intend to co-operate with investors to an increasing extent in future as well, in order to obtain the funding for new projects.

We also intend to add a new segment to our operations: the fast-growing residential property field. An acquisition would be conceivable in this context too. Our new "health centre" segment has already developed in a very promising way: following the successful planning and construction of the clinic in Lübeck-Travemünde and of the medical and rehabilitation centre in Bremerhaven, further projects are being tackled soon in Wolfsburg and Heppenheim.

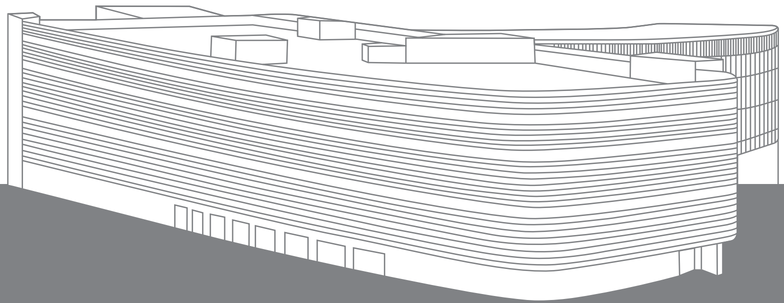
The proceeds of the successful capital increase last year are helping to improve our liquidity position. We, the members of the Management Board, have made funds available to GWB as loans as well.

We have not overcome the consequences of the financial crisis completely yet, but we will be continuing to do everything in our power to return GWB to growth. The aim of all the measures outlined here is to assist us in this process.

We would like to thank our shareholders for their loyalty and support during this difficult phase.

Kind regards,

Dr Norbert Herrmann, CEO



CITY CENTER VÖLKLINGEN

Shopping in the “new centre” of Völklingen

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

Brief outline of the project

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

Property data[1]

> Rental space	**13,340 m²**
> Net rent p.a. (target)	**€2.6 million**
> Expected market value	**€39 million**

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

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

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

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

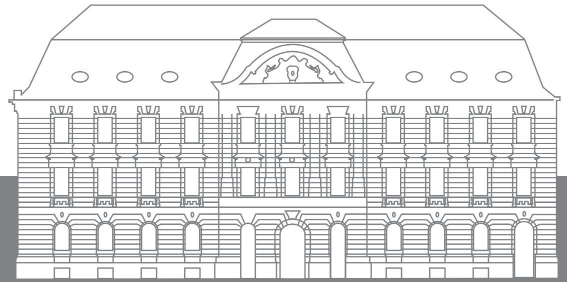
The main entrance is on the new square that is being created in front of the old town hall. This new square is at the same time the new centre of Völklingen. As one of Völklingen’s shopping streets, Rathausstrasse is being upgraded by this new attraction.

[1] *Status March 2011.*

Left: ***View from the street***
Centre: ***Main entrance***
Right: ***Rathausstraße***

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

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



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
- > 80% of retail place rented
- > Improvement in the quality of the retail outlets in the city centre
- > Sales space on three levels

Property data

> Rental space	**15,472 m²**
> Net rent p.a. (target)	**€3.5 million**
> Approx. market value	**€54.5 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 28,000 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 workplaces, Speyer is considered to be "the shopping city" on the edge of the Rhine-Neckar triangle.

Left
Exterior view of the historical fascade

Centre and right
Interior views

GWB Immobilien AG has acquired the property and will be responsible for building the shopping centre. The property was transferred to Projektgesellschaft market 12 GmbH & Co. KG – a wholly-owned subsidiary of GWB Immobilien AG – in 2011. Investments of about €44.3 million are planned. 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 €54.5 million once it is completed in the 2nd half of 2012. A start has been made on construction work in the meantime.

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

BREMERHAVEN REHABILITATION CENTRE

Medical and rehabilitation centre based on a model concept

Medical care on the North Sea coast

Brief outline of the project

- > Medical and rehabilitation centre
- > Extension to Bremerhaven Hospital
- > Based on the model concept implemented in Travemünde

Property data

> Rental space	**5,970 m²**
> Net rent p.a. (target)	**€998.5 thousand**
> Exp. market value	**€13.8 million**

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

GWB is acting as the business manager responsible for building a medical and rehabilitation centre in Bremerhaven that largely follows the Travemünde concept, as an extension to Bremerhaven-Reinkenheide Hospital. The property is owned by Projektgesellschaft market 12 GmbH & Co. KG. GWB Immobilien holds 5.1% of this company.

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

The hospital and other investors, such as GWB Immobilien AG, are or will in the next few years be carrying out various building projects on hospital land in order to make the hospital more attractive by increasing the range of medical treatment available there. GWB's activities are based on the requirements of the hospital, which is adding specialised doctors' practices to its programme. Further tenants are such service providers as a chemist's shop, a medical supply store and a large cafe.

Left
Entrance

Centre and right
Different views of the building

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

Bremerhaven is a city in the state of Bremen that had about 113,500 inhabitants in November 2010. It is the biggest navy location in Germany and the largest city on the North Sea coast. The seaport between the River Weser and the River Elbe is an economic and cultural centre for more than 300,000 people in the region.

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

The building permission has been granted and construction work has begun.

CURRENT PROPERTY PORTFOLIO

We sold the Guben, Röbel and Wuppertal properties in 2010. The total portfolio was worth €121.6 million (balance sheet value) at the end of the year.

Bad Sülze

Completion	1997
Rental space	2,400 m²
Net rent p.a. (target)	€165.0 thousand
Balance sheet value on 31.12.10	€1.7 million
Status	Portfolio GWB

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

City-Center Clausthal-Zellerfeld

Completion	2001
Rental space	2,410 m²
Net rent p.a. (target)	€210.0 thousand
Balance sheet value on 31.12.10	€2.4 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.

KÖNIGPASSAGE Lübeck

Acquired	2007
Rental space	15,051 m²
Net rent p.a. (target)	€2.9 million
Balance sheet value on 31.12.10	€34.2 million
Status	Portfolio GWB

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

Nauen

Acquired	2007
Rental space	11,094 m²
Net rent p.a. (target)	€734.0 thousand
Balance sheet value on 31.12.10	€8.3 million
Status	Portfolio GWB

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

Shopping centre MAXIMUM, Nürnberg

Acquired	2007
Rental space	12,734 m²
Net rent p.a. (target)	€1.8 million
Balance sheet value on 31.12.10	€17.1 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. (target)	€290.4 thousand
Balance sheet value on 31.12.10	€5.0 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.

Office building, “Spaldinghof”, Hamburg

Acquired	2008
Rental space	12,695 m²
Net rent p.a. (target)	€1.5 million
Balance sheet value on 31.12.10	€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 un-usual in inner-city Hamburg. Nearly all of the space in the property is rented.

Shopping centre, Tangstedt

Completion	2003
Rental space	2,549 m²
Net rent p.a. (target)	€284.4 thousand
Balance sheet value on 31.12.10	€4.7 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.

DEVELOPMENT PROJECTS

Medical and rehabilitation centre, Bremerhaven

Planned Completion	2011
Rental space	5,970 m²
Planned net rent p. a.	€998.5 thousand
Planned investment	€10.7 million
Expected market value	€13.8 million
Status	Planning stage

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

Shopping centre POSTGALERIE, Speyer

Planned Completion	2011/2012
Rental space	15,472 m²
Planned net rent p. a.	€3.5 million
Planned investment	€44.3 million
Expected market value	€54.5 million€
Status	Planning stage

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 construction has begun. It is GWB's biggest property at the moment. GWB OBJEKT is assuming responsibility for management of the centre.

Shopping centre, Völklingen

Planned Completion	2012
Rental space	13,340 m²
Planned net rent p. a.	€2.6 million
Planned investment	€33.0 million
Expected market value	€39 million
Status	Planning stage

Völklingen is a town in Saarland with about 40,000 inhabitants. The retail structure of the town is to be improved in connection with extensive modernisation exercises in the centre of Völklingen. GWB has secured key sites for the shopping centre that is planned in the heart of the town. GWB expects to be able to start construction work at the end of 2011.

Wolfsburg

Planned Completion	2012
Rental space	7,447 m²
Planned net rent p. a.	€1.2 million
Planned investment	€13.2 million
Expected market value	€16.0 million
Status	Planning stage

Wolfsburg is one of the new regional centres in Lower Saxony and is part of the Hanover-Braunschweig-Göttingen-Wolfsburg metropolitan area. The outpatient centre will be built directly at the hospital in Klieversberg, which is in the south-east of the city. This centre is in line with the new concept for health centres, which are developing in Germany. The main tenant will be a private company that already operates several centres successfully in Germany. The rest of the space is designed for medical specialists. Interest has in the meantime been expressed about practically all of the space available. This property will be supplemented on the ground floor by such service providers as a bakery/cafe and a pharmacy.

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"). We have built several health centre properties in recent years. The know-how we have acquired as a result is being expanded, so that this segment will become an established element of GWB's operations. GWB Immobilien AG has the experts from different fields that are needed to implement this strategy. All these areas are linked together to form the comprehensive unit that GWB represents.

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 about 1,550 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. The company is currently screening 95 locations and is actively developing 4 of them as potential GWB locations[1]. GWB has set up regional offices for acquisition purposes.

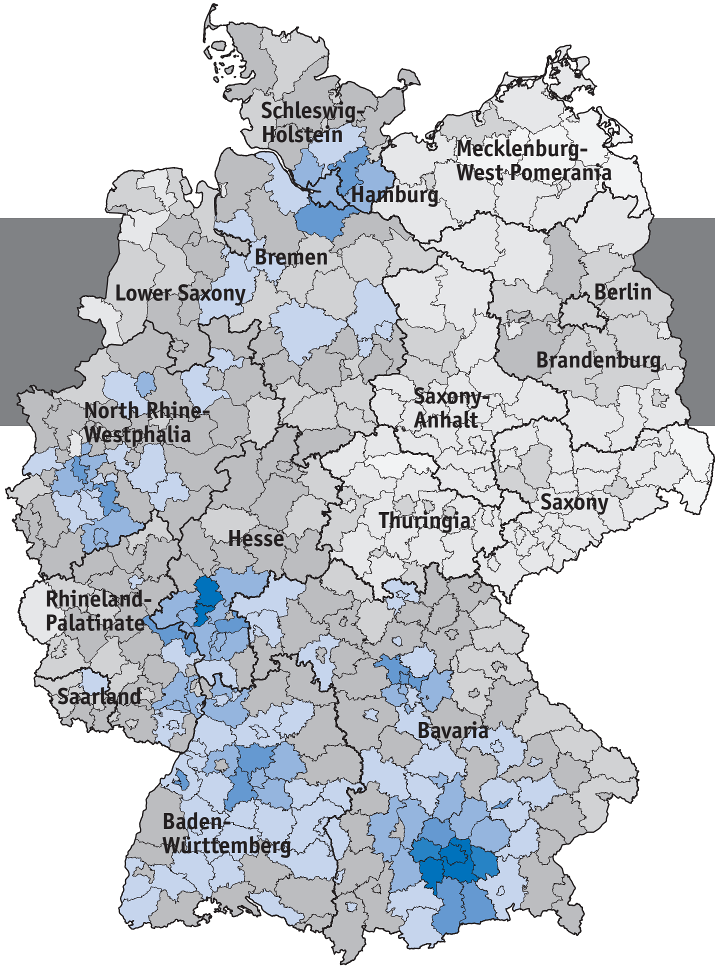
Administration and facility management – GWB OBJEKT

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 and/or capable regional construction companies. A GWB project manager is given responsibility for building management. We also deploy a regional architect in each case, who is responsible for specific assignments and controls project implementation.

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



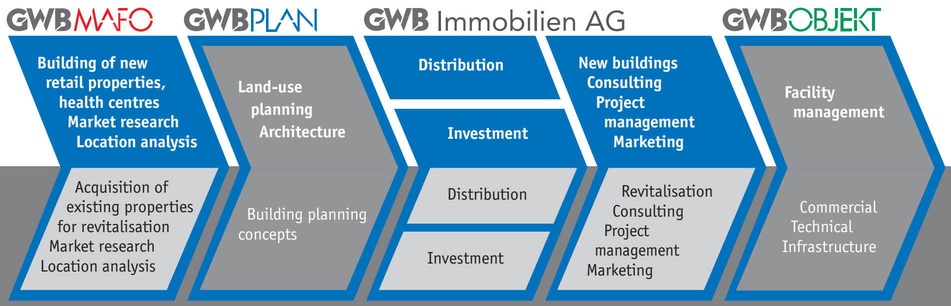
Purchasing power in Germany in 2010
in € per person

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

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

Rental and sale

The core area of our operations is 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 retail 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 corporate 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:

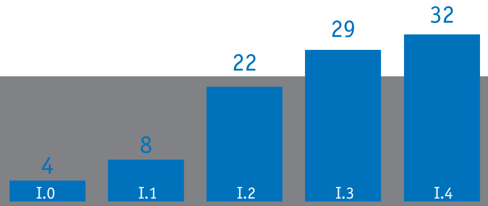
1. Planning, development and building of new shopping and specialty retail centres
2. Revitalisation of existing shopping and specialty retail centres
3. Planning, development and building of new health centres.

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 core 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.

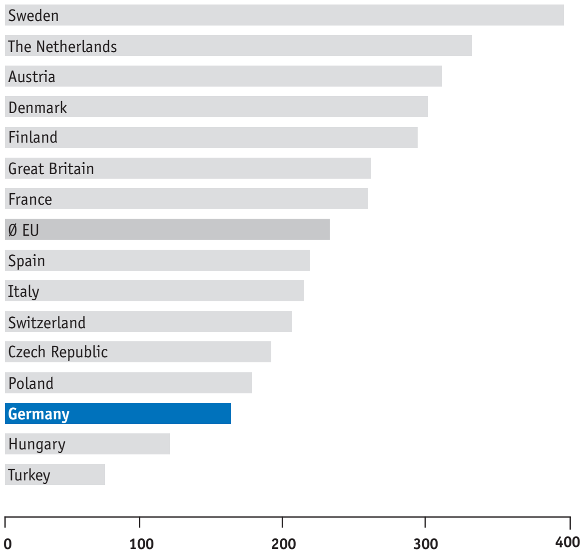
Even large investors are discovering and investigating this attractive market. A different approach than in cities is, however, needed in this market segment. There are limits on size in these towns and the contents differ from conventional centres too. We have determined that the right size is around 15,000 m² of rental space. These centres, that have a tenant structure which ranges largely



Number of locations according to the stage reached in market coverage

Development potential of retail space

Retail space (shopping centres) in m² per 1,000 inhabitants



Status: 09/2010
Source: Cushman & Wakefield, Marketbeat, September 2010

between a specialty retail centre and a city-centre shopping centre, are also called "hybrid malls" in the trade press.[1]

Another factor is that the net initial yields are higher than is the case with projects in cities.

GWB does not think that these centres necessarily require a grocery store as a tenant, however; instead of this, it is very important that these centres supplement and round off the range of retail outlets available in the middle of a medium-sized town. These centres are a replacement for the department stores that no longer exist in many towns of this size.

If they are planned carefully, these shopping centres make a town more attractive and improve the quality of life there. The large selection 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.

[1] *Handelsimmobilien Report No. 90 from 4.3.11*

Status/market coverage

Status I (active coverage)
- 4 locations with priority I.0
  - Negotiations about purchase contracts
  - Legal reviews of building potential
  - Start of space rental

- 8 locations with priority I.1
  - Fixed location
  - Sites available
  - Negotiations in progress

- 22 locations with priority I.2
  - Location under consideration
  - There are openings

- 29 locations with priority I.3
  - Location is being watched

- 32 locations with priority I.4
  - Market analysis indicates opportunities
  - Location not visited yet

Status II
1,412 locations, not investigated yet

We have been operating in the retail and commercial property field in Germany for 19 years now: the main strengths we have in a fiercely competitive environment include our many years of experience, our comprehensive market know-how and our principle of acting as a single, integrated source.

Retail properties continue to be in demand, in spite of the international financial crisis. Prospective buyers 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 about 1,412 further locations (status II) alongside the 92 locations that are already being screened (status I).

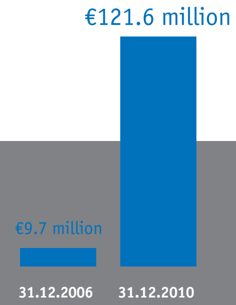
Revitalisation of shopping and specialty retail centres

The renovation and modernisation of existing retail properties – “revitalisation”, as it is known – has developed into a strong emphasis in GWB’s operations in the last few years. GWB is focussing in this context on shopping centres that need major revitalisation. There is enormous potential. Although no exact figures are available, various companies and investors have quoted some in recent weeks. They suggest that investments of between €3 and 5 billion are needed. GWB is making a concerted search for such properties.

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.

GWB currently has access to properties of this kind with an investment volume of more than €300 million. This confirms that our assessment of this market segment is correct and that there is sufficient growth potential.

Portfolio development
(balance sheet figures)



We estimate that equity amounting to 25 – 30% of the investments will be necessary in order to be able to finance the acquisition of such properties. GWB only has these funds available to a limited extent, so that we will only be able to continue growing in this segment if we find partners who make the necessary equity available to us. Intensive negotiations are in progress in this context. We are focussing in this area exclusively on properties that have potential for value to be added, i.e. with which more and higher rent can be generated by making functional and content changes. Structural changes go hand in hand with adaptation to the current expectations of the tenants. This means that most rental partners respond positively to the implementation of such projects.

Development of the property portfolio

The GWB Immobilien AG portfolio was worth €121.6 million on 31.12.2010. This means it has increased substantially since the IPO in 2006. The portfolio was worth €9.7 million at this time (31.12.2006). Total rental income in the 2010 financial year was €7.6 million.

In the past, GWB's objective was to build up a portfolio. We have made a change to our strategy here in the meantime. It has to be accepted that a portfolio can only be developed in small stages if we aim to do this with our own resources. Considerably more equity than we have available is needed to develop the portfolio, because we can only generate equity without partners via the proceeds of the sale of properties. This volume will not be sufficient, however.

We can also obtain equity by making a further increase in company capital. We do not rule out the possibility of such an approach either. There are limits to the volume that is feasible via capital increases, so that we cannot reach the objective with this approach either. For this reason, GWB has adopted a new approach. We are explaining this in greater detail on page 38.

We have been operating in the retail and commercial property field in Germany for 19 years now: the main strengths we have in a fiercely competitive environment include our many years of experience, our comprehensive market know-how and our principle of acting as a single, integrated source.

Flexibility is one of the factors that make us successful

Key investment highlights

We are still finding new locations. We have not cut back on our activities; on the contrary, we are working on new projects at numerous locations. We will be continuing to focus intensively on our goal of developing and building new shopping centres in medium-sized towns in particular, because the market potential is there. We will also be investigating the local supply centre segment again, because there is still a need for such centres. The advantage of these smaller properties is rapid implementation, because such projects can be completed within 1.5 – 2 years.

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 over 40 successful projects. Our professional know-how and many years of market experience in numerous projects make our staff experts in their individual areas. We have an impressive record in the health centre construction segment too in the meantime.

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.

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 the particular reasons for GWB's success. They include such retail groups and chains as Hennes & Mauritz, DM, Müller-Kaufhaus, ALDI, C&A, EDEKA, Bestseller, S.Oliver, Triumph, Das Depot, Kaiser's Tengelmann, REWE, RENO, 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.

Tremendous development potential for retail space

Retail properties continue to be a very attractive proposition because of the stable, effectively predictable income they generate.

According to Jones Lang Lasalle (JLL), centres are the strongest category of all commercial properties used for retail purposes – far ahead of discounters and specialty retail markets. Retail property worth a total of almost €7.5 billion changed owners in 2010. Shopping centres accounted for €3.2 billion of this total[1].

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. Particularly bookstores, sports and consumer electronics outlets, perfume stores and chemist's shops now require far more than twice the retail space they used to.

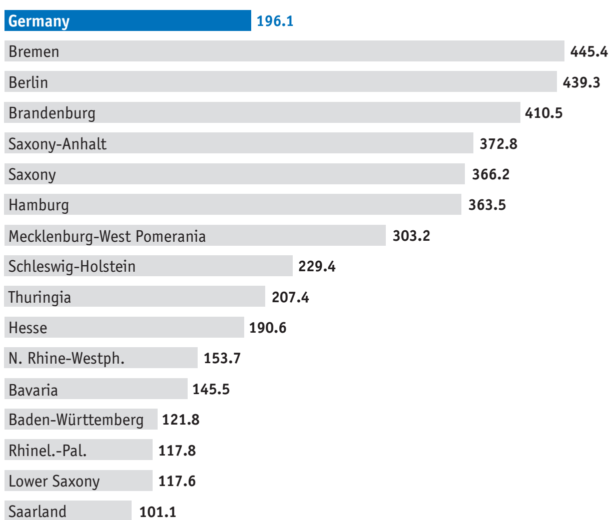
Many older shopping centres are at the same time in urgent need of revitalisation: we think that there is tremendous potential for increasing the value of these properties via modernisation and restructuring. The carefully co-ordinated tenant structure at our shopping and specialty retail centres increases their appeal, guarantees low turnover rates and 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.

[1] *Die Welt, page IM 1 from 5.3.11*

Our market potential

Shopping centres: space per 1,000 inhabitants

Total area 13.7 million m² (date: January 2011)



Source: Institut für Gewerbezentren (IfG), Starnberg.

“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.”[2]

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.

[2] Simone Baecker-Neuchl, GfK GeoMarketing 01/2008.

The purchasing power of the Germans will rise by €499 in 2011.

According to GfK, purchasing power in Germany will be increasing considerably by €499 per capita in 2011 over the previous year. This means that the average purchasing power of Germans will amount to €19,684 in 2011. The reasons for this are not only the fact that the financial crisis has been overcome quickly but also that higher wages are anticipated for 2011.[1]

By comparison with Europe as a whole, the development potential for shopping centres in Germany continues to be high. According to a study by Cushman & Wakefield, Germany is a long way down the list with 96 m² of retail space in shopping centres per 1,000 inhabitants, a figure which is considerably lower than the EU average of about 230 m² of retail space per 1,000 inhabitants.[2]

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.

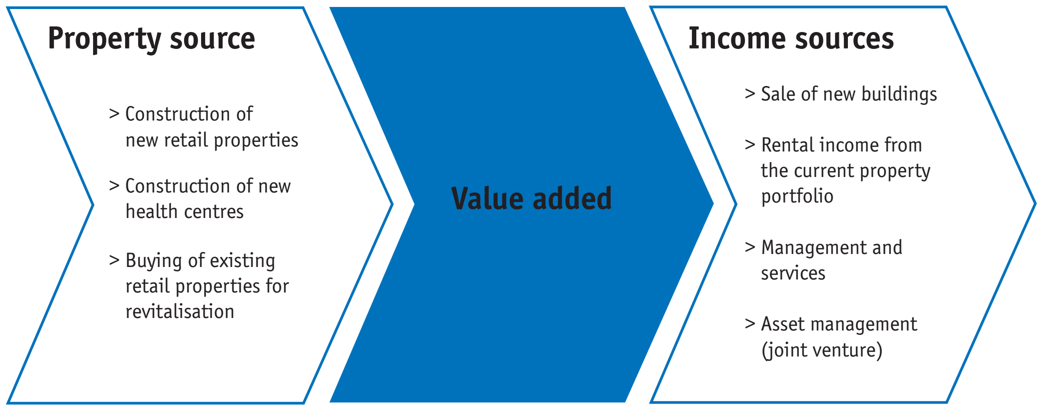
Attractive pipeline

There is sufficient market volume in the two areas on which GWB's operations are based – project development and revitalisation. As has already been mentioned, new locations are in the process of being developed. In addition to the Speyer, Völklingen, Bremerhaven and Wolfsburg properties, we are also working on projects that can be implemented in the coming years. The investment volume for the above-mentioned projects amounts to about

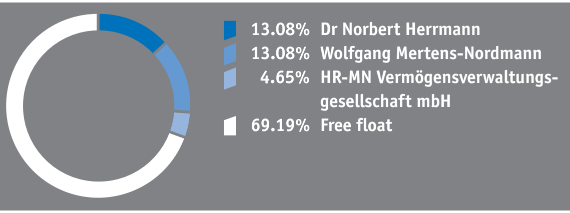
[1] GfK GeoMarketing press release from 09 March 2011
[2] See the table on page 18

€100 million. The larger market for GWB is the acquisition of existing retail properties that need to be revitalised, with the result that their value can be increased. We are aware of properties with a volume of about €300 million that are suitable for this segment. How large the volume will be that GWB can tackle will depend essentially on the equity that is available. We refer in this context to our comments about this subject on page 18.

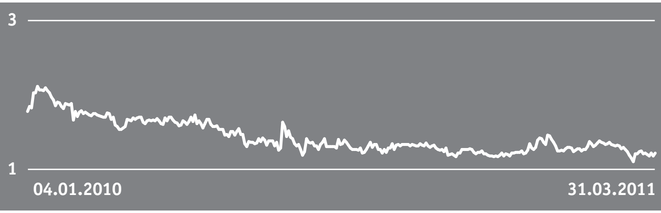
GWB Immobilien AG business model



Shareholder structure in April 2011
in % (based on share capital of €7.875 million)



GWB share performance
in €



Share

Basic data about the share		2010	2009
Number of shares	in '000	7,175	6,525
High for the year	in €	2.18	2.55
Low for the year	in €	1.20	1.22
Year-end price		1.29	1.89
Stock market capitalisation on 31.12.	in € m	9.3	12.3
Share capital on 31.12.	in € m	7.2	6.5
Shareholders' equity on 31.12.	in € m	22.4	24.4

In 2010, it continued to be difficult for both buyers and sellers to obtain funding in the commercial property field. This was particularly the case for medium-sized companies. Contrary to the statements made in many publications, our assessment is that this market did not return to normal in 2010. Our analysis is also that a larger proportion of equity will be needed in future.

The GWB Immobilien AG share started the 2010 financial year at a price of €1.83. In the course of the year, the share price ranged between €2.18 (high for the year reached on 11.01.10) and €1.20 (low for the year reached on 08.12.10). The year-end price on 30.12.2010 was €1.29.

With approval given by the Supervisory Board, the Management Board of GWB Immobilien AG passed a resolution in March 2010 to increase the share capital of the company by up to €650,000 using authorised capital. 650,000 shares with no par value were placed with institutional investors for an issue price of €1.55 per share, with the subscription right of the existing shareholders being suspended. The company received new funds of about €1.0 million as a result.

The Wuppertal, Guben and Röbel properties were sold in the course of the year. The net asset value on the basis of the new share capital amounted to €3.09 on 31.12.2010.

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 at 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 development 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 on page 53 of the consolidated management report.

Members of the Supervisory Board

Dr Thomas Röh (Chairman)

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

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

Banker/Bank Clerk Jürgen Mertens

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

Dipl.-Ing. Michael Müller

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

Shareholders’ meeting

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

Directors’ dealings

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

Executed directors’ dealings (§ 15 a WpHG)

Name and position	Nature of the transaction	Title of the security	ISIN	Date, location	Number	Price	Total volume
						in €	*in €*
Jörg Utermark	Sale	Share	DE000A0JKHG0	04.03.2010, Xetra	5,000	1.70	8,500

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, each hold direct interests of 13.08% of the shares in GWB Immobilien AG. They also hold an indirect interest in the company via HR-MN Vermögensverwaltungsgesellschaft mbH. The latter owns 4.65% of the shares and each of the two above members of the Management Board holds a 50% interest in the company.

The free float amounts to 69.19%.[1]

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 46.

Compliance statement
The Management Board and the Supervisory Board of GWB Immobilien AG issued the compliance statement in July 2010. It confirms that the company implements the recommendations of the Government Commission/German Corporate Governance Code (as amended on 18 June 2009) to a very large extent. GWB Immobilien AG has committed itself to compliance with the recommendations in the 2011 financial year too.

[1] *All the information about the shareholders relates to the situation in April 2011.*

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 obtained D&O insurance coverage for its supervisory board without a deductible. The Management Board and the Supervisory Board are of the opinion that a D&O insurance deductible is not an appropriate way to reach the objectives of the Code. Deductibles can be insured by the members of the Supervisory Board themselves, so that the deductible does not have the intended effect. In the final analysis, such a deductible only leads to a small reduction in Supervisory Board compensation due to private payment of the insurance 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 company wants to continue to have access to the expertise of experienced Management Board members. It does not appear to the Management Board and the Supervisory Board to be sensible to exclude people solely for age reasons, as this could prevent the Management Board from having the best possible members.

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

> *5.4.1. Age limit for members of the Supervisory Board*
An age limit has not been specified for members of the Supervisory Board, because the company wants to continue to have access to the expertise of experienced Supervisory Board members. It does not appear to the Management Board and the Supervisory Board to be sensible to exclude people solely for age reasons, as this could prevent the Supervisory Board from having the best possible members.

> *5.4.6. Individualised disclosure of Supervisory Board compensation*
We do not implement 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 disproportionately severe compared with the benefits of doing so.

> *5.4.6 Performance-related compensation for the Supervisory Board*
The members of the Supervisory Board only receive fixed compensation. There is no provision for performance-related compensation. The main assignments of the Supervisory Board are to control and monitor the conduct of the business. The Management Board and the Supervisory Board do not think that compensation based on corporate success would help these objectives to be reached.

> *7.1.2 Reporting*
Contrary to 7.1.2, the 2009 consolidated financial statements were not made publicly accessible within 90 days of the end of the financial year. This was due to reasons relating to the procedure followed in preparation of the annual financial statements. GWB aims to publish the 2010 annual financial statements within 90 days of the end of the financial year again.

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 by the Supervisory Board

Advisory and control function for the company management

The Supervisory Board carried out its advisory and control function comprehensively in the 2010 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. Four 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 financial planning and making sure the necessary liquidity was maintained. Different approaches were discussed with the Management Board with the aim of strengthening the company's capital base substantially.

Further issues discussed included

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

Changes in the Supervisory Board

None

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 July 2010, 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 18 May 2011 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 18 May 2011 the Supervisory Board approved the annual financial statements compiled by the Management Board. The annual financial statements have therefore been adopted.

Final remarks

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

Siek/Hamburg, 18 May 2011

Dr Thomas Röh

Financial information

The year 2010 was again not easy for GWB. However, following the sale of a portfolio property the Group revenues have slightly increased compared to the previous year and the operating result improved to € 0.7 million. To ensure the liquidity of GWB a capital increase was carried out in March 2010 with gross proceeds of around €1 million. Please read more in the following section Financial Information.

Group management report

1. General conditions and overall economic development in 2010

The German Ministry of Economics and Technology[1),2)] anticipates that the Gross Domestic Product in Germany grew by about 3.6% over the previous year in 2010. The figure for 2009 was −4.7%. This means that the German economy has recovered from the crisis considerably faster than expected. A further, albeit somewhat less strong increase in overall economic output is forecast for the current year. Attention should be drawn to the fact that there has been a shift in the sources responsible for the growth.

About two thirds of the growth were already attributable to domestic demand in 2010. Foreign trade, which was the driving force behind the recovery of the German economy at the beginning of 2009, has therefore lost its position as sole growth driver. The German Ministry of Economics and Technology expects overall economic growth in Germany to be even more balanced in the current year thanks to a further increase in domestic demand.

There continue to be positive trends on the employment market, in consumption and in corporate investment. Whereas many companies have reported that capacity utilisation levels largely returned to normal in 2010, higher priority is now being given again to investments based on growth expectations.

The employment market, which proved to be resilient in 2009 and 2010 anyway, has stabilised even more and is encouraging a further increase in expenditure on private consumption. The German Ministry of Economics and Technology thinks that the latter is likely to continue in 2011 too. Consumer confidence reached the highest level in 3 years in March 2011.

Developments on the property market

Following the slump in transaction volume on the German commercial property market of almost 50% in 2009, this development was reversed almost completely in 2010. The transaction volume almost doubled over the previous year to about €19.3 billion[3)]. The 4th quarter was in addition the strongest three-month period since the first quarter of 2008.

Other parameters apart from the large increase in transaction value also indicate an ongoing recovery of the German commercial property market. Compared with the previous year, there were – for example – increases in the size of individual transactions as well as a substantial rise in the proportion of the German market accounted for by foreign investors.

The average transaction size increased from €16 million to €31 million, while the proportion of the transactions exceeding €100 million was about 40% in 2010. The proportion of the market attributable to foreign investors went up from just under 14% in 2009 to about 36% in 2010.

Some €7.7 billion (40%) of the total transaction volume of €19.3 billion were accounted for by office property, while €7.5 billion were invested in retail property (39%).

The market has developed in several stages since the financial and property crisis in 2008 and 2009. The first stage in this development was a slow resumption in property investments following the severe slump. The main features of the market were a lack of transaction complexity, small transaction property sizes and a very strong focus on security by investors. Most of the investments were exclusively in single properties that needed to be in prime locations and generate safe returns. The vast majority of investors were market players with a strong equity base.

1) Press release issued by the German Ministry of Economics and Technology on 17.03.2011
2) Monthly report 04-2011 issued by the German Ministry of Economics and Technology

As the markets and the economy continue to recover, transaction sizes are growing again, while the portfolio structures and the range of buyers are becoming more varied. Investors' reluctance to take risks is nevertheless still the factor that is preventing transaction volume from increasing even more.[3)]

According to Ernst & Young, it can be expected that almost 200 of the existing 400 shopping centres will need to be revitalised in the coming years.[4)] As investors become more willing to take risks, market interest will also start to focus once again on investments in which the emphasis is on property development or revitalisation. We too think that strong growth can be anticipated here.

2. GWB Immobilien AG

GWB's business operations and market

GWB Immobilien AG (hereinafter referred to as "GWB") has already been operating on the market for commercially used property since 1992 and continued to concentrate on this market in 2010 as well. In this context, the market for commercial property consists in particular of the market for retail space.

Ever since it was established, GWB has focussed on the planning, development, renting, management, construction and sale of shopping centres, self-service department stores, specialty retail centres, office buildings and supermarkets. GWB's emphasis in its operations in this area is on retail properties, primarily in medium-sized towns. GWB has a track record here of over 40 successfully implemented projects.

The business operations have been expanded in the past two years. In the meantime, GWB also develops and builds health and rehabilitation centres, most of which are located on hospital sites.

GWB continued to feel the impact of the financial crisis in the 2010 financial year, so that the company generated a consolidated net loss for the 2010 financial year too.

GWB strategy and business model

From 2004 to mid-2007, there was a development on the market for commercial property that was characterised by increasing interest from foreign investors in German commercial property. GWB already realised that this process of change was in progress in 2004 and 2005 and adapted the company's objectives and strategy accordingly. Many different contacts to foreign investors were established during this period. Within the capital market crisis the market has basically changed. The list of potential investors was now topped to a greater extent by German players again. English investors virtually disappeared from the market in this period.

In 2009 and 2010, the market was dominated by a lack of liquidity on the part of all players, both buyers and sellers. The proportion of large property sale and acquisition transactions, which accounted for an increasingly major part of trading volume between 2004 and 2008, decreased considerably. Market players on the buyers' side were now investors with a good to very good equity base or large investment trusts. There are in particular fewer investors who are looking for and buying smaller volumes (up to €10 million). We think the reason for this was that these investors found it impossible to persuade banks to accept the financing models they have implemented in the past.

3) Jones Lang LaSalle: press release of 07.01.2011
4) "Abwärtsspirale versus Upgrade" in Ernst & Young Real Estate Trends, issue 44, April 2011

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.

In its retail centre building operations, GWB has always focussed on discount stores too. We will be continuing to concentrate on this segment – including smaller units again – in future.

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

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

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

Following the success achieved by GWB in the implementation of health property projects, active steps have been taken to expand this segment. It will become another key element of GWB's operations in future.

Revitalisation

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

Approach adopted by GWB

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

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

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

Towns and other local authorities frequently have retail reports that are then analysed by GWB MAFO. If such reports are not available, the location analyses are made by GWB MAFO Kommanditgesellschaft für Markt- und Standortanalysen mbH & Co. 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 decades of experience, GWB has developed in-depth know-how that covers all the different areas involved when new commercial building projects and remodelling exercises are completed.

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

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

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

Organisation

The GWB corporate group

GWB Immobilien AG

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

GWB's operating companies

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

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

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

GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH

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

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

GWB OBJEKT Gesellschaft für Objektmanagement mbH

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

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

Changes in Management and Supervisory Board membership

There were no changes in Management and Supervisory Board membership in 2010.

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. When projects are carried out, it is specified that certain parameters are mandatory and have to be observed. Specialty retail centre, market and local supply centre projects are only implemented when the investment does not exceed 11.0 – 11.5 times the net annual rent. Projects involving shopping centres located in the middle of towns are only implemented when the investment does not exceed 12.5 times the net annual rent. Health centre projects are only implemented when the investment does not exceed 11.8 times the net annual rent.

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

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

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

7. 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 32 permanent employees in 2010 (previous year: 34). 12 of these 32 employees are deployed in centre management at the properties in Lübeck, Bamberg and Nauen (previous year: 12). GWB Immobilien AG is only burdened with these costs to a limited extent, because most of them are charged to the tenants as part of the ancillary costs.

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

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

Organisational structure

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

3. Information about business and economic development

We did not generate the results we aimed to achieve in 2010. This was due to the impact of the decisions made in the autumn of 2009 (withdrawal of HSH Real Estate from the joint venture) and the non-extension of the loan for the Speyer property. The failure to obtain new funds for further development and the search for new sources of funding for the major Speyer project dominated operations in the initial months of the year. We did not see any signs of a return to normal in the business environment in the first half of 2010. Rethinking was needed and we responded as effectively as we could. Further cost-cutting was made wherever this was reasonably possible and, in the course of the year, we already started to focus on project development again, with the aim of selling these projects quickly. Further information about the expansion of our operations can be found in section 6 (Outlook for the business and the general conditions).

We succeeded, for example, in selling the project company that will be implementing the Bremerhaven project (rehabilitation centre) in 2010. The smaller Guben and Röbel properties were sold in 2010 too. The proceeds were not sufficient, however, to stabilise GWB's operating results and to guarantee company liquidity, so we took further steps to strengthen liquidity by making a capital increase and by obtaining loans from shareholders and members of the Management Board. The capital increase was made in March 2010.

GWB made a capital increase based on a resolution passed by the Management Board of GWB Immobilien AG on 02.03.2010, which was approved by the Supervisory Board; this capital increase was subscribed completely. The share capital of GWB Immobilien AG increased from €6,525,000 to €7,175,000 as a result. The new shares were issued at a price of €1.55 per share. The company obtained total gross proceeds of €1,007,500 from this capital increase.

In January 2011, GWB made a further capital increase based on a resolution passed by the Management Board of GWB Immobilien AG on 25.01.2011, which was approved by the Supervisory Board; this capital increase was subscribed completely. The share capital of GWB Immobilien AG increased from €7,175,000 to €7,875,000 as a result. The new shares were issued at a price of €1.25 per share. The company obtained total gross proceeds of €875,000 from this capital increase.

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

Operating results

The net loss before non-controlling interests amounted to €2.926 million in 2010 (previous year: net loss of €8.932 million). Earnings per share (undiluted) amounted to −€0.42. The diluted earnings per share amounted to −€0.35. EBIT improved from −€7.194 million in the previous year to €743,000.

Group sales totalled €21.319 million and were therefore €939,000 higher than in the same period the previous year. This increase was attributable to the sale of the Wuppertal property, which led to proceeds of €12.350 million. The rental income of about €7.6 million (previous year: about €8.9 million) is included in sales. The reduction in the rental income over the previous year is due essentially to property sales and changes in tenants at various properties.

The inventory movements decreased substantially to −€11.042 million because of the sale of the Wuppertal property. Apart from the property disposal, which accounts for −€14.900 million of the inventory movements, this figure mainly includes the investments in the Speyer (€3.7 million) and Völklingen (€0.6 million) properties. These expenses are included in the cost of materials as well.

The cost of materials also includes the maintenance and ancillary cost expenses for the managed properties (particularly Lübeck, Nauen, Nuremberg and Spaldinghof). The overall cost of materials was considerably lower than in the previous year (€13.759 million) at €6.671 million.

Personnel expenses amounted to €2.161 million in the period under review. This means that they were 19.8% lower than in the previous year (€2.963 million).

The other operating expenses increased by €222,000 to €3.071 million in the 2010 financial year (previous year: €2.849 million).

The financial result improved from −€5.049 million in the previous year to −€4.245 million. The reduction in the property portfolio due to disposals and the decrease in financing costs associated with this as well as lower interest payments led to this improvement. The revaluation of a swap transaction depressed the financial result by −€88,000. The swap transaction will not lead to an outflow of liquidity in the financial year, however.

The adjustment to the fair value of investment property had a positive impact of €1.291 million on earnings.

Another net loss (of €2.926 million) was made in the financial year (2009: €8.932 million), so that the retained earnings reported at the end of the financial year were negative. The purpose of the restructuring process that has been initiated is to return the company to profit. If GWB does not succeed in making a substantial improvement in the operating results in the 2011 financial year, survival of the company might be endangered.

Financial and asset position

The balance sheet total of GWB Immobilien AG at Group level amounted to €123.7 million on 31.12.2010, which was about €14.7 million lower than in the 2009 financial year.

The inventories item mainly includes the unfinished properties Speyer and Völklingen as well as the finished properties Bad Sülze and Anklam.

The Clausthal-Zellerfeld, Reinbek, Tangstedt, Lübeck, Nauen, Nuremberg and Spaldinghof properties are shown in the investment property item.

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

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

The current liabilities of the company exceed the current assets by about €43.2 million. Most of this difference is attributable to the fact that negotiations are being held about extension of the existing loan contract for the Lübeck property, which is included in the financial assets, so that this loan of about €29.7 million is still shown in the current liabilities. In the first quarter of 2011 an agreement was concluded with a creditor which resulted in a decrease of liabilities.

All in all, the assets of the company totalling €123.7 million are offset by liabilities of €101.2 million, so that shareholders' equity amounted to €22.4 million on the balance sheet date. This is about €2.0 million lower than on 31.12.2009.

The equity ratio was 18.1% on 31.12.2010 (31.12.2009: 17.7%). The consolidated financial statements report a retained loss of €1.765 million.

The cash and cash equivalents decreased by €1.496 million over the balance sheet date the previous year and amounted to €322,000 on 31.12.2010.

The decrease in the cash and cash equivalents is attributable to the negative cash flow from financing activities. The repayment of loans totalling €20.64 million led to cash flow from financing activities of –€18.053 million. The business activities, on the other hand, led to a positive cash flow of €12.011 million.

Since it is essential for the company to maintain corporate liquidity, action to create liquidity was taken in the year under review. In addition to the capital increase, in which the subscribed capital was raised from €6.525 million to €7.175 million, several property sales were made. Due to the net loss generated for the year, these measures were not sufficient to stabilise the liquidity situation of the company. The survival of the company depends on the prompt obtainment of further sources of funds in 2011 as well as on a substantial improvement in the operating results.

4. Risk report

Risk and opportunity management

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

The main individual risks are explained below:

Dependence on overall economic conditions

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

Risks associated with the sale of commercial properties

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

Dependence on the existence of suitable properties

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

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

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

Higher project costs than planned

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

General risks associated with renting commercial space

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

Dependence on future funding via borrowed capital and internal resources

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

Dependence on permits from public authorities

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

Change in the valuation basis if the property market develops negatively

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

Risks associated with a change in the competitive environment

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

Increase in the general interest rate level

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

Legal risk

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

Evaluation of overall risk exposure

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

In view of the upheavals on the financial and property markets in 2009, GWB did not manage to complete the planned sales, so that the funds attributable to them are not available either. Various measures are to be taken in the first half-year of 2011 in response to this situation (sale of properties, capital increase, obtainment of loans). Some of these measures were already carried out in March 2011. The measures taken to date are not yet sufficient, however, to guarantee the survival of the company. The survival of the company therefore depends on the obtainment of further sources of funds as well as on a substantial improvement in the operating results within a short time by disposing of properties and by increasing the rental income from portfolio properties.

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

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

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

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

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

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

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

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

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

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

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

6. Outlook for the business and the general conditions

GWB has decided to realign its business operations and already started to implement this realignment in 2010.

Refocussing on GWB's original business model – project development, construction and rental as well as profitable disposal – is the approach we are adopting to an increasing extent.

The revitalisation business and the service sector are being expanded.
One of the effects of the provision of service in the context of business management contracts is that the equity requirements are reduced substantially.

The properties held in the company portfolio (IAS 40) continue to be developed and, if necessary, revitalised. Profitability is to be increased by changing the tenant structure and by taking further action.

An outline of the different areas and the general conditions is given below:

6.1. Revitalisation of retail and commercial properties on the basis of business management contracts
The need for revitalisation of shopping centres in Germany is undisputed and other companies also acknowledge in the meantime that it is an interesting field. Current estimates indicate that there are about 200 shopping centres in Germany that belong in this category. The investment volume is estimated to total €5-6 billion. There is in addition tremendous potential for the conversion of existing large self-service department stores into specialty retail and shopping centres. We are expecting to generate considerable income for the company in this segment.

6.2. Project development (planning – construction – sale)
GWB will continue to develop and build shopping centres in medium-sized towns. These projects take between 2 and 4 years to complete (from planning to sale). To speed the process up, GWB will in addition be focussing on smaller properties again – projects that can be completed in 1.5 – 2 years.

The chances of selling properties have improved again. The transaction volume on the German investment market in the 1st quarter of 2011 = €5.8 billion. Retail property accounted for about 65% of this (this figure includes 2 transactions totalling €1.4 billion).[1)]

It is still not easy to sell smaller units, because the companies that have bought properties on this market in the past are no longer able to implement their financing models. We think that demand will be increasing, however, because large funds are packaging such properties in the meantime.

If it assumed that the volume forecasts issued by many market observers are correct, the retail property investment volume in 2011 is likely to amount to about €15 billion.

6.3. The new addition to GWB's operations – residential property
GWB is planning to take over an existing company from this segment in 2011 that has been operating in the field successfully for more than 30 years. This company is based in the Cologne area, a region that still has great growth potential. This corporate unit is to continue operating as such, while all the possible synergy benefits are, of course, to be exploited. The activities will be extended to include North Germany, with the emphasis on the Hamburg region.

A new study indicates that there are 90,000 too few flats in Hamburg alone.[2)] Rents are increasing steadily and have in the meantime reached an average level of €10.45. 80% of the population of Hamburg and the surrounding area lives in rented flats.[3)] More than 300 properties are nevertheless empty and can be put to a different use. These data make it clear what potential there is here.

6.4. Expansion of the rehabilitation/medical centre operations
GWB has been commissioned to carry out several projects following the successful developments the company has completed starting with the Lübeck-Travemünde project in 2004. The property in Bremerhaven is in the process of construction, while the Wolfsburg and Heppenheim projects are being implemented too. The investment in these properties ranges between €10 and €15 million per property. We have managed to obtain funding for these projects so far and do not anticipate any problem in doing this again with the new properties.

We have strengthened our acquisition operations and assume that we will be able to secure at least two more properties in 2011.

Competitive situation

We do not hold a monopoly on the market with the new strategy. We already communicated two core messages years ago that have currently been taken over by several medium-sized and large companies:

a) The revitalisation of existing retail properties and
b) The focus on smaller and medium-sized towns.

1) Immobilienbrief No. 242 of 8.4.11/Jones Lang LaSalle

2) WGH Market Report Germany by Engel & Völkers
3) Residential City Jones Lang LaSalle

The focus on medium-sized towns has in particular been discovered by the major market players in the meantime too. On the one hand, this means that the competition for locations is increasing, while these locations are, on the other hand, becoming more important as a result and will attract more attention from investors too due to these activities. The consequence of this will, in turn, be that the value of these locations will rise.

Thanks to our flexibility, we are in a position to cope with this competition, because smaller properties demand different processes and procedures. In a European competition for the Völklingen property, for example, we won the commission in spite of strong competition from companies considered to be major players. We will achieve greater stability with our three areas of operation (retail trade, health centres and residential property).

Implementation of the planned strategy depends on GWB Immobilien AG generating additional cash and cash equivalents and improving its operating results at short notice. The survival of the company could be endangered if the liquidity situation and the operating results are not improved promptly. If this is successful, positive results can be expected in the next years.

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

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

On 31.12.2010, the share capital of GWB Immobilien AG amounted to €7,175,000. It is divided up into 7,175,000 bearer shares with no par value. Each share accounts for €1.00 of the share capital.

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

in %	
Dr Norbert Herrmann	13.08
Mr Mertens Nordmann	13.08

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

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

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

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

The ordinary shareholders' meeting of GWB Immobilien AG passed a resolution on 1 July 2010 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 30 June 2015 by up to €3,587,500 with the approval of the Supervisory Board by issuing up to 3,587,500 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.

The shareholders' meeting of GWB Immobilien AG also passed a resolution on 1 July 2010 authorising the company to acquire treasury shares up to a total of 10% of the present share capital of €7.175,000, i.e. up to 717,500 bearer shares with no par value, each of which accounts for €1.00 of the share capital, up to 30 June 2015. 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.

In accordance with § 4 Paragraph 6 of the articles of association, the share capital is conditionally increased by up to €2,362,500 by issuing up to 2,362,500 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 30 June 2015, in accordance with the authorisation given by the shareholders' meeting held on 1 July 2010. 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 (§ 315 Paragraph 2 No. 4 of the HGB)

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

The compensation that is not performance-based which was paid to the members of the Management Board in the 2010 financial year amounted in total to €488,121.76. (2009: €783,324.16). No performance-based compensation was paid to the Management Board in 2010.

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

In addition to this, each member of the Supervisory Board receives the theoretical per capita share of the premium for financial loss liability insurance concluded in the name of the company at standard market conditions in favour of the members of the Management Board and the Supervisory Board.
The compensation paid to the members of the Supervisory Board amounts to €2,500 per meeting for the Chairman of the Supervisory Board and €1,000 per meeting for the other members of the Supervisory Board.

Each member of the Supervisory Board is also entitled to reimbursement of necessary expenses. The above-mentioned amounts do not include any VAT that has to be paid.

The Supervisory Board received total compensation of €14,000 in the 2010 financial year (2009: €20,000).

8. Events after the end of the Group's 2010 financial year (§ 315 Paragraph 2 No. 1 of the HGB)

In January 2011, GWB made a capital increase based on a resolution passed by the Management Board of GWB Immobilien AG on 25.01.2011, which was approved by the Supervisory Board; this capital increase was subscribed completely. The share capital of GWB Immobilien AG increased from €7,175,000 to €7,875,000 as a result. The new shares were issued at a price of €1.25 per share. The company obtained total gross proceeds of about €875,000 from this capital increase.

In December, the Management Board passed a resolution approved by the Supervisory Board to start negotiations about a significant investment by a partner with strong financial resources. The aim of this investment is to find a sound solution for the company and, in particular, to make a major improvement in the liquidity situation. These negotiations are being pursued actively at the moment and are to be completed to a large extent in the next months. In a first stage, a contract has been concluded with this company about the takeover of a current project.

Responsibility statement in the consolidated financial statements

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, May 2011

Dr Norbert Herrmann   Wolfgang Mertens-Nordmann   Jörg Utermark

Group balance sheet (IFRS)

in €	Notes	31.12.2010	31.12.2009
Assets			
Current assets			
Cash and cash equivalents	34	321,623.82	1,817,619.60
Inventories	35	29,937,383.48	40,979,876.53
Trade receivables	36	546,215.77	236,729.92
Income tax assets	37	38,154.57	171,532.96
Other current assets	37	125,200.06	130,116.85
Total current assets		**30,968,577.70**	**43,335,875.86**
Non-current assets			
Intangible assets	26	1,258.50	999.50
Goodwill	27	271,792.51	272,369.19
Tangible assets	28, 29	123,879.00	146,650.50
Investment property	30	91,652,000.00	76,569,000.00
Non-current assets held for sale	31	0.00	17,392,000.00
Financial assets	32	640,405.70	599,857.52
Total non-current assets		**92,689,335.71**	**94,980,876.71**
Total assets		**123,657,913.41**	**138,316,752.57**

in €	Notes	31.12.2010	31.12.2009
Liabilities and Shareholders' equity			
Current liabilities			
Current financial debt	44	60,829,751.35	65,460,841.70
Trade payables	46	8,981,818.80	6,973,194.26
Tax liabilities	43	20,153.42	17,763.50
Liabilities for non-current assets held for sale	31	0.00	17,860,229.85
Other current liabilities	47	2,827,150.77	3,174,597.50
Current borrowed capital comp./convertible bond issue	41	1,500,000.00	0.00
Total current liabilities		**74,158,874.34**	**93,486,626.81**
Non-current liabilities			
Non-current financial debt	44	25,138,039.93	18,137,660.96
Derivative financial instruments	33	498,861.51	410,807.01
Deferred taxes	42	0.00	594,100.00
Profit participation certificate capital	40	638,885.70	535,134.56
Borrowed capital component/convertible bond issue	41	804,273.10	726,568.13
Total non-current liabilities		**27,080,060.24**	**20,404,270.66**
Shareholders' equity			
Subscribed capital	38	7,175,000.00	6,525,000.00
Capital reserves	38	16,545,123.88	16,250,273.88
Revenue reserves	38	248,580.99	248,580.99
Revaluation reserves	38	-21,376.43	-60,407.19
Retained loss/earnings	38	-1,764,598.59	1,249,178.38
Non-controlling interests	38	236,248.98	213,229.04
Total shareholders' equity		**22,418,978.83**	**24,425,855.10**
Total liabilities and shareholders' equity		**123,657,913.41**	**138,316,752.57**

Group profit and loss account (IFRS)

in €	Notes	2010	2009
Sales	48	21,318,786.96	20,380,130.46
Inventory movements	49	−11,042,493.05	−2,953,272.74
Other operating income	50	1,317,845.52	1,164,070.83
Cost of materials	51	−6,670,637.44	−13,758,512.72
Personnel expenses	52	−2,160,517.05	−2,692,895.85
Depreciation of intangible and tangible assets	29	−23,848.21	−60,406.88
Other operating expenses	53	−3,070,715.27	−2,849,091.82
Financial expenses	54	−4,257,754.57	−5,061,184.48
Financial income	54	12,670.67	12,656.06
Profit/loss on ordinary operations		**−4,576,662.44**	**−5,818,507.14**
Changes due to the adjustment of the fair value of investment property	55	−1,202,000.00	−3,931,000.00
Earnings from the sale of the investment property	57	−216,370.00	0.00
Changes due to the adjustment of the fair value of the non-current assets held for sale	56	2,493,000.00	−2,493,000.00
Taxes on income and earnings	58	575,597.41	3,310,667.03
Consolidated net profit/loss for the year		**−2,926,435.03**	**−8,931,840.11**
Retained earnings brought forward from the previous year		1,249,178.38	10,286,614.75
Non-controlling interests in the consolidated net profit/loss		−87,341.94	−105,596.26
Retained loss/earnings		**−1,764,598.59**	**1,249,178.38**

Statement of comprehensive income

in €	Notes	2010	2009
I. Net profit/loss for the year		**−2,926,435.03**	**−8,931,840.11**
II. Other comprehensive income			
+/− Transaction costs recognised in shareholders' equity	38	−85,450.00	−193,927.77
+/− Profit/loss from available-for-sale financial instruments	38	39,030.76	8,673.99
− Taxes on other comprehensive income	38	22,800.00	−52,100.00
= Other comprehensive income after tax		**−23,619.24**	**−237,353.78**
III. Comprehensive income		**−2,950,054.27**	**−9,169,193.89**
of which attributable to non-controlling interests		0.00	0.00
= of which attributable to shareholders of the parent company		**−2,950,054.27**	**−9,169,193.89**

Group cash flow statement (IFRS)

in T€	2010	2009
Cash flow from business activities		
Earnings before tax and interest	1,894	−7,194
Adjustment to reconcile the earnings before tax to net cash flows		
Depreciation of non-current assets	24	60
Increase in the fair value of investment property and non-current assets available for sale	−1,491	6,424
Other income/expenses that have no impact on payment	−249	−20
Decrease/increase in inventories	11,042	2,953
Decrease/increase in trade receivables	−309	149
Decrease/increase in other receivables and other assets (where they are not investment or financing activities)	138	631
Decrease/increase in other liabilities (where they are not investment or financing activities)	972	2,558
Taxes paid on income and earnings	−10	−51
Cash flow from business activities	**12,011**	**5,510**
Cash flow from investment activities		
Cash outflows for investments in tangible assets	−1	−1
Cash outflows for investments in property held in accordance with IAS 40	3,800	0
Cash outflows for investments in intangible assets	−1	0
Cash outflows for investments in financial assets	0	−117
Cash inflows from disposal of financial assets	0	60
Cash outflows for the acquisition of subsidiaries	0	−1
Cash inflows from the sale of subsidiaries	749	0
Cash flow from investment activities	**4,547**	**−59**

in T€	**2010**	**2009**
Cash flow from financing activities		
Cash inflow from the obtainment of loans	5,771	5,831
Cash outflows from the repayment of loans	−20,164	−8,613
Cash inflows from the capital increase	1,008	3,383
Interest paid	−4,681	−5,283
Interest received	13	13
Cash flow from financing activities	**−18,053**	**−4,669**
Changes in chas and cash equivalents that have an impact on payment	**−1,495**	**782**
Cash and cash equivalents at the beginning of the period	1,818	1,036
Changes in cash and cash equivalents due to consolidated group	−1	0
Cash and cash equivalents at the end of the period	322	1,818
Breakdown of the cash and cash equivalents	322	1,818
Cash in hand and at banks	322	1,818

Group segment reporting 2010

in T€	Sale/ rental	Management	Others	Elimination	Total
Sales					
External sales	20,449	869	1	0	21,319
Sales between the segments	1,655	853	330	−2,838	0
Total sales	**22,104**	**1,722**	**331**	**−2,838**	**21,319**
Earnings					
Segment earnings	440	154	149	0	743
Interest income	13	0	0		13
Interest expenses	−4,234	0	−24		−4,258
Taxes on income and earnings					576
Non-allocated expenses					0
Non-controlling interests					−87
Consolidated net loss for the year					**−3,013**
Main segment income					
Earnings from IAS 40 valuation	−1,418	0	0	0	−1,418
Information about the asset situation					
Segment assets	122,552	46	148	0	122,746
Non-allocated assets					912
Total assets					**123,658**
Segment liabilities	99,719	23	33	0	99,775
Non-allocated liabilities					1,464
Total liabilities					**101,239**
Further segment information					
Investments in intangible and tangible assets	1	0	1	0	2
Scheduled depreciation	22	0	2	0	24
Other expenses apart from depreciation that have no impact on payment	479	0	0	0	479

Group segment reporting 2009

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

Consolidated statement of equity movements (IFRS) 2009 und 2010

in €	**Share capital**	**Capital reserves**	**Revenue reserves**	**Revaluation reserves**	**Retained earnings**	**Non-controlling interests**	**Total shareholders' equity**
Balance on 01.01.2009	**4,900,000.00**	**15,466,255.31**	**248,580.99**	**−69,081.18**	**10,286,614.75**	**107,632.78**	**30,940,002.65**
Capital increase	1,625,000.00	893,750.00	0.00	0.00	0.00	0.00	2,518,750.00
Costs of the capital increase	0.00	−139,865.00	0.00	0.00	0.00	0.00	−139,865.00
Convertible bond issue	0.00	30,133.57	0.00	0.00	0.00	0.00	30,133.57
Market valuation of available-for-sale securities	0.00	0.00	0.00	8,673.99	0.00	0.00	8,673.99
Earnings in the period	0.00	0.00	0.00	0.00	−9,037,436.37	105,596.26	−8,931,840.11
Balance on 31.12.2009	**6,525,000.00**	**16,250,273.88**	**248,580.99**	**−60,407.19**	**1,249,178.38**	**213,229.04**	**24,425,855.10**
Balance on 01.01.2010	**6,525,000.00**	**16,250,273.88**	**248,580.99**	**−60,407.19**	**1,249,178.38**	**213,229.04**	**24,425,855.10**
Capital increase	650,000.00	357,500.00	0.00	0.00	0.00	0.00	1,007,500.00
Put option on a non-controlling interest	0.00	0.00	0.00	0.00	0.00	−64,322.00	−64,322.00
Earnings in the period							
a) Costs of the capital increase	0.00	−62,650.00	0.00	0.00	0.00	0.00	−62,650.00
b) Market valuation of available-for-sale securities	0.00	0.00	0.00	39,030.76	0.00	0.00	39,030.76
c) Net loss for the year	0.00	0.00	0.00	0.00	−3,013,776.97	87,341.94	−2,926,435.03
Total earnings in the period	0.00	−62,650.00	0.00	39,030.76	−3,013,776.97	87,341.94	−2,950,054.27
Balance on 31.12.2010	**7,175,000.00**	**16,545,123.88**	**248,580.99**	**−21,376.43**	**−1,764,598.59**	**236,248.98**	**22,418,978.83**

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 21.03.2006. 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 04.10.2006 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 31.12.2010 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 2010 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 17 May 2011. The consolidated financial statements are being adopted at the balance sheet meeting that was held on 19 May 2011. 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 31.12.2010 were prepared on the basis of all the standards and interpretations adopted by the European Union that were mandatory for the 2010 financial year.

The following standards and interpretations had to be applied for the first time in IFRS financial statements as per 31.12.2010:

Standard		Mandatory from[1]
IFRS 1	First-Time Adoption of International Financial Reporting Standards (revised in 2008)	31.12.2009
IFRS 1	Amendment to IFRS 1 – Additional Exemptions for First-Time Adopters	01.01.2010
IFRS 2	Amendment to IFRS 2 – Group Cash-Settled Share-Based Payment Transactions	01.01.2010
IFRS 3	Business Combinations (revised in 2008)	01.07.2009
IAS 27	Consolidated and Separate Financial Statements (revised in 2008)	01.07.2009
IAS 39	Amendment to IAS 39 – Suitable Underlying Transactions	01.07.2009
IAS 39	Improvements to IFRS 2008 – Amendment to IFRS 5	01.07.2009
IAS 39	Improvements to IFRS 2009	31.12.2009
IFRIC 12	Service Concession Arrangements	29.03.2009
IFRIC 15	Agreements for the Construction of Real Estate	31.12.2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	30.06.2009
IFRIC 17	Distribution of Non-Cash Assets to Owners	01.07.2009
IFRIC 18	Transfer of Assets from Customers	01.07.2009

[1] The deadlines indicated for mandatory application of the new standards, interpretations and amendments are the application deadlines specified in the context of EU endorsement. The effective dates specified in the IFRS may differ from these deadlines.

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.

IFRS 2 Share-Based Payment

In June 2009, the IASB published an amendment to IFRS 2 about the application area and accounting rules for Group cash-settled share-based payment transactions. The Group started to apply this amendment on 01.01.2010.

IFRS 3 Business Combinations (revised) and
IAS 27 Consolidated and Separate Financial Statements (revised)

IFRS 3 (revised) introduces major changes to business combination accounting. They impact the valuation of non-controlling interests, transaction cost accounting, the initial recognition and subsequent valuation of a contingent consideration as well as step acquisitions of companies. These new rules will have an effect on the goodwill recognition level, on earnings in the reporting period in which a business combination is made and on future results.

IAS 27 (revised) specifies that a change in the ownership interest in a subsidiary that does not result in a loss of control is accounted for as a transaction with owners in their capacity as owners. For this reason, such a transaction cannot lead to either goodwill or a profit or loss. Regulations about the attribution of losses to the owners of the parent company and to the non-controlling interests and the accounting rules for transactions that lead to a loss in control are also changed. The new rules introduced in IFRS 3 and IAS 27 effect the assumption and loss of control of subsidiaries as well as the transactions with non-controlling interests that occur on or after 01.01.2010.

IAS 39 Financial Instruments: Recognition and Measurement – Suitable Underlying Transactions
Clarification is given that it is possible to designate only a proportion of the changes to the fair value or the cash flow fluctuations of a financial instrument as the underlying transaction. This also includes the designation of inflation risks (or parts of them) as a hedged risk in certain cases.

IFRIC 12 Service Concession Arrangements
IFRIC 12 outlines the accounting rules for contracts granted by public authorities to private operators to supply public services in the form of concession arrangements.

IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 15 specifies the transactions to which IAS 18 "Revenue" and IAS 11 "Construction Contracts" have to be applied.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
IFRIC 16 specifies the accounting rules for the hedging of investments in companies where the functional currency is not the same as the Group currency.

IFRIC 17 Distribution of Non-Cash Assets to Owners
This interpretation includes accounting principles for arrangements in which a company distributes non-cash assets to owners from the reserves or as dividends. This interpretation does not have any impact on the presentation of the Group's asset position, financial situation and operating results.

The IASB and the IFRIC have published the standards and interpretations listed below that were not yet mandatory in the 2010 financial year. In some cases, they have not been recognised by the EU or incorporated in European law yet. The Group is not applying these standards and interpretations in advance.

Standard		**Mandatory from**
IFRS 1	First-Time Adoption of International Financial Reporting Standards	01.07.2010
IFRS 7	Financial Instruments	01.07.2011
IFRS 9	Financial Instruments: Classification and Measurement	01.01.2013
IAS 12	Income Taxes	01.01.2012
IAS 24	Related Party Disclosures	01.01.2011
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues	01.01.2011
IFRIC 14	Prepayments of a Minimum Funding Requirement	01.01.2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01.01.2011

IFRS 7 Financial Instruments
The amendment to IFRS 7 leads to the provision of additional information when financial assets are derecognised.

IFRS 9 Financial Instruments: Classification and Measurement
In the version published, IFRS 9 reflects the first phase of the IASB project to replace IAS 39 and covers the classification and measurement of financial assets as defined in IAS 39. The standard has to be applied in financial years that begin on or after 01.01.2013. In further phases, IASB will be covering the classification and measurement of financial liabilities, hedging relationships and derecognitions. It is expected that the project will be completed in early 2011. This standard has not been adopted by the EU yet.

IAS 12 Income Taxes
The amendment to IAS 12 consists of a limited change relating to the recovery of underlying assets.

IAS 24 Related Party Disclosures
The amendment clarifies the definition of related parties, in order to simplify the identification of them and to remove inconsistencies. The amended standard leads to partial exemption of government-related entities from the disclosure requirements. The Group does not expect this to have any impact on the asset situation, financial position and operating results.

IAS 32 Financial Instruments: Classification and Measurement
The amended IAS 32 has to be applied in financial years that begin on or after 01.02.2010. In the amendment, the definition of a financial liability is changed to the extent that rights issues (and certain options or option warrants) must be classified as equity instruments when such rights entitle the holder to acquire a fixed number of the company's equity instruments for a fixed amount in any currency and the company issues them pro rata to all the existing shareholders in the same class of non-derivative equity instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement
The amended IFRIC 14 includes principles for determining the recoverable amount of a net pension asset. The amendment allows companies to treat the prepayments of a minimum funding requirement as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 has to be applied in financial years that begin on or after 01.07.2010. The interpretation makes it clear that the extinguishing of a financial liability to a creditor in the form of equity instruments is classified as consideration paid. The equity instruments issued are recognised at their fair value. If this cannot be determined reliably, recognition must be based on the fair value of the extinguished liability. Profits and losses are recognised immediately in the income statement.

4. Major discretionary decisions, estimates and assumptions

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

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

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

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

The discounting and capitalisation rates are based on the interest paid for long-term, risk-free investments plus an individual risk markup for each property.

The assumptions made in valuation of the investment property and the property included in inventories may subsequently prove to be partly or completely wrong or previously unknown problems or risks may arise in connection with the property portfolio. Such developments, which may occur suddenly too, could depress the Group operating results, reduce the value of the property portfolio substantially or lead to a substantial drop in regular rental income.

The extent to which the property portfolio retains its value depends, on the one hand, on factors specific to each individual property and, on the other hand, on the development of the property market and the general economic situation in Germany. There is always the risk that the amounts stated by the Group in the consolidated financial statements will have to be corrected if there is a deterioration in the situation in the economy in general or in the industry. If there are unexpected drops in the value of the property portfolio, this could have a negative impact on the asset position, financial situation and operating results of the Group.

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

5. Business combinations and goodwill

Business combinations are accounted for by the 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.

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

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

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

All the subsidiaries in which GWB Immobilien AG holds a majority of the voting rights directly or indirectly are included in the consolidated financial statements. Most of the shares in Projektgesellschaft market 11 GmbH & Co. KG were sold in the financial year, so that this company does not have to be included in the consolidated financial statements any longer. The consolidated financial statements prepared as per 31.12.2010 therefore include not only the parent company but also twelve (previous year: thirteen) fully consolidated German subsidiaries. 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. Deconsolidation is carried out on the date on which the shares in the subsidiary were sold.

6. Intangible assets

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

7. Tangible assets

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

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

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

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

8. Investment property

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

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

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

When properties are recognised for the first time, they are valued initially at acquisition or production cost (including ancillary costs). In the subsequent periods (quarterly), 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 discounted future income surpluses calculated by the DCF method. Reports about these properties are prepared every two years. Expert assessments are made prematurely if there are any major changes in the general conditions and parameters. The market values of investment property with a value of up to €20 million are based on internal valuations made via comparable procedures. The DCF method involves discounting of the surplus funds expected from a property in future as per the qualifying date for valuation. For this purpose, the inflow surpluses of the properties concerned are determined in a detailed planning period (value > €20 million = 10 years; value < €20 million = 5 years). These surpluses are calculated by balancing the anticipated inflows and outflows. The inflow surpluses in each period are discounted as per the qualifying date for valuation using a discounting interest rate that is specific to the property concerned and is in line with market conditions.

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

On 31.12.2010, the discounting interest rate averaged between 3.55% and 9.00% (previous year: between 4.55% and 11.25%) per location. The capitalisation interest rate was between 6.00% and 9.00% in the financial year (previous year: between 6.00% and 6.50%).

The size of the location, the economic environment there, the condition of the property and the average term of the property rental contract were factors taken into consideration when making the calculations. Vacancy levels ranged between 0% and 45% and were determined and taken into account per property. Vacancy costs amounting to 1.0% of the vacancy level and repair costs amounting to 3% of the rental income were allowed for.

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

Investment property is derecognised when it is disposed of or when no further use is being made of it on a long-term basis and no economic benefits are expected from it any longer in the future in the case of disposal. The difference between the net proceeds of sale and the carrying amount of the asset is recognised through profit or loss in the period when derecognition occurs.

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

GWB Immobilien AG does not include any property held in the context of operating lease contracts in the investment property.

Discounting interest rate	**Capitalisation interest rate 2010**		
in %			
	−0.25%	0.00%	+0.25%
−0.25	€95,735,000	€93,224,000	€90,762,000
0.00	€94,238,000	€91,652,000	€89,312,000
+0.25	€92,750,000	€90,289,000	€87,972,000

Discounting interest rate	**Capitalisation interest rate 2009**		
in %			
	−0.25%	0.00%	+0.25%
−0.25	€79,891,000	€77,689,000	€75,657,000
0.00	€78,734,000	€76,569,000	€74,565,000
+0.25	€77,605,000	€75,469,000	€73,500,000

9. Non-current assets held for sale

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

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

10. Financial assets

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

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

Financial assets at fair value through profit or loss

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

Derivatives that are not designated as hedging instruments or do not act as such in accordance with the definition given in IAS 39 are classified as “financial assets or financial liabilities that are to be recognised at fair value through profit or loss”.

Such financial instruments have to be allocated to levels 1 to 3, depending on the extent to which the fair value is observable:

- Level 1 fair value calculations are based on quoted prices on active markets for financial assets or liabilities
- Level 2 calculations are based on different input parameters than level 1 and the fair value can be determined either directly or indirectly from observable market data
- Level 3 calculations are made with models that use parameters which are not based on observable market data.

The fair value of the derivatives is determined by external banks. Level 2 is the basis for the calculation.

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

11. Accounting for derivative financial instruments and hedge accounting

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

The market value of interest rate swaps is calculated by discounting the anticipated future payment flows over the remaining term of the contract on the basis of current yield curves.

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 31.12.2010, the derivative financial instruments held by the Group did not satisfy the conditions for hedge accounting, so they were recognised at fair value through profit or loss.

12. Put options written over non-controlling interests (IAS 27/IAS 39)

The Group accounts for put options written over non-controlling interests in accordance with the IFRS Interpretations Committee (IC), i.e. such put options are included as financial liabilities that are stated at their fair value (this corresponds to the present value of the consideration made to take over the shares) on addition. In accordance with IAS 39, subsequent valuation is through profit or loss in the financial year concerned.

13. Deferred taxes

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

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

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

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

14. Inventories

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

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

15. 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.

If there is objective evidence indicating that not all the amounts included in the accounts as trade receivables will be paid (e.g. when the debtor is likely to go bankrupt or is known to be in financial difficulties), an impairment charge is made using an account set up to make allowances for doubtful accounts. The receivables in question are derecognised when they are considered to be uncollectible.

16. 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.

17. Cash and cash equivalents

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

18. 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.

19. Trade liabilities and other liabilities

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

20. Financial debt

Financial debt is stated at the repayment amount.

21. 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.

22. 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.

Rental and leasing income

Rental and leasing income is realised – following the deduction of incidental costs – according to the terms of the contracts, provided that the compensation is specified in the contracts or can be determined reliably and provided that satisfaction of the relevant claim is probable.

Income from property sales

Income is realised in the case of such sale transactions when:

- all the main economic opportunities and risks in connection with ownership are transferred to the buyer
- the Group does not retain any disposal rights to or effective control over the property sold
- the proceeds and the costs that have actually been incurred or will still be incurred in connection with the sale can be determined reliably
- it is probable enough that the Group will enjoy the economic benefits of the sale.

Income from the provision of services

Income from the provision of services is recognised in the financial year in which the services are provided.

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.

23. 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.

24. 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

25. Business combinations and sale of subsidiaries

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

Company	Registered office	Shareholders' equity on 31.12.2010	Net profit/ loss for the year in 2010	Shareholding
		in €	*in €*	*in %*
GWB OBJEKT Gesellschaft für Objektmanagement mbH	Siek	€25,000	€0	100
GWB MAFO KG für Markt- und Standortanalysen mbH & Co.	Siek	-€99,000	€71,000	100
Projektgesellschaft market 1 GmbH	Siek	€1,412,000	€0	100
Projektgesellschaft market 2 GmbH	Siek	€4,568,000	€0	100
Projektgesellschaft market 3 GmbH & Co. KG	Siek	€1,024,000	€1,849,000	100
Projektgesellschaft market 4 GmbH	Siek	−€121,000	€0	100
Projektgesellschaft market 6 GmbH	Siek	€2,953,000	€873,000	90
Projektgesellschaft market 10 GmbH & Co. KG	Siek	€59,000	€3,000	100
Projektgesellschaft market 12 GmbH & Co. KG	Siek	€16,000	-€1,000	100
Verwaltung Projektgesellschaft market 10 GmbH	Siek	€31,000	€3,000	100
GWB Vermögens- und Grundbesitz-verwaltungsgesellschaft mbH	Siek	€36,000	€0	100
GWB PLAN Gesellschaft für Bauleit- und Stadtplanung mbH	Siek	€46,000	€78,000	100

94.9% of **Projektgesellschaft market 11 GmbH & Co. KG** was sold by GWB Immobilien AG für a purchase price of €750,000. The remaining shares amounting to €1,000 are shown as a shareholding in the financial assets. The relevant assignment date was 15.11.2010. Projektgesellschaft market 11 GmbH & Co. KG made a net loss of €5,000 in the period between 01.01.2010 and 15.11.2010 that is retained by the Group. The overall profit on disposal was €740,000.

In € '000	**2010**
Proceeds of sale (received in the form of cash and cash equivalents)	750
Total cash and cash equivalents disposed of	1
Assets and liabilities disposed of in the context of the sale:	
Goodwill	1
Inventories	134
Other assets and receivables	19
Bank	1
Liabilities	−141

26. Intangible assets

The intangible assets relate to property rights, licences and an acquired customer base. The property rights and licences were depreciated over a useful life of three to five years. The development of the intangible assets is shown in the statement of changes in non-current assets (see Note 29). The useful life of the customer base is assumed to be unlimited. As a result of an impairment in accordance with IAS 36, the carrying amount of the customer base on 31.12.2010 was €0. Depreciation of non-current assets is shown in the depreciation item of the consolidated income statement.

27. Goodwill impairment

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

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

The goodwill in the GWB Group books was accounted for by the following cash-generating units on 31.12.2010:

in €	**2010**	**2009**
GWB MAFO Kommanditgesellschaft für Markt- und Standortanalysen mbH & Co.	€63,000	€63,000
GWB Plan Gesellschaft für Bauleit- und Stadtplanung mbH	€111,000	€111,000
Projektgesellschaft market 3 GmbH & Co. KG	€14,000	€14,000
Projektgesellschaft market 6 GmbH	€80,000	€80,000
Projektgesellschaft market 10 GmbH & Co. KG	€1,000	€1,000
Projektgesellschaft market 11 GmbH & Co. KG	€0	€1,000
Projektgesellschaft market 12 GmbH & Co. KG	€1,000	€1,000
Verwaltung Projektgesellschaft market 10 GmbH	€1,000	€1,000
Total	**€271,000**	**€272,000**

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

Basic assumptions for calculation of the value in use

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

> Development of income and expenses

> Discounting rates

> Growth rate on which extrapolation of the cash flows is based.

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

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

The reduction of €1,000 in the goodwill over the previous year is attributable to the sale of the shares in Projektgesellschaft market 11 GmbH & Co. KG, as a result of which this company does not have to be included in the consolidated financial statements any longer.

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 computer equipment and software.

No unscheduled depreciation of tangible assets was necessary.

29. Statement of changes in non-current assets

in € '000	**Intangible assets**	**Goodwill**	**Miscellaneous tangible assets**	**Total**
Acquisition cost				
01.01.2009	**32**	**187**	**383**	**602**
Additions/disposals	24	85	8	117
31.12.2009	56	272	391	719
Additions/disposals	1	0	1	2
Changes due to consolidation effects	0	−1	0	−1
31.12.2010	**57**	**271**	**392**	**720**
Accumulated depreciation				
01.01.2009	**16**	**0**	**210**	**226**
Additions/disposals	9	0	34	43
Impairments in accordance with IAS 36	30	0	0	30
31.12.2009	**55**	**0**	**244**	**299**
Additions/disposals	**1**	**0**	**24**	**25**
Impairments in accordance with IAS 36	0	0	0	0
31.12.2010	56	0	268	324
Carrying amounts				
31.12.2009	**1**	**272**	**147**	**420**
31.12.2010	**1**	**271**	**124**	**396**

30. Investment property

The “investment property” item developed as follows:

in € ’000	31.12.2010	31.12.2009
Measured at fair value		
1.1.	**76,569**	**100,385**
Disposals via sales	−3,600	0
Reclassification to IFRS 5	0	−19,885
Reclassification from IFRS 5	19,885	0
Net gains from adjustments of the market value	−1,202	−3,931
31.12.	**91,652**	**76,569**

The Guben and Röbel properties were sold for a price of €3.800 million in the 4th quarter.

In the financial statements for the previous year, the Spaldinghof property was shown as a non-current asset available for sale. In the 2010 financial year, the disposal plans were shelved and the property was reclassified to investment property again on the basis of a resolution passed by the Management Board.

The market values on 31.12.2010 are attributable to the following properties:

in € ’000	31.12.2010	31.12.2009
Lübeck property	34,200	35,060
Spaldinghof property	19,950	0
Nuremberg property	17,089	17,092
Nauen property	8,280	7,911
Reinbek property	5,039	4,732
Tangstedt property	4,672	4,058
Clausthal-Zellerfeld property	2,422	2,292
Guben property	0	3,364
Röbel property	0	2,060
Total	**91,652**	**76,569**

The period earnings generated by the investment property developed as follows:

in € ’000	31.12.2010	31.12.2009
Rental income (including ancillary cost prepayments)	6,444	6,677
Operating expenses (including repairs and maintenance), with which rental income is generated	−3,062	−3,012
Operating expenses (including repairs and maintenance), with which no rental income is generated	0	0
Total	**3,382**	**3,665**

The Group companies own all the investment property. The Group is not subject to any restrictions with respect to the saleability of the properties and has no contractual commitments to buy, produce or develop investment property. With respect to the Röbel property that was sold in the year under review, the Group is committed to pay future expansion and remodelling costs of €450,000.

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

in € '000	31.12.2010	31.12.2009
Spaldinghof	0	17,392

Reference is made in this context to the information we have provided in Note 30.

32. Financial assets

The financial assets can be broken down as follows:

in € '000	31.12.2010	31.12.2009
Available-for-sale financial assets:		
Shareholding	1	0
Securities	638	599
Co-operative shares	1	1
Total	**640**	**600**

Following the sale of 94.9% of the shares in Projektgesellschaft market 11 GmbH & Co. KG and the exclusion from the consolidated financial statements associated with this, the remaining shareholding of €1,000 is shown in the financial assets.

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

A write-up of €39,000 to the fair value of the securities had to be made on the balance sheet date. The write-up was recognised in shareholders' equity in accordance with IAS 39.

33. Derivative financial instruments

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

In accordance with IAS 39.9(a)(iii), derivatives are classified as financial assets or financial liabilities that are recognised at fair value through profit or loss.

in € '000	31.12.2010	31.12.2009
Market value of the interest rate swaps	−499	−411

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

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

The term of the derivative financial instruments in the form of interest rate swaps corresponds to the term of the associated loans.

34. Cash and cash equivalents

in € '000	31.12.2010	31.12.2009
Current cash and cash equivalents		
Current accounts	271	894
Time deposits	50	923
Cash on hand	1	1
	322	**1,818**

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

35. Inventories

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

in € '000	31.12.2010	31.12.2009
Unfinished products and services	27.167	22.988
Finished products	2.770	17.992
	29.937	**40.980**

The unfinished products and services relate essentially to properties in Speyer, Völklingen and Buxtehude. The property in Bremerhaven was sold in the year under review.

Properties that have already been finished in Bad Freienwalde, Senftenberg, Dassow, Anklam and Bad Sülze are shown in the finished products. The property in Wuppertal was sold in the year under review.

Reference is made to Note 44 with respect to the mandatory disclosures about the land charges of the individual properties.

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

36. Trade receivables

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

Individual allowances of €27,000 (previous year: €82,000) were made for doubtful accounts. These allowances were made because it cannot be expected any longer that it will be possible to collect the receivable. The receivable is not derecognised until uncollectibility is certain, however.

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

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

37. Other current assets and income tax assets

The other assets can be broken down as follows:

in € '000	31.12.2010	31.12.2009
Miscellaneous	74	74
Income tax assets	38	172
Creditors with debit balances	26	1
Discount	25	55
	163	**302**

The income tax assets include receivables from previous years (€37,000).

38. Shareholders' equity

Breakdown of Group shareholders' equity on 31.12.2010:

in € '000	31.12.2010	31.12.2009
Share capital	7,175	6,525
Capital reserves	16,545	16,250
Revenue reserves	249	249
Revaluation reserves	–21	–60
Retained loss/earnings	–1,765	1,249
Non-controlling interests	236	213
Total shareholders' equity	**22,419**	**24,426**

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 €7,175,000 is fully paid-up and is divided up into 7,175,000 shares with no par value. The subscribed capital was increased by €650,000 to €7,175,000 in the year under review by issuing 650,000 new shares on the basis of the authorised capital.

Authorised capital

The Management Board was authorised by a resolution passed at the shareholders' meeting held on 01.07.2010 to increase the share capital of the company on one or more occasions up to 30.06.2015 by up to €3,587,500 with the approval of the Supervisory Board by issuing up to 3,587,500 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 01.07.2010, the share capital has been conditionally increased by up to €2,362,500 by issuing new bearer shares that are entitled to participate in profits from the beginning of the financial year in which they are issued (conditional capital). The conditional capital created in accordance with the resolution passed on 20.05.2009 no longer exists.

The purpose of the conditional capital is to provide shares to the holders or creditors of warrant or convertible bonds, which are issued by the company up to 30.06.2015 in accordance with the authorisation given by the shareholders' meeting held on 01.07.2010. The increase is only made to the extent that warrant or conversion rights associated with the above-mentioned bonds are exercised or conversion commitments arising from such bonds are met and to the extent that other performance alternatives are not used. The Management Board is authorised to specify the further details about implementation of the conditional capital increase with the approval of the Supervisory Board.

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

The Group shareholders' equity includes €249,000 that were recognised as revenue reserves in connection with the preparation of the IFRS opening balance sheet as per 01.01.2003. 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 (-€21,000) include the adjustments to the available-for-sale financial assets that are recognised with no effect on profit or loss.

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

The company received a premium of €16.215 million in the context of the initial share issue, which grew to €17,109,000 as a result of a capital increase in previous years. The premium increased by a further €357,000 to €17.466 million as a result of the capital increase made in the financial year.

In accordance with IAS 32.37, the costs of issuing shares in the context of the IPO and the transaction costs in connection with the convertible bond issue were accounted for as a deduction from the capital reserves, net of income tax benefits. The transaction costs recognised in shareholders' equity amounted to €85,000 in the 2010 financial year, while the relevant deferred taxes totalled €23,000.

Number of shares in circulation
The following table shows the development of the shares in circulation:

	Number of shares
01.01.2010	6,525,000
Capital increase	650,000
31.12.2010	7,175,000

39. Capital management

The primary aim of the Group's capital management activities is to make sure that the shareholders' equity is maintained and that the Group continues to be able to repay its debts.

The Group monitors its capital with the help of the equity ratio. This indicator is determined on the basis of the balance sheet total reported in the consolidated financial statements in accordance with IFRS and the shareholders' equity reported in the consolidated balance sheet.

The capital structure is controlled via capital reductions and/or new share issues as well as by issuing financial instruments that are classified as shareholders' equity by IFRS.

in € '000	2010	2009	Change in %
Shareholders' equity	22,419	24,426	−7.8
Balance sheet total	123,658	138,317	−10.6
Equity ratio as a % of the carrying amounts in the financial statements	18.1	17.7	

40. 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 21.03.2006, 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 31.12.2019; premature termination is not possible.

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

The profit participation certificates share in a loss GWB Immobilien AG makes under commercial law on a pro rata basis. In the 2010 financial year, no share of losses made under commercial law were assigned to the profit participation rights, because the participation in the loss is limited to the nominal capital of the participation rights.

in € '000	31.12.2010	31.12.2009
Nominal value of the profit participation certificates	1,848	1,848
Premium	8	8
Discount	−120	−120
Loss allocation	−1,201	−1,201
Adjustment to the fair value of the securities to safeguard the profit participation certificates	104	0
	639	**535**

41. Convertible bond issue

GWB Immobilien AG issued convertible bonds in the 2009 financial year. The total maximum nominal amount of the convertible bond issue is €3,062,500. An amount of €924,570 had been subscribed on 31.12.2010. This corresponds to 369,828 convertible bonds with a nominal amount of €2.50 each.

The convertible bonds give the holder conversion rights and interest of 7.5% p.a. is paid from 14.11.2009 until 31.10.2014.

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

There are rules for when the conversion right can be exercised, which is restricted to several periods. Conversion is possible 14 working days before the end of the term, on the third day after every annual shareholders' meeting and the ten following working days and on 15 December of the calendar years 2009 to 2013 and the ten previous working days. It is also the case that the bonds cannot be converted on a working day on which GWB Immobilien AG publishes an offer to subscribe to new shares or convertible bonds with conversion and warrant rights in the company's official announcement media and on the working days following this offer until the last day of the subscription period has ended.

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

A loan of €1,500,000 that was received in the 2010 financial year involves a subscription right for the lender. The lender has the right to acquire about 1,000,000 shares for a price of €1.55 in the context of a capital increase. If the option right is not exercised, the loan has to be repaid by 31.12.2011 at the latest.

42. Deferred taxes

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

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

in € '000	2010	2009
01.01.	**594**	**3,985**
Taxes recognised in the income statement	−571	−3,310
Taxes not recognised in the income statement	−23	−81
31.12.	**0**	**594**

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

in € '000	2010 Aktiv	2010 Passiv	2009 Aktiv	2009 Passiv
Investment property	0	5,076	0	4,424
Inventories	0	256	0	0
Financial instruments	0	31	0	29
Current financial debt	0	0	0	253
Losses carried forward	5,088	0	3,813	0
Rent guarantees	68	0	137	0
Derivative financial instruments	133	0	110	0
Transaction costs recognised in shareholders' equity in accordance with IFRS	74	0	52	0
	5,363	**5,363**	**4,112**	**4,706**

The GWB Group had tax losses of €20.971 million on 31.12.2010. These tax losses can be offset against future taxable earnings of the companies at which the losses were made without any restrictions. Deferred tax assets of €5.088 million have been recognised with respect to these tax losses carried forward. Most of the tax losses relate to the parent company and consist of the losses made in the last four financial years. The company has sufficient taxable differences or tax planning options to enable it to recognise deferred tax assets. The company works on the assumption that the tax losses will be maintained even if further corporate action is taken.

There are tax losses carried forward of €1.590 million for which no deferred tax assets have been recognised in the balance sheet.

43. Tax liabilities

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

44. Financial debt

The financial debt can be broken down as follows:

in € '000	31.12.2010	31.12.2009
Current financial debt	60,830	65,461
Non-current financial debt	25,138	18,138
	85,968	**83,599**

The financial debt relates to loans and current account overdrafts.

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

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 €5.144 million.

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
		€ '000
Berlin-Hannoversche Hypothekenbank	Land charge/Nauen property	8,464
KBC Bank Deutschland AG	Land charge/Nuremberg property	18,320
Privatdarlehen	Land charge/Nuremberg property	
Privatdarlehen	Land charge/Nuremberg property	
Hamburger Sparkasse	Land charge/Clausthal-Zellerfeld property	2,292
Hamburger Sparkasse	Land charge/Tangstedt property	4,392
Eurohypo AG	Land charge/Reinbek property	5,126
Privatdarlehen	Land charge/Reinbek property	
HSH Nordbank AG	Land charge/Lübeck property	34,200
HSH Nordbank AG	Land charge/Speyer property	24,898
BBG Bodensee Beteiligungs-GmbH & Co. KG	Land charge/Speyer property	
Nord LB	Land charge/Buxtehude property	510
SEB Bank	Land charge/Bad Freienwalde property	363
Hamburger Sparkasse	Land charge/Dassow property	90
Deutsche Hypothekenbank	Land charge/Anklam property	400
Deutsche Hypothekenbank	Land charge/Bad Sülze property	1,872
SEB Bank	Land charge/Spaldinghof property	19,950
BBG Bodensee Beteiligungs-GmbH & Co. KG	Land charge/Spaldinghof property	

There are land charges with a total volume of €131.706 million.

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

The proceeds of the sale of the properties concerned have in addition been ceded to the bank for the Lübeck and Speyer 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.

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.

Credit balances of €100,000 in the SEB current accounts (Speyer property) have been pledged. Credit balances of €5,000 at Hamburger Sparkasse (Lübeck property) have been pledged.

A private loan for €2.000 million is being repaid via an irrevocable voting right proxy arrangement in the context of a capital increase. 1,213,000 company shares have been allocated to the lender on the basis of a co-operation agreement, involving call/put option rights.

Claims on the town of Buxtehude and reimbursement claims relating to the land charges held by Deutsche Hypothekenbank (Anklam and Bad Sülze land registers) have been assigned to Nord LB.

A notarised debt acknowledgement has in addition been provided with respect to one loan.

The following table shows the conditions and maturity dates for the main Group loans on 31.12.2010:

	Interest rate	Maturity date	2010 in € '000
Main loans/banks			
Bank loan for €29.790 million	EURIBOR + 1,5	Negotiation	29,790,000
Bank loan for €13.350 million	3.79	31.12.2012	12,591,234
Bank loan for €9.312 million	Three-month EURIBOR	Negotiation	9,581,695
Bank loan for €8.500 million	Capital market interest rate + 2.0	30.10.2011	8,154,661
Bank loan for €4.700 million	3.65	up to 31.07.2015	4,195,537
Bank loan for €3.199 million	4.35	31.08.2026	3,028,887
Bank loan for €3.000 million	5.20	30.09.2026	2,611,781
Bank loan for €1.400 million	3.35	31.12.2011	1,305,797
Bank loan for €1.295 million	3.65	up to 31.07.2015	1,032,070
Current accounts			2,406,333
Main loans/others			
Loan for €2.900 million	18.00	March 2011/ 31.07.2012	4,051,521
Loan for €2.300 million	15.00	With sale of the Spalding property	3,213,193
Miscellaneous loans/banks			459,447
Miscellaneous loans			3,545,635
			85,967,791

With respect to the loans from Bodensee Beteiligungs-GmbH & Co. KG, there was a default on the balance sheet date of 31.12.2010 due to delays in payment by GWB Immobilien AG and its subsidiaries. The carrying amount of the loan liabilities where payment was late at the end of the period under review was €7.265 million. The delays in payment relate not only to agreed principal repayments but also to the corresponding interest payments to the lender. The relevant loan conditions were renegotiated in February 2011.

45. Financial risk management objectives and methods

The major funds 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. The Group is not exposed to a major concentration of risks associated with financial instruments.

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 (interest rate change risk)

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

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

Liquidity risk

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

It is the Group's objective to make sure it always has access to the cash and cash equivalents its needs by taking advantage of current account lines and by arranging short- and long-term loans.

The main financial liabilities of the Group were due within the following periods on 31.12.2010. The data are based on the contractually agreed, undiscounted payments.

in € '000	**Due daily**	**Up to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**
Current accounts	2,406	0	0	0	0
Trade payables	8,982	0	0	0	0
Convertible bond issue	0	0	1,500	804	0
Other current liabilities	0	7	2,228	592	0
Loans on which interest is charged	0	13,570	44,854	19,994	5,144
Totals	**11,388**	**13,577**	**48,582**	**21,390**	**5,144**

The interest rate swap transaction concluded by the company has a fixed maturity date of 31. December 2012.

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 2010 financial year, the Group suffered losses of €30,000 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.

46. Trade payables

All the trade payables are due within one year.

47. 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	31.12.2010	31.12.2009
Miscellaneous provisions	1,617	1,978
Miscellaneous other liabilities	360	259
Liabilities attributable to deposits received	344	424
Liabilities attributable to the minimum interest guaranteed for the profit participation certificates	332	222
Tax liabilities	174	392
	2,827	**3,275**

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 remodelling costs (€416,000), provisions for the previous year's bonuses for the members of the GWB Immobilien AG Management Board (€388,000), provisions for rent guarantees (€258,000) and costs incurred in the auditing of annual financial statements (€120,000).

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

Explanatory notes about the income statement

48. Sales

The sales breakdown is as follows

in € '000	2010	2009
Revenues/property sales	12,406	10,085
Sales generated by rental operations	7,669	8,886
Services	658	798
Miscellaneous sales	310	258
Revenues/joint advertising	276	353
	21,319	**20,380**

The Wuppertal property and part of the Bad Freienwalde property were sold in the year under review.

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

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

On 31.12.2010, there were the following future rent/leasing payments based on non-terminable operating lease contracts:

in € '000	Up to 1 year	Between 1 and 5 years	Longer than 5 years	Total
Relating to property	3,877	8,196	2,960	15,033

49. Inventory movements

The inventory movements can be broken down as follows:

in € '000	01.01.2010	Inventory movements	Change in the companies consolidated	31.12.2010
Unfinished products and services	22,988	4,707	−528	27,167
Finished products and services	17,992	−15,221	0	2,771
	40,980	**−10,514**	**−528**	**29,938**

The inventory movements include allowances for doubtful accounts of €322,000 and disposals of €14.900 million.

50. Other operating income

The other operating income can be broken down as follows:

in € '000	2010	2009
Sale of financial assets	750	0
Release of provisions	310	51
Derecognition/liabilities	101	950
Miscellaneous income	80	77
Compensation in kind	77	83
Exchange rate gains	0	3
	1,318	**1,164**

51. Cost of materials

The cost of materials can be broken down as follows:

in € '000	2010	2009
Expenses for finished products	3,483	10,702
Expenses/ancillary costs for rent	3,188	3,057
	6,671	**13,759**

52. Personnel expenses

in € '000	2010	2009
Wages and salaries	1,850	2,367
Social security contributions	311	326
	2,161	**2,693**

The Group had 37 employees on average over the year, including directors and Management Board members (previous year: 34). The personnel expenses for the 2010 financial year do not include any bonuses.

53. Other operating expenses

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

in € '000	2010	2009
Legal and consulting costs	749	547
Currency translation expenses	403	0
Miscellaneous	333	660
Investor relations and annual shareholders' meeting expenses	307	281
Outsourced operations	262	215
Space costs	220	219
Car, travel and marketing expenses	215	362
Rent guarantee	209	0
Loan service charges	206	318
Bad debt losses	70	69
Non-deductible input tax	60	141
Operating leasing	37	37
	3,071	**2,849**

The other operating expenses include leasing expenses from operating lease contracts of €284,000 (previous year: €207,000).

54. Financial result

The following table gives a breakdown of the financial result:

in € '000	**2010**	**2009**
Miscellaneous interest and similar income	13	13
Adjustment to the fair value of the securities to safeguard the profit participation capital	−104	0
Payments for profit participation capital	−111	−111
Interest and similar expenses	−4,043	−4,950
	−4,245	**−5,048**

Borrowed capital interest of €733,000 was capitalised directly as acquisition or production costs of qualifying assets in the course of the financial year (previous year: €943,000). The borrowed capital interest was determined by applying the interest rates on which the loans were based.

The interest and similar expenses item also includes the expenses incurred due to valuation of the interest rate swaps on 31.12.2010 (€88,000; previous year: €285,000).

The interest expenses calculated by the effective yield method for financial liabilities that are valued at fair value and are not recognised in the income statement amounted to €24,000 in the period under review.

55. Changes due to the adjustment of the fair value of the investment property

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

in € '000	**2010**	**2009**
Tangstedt property	614	382
Nauen property	369	−1,098
Reinbek property	307	812
Clausthal-Zellerfeld property	130	−211
Spaldinghof property	65	0
Nuremberg property	−3	−384
Röbel property	−860	−86
Lübeck property	−860	−3,440
Guben property	−964	94
	−1,202	**−3,931**

In accordance with the new accounting principles adopted by the GWB Group, write-downs to the fair value were already made as per 30.09.2010 for the Guben and Röbel properties that were sold in the fourth quarter.

56. Changes due to the adjustment of the fair value of the non-current assets held for sale

The change of 2,493,000 € (2009: -€2,493,000) in the fair value relates to the Spaldinghof property, which was reclassified to investment property at the end of the year.

57. Proceeds from the sale of investment property

Proceeds of €2.500 million were generated by the sale of the Guben property, while the sale of the Röbel property led to proceeds of €1.300 million. The carrying amount of the properties sold amounted to €2.400 million in the case of the Guben property and to €1.200 million in the case of the Röbel property.

58. 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	**2010**	**2009**
Taxes on income and earnings/ expenses – income	4	1
Deferred taxes on income and earnings	572	3,310
	576	**3,311**

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.

The taxes on income and earnings stated include adjustments to account for actual taxes on income and earnings of €24,000 from different periods.

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

in € '000	**2010**	**2009**
Earnings before taxes on income and earnings	−3,502	−12,243
Theoretical tax rate in %	26.7	26.7
Theoretical tax income	**935**	**3,269**
Write-down of losses carried forward up to now	−424	0
Other tax effects	65	42
Income reported that was generated due to taxes on income and earnings	**576**	**3,311**

The theoretical tax rate in 2010 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 (previous year: 26.7%).

59. Earnings per share

In accordance with IAS 33, earnings per share are determined by dividing the Group net profit for the year by the weighted average number of shares outstanding. The result can be diluted by what are known as potential shares or by capital increases. Dilution occurred at GWB Immobilien AG in the 2009 and 2010 financial years due to the convertible bond issue.

The undiluted earnings per share are as follows:

	2010	2009
Group earnings attributable to the shareholders of the parent company *(€)*	−2,926,435	−9,037,436
Number of shares in circulation	7,175,000	6,525,000
Average number of shares in circulation	7,012,500	5,441,667
Undiluted earnings per share *(€)*	**−0.42**	**−1.66**

The diluted earnings per share are as follows:

	2010
Group earnings attributable to the shareholders of the parent company, adjusted to eliminate the impact on earnings of potential shares *(€)*	−2,815,546
Average number of shares in circulation	7,012,500
Average number of potential shares in circulation	1,010,989
Diluted earnings per share *(€)*	**−0,35**

On 09.03.2010, GWB Immobilien AG made a capital increase from authorised capital in return for an injection of cash, suspending existing shareholders' subscription rights. A total of 650,000 bearer shares were issued.

Miscellaneous information

60. 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.

61. 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 known as "Miscellaneous".

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

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

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

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

The sales include sales at least 10% of which are generated with a single external customer (€12.406 million). These sales are included in the sales and rental segment.

62. Miscellaneous financial commitments

The miscellaneous financial commitments from rental and leasing contracts with residual terms of up to six years amount in total to €1.283 million. €263,000 (previous year: €443,000) are accounted for by the following financial year, €850,000 (previous year: €791,000) by the period between two and five years and €170,000 (previous year: €385,000) by the period longer than five years.

The leasing contracts essentially involve the rental agreement for the building in Siek. This agreement has a fixed term of 15 years, with a residual term of 6 years on 31.12.2010. There are also leasing contracts for hardware, telephone systems and cars, with terms of between one and four years.

63. 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 and HR-MN Projektgesellschaft mbH & Co. KG, whose shareholders are the members of the Management Board Dr Herrmann and Mr Mertens-Nordmann, are further related parties as defined in IAS 24.9(e). Another related party is Mr Volker Heinen, since he holds more than 20% of the voting rights.

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 €488,000 for their activities in the period between January and December 2010 (previous year: €783,000). The information specified in § 285 No. 9 a Sentence 5 – 9 of the HGB is not provided due to the resolution passed by the shareholders' meeting on 21.07.2006.

On 31.12.2010, the Management Board held a total of 2.1 million shares (previous year: 2.1 million shares) and thus more than 1% of the share capital of GWB Immobilien AG.

The members of the Supervisory Board are as follows:
> Dr Thomas Röh (Chairman of the Supervisory Board), tax consultant, lawyer, Chairman of the Executive Board of Stiftung Käte und Werner Staats, Hamburg
> Jürgen Mertens (member of the Supervisory Board since 20.05.2009; Deputy Chairman of the Supervisory Board since 02.06.2009)
> Michael Müller (since 17.06.2009), managing partner of Cologne Property Administration GmbH and Günther Fischer Gesellschaft für Baubetreuung GmbH

The compensation paid to the members of the Supervisory Board amounted in total to €14,000 in the past financial year (previous year: €20,000).

The Guben property and the Röbel property were sold to HR-MN Projektgesellschaft mbH & Co. KG in the year under review (see Note 55).

in € '000	**31.12.2009**	**30.09.2010**	**Price**
Guben	3,364	2,400	2,500
Röbel	2,060	1,200	1,300

GWB Immobilien AG has given the buyer of the Guben property a rent guarantee until 2017. The company is working on the assumption that this will have no financial impact.

When the Röbel property was sold, a development commitment to a tenant was not transferred to the buyer. GWB Immobilien AG has formed a provision of €416,000 to cover this commitment.

The receivables from HR-MN Projektgesellschaft mbH & Co. KG from these sales amounted to €2,000 on 31.12.2010.

The Group is responsible for management of the Guben and Röbel properties.

HR-MN Vermögensverwaltungsgesellschaft mbH held a total of 0.4 million shares and thus more than 1% of the share capital of GWB Immobilien AG on 31.12.2010 (previous year: 0.4 million shares).

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

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

in € '000	**2010**	**2009**
Volker Heinen	2,000	0
HR-MN Vermögensverwaltung GmbH	600	720
Dr Norbert Herrmann and Wolfgang Mertens-Nordmann	270	272
Cologne Property Administration GmbH	0	650
	2,870	**1,642**

Interest of 11% p.a. is paid on the loan provided by HR – MN Vermögens-verwaltung GmbH. Interest of 10% p.a. is paid on the loan provided by Dr Herrmann and Mr Mertens-Nordmann.

Interest of 9% p.a. is paid on the loan provided by Volker Heinen. The loan is secured by a land charge on the Nuremberg property.

64. 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 €120,000 for auditing the financial statements (previous year: €106,000), €12,000 for other certification and evaluation services (previous year: €3,000), €9,000 for tax consulting services (previous year: €0) and €40,000 for other services (previous year: €29,000).

65. Compliance statement

In July 2010, the Management Board and Supervisory Board of the company issued their joint compliance statement about the recommendations made by the Government Commission/German Corporate Governance Code in accordance with § 161 of the German Companies Act (AktG) for the 2011 financial year. The statement was made available to the shareholders on a permanent basis by being published on the company's website.

66. Risk reporting

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

67. Events after the balance sheet date

In January 2011, the subscribed capital was increased from €7.175 million to €7.875 million by issuing 700,000 new shares.

In February 2011, the Group signed the contract for a loan with a volume of €39 million to fund the Postgalerie Speyer property.

Business is developing according to plan in 2011.

Siek, May 2011

GWB Immobilien AG
The Management Board

Dr. Norbert Herrmann   Wolfgang Mertens-Nordmann   Jörg Utermark

Auditors' report

We have audited the consolidated financial statements prepared by GWB Immobilien AG, Siek, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, cash fl ow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st, 2010 to December 31st, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 of the HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

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

Our audit has not led to any reservations.

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

Hamburg, 18 May 2011

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11/2011
Publication 3rd quarterly report

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