Consolidated financial statements as at

31 December 2011

and group management report for the 2011 financial year of

Westgrund

Aktiengesellschaft

Remscheid

WESTGRUND Aktiengesellschaft

Remscheid

Consolidated balance sheet as at 31 December 2011

		Notes	EUR	EUR	Prev.year: EUR k
A.	**Non-current assets**				
I.	**Intangible assets**				
1.	Licences, industrial property rights and similar rights and values as well as licences to such rights	D.1	2,657.00		7
2.	Goodwill	D.2	0.00	2,657.00	0
II.	**Investment property**	D.3		89,307,886.15	88,497
III.	**Property, plant and equipment**				
1.	Technical plant and machinery	D.4	345,022.26		396
2.	Other assets, plant and equipment		31,736.49	376,758.75	29
IV.	**Financial assets**				
1.	Shares in associated companies	D.6	944,056.43		792
2.	Investment securities	D.5	806,747.03		807
3.	Other loans	D.5	0.00	1,750,803.46	13
V.	**Other long-term assets**	D.7		1,033,411.65	325
VI.	**Deferred tax assets**	D.13		28,706.53	24
B.	**Short-term assets**				
I.	**Properties and other inventories held for sale**				
1.	Rights equivalent to real estate with finished buildings	D.9	830,669.78		1,056
2.	Services not yet invoiced	D.8	2,500,734.36		2,731
3.	Work in progress	D.10	1,037,025.00	4,368,429.14	1,037
II.	**Receivables and other assets**				
1.	Trade receivables	D.11	369,534.78		336
2.	Current tax receivables	D.11	117,668.67		89
3.	Other assets	D.11	230,686.33	717,889.78	189
III.	**Cash, credit balances with banks and cheques**	D.12		2,506,216.92	1,243
				100,092,759.38	97,571

LIABILITIES

		Notes	EUR	EUR	Prev.year: EUR k
A.	**Equity**				
I.	**Subscribed capital**	D.14	11,413,320.00		10,376
II.	**Reserves**	D.14	12,783,316.46		11,412
III.	**Reserves for own shares**		0.00		-42
IV.	**Minority interests**		435,229.14		345
V.	**Consolidated net earnings**		4,063,073.19	28,694,938.79	3,318
B.	**Long-term liabilities**				
1.	Deferred tax liabilities	D.13	5,813,210.08		6,417
2.	Pension provisions	D.18	100,933.00		107
3.	Amounts owed to banks and capital-providing insurance companies	D.19	12,859,427.67		8,876
4.	Derivatives	D.20	1,167,702.35		944
5.	Leasing liabilities	D.19	4,635,557.00	24,576,830.10	6,308
C.	**Current liabilities**				
1.	Amounts owed to banks and capital-providing insurance companies	D.19	38,612,004.13		43,764
2.	Pre-payments received	D.19	2,489,761.44		2,612
3.	Leasing liabilities	D.19	9,342.00		12
4.	Trade accounts payable	D.19	1,344,955.87		1,688
5.	Actual tax liabilities	D.19	78,532.66		149
6.	Other liabilities	D.19	4,286,394.39	46,820,990.49	1,285
				100,092,759.38	97,571

WESTGRUND Aktiengesellschaft

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Consolidated income statement for the

period from 1 January to 31 December 2011

		Notes	EUR	EUR	Prev. year: EUR k
1.	Revenue	E.1		9,692,254.23	13,253
2.	Change in the total amount including not yet invoiced and incomplete services provided as well as project costs of associated companies			-224,253.99	-84
3.	Income from the valuation of investment property at fair value			2,486,114.42	13,951
4.	Other operating income	E.2		217,047.75	270
5.	Material costs				
a)	Building management	E.3	-5,055,574.05		-4,842
b)	Sale of real estate	E.3	-225,174.75	-5,280,748.80	-4,111
6.	Personnel expenses				
a)	Wages and salaries	E.4	-1,098,390.82		-1,395
b)	Social security contributions	E.4	-166,424.10	-1,264,814.92	-171
7.	Depreciation	E.5		-75,510.40	-2,579
8.	Other operating expenses	E.6		-2,003,934.93	-1,629
9.	Income from equity investments			8,962.20	18
10.	Other interest and interest-related income	E.7		23,928.87	35
11.	Interest and interest-related expenses	E.7		-3,481,238.07	-2,826
12.	Share of profits in associated companies (prev. yr.: loss)			152,291.84	-6
13.	Profit from ordinary activities			250,098.20	9,884
14.	Taxes on income	E.8		587,112.68	-706
15.	Other taxes			-1,249.93	-1
16.	Consolidated net profit			835,960.95	9,177
17.	Income attributed to minority interests (prev. yr.: losses)			-90,838.84	529
18.	Income allocated to the shareholders of the parent company			745,122.11	9,706
19.	Consolidated profit carried forward (prev. yr.: loss carried forward)			3,317,951.08	-6,388
20.	Consolidated balance sheet profit			4,063,073.19	3,318

WESTGRUND Aktiengesellschaft
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Consolidated statement of comprehensive income
for the period from 1 January to 31 December 2011

	EUR	Prev. year: EUR k
Consolidated net profit	835,960.95	9,177
Other results of the financial year	0.00	0
Comprehensive income of the financial year	835,960.95	9,177
of which, the following are allotted to		
Shareholders of the parent company	745,122.11	9,706
Shares without any controlling influence	90,838.84	-529
Income per share		
Undiluted earnings per share (in EUR)	0.07	1.01
Diluted earnings per share (in EUR)	0.07	1.00

WESTGRUND Aktiengesellschaft

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Consolidated statement of changes in equity for the period from 1 January to 31 December 2011

	Subscribed capital EUR	Capital reserve EUR	Own shares EUR	Profit / loss carried forward EUR	Shares third-parties EUR	Result over period EUR	Total EUR
As at 1 Jan. 2010	9,432,500.00	10,761,556.24	-42,500.00	-4,169,576.45	872,986.22	-2,218,909.81	14,636,056.20
Appropriation of profit 2009	0.00	0.00	0.00	-2,218,909.81	0.00	2,218,909.81	0.00
Change in share options programme	0.00	101,111.30	0.00	0.00	0.00	0.00	101,111.30
Capital increase	943,250.00	565,950.00	0.00	0.00	0.00	0.00	1,509,200.00
Costs of capital increase for cash	0.00	-16,551.53	0.00	0.00	0.00	0.00	-16,551.53
Period results 1 Jan. - 31 Dec. 2010	0.00	0.00		0.00	-528,595.92	9,706,437.34	9,177,841.42
As at 31 Dec. 2010	10,375,750.00	11,412,066.01	-42,500.00	-6,388,486.26	344,390.30	9,706,437.34	25,407,657.39
Appropriation of profit 2010	0.00	0.00	0.00	9,706,437.34	0.00	-9,706,437.34	0.00
Change in share options programme	0.00	63,586.48	0.00	0.00	0.00	0.00	63,586.48
Own shares	0.00	-9,000.00	42,500.00	0.00	0.00	0.00	33,500.00
Capital increase	1,037,570.00	1,359,216.70	0.00	0.00	0.00	0.00	2,396,786.70
Costs of capital increase for cash	0.00	-42,552.73	0.00	0.00	0.00	0.00	-42,552.73
Period results 1 Jan. - 31 Dec. 2011	0.00	0.00	0.00	0.00	90,838.84	745,122.11	835,960.95
As at 31 Jan. 2011	11,413,320.00	12,783,316.46	0.00	3,317,951.08	435,229.14	745,122.11	28,694,938.79

WESTGRUND Aktiengesellschaft

Remscheid

Cash flow statement for the period from

1 January to 31 December 2011

	EUR k	Prev. year: EUR k
Consolidated income before tax on earnings	249	9,884
Adjustments for		
Financial expenditures	3,481	2,826
Financial income	-33	-53
Depreciation and amortisation (+) / appreciation (-) on non-current assets	75	1,611
Depreciation and amortisation (+) / appreciation (-) on current assets	0	968
Profit (-)/loss (+) from the fair value valuation of the investment property	-2,486	-13,951
Loss (+) / profit (-) from the divestiture of fixed assets	0	15
Loss (+) / profit (-) from associated companies	-1 52	6
Personnel expenses of share options programme (+)	63	101
Increase (+) / reduction (-) in provisions	-6	-1
Increase (-) / reduction (+) in other assets	-327	3,985
Increase (+) / reduction (-) in other liabilities	2,536	652
Interest paid (-)	-3,258	-2,611
Interest received (+)	24	25
Taxes paid (-)	-120	0
Taxes received (+)	0	79
Cash flow from operating activity	**46**	**3,536**
Incoming payments from dividends (+)	9	18
Payments to acquire subsidiary companies less means of payment acquired (-)	0	-237
Disbursals for investments in fixed assets (-)	-16	-9
Disbursals for investments in financial assets (-)	0	-2
Cash flow from investment activity	**-7**	**-230**
Increase (+) / reduction (-) in amounts owed to banks	-1,168	-4,044
Repayment of loans granted	5	0
Reduction in financial liabilities (-)	0	-1 2
Incoming payments from equity allocation less transaction costs	2,387	1,484
Cash flow from financing activity	**1,224**	**-2,572**
Changes in the cash and cash equivalents affecting payments	1,263	734
Cash and cash equivalents at period start	1,243	509
Cash and cash equivalents at period end	**2,506**	**1,243**
of which not freely available	1,141	259
Cash and cash equivalents at the end of the period (available)	1,365	984

Notes to the consolidated financial statements for the 2011 financial year

A. General notes

1. Basic principles

WESTGRUND Aktiengesellschaft is the parent company of the Westgrund Group. The headquarters and company management continue to be located at Albert-Schmidt-Allee 58 in Remscheid/Germany. The shares of the company are publicly traded.

The business activity of the Westgrund Group covers all types of business within the context of the sector dealing with real estate and residential property. The entire value-added chain is covered, from the purchase of real estate through its development and upgrading up to the point of sale. For legal and tax reasons, the real estate stock of the Westgrund Group is largely held by the subsidiaries of WESTGRUND AG.

The activities in the field of project development, which are structured via a legally autonomous subsidiary, have declined in significance over the last two financial years and are now insignificant in terms of IFRS 8 criteria. From the 2011 financial year onwards, the only significant segment remaining is the one for "real estate management". Separate representation of the "project development" segment is therefore no longer required, meaning that reporting by segment is no longer undertaken.

WESTGRUND AG has compiled its consolidated financial statements, consisting of a group balance sheet, group income statement, group equity change statement, group cash flow statement and consolidated notes, for the financial year from 1 January 2011 to 31 December 2011 in accordance with international financial reporting rules, the International Financial Reporting Standards (IFRS) and the rulings of the International Financial Reporting Interpretation Committee (IFRIC), as these are to be applied within the EU. In this process, all pronouncements regarding mandatory application made by the International Accounting Standards Board (IASB) have been taken into account. The consolidated financial statements are therefore in accordance with the IFRS. The requirements pursuant to section 315a HGB (German Commercial Code) for the preparation of consolidated financial statements in accordance with IFRS as they were passed by the EU have therefore been met. Furthermore, all regulations that must be met under German commercial law have been observed in the preparation of the consolidated financial statements.

The consolidated financial statements were compiled in EUROS. Unless otherwise stated, all values are rounded up or down to thousand euros (€ '000) using commercial rounding. The income statement is structured using the total cost method. Items of a dissimilar nature or function are shown separately unless they are insignificant.

Individual items are grouped together in the consolidated balance sheet and in the consolidated income statement to improve clarity. These items are explained in the notes. A distinction is made between non-current and current assets and non-current and current liabilities. Asset values, provisions and liabilities are regarded as being short-term and due within one year.

The release of the consolidated financial statements for publication was granted by the board of directors on 3 June 2012. There are no reservations regarding the publication of these financial statements.

2. Changes to the accounting methods

The accountancy and valuation methods used generally correspond to the methods used in the previous year with the exception of the new or revised standards and interpretations listed below with effect from 1 January 2011:

a) Adjustments applicable in 2011

No changes have taken place in the 2011 financial year within the Westgrund Group as regards the accounting policy to be applied derived from the initial application of the IFRS standards, supplements to standards or IFRIC interpretations.

b) Adjustments already published by 2011 but not yet applicable

The following new or amended accounting standards, which had already been adopted, have not yet been applied in the 2011 financial year, as no obligation had yet been issued to apply them:

IFRS 7/IFRS 9: Financial instruments

IFRS 9 was published in November 2009. According to this, in future financial assets are to be allocated to the valuation categories “at amortised cost” and “at fair value” and valued accordingly. In October 2010, addenda were published in the form of the future provisions for the balance sheet inclusion of financial liabilities. In addition, there followed in December 2011 further addenda to IFRS 9 and IFRS 7 (Financial instruments: details). IFRS 9 is to be applied in the financial year starting on or after 1 January 2015. The EU endorsement of IFRS 9 is still pending. The application of IFRS 9 will lead to changes to the presentation and accounting of financial assets and liabilities.

IFRS 10: Consolidated financial statements

In May 2011, the IASB published IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities”, changes to IAS 27 “Separate Financial Statements” and changes to IAS 28 “Investments in Associates and Joint Ventures” together with IFRS 10 “Consolidated Financial Statements”. IFRS 10 shall replace the current regulations on consolidated financial statements (parts of IAS 27 and SIC 12 “Consolidation - Special Purpose Entities”). IFRS 10 and the other associated changes are to be applied in the financial year starting on or after 1 January 2013. EU endorsement is still awaited. The changes have not had any significant effect on the Group’s assets, financial situation and profit situation according to current estimates.

IFRS 13: Fair value measurement

IFRS 13 “Fair Value Measurement” was published in May 2011. IFRS 13 contains guidelines on how the fair value is to be measured specifically in applying various standards. IFRS 13 is to be applied in the financial year starting on or after 1 January 2013. EU endorsement is still awaited. The changes have not had any significant effect on the Group’s assets, financial situation and profit situation according to current estimates.

IAS 1: Representation of other results

In June 2011, "Amendments to IAS 1 - representation of other results" was published. The amendments are to be applied to financial years beginning on or after 1 July 2012.

IAS 19: Benefits for employees

In June 2011, "Amendments to IAS 19 - benefits for employees" were published. The amendments deal with changes in the financial reporting of pension plans and other benefits for employees. The changes have not had any significant effect on the Group's assets, financial situation and profit situation according to current estimates.

IASB and IFRIC have published further amendments and interpretations in 2011 and 2012 from which according to current estimates, no significant influence is exerted on the position of the Group in terms of assets, finance and earnings.

B. Consolidation principles, consolidation scope and consolidation methods

a) Consolidation principles

The consolidated financial statements include the financial statements of Westgrund AG and its subsidiaries as at 31 December 2011. There are no financial years in the Group which differ from the calendar year.

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group acquired control. The consolidation ends as soon as the parent company no longer has control. Control means the potential to define the business and financial policy of the subsidiary in order to derive benefit from its business activities.

Control can be assumed in principle if Westgrund AG holds the majority of the voting rights in another company directly or indirectly.

The financial statements of the subsidiaries are prepared on the same balance sheet date as the financial statements of the parent company with the application of uniform accountancy and valuation methods.

b) Consolidation scope

20 subsidiary companies are included in the consolidated financial statements of 31 December 2011 in addition to WESTGRUND AG.

The consolidation scope with the associated shareholdings is as follows as at 31 December 2011:

Westprojekt Immobilien-Servicegesellschaft mbH, Remscheid	100.0%	
Westconcept GmbH, Remscheid	100.0%	
IMMOLETO Gesellschaft mit beschränkter Haftung, Remscheid	100.0%	
ICR Idee Concept und Realisation von Immobilienvorhaben GmbH, Remscheid	94.9%	Direct equity stake

HKA Grundstücksverwaltungsgesellschaft mbH & Co. Remscheid	94.9%	Direct equity stake
HKA Verwaltungsgesellschaft mbH, Cologne	94.9%	Direct equity stake
Westgrund Immobilien Beteiligung GmbH & Co. Remscheid	100.0%	
Westgrund Immobilien Beteiligung GmbH, Remscheid	100.0%	
Westgrund Immobilien H GmbH & Co. Remscheid	100.0%	
Westgrund Immobilien Beteiligung II GmbH, Remscheid	100.0%	
Liaen Lorentzen Partners AG, Zug / Switzerland	94.0%	
Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen	99.7%	4.9% as direct holding
TREUHAUS Hausbetreuungs-GmbH, Ludwigshafen	99.7%	Direct equity stake
WAB Hausverwaltungsgesellschaft mbH, Ludwigshafen	99.7%	Direct equity stake
Westgrund Immobilien III. GmbH & Co. KG, Remscheid	100.0%	
Westgrund Immobilien Beteiligung III. GmbH, Remscheid	100.0%	
Cologne Real Estate GmbH, Remscheid	75.0%	
Projektgesellschaft Deutz-Mühlheimer Straße, Cologne GmbH & Co. KG, Cologne	37.5%	Direct equity stake
Projektgesellschaft Deutz-Mühlheimer Straße, Köln Verwaltung GmbH, Cologne	37.5%	Direct equity stake
Westgrund Westfalen GmbH & Co. KG, Cologne	90.1%	Direct equity stake

The subsidiaries were included in the scope of consolidation throughout the whole 2011 financial year.

As at 31 December 2010 (initial consolidation point in time = point in time of acquisition), WESTGRUND AG has acquired, via a subsidiary, 94.9% of the shares and the voting rights in Westgrund Westfalen GmbH & Co. KG, Cologne (share deal) so as to expand its own real estate stock. Westgrund Westfalen GmbH & Co. KG is a real estate stock maintenance company, the primary share of the asset value of which is represented in the stock of real estate located at its Neubeckum site.

Westgrund Westfalen GmbH & Co. KG at the transfer date (31 December 2010) had the following asset values and debts, with the real estate being determined by its fair market value and the remaining asset values and debts being determined by the book values corresponding to the fair market values:

	EUR k
Real estate	3.387
Liquid funds	13
Other assets	228
Assets	3.628
Provisions	32
Income tax liabilities	35
Deferred taxes	0

Liabilities due to banks	2462
Other liabilities	241
Debt	2770
Minority interest shares	44
Net assets	814

No balance resulted from the acquisition of the shares in the Westgrund Westfalen GmbH & Co. KG. Deferred taxes have not been estimated, as an equity stake in a limited partnership is involved; in such cases, the acquisition price for the shares usually corresponds to the fiscal acquisition costs, meaning that no deferred taxes need to be taken into account. As the acquisition took place with effect to 31 December 2010, this did not have any effect on the income statement (revenues, results) of the Group in 2010. The results generated in the Westgrund Group up to the point in time of the initial consolidation for the period from 1 January 2010 to 31 December 2010 amounted to EUR 23 k while taking taxes into account. Sales revenues for this corresponding period of time amounted to EUR 340 k.

c) Consolidation methods

All subsidiaries are included in the consolidated financial statements within the context of a full consolidation. Both of the 20% equity investments of Cologne Real Estate GmbH are included in the consolidated financial statements by way of the at-equity financial reporting.

Capital consolidation has been undertaken in accordance with IFRS 3 employing the acquisition method by offsetting the book values of the equity stakes with the proportionately newly valued equity of the subsidiary at the point in time of its acquisition. Any remaining balance amounts are handled as transaction values or goodwill after the allocation of hidden assets and hidden liabilities.

When consolidating liabilities, intra-group receivables and liabilities are offset against each other. Unexpended balances no longer remain. Intra-group expenses and income are also offset against each other.

Minority shares represent the part of the results and the net assets that are not attributable to the group. The share of the consolidated result due to minority shareholdings is shown separately in the consolidated income statement. They are shown in the consolidated balance sheet within the equity capital, separate from equity due to shareholders of the parent company. Losses of a subsidiary are also allocated to minority interests if this causes a negative balance. Minority interests in partnerships are shown as loan capital according to the regulations of IAS 32 due to the existing possibility of termination.

d) Currency conversion

The items in the consolidated financial statements are valued in the functional currency of the group which corresponds to the currency of the economic environment in which the company operates. The reporting currency used in the consolidated financial statements is the EURO, which represents the operating currency of the parent company and of the subsidiary companies included.

Foreign currency transactions are converted into the functional currency at the conversion rates on the balance sheet date. Profits and losses resulting from the completion of such transactions and from conversions from monetary assets and liabilities into foreign currency at closing rates are recorded with an effect on net income.

C. Accounting and valuation methods

1. Intangible assets

Intangible assets acquired in return for payment are only present with limited usage duration, are recognised as acquisition costs according to IAS 38 and depreciated according to a scheduled straight-line method over the usage duration period (usually 3 years). There are no internally generated intangible assets.

In accordance with IFRS 3, no amortisation is calculated for goodwill but rather their intrinsic value is reviewed annually or as required. Only occasional amortisation calculated for goodwill deviates from German commercial law.

2. Mergers and goodwill

Mergers are accounted for by applying the acquisition method. The acquisition costs of acquiring a company are calculated according to the fair value of the given asset on the date of exchange, issued equity instruments and liabilities incurred or assumed plus the costs directly attributable to the acquisition of the company. As part of a merger, identifiable assets acquired, liabilities assumed and contingent liabilities are measured initially at the fair values on the date of acquisition irrespective of the extent of any minority interests.

Goodwill is evaluated at acquisition cost at initial estimation, which is measured as the surplus cost of acquisition of the merger above the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If the acquisition cost is below the fair value of the acquired subsidiary's net assets, the difference is recorded directly in the income statement.

After the initial estimation, goodwill is valued at acquisition cost less accumulated impairment losses. No scheduled depreciation or amortisation of recognised goodwill is undertaken. For the purpose of the impairment test, the goodwill acquired within the framework of a merger from the point in time of acquisition is allocated to the units of the Group generating payment instruments which are due to benefit from the synergy effects of the merger. This is the case irrespective of whether other assets or liabilities of the acquired company are assigned to these cash-generating units.

The impairment of goodwill is checked at least once a year. An impairment test is also carried out if events or circumstances indicate that the carrying amount could be impaired. The impairment of value is established by determining the amount which can be achieved by the unit generating payment instruments (or the group of units generating payment instruments) to which the transaction value or goodwill has been allocated. Insofar as the amount which can be achieved by the unit generating payment instruments (or by the group of units generating payment instruments) falls below the book value of the unit generating payment instruments
(or the group of units generating payment instruments) to which the transaction value or goodwill has

been allocated, an impairment charge is recorded. An impairment loss recognised for goodwill must not be made up for in subsequent reporting periods. The Group carries out the annual audit of goodwill for impairment on 31 December.

3. Investment property

"Investment property" shows the real estate inventory of the Group which is held for achieving rental incomes and/or for the purpose of value enhancement and which is not used for the supply of goods or the provision of services, for administrative purposes or for sales within the framework of usual business activity - IAS 40.5. This overwhelmingly involves residential real estate, while commercial real estate is also let to a limited extent. The real estate properties are let exclusively to third parties.

Only acquisition costs and production expenses which have been incurred upon acquisition are valued as "investment property". Within the framework of the subsequent valuation, the real estate is valued at fair value (IAS 40.33) with attention being paid to the basic principle of continuity in terms of time and content. The evaluation at market value differs from German commercial law. Profits or losses derived from changes in the fair values of the "investment property" are recorded in the income statement in the year they come into existence as affecting net income. The same applies to profits or losses resulting from a restructuring of real estate of the inventories to "investment property" (IAS 40.63).

Investment property is de-recognised, if it is sold or can no longer be used on a permanent basis and no future economic use is anticipated any more from its divestiture. The difference between the net sales income and the book value of the asset is recorded as affecting net income in the period of de-recognition.

4. Property, plant and equipment

Property, plant, and equipment are shown as assets at purchase or manufacturing costs according to IAS 16 and amortised linearly according to schedule over their expected useful life, insofar as their use is not time-limited. Borrowing costs are recorded as an expense for the period in which they occur without consideration of the use of the borrowed capital. The following useful lives are applied:

Useful life in years	years
Outdoor facilities	10 - 18
Technical plant and machinery	10 - 18
Other assets, plant and equipment	3 - 20

5. Shares in associated companies

The Group's shares in an associated company are included using the equity method. An associated company is a company over which the Group has significant influence.

According to the equity method, the shares in an associated company are recorded in the balance sheet at the acquisition costs plus the changes which have occurred post-acquisition in the share of the Group in the net worth of the associated company. The transaction value or goodwill linked to the associated company is contained in the book value of the share and is neither depreciated in a scheduled manner not subjected to a separate impairment test.

The income statement contains the share of the Group in the income of the associated company. Any changes shown directly in the equity of the associated company are recorded by the Group at the level of its share and if necessary represented in the statement of changes in equity. Unrealised profits and losses from transactions between the Group and the associated company are eliminated according to the share held in the associated company.

The share in the profit of an associated company is shown in the income statement. This involves the profit after tax and minority interests which are to be allocated to the shareholders of the associated company.

The financial statements of the associates are prepared on the same balance sheet date as the financial statements of the parent company. If necessary, adjustments are made to group-wide uniform accountancy and valuation methods.

After applying the equity method, the Group calculates whether it is necessary to record an additional impairment loss for the Group's shares in the associated company. The Group establishes on each balance sheet date whether objective indications are present that the share in an associated company could be impaired. If this is the case, the difference between the achievable amount and the carrying amount of the share in the associated company is recorded as an impairment loss with an effect on net income.

6. Securities and other loans

The securities and other loans receivable shown under financial assets are estimated at the acquisition costs or the lowest "fair value" according to the provisions of IAS 39.

7. Leasing transactions

The economic ownership of movable and immovable leased items is assigned to the contracting party in a lease that bears the main opportunities and risks associated with the leased item. If the lessor bears the main opportunities and risks (operating lease), the leased item is recognised by the lessor in the balance sheet. If the lessee bears the main opportunities and risks associated with the ownership of the leased item (finance lease), the lessee must recognise the leased item in the balance sheet.

In a finance lease, the leased item is evaluated by the lessee at fair value at the time of acquisition or at the lower cash value of future minimum leasing payments and - if depreciable - amortised over the estimated useful life or the shorter duration of the contract. Residual value changes to the leased item should also be taken into account. The lessee also recognises a leasing liability corresponding in amount to the carrying amount of the leased item at the time of acquisition. The leasing liability is amortised and carried forward in subsequent periods using the effective interest method. The lessor in a finance lease recognises a claim to the amount of the net investment value from the lease. The income from leasing is divided up into amortisation of the amounts receivable for leasing and financial income. The amount receivable from the leasing relationship is amortized and updated applying the effective interest method. Residual value changes to the leased item should also be taken into account.

8. Services not yet invoiced

Apportionable operating costs from rented property portfolios are listed under the services not yet invoiced which have been prepaid by the Westgrund Group. The operating costs are not yet regularly invoiced at the time of preparing the annual financial statements so that these prepayments which have not yet been invoiced can be shown as work in progress. Work in progress is reduced accordingly via the change in inventories with the operating cost invoicing to tenants which takes place regularly in the following financial year. At the time of acquisition, the evaluation was made at purchase and manufacturing costs. The subsequent evaluation is at the amortised purchase and manufacturing costs, taking any impairments into account in accordance with IAS 2.9.

9. Work in progress

Projects in progress that have an asset that can be valued with sufficient certainty due to the project execution status achieved are listed under work in progress. Work in progress is measured at the lower value of purchase or manufacturing costs and net sales value. The net sale value is the estimated sales proceeds achievable in the ordinary course of business less the estimated costs up to completion and estimated sales costs. Costs estimated in the accounting calculation include the individual project costs directly attributable to the projects and appropriate parts of the general administration costs.

10. Properties held for sale

"Properties held for sale" are recorded at the purchase and manufacturing costs incurred up to the balance sheet date at the time of the initial accounting. The subsequent evaluation is at the amortised purchase and manufacturing costs in accordance with IAS 2.9, taking into account any potential lower expected net sales less any costs still due.

In 2010, most of the property that so far had been recorded in current assets was reclassified as non-current assets under "investment property" due to the group strategy which is now oriented towards long-term portfolio maintenance. Only those property portfolios that continue to be actively quoted on the market and are to be sold if possible are still listed under properties for sale. These mainly include individual residences and not cohesive property portfolios.

11. Financial assets

Financial assets within the meaning of IAS 39 are valued at fair value at the time of their first recording. Subsequently, financial assets are either valued at their fair value or at their amortised acquisition cost depending on the category to which they belong. They are categorised when they are first recorded. If a separate market value has not been given in the notes, the market value matches the carrying amount.

The following categories should be distinguished:

- Assets held for trading are valued at fair value. These assets do not exist in the Westgrund Group.
- Financial investments held to maturity are valued at their amortised acquisition cost. These significant assets do not exist in the Westgrund Group.
- Loans and receivables not held for trading are generally valued at their acquisition cost. Loans and receivables are non-derivative financial assets with fixed estimable payments not listed in an active market. These include in particular trade receivables, loans and other assets that are not tax assets.
- Financial assets available for sale are generally valued at fair value. These include debt securities to be held for a set period of time and which can be sold in response to liquidity requirements. Cash is categorised here. The securities held as fixed assets which also come into this category are likewise recorded at updated acquisition costs, as the fair value cannot be determined in a reliable manner (IAS 39.46 (c)).
- Leasing contracts in which the Group is the lessor and there is a lease receivable due to a finance lease are not classified as financial instruments in accordance with IAS 39.2. IAS 39 only applies in relation

to de-recognition and impairment.

Normal market purchases of financial assets are generally recorded on the day of performance, i.e. on the day of delivery. At this point, the liability resulting from the purchase is also recorded.

A financial asset is taken off the books when one of the following conditions is met:

- The contractual rights to receive the cash flows from an asset have expired.
- The company has transferred the contractual rights to receive the cash flows from an asset to third parties.

On each balance sheet date, it is determined whether there are objective indications that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are only considered impaired if there are objective indications of impairment due to one or more events that occurred after the first recording of the asset and this impairment has an effect on the expected future cashflow of the financial asset or group of financial assets that can be reliably estimated. There may be indications of impairment if there are signs that a debtor or a group of debtors have significant financial difficulties, in the event of a default or delay in interest or redemption payments, the likelihood of insolvency or other restructuring proceedings and if observable data indicate a measurable reduction in expected future cashflow such as changes to residues or economic conditions which correlate to defaults.

If there are objective indications that an impairment has occurred, the amount of the impairment loss is calculated for financial assets which are valued at amortised acquisition cost as the difference between the carrying amount of the asset and the cash value of the expected future cashflow. The carrying amount of the asset is reduced by using a valuation account and the impairment loss is recorded with an effect on net income. If the amount of an estimated impairment loss increases or decreases in one of the following reporting periods due to an event that happened after recording the impairment, the impairment loss recorded previously is increased or decreased by adjusting the valuation account, affecting the profit and loss.

If there are indications of an impairment in financial assets valued at fair value with an effect on net income, the accumulated loss - which results from the difference from the acquisition cost and the current fair value less any impairment loss from this asset previously recognised in the profit and loss - is removed from the other income (separate) and affecting net income. Value adjustments for equity instruments are not performed retroactively with an effect on net income; a subsequent increase in the fair value is recorded in the other result (separate).

The Group only concludes transactions with creditworthy third parties. The level of rent claims is continuously monitored so that high impaired rent claims cannot be made against individual tenants. Furthermore,
the default risks are reduced due to collateral agreements.

12. Deferred taxes

Deferred taxes are set up in accordance with IAS 12 for all temporary differences in accounting and valuation between the valuations in the tax balance sheet and the IFRS consolidated balance sheet. In addition, active deferred taxes on benefits from unused tax losses carried forward should be capitalised as long as there is sufficient likelihood that future taxable income will be used for losses carried forward.

The carrying amount of the deferred tax assets is checked on each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available against which the deferred tax can be used at least in part. Unrecognised deferred taxes are reviewed on each balance sheet date and recognised to the extent that it has become likely that a future taxable result will enable the realisation of the deferred tax.

The future tax rates expected for the dissolution of the temporary differences in accounting and valuation are used for the deferred taxes by applying the local tax rate of the group company concerned. The tax laws and tax rates applicable on the balance sheet date are used as a basis. Future tax rate changes are taken into account if the material conditions for their effectiveness have been fully met in terms of the legislative procedure on the balance sheet date. The tax rate of the parent company is therefore 31.6% (previous year: 31.6%).

Changes to the deferred taxes are recorded with an effect on net income insofar as the original transaction was recorded with an effect on net income. In the case of a recording of the effects of a transaction with equity without an effect on net income, the deferred taxes are also adjusted via the equity without an effect on net income.

13. Other provisions

Provisions are recognised when there is a legal or actual obligation for the company towards a third party due to an event and it is likely to lead to future net cash outflows. The amount that is the most likely to meet the present obligation on the balance sheet date based on the best possible estimate of resource outflow is recognised. A recording in the balance sheet is only made in accordance with IAS 37 if the probability of occurrence is at least 50%. Monetary payment obligations for which there is no interest to pay are recorded at their cash value.

14. Pension commitments

A commitment derived from a direct approval of a pension and which is already in the phase of being paid out, is estimated. No further commitments exist. Otherwise, reference is made to Section D.18 of these Notes.

15. Financial liabilities

Financial liabilities within the meaning of IAS 39 can be classified as financial liabilities valued at fair value with an effect on net earnings, as loans or as derivatives which were designated as hedging instruments and are effective as such. The Group establishes the classification of its financial liabilities with the first recognition.

All financial liabilities are valued at fair value when first recorded; in the case of loans, the fair value also includes directly attributable transaction costs.

The financial liabilities of the Group include trade liabilities, other liabilities, current account loans, loans and derivative financial instruments.

The subsequent valuation of financial liabilities depends on their classification as follows:

- *Financial liabilities valued at fair value affecting net income*

  Financial liabilities valued at fair value with an effect on net income include financial liabilities held for trading and other financial liabilities classified as valued at fair value with an effect on net income when first recorded. Financial liabilities are classified as held for trading when they are acquired for the purposes of selling in the near future.

- *Loans*

  Following their initial recording, interest-bearing loans are recorded, applying the effective interest method at updated acquisition costs. Profits and losses are recorded as affecting net income if the liabilities are de-recognised as well as within the context of amortisation by means of the effective interest method. Ongoing acquisition costs are calculated by taking a premium or discount for an acquisition into account as well as any fees or costs which are an integral part of the effective interest rate. Amortisation using the effective interest rate method is included in the income statement as part of the financial expenses.

A financial liability is de-recognised if the commitment underlying this liability has been met, removed or terminated.

Financial assets and liabilities are only reconciled and shown with a net amount in the balance sheet if a legal claim is in place at the present point in time to offset the amounts recorded against each other and the intention exists to bring about a balance on a net basis or to redeem the associated liability by simultaneously realising the asset in question.

If an existing financial liability is exchanged with another financial liability from the same lender under substantially altered contractual terms or if the terms of an existing liability are substantially altered, then such an exchange or such an alteration will be treated as a de-recognition of the original liability and as a recognition of a new liability. The difference between the respective book values is recorded as affecting net income.

Derivative instruments

The Group makes use of derivative financial instruments (interest swaps) in order to hedge against interest rate risks. These derivative instruments are estimated at fair value at the point in time of the conclusion of the contract and are revalued at fair value in the subsequent periods. Derivative instruments are estimated as financial assets, if their fair value is positive and as financial liabilities if their fair value is negative. All interest swaps concluded by the Group show long-term periods.

Profits or losses resulting from any changes in the fair value of derivative instruments which are not recognised as collateral instruments are immediately recorded as affecting net income. Within this, alterations in the fair value of the interest swap are recorded under the item of "Other interest and interest-related expenses" or "Other interest and interest-related income". The fair value of the swap contracts is established with reference to current relevant market parameters.

A de-recognition is undertaken if the contractual rights expire or the Group transfers the rights derived from the derivative instruments.

Leasing liabilities

Leasing contracts in which the Group is the lessee and in which lease liabilities exist, based on financing leasing, are not classified as finance instruments in accordance with IAS 39.2. IAS 39 is only applied with regard to de-recognition.

16. Pre-payments received

Deposits retained encompass advance payments made by the tenants to cover apportionable operating costs until the drawing up of the invoice for operating costs and utilities of the respective years is recognised. When the invoice for operating costs and utilities is presented, de-recognition of the deposits retained is undertaken against the sales revenues.

17. Share options

The costs arising from granting share options to members of the Management Board and to employees of the Group are measured using the fair value of these equity instruments at the point in time of their being granted. Fair value is calculated on the basis of recognised option models.

The recording of the personnel expenses resulting from the granting of the equity instruments and the corresponding increase in the equity capital is undertaken over the period in which the terms regarding exercise and performance have to be met (referred to as the vesting period). This period terminates on the day of the first opportunity to exercise the right, i.e. the point in time at which the employee concerned becomes irrevocably entitled to benefit. The accumulated expenses arising from granting the equity capital instruments shown on each balance sheet date up to the point in time at which the opportunity to exercise the right is first taken reflect the part of the vesting period which has already expired as well as the number of equity capital instruments it becomes possible actually to exercise according to the best possible estimate of the Group upon the expiry of the vesting period. The amount which is debited or credited to the income statement reflects the development of the accumulated expenses recorded at the beginning and end of the reporting period.

18. Own shares

If the Group acquires its own shares, then these are recorded at acquisition costs and shown as reconciled within the equity capital. The purchase, sale, issue or redemption of own shares is recorded within equity capital as not affecting net income. Any possible differences in amounts between the book value and the counter-payment are recorded in the capital reserve.

19. Discretionary decisions, estimates and assumptions

In compiling the consolidated financial statements, discretionary decisions, estimates and assumptions are made by the management which have an effect on the amount of the profits, expenses, assets and debts shown on the key date as well as the statement of possible debts which may be due. Results could, however, arise due to the uncertainty linked to these assumptions and estimates which could lead to considerable adjustments being made to the book value of the assets or debts affected in future periods.

Discretionary decisions

In applying the accounting policy of the Group, management has made the following discretionary decisions which have a significant influence on the amounts stated in the consolidated financial statements: Financial reporting of inheritable building rights contracts as finance leases, with the Group acting as lessee. In connection with its “investment property”, the Group has concluded inheritable building rights contracts (leasing contracts) according to which the right of usage to the plots of land, for a limited period of time, exists beyond the duration of the inheritable building right. By cancelling IAS 17.14, adherence has no longer been made since 2010 to financial reporting as operating leasing relationships and the existence of finance leasing relationships has correspondingly been assumed. Among the investment property, plots of land with inheritable building rights with a recognised fair value of EUR 4,645 k (previous year: EUR 6,321 k) have been shown.

Estimates and assumptions

The key future-related assumptions, as well as other primary sources of estimate uncertainties existing on the key date and based on which a considerable risk exists that significant adjustment of the book values of assets and debts will be required within the coming financial year are explained below.

Investment property

Westgrund Group values its investment properties (book value as at 31 Dec. 2011: EUR 89,308 k; previous year: EUR 88,497 k) at fair value, with alterations in the fair value being recorded as affecting net income.

The Group has commissioned independent experts to determine the fair value for the let real estate as at 31 December 2011. As no directly comparable market data were available due to the nature of the investment properties, reference was made by the experts to a valuation method based on the earnings generated by the real estate for their valuation. The fair value of the investment property which was established in this manner depends strongly on the yield which in turn mainly depends on the anticipated usage duration, the payment streams expected, real estate interest rates as well as the vacancy rate expected over the longer term. If the actual income differs from that expected, this has effects on the asset, finance and adjusted present value of the Westgrund Group.

In the 2011 financial year, the accounting estimates for determining the market values of the plots of land with inheritable building rights as well as the fair market value of the minimum leasing payments were further refined. Due to these changes in estimation, 2011 saw an impairment of the fair value of the plots of land with inheritable building rights occurring, together with a reduction in the fair market value of the minimum leasing payments amounting to EUR 1,676 k. The future development of the fair value of the plots of land with inheritable building rights with further effects on the results depends on the development of the respective property interest rate.

Properties held for sale

In order to review the intrinsic value of the real estate destined for sale, the net selling value is established. This is based on estimated sales prices which are linked to uncertainty to some degree.

Impairment of non-financial assets

The tests of intrinsic value of the Westgrund Group with reference to transaction value or goodwill (book value as at 31 Dec. 2011 EUR 0 k; previous year: EUR 0 k) are based on the calculations of the use value applying a discounted cash flow method. The cash flows applied are derived from the company plan for the next five years and the present value of the cash flows strongly depends on its amount, its distribution over time and the interest rate used for discounting.

Deferred tax assets

The recognition of asset-side deferred taxes (book value up to 31 December 2011: EUR 29 k; previous year: EUR 24 k) after possible offsetting with existing passive deferred taxes) is undertaken for all fiscal losses carried forward not being used to the extent to which it is probable that results subject to taxation will be in place for this purpose in future. Asset-side deferred taxes apply to commercial and corporation tax losses carried forward both at the level of Westgrund AG and also at the level of the subsidiary companies. It is currently overwhelmingly assumed that, particularly due to the specific fiscal structures, no sufficiently positive fiscal income can be generated for use to be made of the losses carried forward. Asset-side deferred taxes are therefore only formed to the extent as these can be offset against liability-side deferred taxes. To the extent that, contrary to assumptions, a positive fiscal result is nevertheless achieved, this leads to effective savings in taxes and therewith has positive effects on the asset, finance and adjusted present value of the Westgrund Group.

Pension benefits

Expenditure from a performance-related pension plan as well as the fair market value of the pension commitment (book value as at 31 December 2011: EUR 101 k; previous year: EUR 107 k) is established on the basis of actuarial calculations employing the projected unit credit method. The actuarial valuation is particularly undertaken on the basis of assumptions regarding discounting rates, mortality and future pension payments. All assumptions are reviewed on every transaction key date and the valuation is undertaken by an independent assessor. Reference was made to the 2005 G actuarial table compiled by Dr Klaus Heubeck for the assumptions regarding mortality.

Fair value of financial instruments

The fair value of financial liabilities recorded in the balance sheet (book value of the interest swaps as at 31 December 2011: EUR - 1,168 k; previous year: EUR - 944 k) was undertaken applying mathematical procedures based on the present market data available at the time the calculation was undertaken. The market data are subject to continuous changes and the fair value established depends to a considerable degree on the parameters derived from the market data (e.g. trend in interest rates).

Provisions

Valuation of the provisions (book value as at 31 December 2011: EUR 0 k; previous year: EUR 0 k) is based on assumptions and estimates related to the key date and focused on the future. If the assumptions and estimates are not realised in the ways expected, this can lead to negative effects being exerted on the net assets, financial position and profit situation of the Westgrund Group.

Share-based remunerations

The costs arising from granting equity capital instruments to employees are valued within the Group using the fair value of these equity instruments at the point in time at which they are granted. In order to estimate the fair value of share-based remunerations, the valuation procedure must be determined which is best suited to evaluating equity instruments and this will depend on the terms under which the instruments were granted. The data flowing into the valuation procedure, such as, in particular, the term to maturity of the options, volatility and dividend yield, must continue to be established through corresponding assumptions and estimates.

20. Realisation of expenditure and income

Sales revenues as well as other operating earnings are only shown when the service has been provided or the goods and products have been delivered and the flow of economic benefits is probable. This usually takes place in the passing of risk to the customer or purchaser. Earnings from turnover generated by rentals are realised pro rata temporis. No realisations of turnover are to be undertaken within the context of a long-term execution of an order. Revenues are valued at the fair value of the payment received or to be claimed less any discounts and rebates granted as well as the value added tax or other charges.

Sales revenues mainly cover rents, ancillary rental expenses and earnings from real estate sales. Booking and realisation of the rental income takes place on a monthly basis. In terms of the ancillary rental expenses, sales realisation takes place via the settlement of the ancillary rental expenses after the respective billing period has expired. Revenues from the sale of real estate are recorded with the preconditions of the purchase contract for the transfer of the economic property having been met.

21. Borrowed capital costs

Borrowed capital costs which can be allocated directly to the acquisition, the construction or the creation of an asset, for which a considerable period of time is required in order to render it into its intended condition ready for use or sale, are capitalised as a part of the acquisition costs or creation of the corresponding asset. All other borrowed capital costs are recorded as expenditure in the period in which they were incurred. Borrowed capital costs are interest payments and other costs which a company incurs in connection with the raising of borrowed capital.

D. Balance Sheet Disclosures

1. Intangible assets

The development of the individual items of intangible assets is shown with a note about depreciation and amortisation during the financial year, in the statement of fixed assets of the Westgrund Group. In the income statement they are recorded under the item "depreciation and amortisation." This only includes scheduled depreciation and amortisation. Unscheduled depreciation or amortisation was not required.

2. Goodwill

The development of the goodwill in the amount of originally EUR 2,669 k is shown in the statement of fixed assets of the Westgrund Group. It resulted from the acquisition of Cologne Real Estate GmbH in January 2008. For the goodwill in the financial years up until 2010, impairment losses in the amount of a total of EUR 2,669 k were recorded. These were recorded as part of the depreciation and amortisation. Thus the book value of the goodwill amounts on the balance sheet date to EUR 0 k.

3. Real estate held as a financial investment

The "real estate held as a financial investment" includes properties which are held to earn rental income or for capital appreciation, rather than for the delivery of goods, or the provision of services, or for administrative purposes, or for sale in the ordinary course of business.

The properties held as investment properties are valued at the time of their acquisition or production cost, including any accrued ancillary costs to the acquisition of manufacture. The book value does not include the cost of ongoing maintenance of the property. In subsequent periods, real estate held as a financial investment is valued at fair value.

In 2010, the Westgrund Group, due to the present Group strategy, which is focused on long-term inventory maintenance, reassigned most of the real estate previously recorded under current assets as "Real estate held for sale" to this balance sheet item. Until then, the properties previously recorded under current assets were valued at acquisition cost in accordance with IAS 2. On 31 December 2010 these properties had to be assessed in accordance with IAS 40 for the first time. In the process, the Group exercised the option under IAS 40.32A to the effect that the "real estate held as a financial investment" must now, as other real estate already recorded in this item, be measured at fair value.

The fair value of "Real estate held as a financial investment" developed as follows:

	2011	**2010**
	EUR k	**EUR k**
Carry forward 1 January	88,497	18,146
Additions from consolidation scope		3,387
Reclassification / Change in reporting	-1,675	53,014
Changes in fair value		
Gains from changes in fair value	3,429	15,674
Losses from changes in fair value	-943	-1,724
As at 31 December	89,308	88,497

The determination of the fair value of the properties was, in all significant cases, done by independent real estate experts. To make the evaluation, the appraisers drew on their knowledge of the market and their expert discretion and did not exclusively rely on historical comparable transactions. The commissioned appraisers have the necessary qualifications and relevant experience concerning the property to be appraised in each specific case.

The appraisal was carried out mainly by the application of German gross rental method - in accordance with the International Valuation Standards (IVS) using the German Valuation Guidelines/Ordinance (WertR/WertV). The gross rental method is based on the achievable sustained rent surpluses and capitalised over the assumed remaining useful life of the property being appraised with the income from the property. The basis for the setting the rental income is either the applicable lease or sustainably achievable market rents. The non-recoverable operating costs (maintenance, administration, loss of rent) are deducted from these expected contributions to determine the rent surpluses. Property-specific features were considered when appraising the real estate. The capitalisation of the rent surpluses depended on the location and category of the property being assessed. Taking into account the remaining useful life of the respective properties, multiplier values between 8.99 and 23.73 were obtained for the determination of the income from the relevant building, based on the net income of the building.

The following significant assumptions underlie the evaluation (compared to the net cold rent):

Risk of loss of rental income:	2% - 15%	(previous year: 2% - 15%)
Maintenance:	5% - 18.5%	(previous year: 8% - 18.5%)
Administrative costs:	2% - 5%	(previous year: 2% - 13%)
Income from property:	4% - 7.75%	(previous year: 4% - 7.75%)

To determine the fair values of the leasehold properties, Westgrund AG has evaluated, based on the income from property rate and the land value for the respective leasehold properties, the remaining value in the use of the land for the remaining term of the ground lease.

With regard to the sensitivity of the appraiser's evaluation in 2011, changes in the most important parameters on which the valuations are based produce the following effects on the fair value:

- An increase in income from property by 25 basis points results in a fair value decrease of EUR 4.1 million
- A reduction in the net rents by 5% leads to a reduction in fair value of EUR 5.3 million

Because of the Group's business as a long-term real estate portfolio holder, the rental income recognised in the income statement is mainly from "real estate held as a financial investment". The rental income amounted to EUR 9.3 million (previous year: EUR 9.5 million) with chargeable and non-chargeable property management costs of EUR 5.1 million in 2011 (previous year: EUR 4.9 million).

Land charges against the real estate of EUR 51.1 million (previous year: EUR 51.8 million) are used to hedge loans, which are taken exclusively by Westgrund Group companies. Westgrund's leasehold building right contracts contain the usual approval requirements as well as pre-emptive rights of the seller. There are no further restrictions on disposal. Likewise, there are no contractual obligations to purchase, to manufacture, develop, repair, maintain or improve.

The amortised cost of the property decreased in 2011 by offsetting depreciation and amortisation of EUR 44.4 million to EUR 43.3 million. There were no additions or disposals in 2011.

4. Tangible assets

The development of the individual items of the fixed assets is set out in Westgrund Group's statement of fixed assets with information regarding the depreciation and amortisation for the financial year. The disclosure in the income statement is under the item "depreciation and amortisation." This only includes scheduled depreciation and amortisation. Unscheduled depreciation or amortisation was not required.

Significant changes in the historical acquisition costs of the assets that were accounted for as fixed assets are not known and were therefore not included.

5. Securities and other loans

The securities are securities and other loans recorded under financial assets that are estimated at the costs of procurement or the lowest "fair value" according to the provisions of IAS 39.

The other loans are interest bearing. In 2011, impairment losses of EUR 8 k (previous year: EUR 37 k) were made, and shown under depreciation and amortisation.

The maturities of these loans and advances are shown as follows:

	2011 EUR k	2010 EUR k
Book value	0	14
Book value of impaired loans and advances	0	8
Book value of non-impaired loans and advances of which:	0	6
Not yet due	0	6
Receivables due	0	0

When determining the impairment, all recognisable default risks (in particular impending insolvencies) were taken into consideration. Interest income on impaired loans and advances in the amount of EUR 0 k (previous year: EUR 3 k) was achieved.

The specific allowances existing at the end of the last financial year, in the amount of EUR 63 k, were fully taken in the current fiscal year.

6. Shares in associates

The Group holds a 20% interest in each of two project development companies; an overview of their financial information is as follows:

	2011 **EUR k**	**2010** **EUR k**
KG participation 1		
Share of assets and liabilities recognised in the balance sheet of the associates:		
Current assets	2,566	2,477
Non-current assets	12	5
Current liabilities	-893	-1,541
Non-current liabilities	-843	-263
Book value KG participation 1	842	678

	2011 **EUR k**	**2010** **EUR k**
Share of the proceeds and the income of the associated company:		
Sales revenue	2	3
Result	164	-6
KG participation 2		
Share of assets and liabilities recognised in the balance sheet of the associates:		
Current assets	118	119
Non-current assets	7	6
Current liabilities	-6	-6
Non-current liabilities	-17	-5

Book value KG participation 2	102	114
Share of the proceeds and the income of the associated company		
Earnings	0	0
Result	-12	0
Book value KG participation 2	102	114
Book value Shares Associated companies	944	792

In determining the proportionate equity of the associated companies, project costs incurred in the Group were partially taken into account, to the extent that they were economically attributable to the projects conducted by the associate companies.

7. Other non-current assets

	2011 EUR k	2010 EUR k
Prepayments made on purchase of real estate	666	0
Asset value of pension liability insurance	135	114
Non-current tax receivable	38	20
Non-current lease receivable	194	191
	1,033	325

The payments were made after the conclusion of the notarial purchase contract in late 2011 for the acquisition of a real estate portfolio of 180 residential units in Berlin-Hellersdorf with a residential area of 11,419 square metres and current net rents of EUR 647 k. In the meantime the purchase price was fully paid in 2012. The intention is to keep these properties for the long term.

The long-term lease receivable results from a leasehold contract, in which the Group is the lessor and which, according to the new stipulations of IAS 17, qualifies as financial leasing. The individual components of the lease receivable arise under IAS 17.47 as follows:

	2011 EUR k	2010 EUR k
Outstanding minimum lease payments	1,420	1,427
+ residual value not guaranteed	3,234	3,234
= gross investment	4,654	4,661
- Non-realised financial income	-4,460	-4,470
= net investment	194	191
- Present value of the unguaranteed residual value	-9	-6
= cash value of the minimum lease payments	185	185

Term to maturity	2011 Residual Value EUR k	Minimum lease payments EUR k	2010 Residual Value EUR k	Minimum lease payments EUR k
Up to one year	11	8	9	8
One to five years	15	32	15	32
More than five years	3,207	1,380	3,216	1,387
	3,234	1,420	3,234	1,427

8. Services not yet invoiced

As at the balance sheet date, advance payments were recorded on operating costs recoverable from tenants from the year 2011 amounting to EUR 2.5 million (previous year: EUR 2.7 m). Impairment was not recorded. Because the invoices for operating costs and utilities for 2010 have been completed, services for the previous year that have not yet been invoiced are recorded in 2011 under expenses as changes in stock. The invoices for operating costs and utilities for 2011 are expected to be completed within 12 months after the balance sheet date.

9. Real estate held for sale

The properties held for sale are intended to be sold in the short term. Unlike the real estate portfolios recorded under “real estate held as a financial investment” these are mainly individual apartments at locations in Hagen, Wuppertal and Enkhausen that should not be kept in stock in the long term.

The development of the real estate held for sale is as follows:

	2011 EUR k	2010 EUR k
Carry forward 1 January	1,056	58,181
Transfer to “Real estate held as a financial investment”	0	-53,014
Disposals from sales	-225	-4,111
As at 31 December	831	1,056

Book value disposals from the sale of real estate are recorded under material expenses.

The assessment is carried out in accordance with IAS 2.9 at cost or at the lower net realisable value. The net realisable value is the estimated selling price less any remaining costs. In 2011, no impairment was necessary, just as in the previous year. Land charges against the real estate of EUR 0.3 million (previous year: EUR 0.3 million), which serve to hedge loans.

10. Work in progress

Work in progress includes the projects that are being worked on and that are reported in the segment “project development”. Valuation is at acquisition or production cost, although in the 2010 financial year impairment losses due to the expected lower net realisable value amounting to EUR 968 k were recorded as affecting net income, under depreciation and amortisation. No projects were completed in 2011. The project with a book value of EUR 1,037 k as at the balance sheet date is still being implemented. The value of all other projects to be found in the project development portfolio was completely adjusted in the previous years because there is a great deal of uncertainty about their further realisation.

11. Receivables and other assets

	2011 IFRS EUR k	2010 IFRS EUR k
Financial assets		
Trade receivables	370	336
Other assets	30	141
Non-financial assets		
Other tax refund claims	118	89
Other assets	200	48
	725	614

The tax refund claims result in particular from the creation of a tax group between Westgrund AG and Wiederaufbaugesellschaft mbH with effect from 2011. The other non-financial assets include mainly sales tax receivables that are reported from a retrospective adjustment of the key for consolidated input tax.

The maturity structure of financial assets is as follows:

	2011 EUR k	2010 EUR k
Book value	400	477
Book value of impaired loans and advances	43	0
Book value of non-impaired loans and advances of which:	357	477
Neither overdue nor impaired	0	155
Overdue, but not impaired	357	322

The past due receivables that are not impaired are predominantly less than 30 days overdue.

The book value of receivables and other assets which the company holds as security amounts to EUR 308 k at the reporting date (previous year: EUR 151 k).

In the case of required impairments these were made at the individual exposure level and are reported in other operating expenses. There was no impairment at the portfolio level. When determining the impairment, all recognisable default risks (in particular impending insolvencies) were taken into consideration. The development of the individual adjustments is shown as follows:

	Individual valuation adjustment EUR k
As at 1. January 2010	33
Additions with effect on expenses	95
Claims	0
Releases	0
As at 31 December 2010	128
Additions with effect on expenses	
Claims	61
Releases	30
As at 31 December 2011	-12
As at 1. January 2010	207

12. Cash, credit at banks

The reported cash and cash equivalents are limited to an amount of EUR 1,141 k (previous year: EUR 259 k), which was pledged as security for bank loans, freely available to the Westgrund Group.

13. Deferred tax assets/liabilities

Deferred tax assets are reconciled against deferred tax liabilities, as long as the tax refund claims go to the same tax authority. For EUR 29 k (previous year: EUR 24 k) no netting was possible. While recognising and measuring deferred tax assets, planning uncertainties were taken appropriately into account. Please see the disclosures about estimates and on the income tax expense.

14. Shareholder equity/capital reserves/retained earnings

Westgrund AG's shareholder equity on the balance sheet closing date amounted to EUR 11,413,320 (previous year: EUR 10,375,750). It is divided into 11,413,320 shares each with a nominal value of EUR 1.00.

With partial utilisation of the authorised capital, the Management Board resolved on 31 October 2011, with the approval of the Supervisory Board dated 1 November 2011, to increase the company's shareholder's equity from EUR 10,375,750.00 by up to EUR 1,037,570.00 up to EUR 11,413,320.00 by issuing 1,037,570 no-par value bearer shares, each corresponding to an calculated share of the shareholder's equity to the amount of EUR 1.00 against payment in cash. Subscription rights of shareholders was excluded. The new shares are fully entitled to dividends for the current business year beginning on 1 January 2011. The capital increase was recorded in the commercial register on 8 December 2011.

The capital reserves result from premiums paid in connection with capital increases and from the recognition of personnel expenses from granting stock options to Group employees.

15. Conditional Capital

a) Issue of convertible bonds and option bonds (conditional capital III)

In the extraordinary shareholders meeting on 28 February 2011, the Management Board was authorised, with the approval of the Supervisory Board, to issue bearer or registered bonds, once or several times up to 27 February 2016, totalling EUR 50 million with a right of conversion, or option rights guaranteed in the form of bearer or registered warrants, or a combination of these instruments totalling up to 4,150,000 bearer shares with a proportionate amount of share capital totalling up to EUR 4,150,000.00. The authorisation is in force through 27 February 2016.

At the general meeting on 19 December 2011, the existing conditional capital III of up to EUR 4,150 k as well as the authorisation to issue convertible bonds and/or warrants were rescinded.

In the extraordinary shareholders meeting on 19 December 2011, the Management Board was authorised to issue, once or several times until 18 December 2016, bearer and/or registered bonds to the overall nominal amount of EUR 60 million with a right of conversion, or option rights guaranteed in the form of bearer warrants, or a combination of these instruments, totalling up to 4,671,560 bearer shares of Westgrund AG with a proportionate amount of share capital totalling up to EUR 4,671,560.00 ("bonds").

In order to grant shares to the owners or creditors of convertible and option bonds, shareholder equity was conditionally raised by up to EUR 4,671,560 by issuing up to 4,671,560 no par-value bearer shares (conditional capital ID). By issuing up to 4,671,560 no-par value bearer shares with an entitlement to dividends as of the beginning of the financial year in which they were issued, the conditional capital increase was limited to the extent that the owners or creditors of convertible bonds or warrants from warrant bonds, resulting from the authorisation of the Management Board of Westgrund AG through 18 December 2016 to exercise their conversion right/option right, enforce their conversion or option right, or tender shares, and provided that no other forms of fulfilment are used to service these rights. The new shares shall be issued at the conversion/option prices determined in each case in accordance with the above-mentioned authorisation resolution. The Management Board is authorised to specify the further details with regard to the implementation of the conditional capital increase.

b) Aktienoptionsplan 2 0 1 1 (Bedingtes Kapital IV)

At the extraordinary shareholders meeting on 28 February 2011 it was resolved to conditionally increase the shareholder equity of Westgrund AG up to EUR 640,000 by issuing up to 640,000 new no-par value bearer shares (conditional capital IV). The sole purpose of the conditional capital increase is to issue up to 640,000 subscription rights (stock options) in the scope of the Westgrund 2011 stock option plan to members of the Management Board of the company, and to the employees of the company, as well as to the managing directors and employees of group companies. The conditional capital increase shall be implemented only to the extent that within the scope of the Westgrund stock option plan 2011 the holders of the subscription rights exercise these rights. Each stock options gives the owner the right to purchase one no-par value share.

The Management Board and Supervisory Board were authorised to issue on one or several occasions within a period of five years after registration of the conditional capital IV in the commercial register, subscription rights to up to 640,000 no-par value shares with an arithmetical share of the share capital of EUR 1.00 per no-par value share.

The group of beneficiaries includes the members of the Management Board (up to 50%), and the employees (up to 50%) of Westgrund Aktiengesellschaft. Each subscription right entitles the beneficiary to purchase a bearer share of Westgrund AG against payment of the exercise price. The options can only be exercised if the beneficiary is still in the employ of Westgrund AG or a Group company at the time of exercising the subscription right.

The options can only be exercised if the average opening and closing prices of the company's shares in XETRA trading at the Frankfurt Stock exchange (or any functional successor of said index) over the last five trading days before the exercise date arising from the option are at least 20% above the strike price. The rights can only be exercised after a waiting period of four years. The waiting period shall commence when the options are granted. The options can only be exercised against payment of the strike price. The strike price amounts to 100% of the average of the opening and closing prices of the company shares in XETRA trading on the stock exchange in Frankfurt am Main (or any functionally comparable system that may succeed and replace the Xetra system) on the last five days of trading before the option is issued. The term of the options starts on the date when the options are granted and ends after five years.

In the 2011 financial year, 116,000 subscription rights were issued under this stock option plan.

16. Subscribed capital

At the extraordinary shareholders' meeting on 28 February 2011, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the company in the period up until 27 February 2016 on one or several occasions against cash contributions or contributions in kind by up to a total of EUR 5,180 k by issuing new no-par value shares with a mathematical share of the share capital of EUR 1.00 per share (Authorised Capital 2013/ I). In the 2011 financial year, use was made of this authorisation to the amount of EUR 1, 037,570.00. Consequently, EUR 4,142,430.00 of authorised capital is still available.

At the ordinary shareholders' meeting on 19 December 2011, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the company in the period up until 18 December 2016 on one or several occasions against cash contributions or contributions in kind by up to a total of EUR 1,564,230.00 by issuing new no-par value shares with a mathematical share of the share capital of EUR 1.00 per share (Authorised Capital I).

Conditional upon the approval of the Supervisory Board, the Management Board is furthermore authorised to determine whether the statutory subscription rights of the shareholders are excluded in respect of authorised capital I and authorised capital II. An exclusion of subscription rights is, however, only permissible:

- to avoid fractional amounts,
- to grant subscription rights to holders of conversion and
- to issue staff shares to employees of Westgrund AG and firms affiliated with the company pursuant to section 15 German Stock Corp. Act (AktG),
- in exchange for non-cash contributions, especially in the form of companies, or parts of companies, or equity investments in companies,
- to tap into new capital markets abroad,

– if the capital is increased against cash contributions and the proportionate amount of new shares, for which the shareholders subscription right is excluded, does not exceed 10% of shareholder equity at the time at which the shares are issued, and the issue price of the new shares is not significantly lower than the stock exchange price of the listed shares of the same class and rights at the time at which the issue price is finally determined by the Management Board.

17. Authorisation to acquire treasury shares

At the ordinary shareholders' meeting on 7 July 2010, the company was authorised, pursuant to section 71 para. 1 (8) AktG, to purchase treasury shares at a value up to 10% of the shareholder equity, except for the purpose of trading in treasury shares. The aggregate of the shares acquired under this authorisation, together with other shares in the company, which the company has already acquired and still possesses or which are attributable to it in accordance with sections 71d or 71e AktG, may at no time make up more than 10% of the shareholder equity. The nominal value of shares purchased may not exceed or fall short of the average of the opening and closing prices of the company in XETRA trading in the Frankfurt Stock Exchange by more than 5% during the previous 10 days of trading.

The Management Board was also authorised to sell with the approval of the Supervisory Board its treasury shares purchased in a manner other than on the stock exchange, or through an offer addressed to all shareholders, if the treasury shares that have been acquired are sold in at a price which is not more than 5% lower than the stock market price of the equivalent shares of the company at the time of such disposal. This authorisation is restricted to a maximum of 10% of the shareholder equity. For the purposes of the aforementioned ruling, the stock market price shall be defined as the average of the opening and closing price of the company's shares in XETRA trading on the Frankfurt Socket Exchange over the previous 10 days of trading before the shares are sold. Shareholder subscription rights will be suspended in connection with the above measure.

The Management Board, given the Supervisory Board's approval and without a separate resolution of the shareholders meeting, was further authorised to redeem its own shares in whole or in part, and to use its own shares, given the Supervisory Board's approval, as a (partial) consideration in connection with merger activities, or to acquire companies, invest in companies, or parts of companies. The price at which shares in the company are used in accordance with the authorisation in these subsections may not undercut the stock exchange price of shares in the company of the same class by more than 5% at the time of sale. For the purposes of the aforementioned ruling, the stock market price shall be defined as the average of the opening and closing price the company's shares in XETRA trading on the Frankfurt Stock Exchange over the previous 10 days of trading before the shares are employed. Shareholder subscription rights will be suspended in connection with the above measure. The Management Board, with the approval of the Supervisory Board, is entitled to redeem its own shares in whole or in part without any further decision by the shareholders' meeting.

Over the financial year, the company sold its own stock of 10,000 shares (0.1% of the subscribed capital) at an overall price of EUR 33,500.00 on the stock exchange. In 2010, the company did not purchase or sell any treasury shares. The profit of EUR 20 k was funnelled back into capital reserves.

18. Provisions for pensions

There is an obligation under a direct pension commitment (defined benefit pension plan) to a widow who receives ongoing pension payments. Service costs therefore no longer apply. There are no plan assets. A trend of salary and pension increases of 2.0% (previous year: 2.0%) p.a. were assumed. The assumed discount rate was 5.0% (previous year: 5.0%). A change in the discount rate would only have an insignificant effect on the value. For the calculations, biometric mortality tables 2005 G (probability of death and invalidity cases) from Klaus Heubeck were used. Actuarial gains /losses due to the adjustment of life expectancy were completely applied with affect on net income.

The change in the present value of the defined benefit obligation reported under personnel expenses is as follows:

	EUR k
Cash value of the defined benefit obligation as at 01.01.2010	108
Interest expense 5	5
Actuarial (-) gains / losses	25
Benefits paid	-32
Cash value of the defined benefit obligation as at 12.31.2010	106
Interest expense	4
Actuarial (-) gains / losses	23
Benefits paid	-32
Cash value of the defined benefit obligation as at 12.31.2011	101

The Group expects the following contributions to the defined benefit pension plan for the 2012 financial year: Interest expenses EUR 4 k and pension payments EUR 33 k.

19. Liabilities

Consolidated statement of liabilities as at 31 December 2011:

		Expected useful life		
	Total	up to 1 year	1-5 Years	over 5 years
	EUR k	EUR k	EUR k	EUR k
Deferred tax liabilities	5,813	0	0	5,813
(previous year)	(6,417)	(0)	(0)	(6,417)
Provisions Other provisions	0	0	0	0
(previous year)	(0)	(0)	(0)	(0)
Pension provisions	101	0	0	101
(previous year)	(107)	(0)	(0)	(107)
Liabilities to Banks	51,472	38,613	5,624	7,235
(previous year)	(52,640)	(43,764)	(4,145)	(4,731)
Advances received	2,490	2,490	0	0
(previous year)	(2,612)	(2,612)	(0)	(0)
Trade liabilities	1,345	1,345	0	0
(previous year)	(1,688)	(1,688)	(0)	(0)

Derivatives	1,167	0	271	896
(previous year)	(944)	(0)	(263)	(681)
Actual tax liabilities	79	79	0	0
(previous year)	(149)	(149)	(0)	(0)
Leasing liabilities	4,645	9	42	4,594
(previous year)	(6,321)	(12)	(54)	(6,255)
Other liabilities	4,286	4,286	0	0
(previous year)	(1,298)	(1,298)	(0)	(0)
Total liabilities	71,398	42,822	5,937	18,538
(previous year)	(72,176)	(49,523)	(4,462)	(18,191)

Loans from banks are recognised as "Non-current liabilities due to banks" if they had a remaining term of more than one year. The current liabilities due to banks accrue interest at 0.25% p.a. up to 7.1% p.a. They are collateralised by ordering liens, pledging accounts as well as assigning claims from leases.

The lease liabilities result from completed building lease contracts that have a remaining maturity of 38 to 194 years at the balance sheet date. The hereditary building right contracts usually show a prerogative for renewing the hereditary building right in the case of a renewal of the building right after the contract runs out or, in the case of a sale of the land, the right of first refusal for the holder of the hereditary building right. The interest on the building rights is regulated predominantly in an index-oriented manner.

	2011		2010	
	Book value EUR k	**Minimum lease payments EUR k**	**Book value EUR k**	**Minimum lease payments EUR k**
Up to one year	9	309	12	280
In one to five years	42	1,238	54	1,119
More than five years	4,594	42,271	6,255	36,909
	4,645	43,818	6,321	38,308
Less future interest expense	-	-39,173	-	-31,987
	4,645	4,645	6,321	6,321

20. Derivatives

Derivatives were used to hedge interest rate risk as follows:

	Amount 31 Dec. 2011 EUR k	**Interest rate**	**Fair value 31 Dec. 2010 EUR k**	**Fair value 31 Dec. 2011 EUR k**	**Change 2011 EUR k**	**Term to maturity**
Swap	2,500	4.50%	-263	-271	-8	15 Jan. 2015

Swap	5,000	4.65%	-681	-897	-216	15 Jan. 2018
			-944	-1,168	-224	

The fair values of the derivatives at the balance sheet date are determined using accepted actuarial methods based on market data on a specific date.

The changes in the fair value of EUR 224 k will be recognised in the income statement with effect on the net income under interest and similar expenses. Cumulatively, the changes in recognised value amounted to EUR 1,168 k.

21. Additional disclosures about financial instruments

Objectives and methods of financial risk management

The significant financial liabilities used by the Westgrund Group - with the exception of derivative financial instruments - include bank loans, actuarial loans and bank overdrafts, trade liabilities, lease obligations and granted loans. The main purpose of these financial liabilities is to finance the Group's business activities. The Group has various financial assets such as, for example, trade receivables, leasing receivables and cash.

In addition, the Group has two interest rate swaps. The purpose of these derivative financial instruments is to hedge the interest risks that result from the Group's business and its financing sources.

In accordance with the Group-internal guidelines, there were no dealings with derivatives in the 2010 or 2011 financial years nor will there be in the future.

The significant risks to the Group resulting from the financial instruments comprise interest-related cash flow risks and liquidity and credit risks. In the Group's view, there are no significant exchange rate risks.

Interest risk / Hedging

The risk to which the Group is exposed from fluctuations in the market interest rates is primarily due to the long-term financial liabilities with variable interest rates.

The Group manages its interest expense through a combination of fixed and variable interest rate debts. In order to achieve a sensible financing structure from a Group perspective, the Group enters into interest rate swaps in which the Group, at specified time intervals and in reference to an agreed nominal principal difference between fixed and variable interest rate amounts, swaps with the contract partner. Based on the interest rate swaps that were concluded as of the balance sheet date, the Group's long term fixed interested-bearing debt amounted to EUR 7.5 million. (Previous year: EUR 7.5 m).

The following table shows the sensitivity of the Group earnings before taxes per year faced with a reasonable assumption of possible interest rate changes (due to the impact on variable interest rate loans). All other variables remain constant. There are no other effects Group's equity capital that are not recognised.

	Increase/decrease of the interest rate in basis points	Effects on earnings before taxes in EUR k.
2011	+2 0	-2 5
2011	-20	24
2010	+2 0	-1 0
2010	-20	8

Changes to interest rates also result in changes to the market values of the interest swaps entered into. An increase (reduction) in the interest rate by 20 basis points in 2011 affects pre-tax results by EUR 78 k (EUR - 78 k). In 2010 the effect on pre-tax results was EUR 87 k (EUR - 88 k). These changes in value are included in the above calculations.

The hedge relationships for hedging cash flow were not categorised as effective in real terms. As a result the consolidated income for 2011 shows a loss of EUR 224 k (previous year: EUR 106 k) with due regard to deferred tax assets of EUR 71 k (previous year: EUR 33 k).

Risk of default

The Group only conducts transactions with credit-worthy third parties. New lease agreements in particular are only entered into following a prior credit check. Accounts receivable are also monitored on a continuous basis, meaning that the Group is not exposed to any significant risk of default. The maximum risk of default is limited to the amount stated on the balance sheet date of receivables of EUR 400 k (previous year: EUR 477 k). There are no significant concentrations of risk of default in the Group. The need for impairment provisions is analysed as at each balance sheet date for the significant debtors on the basis of individual receivables.

With payment methods the maximum credit risk equates to the book value in the event of the default of a counterparty.

Liquidity risk

The Group monitors the risk of a liquidity shortfall on a continuous basis using a liquidity planning tool. This tool takes into account the terms of the financial investments and of the financial assets along with expected cash flow from business activities.

The objective of the Group is to ensure that there is a balance between continuous coverage for the need for financial resources and the financial flexibility required by using overdrafts and loans. Liabilities feature the following due dates. The statements made are based on non-discounted payments agreed contractually.

In detail the cash flow payments out are from the "Liabilities due to banks" as follows, with due regard to the interest and redemption payments agreed contractually:

Year	EUR k
2012	39,848
2013	4,693
2014	955

2015	968
2016	706
2017 +	9,906

Reference is made to the figure under D. 19 in relation to the expected cash flow payments out from the "Leasing liabilities".

Annual payments amounting to EUR 345 k have to be made on both interest swaps. We make reference to D.2 0 in relation to the terms.

For the other liabilities then with the exception of the deferred tax liabilities, the expected cash flow payments out in 2012 essentially correspond with the book values stated in the balance sheet.

In addition to interest and redemption payments, additional ancillary conditions related to capital service capabilities were agreed for some loans which were met in full in 2011.

In May of 2012, an extension to 31 July 2014 of short-term loans with a volume of EUR 34.5 million was approved by the financing bank. The aforementioned balance sheet date-related presentation of future interest and redemption payments will therefore change significantly and the significant payments stated for 2012 will be pushed out to the future.

Furthermore, cash capital was increased in May of 2012 which will provide the Westgrund Group with tens of millions of independent funds. With the influx of these financial means, the Group will expand its existing real estate portfolio and seek to acquire real estate with a long-term positive cash contribution margin after deduction of capital services. The forecast is assuming that the operative cash flow of the Westgrund Group will remain positive over the long term following these purchases even without the ongoing sale of real estate.

Capital management

The overriding objective of capital management in the Group is optimisation of the capital structure for the purposes of increasing the company's value and being able to state a good equity ratio. Both the capital measures as well as the dividend policy are structured with due regard to this overriding objective.

The equity is composed of the no-par value bearer shares (subscribed capital) and the reserves attributable to the shareholders equity.

The assumption of financial liabilities to finance real estate investments is managed on an individual case-by-case basis with due regard to economically relevant parameters, in particular market values of the real estate, mortgage lending values and free cash flow for servicing the loan.

The key figures have developed as follows:

		31 Dec. 2011	**31.12.2010**
Equity	EUR k	28,695	25,408
of which apportionable to shareholders of Westgrund AG	EUR k	28,260	25,064
Balance sheet total	EUR k	100,093	97,571

Equity capital ratio	in %	28.6%	26.0%
Cash funds	EUR k	2,506	1,243

In the 2010 and 2011 financial years there were no significant changes implemented in the objectives, guidelines or procedures related to capital management.

		Book value		Fair value	
		2011	2010	2011	2010
		EUR k	EUR k	EUR k	EUR k
Securities held as fixed assets	(3)	807	807	0	0
Loans	(1)	0	13	0	13
Asset value of pension liability insurance	(4)	135	114	135	114
Cash	(3)	2,506	1,243	2,506	1,243
Receivables and other assets	(1)	400	477	400	477
Leasing receivables	(6)	194	191	194	191
Financial liabilities	(5)	1,168	944	1,168	944
Liabilities due to banks and customers	(2)	51,471	52,640	50,556	51,760
Trade liabilities	(2)	1,345	1,688	1,345	1,688
Other liabilities	(2)	4,286	1,298	4,286	1,298
Leasing liabilities	(7)	4,645	6,320	4,645	6,308

Valuation category according to IAS 39:	(1)	Loans and receivables
	(2)	Liabilities accounted for at amortised cost
	(3)	Available-for-sale financial assets
	(4)	Assets held to maturity
	(5)	Financial liabilities recognised at fair value through profit or loss
	(6)	Trade receivables
	(7)	Trade

Book value and fair value of financial instruments by valuation categories:

The methods and assumptions applied to determine the fair values are as follows:

- Means of payments and current deposits, trade receivables, trade liabilities and other current financial liabilities generally come very close to the book value due to the short terms for these instruments.

- Long-term fixed interest and variable interest receivables / loans are assessed by the Group based on parameters such as interest rates and credit worthiness of the individual customers. Impairment provisions are made based on this assessment in order to account for expected defaults with these receivables. As at 31 December 2011 the book values for these receivables minus the impairment provisions do not differ significantly from the fair values calculated for them.

- The fair value of unlisted financial instruments, bank loans and other financial liabilities is estimated by discounting future cash flows using the interest rates available currently for borrowed capital with comparable conditions, credit risks and residual terms. For some of the long-term fixed interest loans the fair values are below the book values on account of the comparatively favourable interest rates under current market conditions.

- The fair value of the securities held as fixed assets is not determined since there are no listed market prices in an active market and the fair value cannot be reliably determined. These financial assets available for sale are a strategic investment in a real estate company dealing in residential property headquartered in Remscheid. The shareholder equity in the company or firm is divided into bearer shares. No determination was made here as a result of a lack of market transactions and no knowledge of the parameters which essentially influence the fair value of the assets. Assuming company equity under commercial law as at 31 Dec. 2011 of EUR 41,966 k the Group's share of the company's assets (book value) is EUR 2,098 k. The Group has no intention currently to sell the assets.

- The fair value of the return of premium insurance policy arises using the redemption value as at 31 Dec. of any year as communicated by the insurance company.

- The Group concludes derivative financial instruments with banks with good credit ratings. The Group has completed two interest swaps as derivatives which are valued at market value using the input parameters observed on the market (e.g. interest rate developments).

- The fair value of the leasing receivables and liabilities is determined based on the leasing payments resulting from the relevant leasing agreement as well as the applicable capitalisation rate. Both payment streams as well as the capitalisation rate remained largely unchanged compared with the point in time of the establishment of the relevant leasing relationship, meaning that the book values correspond with the fair values.

Fair value hierarchy

The following hierarchy is applied in the Group with each evaluation method for the determination and statement of fair values for financial instruments:

Level 1: listed (unadjusted) prices on active markets for assets or liabilities of the same type.

Level 2: procedures whereby all input parameters which significantly affect the fair values recorded can be observed either directly or indirectly.

Level 3: procedures which use input parameters which significantly affect the fair values recorded and these input parameters are not based on observable market data.

From the means of payment stated, EUR 1,140 k (previous year: EUR 259 k) and from the trade receivables EUR 308 k (previous year: EUR 145 k) were mortgaged as collateral. In the event of default the secured party may collect the receivables with a notice period of two weeks. No notice is required in the event of insolvency.

The following net gains/(-) losses were recorded in the 2011 financial year affecting net income:

		Profit/Loss Income Statement 2011 EUR k	Profit/Loss Income Statement 2010 EUR k	Line item Profit/Loss
Financial assets				
Securities held as fixed assets	(3)	0	0	
Loans	(1)	-8	-37	depreciation and amortisation
Cash	(3)	0	0	
Receivables and other assets	(1)	-49	-210	Other operating expenses
Leasing receivables	(6)	10	10	Interest income
Financial assets	(4)	21	95	Other operating earnings
Financial liabilities				
Derivatives	(5)	-223	-106	Financial expenditures
Liabilities due to banks and customers	(2)	0	0	
Trade liabilities	(2)	80	21	Other operating income
Other liabilities	(2)	0	0	
Leasing liabilities	(7)	-270	-268	Interest expenses

Valuation category according to IAS 39:

(1) Loans and receivables
(2) Liabilities accounted for at amortised cost
(3) Available-for-sale financial assets
(4) Assets held to maturity
(5) Financial liabilities recognised at fair value through profit or loss
(6) Trade receivables
(7) Trade

E. Income statement disclosures

1. Sales revenue

In the current financial year there are EUR 9,280 (previous year: EUR 9,506 k) from sales, mainly from rental income including invoiced operating costs. The gross profit amounted to EUR 267 k. EUR 3,575 k). As in the previous year, there were no other important income categories.

2. Other operating income

The other operating income includes income unrelated to the accounting period, mainly from an insurance claim amounting to EUR 92 k (previous year: EUR 114 k) and from the derecognition of liabilities in the amount of EUR 128 k (previous year: (EUR 21 k).

3. Material costs

Material costs include, in particular, the property management costs and disposals valued at their remaining book value that are reported due to their sale as investments intended for sale.

4. Personnel expenses

Personnel expenses contain above all expenses for wages and salaries amounting to EUR 1,035 k (previous year: EUR1,294 k) and social security contributions amounting to EUR 166 k (previous year: EUR 171 k). There are also expenses from the stock option plan totalling EUR 64 k (previous year: EUR 101 k).

5. Depreciation and amortisation

The depreciation and amortisation for the financial year includes scheduled depreciation and amortisation of goodwill amounting to EUR 0 k (previous year: EUR 1,500),unscheduled depreciation and amortisation of work in progress reported under current assets in an amount of EUR 0 k (previous year: EUR 968 k), impairment losses of loans amounting to EUR 8 k (previous year: EUR 37 k) and scheduled depreciation and amortisation amounting to EUR 67 k (previous year: (EUR 74 k).

6. Other operating expenses

The other operating expenses were, as in the previous year, mainly expenses for the Group's administration. Expenses related to the accounting period include EUR 23 k (previous year: EUR 267 k).

7. Financial income and financial expenditures

Financial income of EUR 24 k was mainly interest income from credit at banks.

Financial expenditures are made up of the following:

	2011 **EUR k**	**2011** **EUR k**
Liabilities due to banks and capital-	-2,980	-2,342
providing insurance companies	-270	-268
Leasing liabilities	-224	-106
Derivatives	-7	-110
Other	-3,481	-2,826

From the financial liabilities (derivatives) accounted for at fair value in 2011 there were net losses of EUR 223 k (previous year: EUR 106 k) that were included in the income statement under financial expenditures.

The financial liabilities accounted for at amortised cost resulted in interest expenses of EUR 2,964 k (previous year: EUR 2,451 k).

8. Taxes on income

	2011 EUR k	2011 EUR k
Deferred taxes	608	-546
Deferred taxes	-21	-160
	587	-706

As in the previous year, the actual tax rate for calculating the deferred taxes for the parent company is 31.6%(15% corporation tax plus 5.5% solidarity surcharge on the tax base for the corporate tax plus 15.8% trade tax). The German subsidiaries have tax rates for calculating deferred taxes as in the previous year between 15.8% and 31.6%.

The following reconciliation statement of the Group summarises the individual reconciliations that are related to the company, taking into consideration the consolidation measures. The expected tax expense/income is reconciled with the tax expense/income that was actually recognised.

	2011 EUR k	2010 EUR k
Earnings before taxes on income	249	9,885
Expected useful life	31.6%	31.6%
Expected tax expense/income (-)	80	3,123
Tax effects from the deviation of the assessment basis		
Depreciation and amortisation Goodwill	0	474
Other (additions)	11	25
Tax rate deviation		
Trade tax effects	-713	-2,476
Tax losses carried forward		
Not capitalised/not recognised deferred tax assets on losses carried forward	-2 52	-434
Utilisation of tax losses carried forward	287	-5
Effects not attributable to the reporting period		
Tax expense for previous years	0	-1
Total tax expense/income	-587	706

On the balance sheet date the Group companies have corporation tax losses carried forward amounting to EUR 11.6 million (previous year: EUR 14.6 million) and trade tax losses carried forward amounting to

EUR 11.6 million (previous year: EUR 12.6 million). As a result of special legal tax features, deferred taxes were calculated for corporation tax losses carried forward in the amount of EUR 1.5 million (previous year: EUR 5.6 million) and trade tax carryforwards amounting to EUR 8.4 million (previous year: EUR 12.1 million) because, in accordance with the criteria of IAS 12, a utilisation of these loss amounts is not sufficiently likely.

As was expected, the deferred taxes from the real estate held as a financial investment were not realised in the subsequent year.

The book values and essential terms of the financing liabilities are as follows:

		Lat. Steuern			Lat. Steuern	
	As at 31 Dec. 2011 EUR k	Def. Taxes + EUR k	Effect on IS 2011 EUR k	As at 31.12.2010 EUR k	Def. Taxes + EUR k	Effect on IS 2010 EUR k
Real estate held as a financial investment	53,330	-9,166	382	-52,285	-9,548	-6,991
Real estate held for sale	0	0	0	0	0	3,468
Work in progress	-443	-140	10	-476	-150	242
Leasing receivables	-117	-37	-1	-114	-36	-6
Special items in accordance with section 6b EStG	0	0	0	0	0	1,792
Pension obligations	101	16	-1	106	17	0
Leasing liabilities	4,645	1,144	-671	6,321	1,815	-2
Derivatives	1,168	184	184	944	0	-2 6 5
Unused losses not reconciled or capitalised	90	29	5	153	24	1
Reconciled loss carryforwards (Corp.tax + trade tax)	13,835	2,186	701	9,403	1,485	1,215
	72,609	-5,784	609	-35,948	-6,393	-546
Deferred tax income/expense Inc. Stmt.			609			-546
Balance sheet value:						
Deferred tax assets		29			24	
Deferred tax liabilities		-5,813			-6,417	
		-5,784			-6,393	

9. Earnings per share

To calculate the undiluted earnings per share, the earnings attributable to the holders of ordinary shares of the parent company are divided by the weighted average number of ordinary shares that are outstanding during the year.

To calculate the diluted earnings per share, the earnings attributable to the holders of ordinary shares of the parent company are divided by the weighted average number of ordinary shares that are outstanding during the year, plus the weighted average number of ordinary shares which result from converting all potential ordinary shares with dilution effect into ordinary shares.

	EUR k
2011	
Consolidated income (without income from minorities)	836
Portion of income from minorities	-91
Income used to calculate the income per share 2011	
Average number of shares 2011	745
Diluting shares from stock option programmes	
Number of shares for calculating the diluted result	10,439,237
Income per share 2011	78,060
Undiluted	10,517,297
Diluted	
Consolidated income (without income from minorities)	
Portion of income from minorities	0.07
Income used to calculate the income per share 2011	0.07
2010	
Consolidated income (without income from minorities)	9,177
Portion of income from minorities	529
Income used to calculate the income per share 2010	
Average number of shares 2010	9,706
Diluting shares from stock option programmes	
Number of shares for calculating the diluted result	9,603,894
	39,534
Income per share 2010	
Undiluted	9,643,428
Diluted	
Consolidated income (without income from minorities)	
Portion of income from minorities	1.01
	1.01
Income used to calculate the income per share 2010	

In future, a potential dilution of the result per share could result from the approved or conditional capital. See Section D for more information. 15. and D.16. If we take the capital increase in 2012 into consideration already in 2011, then the results per share result in EURO 0.03 undiluted and EURO 0.03 diluted.

F. Cash Flow Statement

The cash flow statement was prepared in accordance with IAS 7. The cash flow from operating activities is presented using the indirect method.

The cash fund comprises the cash on hand and the cash at banks and with insurance companies. The amounts are at the Group's free disposal with the exception of bank accounts in the amount of EUR 1,141 k (previous year: EUR 259k), which have been pledged to banks as collateral for bank loans. As in the previous year, there were no other restrictions to the availability of the cash.

All liabilities due to banks are considered financial liabilities in the context of the cash flow statement. Interest, dividend and income tax income and expenses are reported separately under the cash flow statement.

G. Additional information

1. Other financial commitments and contingent liabilities

As at 31 December 2011, the other financial commitments essentially resulted from the rental agreement for the office premises in Berlin. Total rental expenses for offices and office furniture and equipment come to approximately EUR 33 k in 2012. For the 2012 financial year there are expected expenses of EUR 35 k from leasing contracts. The total amount of financial liabilities from rent and leasing contracts as at 31 December 2011 comes to EUR 68 k (previous year: EUR 79 k).

Furthermore, no significant obligations existed on the balance sheet date of any relevance to the evaluation of company's financial position.

2. Number of employees

On average for the year, there were 20 employees, of which 6 were temporary (previous year: 22 employees, of which 7 were temporary).

3. Members of the Management Board and remuneration

The sole member of the Management Board during the entire 2011 financial year was Arndt Krienen, Remscheid. Mr. Krienen was reimbursed as follows:

- Fixed remuneration (incl. benefits in kind): EUR 142 k (previous year: EUR 140 k)
- Bonus entitlement: EUR 5 k; previous year: EUR 143 k)

The Management Board does not own any shares in Westgrund AG. As a long-term variable component of remuneration dated 8 December 2007 and 17 December 2008, the Management Board was granted a total of 200,000 stock options. The fair value of the options at the time of the granting amounted to a total of EUR 227 k. The Management Board was not granted any stock options in the years 2009, 2010 or 2011.

4. Members of the Supervisory Board and remuneration

Over the past financial year, the Supervisory Board comprised:

- Dr Klaus Großmann, LL. M. Attorney, Chairman (up to 19 December 2011) - remuneration: EUR 15 k (previous year: EUR 15 k)
- Christian Fischl, banker (up to 19 December 2011) - remuneration: EUR 10 (previous year: EUR 10 k)
- Günther Villing, Attorney - remuneration: EUR 10 (previous year: EUR 10 k) - Chairman of the Supervisory Board of An der Salzbrücke AG, Ritschenhausen
- Gerhard Wacker, Attorney, Chairman (since 19 December 2011) - remuneration: EUR 0 (previous year: EUR 0)
- Dr Marc Schulten, Entrepreneur (since 19 December 2011 - remuneration: EUR 0 (previous year: EUR 0)

None of the members of the Supervisory Board own shares in Westgrund AG.

5. Disclosures concerning related parties (IAS 24)

Persons and companies related to the company include the Management Board and the Supervisory Board as well as the shareholders and board members of the subsidiaries, in all cases including their close family members and those companies on which the members of the Boards of the companies or their close family members can exert a significant influence or companies where they have significant voting rights. In addition, the related parties include those companies in which the company holds a participation that enables it to exert a significant influence over the business policies of the participating company as well as the main shareholders of that company.

As in the previous year, there are two 20%-equity investments in associated companies that do project development. The rate of investments reflects the Westgrund Group's share of the profits. There are no specific performance obligations in relation to the implementation of the projects.

There are current liabilities to the minority shareholders of Cologne Real Estate GmbH amounting to EUR 324 k (previous year: EUR 300 k), that has an interest rate in line with the market. They are reported under other liabilities.

Westgrund AG received from a significantly involved shareholder indirectly through a foreign corporate entity a capital loan amounting to CHF 3,000,000.00 which has an interest rate in line with the market. The loan must be paid back including interested by 31 July 2012. It is reported under other liabilities.

No financial investments were made in financial year 2011 that must be reported in accordance with IAS 24.

The events after the balance sheet date are reported in the Group management report which is included in these financial statements.

6. Notices published in accordance with section 25 WpHG (section 160 para. 1 (8) AktG)

The following notices requiring publication in accordance with section 25 WpHG were received by the Company during financial year 2011 and were accordingly published:

7. Notices published in accordance with section 25 WpHG (section 160 para. 1 (8) AktG)

The following notices requiring publication in accordance with section 25 WpHG were received by the Company during financial year 2011 and were accordingly published:

Reported by	Date	Threshold	New share
Mr Klaus Wecken, Switzerland	10.02.2012	> 30%	30.05%
Mr Timo Herbrand, Cologne	26.01.2012	< 3%	2.64%
Paladin Holding AG	26.01.2012	< 3%	2.64%
Quartenal Ltd. Cyprus	08.12.2011	> 20%	20.63%
FMM Asset Management GmbH, Munich	08.12.2011	< 5%	4.90%
Mr Ferry Wecken, United Kingdom	08.12.2011	> 3/5%	6.46%

Quartenal Ltd. Cyprus	25.05.2011	> 15%	16.90%
Quartenal Ltd. Cyprus	28.03.2011	> 10%	11.56%
Quartenal Ltd. Cyprus	24.02.2011	> 3/5%	5.78%

< = falls below threshold;> = exceeds threshold

8. Auditor's fees

During financial year 2011, EUR 25 k was reported as the expenditure for the audit of the annual financial statements of 31 December 2011, and EUR 55 k was reported for the audit of the consolidated financial statements of 31 December 2011.In addition, EUR 58 k was paid for the audit of last year's consolidated financial statements during financial 2001, and EUR 122 k was reported for other services.

9. Declaration in accordance with section 161 AktG

The statement of compliance in accordance with section 161 AktG in respect of the recommendations of the "Government Commission on the German Corporate Governance Code" published in the official section of the electronic Federal Gazette was issued in 2011 and made available to shareholders on the website of Westgrund AG at www.westgrund.de. In the Management Report for financial year 2011 the contents of the published version is discussed.

10. Risk management policy

There is a detailed presentation of the risk management policy of the Westgrund Group in the Group management report 2011 which is part of these financial statements.

11. Share-based forms of emuneration 2007 stock option plan

Since 2007, the employees of the Westgrund Group have been able to participate in the Group's success according to the stock option plan adopted in the 2007 financial year. Regarding the content and timeline of the 2007 stock option plan, please see the information on conditional capital.

Based on the share capital on the balance sheet date of EUR 11,413,320 (previous year: EUR 10,375,750) the situation is as follows concerning the options outstanding as of the balance sheet date:

	Number of options				
	2011	2010	2009	2008	2007
Outstanding options on 1 Jan.	98,600	108,000	108,000	80,000	0
Granted options	0	0	0	28,000	80,000
Returned options	0	9,400	0	0	0
Exercised options	0	0	0	0	0
Expired options	0	0	0	0	0
Outstanding options on 31 Dec.	108,000	98,600	108,000	108,000	80,000

Exercisable options on 31 Dec.	98,600	98,600	80,000	0	0
Weighted average exercise price in EUR	5.26	5.26	5.26	5.26	5.22
Weighted average residual term in years	0.0	0.0	0.1	1.1	2.0

In 2007 a total of 80,000 stock options were issued to members of the Management Board and employees, as follows:

	Options	Base price in EUR
Arndt Krienen (Management Board)	50,000	5.22
Employees	30,000	5.22

The fair value of these 80,000 issued options was calculated with the help of the Black-Scholes model, which is based on the following parameters:

Share price on valuation date	EUR 5.05
Objective: Increase in the share price compared to the base price	20%
Maximum term until issue date	5 years
Expected term of the options	2 years
Exercise price at the expected exercise time (base price)	EUR 5.22
Expected dividend yield	0.0%
Risk-free interest rate for the term	4.0%
Expected volatility for the term	83.3%
Expected fluctuation of the option holders for the term	0.0%

In 2008 28,000 stock options were issued to employees. They were based on the following parameters:

Share price on valuation date	EUR 5.17
Objective: Increase in the share price compared to the base price	20.0%
Maximum term until issue date	5 years
Expected term of the options	2 years
Exercise price at the expected exercise time (base price)	EUR 5.27
Expected dividend yield	0.0%
Risk-free interest rate for the term	4.0%
Expected volatility for the term	99.6%
Expected fluctuation of the option holders for the term	0.0%

Stock option plan 2008

Regarding the content and timeline of the 2008 stock option plan, please see the disclosures on conditional capital.

Based on the share capital on the balance sheet date of EUR 11,413,320 (previous year: EUR 10,375,750) the situation is as follows concerning the options outstanding as of the balance sheet date:

	2011	2010	2009	2008
Outstanding options on 1 Jan.	287,100	150,000	150,000	0
Granted options		137,100	0	150,000
Returned options	0	0	0	0
Exercised options	0	0	0	0
Expired options	0	0	0	0
Outstanding options on 31 Dec.	287,100	287,100	150,000	150,000
Exercisable options on 31 Dec.	150,000	150,000	0	0
Exercise price in EUR (2008 options)	1.85	1.85	1.85	1.85
Exercise price in EUR (2010 options)	1.62	1.62	-	-
Remaining term in years (2008 options)	0.0	0.0	1.0	2.0
Remaining term in years (2010 options)	1.0	2.0	-	-

In 2008 a total of 150,000 stock options were issued to Mr Arndt Krienen (Management Board), as follows: The fair value of the issued options was calculated with the help of the Black-Scholes model. It was based on the following parameters:

Share price on valuation date	EUR 1.70
Objective: Increase in the share price compared to the base price	20%
Maximum term until issue date	5 years
Expected term of the options	2 years
Exercise price at the expected exercise time (base price)	EUR 1.85
Expected dividend yield	0.0%
Risk-free interest rate for the term	4.0%
Expected volatility for the term	105.8%
Expected fluctuation of the option holders for the term	0.0%

In 2010 137,100 stock options were issued to employees. The fair value of the issued options was calculated with the help of the Black-Scholes model. It was based on the following parameters:

Share price on valuation date	EUR 1.65
Objective: Increase in the share price compared to the base price	20.0%
Maximum term until issue date	5 years
Expected term of the options	2 years
Exercise price at the expected exercise time (base price)	EUR 1.62
Expected dividend yield	0.0%
Risk-free interest rate for the term	4.0%
Expected volatility for the term	105.6%
Expected fluctuation of the option holders for the term	0.0%

Stock option plan 2 011

Regarding the content and timeline of the 2008 stock option plan, please see the disclosures on conditional capital.

Based on the share capital on the balance sheet date of EUR 11,413,320 (previous year: EUR 10,375,750) the situation is as follows concerning the options outstanding as of the balance sheet date:

	2011
Outstanding options on 1 Jan.	0
Granted options	116,000
Returned options	0
Exercised options	0
Expired options	0
Outstanding options on 31 Dec.	116,000
Exercisable options on 31 Dec.	0
Exercise price in EUR (2011 options)	2.52
Remaining term in years (2011 options)	2.0

In 2011, a total of 116,000 stock options were issued to employees. The fair value of the issued options was calculated with the help of the Black-Scholes model. It was based on the following parameters:

Share price on valuation date	EUR 2.54
Objective: Increase in the share price compared to the base price	20%
Maximum term until issue date	5 years
Expected term of the options	2 years
Exercise price at the expected exercise time (base price)	EUR 2.52
Expected dividend yield	0.0%
Risk-free interest rate for the term	4.0%
Expected volatility for the term	63.3%
Expected fluctuation of the option holders for the term	0.0%

Additional disclosures on the stock option plans in the years 2007, 2008 and 2011

In both stock option plans Westgrund AG has the right to choose to grant beneficiaries a cash compensation instead of the shares. Because the company is not obligated to pay the cash compensation, the valuation does not need to be adapted according to the regulations of IFRS 2.43.

The granting of the options in the stock option plans of the years 2007, 2008 and 2011 has the following effects on the financial position of the Group:

	Fair value at time of issue EUR k	Inc.Stmt. 2007 EUR k	Inc.Stmt. 2008 EUR k	Inc.Stmt. 2009 EUR k	Inc.Stmt. 2010 EUR k	Inc.Stmt. 2011 EUR k
Options issued 2007						
- Stock option plan 2007	160	5	80	75	0	0
Options issued 2008						
- Stock option plan 2007	70	0	27	35	8	0
- Stock option plan 2008	127	0	2	64	61	0

Options issued 2010						
- Stock option plan 2008	118	0	0	0	32	59
Options issued 2011						
- Stock option plan 2011	91	0	0	0	0	5
	566	5	109	174	101	64

In each case the personnel expense was offset under capital reserves. If the shares are exercised from the stock option plans Westgrund AG has an inflow of liquidity at the exercise time amounting to the base price of each exercised stock option, as long as the cash compensation is not selected.

Future volatility during the expected terms of the stock options was estimated based on historic volatilities taking into consideration the expected future performance. Under consideration of IFRS2.B25, the annualised historical volatility is to be used over the expected term of the options. For the options issued in 2007, 2008, 2010 and 2011 this terms is two years in each case. Due to the restructuring and the subsequent strategic realignment of the Westgrund Group, the Management Board did not consider the historic volatility of the two years prior to the time of issue in 2007 to be appropriate so the volatility of the last twelve months before the issue of the stock options was used in each case. In contrast, for the stock options issued in 2008, 2010 and 2011 were based on the historic volatility of the two years prior.

12. Exemption from the requirement to prepare and publish annual financial statements according to the regulations applicable to joint stock companies in accordance with section 264b HGB

The following consolidated subsidiaries opted for the exemption in accordance with section 264b HGB:

- Westgrund Immobilien Beteiligung GmbH & Co. KG, Remscheid
- Westgrund Immobilien Beteiligung GmbH & Co. KG, Remscheid
- Westgrund Immobilien Beteiligung GmbH & Co. KG, Remscheid
- HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG, Cologne
- Projektgesellschaft Deutz-Mühlheimer Straße Köln GmbH & Co. KG, Cologne
- Westgrund Westfalen GmbH & Co. KG, Berlin GmbH & Co. KG, Cologne

Remscheid, May 2012

Westgrund Aktiengesellschaft
Management Board

Arndt Krienen

WESTGRUND Aktiengesellschaft

Remscheid

Consolidated fixed

asset analysis for the period from 1 January to 31 December 2011

	Acquisition / manufacturing costs					**Depreciation and amortisation**				**IAS 40 valuation**		**Book value**	
	As at 01.01.2011 EUR	Additions EUR	Disposals EUR	Reclassification EUR	As at 31 Dec. 2011 EUR	As at 01.01.2011 EUR	Additions EUR	Disposals EUR	As at 31 Dec. 2011 EUR	As at 01.01.2011 EUR	change 2011 EUR	As at 31 Dec. 2011 EUR	As at 31.12.2010 EUR
I. Intangible assets													
1. Concessions, commercial trade mark rights, and similar rights and values as well as licenses to such rights and values	42,485.23	0.00	0.00	0.0 0	42,485.23	35,561.23	4,267.00	0.00	39,828.23	0.0 0	0.00	2,657.00	6,924.00
2. Goodwill	2,705,781.45	0.00	0.00	0.0 0	2,705,781.45	2,705,781.45	0.0 0	0.00	2,705,781.45	0.0 0	0.00	0.00	0.0 0
	2,748,266.68	0.00	0.00	0.0 0	2,748,266.68	2,741,342.68	4,267.00	0.00	2,745,609.68	0.0 0	0.00	2,657.00	6,924.00
II. Real estate held as a financial investment	77,738,042.26	0.00	0.00	-1,675,613.00	76,062,429.26	2,104,308.53	0.0 0	0.00	2,104,308.53	12,863,651.00	2,486,114.42	89,307,886.15	88,497,384.73
III. Fixed assets													
1. Machinery and equipment	687,195.80	0.00	0.00	0.0 0	687,195.80	291,559.30	50,614.24	0.00	342,173.54	0.0 0	0.00	345,022.26	395,636.50
2 Other equipment, furniture, fixtures	273,887.66	15,204.90	0.00	0.0 0	289,092.56	244,898.07	12,458.00	0.00	257,356.07	0.0 0	0.00	31,736.49	28,989.59
	961,083.46	15,204.90	0.00	0.0 0	976,288.36	536,457.37	63,072.24	0.00	599,529.61	0.0 0	0.00	376,758.75	424,626.09
IV. Financial assets													
1. Shares in associates	791,764.59	152,291.84	0.00	0.0 0	944,056.43	0.0 0	0.0 0	0.00	0.0 0	0.0 0	0.00	944,056.43	791,764.59
2. Securities held as fixed assets	806,747.03	0.00	0.00	0.0 0	806,747.03	0.0 0	0.0 0	0.00	0.0 0	0.0 0	0.00	806,747.03	806,747.03
3. Other loans	77,506.82	136.65	-5,480.32	0.0 0	72,163.15	63,991.99	8,171.16	0.00	72,163.15	0.0 0	0.00	0.00	13,514.83
	1,676,018.44	152,428.49	-5,480.32	0.0 0	1,822,966.61	63,991.99	8,171.16	0.00	72,163.15	0.0 0	0.00	1,750,803.46	1,612,026.45
Total	83,123,410.84	167,633.39	-5,480.32	-1,675,613.00	81,609,950.91	5,446,100.57	75,510.40	0.00	5,521,610.97	12,863,651.00	2,486,114.42	91,438,105.36	90,540,961.27

WESTGRUND Aktiengesellschaft

Remscheid

Consolidated fixed

asset analysis for the period from 1 January to 31 December 2011

	Acquisition / manufacturing costs						Depreciation and amortisation				IAS 40 valuation		Book value	
	As at 01.01.2010 EUR	Change Group changes EUR	Additions EUR	Disposals EUR	Reclassification EUR	As at 31.12.2010 EUR	As at 01.01.2010 EUR	Additions EUR	Disposals EUR	As at 31.12.2010 EUR	As at 01.01.2010 EUR	change 2010 EUR	As at 31.12.2010 EUR	As at 31.12.2009 EUR
I. Intangible assets														
1. Concessions, commercial trade mark similar rights and values as well as licenses to such rights and values	42,485.23	0.00	0.00	0.00	0.00	42,485.23	27,156.22	8,405.01	0.00	35,561.23	0.00	0.00	6,924.00	15,329.01
2. Goodwill	2,705,781.45	0.00	0.00	0.00	0.00	2,705,781.45	1,205,781.45	1,500,000.0	0.00	2,705,781.45	0.00	0.00	0.00	1,500,000.00
	2,748,266.68	0.00	0.00	0.00	0.00	2,748,266.68	1,232,937.67	1,508,405.01	0.00	2,741,342.68	0.00	0.00	6,924.00	1,515,329.01
II. Real estate held as a financial investment	21,337,180.04	3,387,243.04	0.00	0.00	53,013,619.18	77,738,042.26	2,104,308.53	0.00	0.00	2,104,308.53	-1,087,021.51	13,950,672.51	88,497,384.73	18,145,850.00
III. Fixed assets														
1. Machinery and equipment	687,195.80	0.00	0.00	0.00	0.00	687,195.80	240,946.46	50,612.84	0.00	291,559.30	0.00	0.00	395,636.50	446,249.34
2. Other equipment, furniture, fixtures	264,863.99	0.00	9,023.67	0.00	0.00	273,887.66	229,960.50	14,937.57	0.00	244,898.07	0.00	0.00	28,989.59	34,903.49
	952,059.79	0.00	9,023.67	0.00	0.00	961,083.46	470,906.96	65,550.41	0.00	536,457.37	0.00	0.00	424,626.09	481,152.83
IV. Financial assets														
1. Shares in associates	797,396.75	0.00	0.00	-5,632.16	0.00	791,764.59	0.00	0.00	0.00	0.00	0.00	0.00	791,764.59	797,396.75
2. Securities held as fixed assets	806,747.03	0.00	0.00	0.00	0.00	806,747.03	0.00	0.00	0.00	0.00	0.00	0.00	806,747.03	806,747.03
3. Other loans	90,602.58	0.00	2,297.65	-15,393.41	0.00	77,506.82	27,117.00	36,874.99	0.00	63,991.99	0.00	0.00	13,514.83	63,485.58
	1,694,746.36	0.00	2,297.65	-21,025.57	0.00	1,676,018.44	27,117.00	36,874.99	0.00	63,991.99	0.00	0.00	1,612,026.45	1,667,629.36
Total	26.732.252.87	3,387,243.04	11,321.32	-21,025.57	53,013,619.18	83,123,410.84	3,835,270.16	1,610,830.41	0.00	5,446,100.57	-1,087,021.51	13,950,672.51	90,540,961.27	21,809,961.20

Westgrund AG, Remscheid

Group Management Report for fiscal year 2011

Westgrund AG is the parent company of the Westgrund Group, which numbers 21 companies as of 31 December 2011. The group additionally holds a 20% stake in each of two project development companies.

I. Business performance and general conditions

1. Overall economic situation and state of competition

a) Overall economic situation in Germany

The German economy remained stable in 2011. With an increase of 3.0% in real gross domestic product following growth of 3.6% in the previous year, the forecast growth for 2011 may once again have been surpassed. The decrease in the real gross domestic product of 5.1% in 2009 appears to have been fully rectified within the last two years. The German government projects growth of 0.7% for 2012. This would mean that the German economy would grow slightly more than the overall euro area. There is therefore a tendency to assume that growth factors will continue to shift towards domestic demand. The foreign component, comprising the difference between exports and imports, is forecast as being negative (-0.3%) in 2012 due to the dynamic positive growth trend of imports of 0.8% in 2011.

The job market in 2011 again was the mainspring for a dynamic domestic economy, and employment reached a new record from an increase in 541,000 (1.3%). The unemployment rate correspondingly fell from 7.7% to 7.1%. The favourable development in the job market also led wages to increase more strongly than expected (3.4%) in comparison to the previous year (2.2%). The associated significant boost to purchasing power supported consumption-related expenditures in private households which rose 1.5% in 2011 after increasing by 0.6% in 2010. A rise of 1.2% is anticipated for 2012.

Private home construction investments increased significantly by 5.4% given the favourable conditions such as increased employment and income and low mortgage rates in comparison to the prior year. For 2012, the federal government only anticipates a rise of 0.8%. Capital expenditures experienced an increase of 8.3% in 2011 after rising 10.5% in 2010. The forecast for 2012 is growth of 2.0%.

In 2011, the rise in consumer prices of 2.3% was significantly higher than the increase of 1.1% in the previous year. Inflation is anticipated to rise slightly in future, and repercussions from national deficits and the price of raw materials will play a major role.

In 2011, public deficits equalled approximately 1.0% after being more than 3% in the previous year. The reference value of 3% cited in the Maastricht Treaty was therefore again significantly higher than the value achieved in 2011. Unfortunately, the deficit rates and indebtedness and other European budgets continued to worsen in 2011. The pan-European efforts to stabilise the euro pose significant risks to public budgets in Germany.

The worsening of the national debt crisis within the euro area interrupted the anticipated normalisation of short-term interest rates. Following the primary reduction in early November, the German Bundesbank is assuming that the EURIBOR three-month money market rate will be 1.2% in 2012 and 1.4% in 2013 following a rate of 1.4% this year. Over the long term, the current yield of German government bonds with a remaining term of 10 years, which remain largely unchanged at 2.6% in 2011, is anticipated to be 2.4% in 2012 and 2.7% in 2013.

According to the national government, the crisis in Europe poses the primary risk to economic development in 2012. If the solution to the debt crisis is unable to make headway and marketing certainty cannot be dispelled, it can have certificate repercussions on the overall economic development within the euro area and within Germany in particular (sources: Annual Economic Report 2012 by the Federal Government, and 12/2011 Monthly Report by the German Bundesbank).

b) Industry situation

Different than in many other European countries, the German housing market did not undergo a roller coaster ride over the last 10 years. It did not experience dizzying heights up to 2007 and did not fall drastically during the recession. However in recent years, there were significant differences in price between the attractive influx regions and economically weak outflux regions. Whereas home prices fell 30% in the weakest regions during this period, and they increased up to 20% in the best regions. Low building completion figures, the rapid economic recovery, low interest rates and a search by investors for secure investment products generated a small boom in the home market within a number of submarkets. The inner city became more expensive place to live especially in metropolitan areas. Opportunities are of course not limited exclusively to the few metropolitan centres. Numerous attractive medium-size centres also exist. Consequently, increasing home prices within Germany are anticipated, especially within attractive locations.

Already high demand for housing has continued to rise in the past several years as a result of the continual decline in the average household size over the course of several decades. There are currently moren than 40 million households in Germany, some 5 million more than at the time of re-unification. The average amount of living space per person has also increased to such a degree that a continuous rise in housing demand is to be expected in spite of the forecast decline in the overall population. Regionally, there are significant differences between East and West Germany.

The German real estate transaction market experienced new life in 2011. The real estate market remained largely unaffected by the euro crisis. The transaction volume of business and residential real estate portfolios rose significantly over the prior year. The transaction volume for business real estate was EUR 23 billion in 2011, following EUR 19.1 billion in 2010 and EUR 10.1 billion in 2009. For residential real estate, the numbers were EUR 5.0 billion in 2011, following on EUR 3.8 billion in 2010 and EUR 3.3 billion in 2009. A similar transaction volume is expected for 2012. The ongoing tense situation with public budgets should have a supportive effect. In addition, the underlying conditions for transactions remain favourable.

The transaction volume remained at a constant level over 2011 and developed as follows:

in EUR billions	Commercial	Residential	Total
Q 1	5.6	1.0	6.6
Q 2	5.6	0.9	6.5
Q 3	6.0	1.8	7.8
Q 4	5.8	1.3	7.1
	23.0	5.0	28.0

Source: Trendbarometer Immobilien-Investmentmarkt
Deutschland 2,012: Ernst & Young

Sales groups included financial investors in particular as in years past. As anticipated, however, banks remained highly active on the seller side. Institutional investors continued to predominate among buyer groups, and foreign investors continue to remain a fixed quantity in the German real estate market. This is not anticipated to change significantly within the coming years. In 2011, private investors were active in the market in small volume business as during the previous year. The average transaction volume rose in 2011 in comparison to 2010.

Overall, the real estate market within Germany continues to remain stable. The majority of market participants are assuming that Germany will continue to trend positively in comparison to other European countries. Whereas investment interest within European countries outside of Germany is abating somewhat, demand remains high in Germany. The German real estate market should therefore benefit, particularly over the short term, from the rising level of insecurity in other European countries. It is assumed that investors are increasingly seeking value retention and hence quality, and are therefore prepared to accept corresponding prices. The German real estate market is therefore positioned very favourably on the international stage due to its attractive property portfolio and has become the strongest national European real estate market. According to the assessment of market participants, the overall attractiveness of the German real estate market once again rose in comparison to last year (source: Trendbarometer Immobilien-Investmentmarkt Deutschland 2012: Ernst &Young).

Early 2012 saw the first major transactions in the German residential real estate market such as the takeover of 25,000 apartments from DKB Immobilien by TAG for EUR 960 million, and the reported sale of 22,000 apartments of the Speymill portfolio to Cerberus. Additional major transactions in 2012 are anticipated. Positive signals will be also be generated in the small-scale residential real estate transaction market.

The lending activities of banks is of fundamental importance to a functioning real estate market. A sustained easing in the availability of credit in the real economy is still not evident in spite of the European Central Bank’s relaxed monetary policy, which is not expected to change significantly over the medium term. This also holds true for the securitisation markets which are highly important to real estate. The pricing of credit risks is currently very conservative which should have a stabilising effect on medium and long-term developments. Banks will continue to prefer underlying collateral in the form of real state. Current cash flows for property can change quickly if fundamental laws of the real estate market are consciously or unconsciously not taken into account. Classic expertise is currently needed to optimise the performance of real estate over the long and medium-term.

As long as the general interest rate remains at a low low level, higher risk surcharges should not put a clamp on credit. Furthermore, higher key lending rates would make it difficult to consolidate public budgets and, in a worst-case scenario, it would generate a debt spiral in public budgets with rising inflation. From every side including the real estate market, there is a desire to keep interest rates low which of course is associated with the danger of stimulating inflation.

c) The competition and business situation

The Westgrund Group continues to be predominantly active on the German residential real estate market. Given the stability in this market segment over 2011 with an attractive transaction volume of EUR 5 billion, this market continues to offer positive investment opportunities, in particular for opportunistic investors.

2011 witnessed a series of emergency sales of foreign-backed real estate, although these transactions did not negatively influence sales prices. Given the increasing demand for German residential real estate portfolios, a largely functioning real estate market has developed within the last two years. Because of the relative strength of the German real estate market, it can be assumed that these positive trends will continue, at least over the short term. Against the background of the ongoing turbulent European debt crisis, it is difficult to make knowledgeable forecasts in regard to trends in real estate markets. As a result of the widespread perception of real estate as a buffer against inflation, it can be assumed that the German real estate market will retain its relative strength even in the face of a crisis.

Given the continued stability and attractiveness of the German residential real estate market, the commercial real estate market will play a subordinate role in the activities of the Westgrund Group over the next few years. The primary focus will remain on significantly expanding the currently operated approximately 2000 residential units to more than 5000 units over the short-term. Over the medium term, a managed portfolio of 10,000 units is envisioned. Due to the broadening of the shareholder base and the capital measures concluded at the end of December 2011, the underlying necessary financing conditions have been established. Now, as before, the focus remains especially on those holdings with potential that has not yet been fully exploited, which will particularly involve sustainable real estate industry analyses and conceptions. The properties to be acquired will provide room in the short term for an rent increases through targeted reduction in vacancies. The Westgrund Group has been able to achieve a sustainable increase in value in very short order on the properties that have already been acquired, thereby also creating sufficient resources and sustainable structures for additional expansions in the Group's real estate holdings.

2. Business performance in 2011

a) Profit situation

	EUR k	%	Previous year EUR k	%	Change EUR k	%
Sales revenue	9,692	81.1	13,253	48.9	-3,561	-27%
Change in stock Market valuation	-224	-1.9	-84	-0.3	-140	
Income properties	2,486	20.8	13,951	51.4	-11,465	-82%
Total performance	**11,954**	**100.0**	**27,120**	**100.0**	**-15,166**	-56%
Material costs	5,281	44.2	8,954	33.0	-3,673	-41%

Gross profit	**6,673**	**55.8**	**18,166**	**67.0**	**-11,493**	-63%
Personnel expenses	1,265	10.6	1,566	5.8	-301	-19%
Scheduled depreciation and	68	0.6	74	0.3	-6	-8%
amortisation Administrative and operating costs	1,877	15.7	1,362	5.0	515	38%
Other operating income	-129	-1.1	-100	-0.4	-29	29%
	3,081	33.3	2,902	33.3	179	6%
Operating result	**3,592**	**30.0**	**15,264**	**56.3**	**-11,672**	-76%
Investment income	160	1.3	12	0.0	148	
Interest income Unscheduled depreciation and amortisation	-3,458	-2 8.9	-2,790	-10.3	-668	24%
	-8	-0.1	-2,505	-9.2	2,497	
Income from other periods	-37	-0.3	-97	-0.4	60	-62%
Earnings before taxes on income	**249**	**2.1**	**9,884**	**36.4**	**-9,365**	
Taxes on income / earnings	587	4.9	-706	-2.6	1,293	
Net profit/loss for the year	**836**	**7.0**	**9,178**	**33.8**	**-8,342**	

Sales revenue includes rental income of EUR 9.3 million, which was slightly below the level of the previous year (EUR 9.5 million). The occupancy rate of the entire portfolio continues to remain constant, although moderate rent increases were implemented last year. Other earnings result primarily from sales (EUR 0.3 million after EUR 3.6 million in 2010). The market valuation of income properties held over the long term was EUR 2.5 million in 2011, after EUR 14.0 million in 2010. The extraordinarily good valuation from 2010 was due in particular to the result of the market valuation conducted for the first time in 2010, which led to the cumulative realisation of hidden reserves that expanded constantly from 2007 to 2010. The significant increases in value are the result of successful asset management in recent years. The real estate valuation result under IAS 40 will continue to play a significant role in the annual Group results in the future due to the focus on a retention strategy.

Gross profit was reduced in particular by a decrease in the real estate valuation result from EUR 18.2 million in 2010 to EUR 6.7 million in 2011.

Personnel costs and other cost positions in the total sum were higher, in particular due to one-time capital market measures. This category should decrease in 2012.

Interest income deteriorated from EUR -2.8 million in 2010 to EUR -3.5 million in 2011. This was caused especially by borrowed capital interest rates that were higher than the annual average, as well as a negative valuation result from interest rate swaps.

Taxes on income and profit resulted in deferred tax liabilities, a development due primarily to profits from real estate market valuations under IAS 40, which were however overcompensated due to offsetting with tax losses carried over.

Earnings before interest and taxes (EBIT) fell from EUR 15.3 million in 2010 to EUR 3.6 million in 2011. The annual Group results also declined from EUR 9.2 million to EUR 0.8 million in 2011.

b) Assets

	EUR k	%	Previous year EUR k	%	Change EUR k	Change %
Assets						
Intangible assets	3	0.0%	7	0.0%	-4	-57.1%
Real estate held as a financial investment	89,308	89.2%	88,497	90.7%	811	0.9%
Fixed assets	377	0.4%	425	0.4%	-48	-11.3%
Financial assets	1,751	1.8%	1,612	1.7%	139	8.6%
Other long-term assets	1,033	1.0%	325	0.3%	708	217.8%
Deferred tax assets	29	0.0%	24	0.0%	5	20.8%
Non-current assets	**92,501**	**92.4%**	**90,890**	**93.1%**	**1,611**	1.8%
Real estate held for sale	830	0.8%	1,056	1.1%	-2 2 6	-21.4%
Work in progress	1,037	1.1%	1,037	1.1%	0	0.0%
Services not yet invoiced	2,501	2.5%	2,731	2.8%	-2 3 0	-8.4%
Other assets	718	0.7%	614	0.6%	104	16.9%
Liquid funds	2,506	2.5%	1,243	1.3%	1,263	101.6%
Current assets	7,592	7.6%	6,681	6.9%	911	13.6%
	100,093	**100.0%**	**97,571**	**100.0%**	**2,522**	2.6%
Equity and liabilities						
Subscribed capital	11,413	11.4%	10,376	10.6%	1,037	10.0%
Reserves	12,784	12.8%	11,369	11.7%	1,415	12.4%
Distributable profit	4,063	4.1%	3,318	3.4%	745	22.5%
Minority interest shares	435	0.4%	344	0.4%	91	26.5%
Equity	**28,695**	**28.7%**	**25,407**	**26.0%**	**3,288**	12.9%
Deferred tax liabilities	5,813	5.8%	6,417	6.6%	-604	-9.4%
Pension provisions	101	0.1%	107	0.1%	-6	-5.6%
Derivatives	1,168	1.2%	944	1.0%	224	23.7%
Noncurrent bank liabilities	12,859	12.8%	8,877	9.1%	3,982	44.9%
Long-term leasing liabilities	4,636	4.6%	6,308	6.5%	-1,672	-26.5%
Long-term debt	**24,577**	**24.5%**	**22,653**	**23.2%**	**1,924**	8.5%
Current liabilities	38,612	38.6%	43,764	44.9%	-5,152	-11.8%
Other short-term borrowed capital	8,209	8.2%	5,747	5.9%	2,462	42.8%
Short-term borrowed capital	**46,821**	**46.8%**	**49,511**	**50.7%**	**-2,6 9 0**	-5.4%
	100,093	100.0%	97,571	100.0%	2,522	2.6%

Real estate held as a financial investment have increased in particular due to the market value increases realised in 2011. Other long-term assets include a payment made in the amount of EUR 0.7 million for the Successful acquisition of a real estate portfolio in Berlin-Hellersdorf in 2012EUR 34.5 million in bank liabilities, posted under short-term borrowed capital on the balance sheet date, were refinanced over the long term in April 2012.

c) Financial situation

We refer to the cash flow statement attached as an annex to these consolidated financial statements with regard to the financial situation on the balance sheet date.

Westgrund AG and its subsidiary companies maintained a willingness to pay throughout the financial year and on the reporting date.

In May of 2012, an extension to 30 July 2014 of short-term loans with a volume of EUR 34.5 million was approved by the financing bank. Furthermore, cash capital was increased in May of 2012 which will provide the Westgrund Group with tens of millions of independent funds. With the influx of these financial means, the Group will expand its existing real estate portfolio and seek to acquire real estate with a long-term positive cash contribution margin after deduction of capital services. The forecast is assuming that the operative cash flow of the Westgrund Group will remain positive over the long term following these purchases even without the ongoing sale of real estate.

3. Real investments

There were only a few investments in fixed assets, real estate or other movables over the course of the previous business year.

4. Financial investments

No financial investments were made in financial year 2011.

5. Non-financial performance indicators

Thanks to its long company history, the Westgrund Group benefits from a network of high-quality and trustworthy business partners on the German real estate market.

6. Human Resources

In the past fiscal year, the Westgrund Group employed an annual average of 20 employees (previous year: 22 employees). For business year 2012, new hires are planned in the event that new real estate purchases are made.

The company offered options for training and professional development, which employees gladly made use of.

7. Development of Westgrund AG's shares

The share price of Westgrund AG rose slightly from EUR 2.25 at the beginning of the year to EUR 2.39 at the year's end. Over the course of the year, shares peaked up to EUR 3.84, yet this could not be maintained until the end of the year. In 2012, the share price rose rapidly to approximately EUR 3, however this fast increase was also unsustainable.

In November 2011, Klaus Wecken submitted a voluntary public takeover offer to all shareholders of Westgrund AG to purchase their no-par value bearer shares at a rate of EUR 2.35. On the basis of the current strategic plan of Westgrund AG, the Board of Management and the Board of Supervisors are assuming that increasing the share price above the offered rate is feasible over the medium to long-term. Only a limited number of shareholders took advantage of the takeover offer.

The high level share price volatility with increased daily volumes offers both small and institutional investors positive conditions for long-term investment. Lasting favourable stimuli for the share price are anticipated from the planned expansion of the real estate portfolio for 2012.

II. Report on events after the balance sheet date

After the balance sheet date in 2012 the Group completed the purchase of a real estate package in Berlin-Hellersdorf (269 residential units with a living space of 16,112 m²) with a current net base rent of EUR 901 k per annum. Furthermore, the purchase was announced of an additional 180 residential units in Berlin-Hellersdorf with a living space of 11,419 m² and a current net base rent of EUR 647 k. Following these two transactions, a total of 449 residential units will be managed in Berlin-Hellersdorf.

As subsequently ratified by the Supervisory Board on 23 May 2013, the Management Board resolved on 22 May 2012 to implement the resolution of the shareholders meeting on 19 December 2011 to increase cash capital with up to 15,000,000 new no-par value bearer shares. The shareholders are being offered up to 15 million new no-par value bearer shares with a deemed share of the company's shareholder equity to the amount of EUR 1.00 per share with entitlement to dividends as of 1 January 2012 by way of indirect subscription rights.

Close Brothers Seydler Bank AG, Frankfurt am Main, was entitled to acquire the new shares with the obligation of offering them to the company's shareholders at the purchase price of EUR 2.20 per new share set by the Board of Management with the approval of the Board of Supervisors at a ratio of 3:4. Shareholders holding a total of 163,320 shares waived their option of establishing an even subscription ratio. Trading in options is not being promoted by the company or Close Brothers Seydler Bank AG. Nor has a proposal been submitted for the subscription rights. The subscription period is from 29 May 2012 through 12 June 2012, 5 PM Central European Time (only). Beyond their statutory subscription rights, every shareholder with options can submit a binding offer to acquire new unsubscribed shares at the purchase price. Two company shareholders have already promised to subscribe for new shares with an equivalent value of at least EUR 13 million. Details of the subscription offer were published in the Federal Gazette on May 25, 2012. The company anticipates gross proceeds of approximately EUR 20 million from the capital increase. The issue will be used to secure financing of property and to acquire attractive residential real estate portfolios.

Nothing further took place following the close of the financial year 2011 that significantly affects the company and/or would alter any assessment's of the company's state. The course of business up until the date of production of this management report confirmed the statements made in the prognosis report.

III. Report on internal monitoring and risk management system

The Group-wide systematic risk management system provide security and bolsters Group competitiveness appropriately managing and transparently preparing for individual risks. It is a tool for forecasting and controlling risk. This is foundational for the company's continued success since risks are necessarily connected to the company's business.

Risk management system (RMS)

Westgrund AG's risk policies are embedded in its corporate strategy and characterised by the effort to protect the Group's assets and to contribute to the continual and sustainable growth of the company's value.

The risk strategy is based on assessing risks and their related opportunities. When it comes to the Group's area of core competencies, appropriate, straightforward and manageable risks are taken if there is the expectation of an appropriate reward or if they are unavoidable. Risks in ancillary business activities are outsourced to other risk bearers as the case may be. One concrete example of this is securing residential building insurance policies. Other risks that are not associated with key and/or supportive processes are contrastingly avoided if possible.

The Group has outlines the conditions appropriate to a proper and forward-thinking risk management policy in its risk management manual. The manual sets down the concrete processes belonging to risk management. The objective is the systematic identification, assessment, management and documentation of risks. Taking into account pre-defined categories of risk, those risks relevant to business areas, operational units, significant associated companies and central areas are identified and assessed in terms of the likeliness of their appearance and the probably damages associated with them. The report is guided by maximum and minimum values defined by management.

Responsible parties are also charged with developing and implementing, when necessary, measure to avoid, reduce and safeguard against risks. Significant risks and countermeasures introduced are monitored regularly. The responsible employees regularly report to the Management Board and Supervisory Board on the identified risks. In addition to regular reports, internal Group reporting is mandatory for any unanticipated risks that arise. The risk management system allows the Management Board to identify significant risks at an early stage and to put measures in place to counteract them.

The risk management system's significant characteristics are utilised throughout the company. When it comes to accounting, the identified risks are analysed and assessed especially with respect to the possible impact they may have on financial reporting. Early information about possible changes in the current value of assets and liabilities is hereby made available, impending depreciations are identified and important information regarding the estimation and portrayal of risks to the balance sheet is produced. The Group works closely with external auditors in this respect.

The Management Board monitors the appropriateness and efficiency of risk management and the related control system, and re-assesses it as appropriate. The Westgrund Group's risk management was further refined in financial year 2010 and adapted to the management and company structures.

Internal Control System (ICS)

The objective of the ICS that has been established is to secure the Group's assets via the implemented methods and measures and to improve the company's operational efficiency. The ICS is meant to ensure the reliability of the methods of calculation and reporting as well as compliance with internal rules and legal requirements.

The implementation of the ICS included analyses of individual business areas within the company, which included an assessment of the probability and potential for losses.
Units were newly organised based on the analyses' findings and the assessments that were produced, and units' work processes were adapted in line with those findings as well. Activities that were incompatible with one another have been separated and appropriate monitoring activities now exist. Particular attention is paid to responsibilities that do not overlap, with the proviso that the task, competency and responsibility are treated as bundled together. In addition, predominantly automated monitoring mechanisms, such as access authorisations in IT, have been incorporated into the regular work flow.

Significant aspects of the ICS are made use of in all areas of operational activity. The implementation of structural and procedural monitoring measures related to accounting ensure the integrity of the data used in the production of the financial reports.

In addition to the mechanisms implemented as part of this system, individual operational areas are consistently monitored by members of management as well as third parties on an ad hoc basis. To this end there is a close cooperation with external auditors.

It must be stated that neither the ICS nor the RMS can absolutely ensure that the objectives that have been set will in the end be met. As is the case with all discretionary decisions, these systems, appropriate at the time of implementation, may yet reveal fundamental defects. Monitoring mechanisms may end up not functioning in certain cases due to simple errors or mistakes or changes in environmental variables may not be recognised until a late stage in spite of the monitoring measures in place.

The following risks are currently subject to particularly close attention as part of the risk management process:

a) Procurement market risk

When acquiring company and real estate portfolios, the target of the acquisition must be comprehensively analysed and assessed in terms of qualitative and quantitative characteristics. In addition to the risk that the object to be acquired is incorrectly assessed, the risk also exists that a relevant offer on attractive investment opportunities is simply not available on the market at the time or that an unreasonably higher purchase price would be demanded. There may additionally be difficulties related to integrating acquired companies and real estate portfolios into the existing organisational structures. The Westgrund Group's development plans assume that there will be a sufficient number of attractive real estate properties available on the market at reasonable prices.

b) Economic risk and financial market risk

National and international real estate and financial markets are subject to constantly changing regulatory and economic conditions. Changes in external factors that cannot be influenced such as economic growth, price trends and interest rates have a significant influence upon real estate and financial markets and hence upon the financial success of the company. The risk therefore exists that negative macroeconomic developments in these markets will negatively influence business activity, particularly in terms of real estate transactions and financing conditions. The Westgrund Group assumes, however, that it will be able to maintain the value of its property holdings and the associated services on offer in light of future changes in the relevant conditions affecting the markets.

c) Rent risk and debt default risk

Losses in rent could result first and foremost from justifiable or unjustifiable reductions in rent as well as from vacancies in the properties, both those related to normal fluctuations and those that are more structural in nature. Losses in loans and advances related to properties that have been let may principally be attributed to renters' economic circumstances. The monitoring of rent risk and debt default risk have become an increasingly important aspect of the risk management process given the increased focus on property holdings in the company's strategy.

d) Risks related to financing and liquidity

The Group's and the company's business activities are overwhelmingly dependent on the availability of borrowed capital. The continued existence of the Group and the individual companies is made insecure insofar as the sufficient provision of borrowed capital cannot be assured. The availability of sufficient liquid funds must additionally be ensured in order to cover the operating costs of the Group and the companies at any and all times. The real estate which is also managed by the subsidiaries presently does not generate adequate excess liquidity to finance all of the costs, in particular those associated with Westgrund AG. To increase in the inflow of liquidity, the acquisition of additional real estate portfolios is envisioned. The ongoing assessment of financing and liquidity risks and the timely introduction of countermeasures is hence a central feature of the risk management process of the Company and Group. Because of the increased importance of inventory in the Group's strategy, the monitoring of risks related to financing and liquidity has become a more crucial part of the Group's risk management process.

e) Dependence on key individuals and internal control of growth

The future success of the company significantly depends on a strong growth in the acquisition of appropriate real estate holdings. The company's human resources and organisational structure should be adapted to and expanded in accordance with future growth. The risk therefore arises that sufficient structures may not be created to an appropriate extent and, especially given the smaller size of the company, key roles in the organisation may go unfilled.

f) Additional risks

Additional risks related to the business activities of the Group as a whole (risk of default, rental risk, risk associated with project selection, etc.) have been deemed not critical when viewed against the backdrop of the entirety of the Group's activities and considering both the likelihood that the risks will arise and the extent of damages that could be expected. This analysis is subject to periodic re-assessment.

The Group's entire risk situation is expected to change over the course of the next several years due to the growth strategy currently being pursued and the more prominent emphasis placed on real estate holdings. These have already been accounted for in the hiring of additional qualified staff. It is therefore the company's opinion that no risks to the company's continued success currently exist.

The Management Board is confident that the measures already enacted are able to manage the company's risks and offer adequate coverage. The objective of the continued evolution of the existing risk management system is therefore the ongoing development of the company's risk culture with its focus on value, which is the basis of the company's approach to all of its business activities, and the continual adaptation to changing economic circumstances.

IV. Compensation report (in accordance with section 289 para. 2 no. 5 HGB)

The Supervisory Board is responsible for determining the structure of the system of compensation for the Management Board and for periodically reviewing it. Compensation for members of the Management Board is comprised of both performance-related and performance-independent components. The performance-independent components are the fixed salary and benefits, whilst performance-related components are awarded as bonuses. The Management Board additionally receives share options as a means of ensuring long-term connection to the company. There are no pension promises for members of the Management Board.

The service contract concluded with the member of the Management Board has a customary term of three years and includes conventional regulations regarding termination.

Criteria for determining the appropriate level of compensation for a member of the Management Board include his or her responsibilities, personal performance and the situation in which the company finds itself, including its level of success and future prospects. The performance-independent compensation of the fixed salary is paid monthly. The Management Board member is additionally entitled to benefits, including the use of a company car. The Management Board member is responsible for paying taxes on these benefits. No advances paid to Management Board members are allowed during the financial year. Bonuses are awarded on the basis of performance. Performance is measured in terms of the overall success of the company.

Further information on the total remuneration for members of the Management and Supervisory Boards may be found in the Notes.

V. Report in accordance with section 315 para. 4 HGB

The shareholder equity of Westgrund AG on the balance sheet date was EUR 11,413,320 and is divided into 11,413,320 no-par value bearer shares (shares without a nominal amount). The calculated nominal value of each share is EUR 1.00. All shares are fully paid up.

The Management Board of Westgrund AG is not aware of any limitations related to voting power or the transfer of shares.

As far as the Management Board is aware, as at the balance sheet date there were direct and indirect stakes in the company that held more than 10% of voting stock, amounting to about 30% and about 21 %. Reference is made to the specific details in the Notes.

No vote pooling agreements exist with employee shareholders. Furthermore, there are no voting controls for employees who have invested in the company.

Members of the Management Board are named and recalled in accordance with the regulations set out in sections 84, 85 AktG. Changes to the statute are made in accordance with sections 133, 179 AktG.

The Managing Board is authorised to issue shares under the stock option program adopted in the extraordinary shareholders meeting on 28 February 2011 (2011 stock option program). Shares have already been issued to employees as well as members of the management board under the auspices of the 2007 and 2008 share option programmes. Share repurchases are regulated by sections 71 ff. AktG.

The authorisation resolutions reached by the general meeting regarding the use of share options for the purchase or issuing of shares (2007, 2008 and 2011 share option programmes) have established the following special provisions for cases in which there is a takeover bid or a change of control. Provisions regarding subscription rights may allow for purchase rights to be utilised before the waiting period that is part of a reasonable time frame after the change of control has ended insofar as this takes place by means of cash payment. The provisions regarding subscription rights also permit the purchase rights to be cancelled unilaterally by the company after the change of control process has begun and during the waiting period, but within an appropriate time period, by means of a cash payment in the amount that equals the difference between the exercise price and the closing price of the company’s stock on XETRA trading platform on the Frankfurt am Main stock exchange (or a functionally equivalent platform that replaces it) on the last trading day before cancellation (issuing the notice of cancellation).

The provisions related to subscription rights may also stipulate that those with subscription rights may be required (following agreement by the Management and Supervisory Boards before the fact) to transfer purchasing rights to the bidder (in accordance with the German Securities Acquisition and Takeover Act, WpÜG) who submits a voluntary takeover bid or compulsory bid on all remaining shares not held by the company, insofar as the price offered for this transfer of subscription rights per purchasing rights is no less than the difference between the exercise price and the price offered per share for the purchase of the remaining shares (excluding possible price increases). The conditions set forth above may also require the individual with purchasing rights to refrain from exercising these rights on the request of the bidder.

There are no special agreements with members of the Management Board or employees regarding compensation required in the case of a takeover bid.

VI. The assurance of the Management Board in accordance with section 315 para. 1 clause 6 HGB

As the legal representative of Westgrund AG, the Management Board hereby assures that this management report portrays, to the best of its knowledge, Westgrund AG's business activities, including operating results and Westgrund AG's current situation, in a manner that accurately reflects the actual existing conditions as well as accurately reflecting the significant opportunities and risks.

VII. Corporate Governance Report

Westgrund AG understands corporate governance to encompass its entire system of corporate management and corporate control. The company provides information in a regular and timely manner about developments in and affecting the Westgrund Group above and beyond what is legally required. All reports and statements that are relevant to capital markets are published online.

The Supervisory Board and Management Board of Westgrund AG have actively maintained compliance with the provisions contained in the version of the Corporate Governance Codex issued on 26 May 2010 and produced a notice of compliance, which has been posted publicly on Westgrund AG's website. According to this document, the following deviations from the guidelines in the Corporate Governance Codex exist:

"Not in keeping with clause 3.8, line 3 in the Codex, no excess has been agreed to as part of the D&O insurance policy taken out for the Management and Supervisory Boards since this would make little sense from the policy's standpoint.

The Management Board is comprised of one member, which diverges from the stipulation in clause 4.2.1. Because of the company's size and business activities, there is no need for a multi-member Management Board.

Clause 5.1.2 para. 2 (3) is not applicable insofar as there is only one member of the Management Board.

Deviating from clause 5.1.2. para. 2 line 3, Westgrund AG sets no upper age limit for members of the Management Board. The hiring contracts of members of the Management Board are subject to a time limit.

The Management Board is selected according to different criteria such as expertise and managerial skill. (clause 5.4.1 sentence 2)

Deviating from clause 5.4.6, the Supervisory Board does not receive a performance-based remuneration. The company is of the opinion that performance-oriented remuneration does not promote the supervisory function of the Supervisory Board.

With respect to so-called "directors' dealings", clause 6.6 of the Codex is applied in accordance with the legal regulations stipulated in section 15a of the German Securities Trading Act (WpHG) with the stipulation that these types of deals need be reported and publicised only when the total value of the deals made by the respective member of the management board equals or exceeds EUR 25,000.00 within a 30-day period.

Deviating from clause 7.1.2 of the Codex, public availability of the consolidated financial statements and interim reports is determined by the appropriate legal regulations."

VIII. Statement regarding corporate governance in accordance with section 289a HGB

A statement on the company management, as required per section 289a HGB, is publicly available on the company's website (www.westgrund.de).

IX. Forecast

At the end of 2011, the German real estate market continues to find itself in a surprisingly favourable position. Rising prices and growing transaction volumes are strong signals that real estate continues to be an attractive asset. The slowdown in economic growth noted toward the end of 2011, as well as the ongoing uncertainty with regard to managing the European debt crisis, have not yet affected the German real estate market. On the contrary: Many investors continue to believe that real estate is a useful investment in times of crisis, and the prices of small-scale residential real estate rose significantly in 2011. The continued stability evident in demand ensures that even if recession-like developments were to appear or the European debt crisis were to worsen, there would be no reason to expect a slump in the German residential real estate market.

The future development of European national finances remain a big question mark for the unforeseeable future, and this poses a risk to the financial markets so essential for the real estate market. As a company working in a global environment, the Westgrund Group cannot dissociate itself from the economic circumstances affecting local and international real estate markets. With an eye on the interests of institutional real estate investors, Westgrund AG enters the competition with global investment opportunities.

Overall economic development in in Germany remains positive, in contrast to the situation in neighbouring European countries, and this trend is expected to continue into 2013. Thanks to its positive macroeconomic characteristics, the German real estate market has proven itself to be crisis-resistant, which is moreover especially true of German residential real estate markets. In times of turbulence, the retention of asset value remains an essential keystone in riding out crises.Accordingly, Westgrund AG, with its focus on the German residential real estate market and long-term portfolio retention strategy feels that it is favourably positioned.

The stabilisation of the German economy that was anticipated for 2011 largely occurred along with the associated stabilisation of transaction business. A few emergency sales occurred which are particularly attractive to opportunistic investors. To the extent that distressed medium-size real estate portfolios

become available in 2012, Westgrund AG will seek to position itself as a problem-solver to investors of foreign capital, which is especially reinforced by the success of the entire Group in the rental market.
The currently held real estate portfolios were purchased under attractive conditions and were reported as profitable Group assets for the first time in 2010. Significant increases in value have been achieved within years past from an active real estate asset management policy. An active programme of real estate asset management aims to further increase the portfolio's value over the course of the next few years. Additional capital measures will be required to accomplish this. Short-term resales of real estate portfolios will only be seriously considered if the sales price already meets or exceeds a defined minimum.

Investment in larger-volume real estate portfolios and reducing vacancies as well as restructuring existing financing will work to create added value, which should also create a sustainable positive cash flow. The primary aim is to build up a Group residential real estate portfolio to permanently enhance the sustainability of earnings. Investments are made exclusively in portfolios that will generate a positive cash flow after any restructuring that may be necessary and that are hence also capable of generating payments on principle over the long-term and positively contributing to the Company's bottom line.

The specific strategies which will be pursued in the future, and the time window in which they will be implemented, will largely depend on subsequent trends in the real estate and financial markets. The Westgrund Group has accordingly developed various strategies for a range of future market scenarios. The overarching goal is to stabilize the growth of the Company in the face of risks, challenges and current trends in the real estate and financial markets by pursuing sustained growth in order to become independent of external factors to the greatest extent possible. Due to the broadening of the shareholder base and the capital measures concluded at the end of December 2011, the underlying necessary financing conditions have been established.

Even provided the company's good results for 2010, no concrete objectives for growth and company results for the coming financial year will be set. A very positive result is anticipated for the overall Group on the basis of the envisioned and realized purchases in 2012 and 2013, along with the associated potential enhancement of real estate value for these years.

Remscheid, May 2012

Westgrund Aktiengesellschaft
Management Board

Arndt Krienen

Audit Certificate

We have audited the annual consolidated financial statements, consisting of the balance sheet, income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes to the annual financial statements, together with the accounts and management report of Westgrund Aktiengesellschaft, Remscheid, for the financial year from 1 January to 31 December 2011. The preparation of the annual financial statements and management report in accordance with IFRS, as applied in the EU, as well as the commercial guidelines of section 315a para. 1 HGB, is the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the management report based on our audit.

We conducted our audit of the annual consolidated financial statements in accordance with section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements issued by the German institute of public auditors, Institut der Wirtschaftsprüfer (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 annual consolidated financial statements in accordance with applicable accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounts, consolidated financial statements and management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the delineation of the reporting entity, of the accounting and consolidation principles used, and significant estimates made by the Group's legal representatives, as well as evaluating the overall presentation of the Group's annual financial statements and the 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 the IFRS requirements as they are applied in the EU, and furthermore in accordance with applicable regulations in section 315a para. 1 HGB, and give a true and fair view of the Group's net assets, financial position and results of operations of the company in accordance with generally accepted accounting principles. The Group management report is consistent with the consolidated financial statements and as a whole accurately reflects the position of the Group and fairly presents the opportunities and risks associated with future developments.

Cologne, 1 June 2012

DHPG DR HARZEM & PARTNER KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Siebrecht)	(Güntgen)
Certified Auditor	Certified Auditor