WESTGRUND Aktiengesellschaft,

Berlin

Consolidated balance sheet as at 31 December 2012

ASSETS

		Appendix	€	€	Previous year: EUR k
A.	**Non-current assets**				
I.	**Intangible assets**				
1.	Industrial property rights and similar rights and values	D.1	116.00		3
2.	Goodwill	D.2	0.00	116.00	0
II.	**Investment property**	D.3		135,453,491.00	89,308
III.	**Property, plant and equipment**	D.4			
1.	Technical equipment and machinery		294,512.72		345
2.	Other assets, plant and equipment		28,120.59	322,633.31	32
IV.	**Financial assets**				
1.	Shares in affiliated companies	D.5	875,.111.46		944
2.	Long-term securities	D.6	831,759.03		807
3.	Other loans	D.6	0.00		0
4.	Prepayments	D.6	51,447.04	1,758,317.53	0
V.	**Other non-current assets**	D.7		268,109.75	1,033
VI.	**Deferred tax assets**	D.13		19,738.77	29
B.	**Current assets**				
I.	**Properties and other inventories held for sale**				
1.	Properties held for sale	D.9	278,961.93		830
2.	Services not yet invoiced	D.8	3,446,999.36		2,501
3.	Work in progress	D.10	1,037,025.00	4,762,986.29	1,037
II.	**Receivables and other assets**	D.11			
1.	Trade receivables		507,001.29		369
2.	Current tax receivables		38,133.70		118
3.	Other assets		1,073,360.93	1,.618,495.92	231
III.	**Cash in hand and cash at banks and capital-forming insurance policies**	D.12		5,444,33.61	2,506
				149,648,522.18	100,093

LIABILITIES

		Appendix	€	€	Previous year: EUR k
A.	**Equity**				
I.	**Subscribed capital**	D.14	18,681,517.00		11,413
II.	**Capital reserve**	D.14	8,210,360.17		12,784
III.	**Minority interests**		225,127.73		435
IV.	**Consolidated net earnings**		21,586,185.95	48,703,190.85	4,063
B.	**Long-term liabilities**				
1.	Deferred tax liabilities	D.13	6,626,929.59		5,813
2.	Pensions reserves	D.18	102,778.00		101
3.	Liabilities due to banks and capital-forming insurance policies	D.19	79,551,081.98		12,859
4.	Derivatives	D.20	1,309,944.03		1,168
5.	Leasing liabilities	D.19	4,661,283.51	92,252,017.11	4,636
C.	**Current Liabilities**	D.19			
1.	Liabilities due to banks and capital-forming insurance policies		3,242,945.79		38,612
2.	Advance payments received		3,067,635.93		2,490
3.	Leasing liabilities		9,250.19		9
4.	Trade accounts payable		706,006.99		1,345
5.	Actual tax liabilities		34,033.02		79
6.	Other liabilities		1,633,442.39	8,693,314.22	4,286
				149,648,522.18	100,093

WESTGRUND Aktiengesellschaft

Berlin

Consolidated Income Statement for the period

from 1 January to 31 December 2012

		Appendix	€	€	Previous year: EUR k
1.	Revenue	E.1		10,766,866.41	9,692
2.	Change in levels of services not yet invoiced and unfinished services			964,774.16	-224
3.	Valuation result of the fair value of investment property			5,850,139.94	2,486
4.	Other operating income	E.2		508,139.94	217
5.	Material costs				
a)	Facility management	E.3	-6,202,788.33		-5,056
b)	Sale of property	E.3	-113,035.53	-6,315,823.86	-225
6.	Personnel expenses				
a)	Wages and salaries	E.4	-1,165,898.49		-1,098
b)	Social security contributions	E.4	-165,218.15	-1,331,116.64	-167
7.	Depreciation	E.5		-79,877.66	-75
8.	Other operating expenses	E.6		-1686,925.97	-2,004
9.	Income from investments			5,997.32	9
10.	Other interest and similar income	E.7		48,486.07	24
11.	Interest and similar expenses	E.7		-2,999,120.36	-3,481
12.	Shares of losses in associated companies (previous year: profit)			-68,944.97	152
13.	Profit from ordinary business activities			-4,951,328.77	250
14.	Taxes on income	E.8		-861,779.25	587
15.	Other taxes			-761,16	1
16.	Consolidated annual result			4,088,788.36	836
17.	Losses attributable to minority interests (previous year: profit)			226,585.58	-91
18.	Profits to be allocated to shareholders of the parent company			4,315,373.94	745
19.	Consolidated profit carried forward			4,063,073.19	3,318
20.	Withdrawals from capital reserve			13,207,738.82	0
21.	Consolidated net earnings			21,586,185.95	4,063

WESTGRUND Aktiengesellschaft

Berlin

Consolidated Income Statement for the period

from 1 January to 31 December 2012

		Previous year:
	€	€
Consolidated net profit	4,088,788.36	836
Other profit for the year	0.00	0
Overall profit for the year	4,088,733.36	836
of which is allocated to		
Shareholders of the parent company	4,315,373.94	745
Shares without a controlling influence	-226,585.58	91
Earnings per share		
Undiluted earnings per share (in EURO)	0.28	0.07
Diluted earnings per share (in EURO)	0.28	0.07

WESTGRUND Aktiengesellschaft
Berlin

Cash flow statement for financial year 2012

	€ '000	Previous year: € '000
Consolidated earnings before income taxes	4,951	249
Adjustments for		
Financial expenses	2,999	3,481
Financial income	-54	-33
Depreciation (+) / appreciation (-) on fixed assets	262	75
Depreciation (+) / appreciation (-) on current assets	530	0
Profit (-)/loss (+) from the fair value valuation of investment property	-5,850	-2,486
Profit (-) from company acquisitions	-70	0
Loss (+) / profit (-) from associated companies	69	-152
Personnel expenses from share option programme (+)	95	63
Increase (+) / decrease (-) in provisions	2	-6
Increase (-) / decrease (+) in other assets	-1,118	-327
Increase (+) / decrease (-) in other liabilities	-34	-261
Interest paid (-)	-2,740	-3,258
Interest received (+)	48	24
Taxes received (+) / paid (-)	4	-120
Cashflow from operating activities	-906	-2,751

	€ '000	Previous € '000
Proceeds from sale of investment property (+)	60	0
Proceeds from dividends (+)	6	9
Outflows for investments in property, plant, and equipment (-)	-40,567	-16
Outflows for investments in financial assets (-)	-25	0
Outflows for the acquisition of shares in companies less liquid funds acquired (-)	-73	0
Cashflow from investment activity	-40,599	-7

	€ '000	Previous year: € '000
Increase (+) / decrease (-) in liabilities due to banks	31,231	-1,168
Increase (+) / decrease (-) in financial liabilities	-2,595	2,802
Proceeds from issue of capital less transaction costs (+)	15,808	2,387
Cashflow from financing activities	44,444	4,021

	€ '000	Previous year: € '000
Net change in cash funds	2,939	1,263
Cash and cash equivalents at the start of the period	2,506	1,243
Cash and cash equivalents at the end of the period	5,445	2,506
of which restricted	3,673	1,141
Cash and cash equivalents at the end of the period (available)	1,772	1,365

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

Cash and cash equivalents consist of cash in hand and balances at banks and insurance companies. The amounts are freely available to the group with the exception of bank accounts of EUR 3,673,000 (previous year: EUR 1,141,000) which was pledged to the lending bank as collateral for bank loans. Additional restrictions on disposal as in the previous year no longer apply.

The outflows for the acquisition of company shares refer to the acquisition of a company at a purchase price of EUR 24,000 and the down-payment for the acquisition of another company of EUR 51,000. Liquid funds of EUR 2,000 were acquired in the acquisition. The primary asset of the acquired company was its 5.1% share in an already consolidated company with a fair value of EUR 130,000.

WESTGRUND Aktiengesellschaft,

Berlin

Consolidated Statement of Changes in Equity

for the period from 1 January to 31 December 2012

	Subscribed scpital	Capital reserve	Own shares	Profit/ Loss carry-forward	Shares of minority	Profit for the period	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 01.11.2011	10,375,750.00	11,412,066.0	-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 to stock option 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
Cash capital increase	1,037,570.00	1,359,216.70	0.00	0.00	0.00	0.00	2,396,786.70
Costs of cash capital increase	0.00	-42,552.73	0.00	0.00	0.00	0.00	-42,552.73
Profits for the period 1.1. - 31.12.2011	0.00	0.00	0.00	0.00	90,838.84	745,122.11	835,960.95
As at 31.12.2011	11,413,320.00	12,783,316.46	0.00	3,317,951.08	435,229.14	745,122.11	28,694,938.790
As at 01.01.2012	11,413,320.00	12,783,316.46	0.00	3,317,951.08	435,229.14	745,122.11	28,694,938.79
Appropriation of profit 2011	0.00	0.00	0.00	745,122.11	0.00	-745,122.11	0.00
Change to stock option programme	0.00	94,778.72	0.00	0.00	0.00	0.00	94,778.72
Cash capital increase	7,268,197.00	8,721,836.40	0.00	0.00	0.00	0.00	15,990,033.40
Costs of cash capital increase	0.00	-181,832.59	0.00	0.00	0.00	0.00	-181,832.59
Minorities access	0.00	0.00	0.00	0.00	16,484.17	0.00	16,484.17
Withdrawal from capital reserve	0.00	-13,207,738.82	0.00	13,207,738.82	0.00	0.00	0.00
Profits for the period 1.1. - 31.12.2012	0.00	0.00	0.00	0.00	-226,585.58	4,315,373.94	4,088,788.36
As at 31.12.2012	18,681,517.00	8,210,360.17	0.00	17,270,812.01	225,127.73	4,315,373.94	48,703,190.85

WESTGRUND AG,
Berlin

Notes to the Consolidated Financial Statements
for the financial year 2012

A. General information

1. Basics

WESTGRUND Aktiengesellschaft is the parent company of the Westgrund Group. The headquarters and management board of the company are located at Joachimstaler Straße 34 in Berlin/Germany. The shares in the company are traded publicly.
The Westgrund Group's business activity includes all transactions within the scope of the property and housing industry. The entire value added chain is covered from purchasing of the property and its refinement through to the sale. The Westgrund Group's property portfolio is largely held by subsidiary companies of WESTGRUND AG for legal and tax reasons.

The activities in project development structured via a legally independent subsidiary have become less important since the 2010 financial year and are negligible by the standards of IFRS 8. The only significant segment has been the "property management" segment since financial year 2011. A separate representation of the "project development" segment has therefore no longer been necessary since then, meaning that a segment report is no longer made.

WESTGRUND AG has prepared its consolidated financial statements - consisting of a consolidated balance sheet, a consolidated income, statement,a consolidated statement of changes in equity, a consolidated cash flow statement and notes - for the financial year from 1 January 2012 to 31 December 2012 in accordance with international accounting and reporting standards, the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as they apply in the EU. All mandatory applicable statements of the International Accounting Standards Board (IASB) were taken into account. The consolidated financial statements are therefore in accordance with 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 thousand 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.
Each significant group of items is presented separately in the consolidated financial statements. 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. Assets, provisions and liabilities are considered current when they are due within one year or their sale is expected within the normal business cycle.

The release of the consolidated financial statements for publication was granted by the board of directors on 21 May 2013. 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 2012:

a) Adjustments applicable in 2012

In financial year 2012, the following new accounting standards and interpretations had to be applied for the first time:

IFRS 7: Disclosure of the transfer of financial assets The changes to IFRS 7 relate to adjustments to improve the disclosure of transfers of financial assets.

IAS 12: Deferred taxes - Realisation of underlying assets
The change provides a practical solution to the problem of limiting whether the carrying amount of an asset is realised through use or sale. By introducing a rebuttable presumption that a carrying amount is normally realised through a sale, SIC 21 (Income taxes - realisation of revalued non-depreciable assets) no longer applies to the investment property evaluated according to IAS 40.

Significant effects on the Group's assets, financial situation and profit situation have not resulted from this.

b) Adjustments already published by 2012 but not yet applicable

By financial year 2012, the following new or modified accounting standards already approved, with a potential influence on the asset, financial and profit position have not yet been applied because there is not yet an obligation to apply them:

IFRS 7/IFRS 9: Financial instruments
IFRS 9 was published in 2009. After that, 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, the future regulations for accounting financial liabilities were published in addition. Furthermore, additional supplements to IFRS 9 and IFRS 7 (Financial instruments: disclosures) followed in December 2011. 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 may 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. The EU endorsement took place on 11 December 2012. 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. The EU endorsement took place on 11 December 2012. The changes have not had any significant effect on the Group's assets, financial situation and profit situation according to current estimates.

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 2012. 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 the 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 2012 in addition to WESTGRUND AG. The consolidation scope is composed as follows on the balance sheet date.

The consolidation scope with the associated shareholdings is as follows as at 31 December 2012:

1.	Westprojekt Immobilien-Servicegesellschaft mbH, Remscheid	100.0%	
2.	Westconcept GmbH, Berlin	100.0%	
	IMMOLETO Gesellschaft mit beschränkter Haftung, Berlin	100.0%	
4.	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH, Remscheid Co. KG, Remscheid	94.9%	Indirect interest
5.	HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG, Remscheid	94.9 %	Indirect interest
6.	HKA Grundstücksverwaltungsgesellschaft mbH, Remscheid	94.9 %	Indirect interest
7.	Westgrund Immobilien Beteiligung GmbH & Co. KG, Berlin	100.0 %	
8.	Westgrund Immobilien Beteiligung GmbH, Berlin	100.0%	
9.	Westgrund Immobilien II. GmbH & Co. KG, Berlin	100.0%	
10.	Westgrund Immobilien Beteiligung II. GmbH, Berlin	100.0%	
11.	Liaen Lorentzen Partners AG, Zug / Switzerland	94.0 %	
12.	Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen	99.7%	4.9% as an indirect interest
13.	Treuhaus Hausbetreuungs-GmbH, Ludwigshafen	99.7 %	Indirect interest
14.	WAB Hausverwaltungsgesellschaft mbH, Ludwigshafen	99.7%	Indirect interest
15.	Westgrund Immobilien Beteiligung III. GmbH, Berlin	100.0%	
16.	Cologne Real Estate GmbH, Berlin	75.0%	
17.	Projektgesellschaft Deutz-Mühlheimer Straße, Köln GmbH & Co. KG, Cologne	37.5%	Indirect interest
18.	Projektgesellschaft Deutz-Mühlheimer Straße, Köln Verwaltung GmbH, Cologne	37.5%	Indirect interest
19.	Westgrund Westfalen GmbH & Co. KG, Berlin	94.6%	Indirect interest
20.	Westgrund Westfalen Verwaltungsgesellschaft mbH, Wesseling	82.2%	Indirect interest

The subsidiaries under numbers 1to 19 were included in the consolidation scope throughout the entire financial year 2012. Westgrund Immobilien III. GmbH & Co. KG, Berlin, has grown to the Westgrund AG as at 31.12.2012 following the withdrawal of the general partner, Westgrund Immobilien Beteiligung III. GmbH, Berlin, in accordance with section 738 BGB (German Civil Code). This has not had any effects on earnings in the IFRS financial statements.

As at 30 June 2012, 94.9% of shares were acquired in Westgrund Westfalen Verwaltungsgesellschaft mbH. The primary asset of Westgrund Westfalen Verwaltungsgesellschaft mbH is a 5.1% interest in Westgrund Westfalen GmbH & Co. KG already belonging to the Westgrund Group. Westgrund Westfalen Verwaltungsgesellschaft mbH had the following assets and liabilities on the date of acquisition:

	Fair value	**Carrying amount**
	€ '000	**€ '000**
Investments	130	42
Liquid funds	2	2
Other assets	24	24
Liabilities (current)	46	3
Minority interests	16	3
Net assets	94	62

The acquisition of 94.9% of the shares in Westgrund Westfalen Verwaltungsgesellschaft mbH at a purchase price of EUR 24,000 resulted in a negative difference of EUR 70,000 which is included in the other operating income in the consolidated income statement. Assuming the acquisition of 94.9% of the shares in Westgrund Westfalen Verwaltungsgesellschaft mbH had already taken place by 1 January 2012, this would have resulted in additional group sales of EUR 0,000 and additional group earnings of EUR 0,000 in 2012 based on a pro-forma consideration.

No additional share purchases or foundings took place in 2012.

c) Consolidation methods

All subsidiaries under numbers 1 to 20 were included in the consolidation scope as part of a full consolidation. The two 20% interests in Cologne Real Estate GmbH are included in the consolidated financial statements by means of at-equity accounting.
The capital is consolidated in line with IFRS 3 according to the purchase method by offsetting the interest carrying amounts with the proportionate re-evaluated equity of the subsidiary at the time of its acquisition. The remaining differences are treated as goodwill after allocating hidden reserves and hidden liabilities. If the fair value of the net asset acquired exceeds the total consideration transferred, the difference is recorded in the income statement.

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 of the consolidated financial statements is the EURO, which is the functional currency of the parent company and the consolidated subsidiaries.

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 policies

1. Intangible assets

Intangible assets acquired in consideration only have a limited useful life and are accounted at acquisition cost according to IAS 38 and linearly amortised according to schedule over the useful life (generally 3 years). There are no internally generated intangible assets.

According to IFRS 3, goodwill is not amortised but rather its impairment is checked annually or as warranted. The amortisation of goodwill only as warranted differs 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 amortisation of recognised goodwill takes place. For the purposes of the impairment test, the goodwill acquired as part of a merger is assigned to the cash-generating units of the group set to benefit from the synergy effects of the merger at the time of acquisition. 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 is set by calculating the achievable amount of the cash-generating unit (or the group of cash-generating units) to which the goodwill was assigned. If the achievable amount of the cash-generating unit (or group of cash-generating units) is below the carrying amount of the cash-generating unit (or group of cash-generating units) to which the goodwill was assigned, an impairment loss is recognised. 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

The Group's property portfolio is listed as "investment property" held to obtain rental income and/or for the purposes of appreciation and not used to supply goods or render services, for administration purposes or for sales as part of normal business transactions - IAS 40.5. They are residential properties; commercial properties are leased to a lesser extent. The properties are leased exclusively to third parties.

"Investment property" is evaluated on receipt using the purchase or manufacturing costs including any additional purchase/manufacturing costs. As part of the subsequent evaluation, the property is valued at the fair value (IAS 40.33), observing the principle of factual and time-related consistency. The evaluation at market value differs from German commercial law. Profits or losses arising from changes to the fair values of "investment property" are recorded in the income statement with an effect on net income in the year of their occurrence. The same applies to profits or losses resulting from a restructuring of property held in inventories to "investment property" (IAS 40.63).

Investment property is taken off the books when it is sold or when it can no longer be used on a permanent basis and no future economic benefit is expected from its disposal. The difference between net sale proceeds and the asset's carrying amount is recorded with an effect on net income in the de-recognition period.

4. Property, plant and equipment

Property, plant, and equipment are shown as assets at ongoing 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 expenses without considering how the loan was used during the period in which they were incurred because qualified assets are not produced. The following useful lives are applied:

Useful life in years	years
Outdoor facilities	10-18
Technical equipment 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, shares in an associated company are recorded in the balance sheet at purchase price plus the changes to the Group's share in the net assets of the associated company that occurred after the acquisition. The goodwill tied to the associated company is included in the carrying amount of the share and is neither amortized according to schedule or subjected to a separate impairment test.

The income statement includes the Group's share in the associated company's success. Changes in the associated company's equity shown directly are recorded by the group in the amount of its share and, if applicable, shown 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 concerns the profit after tax and minority interests attributable 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 considers on each balance sheet date whether there are objective indications for why 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. 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 live 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. Leasing income is divided into repayments of the lease claim and financial income. The claim from the lease is amortised and carried forward using the effective interest method. Residual value changes to the leased item should also be taken into account.

7. 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.

8. 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 sale 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.

9. 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.

10. 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 fixed asset securities which also come under this category are recorded at amortised acquisition cost because the fair value cannot be determined reliably (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 reporting 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 recorded with an effect on 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.

11. 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. The tax rate of the parent company is therefore 30.2% (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.

12. 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.

13. Pension obligations

An obligation arising from a direct pension commitment that is already in the payout phase is recorded. There are no further obligations. The amount of the obligation resulting from the performance-oriented plan is calculated using the projected unit credit method. Please refer to section D. 17 of these notes for further details.

14. 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 with an effect on 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*
  After their first recording, variable-rate loans are valued at the amortised acquisition cost using the effective interest rate method.
  Profits and losses are recorded with an effect on net income when the liabilities are written off and as part of the amortisation using the effective interest rate method. Amortised 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 financial instruments are recorded as financial assets if their fair value is positive and as financial liabilities if their fair value is negative. All interest rate swaps concluded by the Group have long terms.

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.

15. 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.

16. 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.

17. 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.

18. 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

When applying the accountancy and valuation methods of the Group, the Management made the following discretionary decisions which affect the consolidated financial statements considerably:

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. For investment property, building right properties used by the Group as lessee are therefore taken into account in the calculation of fair value. Correspondingly, building lease properties used by the Group have a lease liability of EUR 4,670 k (previous year: EUR 4,645 k).

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 135,453 k; previous year EUR 89,308 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 Dec. 2012. 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, discount and capitalisation interest rates as well as the vacancy rate expected over the longer term. If the actual income differs from the expected income or the discount and capitalisation rates fall, this affects the Westgrund Group's assets, financial situation and profit situation.

Due to the fair value's sensitivity to changes in key valuation parameters, reference is made to the explanation of the investment property balance sheet item.

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 impairment tests by the Westgrund Group regarding goodwill (carrying amount as at 31 Dec. 2012: 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 Dec. 2012: EUR 20 k; previous year: EUR 29 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. Capitalised deferred taxes affect trade and corporation tax losses carried forward both at the level of Westgrund AG and on the level of the subsidiaries. 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 Dec. 2012: EUR 103 k; previous year: EUR 101 k) is calculated using actuarial calculation based on the projected unit credit method. The actuarial valuation is made in particular on the basis of assumptions regarding discount rates, mortality and future pension increases. 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 Dec. 2012: EUR -1,310 k; previous year: EUR -1,168 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 Dec. 2012: EUR 0,000; 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.

19. 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 client or buyer. Income from rental revenue is recognised pro rata. The recognition of revenue as part of a long-term contract manufacture should not be carried out. 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.

20. 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 borrowing costs are recorded as expenditure in the period in which they were incurred, distributing them across the term of the liability when the effective interest rate method is used. 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 intangible asset items is listed under the depreciation in the financial year in the Westgrund consolidated fixed asset movement schedule. 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 2,706 k is shown in the Westgrund Group fixed asset movement schedule. 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. The book value of the goodwill amounts on the balance sheet date to EUR 0 k.

The “investment property" 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 of acquisition or production. The book value does not include the cost of ongoing maintenance of the property. In subsequent periods, investment property is valued at fair value.

The fair value of "investment property" developed as follows:

	2012	2011
	€ '000	**€ '000**
Carry forward 1 January	**89,308**	**88,497**
Additions/reductions/transfers	40,295	-1,675
Fair value changes		
Profits from fair value changes	11,821	3,429
Losses from fair value changes	-5,971	-943
As at 31 December	**135,453**	**89,308**

Calculation of fair values for rented properties:

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.

In the previous year the appraisal was carried out 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 sustainably achievable rent surpluses are taken as a basis and capitalised across the accepted remaining useful life of the valuation property with the property interest rate. The basis for recognising the rental income is principally the applicable leases and the 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 determining the income from the relevant building, based on the net income of the building. In the previous year, the following valuation parameters used as the basis in applying the income value method (in relation to the net basic rent):

Risk of rent default	2%-15%
Maintenance	5%-18.5%
Administration costs	2%-5%
Property interest rate	4%-7.5%

The properties were valued in 2012 for the entire investment property portfolio initially by applying the nationally and internationally recognised discounted cashflow method (DCF method). Effects on the assets, financial situation and profit situation did not come from the initial application of the DCF method because both methods essentially generated the same results. The DCF method is the main method used by international investors and is regularly used by them as a basis for investment decisions. Future gross cashflows of an investment property are forecast and discounted on the valuation date based on it. The cash value (discounted value) calculated in this wayor even the gross capital is the property value as on the valuation date before taking transaction costs into account. From the seller's perspective, a deduction on the gross capital value is appropriate for transaction costs because it cannot receive them as part of the purchase price.

The forecast period is usually divided into two phases.

1. The first phase lasts 10 years and reflects the cashflow during the detailed forecast. The current rental income (target rent for imputed full rental, current annual gross income) is reduced due to lower profit margins because of the current vacancies in the first year with respect to the accepted structural vacancies in the subsequent years 2 to 10. The amount calculated this way is the annual net actual rent. The annual net profit is calculated after deducting running costs (administration costs, non-apportionable costs, maintenance and repair costs). The annual net profit is the free cashflow to be discounted before taxes and capital repayments.

2. In the second phase, a hypothetical sale of the property is assumed at the end of the period under review in year 10. The resale occurs on the basis of the forecast annual net profit in year 10 by capitalising the net cashflows assuming perpetual annuity. The annual net profit is capitalised at the respective capitalisation rate of the valuation property and gives an indication of the sales value in year 10 (end value).

The cash values of the cashflows from the 1st phase (detailed forecast) and the hypothetical resale are then calculated and added up. Expected transaction costs are deducted at the end. The calculated value represents the property's fair value.

The following essential property-specific individualised assumptions form the basis of the DCF valuation in 2012:

Ongoing maintenance (EUR /sqm):	EUR 8.47 - EUR 9.29 p.a.
Administration costs:	EUR 280 / per unit p.a.
Change of tenant:	10% p.a.
Discount rate:	5.75% - 6.75% (for commercial properties up to 10%)
Capitalisation rate:	4.75% - 6.5% (9.5% for commercial properties)
Transaction cost discount:	6.7% - 9.5%

When calculating the fair value of the investment properties, the leasehold properties used as building leases were taken into account in the calculation of the fair values.

With regard to the sensitivity of the appraiser's evaluation in 2012, changes in the most important parameters on which the valuations are based produce the following effects on the fair value:

- An increase in the discount and capitalisation rate by 25 base points caused a fair value reduction of EUR 5.8 million.
- A reduction in the net rents by 5% leads to a reduction in fair value of EUR 8.1 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 "investment property". Sales revenue amounted to EUR 10.5 million (previous year: property management costs of EUR 6.2 million in 2012 (previous year: EUR 5.1 million).

Land charges against the real estate of EUR 82.1 million. (Previous year: EUR 51.1 million) are used to hedge loans, which are taken exclusively by Westgrund Group companies. The usual regulations on approval requirements and the rights of first refusal of the building lease are included in the building lease contracts. There are no further restrictions on disposal. Likewise, there are no contractual obligations to purchase, manufacture, develop, repair, maintain or improve.

The amortised acquisition costs of investment properties in 2012 were EUR 82.3 million by offsetting depreciation and taking additions and disposals of EUR 40.3 million into account, following EUR 43.3 million in 2011.

4. Property, plant, and equipment

The development of the individual fixed asset items and details of the depreciation in the financial year are presented in the Westgrund consolidated fixed asset schedule. The disclosure in the income statement is under the item "depreciation and amortisation". This only concerns scheduled depreciation. Unplanned depreciation was not necessary. Significant changes in the historical acquisition costs of the assets that were accounted for as non-current assets are not known and were therefore not included.

5. Shares in associated companies

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

	€ '000	€ '000
KG participation 1		
	3,408	2,566
Share of assets and liabilities recognised in the balance sheet of the associated		
Non-current assets	5	12
Current liabilities	-95	-893
Non-current liabilities	-2,544	-843
Book value KG participation 1	774	842
Share of the proceeds and the earnings of the associated	1	1
Earnings	-68	164
KG participation 2		
Share in the assets and liabilities listed in the balance sheet of the associates:		
Current assets	118	118
Non-current assets	5	7
Current liabilities	-6	-6
Non-current liabilities	-16	-17
Book value KG participation 2	101	102
Share in the profits and the earnings of the associated	0	0
Result	-1	-12
Book value of shares in associated companies	**875**	**944**

6. Securities, other loans and advance payments for investments

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, impairments of EUR 8 k were made which are shown under Depreciation. In 2012, the other loans were written off.

7. Other non-current assets

	2012 € '000	2011 € '000
Asset value of recoverage insurance	238	135
Non-current tax receivable	30	38
Prepayments made on purchase of real estate	0	666
Non-current lease receivable	0	194
	268	**1,033**

The long-term lease receivable from the previous year results from a building lease contract in which the Group is a leasehold owner and which was classified as a financial lease pursuant to IAS 17. In the financial year 2012, the building lease recipient went bankrupt and currently it cannot be qualified whether and to what extent the ground rents will be resumed and whether the existing collateral is recoverable. The lease receivable was therefore fully value-adjusted in 2012 because a short-term resumption of the ground rents cannot be expected and there are still uncertainties regarding the valuation of any existing collateral.

8. Services not yet invoiced

As at the balance sheet date, advance payments were recorded on operating costs recoverable from tenants from the year 2012 amounting to EUR 3.4 million (previous year: EUR 2.5 million). Impairment was not recorded. Because the invoices for operating costs and utilities for 2011 have been completed, services for the previous year that have not yet been invoiced are recorded in 2012 under expenses as changes in stock. The invoices for operating costs and utilities for 2012 are expected to be completed within 12 months of the balance sheet date.

9. Properties held for sale

The properties held for sale are intended to be sold in the short term. Unlike the real estate portfolios recorded under "investment property" 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 properties intended for sale is as follows:

	2012 EUR k	2011 EUR k
Carry forward 1 January	**830**	**1,056**
Value adjustments	-530	0
Disposals from sales	-21	-226
As at 31 December	**279**	**830**

The book value disposals from the sale of real estate are recorded under material expenses. The value adjustments were made following another assessment of the sales scenarios because the expected achievable net sales value (estimated sales price less any costs still due) is below the carrying amounts pursuant to IAS 2.9.

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". The realisation of the project with the carrying amount of EUR 1,037 k recorded on the recording date (previous year: EUR 1,037 k) is still in progress. 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

	2012 IFRS € '000	2011 IFRS € '000
Financial assets		
Trade accounts receivable	507	369
Other assets	1,037	31
Non-financial assets		
Tax refund claims	38	118
Other assets	37	200
	1,619	718

A receivable of EUR 870 k is recorded under other financial assets due to a contractually agreed sale price reduction which was sold in 2013 in the meantime. The tax refund claims from 2011 result in particular from the creation of a tax group between Westgrund AG and Wiederaufbaugesellschaft mbH with effect from 2011.

The maturity structure of the financial assets is as follows:

	2012 € '000	2011 € '000
Book value	1,544	400
Book value of impaired loans and advances	314	43
Book value of loans and advances not impaired	1,230	357
Of which:		
Neither overdue nor impaired	0	0
Overdue, but not impaired	1,230	357

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

The carrying amount of receivables and other assets that the company has used as a security is EUR 446 k on the balance sheet date (previous year: EUR 308 k).

In cases where value adjustments were required, these were made at the level of the individual tenants and shown in the other operating expenses. There was no impairment at the portfolio level. When calculating the impairments, all recognisable default risks (particularly imminent insolvencies) were taken into consideration.

The development of the individual adjustments is shown as follows:

	€ '000
As at 1 Jan. 2011	**128**
Addition recognised as expenses	91
Utilisation	0
Reversal	-12
As at 31 Dec. 2011	**207**
Addition recognised as expenses	158
Claim	-13
Reversal	-38
As at 31 Dec. 2012	**314**

12. Cash, credit balances with banks and cheques

The cash and cash equivalents listed are freely available for the Westgrund Group up to EUR 3,673 k (previous year: EUR 1,141 k) which were hedged as a guarantee for bank loans.

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 20 k (previous year: EUR 29 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 18,681,517 (previous year: EUR 11,413,320). It is subdivided into 18,681,517 no par value shares each with a nominal value of EUR 1.00, which are fully paid up.

The annual general meeting of the company on 19 December 2011 had decided to increase the authorised capital of the company by up to EUR 15,000,000.00 from EUR 11,413,320.00 to EUR 26,413,320.00 by issuing new issuing new no-par value shares, each with an arithmetical share of the share capital of EUR 1.00 per share. The capital increase of EUR 7,268,197.00 was implemented based on the Management Board resolutions dated 22 May and 13 June 2012 and the concurring resolutions of the Supervisory Board dated 23 May and 13 June 2012. A total of 7,268,197 new shares were issued. The completion of the capital increase was recorded in the commercial register for the company on 15 June 2012. The net cash flow from the cash capital increase is EUR 15.8 million.

The capital reserve is the result of premiums paid in the course of capital increases and from recording the personnel costs from awarding share options to Group employees. To offset Westgrund AG's balance sheet loss from the previous year and Westgrund AG's net loss in 2012, a sum of EUR 13,208 k was withdrawn from the capital reserve.

15. Conditional capital

a) Issue of convertible bonds and warrant bonds (Conditional Capital III)

At the ordinary shareholders' meeting on 19 December 2011 the Management Board was authorised to issue on one or several occasions until 18 December 2016 bearer and/or registered bonds with an aggregate face value of up to EUR 60,000,000.00 with conversion rights or with bearer or registered warrants or a combination of these instruments to up to a total of 4,671,560 Westgrund AG no-par value bearer shares with a pro rata amount of the share capital up to a total of 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 III). The conditional capital increase will be implemented by issuing up to 4,671,560 no-par value bearer shares with participating rights from the beginning of the financial year when they are created only to the extent that the holders or creditors of convertible bonds or warrant bonds issued on the basis of the authorisation of the Management Board of Westgrund AG until 18 December 2016 exercise their conversion/option right, fulfil their conversion/option obligation or shares are tendered and provided no other forms of fulfilment are used to service these rights. The new shares of stock shall be issued at the conversion/option prices determined in each case in accordance with the above-mentioned authorization resolution. The Management Board shall be authorised to determine the further details of the conditional capital increase.

b) Issue of convertible bonds and warrant bonds (Conditional Capital V)

At the ordinary shareholders' meeting on 24 August 2012 the Management Board was authorised until 23 August 2017, with the approval of the Supervisory Board, to issue on one or several occasions bearer convertible bonds and/or warrant bonds or participating rights (collectively the "Bonds") with or without limitation of maturities up to an aggregate nominal amount of EUR 28,000,000 and to grant the holders or creditors of bonds conversion and/or option rights to no-par value bearer shares of the company with a pro rata amount of the share capital of up to a total of EUR 2,800,000 in accordance with the more detailed provisions of the conversion and/or warrant bond terms and conditions. The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for bonds in certain cases.

In order to grant shares to the owners or creditors of convertible and warrant bonds, the share capital was conditionally increased by up to EUR 2,800,000 by issuing up to 2,800,000 new no-par value bearer shares with participating rights as of the beginning of the financial year in which they are issued (Conditional Capital VI). The conditional capital increase shall be implemented only to that extent that

- the holders of convertible and/or warrant bonds and/or participating rights with exchange or subscription rights that were issued by the company or its subordinate group company until 23 August 2017 on the basis of the authorisation resolution adopted at the shareholders' meeting of 24 August 2012 exercise their exchange or subscription right and the company decides to utilise the exchange or subscription rights from this conditional capital 2012, or

- the holders of convertible and/or warrant bonds and/or participating rights with exchange or subscription rights that were issued by the company or its subordinate group company until 23 August 2017 on the basis of the authorisation resolution adopted at the shareholders' meeting of 24 August 2012 fulfil their obligation to exchange or the company exercises its right to provide shares and the company decides to provide shares for this from this conditional capital 2012.

c) Share option plan 2011 (conditional capital IV)

At the ordinary shareholders' meeting on 28 February 2011 it was decided to conditionally increase the share capital of Westgrund AG by up to EUR 640,000.00 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) within the scope of the Westgrund Stock Option Plan 2011 to members of the Management Board of the company and to employees of the company as well as to 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 option entitles the holder to subscribe to a no-par value share.

Over a period of five years after the conditional capital is recorded in the commercial register, the Management Board and Supervisory Board are authorised to issue, once or several times, subscription up to 640,000 shares with a deemed par value of the shareholder equity of EUR 1 per share.

The group of beneficiaries includes the members of the Management Board (up to 50%), and the employees (up to 50%) of Westgrund AG. Each subscription right entitles the person with a subscription entitlement to purchase a bearer no-par value share of Westgrund AG in return for payment of the exercise price. The options can only be exercised if the employment relationship of the beneficiary with Westgrund AG or a Group company still exists at the time at which the subscription right is exercised.

The option rights may only be exercised if 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 trading days prior to the date of exercising the subscription right from the stock option has risen by at least 20% compared to the strike price. They may be exercised for the first time at the end of a four-year waiting period. The waiting period shall commence when the options are granted. The options can only be exercised upon 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 trading days 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 financial year 2012/2011 150,000/116,000 subscription rights were issued from this share option plan.

16. Authorised 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 5,180,000.00 by issuing new no-par value bearer shares with a mathematical share of the share capital of EUR 1.00 per share (Authorised Capital 2011/I). During financial year 2011, use was made of this authorisation to the amount of EUR 1,037,570.00. Consequently, EUR 4,142,430.00 of authorised capital I is still available as of 31.12.2012.

Due to a real estate purchasing and investment agreement concluded in November 2012, the company is obligated to undertake a capital increase by way of contribution in kind amounting to 1,200,000 shares at a price of EUR 3.00. This is expected to be completed in 2013.

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 once or several times in exchange for cash or non-cash contributions up to a total of EUR 1,564,230.00 by issuing new no-par value shares, each with a deemed value of EUR 1.00 per share (authorised capital 2011/II).

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 2011/I and authorised capital 2011/II. An exclusion of subscription rights is, however, only permissible:

- to avoid fractional amounts,
- to grant subscription rights to holders of conversion rights and options to be issued from bonds,
- 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.

In the ordinary shareholders meeting of 24 August 2012, the Management Board was authorised to increase the shareholder equity of the company, with the approval of the Supervisory Board, during the period to 23 August 2017 once or several times in exchange for cash or non-cash contributions up to a total of EUR 3,634,000.00 by issuing 3,634,000 new no-par value shares (authorised capital 2012/I). The authorisation includes the authority in accordance with section 186 para. 5 AktG for the new shares to be acquired by a bank or a company operating in accordance with section 53 para. 1 (1) or section 53b para. 1 (1) or para. 7 KWG with an obligation to offer them for subscription by the shareholders. Furthermore the Management Board is authorised to exclude the shareholders' subscription right in whole or in part in certain cases with the consent of the Supervisory Board.

17. Authorisation for the acquisition of treasury shares

Except for the purposes of trading in treasury shares, the company was authorised at the ordinary shareholders' meeting on 24 August 2012 pursuant to section 71 (1) No. 8 AktG to acquire until 23 August 2017 treasury shares amounting to up to 10% of the share capital. The purchase may also be carried out using equity derivatives, i.e. from call and/or put options. Trading in treasury shares is excluded as the purpose of the share purchase. Together with other treasury shares that are either held by the company or have to be added to shares the company holds according to section 71a et seq. the acquired shares may at no time exceed 10% of the existing share capital. The acquired shares may at no time exceed 10% of the existing share capital. The acquisition takes place at the Management Board's discretion within the limits of the criteria of the German Stock Corporation Act in accordance with the principle of equal treatment (section 53a AktG) via the stock exchange or off-market, in the latter case in particular through a public purchase offer. In the event of a public offer the company may stipulate either a price or a price range for the purchase. In the event of a public offer the company may stipulate either a price or a price range for the purchase.

If the shares are acquired via the stock exchange, the purchase price paid for each share (excluding incidental purchase costs) may be neither 10% more nor 20% less than the opening price for the company shares in XETRA® trading on the Frankfurt Stock Exchange (or a comparable successor system specified by Deutsche Börse AG) on the respective trading day prior to the purchase. If the shares are acquired off-market, the purchase price paid for each share (excluding incidental purchase costs) may be neither 10% more nor 20% less than the relevant value of a company share. The relevant value is the average of the opening prices for the shares of the company in XETRA® trading on the Frankfurt Stock Exchange (or a comparable successor system specified by Deutsche Börse AG) on the last five trading days prior to the public announcement of the purchase offer. If the share price deviates significantly from the relevant value after the notification of a formal offer, the offer can be adjusted. In the event of an adjustment the price shall be based on the average of the opening prices for the company shares in XETRA® trading on the Frankfurt Stock Exchange (or a comparable successor system specified by Deutsche Börse AG) on the last five trading days prior to the publication of the adjusted offer. In the event of an acquisition of shares by means other than via the stock exchange the relevant value is the average of the opening price for the shares of the company in XETRA® trading on the Frankfurt Stock Exchange (or a comparable successor system specified by Deutsche Börse AG) on the last five trading days prior to the conclusion of the contract that forms the basis for the purchase. If in the case of a public purchase offer the subscription volume exceeds the volume of the offer, the offer shall be accepted on a quota basis. Smaller lots of up to 100 shares per shareholder may by accepted on a preferential basis and the number of shares may be rounded according to commercial principles.

The Management Board was authorised to resell the acquired treasury shares for purposes other than trading in treasury shares in accordance with the principle of equal treatment (section 53a AktG) with the approval of the Supervisory Board. The sale of the acquired company shares may take place via the stock exchange. The subscription right of shareholders is excluded. In addition, the sale may also be carried out by means other than via the stock market, in particular also against contributions in kind, for instance to acquire a company, parts of companies or participating interests in companies, industrial property rights, such as patents, trademarks or licences thereto, or other product rights or other contributions in kind, including bonds, convertible bonds and other financial instruments. An off-market sale is also in particular permitted provided shares up to a maximum of 10% of the share capital are sold, calculated both at the time when this authorisation takes effect and at the time when the authorisation is exercised, and the acquired company shares are sold at a price that does not fall below the relevant value of shares of the company of the same class at the time of the sale by more than 5% (excluding incidental costs). The amount of 10% of the share capital pursuant to the sentence above must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorisation under exclusion of the subscription right under direct or indirect application of section 186 (3) sentence 4 AktG until the respective exercise of the existing authorisation, if such inclusion is required by law. The relevant value is the average of the opening prices for the shares of the company in XETRA® trading on the Frankfurt Stock Exchange (or a comparable successor system specified by Deutsche Börse AG) on the last five trading days prior to the sale of the shares.

The Management Board has been authorised to offer treasury shares to the shareholders for subscription on the basis of an offer aimed at all the shareholders in accordance with the principle of fair treatment (section 53a AktG). In this case the Management Board may exclude the subscription right for fractional amounts with the approval of the Supervisory Board. Furthermore, utilisation to fulfil the company’s obligations from a stock option plan is also possible. If within the scope of such a stock option plan company shares are to be transferred to members of the company’s Management Board, the relevant decision shall be made by the Supervisory Board. As regards the stipulations for the allocation of the subscription rights to members of the management and employees, performance targets, acquisition and exercise periods and waiting times for the first issue the resolutions of the shareholders’ meeting, which will adopt the resolution on the introduction of a stock option plan, will apply accordingly. The subscription right of shareholders is excluded.

The Management Board was authorised to call in treasury shares with the consent of the Supervisory Board without any additional shareholders’ meeting resolution. The recall will lead to a capital reduction. In derogation of the foregoing, the Management Board may stipulate that the share capital will remain unchanged when the shares are recalled and that instead as a result of the recall the proportion of the share capital represented by the other no-par value shares will increase pursuant to section 8 (3) AktG (simplified recall procedure pursuant to section 237 (3) No. 3 AktG). In this case the Management Board is authorised to adjust the indication of the number of no-par value shares in the articles of association.

The authorisations may be utilised in full or in tranches, once or several times, individually or jointly by the company, by its group companies or by third parties for its or their account.

The authorisations also cover the appropriation of the company’s treasury shares that were acquired on the basis of previous authorisation resolutions in accordance with section 71 (1) No. 8 AktG.

The company did not buy or sell any of treasury shares in financial year 2012. Over the 2011 financial year, the company sold its own stock of 10 k shares (0.1% of the subscribed capital) at an overall price of EUR 33,500.00 on the stock exchange.

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. No income trend (previous year: 0.0%) and pension trend of 2.0% (previous year: 2.0%) p.a. were taken into account. The assumed discount rate was 3.0% (previous year: 5.0%). A change in the discount rate would only have an insignificant effect on the value. For the calculations, the biometric “Richttafeln 2005 G” (probabilities for deaths and invalidity) by Dr. regarding mortality. Actuarial gains/losses from adjusting the life expectancy were fully taken into account with an effect on the profit and loss.

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

	€ ‘000
Cash value of performance-oriented obligation as at 1.1.2011	106
Interest paid	4
Actuarial gains / (-) losses	23
Benefits paid	-32
Cash value of performance-oriented obligation as at 31.12.2011	101
Interest paid	4
Actuarial gains / (-) losses	31
Benefits paid	-33
Cash value of performance-oriented obligation as at 31.12.2012	103

The Group expects the following contributions to the defined benefit pension plan for the 2013 financial year: Interest paid EUR 3 k and pension payments EUR 34 k. The actuarial losses and the benefits paid are recorded under personnel costs.

19. Liabilities

Consolidated Statement of Liabilities as at 31 December 2012:

		Expected useful life		
	Total	**up to 1 year**	**1-5 years**	**over 5 years**
	€ ‘000	**€ ‘000**	**€ ‘000**	**€ ‘000**
Deferred tax liabilities	6,627	0	0	6,627
(previous year)	(5,813)	(0)	(0)	(5,813)
Other provisions	0	0	0	0
(in the previous year)	(0)	(0)	(0)	(0)
Pensions reserves	103	0	0	103
(in the previous year)	(101)	(0)	(0)	101
Liabilities due to banks	82,794	3,243	41,010	38,541
(in the previous year)	(51,472)	(38,613)	(5,624)	(7,235)
Advances received	3,068	3,068	0	0
(in the previous year)	(2,490)	2,490	(0)	(0)
Trade Receivables	706	706	0	0
(in the previous year)	(1,345)	(1,345)	(0)	(0)
Derivatives	1,310	0	243	1,067
(in the previous year)	(1,167)	(0)	(271)	(896)
Current tax liabilities	34	34	0	0
(in the previous year)	(79)	79	(0)	(0)
Leasing liabilities	4,670	9	42	4,619

(in the previous year)	(4,645)	(9)	(42)	(4,594)
Other liabilities	1,633	1,633	0	0
(in the previous year)	(4,286)	(4,286)	(0)	(0)
Total liabilities	100,945	8,693	41,295	50,957
(in the previous year)	(71,398)	(46,822)	(5,937)	(18,639)

“Non current liabilities to banks” show loans owed to banks and customers if they have a remaining term greater than one year. Current liabilities owed to banks and customers have interest of 0.25% p.a. up to 7.1% p.a. paid on them. They are secured by mortgages, pledging of accounts, and assignment of claims to rental income.

The lease liabilities result from completed building lease contracts that have a remaining maturity of 37 to 193 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.

		2012	2011	
	Carrying amount	**Minimum lease payments**	**Carrying amount**	**Minimum lease payments**
		€ ‘000	**€ ‘000**	**€ ‘000**
Up to one year	9	309	9	309
One to five	42	1,239	42	1,238
Over 5 years	4,619	41,989	4,594	42,271
	4,670	43,537	4,645	43,818
Less future interest	-	-38,867	-	-39,173
	4,670	4,670	4,645	4,645

20. Derivatives

Derivatives were used to hedge interest rate risk as follows:

	Amount 31.12.2012 € ‘000	**Interest rate**	**Fair value 31.12.2011 € ‘000**	**Fair value 31.12.2012 € ‘000**	**Change 2012 € ‘000**	**Term end**
Swap	2,500	4.50%	-271	-243	28	15.1.2015
Swap	5,000	4.65%	-897	-1,067	-170	15.1.2018
			-1,168	-1,310	-142	

The fair value for the derivatives on the balance sheet were calculated using recognised mathematical methods based on market data on the key date. The changes in the fair value of EUR -142 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 -1,310 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 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 2011 or 2012 financial years nor will there be in the future.

The main Group risks arising from financial instruments include interest rate-related cash flow risks and liquidity and credit risks. From a Group perspective there are no material currency risks.

Interest rate 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 interest-bearing debt amounted to EUR 7.5 million (previous year: EUR 7.5 million).

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 further effects on the Group's equity which have an effect on net income.

	Increase/decrease in the interest rate in base points	**Effects on earnings before taxes in EUR k.**
2012	+20	-69
2012	-20	69
2011	+20	-25
2011	-20	24

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 base points in 2012 affects pre-tax results by EUR 69 k (EUR - 69 k). In 2011 the effect on pre-tax results was EUR 78 k (EUR -78 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 2012 shows a loss of EUR 142 k (previous year: EUR 224 k) with due regard to deferred tax assets of EUR 43 k (previous year: EUR 71 k).

Default risk

The Group only concludes transactions with creditworthy 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 1,543 k (previous year: EUR 400 k). For open trade receivables of EUR 507 k, rental deposits reduce the default risk to the extent that they are available for a settlement should a tenant move out. There are no significant concentrations of risk of default in the Group. The requirement for an impairment is analysed at each balance sheet date for the main debtors on an individual exposure basis.

For cash and cash equivalents the maximum credit risk in case of default of the counterparty corresponds to the carrying amount.

Risks related to liquidity

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 group's aim is to ensure a balance between the ongoing coverage of funding needs and the necessary financial flexibility through the use of current accounts 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 are from the "Liabilities due to banks" as follows, with due regard to the interest and redemption payments agreed contractually:

Year	EUR k
2013	5,618
2014	44,837
2015	2,986
2016	2,702
2017	2,439
2018	+44,022

In terms of the expected cash outflows from "Leasing liabilities", reference is made to the image under D. 18.

Annual payments of EUR 345 k are to be made on both interest rate swaps. We make reference to D.19 in relation to the terms.

For the other liabilities then with the exception of the deferred tax liabilities, the expected cash flow payments in 2013 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 2012.

Capital management

The primary goal of capital management within the group is to optimise the capital structure in order to increase the value of the company and present 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 capital is comprised of the no-par value bearer shares attributable to shareholders (Authorised Capital) and the reserves attributable to shareholders.

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 for the real estate, mortgage lending values and free cash flow for servicing the loan).

The indicators have developed as follows:

		31.12.2012	31.12.2011
Equity	EUR	48,703 k	28,695 k
thereof attributable to shareholders of Westgrund AG	EUR	48,478 k	28,260 k
Balance sheet total	EUR	149,649 k	100,093 k
Equity ratio	in%	32.5%	28.6%
Cash and cash equivalents	EUR	5,445 k	2,506 k

In the 2011 and 2012 financial years there were no significant changes implemented in the objectives, guidelines or procedures related to capital management.

		Carrying amount		Fair Fair value	
		2012 **€ ‘000**	**2011** **€ ‘000**	**2012** **€ ‘000**	**2011** **€ ‘000**
Financial assets					
Long-term securities	(3)	831	807	-	-
Recoverage insurance	(4)	238	135	238	135
Means of payment	(3)	5,445	2,506	5,445	2,506
Receivables and other assets	(1)	1,544	400	1,543	400
Leasing receivables	(6)	0	194	0	194
Financial liabilities					
Derivatives	(5)	1,310	1,168	1,310	1,168
Liabilities due to banks	(2)	82,794	51,471	81,879	50,556
Trade Services	(2)	706	1,345	706	1,345
Other liabilities	(2)	1,633	4,286	1,633	4,286
Leasing liabilities	(7)	4,670	4,645	4,670	4,645

Valuation category according to IAS 39:

(1) Loans and receivables
(2) Liabilities accounted for at acquisition cost
(3) Financial assets available for sale
(4) Assets held to maturity
(5) Financial liabilities valued at fair value affecting net income
(6) Trade receivables
(7) Liabilities from financial leasing

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-rate and variable-rate interest receivables/loans are valued by the Group based on parameters such as interest rates, creditworthiness of individual clients. Based on this evaluation, value adjustments are made to take into account expected defaults on these receivables. As at 31 December 2012 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 significantly influence the fair value of the assets. Assuming a company equity under commercial law of EUR 42,308 k as at 31.Dec. 2011, the Group's share in the assets (carrying amount) of the company is EUR 2,115 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 each 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. The book values match 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 in which all input parameters that have a considerable effect on the fair value recorded can be observed either directly or indirectly.

Level 3: procedures in which all input parameters that have a considerable effect on the fair value recorded and do not base these input parameters on observable market data.

Of the cash and cash equivalents recorded, EUR 3,673 k (previous year: EUR 1,140 k), and of the trade receivables, EUR 446 k (previous year: EUR 308 k) are pledged as collateral security. 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 2012 financial year affecting net income:

		Profit/ loss	**Profit/ loss**	**Record of income statement**
		2012 € '000	**2011 € '000**	
Financial assets				
Long-term securities	(3)	0	0	
Loans	(1)	0	-8	Depreciation and amortisation
Cash and cash equivalents	(3)	0	0	
Receivables and other assets	(1)	-190	-49	Other operatin expenses
Lease receivables	(6)	-194	10	Value adjustment /Interest income
Other financial	(4)	203	21	Other operating income
Financial liabilities				
Derivatives	(5)	-142	-223	Financial expenses
Liabilities due to	(2)	0	0	
Trade liabilities/other liabilities	(2)	90	80	Other operating income
Leasing liabilities	(7)	-306	-270	Financial expenses

Valuation category according to IAS 39:

(1) Loans and receivable
(2) Liabilities recorded at at amortised acquisition cost
(3) Financial assets available for sale
(4) Assets held to maturity
(5) Financial liabilities valued at fair value with an effect on profit and loss
(6) Financial lease receivable
(7) Liabilities from financial leasing

Income statement disclosures

1. Sales revenue

The sales revenue for the current year of EUR 10,517 k (previous year: EUR 9,280 k) is mainly allocated to rental income including deducted operating costs. The sales revenue was EUR 85 k (previous year: EUR 267 k). As in the previous year, there were no other important income categories. Revenue is generated exclusively within Germany.

2. Other operating income

In particular, revenue from value-added tax refunds not relating to the accounting period of EUR 159 k (previous year: EUR 0 k), revenue from the reduction in the value adjustment on receivables of EUR 38 k (previous year: EUR 24 k), revenue from writing off liabilities of EUR 70 k (previous year: EUR 35 k) and other revenue not relating to the accounting period of EUR 159 k (previous year: EUR 65 k) are included in other operating income.

3. Cost of materials

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 includes in particular expenses for wages and salaries of EUR 1,071 k (previous year: EUR 1,035 k) and social security contributions of EUR 165 k (previous year: EUR 167 k). Expenses from the share options programme of EUR 95 k (previous year: EUR 64 k) are included in other operating income.

5. Depreciation

Scheduled depreciation of EUR 65 k, unscheduled depreciation on property classified as current assets (EUR 530 k) and lease receivables (EUR 197 k) are disclosed under “Depreciation in the financial year”.

6. Other operating expenses

Other operating expenses are mainly expenses for the administrative department of the Group as in the previous year. The other operating expenses include expenses from other periods totalling EUR 240 k (previous year: EUR 175 k) are included in other operating income.

7. Financial income and financial expenses

Financial income was mainly interest income from credit balances at banks.

Financial expenditures are made up of the following:

	2012 € ‘000	**2011 € ‘000**
Interest rates for bank liabilities and other liabilities	-2,541	-2,980
Interest Lease liability	-306	-270
Change in value derivatives	-142	-224
Other	-10	-7
	-2,999	**-3,481**

From the financial liabilities (derivatives) accounted for at fair value in 2012 there were net losses of EUR 142 k (previous year: EUR 224 k) that were included in the income statement under financial expenditures.

From the financial liabilities resulted in interest paid of EUR 2,541 k (previous year: EUR 2,980 k).

8. Income taxes

	2012 € '000	2011 € '000
	-819	608
Deferred taxes Current taxes	-43	-21
	-862	587

The actual tax rate for calculating deferred taxes is 30.2% for the parent company (15% corporation tax plus 5.5% solidarity surcharge on the assessment base corporation tax plus 14.35% trade tax). Due to the move to Berlin, the cost of the trade tax and therefore also the effective tax rate in 2012 was reduced from 31.6% to 30.2%. The German subsidiaries have tax rates for calculating deferred taxes as in the previous year between 14.35% and 30.2%.

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.

	2012 € '000	2011 € '000
Profit before taxes	4,951	249
Expected tax rate	30.2%	31.6%
Expected tax expense/income (-)	1,496	80
Tax effects from the deviation of the assessment basis (trade tax etc.)	162	11
Reduced tax expenses due to use of the extended reduction for trade tax purposes	-1,476	-713
Uncapitalised deferred taxes on losses carried forward	609	35
Effect arising from tax rate reduction (trade tax)	71	0
Total tax expenditure/income	**862**	**-587**

On the balance sheet date the Group companies have corporation tax losses carried forward amounting to EUR 15.7 million (previous year: EUR 11.6 million), and trade tax losses carried forward of EUR 14.2 million (previous year: EUR 11.6 million). Due to specific tax features, no deferred taxes were recognised for corporation tax losses carried forward of EUR 1.3 million (previous year: EUR 1.5 million), and trade tax losses carried forward of EUR 12.5 million (previous year: EUR 8.4 million) because using these losses carried forward is likely insufficient according to the criteria of IAS 12.

As was expected, the deferred taxes from the investment property were not realised in the subsequent year.

The temporary differences are as follows:

	As at 31.12.2012 € '000	Deferred taxes (+ asset / - liability) € '000	IS effect 2012 € '000	As at 31.12.2011 € '000	Deferred taxes (+ capitalised / - passive) € '000	IS effect 2011 € '000
Investment property	60,820	-10,005	-839	53,330	-9,166	382
Work in progress	412	-124	16	-443	-140	10
Lease receivables	-77	23	60	-117	-37	-1
Pension obligations	103	16	0	101	16	-1
Leasing liabilities	4,670	1,107	-37	4,645	1,144	-671
Negative present value of derivatives	1,310	207	23	1,168	184	184
Losses carried forward but not reconciled or capitalised	68	20	-9	90	29	5
Reconciled losses carried forward (Corp. tax + trade) tax)	13,742	2,149	-33	13,835	2,186	701
	81,048	-6,607	-819	72,609	-5,784	609
Deferred tax income/expense according to income statement			-819			-609

Balance sheet value:

Deferred tax assets	20	29
Deferred tax liabilities	-6,627	-5813
	-6,607	-5,784

The total amount of recorded temporary differences relating to the shares in subsidiaries is EUR 0.4 million (previous year: EUR 0.4 million). The Group does not expect any liability from this because a dissolution is currently not planned.

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.

	€ '000
2012	
Consolidated earnings (excluding minority earnings)	4,089
Minority earnings share	226
Earnings for calculating the earnings per share in 2012	4,315

Average number of shares in 2012	15,375,941
Diluting shares from share options programmes / contracts	308,578
Number of shares for calculating the diluting result	15,684,559
Earnings per share 2012	
undiluted	0.28
diluted	0.28
2011	
Consolidated earnings (excluding minority earnings)	836
Minority earnings share	-91
Earnings for calculating the earnings per share in 2011	745
Average number of shares in 2011	10,439,237
Diluting shares from share options programmes / contracts	78,060
Number of shares for calculating the diluting result	10,517,297
Earnings per share 2011	
undiluted	0.07
diluted	0.07

In January 2013 the company's share capital was increased by EUR 1,868,150 shares to EUR 20,549,667 in the course of the cash capital increase by partially utilising the authorised capital to the exclusion of the subscription rights of the existing shareholders. The issue price for the new shares was EUR 3.01. If the issued shares have already been taken into account in the earnings for 2012, the undiluted and diluted earnings per share would be reduced by EUR 0.03.

In future, a potential dilution of the earnings per share could result from the approved or conditional capital. For more information see section D. 14. and D.15. Furthermore, 1,200,000 shares from an expected capital increase were taken into account when calculating the diluted earnings which is expected to be completed in 2013 as a result of a real estate purchasing contract concluded in November 2012 at a price of EUR 3.00.

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

Cash and cash equivalents consist of cash in hand and balances at banks and insurance companies. The amounts are freely available to the group with the exception of bank accounts of EUR 3,673,000 (previous year: EUR 1,141,000) which was pledged to the lending bank as collateral for bank loans. Additional restrictions on disposal no longer apply as in the previous year.

There were no significant unused lines of credit on the balance sheet date.

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. Other Disclosures

1. Contingent liabilities and other financial commitments

On 31 December 2012, the other financial commitments essentially resulted from the rental agreements. All the rental expenses for office premises and office equipment amounted to approximately EUR 23 k in 2013. Costs of EUR 13 k are expected to arise from leasing agreements for financial year 2013. The total financial obligations from rental and leasing agreements amounted to EUR 36 k as of 31 December 2012 (previous year: EUR 68 k).

No other 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 19 employees, of which 7 were temporary (previous year: 20 employees, of which 6 were temporary).

3. Members of the Management Board and remuneration

The sole member of the Management Board during the entire 2012 financial year was Arndt Krienen, Remscheid. Mr. Krienen was reimbursed as follows:

- Fixed remuneration (including benefits in kind): EUR 151 k (previous year: EUR 142 k)
- Bonus entitlement: EUR 50,000 (previous year: EUR 5 k)
-

The Management Board does not own any shares Westgrund AG. As the long-term component of remuneration dated 8 December 2007, 17 December 2008 and 7 September 2012, the Management Board was granted 250,000 share options. The present value of the options at the time they were granted amounted in total to EUR 278 k. No share options were granted to the Management Board in 2009, 2010 and 2011.

4. Members of the Supervisory Board and their remuneration

Over the past business year, the Board of Supervisors comprised:

- Mr Gerhard Wacker, Lawyer, Chairman
  - Remuneration: EUR 15,000 (previous year: EUR 0 k)
- Dr. Marc Schulten, entrepreneur, deputy chairman
  - Remuneration: EUR 10,000 (previous year: EUR 0 k)
- Günther Villing, lawyer,
  - Remuneration: EUR 10,000 (previous year: (EUR 10 k)
  - Chairman of the Supervisory Board of An der Salzbrücke AG, Ritschenhausen. None of the Supervisory Board members hold shares in Westgrund AG.

5. Disclosures concerning related parties (IAS 24)

The persons and entities related to the company include the Management Board and the members of the Supervisory Board as well as the shareholders and executive members of subsidiaries, in each case including their close family members, as well as the companies on which the Management Board or the members of the company's Supervisory Board and/or their close family members can exert significant influence or in which they have a significant voting interest. 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 investment 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 short-term liabilities relating to the minority shareholders in Cologne Real Estate GmbH of EUR 350 k (previous year: EUR 324 k) which were subject to interest at the customary market rates. They are reported under other liabilities.

In 2011 Westgrund AG received operating loans totalling CHF 3,000,000.00 from a major shareholder indirectly via a foreign corporation, which was subject to interest at the customary market rates and paid back as scheduled in 2012. They are reported under other liabilities.

No financial investments were made in financial year 2012 that must be reported in accordance with IAS 24.

6. Events after the key balance sheet date

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

7. Notices published according to section 25 of the German Securities Trading Act (WpHG) (section 160 (1) No. 8 of the German Stock Corporation Act (AktG))

The following notices requiring publication in accordance with section 25 WpHG were received by the Company during financial year 2012 and were accordingly published.

Notifying party	Date	Threshold*	New share
Wecken & Cie., Switzerland	27.09.2012	>30%	49.7%
Mr Ferry Wecken, UK	27.09.2012	+ 3%	0.0%
Mr Klaus Wecken, Switzerland	27.09.2012	<3%	0.0%
Close Brothers Group plc., UK	04.07.2012	<3%	0.0%
Close Brothers Holdings Limited, UK	04.07.2012	<3%	0.0%
Close Securities (Germany) Limited, UK	04.07.2012	<3%	0.0%
Close Securities Holdings Limited, UK	04.07.2012	<3%	0.0%
Close Brothers Seydler Bank AG, Frankfurt	04.07.2012	<3%	0.0%
Close Brothers Group plc., UK	15.06.2012	>30%	38.9%
Close Brothers Holdings Limited, UK	15.06.2012	>30%	38.9%
Close Securities (Germany) Limited, UK	15.06.2012	>30%	38.9%
Close Securities Holdings Limited, UK	15.06.2012	>30%	38.9%
Close Brothers Seydler Bank AG, Frankfurt	15.06.2012	>30%	38.9%
FMM Asset Management GmbH, Munich	13.06.2012	<3%	3.0%
Mr Klaus Wecken, Switzerland	14.02.2012	>30%	30.1%
Mr Timo Herbrand, Cologne	01.02.2012	<3%	2.6%
Paladin Holding AG, Switzerland	30.01.2012	<3%	2.6%
Quartenal Ltd., Cyprus	13.12.2011	>20%	20.6%

* < = falls below threshold;> = exceeds threshold

8. Auditor's fee

During financial year 2012, EUR 30 k was reported as the expenditure for the audit of the annual financial statements of 31 December 2012, and EUR 60 k was reported for the audit of the consolidated financial statements of 31 December 2012. In addition, EUR 49 k was paid in financial year 2012 for the audit of the annual and consolidated financial statements from 2010 and EUR 10 k from 2011. An amount of EUR 24 k was booked as expenses for other endorsement services in the financial year.

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 2012 and made available to shareholders on the website of Westgrund AG. The published version discusses the contents of the Group Management Report for financial year 2012.

10. Risk management policy

There is a detailed presentation of the risk management policy of the Westgrund Group in the Group management report 2012 which is part of these financial statements.

11. Share-based types of remuneration

Share option plan 2007

Since 2007, the employees of the Westgrund Group have been able to participate in the Group's success according to the share option plan adopted in the 2007 financial year.
Based on the authorised capital available on the balance sheet date of EUR 18,681,517 (previous year: EUR 11,413,320), the following situation arises in light of the outstanding options on the balance sheet date.

	Number of options					
	2012	2011	2010	2009	2008	2007
Outstanding options on 1 Jan.	98,600	98,600	108,000	108,000	80,000	0
Granted options	0	0	0	0	28,000	80,000
Returned options	0	0	9,400	0	0	0
Exercised options	0	0	0	0	0	0
Options expired Options outstanding as of	80,000	0	0	0	0	0
31.12.	18,600	98,600	98,600	108,000	108,000	80,000
Exercisable options on 31 Dec. Weighted average	18,600	98,600	98,600	80,000	0	0
	5.26	5.26	5.26	5.26	5.26	5.22
exercise price in EUR Weighted average remaining term in years	0.0	0.0	0.0	0.1	1.1	2.0

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

Share price on the valuation date	EUR 5.05
Performance target: price increase relative to the exercise 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 of the option	4.0%
Expected volatility for the term of the option	99.63%
Expected fluctuation of option holders for the term of the option	0.0%

Share option plan 2008

Based on the authorised capital available on the balance sheet date of EUR 18,681,517 (previous year: EUR 11,413,320), the following situation arises in light of the outstanding options on the balance sheet date.

	2012	2011	2010	2009	2008
Options outstanding as of 1.1.	287,100	287,100	150,000	150,000	0
Options awarded	0	0	137,100	0	150,000
Options returned	0	0	0	0	0
Options exercised	0	0	0	0	0
Expired options	0	0	0	0	0
Outstanding options on 31 Dec.	287,100	287,100	287,100	150,000	150,000
Exercisable options as of 31.12.	287,100	150,000	150,000	0	0

Exercise price in EUR (2008)	1.85	1.85	1.85	1.85	1.85
Exercise price in EUR (2010)	1.62	1.62	1.62	-	-
Remaining term in years (2008)	0.0	0.0	0.0	1.0	2.0
Remaining term in years (2010)	0.0	1.0	2.0	-	-

In 2008, a total of 150,000 share options were issued to Mr Arndt Krienen (Board). 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 the valuation date	EUR 1.70
Performance target: price increase relative to the exercise 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 of the option	4.0%
Expected volatility for the term of the option	105.8%
Expected fluctuation of option holders for the term of the option	0.0%

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

Share price on the valuation date	EUR 1.5
Performance target: price increase relative to the exercise 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 1.62
Expected dividend yield	0.0%
Risk-free interest rate for the term of the option	4.0%
Expected volatility for the term of the option	105.6%
Expected fluctuation of option holders for the term of the option	0.0%

Share option plan 2011

Regarding the content and timeline of the 2011 share option plan, please see the information on conditional capital.

Based on the authorised capital available on the balance sheet date of EUR 18,681,517 (previous year: EUR 11,413,320), the following situation arises in light of the outstanding options on the balance sheet date:

	2012	**2011**
Options outstanding as of 1.1.	116,000	0
Options awarded	150.0	116,000
Options returned	0	0
Options exercised	0	0
Expired options	0	0
Outstanding options on 31 Dec.	66.0	116,000
Exercisable options as of 31.12.	287,100	150,000
Exercise price in EUR (2011)	0	0
Exercise price in EUR (2012)	2.52	2.52
Remaining term in years (2011)	2.50	4.0
Remaining term in years (2012)	3.0	3.7

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

Share price on the valuation date	EUR 2.54
Performance target: price increase relative to the exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	4 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 of the option	4.0%
Expected volatility for the term of the option	114.8%
Expected fluctuation of option holders for the term of the option	0.0%

In 2012, 50,000 share options were twice issued to employees and 50,000 share options were issued to the Board. The fair value of the options issued was calculated using the Black-Scholes model. The three packages were issued on the basis of the following parameters:

Share price on the valuation date	EUR 2.22
Performance target: price increase relative to the exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	4 years
Exercise price at the expected exercise time (base price)	EUR 2.29
Expected dividend yield	0.0%
Risk-free interest rate for the term of the option	2.0%
Expected volatility for the term of the option	79.8%
Expected fluctuation of option holders for the term of the option	0.0%

Share price on the valuation date	EUR 2.21
Performance target: price increase relative to the exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	4 years
Exercise price at the expected exercise time (base price)	EUR 2.22
Expected dividend yield	0.0%
Risk-free interest rate for the term of the option	2.0%
Expected volatility for the term of the option	66.1%
Expected fluctuation of option holders for the term of the option	0.0%

Share price on the valuation date	EUR 3.01
Performance target: price increase relative to the exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	4 years
Exercise price at the expected exercise time (base price)	EUR 2.99
Expected dividend yield	0.0%
Risk-free interest rate for the term of the option	2.0%
Expected volatility for the term of the option	4.0%
Expected fluctuation of option holders for the term of the option	0.0%

Additional information on the 2007, 2008 and 2011 share option plans

In both share option plans Westgrund AG has the right to choose to grant beneficiaries 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 share option plans of the years 2007, 2008 and 2011 has the following effects on the financial position of the Group:

	Fair value on issue I	P&L 2007	P&L 2008	P&L 2009	P&L 2010	P&L 2011	P&L 2012
	€ '000	EUR k	€ '000	€ '000	€ '000	€ '000	€ '000
Options issued 2007 - share option plan 2007	160	5	80	75	0	0	0
Options issued 2008 - share option plan 2007	70	0	27	35	8	0	0
- Share option plan 2008	127	0	2	64	61	0	0
Options issued 2010 - share option plan 2008	118	0	0	0	32	59	27
Options issued 2011 - share option plan 2011	220	0	0	0	0	5	54
Options issued 2012 - share option plan 2011	178	0	0	0	0	0	14
	873	5	109	174	101	64	95

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

Future volatility during the expected term of the share options was estimated on the basis of historical volatility and with regard to the expected future share performance. In general, the annualised historical volatility over the expected term of the options should be used, having regard to IFRS 2 B25. For the 2007, 2008 and 2010 share option programmes, the expected term is two years and for the 2011 share option programme four years. 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 share options was used in each case. In contrast, for the share options issued in 2008, 2010 and 2011 were based on the historic volatility of the previous two/four years.

12. Assurance of the management board in accordance with section 297 paragraph 2 sentence 4 of the HGB

As the legal representative of Westgrund AG the Management Board hereby attests to the best of its knowledge that the consolidated financial statements convey an image of the Group's assets and financial position which corresponds with the actual circumstances in accordance with the applicable principles of accounting.

13. Exemption from the obligation to prepare and publish annual financial statements in accordance with the provisions applicable to joint-stock companies of section 264b of the HGB (German Commercial Code)

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

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

(previously: REG Portfolio GmbH & Co. KG, Cologne), Berlin

Berlin, April 2013
Westgrund Aktiengesellschaft Management Board

Arndt Krienen

WESTGRUND Aktiengesellschaft
Berlin

Consolidated statement of comprehensive income
for the period from 1 January to 31 December 2012

	Acquisition costs/Production costs					Depreciation				IAS 40 valuation		Carrying amount	
	As at 01.01.2012	Inflows	Outflows	At equity Valuation	As at 31.12.2012	As at 01.01.2012	Additions	Disposals	As at 31.12.2012	As at 01.01.2012	Change 2012	As at 31.12.2012	As at 31.12.2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets													
1. Industrial property rights and similar rights and values	42,485.23	0.00	0.00	0.00	42,485.23	39,828.23	2,541.00	0.00	42,369.23	0.00	0.00	116.00	2,657.00
2. Goodwill	2,705,781.45	0.00	0.00	0.00	2,705,781.45	2,705,781.45	0.00	0.00	2,705,781.45	0.00	0.00	0.00	0.00
	2,748,266.68	0.00	0.00	0.00	2,748,266.68	2,745,609.68	2,541.00	0.00	2,748,150.68	0.00	0.00	116.00	2,657.00
II. Investment property	76,062,429.26	40,355,464.91	-60,000.00	0.00	116,357,894.17	2,104,308.53	0.00	0.00	2,104,308.53	15,349,765.42	5,850,139.94	135,453,491.00	89,307,886.15
III. Property, plant, and equipment													
1. Plant and machinery	687,195.80	0.00	0.00	0.00	687,195.80	342,173.54	50,509.54	0.00	392,683.08	0.00	0.00	294,512.72	345,022.26
2 Other factory and office equipment	289,092.56	9,803.58	0.00	0.00	298,896.14	257,356.07	13,419.48	0.00	270,775.55	0.00	0.00	28,120.59	31,736.49
	976,288.36	9,803.58	0.00	0.00	986,091.94	599,529.61	63,929.02	0.00	663,458.63	0.00	0.00	322,633.31	376,758.75
IV. Financial assets													
1. Shares in affiliated companies	944,056.43	0.00	0.00	-68,944.97	875,111.46	0.00	0.00	0.00	0.00	0.00	0.00	875,111.46	944,056.43
2. Long-term securities	806,747.03	25,012.00	0.00	0.00	831,759.03	0.00	0.00	0.00	0.00	0.00	0.00	831,759.03	806,747.03
3 Other loans	72,163.15		-72,163.15	0.00	0.00	72,163.15	0.00	-72,163.15	0.00	0.00	0.00	0.00	0.00
4. Prepayments	0.00	51,447.04	0.00	0.00	51,447.04	0.00	0.00	0.00	0.00	0.00	0.00	51,447.04	0.00
	1,822,966.61	76,459.04	-72,163.15	-68,944.97	1,758,317.53	72,163.15	0.00	-72,163.15	0.00	0.00	0.00	1,758,317.53	1,750,803.46
Total	81,609,950.91	40,441,727.53	-132,163.15	-68,944.97	121,850,570.32	5,521,610.97	66,470.02	-72,163.15	5,515,917.84	15,349,765.42	5,850,139.94	137,534,557.84	91,438,105.36

WESTGRUND Aktiengesellschaft
Berlin

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

		Acquisition costs/Production costs					Depreciation				IAS 40 valuation		Carrying amount	
		As at 01.01.2011	Additions	Disposals	Transfer	As at 31.12.2011	As at 01.01.2011	Additions	Disposals	As at 31.12.2011	As at 01.01.2011	Change 2011	As at 31.12.2011	As at 31.12.2011
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I.	**Intangible assets**													
1.	Industrial property rights and similar rights and values	42,485.23	0.00	0.00	0.00	42,485.23	35,561.23	4,267.00	0.00	39.828,23	0.00	0.00	2,657.00	6,924.00
2.	Goodwill	2,705,781.45	0.00	0.00	0.00	2,705,781.45	2,705,781.45	0.00	0.00	2.705.781,45	0.00	0.00	0.00	0.00
		2,748,266.68	0.00	0.00	0.00	2,748,266.68	2,741342.68	4,267.00	0.00	2.745.609,68	0.00	0.00	2,657.00	6,924.00
II.	**Investment property**	77,738,042.26	0.00	0.00	-1,675,613.00	76,062,429.26	2,104,308.53	0.00	0.00	2,104,308.53	12.863.651,00	2.486.114,42	89,307,886.15	88,497,384.73
III.	**Property, plant, and equipment**													
1.	Plant and machinery	687,195.80	0.00	0.00	0.00	687,195.80	291,559.53	50,614.24	0.00	342.173,54	0.00	0.00	345,022.26	395,636.506
2	Other factory and office equipment	273,887.66	15,204.90	0.00	0.00	289,092.56	244,898.07	12,458.00	0.00	257.356,07	0.00	0.00	31,736.49	28,989.59
		961,083.46	15,204.90	0.00	0.00	976,288.36	536,457.37	63,072.24	0.00	599.529,61	0.00	0.00	376,758.75	424,626.09
IV.	**Financial assets**													
1.	Shares in affiliated companies	791,764.59	152,291.84	0.00	0.00	944,056.43	0.00	0.00	0.00	0.00	0.00	0.00	944,056.43	791,764.59
2.	Long-term securities	806,747.03	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	77,508.82	136.65	-5,480.32	0.00	72,163.15	63,991.99	8,171.16	0.00	72.163,15	0.00	0.00	0.00	13,514.83
		1,676,018.44	152,428.49	-5,480.32	0.00	1,822,966.61	63,991.99	8,171.16	0.00	72.163,15	0.00	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,
Berlin

Group management report for financial year 2012

Westgrund AG is the parent company of the Westgrund Group of companies comprising a total of 21 companies on 31 December 2012. The group additionally holds a 20% stake in each of two project development companies.

I. Business performance and general conditions

1. Development of business and general conditions

a. Macroeconomic situation in Germany

The German economy performed well in an environment that was generally difficult in 2012. The German GDP rose in 2012 in real terms by about 0.7% in spite of the deep recession in southern Eurozone countries, the noticeable slowing down of growth in developing economies and the uncertainties stemming from the credit crisis. The pace of growth slowed considerably over the course of 2012, evidence that Germany cannot detach itself entirely from developments in neighbouring countries.

A high degree of competitiveness and a focus on the appropriate products and national markets are strong arguments in support of expecting continued positive development. In addition, the financial circumstances characterising private households, companies and the public sector are all in good shape, which explains how Germany has managed to grow significantly more strongly than its neighbours since the start of the credit crisis. The German economy grew by a positive 2.5% each year between 2010 and 2012, which means that the pre-crisis level has already been exceeded by 2%. The economies of the other members of the European currency union, however, have practically stagnated over the same time period, and their GDP in real terms remains, on average, somewhat more than 4% below pre-crisis levels.

Some 40% of German exports are intended for other Eurozone member countries. The number of orders received from these countries already began to decrease towards the end of 2011, and this rate of decline is now in double digits. German exports to the EU have consequently begun shrinking for some months now, which is only partly offset by stronger exports to Asia and especially the US. The growth in German exports was therefore slower in 2012. Positive developments in exports are expected for 2013 as a result of more dynamic economic development in other European countries and in developing countries.
Investments in equipment have also been negatively affected by weaker exports and uncertainties in relation to the credit crisis. They ended 2012 around 4.4% lower than the previous year's level. Only a slight improvement is expected in 2013, which is especially related to the slow improvement in the companies' profit forecasts.

Building investment recovered during the second half of 2012; this was after a weak first half of the year, which reflected a continuing normalisation of public investment activity after the stimulus packages had expired. Over the year 2012 a
decrease of 1.1% was recorded, whereby a strong divergence was evident between developments in residential building investment (+2.5%) and commercial and public investments (-1.0% and -13% respectively). This divergence is expected to continue in 2013. The environment for residential building investments remains favourable. In addition to low costs for financing, factors driving the sustained high demand for housing include extremely low interest rates on bonds, which continues to drive portfolio switching and a "flight to tangible assets", the relatively stable labour market, favourable forecasts with respect to incomes and a high level of net immigration. Increasing authorisation for residential construction also indicates that investment in residential construction will increase at an even greater rate than in 2012, at around 3%. Growth of 2% is expected for commercial and public building investments in 2013 following a decline of 0.5% in 2012.

The employment market continues to be sound, with the number of people in work, which is already at a record level, once again rising slightly to 41.6 million in 2012. The unemployment rate was at 6.8%, and the federal government expects a slight rise in 2013 to about 7.0%. The unemployment rate in the EU as a whole rose to around 10.5% in 2012.

Household consumption rose in 2012 by 0.6% and is expected to rise further in 2013. Consumer prices rose an average of around 2% during 2012, with price rises for food and energy largely responsible. Excluding food and energy, the so-called core inflation rate was just around 1.5%. No significant increase in the rate of inflation is expected for 2013. Expansive monetary policy and the ECB's programme to buy up bonds pose long-term risks of inflation, though these will likely have a stronger initial impact on the prices of assets rather than consumer prices.

Public sector budgets in Germany are currently in a good state. This is primarily thanks to generous tax revenue, which is dependent on economic trends, and decreased yields on lower interest payment services. Germany is on target to comply with its constitutional amendment requiring a balanced budget as of 2016, which limits the structural budget deficit to 0.35% of GDP. Germany is additionally the only Eurozone country in which the debt ratio declined in 2013 and in which this decline looks set to continue. However, German public budgets do face significant risks associated with the continually high deficit ratios and levels of debt in other European budgets in 2012.

The federal government has forecast economic growth of 0.4% for 2013 and 1.5% for 2014, which means that the German economy will grow at a more robust rate than will the Eurozone as a whole. The expectation for recovery is based on the assumption that most Eurozone economies reached a cyclical low point during 2013 and should now swing back onto a path of moderate growth. There should be less evidence in 2013 of the economic dampening effects resulting from fiscal consolidation in the Eurozone. Accelerated economic growth is also expected in the US and in developing countries in 2013.

There are significant risks posed to economic development in Europe resulting from the ongoing implementation of the necessary fiscal consolidation by member states. These risks have been mitigated by ECB President Mario Draghi's July announcement that all necessary steps would be taken to preserve the euro and by the ECB's programme to purchase bonds, which was agreed to in September 2012. Financial markets reacted positively to the announcement of this programme, as is evident in the notable yield mark-up for government bonds and the rise in share prices. The programme to purchase bonds, however, is not without controversy, especially given the programme's proximity to government financing and the consequent danger of inflation. In order to effectively manage the credit crisis over the medium term, it is important that national governments consolidate public finances and improve the competitiveness of their national economies through reforms. These measures, stretched across several years, make use of financing with reduced interest rates, which also provides much needed calm on the financial markets. Disruptions on this path of recovery are an ever-present possibility, especially if a country's reform and consolidation efforts slacken as a result of artificially low interest rates. In addition, low interest rates create an impetus for increased private household borrowing and may lead to the creation of asset price bubbles, including in real estate.
Given the ECB's role as a backbone of efforts to manage the credit crisis, it may be expected that interest rates will remain low in order to prevent endangering the financial system's stability and the stabilisation of the economy more generally. It may additionally be assumed that the already low base rate of 0.75% since mid-2012 will remain at this low level in 2013 (Source: DB Research, Outlook 2013).

b. Industry situation

Over the past two years, real estate prices in Germany have risen by a good 8% in areas of high population density and by round 5% across Germany as a whole. . Strong regional differences in performance are very likely in future, which has been equally evident in the past in the markedly different trends in prices between regions that attract people from elsewhere and economically weak regions with declining populations due to people moving away.

Interest amongst investors in German real estate remains high. In contrast to many other European countries the German housing markets have not been on a rollercoaster ride in the last ten years. On the one hand, the rise in prices on the German market was moderate in international comparison and, on the other, German real estate prices rose again by an appreciable amount in 2010 for the first time since 1995. According to calculations by the OECD that measure the relationship between real estate prices and levels of available income, the German real estate market is undervalued by about 20%. Property prices and disposable income have roughly risen in tandem recently. The overwhelming consensus amongst experts, therefore, is that there is no danger of a real estate bubble.

The low level of units completed, low interest rates, solid economic developments on the whole and the interest amongst many investors for securing their money in solid "brick and mortar" investments all continue to contribute to a housing boom in certain regions. Centrally located properties in areas of high population density are in particular experiencing an appreciation in value such that occasional price bubbles may result. These sub-markets are currently not attractive as an investment product.
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 now more than 40 million households in Germany, roughly 5 million households more than at the time of reunification. 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. This trend, however, is marked by significant regional differences.

The German market in real estate transactions displayed yet another significant increase in 2012. The transaction volumes for commercial and residential real estate portfolios rose significantly in comparison to the prior year. Transaction volumes for commercial properties were EUR 25.0 billion in 2012, an increase from EUR 23.0 billion in 2011 and EUR 19.1 billion in 2010. For residential real estate, the numbers were EUR 11.0 billion in 2012, following EUR 5.0 billion in 2011 and EUR 3.8 billion in 2010. A similar transaction volume is expected for 2013. Transaction-related conditions continue to be positive.
The transaction volumes by quarter in 2012 were as follows:

in € bn	Commercial	Residential	Total
Q1	5.1	3.6	8.7
Q2	4.3	3.4	7.7
Q3	5.3	1.7	7.0
Q4	10.3	2.3	12.6
Total	25.0	11.0	36.0

Source: Trendbarometer Immobilien-Investmentmarkt
Deutschland 2013: Ernst & Young

Foreign financial investors were represented amongst the sellers in 2012, as in previous years, and banks were also more active on the sales side. German investors in 2012, however, were in the majority, representing some 70%. In addition to institutional investors, stock exchange-listed real estate companies were increasingly active amongst buyers. The volume of activity on the market in 2012 involving private investors was small, just as in the prior year. The transaction volume in 2012 rose in comparison to that in 2011. A greater number of portfolio transactions and share deals were also evident.

In general, the German real estate market remains stable and Germany has held on to its reputation as a “safe haven”. Market participants’ expectations were markedly better when it came to economic developments in Germany as compared to neighbouring European countries and tended to parallel positive expectations regarding the real estate market specifically. 99% of market players therefore consider Germany to be an attractive or very attractive location for real estate investments. These investments remain attractive for investors thanks to continued uncertainties related to capital markets, the low interest rate and fears of inflation. Following the previous years' noticeable increase in prices, however, an approach that is more differentiated according to region is certainly called for. The German real estate market is very well positioned internationally thanks to the high quality of existing real estate, and it has risen to join the most important national real estate markets in Europe over the course of time (Source: Trendbarometer Immobilien-Investmentmarkt Deutschland 2013: Ernst & Young).

Additional large-scale transactions are expected in 2013, which will also have a positive impact on the small-scale real estate market. Because of the consistently attractive conditions in Germany, the market’s core segment is currently characterised by a great number of buyers and too few products.

A sufficient supply of debt capital is fundamentally important for a functioning property 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. Banks are somewhat more conservative in the mortgage business especially as a result of the expected changes brought about by Basel III. Increasing numbers of insurance companies and pension funds began acting as lenders in 2012. There is additionally an increased demand for mezzanine capital. As a result, the refinancing and extension of existing real estate financing deals will become incredibly important in 2013 and the following years.

Principle borrowings secured against property titles are now an attractive financial product, one that is increasingly attractive to investors thanks to sustained low interest rates. The investor receives a risk-oriented interest yield based on the quality of the building offered up as collateral, one that is higher than the rates for German bond certificates but notably lower than the rates for classic corporate bonds. In order to bring the principle secured loan into line with the quality of German bond certificates, efforts are made to isolate, as far as possible, the risks that result from the company's operational activities. This is in contrast to principle secured loans in the past, in which such actions were not the norm in all cases.

c. Competitive and company situation

The Westgrund Group continues to be predominantly active on the German residential real estate market. Given the rise in investor interest witnessed once again in 2012 in this sub-market, which can also be seen in the improved numbers in the transaction volume, this market continues to offer very good prospects for investors. The Berlin real estate market is of particular interest.

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 focus will remain on expanding the around 4,000 residential real estate properties currently held. The goal over the medium term is a total holding of 10 k units. With a renewed expansion of the shareholder base and the cash capital increase performed in January 2013, the course has also been set on the financing side for further portfolio expansion. 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 rent increases through the targeted reduction in vacancies. The Westgrund Group has recently achieved a sustained increase in value in its previously acquired property portfolio and now has sufficient resources and the long-term framework for further portfolio expansion.

Foreign investors are again showing an increased interest in German listed property companies. Increasing investor interest can be seen particularly in the many capital-raising measures undertaken by listed property companies in 2012 with attractive terms usually close the net asset value (NAV). Deductions to the NAV taken by stock exchange-listed real estate companies decreased markedly in 2012 and in some cases, supplements to the NAV are accounted for in the determination of individual prices on the stock market. In this context, LEG becoming a listed company in 2013 with its approximately 91 k properties
should therefore be taken into account. A number of additional capital measures are expected in 2013, all of which will be necessary for the financing of the high transaction volumes that are expected.

2. Business development in 2012

a) Earnings situation

	€ '000	%	Previous year € '000	%	Change EUR k %
Sales turnover	10,767	61.2	9,692	81.1	1,075
Change in inventories	965	5.5	-224	-1.9	1,189
Market Valuation Investment properties	5,850	33.3	2,486	20.8	3,364
Total turnover and operating revenue	17,582	100.0	11,954	100.0	5,628
Material costs	-6,316	-35.9	-5,281	-44.2	-1,035
Gross earnings	11,266	64.1	6,673	55.8	4,593
Personnel expenses	-1,331	-7.6	-1,265	-10.6	-66
Scheduled depreciation	-65	-0.4	-67	-0.6	2
Administrative and operating expenses	-1,447	-8.2	-1,878	-15.7	431

Other operating income	13	0.1	129	1.1	-116
Operating income	8,436	48.0	3,592	30.0	4,844
Income from holdings	-63	-0.4	160	1.3	-223
Interest income	-2,951	-16.8	-3,458	-28.8	507
Unplanned Depreciation and amortisation	-727	-4.1	-8	-0.1	-719
Earnings from other periods	256	1.5	-37	-0.3	293
Earnings before income taxes	4,951	28.2	249	2.1	4,702
Income Taxes	-862	-4.9	587	4.9	-1,449
Consolidated annual result	4,089	23.3	836	7.0	3,253

Within the net sales, rental income stood at EUR 10.5 million, particularly owing to a considerably higher number of additional purchases in 2012 compared to the previous year (EUR 9.3 million). The occupancy level across the entire portfolio has remained consistently high, while moderate rent increases were implemented in the previous year. The remaining income was generated from land sales, among other things (EUR 0.1 million, from EUR 0.3 million in 2011). The market valuation of long-term investment properties showed income of EUR 5.9 million in 2012, compared to EUR 2.5 million in 2011. The continued growth of the valuation result in 2012 is evidence of the good operational performance overall on account of the asset management being implemented. The property valuation result, in accordance with IAS 40, will continue to play a significant role for the consolidated annual result in future owing to the dominant portfolio holder strategy.

Gross earnings increased particularly as a result of the increase in the property valuation result from EUR 2.5 million in 2011 to EUR 5.9 million in 2012. Rental income also increased by EUR 1.3 million from EUR 4.0 million in 2011 to EUR 5.3 million in 2012. Additional purchases in 2012 were the main reason for this.

Personnel expenses and other expenses fell slightly overall compared to the previous year. There were extra one-off expenditures related to the move of the company headquarters to Berlin; these were offset by savings made elsewhere. The corporate structure is still lean and the personnel costs are still low in relation to the group's business activities.

Interest income increased from EUR -3.5 million in 2011 to EUR -3.0 million in 2012. The main reason for this was that the financing terms were on average better throughout the year as a result of extensive refinancing in 2012.

Tax on income and revenue was mainly in the form of deferred tax liabilities in accordance with IAS 40, owing to profits from the property market valuation.

Operating income increased from EUR 3.6 million in 2011 to EUR 8.4 million in 2012. There was also a significant increase in the consolidated annual profit from EUR 0.8 million to EUR 4.1 million in 2012.

b) Assets position

			Previous year			
	€ '000	%	€ '000	%	Change € '000	%
ACTiVE						
Intangible assets	0	0.0	3	0.0	-3	
Investment property	135,453	90.5	89,308	89.2	46,145	51.7

Fixed assets	323	0.2	377	0.4	-54	-14.3
Financial assets	1,758	1.2	1,751	1.8	7	0.4
Other long-term assets	268	0.2	1,033	1.0	-765	
Deferred tax assets	20	0.0	29	0.0	-9	-31.0
Non-current assets	137,822	92.1	92,501	92.4	45,321	49.0
Properties held for sale	279	0.2	830	0.8	-551	-66.4
Work in progress	1,037	0.7	1,037	1.1	0	
Services not yet invoiced	3,447	2.3	2,501	2.5	946	37.8
Trade receivables	507	0.4	369	0.4	138	37.4
Current tax receivables	38	0.0	118	0.1	-80	-67.8
Other assets	1,074	0.7	231	0.2	843	
Cash funds	5,445	3.6	2,506	2.5	2,939	
Current assets	11,827	7.9	7,592	7.6	4,235	55.8
	149,649	100.0	100,093	100.0	49,556	49.5
LIABILITIES						
Subscribed capital	18,682	12.5	11,413	11.4	7,269	63.7
Reserves	8,210	5.5	12,784	12.8	-4,574	-35.8
Consolidated net earnings	21,586	14.4	4,063	4.1	17,523	
Minority interests	225	0.1	435	0.4	-210	-48.3
Equity capital	48,703	32.5	28,695	28.7	20,008	69.7
Deferred tax liabilities	6,627	4.4	5,813	5.8	814	14.0
Pensions reserves	103	0.1	101	0.1	2	2.0
Derivatives	1,310	0.9	1,168	1.2	142	12.2
Non-current bank and insurance company loans	79,551	53.2	12,859	12.8	66,692	
Long-term leasing liabilities	4,661	3.1	4,636	4.6	25	0.5
Non-current liabilities	92,252	61.7	24,577	24.5	67,675	
Current tax liabilities	34	0.0	79	0.1	-45	-57.0
Current bank and insurance company loans	3,243	2.2	38,612	38.6	-35,369	-91.6
Advances received	3,068	2.0	2,490	2.5	578	23.2
Leasing liabilities	9	0.0	9	0.0	0	
Trade liabilities	706	0.5	1,345	1.3	-639	-47.5
Other liabilities	1,634	1.1	4,286	4.3	-2,652	-61.9
Short-term borrowed capital	8,694	5.8	46,821	46.8	-38,127	-81.4
CAPITAL	149,649	100.0	100,093	100.0	49,556	49.5

Investment property increased on account of additional purchases made in 2012 in Berlin, Fürstenwalde and Halle, and on account of increased market value.

Financial assets were largely unchanged and increased slightly as a result of a downpayment on an already binding interest acquired in a municipal housing company.

Real estate held for sale has been significantly reduced in the amount of EUR 530 k due to further sell-offs and impairment provisions.
Other assets and services not yet invoiced have risen, mainly due to the increase in real estate holdings. Other assets include a debt claim in relation to a EUR 870 k drop in purchase price.

Within the equity capital, subscribed capital and reserves have risen due to the cash capital increase implemented in 2012. Overall reserves fell, as a result of withdrawals from the capital reserve.
By the same token, there was a corresponding increase in bank debt for financing real estate purchases in 2012.
The main reason for the fall in other liabilities is that a shareholder liability amounting to EUR 2.6 million was repaid as planned.

As at 31 December 2012, the net asset value (EPRA) is as follows:

in EUR k	2012
Shareholders’ equity (excluding minority interests)	48,478
(+) Deferred taxes	6,607
(+) Derivatives	1,310
NAV	56,395
NAV per share	3.02

Further real estate acquisitions registered in 2012 and early 2013 will mean that the NAV/share rate will continue to increase to well over EUR 3.00.

c) Financial position

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.

The most significant event during the first half of 2012 from the point of view of financing was the increase in capital, which provided the company with liquid assets amounting to EUR 15.8 million were deducted. An additional increase in capital was undertaken in January 2013, which added EUR 5.6 million in liquid assets.

3. Non-current asset investments

No investments in fixed assets, real estate or other movables were made in the financial year that just closed except for occasional renovations to homes.

4. Financial investments

In the 2012 financial year, investment property costing EUR 40.3 million was acquired and included in the consolidated balance sheet as at 31 December 2012.

A sales agreement was signed in November 2012 to acquire 94.0% of the shares in a communal housing company, which included by way of the share deal the acquisition of a real estate portfolio in Rügen amounting to around EUR 7.5 million. The purchasing price for 100% of the shares is EUR 180 k plus EUR 5,780 k for the redemption of a loan. The final payment and execution of the sales agreement are scheduled for 2013.

Another sales agreement was concluded in November 2012 to acquire a real estate portfolio in Berlin-Kreuzberg valued at around EUR 18 million. The purchasing price was partially covered by the issue of 1,200,000 shares in Westgrund AG at a share price of EUR 3.00. The transaction is expected to be completed during the second quarter of 2013.

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. Personal and social services

According to the annual average for the past financial year, the Westgrund Group employed 19 people (previous year: 20 employees). Some employees left the company for personal reasons resulting from the move of Westgrund AG's headquarters. New hires are planned for financial year 2013 as a result of additional acquisitions of real estate, those already made and those planned for the coming short term.

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

7. Development in Westgrund AG stocks

The Westgrund AG share price rose over the course of the past financial year from around EUR 2.20 at the year's start to significantly above EUR 3 by year's end. The positive performance confirms the company's current strategic planning, which identified the market potential at the end of 2011.

The positive market performance during 2012 was supported by the continuous positive news flow, the success of the capital increase undertaken in the first half of 2012 and increased attention from analysts. Stock exchange-listed real estate companies enjoyed significantly more attention in general during 2012.

The strategic shareholder base was expanded in 2012 and in the beginning of 2013, which provided a healthy foundation for organic growth and the current positive developments in the share price. An issue price of EUR 3.01 was used during the capital increase in January 2013.

The current performance of Westgrund AG's shares provide both individual investors and institutional investors with a good opportunity to enter into long-term engagement with the company. The share price is expected to receive additional, sustainable positive impulses from the significant expansion of real estate holdings planned for 2013.

II. Supplementary report

The Management and Supervisory Boards decided on 22 January 2013 to increase, partly by means of available capital, the company's shareholder equity by 10% whilst excluding existing shareholders' options on bonus shares. This capital increase lifted shareholder equity from EUR 1,868,150 to EUR 20,549,667. The issue price for the new shares was EUR 3.01.

In the beginning of March 2013, the largest single transaction in the company's history was made through the acquisition by a subsidiary company of a total of 1,085 residential units in Berlin. The purchase was effected through part of a commercial non-performing-loan portfolio under market value. The residential property, which boasts a total living space of 75,300 m^2 and a plot area of around 94,000 m2, is located in the Spandau district of Berlin. The portfolio's current net rent amounts to EUR 3.92 million per year. The current vacancy rate is around 10%, with an average rent of just EUR 4.80/m2, and offers considerable upside potential through the re-letting of the empty properties available. The transaction is expected to be completed during the second of 2013. After this transaction has been completed, Westgrund AG's total residential real estate holdings will increase by 27% to number nearly 5,000 residential units. Following the completion of the transaction, the Group will collect net rents amounting to EUR 17.3 million.

Please refer to the real estate acquisitions already discussed under financial investments above that had not been completed in 2012.
No other events took place following the close of financial year 2012 that significantly affect the company and/or would alter any assessment of the company's position. 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 provides security and bolsters Group competitiveness by 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 company's area of core competencies, appropriate, straightforward and manageable risks are accepted 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 outlined the conditions appropriate to a proper and forward-thinking risk management policy in its risk management manual. The manual deals with the specific processes in 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, measures to avoid, reduce and safeguard against risks. The material risks and any initiated countermeasures are monitored on a regular basis. The responsible employees regularly report to the Board of Managers and Board of Supervisors on the identified risks. In addition to the standard reporting there is a mandatory internal spontaneous reporting obligation for unexpectedly occurring risks. The risk management system makes it possible for the Management Board to identify a significant risks early on and introduce countermeasures.

The risk management system's essential 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 company works closely with external auditors in this respect.
The Management Board monitors the appropriateness and efficiency of risk management and the related control system at regular intervals, and re-assesses it as appropriate. The Westgrund Group's risk management was further refined in financial year 2012 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 company'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.

Essential 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. 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 property 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 all times. Therefore, the ongoing monitoring of risks related to financing and liquidity are a central aspect of the Group’s and the company’s risk management process. 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 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, given the small size of the company, that there will be a dependency on persons in key positions.

f) Additional risks

Additional risks related to the business activities of the Group as a whole 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 constantly 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 two 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 fixed remuneration is paid in the form of a monthly stipend as a performance-independent base remuneration. The Management Board member is additionally entitled to benefits, including the use of a company car. The board member is responsible for paying taxes on these benefits. No advances or loans were paid to Management Board members during the financial year. The bonus is granted as performance-related remuneration. The criterion for measuring success is the overall success of the company and an individual list of targets agreed with the supervisory board.

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

On the balance sheet date the authorised capital of Westgrund AG amounted to EUR 18,681,517 (previous year: EUR 11,413,320). It is divided into 18,681,517 no-par value bearer shares (shares without par value). The calculated nominal value of each share is EUR 1. All shares are fully paid up. All shares are fully paid up.

As a result of the real estate purchase and transfer agreement entered into in November 2012, the company is required to conduct a capital increase by way of contribution in kind in the amount of 1,200,000 no-par shares at a rate of EUR 3.00, which is expected to take place in 2013.

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, during financial year 2012 there were direct and indirect equity investments in the company that held more than 10% of voting stock, at 20.6% and 49.7%.

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 Director 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. 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.

Except for the purposes of trading in treasury shares, the company was authorised at the ordinary shareholders' meeting on 24 August 2012 pursuant to section 71 (1) No. 8 AktG to acquire until 23 August 2017 treasury shares amounting to up to 10% of the share capital. The legal restrictions of sections 71 et seq. AktG apply to the repurchase of own shares.

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 purchase 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 purchase 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 an functionally equivalent platform that replaces it) on the last trading day before cancellation (issuing the notice of cancellation).

The provisions related to purchasing rights may also stipulate that those with purchasing 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 purchasing 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). It may also be stipulated under the aforementioned conditions that the beneficiaries are obliged to waive their subscription rights at the offerer's request.

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

VI. Assurance of the management board in accordance with section 315 paragraph 1 sentence 6 of the HGB

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

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 Code of Conduct issued on 15 May 2012 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 Code of Conduct exist:
"Contrary to clause. 3.8, line 3 in the Code of Conduct, 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.

As long as the Management Board is comprised of a single member, clause 5.1.2 para. 1 sentence 2 is not applicable.
Deviating from clause 5.1.2. para. 2 line 3, Westgrund AG sets no upper age limit for members of the Management

Board. Management Board member employment contracts are time-limited and the choice of members is based on criteria such as specialist competency and management ability. The same is true for members of the Supervisory Board (clause 5.4.1 line 1).

With respect to so-called “directors' dealings”, clause 6.6 of the Code of Conduct 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 must be reported and publicised only when the total value of the deals made by the respective member of the Management Board or Supervisory Board equals or exceeds EUR 25,000 within a 30-day period.
Deviating from clause 7.1.2 of the Code of Conduct, public availability of the company’s results and interim reports is determined by the appropriate legal regulations.”

VIII. Statement on the company management in accordance with section 289a of the German Commercial Code (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. Foreceast

The German real estate market was again highly popular amongst domestic and international investors in 2012. Overall economic development in Germany remains positive, in contrast to the situation in neighbouring European countries, and this trend is expected to continue into 2013. In Germany, there has been no fall in prices like those witnessed elsewhere in foreign real estate markets. Given the positive macroeconomic context, the German real estate market, especially the German residential real estate market, has proven to be crisis-resistant.

Rising prices and growing transaction volumes are strong signals that the “German” brand continues to be attractive when it comes to real estate. This is especially true during times of crisis, when many investors see real estate as a sensible investment. 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.

However, without a stable trend on the financial markets a sustained positive development on the property markets is inconceivable. It is hoped that we will see a continued easing of the financial markets in 2013 and especially real estate markets will suffer no recurrent negative effects from the implementation of Basel III beginning in 2014.

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 regard to the interests of institutional real estate investors, Westgrund AG competes with global investment opportunities. Thanks to the positive developments in the German residential real estate markets and increased interest on the part of investors in stock exchange-listed real estate companies, the Westgrund Group sees itself very well positioned strategically.

The Westgrund Group systematically expanded its long-held real estate portfolio in 2012 and, after taking the final steps to complete the purchasing agreements agreed to up until the end of 2012, now manages an inventory of 3,700 units. A further 1,085 residential units in Berlin-Spandau were approved for purchase at the beginning of 2013. The portfolio has been made even more attractive by targeted small acquisitions, at attractive initial net rates of return, in Berlin and the surrounding region as well as in select mid-sized towns. Significant increases in value should be achieved in the coming years 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 are planned to follow those already undertaken in 2012 and at the beginning of 2013. Short-term resales of real estate portfolios will only be seriously considered if the sale 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 in principle over the long-term and positively contributing to the Company's bottom line.

Concrete measures planned for the future and the time frame in which they may be implemented are currently determined to a high degree by ongoing developments in the real estate and financial markets, which is why the Westgrund Group, taking several future scenarios into account, has developed strategies for dealing with a variety of possible future market situations. The paramount objective is to ensure sustainable growth for the company, whilst taking risk aspects into full account and acknowledging the current circumstances and developments in real estate and financial markets, and preventing this growth from being any more dependent on external factors than absolutely necessary. The appropriate conditions for this have already been created from the perspective of financing thanks to the already completed expansion of the shareholder basis and the capital measures agreed to and already completed in 2012 and at the beginning of 2013.

Even provided the company's good results for 2012, no concrete objectives for growth and company results for the coming financial year will be set. The entire group can expect notably positive results, however, given acquisitions planned for 2013 and 2014 as well as the concomitant possible improvement in the real estate properties' value.

Berlin, April 2013

Westgrund Aktiengesellschaft Board

Arndt Krienen

Auditor's opinion

We have audited the consolidated financial statements - consisting of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes - and the consolidated management report of Westgrund Aktiengesellschaft, Berlin, for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and consolidated management report in accordance with the IFRS, as they are to be applied within the EU, as well as with the commercial law provisions applicable under section 315a paragraph 1 HGB and with the supplementary provisions of the company's articles of association, is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the summarised management report and Group management report based on our audit.
We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code (HGB) and the generally accepted standards for auditing financial statements promulgated by the German Institut der Wirtschaftsprüfer (IDW). These state that the audit is to be planned and implemented in such a way that mistakes and errors having a significant effect on the presentation of the picture of the assets, financial and earnings position ascertained by means of the consolidated financial statements and the group management report – whilst complying with the applicable accounting regulations – may be recognised with a sufficient degree of certainty. In the definition of the audit procedures, the knowledge of the business activities and of the economic and legal environment of the Group as well as the expectations of possible errors are taken into consideration. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, and in the consolidated financial statements and Group management report are examined primarily on a test basis within the framework of the audit. The audit includes the assessment of the financial statements of the companies included in the consolidated financial statements, the segregation of the consolidated group, the accounting and consolidation principles used, and the significant estimates made by legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion, based on the findings of our audit, the consolidated financial statements of GFT Technologies Aktiengesellschaft, St. Georgen satisfy the IFRS as it is applied in the EU, and the supplemental commercial law guidelines that are used in accordance with Article 315a, section 1 of the German Commercial Code, and with due consideration of these guidelines give a true and fair view of the net assets, financial situation, and earnings situation of the Group in accordance with the actual conditions. The Group management report agrees with the consolidated financial statements and provides overall a correct account of the group's position and correctly presents the risks relating to future development.

Cologne, 16 May 2013

DHPG AUDIT GMBH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Siebrecht)
Auditor

(Güntgen)
Auditor