Prospectus

for the public offering
of 33,333,333 new ordinary bearer shares with no par value (*Stückaktien*)
from the capital increase against contribution in cash resolved by the Shareholders' Meeting on June 13, 2014 with indirect subscription rights for existing shareholders of WESTGRUND Aktiengesellschaft

and

of 13,333,333 new ordinary bearer shares with no par value (*Stückaktien*)
from the capital increase from authorized capital against contribution in cash resolved by the Management Board and approved by the Supervisory Board on September 8, 2014 with indirect subscription rights for existing shareholders of WESTGRUND Aktiengesellschaft

and

for admission to trading on the regulated market of the Dusseldorf Stock Exchange (*Börse Düsseldorf*) and on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment with additional post-admission obligations of the Frankfurt Stock Exchange (Prime Standard)

of up to 46,666,666 new ordinary bearer shares with no par value (*Stückaktien*)
from the above mentioned capital increases,

of 3,628,368 existing ordinary bearer shares with no par value (*Stückaktien*)
from the capital increase against contribution in kind registered with the commercial register of the local court of Berlin Charlottenburg on June 12, 2014,

of 362,837 existing ordinary bearer shares with no par value (*Stückaktien*)
from the capital increase from company funds registered with the commercial register of the local court of Berlin Charlottenburg on July 2, 2014

and

for admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment with additional post-admission obligations of the Frankfurt Stock Exchange (Prime Standard)

of 29,616,246 existing ordinary bearer shares with no par value (*Stückaktien*)

- each such share representing a notional value of EUR 1.00 and full dividend entitlement from January 1, 2014 -

of

WESTGRUND Aktiengesellschaft

Berlin

International Securities Identification Number: DE000A0HN4T3 and DE000A11QWT2
German Securities Code (Wertpapier-Kenn-Nummer): A0HN4T and A11QWT
Trading Symbol: WEG1

Joint Global Coordinators & Joint Bookrunners

Berenberg **Baader Bank**

September 9, 2014

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1. SUMMARY OF THE PROSPECTUS

Summaries are made up of disclosure requirements known as elements ("**Elements**"). These Elements are numbered in Sections A - E (A.1 - E.7). This summary contains all the Elements required to be included in a summary of this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

A – Introduction and warnings

A.1	**Warnings**	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities, that are the subject matter of this prospectus, should be based on consideration of the prospectus as a whole by the investor. If any claims are asserted before a court of law based on the information contained in this prospectus the investor appearing as plaintiff may have to bear the costs of translating the prospectus prior to the commencement of the court proceeding pursuant to the national legislation of the member states of the European Economic Area. WESTGRUND Aktiengesellschaft, Joachimstaler Strasse 34, 10719 Berlin, Germany (hereinafter also the "**Company**", "**WESTGRUND**" or the "**Issuer**", and together with its subsidiaries "**WESTGRUND Group**"), together with Joh. Berenberg Gossler & Co. KG, Hamburg, Germany (hereinafter "**Berenberg**"), and Baader Bank Aktiengesellschaft, Unterschleissheim, Germany (hereinafter "**Baader Bank**", and together with Berenberg the "**Joint Global Coordinators**" or "**Joint Bookrunners**"), assume responsibility for the content of this summary including its translation pursuant to Section 5 para 2b No. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz, WpPG*). Those persons who are responsible for the summary, including the translation thereof, or for the issuing (*Veranlassung*), can be held liable, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus, or it does not provide, when read together with the other parts of the prospectus, all necessary key information.

A.2	**Consent regarding the subsequent use of the prospectus by financial intermediaries**	Not applicable. Consent regarding the use of the Prospectus for a subsequent resale or placement of the shares has not been granted.
B – Issuer		
B.1	**Legal and commercial name**	The Company's legal name is WESTGRUND Aktiengesellschaft. The Company and its subsidiaries operate under the commercial name "WESTGRUND". Further commercial names are not being used.
B.2	**Domicile, legal form, applicable law, and country of incorporation**	WESTGRUND Aktiengesellschaft is a German stock corporation incorporated in Germany and governed by German law. The Company has its registered office in Berlin, Germany, and is registered with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRB 144811 B under the name WESTGRUND Aktiengesellschaft.
B.3	**Business activities and principal markets**	The WESTGRUND Group describes itself a specialist in the acquisition, management, optimization and administration of German residential real estate. The business of WESTGRUND Group focuses on - purchasing small and mid-sized portfolios with volumes of up to EUR 50,000,000.00 to EUR 60,000,000.00; portfolios which tend to be too small for larger competitors and too expensive for private purchasers (such portfolios generally have maximum purchase prices between about EUR 5,000,000.00 to EUR 8,000,000.00); - building portfolios in strategic regions; - purchasing residential properties in certain federal states of Germany with an annual net rental income equal to at least 8% to 10% of the respective acquisition price and located in larger cities that provide comparatively low investment risks. WESTGRUND operates as management holding Company of WESTGRUND Group with the real estate holdings of the WESTGRUND Group held by a number of WESTGRUND subsidiaries. WESTGRUND Group is constantly expanding and adding to its portfolio through the acquisition of selected residential real

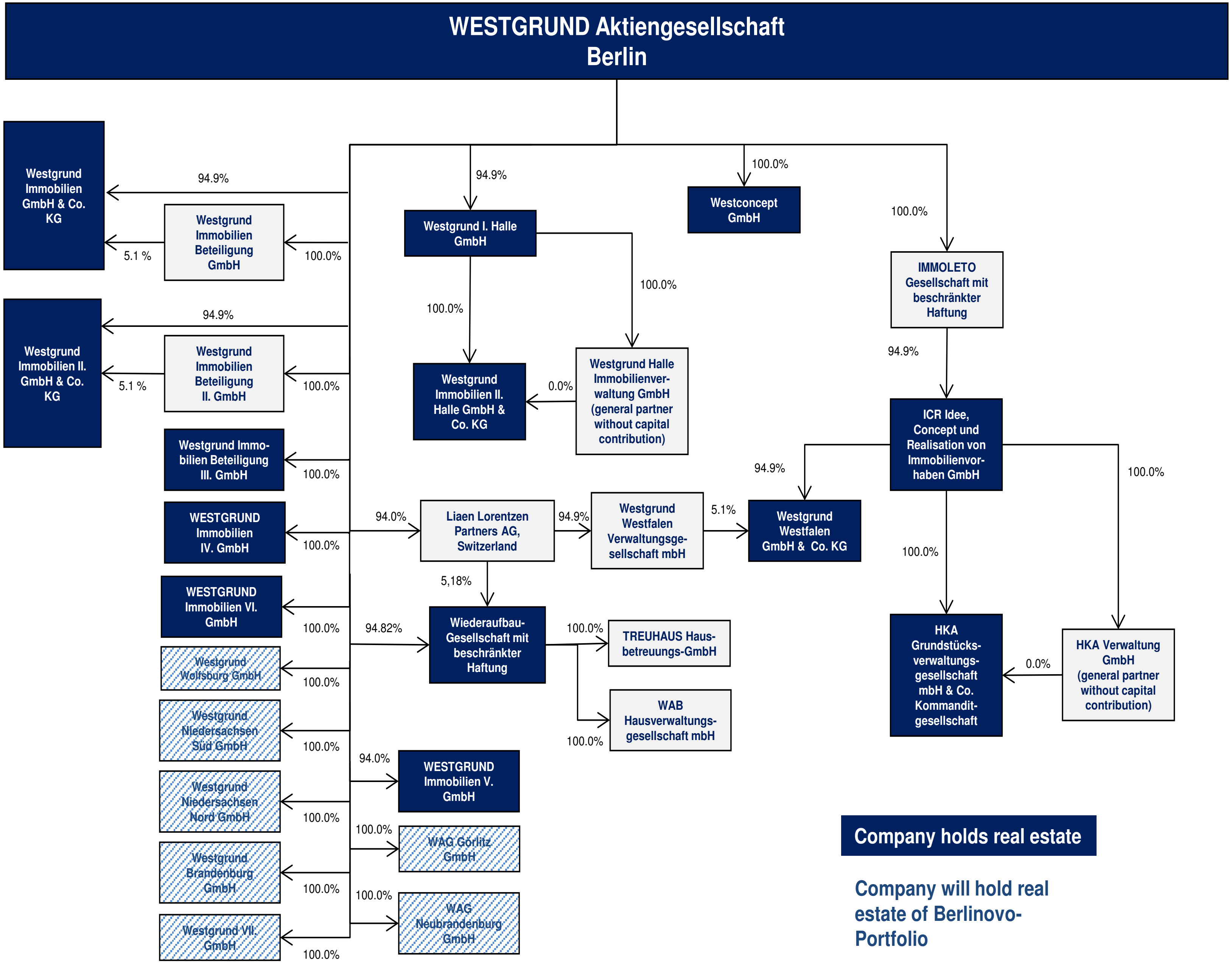
estate portfolios. The Company has a defined acquisition investment profile and, while building up its real estate portfolio, strictly adheres to the requirements set forth by this investment profile. For example, all acquisitions must fulfill certain minimum requirements with regard to risk diversification and the aim of reaching a minimum size for portfolio management purposes and with respect to their regional locations. For the purpose of optimization, WESTGRUND defined a purchase process for the portfolio structure. Included in this are some steps to be taken to secure that the investment profile is observed and properly assessed. The structure of a portfolio acquisition or residential units respectively can be done by an asset deal or a share deal. WESTGRUND leads and manages all of its subsidiaries and is responsible for asset management. Additional services such as property management, facility management and care taking are outsourced in a process controlled by WESTGRUND's asset management which currently consists of four asset managers.

The main business of WESTGRUND is purchasing and managing residential real estate portfolios. As of June 30, 2014 WESTGRUND Group's managing portfolio was comprised of approximately 7,000 residential and some additional commercial units. At that time the portfolio provided a yield of 7.7% and a vacancy rate of 7.6%. Since 2012, the portfolio has not exhibited any major maintenance backlogs and the properties are typically in a good state of repair. WESTGRUND Group focuses its activities on a small number of core regions within Germany. Key property locations of the WESTGRUND Group are Berlin and Brandenburg (38%), other areas of Eastern Germany (41%) and Lower Saxony (*Niedersachsen*) (11%). In July 2014, WESTGRUND Group entered into agreements for the acquisition of approximately 13,300 residential and 73 commercial units (the "**Berlinovo-Portfolio**"), thus nearly tripling its residential real estate holdings. After completion of the acquisition of the Berlinovo-Portfolio, regional representation of the real estate holdings of WESTGRUND Group will change as follows: Berlin and Brandenburg (33%), Lower Saxony (35%), Saxony, Saxony-Anhalt, Thuringia (22%), Mecklenburg-Western Pomerania (6%) and North Rhine-Westphalia (4%).

Standardized structures and work-flows enable WESTGRUND Group to work with a small team of highly efficient employees. WESTGRUND Group has a lean structure with 25 employees,

		who support asset management, acquisitions, finance and controlling. Functions such as property management, facility management, care taking, legal and tax advisory and bookkeeping are currently outsourced to keep the lean structure of the Company. With and for the integration of the Berlinovo-Portfolio, which will require four additional managers, the Company has already hired new staff members and expects to hire a few more new staff members. Based on this existing structure and business platform, WESTGRUND intends to further increase its real estate holdings to up to 30,000 to 40,000 units over the next few years. As set by the Management Board, preconditions for the targeted growth plan are (i) an existing, flexible and lean corporate platform, (ii) a strong network and track record for the sourcing of assets, (iii) access to funding via capital market and close relationship to lending banks, and (iv) an experienced management team. With the signing of the agreement on the Berlinovo-Portfolio, WESTGRUND Group has successfully taken part in a large structured bidding process for the first time. In the future, WESTGRUND intends to take part selectively in bidding processes where opportune, to keep and expand WESTGRUND Group's market position.
B.4a	**Significant recent trends**	The WESTGRUND Group and the German residential real estate industry as whole are affected by recent demographic trends in Germany, in particular, a population decline, an increase in the number of households coupled with a reduction in average household size, and an aging population. Further demographic trends, which are important for the residential market in Germany are a higher number of single or two-person households and an increasing demand for more living space and an ongoing urbanization process. The Residential Real Estate Investment Market in 2014 registerd the highest quarterly performance since the breakout of the Lehman crisis, with a transaction volume of around EUR 5.6 billion *(Source: CBRE Markt für Wohnimmobilienportfolios. MarketView Q1 2014*). The management of WESTGRUND Group expects that demand for German residential properties will remain unchanged

		in 2014. Large listed companies striving for a strategic expansion of their portfolios, equity-strong core-investors who often indirectly invest in special-purpose funds and private investors should continue to be active market participants. An increase in number of large portfolio deals is less probable and it is more probable that the market will see more restructuring and optimization of real estate portfolios. Based on the existing platform, the Management Board intends to further increase the WESTGRUND Group's portfolio to up to 30,000 to 40,000 units over the next few years.
B.5	**Group structure and Issuer's position within the group**	WESTGRUND is the holding and service company of the WESTGRUND Group. Relevant subsidiaries are the following companies holding real estate: - Westgrund Immobilien GmbH & Co. KG - Westgrund Immobilien II. GmbH & Co. KG - Westgrund Immobilien Beteiligung III. GmbH - WESTGRUND Immobilien IV. GmbH - Westgrund Westfalen GmbH & Co. KG - WESTGRUND Immobilien V. GmbH - HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft - Wiederaufbau-Gesellschaft mit beschränkter Haftung - ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH - Westconcept GmbH - Westgrund I. Halle GmbH - Westgrund Immobilien II. Halle GmbH & Co.KG - WESTGRUND Immobilien VI. GmbH The following chart provides an overview of the structure of the WESTGRUND Group:



WESTGRUND Aktiengesellschaft
Berlin
Westgrund Immobilien GmbH & Co. KG
94.9%
Westgrund Immobilien Beteiligung GmbH
5.1 %
100.0%
Westgrund Immobilien II. GmbH & Co. KG
94.9%
Westgrund Immobilien Beteiligung II. GmbH
5.1 %
100.0%
Westgrund Immobilien Beteiligung III. GmbH
100.0%
WESTGRUND Immobilien IV. GmbH
100.0%
WESTGRUND Immobilien VI. GmbH
100.0%
Westgrund Wolfsburg GmbH
100.0%
Westgrund Niedersachsen Süd GmbH
100.0%
Westgrund Niedersachsen Nord GmbH
100.0%
Westgrund Brandenburg GmbH
100.0%
Westgrund VII. GmbH
100.0%
94.9%
Westgrund I. Halle GmbH
100.0%
Westgrund Immobilien II. Halle GmbH & Co. KG
100.0%
Westgrund Halle Immobilienverwaltung GmbH (general partner without capital contribution)
0.0%
100.0%
Westconcept GmbH
100.0%
IMMOLETO Gesellschaft mit beschränkter Haftung
94.9%
ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH
94.9%
Westgrund Westfalen GmbH & Co. KG
100.0%
94.0%
Liaen Lorentzen Partners AG, Switzerland
94.9%
Westgrund Westfalen Verwaltungsgesellschaft mbH
5.1%
5,18%
94.82%
Wiederaufbau-Gesellschaft mit beschränkter Haftung
100.0%
TREUHAUS Hausbetreuungs-GmbH
WAB Hausverwaltungsgesellschaft mbH
100.0%
100.0%
HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft
HKA Verwaltung GmbH (general partner without capital contribution)
0.0%
100.0%
94.0%
WESTGRUND Immobilien V. GmbH
100.0%
WAG Görlitz GmbH
100.0%
WAG Neubrandenburg GmbH
Company holds real estate
Company will hold real estate of Berlinovo-Portfolio

B.6	**Shareholder structure - description of the Issuer's shareholders and of controlling interests**	On the basis of the notifications received by the Company as of the date of this Prospectus in accordance with section 21 et seqq. of the German Securities Trading Act (*Wertpapierhandelsgesetz*) and pursuant to the information provided by the respective shareholders therein, the following persons, directly or indirectly, have a notifiable interest in the Company's capital and voting rights:

Shareholder	**Proportion of shares and voting rights**
Wecken & Cie. (directly)	49.7%
Quartenal Investment Ltd. (directly)	21.6%
Ms Angela Lechner, attributed from - Paloulita Limited (4.7%) - Orlando Real Berlin GmbH (5.5%)	10.2%
Free Float	18.5%
Total	**100%**

	Different voting rights	Not applicable. Each share in the Company carries one vote at the Company's shareholders' meeting. There are no different voting rights or restrictions on voting rights.
	Controlling Interests	Due to its holdings of almost 50% of the voting rights in the Company, Wecken & Cie. is able to exercise direct control over WESTGRUND. Considering the presence of voting rights in the Company's shareholders' meetings over the last years, it is likely that Wecken & Cie. will continue to control the majority of voting rights in future shareholders' meetings, even if Wecken & Cie. does not exercise all of its subscription rights. Apart from Wecken & Cie. no shareholder of WESTGRUND has direct or indirect control over WESTGRUND.
B.7	**Key historical financial information**	*The following selected consolidated financial information as of, and for the fiscal years ended, December 31, 2013, 2012 and 2011 has been extracted from the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended, December 31, 2013, 2012 and 2011 and the Company's accounting records or internal management reporting system. The following selected consolidated financial information as of, and for the six month periods ended, June 30, 2014 has been extracted from the Unaudited Condensed Consolidated Interim Financial Statements (IFRS on interim financial reporting (IAS 34)) of WESTGRUND as of, and for the six month period ended June 30, 2014 and the Company's accounting records or internal management reporting system.*

Where financial information in the following tables is labeled "audited", this means that it was taken from the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011. Where financial information in the following tables is labeled as "unaudited", this means that it was taken from the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) as of and for the six month period ended June 30, 2014.

The following financial information is not adjusted for the acquisition of the Berlinovo *Portfolio.*

In the interest of readability, the figures in the tables below are shown in millions of euros (EUR million). All figures presented in this section are rounded to the nearest one decimal place. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

Selected Data from the Consolidated Profit and Loss Statement

	Six month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	in EUR million				
Revenues	9.4	6.0	18.2	10.8	9.7
Changes in stocks of not settled services and work in progress	4.2	2.3	3.4	1.0	(0.2)
Results from the valuation of investment properties	8.7	7.9	20.2	5.9	2.5
Other operating income	0.2	0.1	0.4	0.5	0.2
Cost of materials	(7.1)	(4.3)	(12.3)	(6.3)	(5.3)
Results from the sale of investment properties	0.0	0.0	0.1	0.0	0.0
Personnel expenses	(1.0)	(0.6)	(1.3)	(1.3)	(1.3)
Depreciations	(0.0)	(0.0)	(0.4)	(0.8)	(0.1)
Other operating expenses	(1.6)	(1.2)	(2.5)	(1.7)	(2.0)
Income from investments	0.0	0.0	0.0	0.0	0.0
Other interest and similar income	0.0	0.0	0.0	0.0	0.0
Interest and similar expenses	(4.8)	(1.5)	(4.9)	(3.0)	(3.5)
Loss shares in associates	(0.0)	(0.1)	(0.1)	(0.1)	0.2
Profit from the sale of subsidiaries	0.4	0.0	0.5	0.0	0.0
Profit from the first-time consolidation	0.1	0.0	0.0	0.0	0.0
Results of the ordinary business activities	**8.3**	**8.5**	**21.3**	**5.0**	**0.3**
Taxes on income	(1.6)	(1.4)	(3.4)	(0.9)	0.6
Other taxes	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Consolidated net result	**6.7**	**7.1**	**17.9**	**4.1**	**0.8**
Results which are to be attributed to the Minority shareholders	(0.2)	0.0	(0.1)	0.2	(0.1)
Results which are to attributed to the Shareholders ofthe parent company	6.6	7.1	17.8	4.3	0.7

Selected Data from the Consolidated Balance Sheet

	As of June 30	As of December 31		
	2014	2013	2012	2011
	(unaudited)	(audited)		
ASSETS	in EUR million			
Intangibles assets	0.0	0.0	0.0	0.0
Investment properties	325.6	230.7	135.5	89.3
Property, plant and equipment	0.2	0.3	0.3	0.4
Financial assets	0.0	0.0	1.8	1.8
Other non-current assets	0.7	0.8	0.3	1.0
Deferred tax assets	0.0	0.1	0.0	0.0
Non-current assets[(1)]	**326.6**	**231.9**	**137.9**	**92.5**
Properties intended for sale and other inventories	13.0	8.7	4.8	4.4
Receivables and other assets	1.8	1.5	1.6	0.7
Cash on hand, cash at banks and insurances providing capital	12.4	4.0	5.4	2.5
Assets held for sale	0.0	1.3	0.0	0.0
Current assets[(1)]	**27.2**	**15.5**	**11.8**	**7.6**
Total assets	**353.7**	**247.4**	**149.6**	**100.1**
EQUITY AND LIABILITIES				
Subscribed capital	30.1	24.1	18.7	11.4
Reserves	26.6	12.3	8.2	12.8
Shares of minority shareholders	1.0	0.3	0.2	0.4
Retained Earnings	46.0	39.4	21.6	4.1
Total Equity	**103.7**	**76.1**	**48.7**	**28.7**
Deferred tax liabilities	12.3	9.9	6.6	5.8
Provision for pensions	0.1	0.1	0.1	0.1
Liabilities due to banks and capital providing insurances	154.3	97.4	79.6	12.9
Derivatives	2.6	1.0	1.3	1.2
Convertible bond	19.2	0.0	0.0	0.0
Leasing liabilities	4.7	4.7	4.7	4.6
Non-current liabilities	**193.3**	**113.1**	**92.3**	**24.6**
Liabilities due to banks and capital providing insurances	41.1	38.7	3.2	38.6
Advanced payments received	11.8	7.4	3.1	2.5
Leasing liabilities	0.0	0.0	0.0	0.0
Trade liabilities	1.3	1.0	0.7	1.3
Tax liabilities	0.0	0.0	0.0	0.1
Other liabilities	2.5	10.2	1.6	4.3
Liabilities in connection with assets held for sale	0.0	0.9	0.0	0.0
Current liabilities[(2)]	**56.8**	**58.2**	**8.7**	**46.8**
Total equity and liabilities	**353.7**	**247.4**	**149.6**	**100.1**

(1) The subtotal "Non-current assets" and "Current assets" are not explicitly disclosed in the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011 as well as in the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) of WESTGRUND as of and for the six month period ended June 30, 2014. In the interest of clarity of the financial information these subtotals have been included and are calculated as summation of the individual items. Therefore, these subtotals are unaudited data.

(2) The item "Liabilities in connection with assets held for sale" is separately disclosed and not included in the subtotal "Current liabilities" in the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011 as well as in the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) of WESTGRUND as of and for the six month period ended June 30, 2014. In the interest of clarity of the financial information the item "Liabilities in connection with assets held for sale" has been included by way of summation in the subtotal "Current liabilities". Therefore, the subtotal is unaudited data.

Selected Data from the Consolidated Cash Flow Statement

	Six-month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011[(1)]
	(unaudited)		(audited)		
	in EUR million				
Cash flow from operating activities	1.3	1.9	2.1	(0.9)	(2.8)
Cash flow from investing activities	(59.7)	(47.1)	(61.3)	(40.6)	0.0
Cash flow from financing activities	66.2	44.9	58.3	44.4	4.0
Change in cash and cash equivalents	**7.9**	**(0.3)**	**(0.9)**	**2.9**	**1.3**
Cash and cash equivalents at the beginning of the period	4.0	5.4	5.4	2.5	1.2
Reclassified cash and cash equivalents	0.5	0.0	(0.5)	0.0	0.0
Cash and cash equivalents at the end of the period	**12.4**	**5.1**	**4.0**	**5.4**	**2.5**

(1) Differences between the consolidated financial statements of WESTGRUND AG for the fiscal year ended December 31, 2011 to cash flows 2011 illustrated above are due to the inflow of two loans from third parties amounting to EUR 2.8 million. The loan was recorded as cash inflow from operating activities in the consolidated financial statements 2011. For prior year figures in the consolidated financial statements of WESTGRUND AG for the fiscal year ended December 31, 2012 as well as in the illustration shown above the loan was recorded as cash inflow from financing activities.

Significant changes to the issuer's financial condition and operating results during and subsequent to the period covered by the historical key financial information

The following significant changes in WESTGRUND Group's financial condition and operating results occurred in the six month period ended June 30, 2014 and 2013 and in fiscal years 2013, 2012 and 2011:

Six month period ended June 30, 2014 and 2013

Revenues increased by 56.7% from EUR 6.0 million in the six month period ended June 30, 2013, to EUR 9.4 million in the six month period ended June 30, 2014. This increase was mainly a result of the acquisitions of residential portfolios made during the course of fiscal year 2013.

In the six month period ended June 30, 2014, the valuation of the investment properties led to a gain of EUR 8.7 million after EUR 7.9 million in the six month period ended June 30, 2013. The valuation gain recorded in the six month period ended June 30, 2014 relates in the amount of EUR 4.3 million to investment properties acquired in 2014.

Cost of materials increased by 65.1% from EUR 4.3 million in the six month period ended June 30, 2013, to EUR 7.1 million in the six month period ended June 30, 2014. This increase was mainly a result of the acquisitions of residential portfolios made during the course of fiscal year 2013.

Interest and similar expenses increased from EUR 1.5 million in the six month period ended June 30, 2013, to EUR 4.8 million in the six month period ended June 30, 2014 mainly due to higher interest from liabilities due to banks and other liabilities in connection with the growth of the real estate portfolio and the corresponding higher bank loans as well as to the negative changes in derivatives in the six month period ended June 30, 2014.

The consolidated net result decreased by 5.6% from EUR 7.1 million in the six month period ended June 30, 2013, to EUR 6.7 million in the six month period ended June 30, 2014. The consolidated net result of the six month period ended June 30, 2014 was mainly influenced by the gains from the valuation of the investment properties and the negative changes in derivatives.

Total assets increased in the six month period ended June 30, 2014 by EUR 106.3 million to EUR 353.7 million which was mainly a result of the increase of investment properties from EUR 230.7 million as of December 31, 2013 to EUR 325.6 million as of June 30, 2014. This development is primarily due to the acquisitions of residential portfolios in Saxony, Saxony-Anhalt and Thuringia during the first half-year 2014. The acquisitions were mainly funded by capital increases, bank loans and a convertible bond. Correspondingly equity increased compared to the end of fiscal year 2013 by EUR 27.6 million to EUR 103.7 million as of June 30, 2014 and non-current liabilities by EUR 80.2 million to EUR 193.3 million as of June 30, 2014.

Fiscal years 2013, 2012 and 2011

Revenues increased by 68.5% from EUR 10.8 million in fiscal year 2012, to EUR 18.2 million in fiscal year 2013 and by 11.3% from EUR 9.7 million in fiscal year 2011, to EUR 10.8 million in fiscal year 2012. These increases were mainly a result of the acquisitions of residential portfolios made during the course of fiscal year 2012 and 2013

In fiscal year 2013, the valuation of investment properties resulted in a gain of EUR 20.2 million of which an amount of EUR 16.7 million can be allocated to investment properties acquired in fiscal year 2013 and EUR 3.5 million to investment properties acquired before January 1, 2013. In fiscal year 2012 and 2011, valuation gains amounted to EUR 5.9 million and EUR 2.5 million respectively.

Cost of materials amounted to EUR 12.3 million in fiscal year 2013, after EUR 6.3 million in 2012 and EUR 5.3 million in 2011. These increases were mainly a result of the acquisitions of residential portfolios made during the course of fiscal year 2012 and 2013.

The consolidated net result increased by EUR 13.8 million from EUR 4.1 million in fiscal year 2012, to EUR 17.9 million in fiscal year 2013 and by EUR 3.3 million from EUR 0.8 million in fiscal year 2011, to EUR 4.1 million in fiscal year 2012. The consolidated net results were mainly affected by the valuation results of the investment properties which amounted to EUR 20.2 million in fiscal year 2013, to EUR 5.9 million in fiscal year 2012 and to EUR 2.5 million in fiscal year 2011.

Furthermore, the acquisitions carried out in fiscal year 2012 and 2013 contributed positively to the operating results of these years. As a consequence the results of the ordinary business activities adjusted by the effects of the valuation results from investment properties and derivatives improved constantly over the three years period. The adjusted results of ordinary business activities amounted to EUR 0.7 million in fiscal year 2013, EUR -0.8 million in fiscal year 2012 and to EUR -2.0 million in fiscal year 2011.

As of December 31, 2013, December 31, 2012 and December 31, 2011, total assets amounted to EUR 247.4 million, EUR 149.6 million and EUR 100.1 million respectively. Total assets mainly consist of investment properties. As of December 31, 2013, investment properties amounted to EUR 230.7 million, after EUR 135.5 million as of December 31, 2012 and EUR 89.3 million as of December 31, 2011. The increases in fiscal year 2013 and 2012 are primarily a result of the acquisitions of residential portfolios and positive valuations results. The acquisitions were mainly funded by capital increases and bank loans. Correspondingly equity increased in fiscal year 2013 compared to the end of fiscal year 2012 by EUR 27.4 million to EUR 76.1 million as of December 31, 2013 and in fiscal year 2012 by EUR 20.0 million to EUR 48.7 million as of December 31, 2012. Liabilities due to banks and capital providing insurances increased in fiscal year 2013 by EUR 53.2 million to EUR 136.0 million as of December 31, 2013 after an increase of EUR 31.3 million in the fiscal year 2012.

Since June 30, 2014, the WESTGRUND Group has entered into the following agreements having a significant influence on the financial condition and operating results of the WESTGRUND Group: (i) Berlinovo-Portfolio Acquisition Agreement with an aggregate purchase price of EUR 416,500,000, (ii) binding mandate and commitment letter

		with Barclays Bank PLC on the granting of a EUR 331,000,000.00 senior secured credit facility, (iii) volume underwriting agreement dated July 9, 2014 with regard to the Offering obliging the Company to pay fix commissions in the amount of together approximately EUR 1.7 million to the Joint Global Coordinators, to Wecken & Cie. and to further persons that have committed themselves parallelly to acquire New Shares (as defined in Section E.3 below) for a certain amount.
B.8	**Selected key pro-forma financial information**	WESTGRUND has entered into a property acquisition agreement through a subsidiary on December 19, 2013 and acquired approximately 1,274 residential and commercial units ("**Sparrow-Portfolio**"). This acquisition has been made by the way of an asset deal. For most parts of the Sparrow portfolio, the transfer of ownership took place on June 30, 2014. The acquisition was financed by a bridge facility and liquid funds of the Company. It is intended to refinance the bridge facility by a long-term credit facility in the amount of EUR 41.7 million ("**Sparrow-Refinancing**"). Furthermore, subsidiaries of WESTGRUND and other parties executed the agreement for the acquisition of the Berlinovo-Portfolio on July 4/5, 2014. Following the consent of all relevant supervisory boards, the acquisition agreement relating to the Berlinovo-Portfolio has become binding on July 9, 2014. This acquisition has been made by the way of an asset deal and the transfer of ownership of the acquired Berlinovo-Portfolio, which contains 13,317 residential and commercial units, is expected to be not earlier than the end of September 2014. The aggregate of the individual purchase prices for these properties amounts to EUR 416.5 million. In addition to funds already available to WESTGRUND Group, WESTGRUND Group intends to finance the acquisition of the Berlinovo-Portfolio and the payment of the individual purchase prices in parts from the proceeds of an capital increase (the "**Capital Increase**") and in parts through an up to EUR 331,000,000 senior secured credit facility to be underwritten by Barclays Bank PLC ("**Berlinovo-Credit-Facility**"). WESTGRUND intends to resell 1,269 residential and commercial units of the Berlinovo-Portfolio until June 30, 2015. On the basis of these acquisitions, WESTGRUND has prepared pro-forma consolidated profit and loss statements for the period from January 1, 2013 to December 31, 2013 and for the period from January 1, 2014 to June 30, 2014 as well as a pro-forma balance sheet as of June 30, 2014 and supplemented these with pro-forma notes (hereafter collectively referred to as the "**Pro-Forma Consolidated Financial Information**"). The purpose of the Pro-Forma Consolidated Financial Information is to present the material effects the acquisitions of the Sparrow-Portfolio and the Berlinovo-Portfolio would have had on the historical consolidated financial

statements of WESTGRUND AG if the acquisitions had been a part of the WESTGRUND Group throughout the entire fiscal year ended December 31, 2013 and the six month period ended June 30, 2014.

The pro-forma consolidated profit and loss statements for the period from January 1, 2013 to December 31, 2013, and for the period from January 1, 2014 to June 30, 2014 were prepared based on the assumption that the acquisitions of the Sparrow-Portfolio and the Berlinovo-Portfolio with the Sparrow-Refinancing, the Berlinovo-Credit-Facility and the net proceeds of the Capital Increase took place as of January 1, 2013.

With respect to the pro-forma consolidated balance sheet as of June 30, 2014, the assumption was made that the acquisitions of the Sparrow-Portfolio and the Berlinovo-Portfolio with the Sparrow-Refinancing, the Berlinovo-Credit-Facility and the net proceeds of the Capital Increase had taken place as of June 30, 2014. Furthermore, it is assumed that WESTGRUND resells 1,269 residential and commercial units of the Berlinovo-Portfolio until June 30, 2015 and therefore, the corresponding part of the Berlinovo-Portfolio is recorded as 'Assets held for Sale' in the pro-forma consolidated balance sheet as of June 30, 2014.

The historical financial information of the Sparrow-Portfolio and the Berlinovo-Portfolio had been adjusted on the accounting policies of WESTGRUND as follows:

- The acquired investment properties have been measured at fair value in accordance to IAS 40.
- Effects of provisions for necessary repairs have been eliminated.
- As the Sparrow-Portfolio and the Berlinovo-Portfolio are not taxable entities, the historical financial information did not include any taxes on income. Therefore, income taxes have been calculated on the net results of the historical financial information of both portfolios using a corporate tax rate of 15.83%. It is assumed that the portfolios are not subject to trade tax.

As the acquisitions of the Sparrow-Portfolio and the Berlinovo-Portfolio are made by the way of asset deals, the historical financial information relating to the pro-forma consolidated balance sheet contain only the acquisition costs of the portfolios, the effect from the valuation of the acquired investment properties in accordance with IAS 40 and deferred tax liabilities relating to the valuation of the investment properties at fair value.

The pro-forma adjustments reflect the effects of the Sparrow-Refinancing, the Berlinovo-Credit-Facility and the Capital Increase on the pro-forma consolidated profit and loss statements for the period from January 1, 2013 to December 31, 2013, and for the period from January 1, 2014 to June 30, 2014 as well as on the pro-forma consolidated balance sheet as of June 30, 2014. Interest income on the excess liquidity from the assumed funding is not considered.

The Pro-Forma Consolidated Financial Information has been prepared for illustrative purposes only. Because of its nature, the Pro-Forma Consolidated Financial Information describes only a hypothetical situation and since it contains assumptions and uncertainties, the presentation does not reflect the actual net assets, financial position and results of operations of the WESTGRUND Group as of any historical date nor does it project the future development of the net assets, financial position and results of operations of WESTGRUND Group. The Pro-Forma Consolidated Financial Information is only meaningful in conjunction with WESTGRUND AG's historical consolidated financial statements for the fiscal year ended December 31, 2013 and condensed consolidated interim financial statements for the six month period ended June 30, 2014.

The Pro-Forma Consolidated Financial Information was prepared in accordance with the rules of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer (IDW)) for preparing pro-forma financial information (IDW Accounting Practice Statement: Preparation of Pro-Forma Financial Information (IDWAcPS AAB 1.004) (IDW Rechnungslegungshinweis: Erstellung von Pro-Forma-Finanz-informationen (IDW RH HFA 1.004)).

In the interest of readability, the figures that appear in the tables in this Pro-Forma Consolidated Financial Information are generally presented in millions of euros (EUR million) or in thousands of euros (EUR thousand), as applicable. All figures presented are rounded. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

The following selected key pro-forma consolidated financial information without pro-forma notes are based on the Pro-Forma Consolidated Financial Information of WESTGRUND AG for the fiscal year ended December 31, 2013 and the six month period ended June 30, 2014.

Pro-Forma Condensed Consolidated Profit and Loss Statement for the Period from January 1, 2013 to December 31, 2013

	Historical Financial Information					
	WEST-GRUND Group	Berlino-vo-Portfolio	Sparrow-Portfolio	Total	Pro-Forma Adjust-ment	Pro-Forma Consoli-dated Profit and Loss
	Jan 1 – Dec 31, 2013	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2013		Jan. 1 – Dec. 31, 2013
	in EUR thousand					
Revenues	18,193	39,646	4,673	62,512	0	62,512
Change in stocks of not settled services and work in progress	3,391	18,614	2,144	24,149	0	24,150
Results from the valuation of investment properties	20,213	66,320	4,430	90,964	0	90,964
Other operating income	434	733	0	1,167	0	1,167
Cost of materials	(12,331)	(40,347)	(3,984)	(56,661)	0	(56,661)
Results from the sale of investments properties	52	0	0	52	0	52
Personnel expenses	(1,314)	0	0	(1,314)	0	(1,314)
Depreciation	(373)	0	0	(373)	0	(373)
Other operating expenses	(2,487)	(2,011)	(5)	(4,503)	0	(4,503)
Income from investments	7	0	0	7	0	7
Other interest and similar income	24	0	0	24	0	24
Interest and similar expenses	(4,871)	(157)	(1)	(5,029)	(23,172)	(28,201)
Share of losses in associated companies	(125)	0	0	(125)	0	(125)
Profit from the sale of subsidiaries	460	0	0	460	0	460
Results of the ordinary business activities	**21,273**	**82,798**	**7,258**	**111,329**	**(23,172)**	**88,157**
Taxes on income	(3,403)	(13,107)	(1,149)	(17,659)	3,668	(13,991)
Other taxes	(1)	0	0	(1)	0	(1)
Consolidated net result	**17,869**	**69,691**	**6,109**	**93,669**	**(19,504)**	**74,166**
Thereof attributable to:						
Shareholder of the parent company	17,801	69,691	6,109	93,602	(19,504)	74,098
Minority shareholders	68	0	0	68	0	68
Earnings per share						
Undiluted (in EUR)	0.77	n/a	n/a	n/a	n/a	1.23
Diluted (in EUR)	0.77	n/a	n/a	n/a	n/a	1.22

Pro-Forma Condensed Consolidated Profit and Loss Statement for the Period from January 1, 2014 to June 30, 2014

	Historical Financial Information					
	WEST-GRUND Group	Berlino-vo-Portfolio	Sparrow-Portfolio	Total	Pro-Forma Adjust-ment	Pro-Forma Consoli-dated Profit and Loss
	Jan 1 – June 30, 2014	Jan 1 – June 30, 2014	Jan 1 – June 30, 2014	Jan 1 – June 30, 2014		Jan 1 – June 30, 2014
	in EUR thousand					
Revenues	9,358	20,004	2,347	31,709	0	31,709
Change in stocks of not settled services and work in progress	4,197	9,355	1,122	14,674	0	14,674
Results from the valuation of investment properties	8,660	(2,933)	1	5,728	(4,278)	1,450
Other operating income	159	396	0	555	0	555

Cost of materials	(7,146)	(16,905)	(1,793)	(25,844)	0	(25,844)
Results from the sale of investments properties	0	0	0	0	0	0
Personnel expenses	(957)	0	0	(957)	0	(957)
Depreciation	(48)	0	0	(48)	0	(48)
Other operating expenses	(1,627)	(1,125)	(2)	(2,754)	0	(2,754)
Income from investments	0	0	0	0	0	0
Other interest and similar income	41	0	0	41	0	41
Interest and similar expenses	(4,786)	(157)	0	(4,943)	(7,744)	(12,686)
Share of losses in associated companies	0	0	0	0	0	0
Result from first-time consolidation	101	0	0	101	0	101
Profit from the sale of subsidiaries	381	0	0	381	0	381
Results of the ordinary business activities	**8,333**	**8,635**	**1,675**	**18,642**	**(12,022)**	**6,621**
Taxes on income	(1,588)	(1,367)	(265)	(3,220)	1,903	(1,317)
Other taxes	(0)	0	0	(0)	0	(0)
Consolidated net result	**6,745**	**7,268**	**1,409**	**15,422**	**(10,119)**	**5,304**
Thereof attributable to:						
Shareholder of the parent company	6,584	7,268	1,409	15,261	(10,119)	5,142
Minority shareholders	161	0	0	161	0	161
Earnings per share						
Undiluted (in EUR)	0.26	n/a	n/a	n/a	n/a	0.08
Diluted (in EUR)	0.25	n/a	n/a	n/a	n/a	0.08

Pro-Forma Condensed Consolidated Balance Sheet as of June 30, 2014

	Historical Financial Information					
	WEST-GRUND Group	**Berlino-vo-Portfolio**	**Sparrow-Portfolio**	**Total**	**Pro-Forma Adjust-just-ment**	**Pro-Forma Consoli-dated Balance Sheet**
	June 30, 2014	**June 30, 2014**	**June 30, 2014**	**June 30, 2014**		**June 30, 2014**
	in EUR thousand					
ASSETS						
Intangibles assets	0	0	0	0	0	0
Investment properties	325,560	471,968	1,973	799,501	355	799,856
Property, plant and equipment	249	0	0	249	0	249
Financial assets	28	0	0	28	0	28
Other non-current assets	695	0	0	695	(355)	341
Deferred tax assets	43	0	0	43	0	43
Non-current assets	**326,575**	**471,968**	**1,973**	**800,516**	**0**	**800,516**
Properties intended for sale and other inventories	12,976	0	0	12,976	0	12,976
Receivables and other assets	1,779	0	0	1,779	0	1,779
Cash on hand, cash at banks and insurances providing capital	12,410	(437,347)	(1,820)	(426,758)	455,580	28,823
Assets held for sale	0	30,784	0	30,784	0	30,784
Current assets	**27,165**	**(406,563)**	**(1,820)**	**(381,218)**	**455,580**	**74,362**
Total assets	**353,739**	**65,405**	**153**	**419,298**	**455,580**	**874,878**
EQUITY and LIABILITIES						
Subscribed capital	30,110	0	0	30,110	37,333	67,444
Reserves	26,621	0	0	26,621	93,348	119,969
Shares of minority shareholders	1,007	0	0	1,006	0	1,006
Retained Earnings	45,971	53,353	129	99,453	1,719	101.172
Total Equity	**103,709**	**53,353**	**129**	**157,191**	**132,400**	**289,591**
Deferred tax liabilities	12,332	10,034	24	22,391	(1,719)	20,672
Provision for pensions	81	0	0	81	0	81
Liabilities due to banks and capital providing insurances	154,263	0	0	154,263	330,224	484,487
Derivatives	2,631	0	0	2,631	0	2,631
Convertible bond	19,240	0	0	19,240	0	19,240
Leasing liabilities	4,722	2,018	0	6,740	0	6,740
Non-current liabilities	**193,269**	**12,052**	**24**	**205,346**	**328,505**	**533,850**
Liabilities due to banks and capital providing insurances	41,092	0	0	41,092	(36,108)	4,984
Advanced payments received	11,787	0	0	11,787	0	11,787

Leasing liabilities	12	0	0	12	0	12
Trade liabilities	1,295	0	0	1,295	0	1,295
Tax liabilities	38	0	0	38	0	38
Other liabilities	2,537	0	0	2,537	0	2,537
Liabilities related to assets held for sale	0	0	0	0	30,784	30,784
Current liabilities	**56,761**	**0**	**0**	**56,761**	**(5,324)**	**51,437**
Total equity and liabilities	**353,739**	**65,405**	**153**	**419,298**	**455,580**	**874,878**

B.9	**Profit forecast and estimate**	Not applicable. No profit forecast or estimate has been presented by the Company.
B.10	**Qualifications in the audit report on the historical financial information**	Not applicable. The auditor's reports on the historical financial information included in this prospectus have been issued without qualification.
B.11	**Insufficiency of the Issuer's working capital for its present requirements**	WESTGRUND Group does not have sufficient working capital to be able to settle its liabilities as they fall due during the next twelve months.

The acquisition of the Berlinovo-Portfolio is intended to be financed by the proceeds from this Offering as well as by a senior secured bridge facility by Barclays Bank PLC with a maturity date of July 9, 2015, in the amount of 331,000,000.00. In case the Company is not able to refinance this credit facility at or before maturity then WESTGRUND Group expects to run out of working capital on July 9, 2015. Moreover, repayment of the bridge facility amount could become due earlier in case WESTGRUND or a company of the WESTGRUND Group should breach any of the covenants and other provisions which will be included in the facility documentation or in case a change of control should occur with respect to WESTGRUND having the result that WESTGRUND Group would run out of working capital even earlier. The shortfall amounts to EUR 331,000,000.00.

In order to rectify the imminent shortfall, WESTGRUND intends to refinance the credit facility at or before its maturity by way of (i) a loan refinancing and/or (ii) a securitization transaction. The Company has already started the refinancing process with other banks which is at an advanced stage of progress at the date of the prospectus. Thus, the Company is confident to meet the payment obligations arising from this credit facility and to cover the imminent shortfall, at least before the final maturity date of the facility. The Company is also in close discussions with Barclays Bank over the prospects of a securitization transaction, which appear favorable at the date of the prospectus and will likely be further investigated as an additional alternative to a bank refinancing.

Depending on the development of the Berlinovo-Portfolio, the WESTGRUND Group, the residential real estate market, overall financing conditions, the German economy as a whole and further factors, WESTGRUND might not be able to refinance the bridge facility completely, on time or on satisfactory terms at maturity of the bridge facility or an earlier point of time if repayment of the bridge facility amount becomes payable prior to maturity as a result of the occurrence of an event of default set forth in the facility agreeement. This could have a material adverse impact on the business operations, financial position and profits of the WESTGRUND Group and, thus, WESTGRUND and could result in insolvency of WESTGRUND and companies of the WESTGRUND Group.

C – Securities

C.1	**Type and class of the securities offered and being admitted to trading**	The subject matter of this Prospectus is (i) the public offering of 46,666,666 New Shares (as defined and explained in Section E.3 below) in Germany and Luxembourg as well as (ii) the admission of such new shares and the shares of the existing share capital of WESTGRUND to trading on the regulated market of the Dusseldorf Stock Exchange (*Börse Düsseldorf*) and on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange as described hereinafter in detail. The Admission Shares (as defined below) are ordinary bearer shares with no par value (*Stückaktien*), each with a notional value of EUR 1.00 and full dividend rights from January 1, 2014. For the purpose of admission to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard), this Prospectus relates to up to 46,666,666 New Shares and to all shares of the existing share capital of WESTGRUND which amounts to 33,607,451 shares at the date of this Prospectus (the shares of the existing share capital the "**Existing Shares**", together with the New Shares the "**Admission Shares**"). The Existing Shares consist (i) of 29,616,246 shares certified under ISIN DE000A0HN4T3 / WKN A0HN4T (the "**Existing Admitted Shares**") and (ii) of 3,991,205 shares certified under ISIN DE000A11QWT2 / WKN A11QWT (the "**Existing Non-Admitted Shares**"). Further, for the purpose of admission to trading on the regulated market of the Dusseldorf Stock Exchange, this Prospectus relates to up to 46,666,666 New Shares and to the Existing Non-Admitted

		Shares. The Existing Admitted Shares, which currently are admitted to trading on the regulated market of the Dusseldorf Stock Exchange (*Börse Düsseldorf)*, hold and the New Shares will hold the following ISIN/WKN and trading symbol: International Securities Identification Number (ISIN): DE000A0HN4T3 Securities Identification Number (WKN): A0HN4T Trading symbol: WEG1 Further, the Non-Admitted Shares, resulting from two capital increases against contribution in kind and from a capital increase from Company funds, are currently certified under the following ISIN/WKN as they have not been admitted to trading yet: International Securities Identification Number (ISIN): DE000A11QWT2 Securities Identification Number (WKN): A11QWT After admission of the New Shares and all Existing Shares to trading on the regulated market of the Dusseldorf Stock Exchange and the Frankfurt Stock Exchange (Prime Standard) all shares in WESTGRUND will be certified under ISIN DE000A0HN4T3 and WKN A0HN4T and will be traded under the trading symbol WEG1.
C.2	**Currency of the securities issue**	The issue of the security is in Euro currency.
C.3	**Number and notional value of shares issued**	The company's share capital amounts to EUR 33,607,451.00 at the date of the Prospectus. 33,607,451 ordinary bearer shares with no par value (*Stückaktien*) each with a notional value of EUR 1.00 have been issued at the date of the Prospectus. The share capital has been fully paid up.
C.4	**Rights attached to the securities**	Each Admission Share carries one vote at the Company's shareholders meeting. There are no restrictions on voting rights. The Admission Shares carry full dividend rights as from January 1, 2014.
C.5	**Restrictions on the free transferability**	Not applicable. There are no prohibitions or restrictions on disposals with respect to the transferability of the Admission Shares and the Admission Shares are freely transferable.
C.6	**Admission to trading**	The Existing Admitted Shares are admitted to trading on the regulated market of the Dusseldorf Stock Exchange (*Börse Düsseldorf*). The ad-

		mission of the New Shares (as defined in Section E.3 below) to trading on the regulated market of the Dusseldorf Stock Exchange and the Frankfurt Stock Exchange (Prime Standard) is expected to be on September 11, 2014 with regard to the Pre-Placement Shares (as defined in Section E.3 below) and on September 26, 2014 with regard to the residual New Shares. The admission of the Existing Admitted Shares to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) is expected to be on September 11, 2014. The admission of the Existing Non-Admitted Shares to trading on the regulated market of the Dusseldorf Stock Exchange and of the Frankfurt Stock Exchange (Prime Standard) is expected to be on September 11, 2014.
C.7	**Dividend policy**	The Company did not distribute any dividends in the past. However the payment or non-payment of dividends in previous years is no indication of the amount of future dividends by the Company. Based on the recent acquisition of additional approximately 13,300 units, the Company sets the ground to be in a position to distribute dividends in the medium-term. As the Company does almost entirely not conduct any operations itself, its ability to pay dividends depends on its operating subsidiaries making profits and distributing these to the Company.
D – Risks		
D.1	**Key risks specific to the issuer and its industry**	An investment in the shares of the Company is subject to risks. Therefore, investors should carefully consider the following risks and the other information contained in this prospectus when deciding whether to invest in the Company's shares. The market price of the Company's shares could fall if any of these risks were to materialize, in which case investors could lose some or all of their investment. The following risks, alone or together with additional risks and uncertainties not currently known to the Company, or that the Company might currently deem immaterial, could materially adversely affect WESTGRUND's business, net assets, financial condition and results of operations. The order in which the risks are presented is not an indication of the likelihood of the risks actually materializing, or the significance or degree of the risks or the scope of any potential harm to WESTGRUND's business, net assets, financial condition, or results of operations. The risks mentioned herein may materialize individually or cumulatively. **Market-related Risks** • The Company's success depends on the macroeconomic situation and the development in the German real estate market,

in particular in potential fluctuations and developments of rental levels over which the WESTGRUND Group has no control.

- Locations where the WESTGRUND Group has invested in could lose their attractiveness and suffer an economic decline, which would have negative consequences for the WESTGRUND Group's investments, namely the applicable fair values and would affect the WESTGRUND Group's rental income.
- An increase in general interest rate levels could negatively impact the real estate market and the financing costs and opportunities of the WESTGRUND Group.
- The WESTGRUND Group's ability to unilaterally increase rents is limited by German law.
- As a result of the expected demographic decline the demand for residential properties may decrease.
- A decrease in the availability of real estate in the German real estate market suitable to the business model of acquiring portfolios with structural substance, real estate viability, and further value-creating factors on satisfactory terms and conditions could adversely impact future business growth.
- WESTGRUND is exposed to an increased intense competition and thus, may prove unable to succeed against its competitors regarding the acquisition or sale of its properties.
- The companies of the WESTGRUND Group may be exposed to the risk of falling under the scope of application of the German Capital Investment Code and thus, may be obliged to appoint an external management company or to turn into an internally managed capital management company, which would require a permission by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin*) and ongoing compliance with specific organizational requirements.
- Contamination of real estate property, including legacies of war, soil and other pollutants, as well as violations of construction requirements or violations of construction safety regulations may expose the WESTGRUND Group to claims from government authorities, purchasers, users/occupants or third parties.
- The WESTGRUND Group's ability to unilaterally increase rents or to select the tenants for its residential units is subject to public subsidy restrictions with regard to certain real estate.

Company-specific Risks

- Issuer-acquired property might be priced incorrectly with respect to associated costs or value, in particular incorrect estimates related to the attractiveness of a property location and other decisive factors could cause a lower yield value which could result in the reduction in the value of portfolio properties.
- Valuation summaries included in this Prospectus and/or existing or future financial information such as pro forma financial information contained in this Prospectus could incorrectly asses the value of the properties of the WESTGRUND Group.
- The integration of real estate property and/or real estate portfolios acquired and prospectively acquired, in particular necessary adjustments and expansions of corporate structures, might not be successful, might fail to go as planned or might prove to be more expensive than expected.
- Unpaid or reduced rents by various tenants as well as changes in the tenant structure that may require above average remodeling and restoration measures could lead to temporary losses and/or result in substantial costs.
- The WESTGRUND Group's information technology system could malfunction or become impaired.
- Necessary permits for upgrades and renovations might not be obtained in time or at all or be granted subject to conditions or constraints which might cause increased renovation costs and lead to the delay or cancellation of upgrade or renovation measures.
- Properties undergoing conversion or modernization measures might not be fully available for letting or other types of marketing within the scheduled timeframe and/or at reasonable terms.
- The Company's internal organizational structures, particularly its risk management, might prove insufficient and might to identify or avoid undesirable developments and risks and impending or already perpetrated violations of the law in a timely manner.
- WESTGRUND Group is exposed to the risks of contractual penalties and damage claims resulting from real estate acquisitions.
- WESTGRUND Group might be held liable under warranties, both from the leasing and the selling of real estate as well as the further development of properties, and might have to bear unexpected maintenance and repair costs.
- The inadequacy or ineffectiveness of terms/provisions due to the use of standardized contracts may give rise to claims against the WESTGRUND Group from a large number of lease

contracts, bad debt or increased expenditure on the part of the WESTGRUND Group.

- WESTGRUND Group could sustain substantial losses from damages not covered by, or exceeding the coverage limits of insurance policies.
- WESTGRUND is the parent of various subsidiaries and therefore must rely to a considerable extent on dividends and distributions derived from or interest on shareholder loans received from affiliates.
- WESTGRUND has entered into a profit and loss transfer agreement with an affiliated company, which might result in an individual loss assumption.
- The WESTGRUND Group is dependent on the performance and ability of managers and key employees, as well as on the ability to retain qualified internal and external staff.
- Prefabricated construction property holdings bear the specific risk of unplanned expenses for maintenance and modernization measures due to the inconsistent quality and longevity of such industry-produced prefabricated buildings.

Risks related to the acquisition of the Berlinovo-Portfolio

- Necessary consents from third parties might not be obtained on time or at all or pre-emption rights might be executed and thus the acquisition of the Berlinovo-Portfolio might not be completed or only be completed partially.
- WESTGRUND might not be able to pay the respective purchase prices.
- WESTGRUND might face difficulties refinancing or not be able to refinance the bridge facility on time or at satisfactory terms and thus might not be able to refinance the Berlinovo-Portfolio.
- The WESTGRUND Group is exposed to the risk of contractual penalties and damage claims resulting from and to the risk of the seller's rescission of the sale and purchase agreement on the Berlinovo-Portfolio.
- The value of the properties of the Berlinovo-Portfolio could be incorrectly assessed; in particular the value could be lower than the agreed individual purchase prices.
- Factual or legal defects might not be covered by representations of the sellers or claims thereof might be excluded due to the expiry limitation periods that could lead to losses and/or result in substantial costs.
- Collateral might not be handed over to the purchasing WESTGRUND Group companies and thus the respective companies might not be successful in obtaining the outstanding collateral

from the relevant tenants.

- The property management agreement concerning the real estate in Brandenburg might be void due to possible violations of EU state aid law which could lead to recession of the transfer of the hereditary building rights and could lead to a recovery of the impermissible state aid granted.
- WESTGRUND Group could run out of working capital on July 9, 2015 or even earlier, if the Company is not able to obtain the required additional funding on time, which could result in insolvency of WESTGRUND and companies of the WESTGRUND Group.

Tax-related Risks

- WESTGRUND's business is subject to the general legal and tax environment in Germany.
- WESTGRUND could be required to pay additional taxes following tax audits of WESTGRUND and subsidiaries of WESTGRUND.
- WESTGRUND might not be in a position to take tax deductions for interest payments which may result in a higher tax burden.
- The abolishment of the so-called extended trade tax deduction (*erweiterte Kürzung*) might result in a higher tax burden at the level of WESTGRUND and WESTGRUND Group.
- There are uncertainties with respect to the amount of tax-loss carry-forwards and interest carry-forwards.
- WESTGRUND has entered into a profit and loss absorption agreement, which might not be considered for tax purposes.
- The application of Section 3a of the Real Estate Transfer Tax ACT (RETT Act) and the direct and indirect transfer of 95% of the shares in WESTGRUND within a period of five years would trigger RETT in Germany.

D.3	**Key risks specific to the securities**	The key risks specific to the securities are summarized as follows:

- Liquidity of trading in the Company's shares might or might not increase and/or might not be maintained or even deteriorate.
- Fluctuations in the actual or projected performance results of the Company or its competitors, changes in earnings estimates or failure to meet earnings expectations, or other significant changes and factors could influence the share price vola-

tility.

- Wecken & Cie., Basel, could exercise controlling influence on significant resolutions of the Company.
- Individual majority shareholders and/or a large number of shareholders might sell substantial shareholdings which could affect the price of the Company's shares.
- Future capital increases could lead to substantial dilution, i.e. a reduction in the value of existing shareholders' shareholdings in the Company and their voting rights.
- The holdings of shareholder in the Company not participating in the offer will be substantially diluted.
- The Underwriting Agreement between the Company and the Joint Global Coordinators could be terminated and thus, shareholders' subscription rights could expire.
- WESTGRUND's shares could be downlisted from the regulated market to the respective stock exchanges' open market or could be delisted from the stock exchange which could adversely affect the price and liquidity of the shares and investors' ability to sell shares.

E – Offer

E.1	**Total net proceeds and estimated total expenses of the issue/offer**	Assuming that gross issue proceeds of EUR 140,000,000.00 can be achieved, the Company estimates the total costs relating to the offering (including bank fees and commissions) to amount to approximately EUR 9,300,000.00. On the basis of the aforementioned assumptions, the net issue proceeds available to the Company would amount to approximately EUR 130,700,000.00.
	Estimated expenses charged to the investor by the issuer or the offeror	Not applicable. Investors will not be charged expenses by the Issuer or the offeror (i.e. the Issuer and the Joint Global Coordinators).
E.2a	**Reasons for the offer, use of proceeds, estimated net amount of the proceeds**	In connection with the offering, the Company receives the net amount of the proceeds that corresponds to the gross issue proceeds from the placement of the New Shares (as defined in Section E.3 below) less the total issue-related expenses to be borne by the Company. Assuming that gross issue proceeds of EUR 140,000,000.00 can be achieved, the Company estimates the total costs relating to the Offering (including bank fees and commissions) to amount to approximately EUR 9,300,000.00. On the basis of the aforementioned assumptions, the net issue proceeds available to the Company would amount to approximately EUR 130,700,000.00.

The net issue proceeds will be used to cover the necessary equity financing for the acquisition of the Berlinovo-Portfolio. The aggregated purchase price in the total amount of EUR 416,500,000.00 will be paid through an up to EUR 331,000,000.00 senior secured credit facility from Barclays Bank PLC. Thus, the Company assumes a required equity amount of EUR 110,000,000.00, comprising of EUR 85,000,000.00 residual purchase price and EUR 25,000,000.00 additional costs. Assuming that the maximum number of the New Shares will be placed, the net issue proceeds cover (and even exceed) the equity capital necessary for the acquisition. If less shares are placed at the mid-point or at the higher end of the subscription price-range the respective net issue proceeds expected also cover the equity capital required. However, on the basis of the Back-Stop-Obligation (as defined in Section E.3) and together with the further subscription commitments (as explained in Section E.3) the Company expects to achieve the targeted gross issue proceeds of EUR 140,000,000.00 so that it is secured that the required equity amount of EUR 110,000,000.00 for the acquisition of the Berlinovo-Portfolio will be achieved through the Offering.

Any residual amount of the net issue proceeds is considered to be used for financing targeted real estate portfolio acquisitions. Currently, the Management Board has not concluded any real estate acquisition, but is reviewing and targeting to acquire further real estate portfolios.

E.3	**Offer conditions**	**Offering** The offering relates to 46,666,666[1] new ordinary bearer shares with no par value (*Stückaktien*), each such share representing a notional value of EUR 1.00 and carrying full dividend entitlement from January 1, 2014 (before and hereinafter the "**New Shares**"), consisting of:

[1] The actual number of New Shares to be placed in connection with the offering will be calculated on the basis of the aspired gross issue proceeds (*Bruttoemissionserlös*) of EUR 140,000,000.00, divided by the actual subscription price. The actual subscription price will be determined by way of a bookbuilding-procedure that will be carried out via pre-placement of a portion of the New Shares prior to the subscription period and within a price-range of EUR 3.00 to EUR 4.00 per New Share. At the lower end of the price-range, the number of New Shares will amount to 46,666,666 (40,000,000 New Shares or 35,000,000 New Shares at the mid-point and the higher end of the price-range, respectively). The actual subscription price and the resulting actual number of New Shares will be published as an ad hoc release via various media distributed across the entire European Economic Area (Medienbündel), and on the Company's website (www.westgrund.de/en/investor-relations/share/securities-prospectus) before the beginning of the subscription period, presumably on September 10, 2014. Further, the actual subscription price and the actual number of New Shares will be contained in the subscription offer which is expected to be published in the German Federal Gazette (*Bundesanzeiger*) on September 10, 2014.

- 33,333,333[2] New Shares originating from a capital increase against contribution in cash resolved by the shareholders' meeting on June 13, 2014 (the "**Ordinary Capital Increase**"), and
- 13,333,333[3] New Shares originating from a capital increase based on the Authorized Capital 2014/I. (both capital increases together the "**Capital Increase**").

The offering consists of a public offering of the New Shares in Germany and in Luxembourg and private placements with selected investors in Germany and outside Germany in jurisdictions other than the United States of America in accordance with the exemptions under Regulation S of the U.S. Securities Act dated 1933 ("**U.S. Securities Act**") and Canada, Australia and Japan at a price at least as high as the Subscription Price. The issue of the New Shares will be carried out according to German law and in Euro currency.

Pre-Placement

Wecken & Cie., Basel, Switzerland, and further shareholders have transferred subscription rights constituting a placement volume of at least EUR 60,000,000.00 to Baader Bank acting on behalf of the Joint Global Coordinators for the purpose of a pre-placement and a bookbuilding-procedure (the New Shares resulting from such transferred subscription rights hereinafter the "**Pre-Placement Shares**"). Before the beginning of the subscription period the Joint Global Coordinators will offer the Pre-Placement Shares with best efforts in Germany and outside Germany in jurisdictions other than the United States of America in accordance with the exemptions under Regulation S of the U.S. Securities Act dated 1933 and Canada, Australia and Japan to selected investors for purchase by way of a private placement and a bookbuilding-procedure (the "**Pre-Placement**"). In the course of the Pre-Placement, the Joint Global Coordinators will decide on the allotment of Pre-Placement Shares to investors after reconciliation with the Company. The Joint Gobal Coordinators will not exercise the subscription rights transferred by Wecken & Cie. and other shareholders. These subscription rights will lapse and will be written off without value.

Price-range and Subscription Price

By way of the bookbuilding-procedure the Pre-Placement Shares will be

[2] At the lower end of the price-range; 28,571,428 New Shares or 25,000,000 New Shares at the mid-point and the higher end of the price-range, respectively.

[3] At the lower end of the price-range; 11,428,572 New Shares or 10,000,000 New Shares at the mid-point and the higher end of the price-range, respectively.

offered within a price-range of EUR 3.00 to EUR 4.00 per New Share that has been determined by the Joint Global Coordinators in agreement with the Company. The subscription price for the New Shares shall be determined by the Joint Global Coordinators and the Company by way of a pricing agreement concluded between the Company and the Joint Global Coordinators and presumably dated September 10, 2014, according to the outcome of the bookbuilding-procedure (the "**Subscription Price**"). In case, such an agreement cannot be achieved the Subscription Price will equal the lower end of the Price Range as stipulated in the Underwriting Agreement. The Subscription Price and the thus resulting actual number of New Shares will be published as an ad hoc release via various media distributed across the entire European Economic Area (*Medienbündel*) and on the Company's website (www.westgrund.de/en/investor-relations/share/securities-prospectus) prior to the beginning of the subscription period, presumably on September 10, 2014. Further, the Subscription Price and the actual number of New Shares will be contained in the Subscription Offer, which is expected to be published in the German Federal Gazette (*Bundesanzeiger*) on September 10, 2014.

Direct Subscription
According to the Underwriting Agreement, the Joint Global Coordinators may request Wecken & Cie. to exercise any subscription rights that Wecken & Cie., prior to the signing of the underwriting agreement, has commited to exercise directly vis-à-vis the Company and to directly subscribe for such New Shares (the "**Direct-Subscription-Shares**").

Subscription Offer
The New Shares less the Pre-Placement Shares and less the Direct-Subscription-Shares (the shares resulting from such calculation hereinafter the "**Subscription Shares**") are to be offered to the Company's shareholders (the "**Shareholders**") by the Joint Global Coordinators pursuant to the Underwriting Agreement dated September 9, 2014 by way of an indirect subscription right (the "**Subscription Offer**"). Thereby, the Subscription Shares will be offered at the Subscription Price. The Offering is subject to, among other things, registration of the implementation of the complete Capital Increase in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg.

The Company reserves the right to withdraw from the Subscription Offer, in particular, in the event of a deterioration of the market conditions.

Subscription period
The Shareholders are requested to exercise their subscription rights in

the New Shares during the period from September 11, 2014 up to and including September 24, 2014, through their custodian bank at the subscription agent (Baader Bank) during regular banking hours. Subscription rights that are not exercised in a timely manner will lapse and be of no value. No compensation will be payable for subscription rights not exercised.

Rump Placement

After the end of the subscription period, the Joint Global Coordinators will offer any New Shares not placed by way of the Pre-Placement and not subscribed for directly vis-à-vis the Company or as part of the Subscription Offer to selected investors in Germany and outside Germany in jurisdictions other than the United States of America in accordance with the exemptions under Regulation S of the U.S. Securities Act and Canada, Australia and Japan at a price at least as high as the Subscription Price (the "**Rump Placement**", together with the Pre-Placement and the Subscription Offer the "**Offering**").

Underwriting Agreement

The Offering is based on the Underwriting Agreement (the "**Underwriting Agreement**") entered into on September 9, 2014 between the Company and the Joint Global Coordinators. Pursuant to the Underwriting Agreement, the Joint Global Coordinators are obliged to acquire any residual New Shares that have not been subscribed for or placed in the Offering (less any New Shares placed during the Pre-Placement or the Rump Placement due to any Firm Orders (as defined below) and less any New Shares that have been subscribed for on the basis of binding subscription commitments made prior to the signing of the Underwriting Agreement) against payment of a price equaling the subscription price (the "**Back-Stop-Obligation**"). These commitments and other obligations are assumed by the Joint Global Coordinators in a ratio 60% (Berenberg) and 40% (Baader Bank).

In addition and until termination of the Rump Placement, the Company is entitled subject to the provisions of the Underwriting Agreement to secure binding offers from acquainted and/or affiliated persons to purchase New Shares ("**Firm Orders**"). Pursuant to the Underwriting Agreement, for the purposes of the Pre-Placement, the Joint Global Coordinators are only obliged to take into account any Firm Orders for the allotment of the New Shares in a maximum volume of 25% of the volume of the Pre-Placement.

Delivery and Payment of the Subscription Price

The subscription price for each of the Subscription Shares is due and

		payable no later than September 24, 2014. The Subscription Shares are expected to be delivered in the form of co-ownership rights in a global share certificate to be credited to Shareholders' accounts from September 26, 2014. **Admission to trading and listing of the Subscription Shares** The admission of the Subscription Shares to trading on the regulated market of the Dusseldorf Stock Exchange and the Frankfurt Stock Exchange (Prime Standard) is expected to be granted on September 26, 2014. The Subscription Shares are expected to be included in the quotation for the Company's listed shares on the Dusseldorf Stock Exchange and the Frankfurt Stock Exchange (ISIN DE000A0HN4T3/WKN A0HN4T on September 29, 2014.
E.4	**Interests and conflicting interests**	The Joint Global Coordinators have entered into the Underwriting Agreement with the Company in connection with the Offering. Pursuant to the Underwriting Agreement, the Joint Global Coordinators will receive a commission subject to the successful execution of the Offering. Further, the investors who submit Firm Orders and the shareholders (additional to Wecken & Cie.) who make binding subscription commitments (as explained in Section E.3) are also entitled to a commission subject to the successful execution of the Offering. Thus, all such entities and persons have an interest in the implementation of the Capital Increase. Care4 AG, Basel, Switzerland (affiliated with Wecken & Cie.), and WESTGRUND will enter, probably on September 9, 2014, into a Placement Agreement, obliging WESTGRUND to pay Care4 AG a fee for the placement of New Shares to shareholders and investors. The amount of the fee is subject to the number of shares that will be placed due to the procurement of Care4 AG. Thus, after conclusion of the Placement Agreement, Care4 AG has an interest in the implementation of the Capital Increase. The Company has a financing interest in the Offering as it utilizes the net issues proceeds in an amount of EUR 110,000,000.00 as equity capital necessary for the financing of the acquisition of the Berlinovo-Portfolio. The existing shareholders have an interest in the successful implementation of the Capital Increase since it will improve the Company's equity base and strengthen its financial position. Other interests of individual persons or legal entities including possible

		conflicting interests that are material to the issue or the offer respectively do not exist.
E.5	**Person or entity offering the security, lock-up-agreement**	The New Shares are being offered by the Company and the Joint Global Coordinators. To the extent permitted by law, the Company has agreed with the Joint Global Coordinators, for a period of six months after payment of the proceeds of the Offering to the Company not to directly or indirectly issue, sell, offer, commit to sell, or otherwise transfer or dispose of any of the Company's shares, options on such shares, or securities that can be converted into or exchanged for such shares or that carry rights to acquire such shares, and further not to announce any capital increase from authorized capital or to initiate a capital increase (except for purposes of issuing shares as part of its or its subsidiaries' existing employee participation plans or based on a capital increase with a volume of maximal 10% of the existing share capital of the Company and for the purposes of issuing shares to the holders of the convertible bond 2014/2016 upon exercise of conversion rights) or to enter into other transactions (including transactions concerning derivative instruments), the economic effect of which would be similar to that of the measures described above, without the prior consent of the Joint Global Coordinators, which consent may not be unreasonably withheld or delayed.
E.6	**Dilution**	Shareholders who exercise their subscription rights to the New Shares will maintain their percentage of ownership of the Company's share capital following the Capital Increase. To the extent that shareholders do not exercise their subscription rights, and assuming that the maximum number of 46,666,666 New Shares (at the lower end of the price-range) will be issued, each shareholder's share in the Company would be diluted by 58.1% (or by 54.3% by issuance of 40,000,000 New Shares at the mid-point or by 51.0% by issuance of 35,000,000 New Shares at the higher end of price-range, respectively). The dilution has been calculated as relation between the Company's share capital on September 5, 2014 amounting to 33,607,451 shares and the sum of the Company's share capital on September 5, 2014 amounting to 33,607,451 shares and the maximum number of New Shares in each case. For the purpose of the following dilution calculations - concerning the dilution on value basis - the net book value of the Company ("**Adjusted Net Book Value**") has been determined on the basis of the net book value of the equity as of June 30, 2014, adjusted for intangible assets and shares of minority shareholders (all amounts derived from the

Company's unaudited condensed consolidated interim financial statements for the six month period ended June 30, 2014, prepared in accordance with IFRS on interim financial reporting (IAS 34)) and further adjusted for any capital measures made in the period from July 1, 2014 to September 5, 2014. Based on these adjustments the Adjusted Net Book Value of the Company as of September 5, 2014 amounted to EUR 104,335,993.42, which resulted in a net book value per share of EUR 3.10 (rounded and based on 33,607,451 outstanding shares of the Company on September 5, 2014 and adjusted for treasury shares, if any).

The Company is targeting gross issue proceeds (*Bruttoemissionserlös*) from the Capital Increase in an amount of EUR 140,000,000.00. Assuming gross issue proceeds (*Bruttoemissionserlös*) in this amount, the total costs of the Offering (including bank fees and commissions) are estimated to amount to approximately EUR 9,300,000.00. On the basis of the aforementioned assumptions, the net issue proceeds available to the Company would amount to approximately EUR 130,700,000.00 and by September 5, 2014, the net book value of the Company would have been approximately EUR 235,036,000.00, which corresponds to EUR 2.93 per share (assuming the placement of the maximum number of 46,666,666 New Shares at the lower end of the price-range), to EUR 3.19 per share (assuming the placement of 40,000,000 New Shares at the mid-point of the price-range) or to EUR 3.43 per share (assuming the placement of 35,000,000 New Shares at the higher end of the price-range). These figures are based on the assumption of 80,274,117 outstanding shares of the Company after implementation of the Capital Increase at the lower end of the price-range (73,607,451 outstanding shares at the mid-point or 68,607,451 outstanding shares at the higher end of price-range, respectively).

Assuming the placement of the maximum number of 46,666,666 New Shares (at the lower end of the price-range), this would represent an immediate decrease in the net book value of the Company by EUR 0.17 (5.5%) per share for existing shareholders who do not exercise their subscription rights, and an immediate decrease by approximately EUR 0.07 (2.3%) per New Share for those who acquire the New Shares. Assuming the placement of 40,000,000 New Shares (at the mid-point of the price-range), this would represent an immediate increase in the net book value of the Company by EUR 0.09 (2.9%) per share for existing shareholders who do not exercise their subscription rights, and an immediate decrease by approximately EUR 0.31 (8.9%) per New Share for those who acquire the New Shares. Assuming the placement of 35,000,000 New Shares (at the higher end of the price-

		range), this would represent an immediate increase in the net book value of the Company by EUR 0.33 (10.6%) per share for existing shareholders who do not exercise their subscription rights, and an immediate decrease by approximately EUR 0.57 (14.3%) per New Share for those who acquire the New Shares.
E.7	**Estimated expenses charged to the investor by the issuer or the offeror**	Not applicable. Investors will not be charged expenses by the Issuer or the offeror (i.e. the Issuer and the Joint Global Coordinators).

2. GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS - ZUSAMMENFASSUNG DES PROSPEKTES

Zusammenfassungen zu Wertpapierprospekten bestehen aus offenzulegenden Angaben, die als „Elemente“ bezeichnet werden. Diese Elemente sind in den Abschnitten A bis E (A.1 bis E.7) aufgeführt. Diese Zusammenfassung enthält alle Elemente, die für diese Art von Wertpapieren und den Emittenten in die Zusammenfassung aufzunehmen sind. Weil einige Elemente nicht aufgeführt werden müssen, können sich Lücken in der fortlaufenden Nummerierung der Elemente ergeben. Selbst wenn ein Element aufgrund der Art des Wertpapiers und aufgrund des Emittenten in die Zusammenfassung mit aufgenommen werden muss, ist es möglich, dass hinsichtlich dieses Elements keine betreffende Information angegeben werden kann. In diesem Fall ist eine kurze Beschreibung des Elements in die Zusammenfassung aufgenommen worden zusammen mit dem Hinweis „entfällt“.

A – Einleitung und Warnhinweise

A.1	**Warnhinweise**	Diese Zusammenfassung sollte als Einführung zu diesem Prospekt verstanden werden. Der Anleger sollte jede Entscheidung zur Anlage in die Wertpapiere, die Gegenstand dieses Prospekts sind, auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Die WESTGRUND Aktiengesellschaft, Joachimstaler Strasse 34, 10719 Berlin (nachfolgend auch die „**Gesellschaft**“, die „**WESTGRUND**“ oder die „**Emittentin**“, und gemeinsam mit ihren Tochtergesellschaften die „**WESTGRUND-Gruppe**“, genannt) zusammen mit der Joh. Berenberg Gossler & Co. KG, Hamburg (nachfolgend „**Berenberg**“ genannt), und der Baader Bank Aktiengesellschaft, Unterschleißheim (nachfolgend „**Baader Bank**“ und zusammen mit Berenberg die „**Joint Global Coordinators**“ oder „**Joint Bookrunners**“ genannt), übernehmen gemäß § 5 Abs. 2b Nr. 4 WpPG die Verantwortung für den Inhalt dieser Zusammenfassung, einschließlich ihrer Übersetzung. Diejenigen Personen, die für die Zusammenfassung einschließlich der Übersetzung hiervon die Verantwortung übernommen haben, oder von denen der Erlass ausgeht, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich

		ist, wenn sie zusammen mit anderen Teilen des Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.
A.2	**Zustimmung zur Verwendung des Prospekts durch Finanzintermediäre**	Entfällt. Eine Zustimmung zur Verwendung des Prospekts für eine spätere Weiterveräußerung oder Platzierung der Aktien wurde nicht erteilt.
B – Emittent		
B.1	**Juristische und kommerzielle Bezeichnung**	Die juristische Bezeichnung der Gesellschaft ist WESTGRUND Aktiengesellschaft. Die Gesellschaft und ihre Tochtergesellschaften treten unter den Geschäftsbezeichnungen „WESTGRUND" am Markt auf. Weitere kommerzielle Namen werden nicht verwendet.
B.2	**Sitz, Rechtsform, anwendbares Recht und Land der Gründung**	Die WESTGRUND Aktiengesellschaft ist eine Aktiengesellschaft nach deutschem Recht, die in Deutschland gegründet wurde. Sitz der Gesellschaft ist Berlin. Die WESTGRUND ist im Handelsregister des Amtsgerichtes Berlin-Charlottenburg unter HRB 144811 B unter der Firma WESTGRUND Aktiengesellschaft eingetragen.
B.3	**Geschäftstätigkeit und Hauptmärkte**	Die WESTGRUND-Gruppe beschreibt sich als Spezialist für den Erwerb, das Management, die Optimierung und die Bewirtschaftung von deutschen Wohnimmobilien. Der Schwerpunkt der Geschäftstätigkeit der WESTGRUND-Gruppe liegt auf: - dem Erwerb von kleinen und mittelgroßen Portfolios mit einem Volumen von gewöhnlich bis zu EUR 50,000,000.00 bis EUR 60,000,000.00; diese Portfolios sind meist zu klein für größere Wettbewerber und zu teuer für Privatkäufer (gewöhnlich ca. EUR 5,000,000.00 bis EUR 8,000,000.00 Maximalkaufpreis); - dem Aufbau von Portfolios in strategisch wichtigen Regionen; - dem Erwerb von Wohnimmobilien in bestimmten Bundesländern der Bundesrepublik Deutschland, welche ein jährliches Netto-Mieteinkommen von mindestens

8 % bis 10 % des jeweiligen Kaufpreises haben und die in größeren Städten liegen, welche die Investitionsrisiken relativ niedrig halten.

WESTGRUND fungiert als operativ tätige Beteiligungsholding der WESTGRUND-Gruppe. Die Immobilienbeteiligungen der WESTGRUND werden von einigen Tochtergesellschaften der WESTGRUND gehalten.

Die WESTGRUND-Gruppe expandiert stetig und erweitert ihr Portfolio durch den Erwerb von ausgewählten Wohnimmobilienportfolios. Die Gesellschaft hat ein Investmentprofil für ihre Erwerbe definiert und folgt den Vorgaben dieses Profils genauestens während des Aufbaus ihres Immobilienportfolios. So muss beispielsweise jeder Erwerb die Minimalanforderungen dieses Profils bezüglich der Grundlagen der Risikomischung erfüllen, sowie das Ziel, eine Minimalgröße zum Zwecke der Bewirtschaftung des Portfolios und seinen regionalen Teilen zu erreichen. WESTGRUND hat zum Zwecke der Optimierung der Portfolio-Struktur einen Erwerbsplan erstellt. Teil dieses Plans sind einige Stufen, welche die Überwachung des Investitionsprofils und die Ergreifung von Bewertungsmaßnahmen sicherstellen müssen. Die Struktur des Erwerbs eines Portfolios bzw. von Wohneinheiten kann durch einen Unternehmenskauf oder einen Anteilskauf durchgeführt werden. WESTGRUND leitet und verwaltet alle Tochtergesellschaften und ist verantwortlich für die Vermögensverwaltung. Zusätzliche Dienstleistungen wie Liegenschaftsverwaltung, Gebäudeverwaltung und Hausmeisterdienstleistungen sind ausgelagert und werden durch die Vermögensverwaltung der WESTGRUND kontrolliert, die derzeit aus vier Mitarbeitern besteht.

Der Schwerpunkt der Geschäftstätigkeit der WESTGRUND-Gruppe ist der Erwerb und das Management von Wohnimmobilienportfolios. Zum 30. Juni 2014 umfasste das von WESTGRUND verwaltete Portfolio ca. 7.000 Wohn- und einige Geschäftseinheiten. Zu diesem Zeitpunkt bot das Portfolio eine Rendite von 7,7 % und eine Leerstandsquote von 7,6 %. Seit 2012 hatte das Portfolio keinen größeren Instandhaltungsrückstand und die Einheiten sind üblicherweise in gutem Zustand. Die WESTGRUND-Gruppe konzentriert ihre Geschäftstätigkeit auf eine kleine Gruppe von Kernregionen innerhalb der Bundesrepublik Deutschland. Berlin und Brandenburg (38 %), weitere Gebiete in Ostdeutschland (41 %) und Niedersachsen

(11%) sind die Hauptregionen für die Immobilien der WESTGRUND-Gruppe. Im Juli 2014 schloss WESTGRUND Verträge über den Erwerb von ca. 13.300 Wohneinheiten und 73 Geschäftseinheiten (das „**Berlinovo-Portfolio**") und verdreifachte nahezu ihren Wohnimmobilienbestand. Nach dem vollendeten Erwerb des Berlinovo-Portfolios ändert sich die regionale Verteilung der von WESTGRUND gehaltenen Wohnimmobilien wie folgt: Berlin und Brandenburg (33 %), Niedersachsen (35 %), Sachsen, Sachsen-Anhalt, Thüringen (22 %), Mecklenburg-Vorpommern (6 %) und Nordrhein-Westfalen (4 %).

Standardisierte Strukturen und Arbeitsabläufe ermöglichen der WESTGRUND-Gruppe, mit einem kleinen Team von hocheffizienten Angestellten zu arbeiten. Die Unternehmensstruktur der WESTGRUND ist daher schlank und umfasst 25 Angestellte, welche für Vermögensverwaltung, Erwerbe, Finanzen und Controlling zuständig sind. Aufgaben wie Liegenschaftsverwaltung, Gebäudeverwaltung, rechtliche und steuerliche Beratung sowie Buchhaltung sind zurzeit ausgelagert, um die schlanke Unternehmensstruktur der Gesellschaft zu erhalten. Mit der und für die Integration des Berlinovo-Portfolios, das vier neue Mitarbeiter für das Asset Management benötigt, hat die Gesellschaft bereits neue Mitarbeiter eingestellt und plant noch einige weitere neue Mitarbeiter einzustellen.

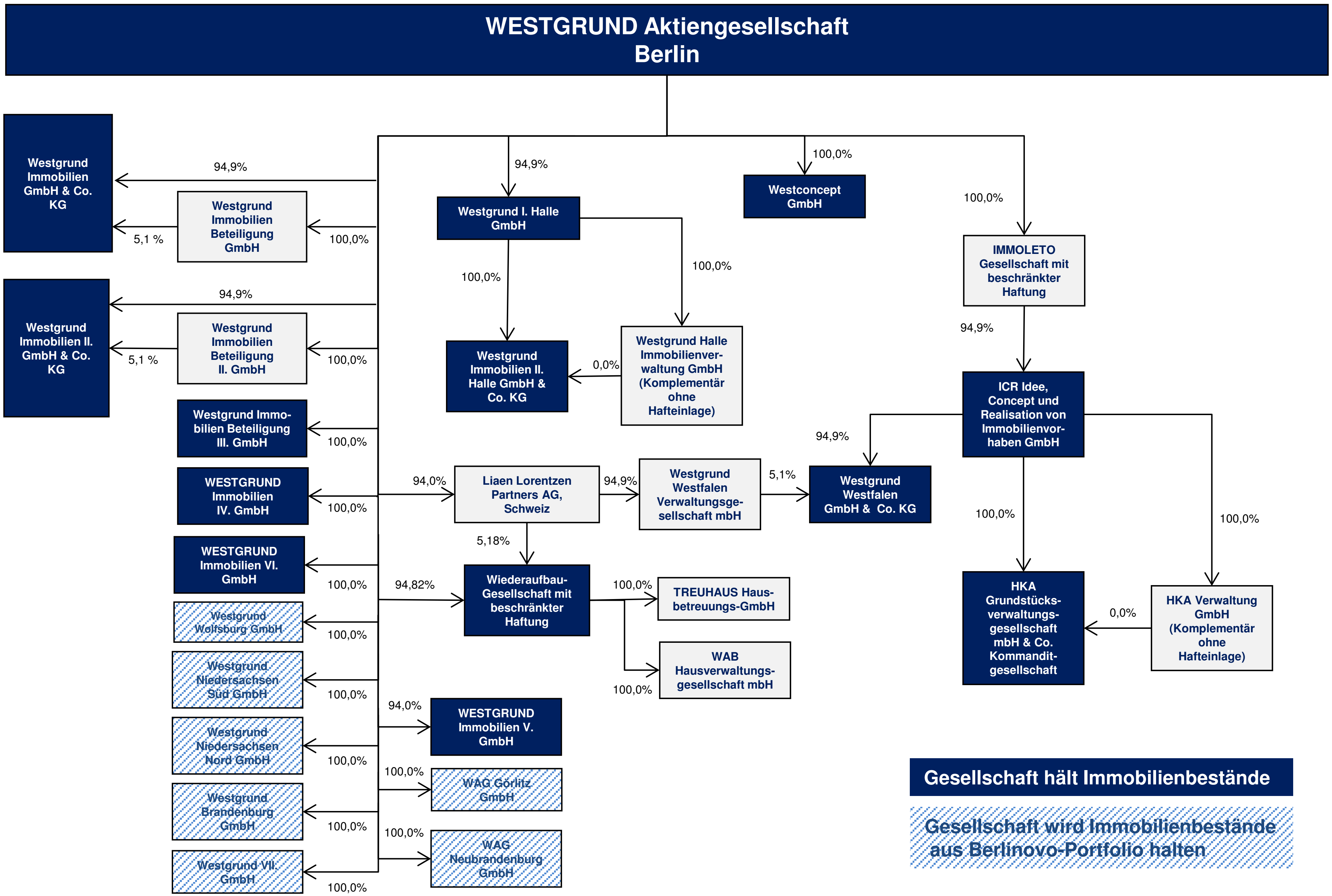
Auf Basis der bestehenden Strukturen und der Geschäfts-Plattform beabsichtigt WESTGRUND, in den nächsten Jahren das Portfolio der WESTGRUND um bis zu 30.000 bis 40.000 Einheiten weiter zu vergrößern. Die Voraussetzungen für den vom Vorstand angestrebten Wachstumsplan sind (i) die bestehende, flexible und schlanke Gesellschaftsstruktur, (ii) ein starkes Netzwerk und eine starke Erfolgsbilanz als Quelle für Vermögensgegenstände, (iii) Zugang zu finanziellen Mitteln über den Kapitalmarkt und eine enge Zusammenarbeit mit kreditgebenden Banken und (iv) einem erfahrenen Management-Team.

Mit der Unterzeichnung des Kaufvertrages über das Berlinovo-Portfolio hat die WESTGRUND-Gruppe erfolgreich zum ersten Mal an einem strukturierten Bieterverfahren teilgenommen. Zukünftig beabsichtigt WESTGRUND, an ausgewählten Bieterverfahren auf opportunistischer Basis teilzunehmen, um die Marktposition der WESTGRUND-Gruppe zu sichern und verstärken.

B.4a	**Wichtigste jüngste Trends**	Die WESTGRUND-Gruppe und der deutsche Wohnimmobilienmarkt werden durch die jüngsten demographischen Entwicklungen in Deutschland beeinflusst, insbesondere durch eine Bevölkerungsabnahme, eine steigende Anzahl von Haushalten verbunden mit der Redzierung der durchschnittlichen Größen der Haushalte und einer alternden Bevölkerung. Weitere demographische Trends, die für den Wohnungsmarkt in Deutschland bedeutsam sind, sind eine höhere Anzahl von Einzel- oder Zwei-Personen-Haushalten und eine gestiegene Nachfrage nach mehr Wohnraum sowie ein fortschreitender Verstädterungsprozess. Im Jahr 2014 registrierte der Investmentmarkt für Wohnimmobilien mit einem Transaktionsvolumen von rund EUR 5,6 Milliarden die höchste Quartalsentwicklung seit dem Ausbruch der Lehman-Krise (Quelle: *CBRE Markt für Wohnimmobilienportfolios. MarketView Q1 2014*). Das Management der WESTGRUND-Gruppe erwartet für das Jahr 2014 eine unveränderte Nachfrage nach Wohnimmobilien in der Bundesrepublik Deutschland. Große börsennotierte Unternehmen, die eine strategische Expansion anstreben, eigenkapitalstarke Core-Investoren, die oftmals indirekt in zweckgebundene Fonds investieren, und Privatinvestoren sollten weiterhin aktive Marktteilnehmer bleiben. Ein Anstieg der Anzahl von großen Portfolio-Geschäften ist weniger wahrscheinlich und Sanierungen und Optimierung von Immobilienportfolien sind eher wahrscheinlich. Auf dieser Basis beabsichtigt der Vorstand, in den nächsten Jahren das Portfolio der WESTGRUND-Gruppe um bis zu 30.000 bis 40.000 Einheiten weiter zu vergrößern.
B.5	**Gruppenstruktur und Stellung der Emittentin innerhalb der Gruppe**	Die WESTGRUND fungiert innerhalb des Konzerns als Holding- und Servicegesellschaft. Maßgebliche Tochtergesellschaften sind die folgenden bestandshaltenden Gesellschaften: - Westgrund Immobilien GmbH & Co. KG - Westgrund Immobilien II. GmbH & Co. KG - Westgrund Immobilien Beteiligung III. GmbH - WESTGRUND Immobilien IV. GmbH - Westgrund Westfalen GmbH & Co. KG - WESTGRUND Immobilien V. GmbH

- HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft
- Wiederaufbau-Gesellschaft mit beschränkter Haftung
- ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH
- Westconcept GmbH
- Westgrund I. Halle GmbH
- Westgrund Immobilien II. Halle GmbH & Co.KG
- WESTGRUND Immobilien VI. GmbH

Nachfolgend ist ein Überblick über die Konzernstruktur der WESTGRUND-Gruppe dargestellt:


WESTGRUND Aktiengesellschaft
Berlin
Westgrund Immobilien GmbH & Co. KG
94,9%
Westgrund Immobilien Beteiligung GmbH
5,1 %
100,0%
Westgrund Immobilien II. GmbH & Co. KG
94,9%
Westgrund Immobilien Beteiligung II. GmbH
5,1 %
100,0%
Westgrund Immobilien Beteiligung III. GmbH
100,0%
WESTGRUND Immobilien IV. GmbH
100,0%
WESTGRUND Immobilien VI. GmbH
100,0%
Westgrund Wolfsburg GmbH
100,0%
Westgrund Niedersachsen Süd GmbH
100,0%
Westgrund Niedersachsen Nord GmbH
100,0%
Westgrund Brandenburg GmbH
100,0%
Westgrund VII. GmbH
100,0%
94,9%
Westgrund I. Halle GmbH
100,0%
100,0%
Westgrund Immobilien II. Halle GmbH & Co. KG
0,0%
Westgrund Halle Immobilienverwaltung GmbH (Komplementär ohne Hafteinlage)
100,0%
Westconcept GmbH
100,0%
IMMOLETO Gesellschaft mit beschränkter Haftung
94,9%
ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH
94,0%
Liaen Lorentzen Partners AG, Schweiz
94,9%
Westgrund Westfalen Verwaltungsgesellschaft mbH
5,1%
94,9%
Westgrund Westfalen GmbH & Co. KG
5,18%
94,82%
Wiederaufbau-Gesellschaft mit beschränkter Haftung
100,0%
TREUHAUS Hausbetreuungs-GmbH
100,0%
WAB Hausverwaltungsgesellschaft mbH
100,0%
HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft
0,0%
HKA Verwaltung GmbH (Komplementär ohne Hafteinlage)
100,0%
94,0%
WESTGRUND Immobilien V. GmbH
100,0%
WAG Görlitz GmbH
100,0%
WAG Neubrandenburg GmbH
Gesellschaft hält Immobilienbestände
Gesellschaft wird Immobilienbestände aus Berlinovo-Portfolio halten

B.6	**Aktionärsstruktur - Beschreibung der Aktionäre der Emittentin und von Beherrschungsverhältnissen**	Die folgenden Personen halten eine direkte oder indirekte meldepflichtige Beteiligng am Kapital der Gesellschaft und den Stimmrechten, wobei die Angaben auf den der Gesellschaft zum Zeitpunkt dieses Prospekts bekannt gemachten Stimmrechtsmitteilungen gemäß §§ 21 ff. Wertpapierhandelsgesetz und den der Gesellschaft vorliegenden Informationen der entsprechenden Gesellschaftern beruhen:

Aktionär	Anteil der Stimmrechte
Wecken & Cie. (direkt)	49,7%
Quartenal Investment Ltd. (direkt)	21,6%
Frau Angela Lechner, zugerechnet von - Paloulita Limited (4,7 %) - Orlando Real Berlin GmbH (5,5 %)	10,2%
Streubesitz	18,5%
Insgesamt	**100%**

Unterschiedliche Stimmrechte	Entfällt. Jede Aktie gewährt in der Hauptversammlung der Gesellschaft eine Stimme. Unterschiedliche Stimmrechte bestehen bei der Gesellschaft nicht. Beschränkungen des Stimmrechts bestehen nicht.
Beherrschungsverhältnisse	Die Wecken & Cie. kann aufgrund ihrer Stimmrechtsbeteiligung von fast 50 % möglicherweise einen beherrschenden Einfluss auf die WESTGRUND ausüben. Unter Berücksichtigung der Hauptversammlungspräsenzen der letzten Jahre ist es wahrscheinlich, dass die Wecken & Cie. bei zukünftigen Hauptversammlungen der WESTGRUND weiterhin über eine Stimmenmehrheit verfügt, auch soweit Wecken & Cie. nicht ihre sämtlichen Bezugsrechte ausübt. Darüber hinaus bestehen keine mittelbaren oder unmittelbaren Beherrschungsverhältnisse eines Aktionärs an der WESTGRUND.

B.7	**Wesentliche historische Finanzinformationen**	*Die folgenden ausgewählten Konzernfinanzkennzahlen der zum 31. Dezember 2013, 2012 und 2011 endenden Geschäftsjahre, entstammen den geprüften Konzernabschlüssen (IFRS) der WESTGRUND für die zum 31. Dezember 2013, 2012 und 2011 endenden Geschäftsjahre sowie dem Rechnungswesen oder dem internen Managementberichtswesen der Gesellschaft. Die folgenden ausgewählten Finanzkennzahlen für den am 30. Juni 2014 endenden Halbjahreszeitraum sind dem ungeprüften, verkürzten Konzernzwischenabschluss (IFRS für Zwischenfinanzberichte*

(IAS 34)) der WESTGRUND entnommen sowie dem Rechnungswesen oder dem internen Managementberichtswesen der Gesellschaft.

Soweit Finanzkennzahlen in den nachfolgenden Übersichten mit „geprüft" gekennzeichnet sind bedeutet dies, dass sie aus den geprüften Konzernabschlüssen (IFRS) der WESTGRUND für die am 31. Dezember 2013, 2012 und 2011 endenden Geschäftsjahre entnommen sind. Soweit Finanzkennzahlen in den nachfolgenden Übersichten als „ungeprüft" gekennzeichnet sind, bedeutet dies, dass sie aus dem ungeprüften, verkürzten Konzernzwischenabschluss (IFRS für Zwischenfinanzberichte (IAS 34)) für den am 30. Juni 2014 endenden Halbjahreszeitraum entnommen sind.

Die folgenden Finanzinformationen sind nicht um die Akquisition des Berlinovo-Porfolios angepasst.

Zur Verbesserung der Lesbarkeit werden die Zahlen in den nachfolgenden Übersichten in Millionen Euro (Millionen EUR) angegeben. Alle in diesem Abschnitt dargestellten Zahlen sind auf eine Stelle hinter dem Komma gerundet, wodurch Rundungsdifferenzen bei den entsprechenden Gesamtbeträgen entstehen können.

Ausgewählte Finanzkennzahlen aus der Konzern-Gewinn- und Verlustrechnung

	Halbjahreszeitraum endend am 30. Juni		Geschäftsjahr endend 31. Dezember		
	2014	2013	2013	2012	2011
	(ungeprüft)		(geprüft)		
	in Millionen EUR				
Umsatzerlöse	9,4	6,0	18,2	10,8	9,7
Veränderung des Bestandes an noch nicht abgerechneten und unfertigen Leistungen	4,2	2,3	3,4	1,0	(0,2)
Ergebnis aus der Bewertung als Finanzinvestition gehaltener Immobilien	8,7	7,9	20,2	5,9	2,5
Sonstige betriebliche Erträge	0,2	0,1	0,4	0,5	0,2
Materialaufwand	(7,1)	(4,3)	(12,3)	(6,3)	(5,3)
Ergebnis aus dem Verkauf von als Finanzinvestition gehaltenen Immobilien	0,0	0,0	0,1	0,0	0,0
Personalaufwand	(1,0)	(0,6)	(1,3)	(1,3)	(1,3)
Abschreibungen	(0,0)	(0,0)	(0,4)	(0,8)	(0,1)
Sonstige betriebliche Aufwendungen	(1,6)	(1,2)	(2,5)	(1,7)	(2,0)
Erträge aus Beteiligungen	0,0	0,0	0,0	0,0	0,0
Sonstige Zinsen und ähnliche Erträge	0,0	0,0	0,0	0,0	0,0
Zinsen und ähnliche Aufwendungen	(4,8)	(1,5)	(4,9)	(3,0)	(3,5)
Verlustanteile an assoziierten Unternehmen	(0,0)	(0,1)	(0,1)	(0,1)	0,2
Erträge aus dem Verkauf von Tochtergesellschaften	0,4	0,0	0,5	0,0	0,0
Erträge aus Erstkonsolidierung	0,1	0,0	0,0	0,0	0,0
Ergebnisse der gewöhnlichen Geschäftstätigkeit	**8,3**	**8,5**	**21,3**	**5,0**	**0,3**
Steuern vom Einkommen und Ertrag	(1,6)	(1,4)	(3,4)	(0,9)	0,6
Sonstige Steuern	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)

Konzernergebnis	**6,7**	**7,1**	**17,9**	**4,1**	**0,8**
Ergebnis, das den Minderheitsaktionären zuzurechnen ist	(0,2)	0,0	(0,1)	0,2	(0,1)
Ergebnis, das den Anteilseignern des Mutterunternehmens zuzuordnen ist	6,6	7,1	17,8	4,3	0,7

Ausgewählte Finanzkennzahlen aus der Konzernbilanz

	30. Juni	31. Dezember		
	2014	2013	2012	2011
	(ungeprüft)	(geprüft)		
AKTIVA	in Millionen EUR			
Immaterielle Vermögenswerte	0,0	0,0	0,0	0,0
Als Finanzinvestitionen gehaltene Immobilien	325,6	230,7	135,5	89,3
Sachanlagen	0,2	0,3	0,3	0,4
Finanzanlagen	0,0	0,0	1,8	1,8
Sonstige langfristige Vermögenswerte	0,7	0,8	0,3	1,0
Latente Steuerforderungen	0,0	0,1	0,0	0,0
Langfristige Vermögenswerte[(1)]	**326,6**	**231,9**	**137,9**	**92,5**
Zum Verkauf bestimmte Grundstücke und andere Vorräte	13,0	8,7	4,8	4,4
Forderungen und sonstige Vermögenswerte	1,8	1,5	1,6	0,7
Kassenbestand, Guthaben bei Kreditinstituten und kapitalgebenden Versicherungen	12,4	4,0	5,4	2,5
Zur Veräußerung vorgesehene Vermögenswerte	0,0	1,3	0,0	0,0
Kurzfristige Vermögenswerte[(1)]	**27,2**	**15,5**	**11,8**	**7,6**
Aktiva	**353,7**	**247,4**	**149,6**	**100,1**
PASSIVA				
Gezeichnetes Kapital	30,1	24,1	18,7	11,4
Rücklagen	26,6	12,3	8,2	12,8
Anteile der Minderheitsgesellschafter	1,0	0,3	0,2	0,4
Bilanzgewinn	46,0	39,4	21,6	4,1
Eigenkapital	**103,7**	**76,1**	**48,7**	**28,7**
Latente Steuerverbindlichkeiten	12,3	9,9	6,6	5,8
Pensionsrückstellungen	0,1	0,1	0,1	0,1
Verbindlichkeiten gegenüber Kreditinstituten und kapitalgebenden Versicherungen	154,3	97,4	79,6	12,9
Derivate	2,6	1,0	1,3	1,2
Wandelschuldverschreibung	19,2	0,0	0,0	0,0
Leasingverbindlichkeiten	4,7	4,7	4,7	4,6
Langfristige Verbindlichkeiten	**193,3**	**113,1**	**92,3**	**24,6**
Verbindlichkeiten gegenüber Kreditinstituten und kapitalgebenden Versicherungen	41,1	38,7	3,2	38,6
Erhaltene Anzahlungen	11,8	7,4	3,1	2,5
Leasingverbindlichkeiten	0,0	0,0	0,0	0,0
Verbindlichkeiten aus Lieferungen und Leistungen	1,3	1,0	0,7	1,3
Tatsächliche Steuerverbindlichkeiten	0,0	0,0	0,0	0,1
Sonstige Verbindlichkeiten	2,5	10,2	1,6	4,3
Verbindlichkeiten in Verbindung mit zur Veräußerung vorgesehenen Vermögenswerten	0,0	0,9	0,0	0,0
Kurzfristige Verbindlichkeiten[(2)]	**56,8**	**58,2**	**8,7**	**46,8**
Passiva	**353,7**	**247,4**	**149,6**	**100,1**

(1) Die Zwischensummen „Langfristige Vermögenswerte" und „Kurzfristige Vermögenswerte" sind nicht explizit in den geprüften Konzernabschlüssen (IFRS) der WESTGRUND für die am 31. Dezember 2013, 2012 und 2011 endenden Geschäftsjahre sowie dem ungeprüften, verkürzten Konzernzwischenabschluss (IFRS für Zwischenfinanzberichte (IAS 34)) der WESTGRUND für den am 30. Juni 2014 endenden Halbjahreszeitraum ausgewiesen. Zur Verbesserung der Übersichtlichkeit der Finanzinformationen wurden diese Zwischensummen aufgenommen und durch Aufsummierung der Einzelpositionen ermittelt. Bei den Zwischensummen handelt es sich somit um nicht geprüfte Daten.

(2) Die Position „Verbindlichkeiten in Verbindung mit zur Veräußerung vorgesehenen Vermögenswerten" wurde in den geprüften Konzernabschlüssen (IFRS) der WESTGRUND für die am 31. Dezember 2013, 2012 und 2011 endenden Geschäftsjahre sowie dem ungeprüften, verkürzten Konzernzwischenabschluss (IFRS für Zwischenfinanzberichte (IAS 34)) der WESTGRUND für den am 30. Juni 2014 endenden

Halbjahreszeitraum separat ausgewiesen und ist nicht in der Zwischensumme „Kurzfristige Verbindlichkeiten“ enthalten. Zur Verbesserung der Übersichtlichkeit der Finanzinformationen wurde diese Position in der Zwischensumme „Kurzfristige Verbindlichkeiten“ durch Addition aufgenommen. Bei der Zwischensumme „Kurzfristige Verbindlichkeiten“ handelt es sich somit um nicht geprüfte Daten.

Ausgewählte Finanzkennzahlen aus der Konzern-Kapitalflussrechnung

	Halbjahreszeitraum endend 30. Juni		Geschäftsjahr endend 31. Dezember		
	2014	2013	2013	2012	2011[(1)]
	(ungeprüft)		(geprüft)		
	in Millionen EUR				
Cash-Flow aus betrieblicher Tätigkeit	1,3	1,9	2,1	(0,9)	(2,8)
Cash-Flow aus Investitionstätigkeit	(59,7)	(47,1)	(61,3)	(40,6)	0,0
Cash-Flow aus Finanzierungstätigkeit	66,2	44,9	58,3	44,4	4,0
Veränderung der liquiden Mittel	**7,9**	**(0,3)**	**(0,9)**	**2,9**	**1,3**
Liquide Mittel am Anfang der Periode	4,0	5,4	5,4	2,5	1,2
Umgegliederte liquide Mittel	0,5	0,0	(0,5)	0,0	0,0
Liquide Mittel am Ende der Periode	**12,4**	**5,1**	**4,0**	**5,4**	**2,5**

(1) Abweichungen zwischen dem Konzernabschluss der WESTGRUND AG für das zum 31. Dezember 2011 endende Geschäftsjahr zu den oben dargestellten Cash-Flows sind durch die Aufnahme zweier Darlehen von Dritten in Höhe von EUR 2,8 Millionen begründet. Das Darlehen wurde im Rahmen des Konzernabschlusses 2011 als Zahlungseingang im Rahmen der betrieblichen Geschäftstätigkeit berücksichtigt. In den Vorjahreszahlen des Konzernabschlusses der WESTGRUND AG für das zum 31. Dezember 2012 endende Geschäftsjahr sowie für die obige Darstellung wurde das Darlehen als Zahlungseingang im Rahmen der Finanzierungstätigkeit ausgewiesen.

Wesentliche Änderungen der Finanzlage und des Betriebsergebnisses des Emittenten in oder nach dem von den wesentlichen historischen Finanzinformationen abgedeckten Zeitraum

Die nachstehenden wesentlichen Änderungen der Finanzlage und des Betriebsergebnisses der WESTGRUND-Gruppe sind in den zum 30. Juni 2014 und 2013 endenden Sechsmonatszeiträumen und in den Geschäftsjahren 2013, 2012 und 2011 eingetreten:

Zum 30. Juni 2014 und 2013 endende Sechsmonatszeiträume

Die Umsatzerlöse sind von EUR 6,0 Millionen im ersten Halbjahr 2013 um 56,7% auf EUR 9,4 Millionen im ersten Halbjahr 2014 angestiegen. Der Anstieg ist im Wesentlichen das Ergebnis der Akquisitionen von Wohnportfolien im Laufe des Geschäftsjahres 2013.

Die Bewertung der als Finanzinvestitionen gehaltenen Immobilien führte im ersten Halbjahr 2014 zu einem Gewinn von EUR 8,7 Millionen, nach einem Gewinn von EUR 7,9 Millionen im ersten Halbjahr 2013. Der im ersten Halbjahr 2014 erzielte Gewinn entfällt mit einem Betrag von EUR 4,3 Millionen auf Renditeimmobilien, die in 2014 erworben wurden.

Die Materialaufwendungen sind von EUR 4,3 Millionen im ersten Halbjahr 2013 um 65,1% auf EUR 7,1 Millionen im ersten Halbjahr 2014 angestiegen. Die Erhöhung ist im Wesentlichen ein Ergebnis der Akquisitionen von Wohnportfolien im Laufe des Geschäftsjahres 2013.

Zinsen und ähnliche Aufwendungen sind von EUR 1,5 Millionen im ersten Halbjahr 2013 auf EUR 4,8 Millionen im ersten Halbjahr 2014 angestiegen. Der Anstieg ist im Wesentlichen auf höhere Zinsen für Bankverbindlichkeiten und sonstige Verbindlichkeiten im Zusammenhang mit dem Wachstum des Immobilienportfolios und den damit einhergehenden höheren Bankdarlehen sowie auf die negativen Veränderungen von Derivaten im ersten Halbjahr 2014 zurückzuführen.

Das Konzernergebnis reduzierte sich von EUR 7,1 Millionen im ersten Halbjahr 2013 um 5,6% auf EUR 6,7 Millionen im ersten Halbjahr 2014. Das Konzernergebnis im ersten Halbjahr 2014 wurde im Wesentlichen durch die Gewinne aus der Bewertung der als Finanzinvestitionen gehaltenen Immobilien sowie der negativen Veränderung der Derivate bestimmt.

Im ersten Halbjahr 2014 stieg die Bilanzsumme um EUR 106,3 Millionen auf EUR 353,7 Millionen an. Dieser Anstieg resultierte im Wesentlichen aus der Erhöhung der als Finanzinvestitionen gehalten Immobilien, die von EUR 230,7 Millionen zum 31. Dezember 2013 auf EUR 325,6 Millionen zum 30. Juni 2014 anstiegen. Diese Entwicklung ist überwiegend auf die Ankäufe von Wohnportfolien in Sachsen, Sachsen-Anhalt und Thüringen während des ersten Halbjahrs 2014 zurückzuführen. Die Akquisitionen wurden im Wesentlichen durch Kapitalerhöhungen, Bankdarlehen und einer Wandelschuldverschreibung finanziert. Entsprechend erhöhten sich im Vergleich zum Ende des Geschäftsjahres 2013 das Eigenkapital um EUR 27,6 Millionen auf EUR 103,7 Millionen zum 30. Juni 2014 und die langfristigen Verbindlichkeiten um EUR 80,2 Millionen auf EUR 193,3 Millionen zum 30. Juni.

Geschäftsjahre 2013, 2012 und 2011

Die Umsatzerlöse erhöhten sich von EUR 10,8 Millionen im Geschäftsjahr 2012 um 68,5% auf EUR 18,2 Millionen im Geschäftsjahr 2013 und von EUR 9,7 Millionen im Geschäftsjahr 2011 auf EUR 10,8 Millionen im Geschäftsjahr 2012. Die Anstiege resultierten im Wesentlichen aus den im Laufe der Geschäftsjahre 2012 und 2013 getätigten Akquisitionen von Wohnportfolien.

Die Bewertung der als Finanzinvestitionen gehaltenen Immobilien führte im Geschäftsjahr 2013 zu einem Gewinn von EUR 20,2 Millionen, wovon ein Betrag in Höhe von EUR 16,7 Millionen auf im Geschäftsjahr 2013 erworbene Renditeimmobilien entfällt und ein Betrag von EUR 3,5 Millionen auf Renditeimmobilien, die vor dem 1. Januar 2013 erworben wurden. In den Geschäftsjahren 2012 und 2011 betrugen die Bewertungsgewinne EUR 5,9 Millionen bzw. EUR 2,5 Millionen.

Die Materialaufwendungen beliefen sich im Geschäftsjahr 2013 auf EUR 12,3 Millionen, nach EUR 6,3 Millionen im Geschäftsjahr 2012 und EUR 5,3 Millionen im Geschäftsjahr 2011. Die Anstiege resultierten im Wesentlichen aus den im Laufe der Geschäftsjahre 2012 und 2013 getätigten Akquisitionen von Wohnportfolien.

Das Konzernergebnis erhöhte sich von EUR 4,1 Millionen im Geschäftsjahr 2012 um EUR 13.8 Millionen auf EUR 17,9 Millionen im Geschäftsjahr 2013 und von EUR 0,8 Millionen im Geschäftsjahr 2011 um EUR 3,3 Millionen auf EUR 4,1 Millionen im Geschäftsjahr 2012. Die Konzernergebnisse wurden im Wesentlichen durch die Bewertungsergebnisse der als Finanzinvestitionen gehaltenen Immobilien bestimmt, die im Geschäftsjahr 2013 EUR 20,2 Millionen betrugen, EUR 5,9 Millionen im Geschäftsjahr 2012 und EUR 2,5 Millionen im Geschäftsjahr 2011. Des Weiteren trugen die im Laufe der Geschäftsjahre 2012 und 2013 getätigten Akquisitionen positiv zu den operativen Ergebnissen dieser Jahre bei. Entsprechend hat sich das Ergebnis der gewöhnlichen Geschäftstätigkeit bereinigt um Effekte aus der Bewertung der als Finanzinvestitionen gehaltenen Immobilien sowie der Derivate über die drei Jahresperiode laufend verbessert. Das bereinigte Ergebnis der gewöhnlichen Geschäftstätigkeit betrug EUR 0,7 Millionen im Geschäftsjahr 2013, EUR -0,8 Millionen im Geschäftsjahr 2012 und EUR -2,0 Millionen im Geschäftsjahr 2011.

Die Bilanzsumme belief sich zum 31. Dezember 2013 auf EUR 247,4 Millionen, zum 31. Dezember 2012 auf EUR 149,6 Millionen und zum 31. Dezember 2011 auf EUR 100,1 Millionen. Die Bilanzsumme umfasst im Wesentlichen als Finanzinvestitionen gehaltene Immobilien. Zum 31. Dezember 2013 betrugen die als Finanzinvestitionen gehaltenen Immobilien EUR 230,7 Millionen, nach EUR 135,5 Millionen zum 31. Dezember 2012 und EUR 89,3 Millionen zum 31. Dezember 2011. Die Anstiege in den Geschäftsjahren 2013 und 2012 resultierten hauptsächlich aus den getätigten Akquisitionen von Wohnportfolien und den positiven Bewertungsergebnissen. Die Akquisitionen wurden im Wesentlichen durch Kapitalerhöhungen und Bankdarlehen finanziert. Entsprechend erhöhte sich im Vergleich zum Ende des Geschäftsjahres 2012 das Eigenkapital um EUR 27,4 Millionen auf EUR 76,1 Millionen zum 31. Dezember 2013 und im Geschäftsjahr 2012 um EUR 20,0

		Millionen auf EUR 48,7 Millionen zum 31. Dezember 2012. Die Verbindlichkeiten gegenüber Kreditinstituten und kapitalgebenden Versicherungen stieg im Geschäftsjahr 2013 um EUR 53,2 Millionen auf EUR 136,0 Millionen zum 31. Dezember 2013 an, nach einem Anstieg von EUR 31,3 Millionen im Geschäftsjahr 2012. Seit dem 30. Juni 2014 hat die WESTGRUND-Gruppe folgende Vereinbarungen geschlossen, die die Finanz- und Ertragslage der WESTGRUND-Gruppe wesentlich beeinflusst haben: (i) Berlinovo-Kaufvertrag mit einem Gesamtkaufpreis in Höhe von EUR 416,500,000.00, (ii) Verpflichtungserklärung (*binding mandate and commitment letter*) der Barclays Bank PLC zur Bereitstellung einer vorrangig gesicherten Kreditlinie über EUR 331,000,000.00, (iii) Volumenübernahmevertrag vom 9. Juli 2014 zum Angebot, der die Gesellschaft zur Zahlung von festen Provisionen in Höhe von insgesamt ungefähr EUR 1,7 Mio. an die Joint Global Coordinators, Wecken & Cie. und weitere Personen verpflichtet, die sich ihrerseits parallel dazu verpflichtet haben, die Neuen Aktien (wie nachfolgend in Abschnitt E.3 definiert) zu einem bestimmten Preis zu zeichnen.
B.8	**Wesentliche Pro-Forma-Finanzinformationen**	WESTGRUND hat am 19. Dezember 2013 über eine Tochtergesellschaft einen Immobilienkaufvertrag abgeschlossen und ca. 1.274 Wohn- und Gewerbeeinheiten erworben ("**Sparrow-Portfolio**"). Die Akquisition erfolgte im Rahmen eines Asset-Deals. Für den überwiegenden Teil des Sparrow-Portfolios erfolgte der Nutzen- und Lastenwechsel am 30. Juni 2014. Die Akquisition wurde durch eine Zwischenfinanzierung und liquiden Mitteln der Gesellschaft finanziert. Es ist geplant, diese Zwischenfinanzierung durch eine langfristige Kreditfinanzierung in Höhe von EUR 41,7 Millionen zu ersetzen („**Sparrow-Refinanzierung**"). Des Weiteren haben Tochtergesellschaften der WESTGRUND und andere Parteien am 4./5. Juli 2014 den Vertrag über die Akquisition des Berlinovo-Portfolios abgeschlossen. Nach der Zustimmung aller relevanten Aufsichtsräte am 9. Juli 2014 wurde der Kaufvertrag über das Berlinovo-Portfolio verbindlich. Die Akquisition erfolgt im Rahmen von Asset-Deals und der Nutzen- und Lastenwechsel des erworbenen Berlinovo-Portfolios mit 13.317 Wohn- und Gewerbeeinheiten wird nicht vor Ende September 2014 erwartet. Der Gesamtbetrag der Einzelkaufpreise für diese Immobilien beträgt EUR 416,5 Millionen. Zusätzlich zu den bereits verfügbaren Mitteln der WESTGRUND-Gruppe, beabsichtigt die WESTGRUND-Gruppe, diese Akquisition und die Zahlung der Einzelkaufpreise durch die Mittelzuflüsse aus einer Kapitalerhöhung (die „**Kapitalerhöhung**") und durch eine von der

Barclays Bank PLC zur Verfügung gestellten, vorrangig gesicherten Kreditlinie über EUR 331.000.000 („**Berlinovo-Kredit**) zu bezahlen. WESTGRUND beabsichtigt, 1.269 Wohn- und Gewerbeeinheiten des Berlinovo-Portfolios bis zum 30. Juni 2015 weiterzuverkaufen.

Aufgrund dieser Akquisitionen hat WESTGRUND Pro-Forma-Konzerngewinn- und Verlustrechnungen für die Zeiträume vom 1. Januar 2013 bis zum 31. Dezember 2013 und vom 1. Januar 2014 bis zum 30. Juni 2014 sowie eine Pro-Forma-Konzernbilanz zum 30. Juni 2014 ergänzt um Pro-Forma-Erläuterungen (zusammen die „**Pro-Forma-Konzernfinanzinformationen**") erstellt. Der Zweck der Pro-Forma-Konzernfinanzinformationen ist es darzustellen, welche wesentlichen Auswirkungen die Akquisitionen des Sparrow-Portfolios und des Berlinovo-Portfolios auf die historischen Konzernabschlüsse der WESTGRUND AG gehabt hätten, wenn die Akquisitionen schon Bestandteil der WESTGRUND-Gruppe während des gesamten zum 31. Dezember 2013 enden Geschäftsjahres und der zum 30. Juni 2014 endenden Sechsmonatsperiode gewesen wären.

Die Pro-Forma-Konzerngewinn- und Verlustrechnungen für den Zeitraum vom 1. Januar 2013 bis zum 31. Dezember 2013 und den Zeitraum vom 1. Januar 2014 bis zum 30. Juni 2014 wurden unter der Annahme erstellt, dass die Akquistionen des Sparrow-Portfolios und des Berlinovo-Portfolios zusammen mit der Sparrow-Refinanzierung, dem Berlinovo-Kredit sowie den Nettozuflüssen aus der Kapitalerhöhung bereits zum 1. Januar 2013 erfolgten.

Hinsichtlich der Pro-Forma-Konzernbilanz zum 30. Juni 2014 wurde die Annahme getroffen, dass die Akquistionen des Sparrow-Portfolios und des Berlinovo-Portfolios zusammen mit der Sparrow-Refinanzierung, dem Berlinovo-Kredit sowie den Nettozuflüssen aus der Kapitalerhöhung zum 30. Juni 2014 erfolgten. Weiterhin wurde angenommen, dass WESTGRUND 1.269 Wohn- und Gewerbeeinheiten des Berlinovo-Portfolios bis zum 30. Juni 2015 weiterveräußert und daher wurde dieser Teil des Berlinovo-Portfolios in der Pro-Forma-Konzernbilanz zum 30. Juni 2014 als ‚Zur Veräußerung vorgesehene Vermögenswerte' ausgewiesen.

Die historischen Finanzinformationen des Sparrow-Portfolios und Berlinovo-Portfolios wurden wie folgt an die von der WESTGRUND angewandten Bilanzierungsgrundsätze angepasst:

- Die erworbenen und als Finanzinvestitionen gehaltenen Immobilien wurden mit dem Zeitwert gemäß IAS 40 bewertet.

- Effekte aus Rückstellungen für unterlassene Instandhaltungen wurden eliminiert.
- Da das Sparrow-Portfolio und das Berlinovo-Portfolio keine steuerlichen Subjekte sind, enthalten die historischen Finanzinformationen keine Steuern vom Einkommen und Ertrag. Daher wurden auf Basis der Ergebnisse der historischen Finanzinformationen der beiden Portfolien Ertragsteuern auf Basis eines Körperschaftsteuersatzes von 15,83% berechnet. Es wurde angenommen, dass bei den Portfolien keine Gewerbesteuer anfällt.

Da die Akquisitionen des Sparrow-Portfolios und des Berlinovo-Portfolios im Rahmen von Asset-Deals erfolgten, enthalten die historischen Finanzinformationen bezogen auf die Pro-Forma-Konzernbilanz lediglich die Anschaffungskosten der Portfolien, die Effekte aus der Bewertung der erworbenen und als Finanzinvestitionen gehaltenen Immobilien zum Zeitwert gemäß IAS 40 und latente Steuerverbindlichkeiten im Zusammenhang mit der Bewertung der erworbenen und als Finanzinvestitionen gehaltenen Immobilien zum Zeitwert.

Die Pro-Forma Anpassungen bilden die Effekte aus der Sparrow-Refinanzierung, des Berlinovo-Kredits sowie der Kapitalerhöhung auf die Pro-Forma-Konzerngewinn- und Verlustrechnungen für den Zeitraum vom 1. Januar 2013 bis zum 31. Dezember 2013 und den Zeitraum vom 1. Januar 2014 bis zum 30. Juni 2014 sowie auf Pro-Forma-Konzernbilanz zum 30. Juni 2014 ab. Zinserträge auf die nicht eingesetzte Liquidität aus den angenommenen Finanzierungen wurden nicht berücksichtigt.

Die Pro-Forma-Konzernfinanzinformationen wurden ausschließlich zu illustrativen Zwecken erstellt. Da die Pro-Forma-Konzernfinanzinformationen aufgrund ihrer Wesensart lediglich eine hypothetische Situation beschreiben und auf Annahmen und Unsicherheiten basieren, spiegeln sie folglich weder die tatsächliche Vermögens-, Finanz- und Ertragslage der WESTGRUND-Gruppe zu einem Zeitpunkt in der Vergangenheit wider, noch prognostizieren sie die zukünftige Entwicklung der Vermögens-, Finanz- und Ertragslage der WESTGRUND-Gruppe. Die Pro-Forma-Konzernfinanzinformationen sind nur in Verbindung mit dem historischen Konzernabschluss der WESTGRUND AG für das zum 31. Dezember 2013 endende Geschäftsjahr und dem verkürzten Konzernzwischenabschluss der WESTGRUND AG für den zum 30. Juni 2014 endenden Sechsmonatszeitraum aussagekräftig.

Die Pro-Forma-Konzernfinanzinformationen wurden in Übereinstimmung mit dem vom Institut der Wirtschaftsprüfer (IDW) herausgegebenen IDW Rechnungslegungshinweis: *Erstellung von Pro-Forma-Finanzinformationen* (IDW RH HFA 1.004) erstellt.

Zur Verbesserung der Lesbarkeit werden die Zahlen in den nachfolgenden Übersichten in Tausend Euro (TEUR) angegeben. Alle in diesem Abschnitt dargestellten Zahlen sind gerundet, wodurch Rundungsdifferenzen bei den entsprechenden Gesamtbeträgen entstehen können.

Die folgenden ausgewählten, wesentlichen Pro-Forma-Konzernfinanzinformationen ohne Pro-Forma-Erläuterungen basieren auf den Pro-Forma-Konzernfinanzinformationen der WESTGRUND für das zum 31. Dezember 2013 endende Geschäftsjahr und den zum 30. Juni endenden Sechsmonatszeitraum.

Verkürzte Pro-Forma-Konzerngewinn- und Verlustrechnung für den Zeitraum vom 1. Januar 2013 bis zum 31. Dezember 2013

	Historische Finanzinformationen					
	WEST-GRUND Gruppe	**Berlinovo-Portfolio**	**Sparrow-Portfolio**	**Gesamt**	**Pro-Forma Anpas-sung**	**Pro-Forma-Konzern-gewinn- und Verlust-rech-nung**
	1. Jan. – 31. Dez. 2013	**1. Jan. – 31. Dez. 2013**	**1. Jan. – 31. Dez. 2013**	**1. Jan. – 31. Dez. 2013**		**1. Jan. – 31. Dez. 2013**
	in TEUR					
Umsatzerlöse	18.193	39.646	4.673	62.512	0	62.512
Veränderung des Bestandes an noch nicht abgerechneten und unfertigen Leistungen	3.391	18.614	2.144	24.149	0	24.150
Ergebnis aus der Bewertung als Finanzinvestition gehaltener Immobilien	20.213	66.320	4.430	90.964	0	90.964
Sonstige betriebliche Erträge	434	733	0	1.167	0	1.167
Materialaufwand	(12.331)	(40.347)	(3.984)	(56.661)	0	(56.661)
Ergebnis aus dem Verkauf von als Finanzinvestition gehaltenen Immobilien	52	0	0	52	0	52
Personalaufwand	(1.314)	0	0	(1.314)	0	(1.314)
Abschreibungen	(373)	0	0	(373)	0	(373)
Sonstige betriebliche Aufwendungen	(2.487)	(2.011)	(5)	(4.503)	0	(4.503)
Erträge aus Beteiligungen	7	0	0	7	0	7
Sonstige Zinsen und ähnliche Erträge	24	0	0	24	0	24
Zinsen und ähnliche Aufwendungen	(4.871)	(157)	(1)	(5.029)	(23.172)	(28.201)
Verlustanteile an assoziierten Unternehmen	(125)	0	0	(125)	0	(125)
Erträge aus dem Verkauf von Tochtergesellschaften	460	0	0	460	0	460
Ergebnisse der gewöhnlichen Geschäftstätigkeit	**21.273**	**82.798**	**7.258**	**111.329**	**(23.172)**	**88.157**
Steuern vom Einkommen und Ertrag	(3.403)	(13.107)	(1.149)	(17.659)	3.668	(13.991)
Sonstige Steuern	(1)	0	0	(1)	0	(1)
Konzernergebnis	**17.869**	**69.691**	**6.109**	**93.669**	**(19.504)**	**74.166**
Davon zuzurechnen:						
Anteilseignern des Mutterunternehmens	17.801	69.691	6.109	93.602	(19.504)	74.098
Minderheitsaktionären	68	0	0	68	0	68
Ergebnis je Aktien						
unverwässert (in EUR)	0,77	n/a	n/a	n/a	n/a	1,23
verwässert (in EUR)	0,77	n/a	n/a	n/a	n/a	1,22

Verkürzte Pro-Forma-Konzerngewinn- und Verlustrechnung für den Zeitraum vom 1. Januar 2014 bis zum 30. Juni 2014

	Historische Finanzinformationen					
	WEST-GRUND Gruppe	Berlinovo-Portfolio	Sparrow-Portfolio	Gesamt	Pro-Forma Anpas-sung	Pro-Forma-Konzern-gewinn- und Verlust-rechnung
	1. Jan. – 30. Juni 2014	1. Jan. – 30. Juni 2014	1. Jan. – 30. Juni 2014	1. Jan. – 30. Juni 2014		1. Jan. – 30. Juni 2014
	in TEUR					
Umsatzerlöse	9.358	20.004	2.347	31.709	0	31.709
Veränderung des Bestandes an noch nicht abgerechneten und unfertigen Leistungen	4.197	9.355	1.122	14.674	0	14.674
Ergebnis aus der Bewertung als Finanzinvestition gehaltener Immobilien	8.660	(2.933)	1	5.728	(4.278)	1.450
Sonstige betriebliche Erträge	159	396	0	555	0	555
Materialaufwand	(7.146)	(16.905)	(1.793)	(25.844)	0	(25.844)
Ergebnis aus dem Verkauf von als Finanzinvestition gehaltenen Immobilien	0	0	0	0	0	0
Personalaufwand	(957)	0	0	(957)	0	(957)
Abschreibungen	(48)	0	0	(48)	0	(48)
Sonstige betriebliche Aufwendungen	(1.627)	(1.125)	(2)	(2.754)	0	(2.754)
Erträge aus Beteiligungen	0	0	0	0	0	0
Sonstige Zinsen und ähnliche Erträge	41	0	0	41	0	41
Zinsen und ähnliche Aufwendungen	(4.786)	(157)	0	(4.943)	(7.744)	(12.686)
Verlustanteile an assoziierten Unternehmen	0	0	0	0	0	0
Ergebnis aus der Erstkonsolidierung	101	0	0	101	0	101
Erträge aus dem Verkauf von Tochtergesellschaften	381	0	0	381	0	381
Ergebnisse der gewöhnlichen Geschäftstätigkeit	**8.333**	**8.635**	**1.675**	**18.642**	**(12.022)**	**6.621**
Steuern vom Einkommen und Ertrag	(1.588)	(1.367)	(265)	(3.220)	1.903	(1.317)
Sonstige Steuern	(0)	0	0	(0)	0	(0)
Konzernergebnis	**6.745**	**7.268**	**1.409**	**15.422**	**(10.119)**	**5.304**
Davon zuzurechnen:						
Anteilseignern des Mutterunternehmens	6.584	7.268	1.409	15.261	(10.119)	5.142
Minderheitsaktionären	161	0	0	161	0	161
Ergebnis je Aktien						
unverwässert (in EUR)	0,26	n/a	n/a	n/a	n/a	0,08
verwässert (in EUR)	0,25	n/a	n/a	n/a	n/a	0,08

Verkürzte Pro-Forma-Konzernbilanz zum 30. Juni 2014

	Historische Finanzinformationen					
	WEST-GRUND Gruppe	Berlinovo-Portfolio	Sparrow-Portfolio	Gesamt	Pro-Forma Anpassung	Pro-Forma Konzernbi-lanz
	30. Juni 2014	30. Juni 2014	30. Juni 2014	30. Juni 2014		30. Juni 2014
	in TEUR					
AKTIVA						
Immaterielle Vermögenswerte	0	0	0	0	0	0
Als Finanzinvestitionen gehaltene Immobilien	325.560	471.968	1.973	799.501	355	799.856
Sachanlagen	249	0	0	249	0	249
Finanzanlagen	28	0	0	28	0	28
Sonstige langfristige Vermögenswerte	695	0	0	695	(355)	341
Latente Steuerforderungen	43	0	0	43	0	43

Langfristige Vermögenswerte	**326.575**	**471.968**	**1.973**	**800.516**	**0**	**800.516**
Zum Verkauf bestimmte Grundstücke und andere Vorräte	12.976	0	0	12.976	0	12.976
Forderungen und sonstige Vermögenswerte	1.779	0	0	1.779	0	1.779
Kassenbestand, Guthaben bei Kreditinstituten und kapitalgebenden	12.410	(437.347)	(1.820)	(426.758)	455.580	28.823
Zur Veräußerung vorgesehene Vermögenswerte	0	30.784	0	30.784	0	30.784
Kurzfristige Vermögenswerte	**27.165**	**(406.563)**	**(1.820)**	**(381.218)**	**455.580**	**74.362**
Aktiva	**353.739**	**65.405**	**153**	**419.298**	**455.580**	**874.878**
PASSIVA						
Gezeichnetes Kapital	30.110	0	0	30.110	37.333	67.444
Rücklagen	26.621	0	0	26.621	93.348	119.969
Anteile der Minderheitsgesellschafter	1.007	0	0	1.006	0	1.006
Bilanzgewinn	45.971	53.353	129	99.453	1.719	101.172
Eigenkapital	**103.709**	**53.353**	**129**	**157.191**	**132.400**	**289.591**
Latente Steuerverbindlichkeiten	12.332	10.034	24	22.391	(1.719)	20.672
Pensionsrückstellungen	81	0	0	81	0	81
Verbindlichkeiten gegenüber Kreditinstituten und kapitalgebenden Versicherungen	154.263	0	0	154.263	330.224	484.487
Derivate	2.631	0	0	2.631	0	2.631
Wandelschuldverschreibung	19.240	0	0	19.240	0	19.240
Leasingverbindlichkeiten	4.722	2.018	0	6.740	0	6.740
Langfristige Verbindlichkeiten	**193.269**	**12.052**	**24**	**205.346**	**328.505**	**533.850**
Verbindlichkeiten gegenüber Kreditinstituten und kapitalgebenden Versicherungen	41.092	0	0	41.092	(36.108)	4.984
Erhaltene Anzahlungen	11.787	0	0	11.787	0	11.787
Leasingverbindlichkeiten	12	0	0	12	0	12
Verbindlichkeiten aus Lieferungen und Leistungen	1.295	0	0	1.295	0	1.295
Tatsächliche Steuerverbindlichkeiten	38	0	0	38	0	38
Sonstige Verbindlichkeiten	2.537	0	0	2.537	0	2.537
Verbindlichkeiten in Verbindung mit zur Veräußerung vorgesehenen Vermögenswerten	0	0	0	0	30.784	30.784
Kurzfristige Verbindlichkeiten	**56.761**	**0**	**0**	**56.761**	**(5.324)**	**51.437**
Passiva	**353.739**	**65.405**	**153**	**419.298**	**455.580**	**874.878**

B.9 **Gewinnprognosen oder -schätzung**

Entfällt. Die Gesellschaft hat keine Gewinnprognose oder -schätzung abgegeben.

B.10 **Beschränkungen im Bestätigungsvermerk**

Entfällt. Die dem Prospekt beigefügten historischen Finanzinformationen sind jeweils mit einem uneingeschränkten Bestätigungsvermerk versehen.

B.11 **Erläuterung zum Nichtausreichen des Geschäftskapitals**

Die WESTGRUND-Gruppe verfügt derzeit nicht über ausreichendes Geschäftskapital, um in den nächsten zwölf Monaten sämtlichen fälligen Zahlungsverpflichtungen nachkommen zu können.

Es ist vorgesehen, den Erwerb des Berlinovo-Portfolios sowohl aus dem Erlös dieses Angebots als auch durch ein erstrangig gesichertes Bridge Darlehen der Barclays Bank PLC in Höhe von EUR 331.000.000,00 und mit einer Laufzeit bis zum 9. Juli 2015 zu finanzieren. Falls die Gesellschaft nicht in der Lage ist dieses Darlehen vor oder bis zum Ende der Laufzeit zu refinanzieren, erwartet die WESTGRUND-Gruppe, am 9. Juli 2015 nicht mehr über Geschäftskapital zu verfügen. Darüber hinaus könnte das Bridge Darlehen bereits vorher zur Rückzahlung fällig werden, falls die WESTGRUND oder eine Gesellschaft der WESTGRUND-Gruppe eine vertragliche Zusage oder Vereinbarung, die in dem Darlehensvertrag enthalten sein werden, verletzt oder falls ein Kontrollwechsel bei der WESTGRUND eintreten sollte, wodurch die WESTGRUND-Gruppe bereits früher nicht mehr über ausreichendes Geschäftskapital verfügen würde. Die Deckungslücke beträgt EUR 331.000.000,00.

Zur Behebung der drohenden Deckungslücke beabsichtigt die WESTGRUND das Darlehen zum Zeitpunkt der Fälligkeit oder vorher (i) durch ein Refinanzierungsdarlehen und/oder (ii) durch eine Verbriefungstransaktion abzulösen. Die Gesellschaft hat bereits den Refinanzierungsprozess mit anderen Banken begonnen, der sich zum Datum des Prospekts in einem fortgeschrittenen Stadium befindet. Daher ist die Gesellschaft zuversichtlich, die Zahlungsverpflichtungen aus dem Darlehen befriedigen und die drohende Deckungslücke zumindest vor dem Ende der Laufzeit des Darlehens decken zu können. Die Gesellschaft bindet sich außerdem in enger Abstimmung mit der Barclays Bank bezüglich der Aussichten einer Verbriefungstransaktion, die zum Datum des Prospekts als vorzugswürdig erscheint und wahrscheinlich als eine zusätzliche Alternative zu einer Bankenrefinanzierung weiter geprüft wird.

Abhängig von der Entwicklung des Berlinovo-Portfolios, der WESTGRUND Gruppe, dem Wohnimmobilienmarkt, den allgemeinen Finanzierungsbedingungen, der deutschen Wirtschaft insgesamt und weiteren Faktoren ist es möglich, dass die WESTGRUND nicht vollständig, zum Zeitpunkt der Fälligkeit oder zu angemessenen Bedingungen zur Refinanzierung des Bridge Darlehens zum Zeitpunkt der Fälligkeit des Bridge Darlehens oder zu einem früheren Zeitpunk, falls die Rückzahlung der Darlehenssumme vor dem Ende der Laufzeit aufgrund des Eintritts eines Kündigungsrechts, wie in dem Darlehensvertrag vorgesehen, fällig wird, in der Lage sein wird. Dies könnte erheblich nachteilige Auswirkungen auf die Geschäftstätigkeit, die finanzielle Situation sowie die Erträge der WESTGRUND-Gruppe und damit auch WESTGRUND haben und letztendlich zur Insolvenz der WESTGRUND und Gesellschaften der WESTGRUND-Gruppe führen.

C – Wertpapiere

C.1	**Art und Gattung der Wertpapiere einschließlich Wertpapierkennung**	Gegenstand des Prospektes ist (i) das öffentliche Angebot von 46.666.666 Neuen Aktien (wie unten in Abschnitt E.3 definiert) in Deutschland und in Luxemburg sowie (ii) die Zulassung dieser neuen Aktien und der Aktien des bestehenden Grundkapitals der WEST-

GRUND zum Handel im regulierten Markt der Börse Düsselorf sowie im regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) wie nachfolgend im Einzelnen beschrieben. Die Zulassungsaktien (wie nachfolgend definiert) sind nennwertlose Inhaberstückaktien mit einem rechnerischen Anteil am Grundkapital von EUR 1,00 je Aktie und vollständiger Dividendenberechtigung ab dem 1. Januar 2014.

Zum Zwecke der Zulassung zum Handel im regulierten Markt der Wertpapierbörse Frankfurt (Prime Standard) bezieht sich dieser Prospekt auf bis zu 46.666.666 Neue Aktien und auf alle Aktien des bestehenden Grundkapitals der WESTGRUND, das zum Datum des Prospekts 33.607.451 Aktien umfasst (die Aktien des bestehenden Grundkapitals nachfolgend die „**Altaktien**" und zusammen mit den Neuen Aktien die „**Zulasungsaktien**"). Die Altaktien bestehen (i) aus 29.616.246 Aktien, die unter ISIN DE000A0HN4T3 / WKN A0HN4T verbrieft sind (die „**Zugelassenen Altaktien**") sowie (ii) aus 3.991.205 Aktien, die unter ISIN DE000A11QWT2 / WKN A0QWT verbrieft sind (die „**Nicht-Zugelassenen Altaktien**"). Darüber hinaus, zum Zwecke der Zulassung zum Handel im regulierten Markt der Börse Düsseldorf bezieht sich dieser Prospekt auf bis zu 46.666.666 Neue Aktien und auf die Nicht-Zugelassenen Altaktien.

ISIN/WKN und Börsenkürzel der Zugelassenen Altaktien, die aktuell zum Handel im regulierten Markt der Börse Düsseldorf zugelassen sind, lauten und der Neuen Aktien werden wie folgt lauten:

International Securities Identification Number (ISIN):	DE000A0HN4 T3
Wertpapier-Kenn-Nummer (WKN):	A0HN4T
Börsenkürzel:	WEG1

Darüber hinaus sind die Nicht-Zugelassenen Altaktien, die im Rahmen von zwei Kapitalerhöhungen gegen Sacheinlagen und einer Kapitalerhöhung aus Gesellschaftsmiteln ausgegeben wurden, unter der folgenden ISIN/WKN registriert, da diese Aktien noch nicht zum Handel zugelassen sind:

International Securities Identification Number (ISIN):	DE000A11QW T2

		Wertpapier-Kenn-Nummer (WKN): A11QWT Nach der Zulassung der Neuen Aktien und sämtlicher Altaktien zum Handel im regulierten Markt der Börse Düsseldorf und der Frankfurter Wertpapierbörse (Prime Standard) werden alle WESTGRUND Aktien unter der ISIN DE000A0HN4T3 und WKN A0HN4T registriert sein und unter dem Börsenkürzel WEG1 gehandelt.
C.2	**Währung der Wertpapieremission**	Die Wertpapieremission erfolgt in Euro.
C.3	**Zahl und Nennwert der ausgegebenen Aktien**	Das Grundkapital der Gesellschaft beträgt zum Datum des Prospekts EUR 33.607.451,00. Zu diesem Datum sind 33.607.451 nennwertlose, auf den Inhaber lautende Stückaktien mit einem anteiligen Betrag am Grundkapital von EUR 1,00 je Aktie ausgegeben. Sämtliche Aktien der Gesellschaft sind voll eingezahlt.
C.4	**Mit den Wertpapieren verbundene Rechte**	Jede Zulassungsaktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Die Zulassungsaktien sind ab dem 1. Januar 2014 vollständig dividendenberechtigt.
C.5	**Beschränkung der freien Übertragbarkeit**	Entfällt. Die Zulassungsaktien unterliegen keinen Verboten oder Beschränkungen bezüglich ihrer Übertragbarkeit und sie sind frei übertragbar.
C.6	**Zulassung zum Handel**	Die Zugelassenen Altaktien sind zum Handel im regulierten Markt der Börse Düsseldorf zugelassen. Die Zulassung der Neuen Aktien (wie nachfolgend in Abschnitt E.3 definiert) zum regulierten Markt der Börse Düsseldorf und der Frankfurter Wertpapierbörse (Prime Standard) soll in Bezug auf die Vorabplatzierungs-Aktien (wie nachfolgend in Abschnitt E.3 definiert) am 11. September 2014 und in Bezug auf die verbleibenden Neuen Aktien am 26. September 2014 erfolgen. Die Zulassung der Zugelassenen Altaktien zum regulierten Markt der Frankfurter Wertpapierbörse (Prime Standard) soll am 11. September 2014 erfolgen. Die Zulassung der Nicht-Zugelassenen Altaktien zum Handel im regulierten Markt der Börse Düsseldorf und der Frankfurter Wertpapierbörse (Prime Standard) soll am 11. September 2014 erfolgen.
C.7	**Dividendenpolitik**	Die Gesellschaft hat in der Vergangenheit keine Dividenden ausgeschüttet. Die Ausschüttung oder Nichtausschüttung von Dividenden in den Vorjahren geben jedoch keinen Hinweis auf den Betrag von zukünftigen Dividenden der Gesellschaft. Auf der Grundlage des jüngs-

ten Erwerbs von ca. 13.300 Wohneinheiten hat die Gesellschaft die Grundlage geschaffen, mittelfristig in der Lage zu sein, Dividenden auszuschütten. Da die Gesellschaft ihrerseits fast gar kein operatives Geschäft betreibt, hängt ihre Fähigkeit Dividenden auszuschütten von den Erträgen ihrer Tochtergesellschaften und deren Ausschüttung an die WESTGRUND ab.

D – Risiken

D.1 Risiken der Emittentin und ihrer Branche

Der Erwerb von Aktien der Gesellschaft ist mit Risiken verbunden. Daher sollten Investoren bei der Entscheidung über eine Investition in Aktien der Gesellschaft die nachfolgend beschriebenen Risiken und die sonstigen in diesem Prospekt enthaltenen Informationen sorgfältig prüfen. Der Marktpreis der Aktien der Gesellschaft könnte bei der Verwirklichung jedes einzelnen dieser Risiken fallen; in diesem Fall könnten die Anleger ihre Investition ganz oder teilweise verlieren. Die folgenden Risiken könnten allein oder zusammen mit weiteren Risiken und Unwägbarkeiten, die der Gesellschaft derzeit nicht bekannt sind oder die sie derzeit als unwesentlich erachtet, die Geschäfts-, Vermögens-, Finanz- und Ertragslage der WESTGRUND erheblich negativ beeinträchtigen.

Die Reihenfolge, in der die Risikofaktoren dargestellt sind, stellt weder eine Aussage über die Eintrittswahrscheinlichkeiten noch über die Bedeutung und Höhe der Risiken oder das Ausmaß der möglichen Beeinträchtigung der Geschäfts-, Vermögens-, Finanz- oder Ertragslage der WESTGRUND dar. Die hier genannten Risiken können sich einzeln oder kumulativ verwirklichen.

Marktbezogene Risiken

- Der Erfolg der Gesellschaft ist von der Entwicklung der makroökonomischen Entwicklung und des deutschen Immobilienmarktes, insbesondere des für die WESTGRUND-Gruppe unkontrollierbaren Mietniveaus in Deutschland und anderen unvorhersehbaren Entwicklungen abhängig.
- Gegenden, in denen die WESTGRUND-Gruppe investiert hat, könnten ihre Attraktivität verlieren oder einen wirtschaftlichen Niedergang erleiden, wodurch sich nachteilige Auswirkungen für die Investments der WESTGRUND-Gruppe ergeben würden, insbesondere im Hinblick auf die anwendbaren Bewertungen, und die Mieteinnahmen der WESTGRUND-Gruppe würden beeinträchtigt.
- Ein Anstieg der Zinssätze könnte den Immobilienmarkt, die Finanzierungskosten und die Möglichkeiten der WEST-

GRUND-Gruppe negativ beeinflussen und somit erhebliche nachteilige Auswirkungen auf das Geschäftskonzept und die Wachstumsstrategie der Gesellschaft haben.

- Die Möglichkeiten der WESTGRUND-Gruppe, Mieten eigenmächtig zu erhöhen, sind durch die Gesetze der Bundesrepublik Deutschland beschränkt.
- Die erwartete negative demografische Entwicklung könnte zu einer Abnahme der Nachfrage nach Wohnimmobilien führen.
- Eine verschlechterte Verfügbarkeit von Immobilien auf dem deutschen Immobilienmarkt, die für das Geschäftsmodell des Erwerbs von Portfolien mit Bausubstanz, die Rentabilität von Immobilien und weitere werterzeugende Faktoren zu zufriedenstellenden Bedingungen geeignet sind, könnten das zukünftige Wachstum der Gesellschaft beeinträchtigen.
- WESTGRUND ist einem verstärkten Wettbewerb ausgesetzt and könnte nicht in der Lage sein, sich im Hinblick auf den Erwerb und den Verkauf ihrer Immobilienobjekte gegen Wettbewerber durchzusetzen
- Die Gesellschaften der WESTGRUND-Gruppe könnten von den Bestimmungen des Kapitalanlagegesetzbuches (KAGB) betroffen sein und somit verpflichtet werden, eine externe Managementgesellschaft einzusetzen oder sich in eine intern verwaltete Vermögensverwaltungsgesellschaft zu wandeln, was eine Zulassung der Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) erforderlich machen würde und die dauerhafte Erfüllung spezifischer organisatorischer Auflagen.
- Aufrgund von Altlasten einschließlich Kriegslasten, Bodenbeschaffenheit und Schadstoffen in Immobilien oder Baumaterialien sowie Verstößen gegen bauliche Anforderungen oder gegen Vorschriften der Bausicherheit könnte die WESTGRUND-Gruppe Klagen und Forderungen von Regierungsbehörden, Käufern, Mietern/Nutzern oder Dritten ausgesetzt sein.
- Die Fähigkeit der WESTGRUND-Gruppe einseitig Mieten zu erhöhen und die Mieter für ihre Wohneinheiten nach eigenem Ermessen auszuwählen, unterliegt Einschränkungen aufgrund staatlicher Fördermittel für einzelne Wohnimmobilien.

Unternehmensbezogene Risiken

- Die von der Emittentin erworbenen Immobilien könnten durch falsche Preisfestsetzung im Hinblick auf die vebundenen Kosten und den Wert, insbesondere durch falsche Schätzungen bezüglich der Attraktivität der Lage und anderer entscheidender Faktoren, zu einem geringeren Yield Value führen, was wiederum zu einem Wertverlust des Immobilienportfolios führen kann.

- Die in diesem Prospekt enthaltenen Wertgutachten und/oder andere gegenwärtige oder zukünftige Finanzinformationen, z.B. die Pro-Forma-Finanzinformationen in diesem Prospekt, könnten den Wert der Immobilien der WESTGRUND-Gruppe falsch bemessen.
- Die Integration von Immobilien und/oder erworbenen oder zukünftig zu erwerbenden Immobilienportfolios, insbesondere notwendige Anpassungen und Ausweitungen der Gesellschaftsstrukturen, könnte nicht erfolgreich sein, fehlschlagen oder sich als teurer erweisen als erwartet.
- Unbezahlte Mieten oder Mietsenkungen durch mehrere Mieter sowie wechselnde Mieterstrukturen, deren Wohnungen überdurchschnittliche Umbau- oder Restaurationsmaßnahmen erfordern, könnten zu zwischenzeitlichen Verlusten führen und/oder erhebliche Mehrkosten verursachen.
- Risiko durch Störungen oder Schäden im IT-System der WESTGRUND-Gruppe.
- Erforderliche Genehmigungen für Modernisierungen oder Sanierungen könnten nicht, nicht rechtzeitig oder nur unter Auflagen/Nebenbedingungen erteilt werden und somit einen Kostenanstieg, Verzögerungen oder die Stornierung von Projekten verursachen.
- Von Umbau oder Modernisierung betroffene Immobilien könnten nicht innerhalb des vorgegebenen Zeitrahmens oder zu angemessenen Bedingungen vollständig vermietbar oder anderweitig vermarktbar sein.
- Die internen Organisationsstrukturen der Gesellschaft, insbesondere das Risikomanagement, könnten sich möglicherweise als nicht erfolgreich oder nicht effektiv darin erweisen, unerwünschte Entwicklungen, Risiken und Verschlechterungen oder bereits begangene Rechtsverletzungen zeitlich angemessen zu identifizieren oder zu vermeiden.
- Aus dem Erwerb von Immobilien besteht für die WESTGRUND-Gruppe ein Risiko zur Zahlung von Schadensersatz und Vertragsstrafen.
- Die WESTGRUND-Gruppe könnte Gewährleistungspflichten aus Vermietungen, Verkäufen oder dem Neubau von Immobilien nachkommen müssen, zudem könnten unerwartete Instandhaltungs- oder Reparaturkosten entstehen.

- Risiko, dass bei einer Vielzahl von Mietverträgen aufgrund der Unangemessenheit oder Unwirksamkeit von Klauseln bei Verwendung standardisierter Verträge Forderungsansprüche gegen die WESTGRUND-Gruppe bestehen sowie dass auf Seiten der WESTGRUND Gruppe Forderungsausfälle oder gesteigerte Ausgaben bestehen.
- Risiko, dass die WESTGRUND-Gruppe erhebliche Verluste durch Schäden erleidet, die nicht oder nicht vollständig durch die Deckungsgrenzen der Versicherungspolicen gedeckt sind.
- WESTGRUND ist die die Muttergesellschaft von zahlreichen Tochtergesellschaften und ist daher in einem erheblichen Umfang von den Gewinnausschüttungen ihrer Tochtergesellschaften sowie von Zahlungen aus ihr gewährten Gesellschafterdarlehen der Tochtergesellschaften und den Zinsen hieraus abhängig.
- WESTGRUND hat mit einem verbundenen Unternehmen einen Gewinnabführungsvertrag abgeschlossen, aus dem sich eine gesonderte Verlustübernahme ergeben kann.
- Die WESTGRUND-Gruppe ist von der Leistung und den Fähigkeiten von Führungskräften und Mitarbeitern in Schlüsselpositionen und der Fähigkeit, qualifiziertes internes und externes Personal zu binden, abhängig.
- Hersteller von Fertigimmobilien tragen das spezifische Risiko von ungeplanten Ausgaben für den Erhalt und die Modernisierung solcher Fertigimmobilien, je nach Qualität und Langlebigkeit des jeweiligen Produktes.

Risiken bezüglich des Erwerbs des Berlinovo-Portfolios

- Notwendige Zustimmungen Dritter könnten nicht oder nicht rechtzeitig eingeholt werden oder Vorkaufsrechte könnten ausgeübt werden und somit könnte der Erwerb des Berlinovo-Portfolios nicht oder nicht vollständig vollzogen werden.
- WESTGRUND könnte nicht in der Lage sein, die jeweiligen Kaufpreise zu begleichen.
- WESTGRUND könnte Schwierigkeiten bei der rechtzeitigen oder ausreichenden Refinanzierung bzw. der Refinanzierung der Brückenfinanzierung haben und somit die Refinanzierung des Berlinovo-Portfolios nicht sichern können.
- Die WESTGRUND-Gruppe ist Vertragsstrafenrisiken und Risiken von Schadensersatzforderungen ausgesetzt, die sich aus dem Risiko des Rücktritts des Verkäufers vom Kaufvertrag des Berlinovo-Portfolios ergeben könnten.
- Der Wert der Immobilien des Berlinovo-Portfolios könnte

fehlerhaft festgelegt werden, insbesondere könnte der Wert niedriger sein als die vereinbarten Einzelkaufpreise.

- Sachliche oder rechtliche Mängel könnten von den Zusicherungen der Verkäufer nicht gedeckt sein, oder aus ihnen resultierende Forderungen könnten auf Grund von Verjährungsfristen nicht mehr geltend gemacht werden und somit zu Verlusten und/oder erheblichen Mehrkosten führen.
- Sicherheiten könnten den erwerbenden Gesellschaften der WESTGRUND-Gruppe nicht übergeben werden und somit könnte es den betreffenden Gesellschaften nicht gelingen, die ausstehenden Sicherheiten von den betreffenden Mietern einzuholen.
- Der Gebäudemanagementvertrag bezüglich der Immobilien in Brandenburg könnte wegen Verstoßes gegen europäisches Beihilferecht ungültig sein, so dass der Vertrag über die Erbbaurechte rückabgewickelt werden muss und gewährte Beihilfen zurückzuzahlen sind.
- Die WESTGRUND-Gruppe könnte am 9. Juli 2015 oder früher nicht mehr über Geschäftskapital verfügen, falls die Gesellschaft nicht in der Lage ist, rechtzeitig die notwendigen zusätzlichen Finanzmittel zu erlangen, wodurch die WESTGRUND und Gesellschaften der WESTGRUND-Gruppe insolvent werden könnten.

Steuerliche Risiken

- Die Geschäftstätigkeit der WESTGRUND findet im Allgemeinen rechtlichen und steuerlichen Rahmen der Bundesrepublik Deutschland statt.
- Die WESTGRUND könnte dazu verpflichtet werden, Steuernachzahlungen nach Steuerprüfungen der WESTGRUND und Tochtergesellschaften der WESTGRUND zu leisten.
- Die WESTGRUND könnte nicht berechtigt sein, ihre Zinsaufwendungen steuerlich abzusetzen, was zu einer höheren Steuerbelastung führen könnte.
- Auf Ebene der WESTGRUND und der WESTGRUND-Gruppe könnte es zu einer höheren Gewerbesteuerbelastung bei Wegfall der sog. erweiterten Kürzung kommen.
- Die Beträge bezüglich Zinsvorträgen und steuerlichen Verlustvorträgen sind Unsicherheiten unterworfen.
- WESTGRUND hat einen Gewinnabführungsvertrag abgeschlossen, der steuerlich nicht berücksichtigt werden könnte.
- Die Anwendung von § 3a des Grunderwerbsteuergesetzes (GrEStG) und die direkte und indirekte Übertragung von

		95 % der Aktien der WESTGRUND innerhalb eines Zeitraums von fünf Jahren würde Grunderwerbsteuer auslösen.
D.3	**Risiken im Zusammenhang mit den Wertpapieren**	Nachfolgend sind die zentralen Risiken, die den Wertpapieren zu eigen sind, zusammengefasst: • Die Liquidität des Handels mit Aktien der Gesellschaft könnte nicht steigen und/oder nicht aufrechterhalten werden oder sogar abnehmen. • Schwankungen in den gegenwärtigen oder zukünftigen Leistungen der Gesellschaft oder ihrer Wettbewerber, Schwankungen der Erträge oder das Scheitern, die Einkommenserwartungen zu erfüllen oder andere signifikante Änderungen oder Faktoren könnten zu Schwankungen des Aktienpreises führen. • Wecken & Cie., Basel, könnte einen beherrschenden Einfluss auf entscheidende Beschlüsse der Gesellschaft ausüben. • Einzelne Mehrheitsaktionäre und/oder eine große Anzahl von Aktionären könnte eine erhebliche Anzahl Aktien verkaufen und so den Wert der Aktie der Gesellschaft beeinflussen. • Zukünftige Kapitalerhöhungen könnten zu einer erheblichen Verwässerung, d.h. einer Wertminderung der bereits bestehenden Aktien der Gesellschaft und den mit ihnen verbundenen Stimmrechten führen. • Der Aktienanteil der Aktionäre an der Gesellschaft, die nicht an diesem Angebot teilnehmen, wird erheblich verwässert. • Der Volumen-Übernahmevertrag zwischen der Gesellschaft, den Joint Global Coordinators könnte beendet werden, wodurch die Bezugsrechte der Aktionäre entfallen könnten. • Die Notierung der WESTGRUND-Aktien könnte vom regulierten Markt in den Freiverkehr der jeweiligen Börse geändert werden oder die Börsennotierung könnte ganz beendet werden, wodurch der Aktienkurs und die Liquidität der Aktien sowie die Möglichkeiten von Investoren, Aktien zu verkaufen, erheblich nachteilig beeinflusst werden könnte.
E – Angebot		
E.1	**Gesamtnettoerlöse und geschätzte Gesamtkosten der Emission/des Angebots**	Unter der Annahme, dass ein Bruttoemissionserlös von EUR 140.000.000,00 erzielt werden kann, schätzt die Gesellschaft, dass die gesamten Emissionskosten (inklusive Bankgebühren und Provisionen), ungefähr EUR 9.300.000,00 betragen. Auf der Grundlage der vorstehenden Annahmen, erwartet die Gesellschaft einen Ge-

		samtnettoerlös von ungefähr EUR 130.700.000,00.
	Geschätzte Kosten, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden	Entfällt. Dem Anleger werden von der Emittentin oder dem Anbieter (d.h. von der Emittentin und den Joint Global Coordinators) keine Kosten in Rechnung gestellt.
E.2a	**Gründe für das Angebot, Zweckbestimmung der Erlöse, geschätzte Nettoerlöse**	Im Rahmen des Angebots erhält die Gesellschaft einen Gesamtnettoerlös, der dem aus der Platzierung der Neuen Aktien (wie unten in Abschnitt E.3 definiert) resultierenden Bruttoerlös, abzüglich der gesamten emissionsbezogenen Kosten, die von der Gesellschaft zu tragen sind, entspricht. Unter der Annahme, dass ein Bruttoemissionserlös von EUR 140.000.000,00 erzielt werden kann, schätzt die Gesellschaft, dass die gesamten Emissionskosten (inklusive Bankgebühren und Provisionen), ungefähr EUR 9.300.000,00 betragen. Auf der Grundlage der vorstehenden Annahmen, erwartet die Gesellschaft einen Gesamtnettoerlös von ungefähr EUR 130.700.000,00. Der Gesamtnettoerlös wird für die Darstellung des Eigenkapitalanteils bei der Finanzierung des Erwerbs des Berlinovo-Portfolios verwendet. Der kumulierte Gesamtkaufpreis in Höhe von EUR 416.500.000,00 wird durch einen vorrangig besicherten Kredit der Barclays Bank PLC in Höhe von bis zu EUR 331.000.000,00 gezahlt. Daher geht die Gesellschaft davonaus, dass ein Eigenkapitalanteil von EUR 110.000.000,00, bestehend aus EUR 85.000.000,00 Restkaufpreis und EUR 25.000.000,00 Nebenkosten, notwendig ist. Bei Platzierung der maximalen Anzahl der Neuen Aktien deckt der Gesamtnettoerlös den Eigenkapitalanteil für die Finanzierung des Erwerbs nicht nur, sondern übersteigt ihn sogar. Falls weniger Aktien zum Mittelwert oder am oberen Ende der Bezugspreisspanne platziert werden, deckt der jeweils erwartete Gesamtnettoerlös ebenfalls den notwendigen Eigenkapitalanteil. Durch die Back-Stop-Verpflichtung (wie in Abschnitt E.3 definiert) und zusammen mit den weiteren Festbezugserklärungen (wie in Abschnitt E.3 erläutert) erwartet die Gesellschaft, den angestrebten Bruttoemissionserlös in Höhe von EUR 140.000.000,00 zu erzielen, so dass sichergestellt ist, dass der für den Erwerb des Berlinovo-Portfolios notwendige Eigenkapitalanteil in Höhe von EUR 110.000.000,00 durch das Angebot erzielt wird. Der übrige Betrag des Gesamtnettoerlöses soll für die Finanzierung von ins Auge gefassten Immobilienportfolien verwendet werden. Zurzeit hat der Vorstand noch keinen Erwerb weiterer Immobilien be-

schlossen, prüft und plant jedoch den Erwerb von weiteren Immobilienportfolien.

E.3	**Beschreibung der Angebotskonditionen**	**Gegenstand des Angebotes** Gegenstand des Angebots sind 46.666.666[4] neue nennwertlose Inhaberstückaktien mit einem rechnerischen Anteil am Grundkapital von EUR 1,00 und voller Dividendenberechtigung ab 1. Januar 2014 (zuvor und nachfolgend die „**Neuen Aktien**"), bestehend aus: • 33.333.333[5] Neuen Aktien aus der von der Hauptversammlung am 13. Juni 2014 beschlossenen Kapitalerhöhung gegen Bareinlagen (die „**Ordentliche Kapitalerhöhung**") und • 13.333.333[6] Neuen Aktien aus einer Kapitalerhöhung aus dem Genehmigten Kapital 2014/I. (beide Kapitalerhöhungen zusammen die „**Kapitalerhöhung**") Das Angebot besteht aus einem öffentlichen Angebot der Neuen Aktien in Deutschland und in Luxemburg und Privatplatzierungen bei ausgewählten Investoren in Deutschland und anderen Rechtsordnungen außerhalb Deutschlands (mit Ausnahme der Vereinigten Staaten von Amerika sowie von Kanada, Japan und Australien) gemäß den Ausnahmeregelungen der Regulation S zum U.S. Securities Act von 1933 („**U.S. Securities Act**") mindestens zum Bezugspreis. Die Ausgabe der Neuen Aktien erfolgt nach deutschem Recht und in Euro. **Vorabplatzierung** Wecken & Cie., Basel, Schweiz und weitere Aktionäre haben Bezugsrechte, die ein Platzierungsvolumen von mindestens EUR 60.000.000,00 darstellen, an die Baader Bank, handelnd im Namen der Joint Global Coordinators, zum Zweck einer Vorabplatzie-

[4] Die tatsächliche Anzahl der Neuen Aktien wird auf der Grundlage eines angestrebten Bruttoemissionserlöses von EUR 140.000.000,00, geteilt durch den tatsächlichen Bezugspreis berechnet. Der tatsächliche Bezugspreis wird durch ein Bookbuilding-Verfahren ermittelt, das im Wege eine Vorabplatzierung mit einem Teil der Neuen Aktien vor dem Beginn der Bezugsfrist zu einer Preisspanne zwischen EUR 3,00 und EUR 4,00 pro Neue Aktie durchgeführt wird. Am unteren Ende der Bezugspreisspanne wird die Anzahl der Neuen Aktien 46.666.666 betragen (40.000.000 Neue Aktien beim Mittelwert bzw. 35.000.000 Neue Aktien am oberen Ende der Bezguspreisspanne). Der tatsächliche Bezugspreis und die daraus resultierende Anzahl von Neuen Aktien werden im Wege einer Ad-hoc-Mitteilung über verschiedene Medien im gesamten Europäischen Wirtschaftsraum verbreitet („*Medienbündel*") und auf der Internetseite der Gesellschaft (www.westgrund.de/investor-relations/aktie/wertpapierprospekt/) vor dem Beginn der Bezugsfrist, voraussichtlich am 10. September 2014, veröffentlicht. Des Weiteren werden der tatsächliche Bezugspreis und die tatsächliche Anzahl der Neuen Aktien in dem Bezugsangebot enthalten sein, das voraussichtlich am 10. September 2014 im Bundesanzeiger veröffentlicht wird.

[5] Am unteren Ende der Bezugspreisspanne; 28.571.428 Neue Aktien beim Mittelwert bzw. 25.000.000 Neue Aktien am oberen Ende der Bezugsspreisspanne.

[6] Am unteren Ende der Bezugspreisspanne; 11.428.572 Neue Aktien beim Mittelwert bzw. 10.000.000 Neue Aktien am oberen Ende der Bezugsspreisspanne.

rung und eines Bookbuilding-Verfahrens abgetreten (die aus diesen abgetretenen Bezugsrechten resultierenden Neuen Aktien nachfolgend die „**Vorabplatzierungs-Aktien**"). Vor Beginn der Bezugsfrist werden die Joint Global Coordinators die Vorabplatzierungs-Aktien nach besten Kräften in Deutschland und in Rechtsordnungen außerhalb Deutschlands (mit Ausnahme der Vereinigten Staaten von Amerika sowie von Kanada, Japan und Australien) nach Maßgabe der Regulation S des U.S. Securities Act an ausgewählte Investoren zum Erwerb im Rahmen einer Privatplatzierung und eines Bookbuilding-Verfahrens anbieten (die „**Vorabplatzierung**"). Im Rahmen der Vorabplatzierung werden die Joint Global Coordinators nach Abstimmung mit der Gesellschaft über die Zuteilung der Vorabplatzierungs-Aktien an die Investoren entscheiden. Die Joint Global Coordinators werden die von Wecken & Cie. und weiteren Aktionären übertragenden Bezugsrechte nicht ausüben. Diese Bezugsrechte verfallen und werden ohne Wert ausgebucht.

Preisspanne und Bezugspreis

Die Vorabplatzierungs-Aktien werden im Rahmen des Bookbuilding-Verfahrens mit einer Preisspanne von EUR 3,00 bis EUR 4,00 je Neue Aktie angeboten, die von den Joint Global Coordinators im Einvernehmen mit der Gesellschaft festgelegt wurde. Der Bezugspreis für die Neuen Aktien soll von den Joint Global Coordinators und der Gesellschaft durch einen Preisfestsetzungsvertrag, der zwischen der Gesellschaft und den Joint Global Coordinators abgeschlossen wird - voraussichtlich am 10. September 2014 -, gemäß dem Ergebnis des Bookbuilding-Verfahrens festgelegt werden (der „**Bezugspreis**"). Sollte ein solches Einvernehmen nicht erzielt werden können, entspricht der Bezugspreis dem unteren Ende der Bezugspreisspanne wie in dem Übernahmevertrag vereinbart. Der Bezugspreis und die daraus resultierende Anzahl von Neuen Aktien wird im Wege einer Ad-hoc-Mitteilung über verschiedene Medien zur Verbreitung im gesamten Europäischen Wirtschaftsraum („Medienbündel") und auf der Internetseite der Gesellschaft (www.westgrund.de/investor-relations/aktie/wertpapierprospekt/) vor dem Beginn des Bezugsfrist, vermutlich am 10. September 2014, veröffentlicht. Des Weiteren werden der tatsächliche Bezugspreis und die tatsächliche Anzahl der Neuen Aktien in dem Bezugsangebot enthalten sein, das voraussichtlich am 10. September 2014 im Bundesanzeiger veröffentlicht wird.

Direktbezug
Gemäß dem Übernahmevertrag dürfen die Joint Global Coordinators die Wecken & Cie. auffordern, sämtlich Bezugsrechte, bezüglich derer sich Wecken & Cie. vor Unterzeichnung des Übernahmevertrag verpflichtet hat, direkt gegenüber der Gesellschaft ausüben und diese Neuen Aktien direkt zu zeichnen (die „**Direktbezugsaktien**").

Bezugsangebot
Die Neuen Aktien abzüglich der Vorabplatzierungs-Aktien und abzüglich der Direktbezugsaktien (die Aktien aus dieser Differenz nachfolgend die „**Bezugsaktien**"), werden den Aktionären der Gesellschaft (die „**Aktionäre**") nach den Regelungen des Übernahmevertrags vom 9. September 2014 von den Joint Global Coordinators mittelbar zum Bezug angeboten (das „**Bezugsangebot**"). Die Bezugsaktien werden zum Bezugspreis angeboten. Die Durchführung des Angebots hängt u.a. von der Eintragung der Durchführung der gesamten Kapitalerhöhung in das Handelsregister des Amtsgerichts Berlin Charlottenburg ab.

Der Gesellschaft behält sich das Recht vor, das Bezugsangebot zurückzunehmen, insbesondere im Fall einer Verschlechterung der Marktbedingungen.

Bezugsfrist
Die Aktionäre sind gebeten, ihr Bezugsrecht auf die Neuen Aktien während der Frist vom 11. September 2014 bis einschließlich 24. September 2014 über ihre Depotbank bei der Bezugsstelle (der Baader Bank) während der üblichen Geschäftszeiten auszuüben. Nicht fristgemäß ausgeübte Bezugsrechte verfallen und werden nach Ablauf der Bezugsfrist wertlos ausgebucht. Ein Ausgleich für nicht ausgeübte Bezugsrechte erfolgt nicht.

Weitere Privatplatzierung
Nach Ablauf der Bezugsfrist werden die Joint Global Coordinators alle Neuen Aktien, die nicht im Rahmen der Vorabplatzierung platziert und nicht direkt gegenüber der Gesellschaft oder im Rahmen des Bezugsangebots gezeichnet wurden, ausgewählten Investoren in Deutschland und anderen Rechtsordnungen außerhalb Deutschlands (mit Ausnahme der Vereinigten Staaten von Amerika sowie von Ka-

nada, Japan und Australien) nach Maßgabe der Regulation S des U.S. Securities Act mindestens zum Bezugspreis anbieten (die „**Weitere Privatplatzierung**“ und zusammen mit der Vorabplatzierung und dem Bezugsangebot das „**Angebot**“).

Übernahmevertrag

Das Angebot wird auf der Grundlage des Übernahmevertrages (der „**Übernahmevertrag**“) durchgeführt, der am 9. September 2014 zwischen der Gesellschaft und den Joint Global Coordinators abgeschlossen wurde. Gemäß dem Übernahmevertrag sind die Joint Global Coordinators verpflichtet, sämtliche restlichen Neuen Aktien, die im Rahmen des Angebots nicht gezeichnet oder platziert wurden (abzüglich der Neuen Aktien, die während der Vorabplatzierung oder der Weiteren Privatplatzierung aufgrund von Firm Orders (wie nachfolgend definiert) platziert wurden, und abzüglich der Neuen Aktien, die aufgrund von Festbezugserklärungen, die vor Unterzeichnung des Übernahmevertrages abgegeben wurden, gezeichnet wurden), gegen Zahlung eines Preises, der dem Bezugspreis entspricht (die „**Back-Stop-Verpflichtung**“). Diese und weitere Verpflichtungen werden von den Joint Global Coordinators im Verhältnis 60 % (Berenberg) zu 40 % (Baader Bank) übernommen.

Zusätzlich und bis zum Ende der Weiteren Privatplatzierung ist die Gesellschaft berechtigt, gemäß den Regelungen des Übernahmevertrags bindende Angebote über den Erwerb von Neuen Aktien von bekannten oder verbundenen Personen zu sichern („**Firm Order**“). Gemäß dem Übernahmevertrag sind die Joint Global Coordinators für Zwecke der Vorabplatzierung nur verpflichtet, Firm Order für die Zuteilung der Neuen Aktien in einem maximalen Umfang von 25 % des Volumens der Vorabplatzierung zu berücksichtigen.

Lieferung und Zahlung des Bezugspreises

Der Bezugspreis je gezeichneter Bezugsaktie ist spätestens am 24. September 2014 fällig und zu entrichten. Die Bezugsaktien werden voraussichtlich am 26. September 2014 den Aktionären in Form von Miteigentum an der Globalurkunde durch Girosammeldepotgutschrift zur Verfügung gestellt.

Zulassung zum Handel und Einbeziehung der Bezugsaktien

		Die Zulassung der Bezugsaktien zum Handel im regulierten Markt der Börse Düsseldorf und der Frankfurter Wertpapierbörse (Prime Standard) wird voraussichtlich am 26. September 2014 erfolgen. Die Einbeziehung der Bezugsaktien in die Notierung der Aktien der Gesellschaft an der Börse Düsseldorf und der Frankfurter Wertpapierbörse (ISIN DE000A0HN4T3/WKN A0HN4T) erfolgt voraussichtlich am 29. September 2014.
E.4	**Interessen und Interessenkonflikte**	Die Joint Global Coordinators haben mit der Gesellschaft den Übernahmevertrag im Zusammenhang mit dem Angebot abgeschlossen. Gemäß dem Übernahmevertrag werden die Joint Global Coordinators eine Provision erhalten, die abhängig von der erfolgreichen Durchführung des Angebots ist. Des Weiteren sind Investoren, die Firm Orders abgeben, und Aktionäre (zusätzlich zu Wecken & Cie.), die eine Festbezugserklärungen abgeben (wie in Abschnitt E.3 erläutert), ebenfalls abhängig von der erfolgreichen Durchführung des Angebots provisionsberechtigt. Somit haben all diese natürlichen und juristischen Personen ein Interesse an der Durchführung der Kapitalerhöhung. Die Care4 AG, Basel, Schweiz (verbunden mit Wecken & Cie.), und WESTGRUND werden voraussichtlich am 9. September 2014 eine Platzierungsvereinbarung abschließen, die WESTGRUND verpflichtet, der Care4 AG eine Gebühr für die Platzierung von Neuen Aktien bei Aktionären und Investoren zu zahlen. Die Höhe der Gebühr hängt von der Anzahl von Aktien ab, die durch die Vermittlung der Care4 AG vermittelt werden. Daher hat die Care4 AG, nach Abschluss der Platzierungsvereinbarung ein Interesse an der Durchführung der Kapitalerhöhung. Die Gesellschaft hat ein Finanzierungsinteresse an dem Angebot, da sie den Gesamtnettoerlös zu einem Betrag von EUR 110.000.000,00 für die Darstellung des notwendigen Eigenkapitalanteils bei der Finanzierung des Erwerbs des Berlinovo-Portfolios verwendet. Die bestehenden Aktionäre der Gesellschaft haben ein Interesse an der erfolgreichen Durchführung der Kapitalerhöhung, da diese die Eigenkapitalbasis der Gesellschaft verbessern und deren finanzielle Position stärken wird. Anderweitige Interessen von Seiten natürlicher und juristischer Personen, einschließlich möglicher Interessenkonflikte, die für die Emission bzw. das Angebot von wesentlicher Bedeutung sind, gibt es

		nicht.
E.5	**Anbieter, Lock-Up-Vereinbarung**	Die Neuen Aktien werden von der Gesellschaft sowie den Joint Global Coordinators angeboten. Die Gesellschaft hat sich soweit gesetzlich zulässig gegenüber den Joint Global Coordinators verpflichtet, bis zum Ablauf von sechs Monaten nach Zahlung der Erlöse aus dem Angebot an die Gesellschaft ohne die vorherige Einwilligung der Joint Global Coordinators, die nicht unbillig verweigert werden wird, weder direkt noch indirekt Aktien der Gesellschaft oder Optionen auf Aktien oder Wertpapiere, die in Aktien der Gesellschaft gewandelt oder getauscht werden können oder die das Recht beinhalten, Aktien der Gesellschaft zu erwerben, auszugeben, zu verkaufen, anzubieten, sich zu verpflichten diese zu verkaufen oder auf eine andere Art und Weise Aktien der Gesellschaft zu übertragen oder über diese zu verfügen, sowie keine weitere Kapitalerhöhung aus genehmigtem Kapital anzukündigen oder eine Kapitalerhöhung zu beginnen (ausgenommen sind Kapitalerhöhungen zum Zwecke der Ausgabe von Aktien im Rahmen von bestehenden Mitarbeiterbeteiligungsprogrammen der Gesellschaft oder Tochtergesellschaften oder auf Grundlage einer Kapitalerhöhung im Umfang von maximal 10 % des bestehenden Grundkapitals der Gesellschaft und für den Zweck, Aktien an die Gläubiger der Wandelschuldverschreibung 2014/2016 nach Ausübung von Wandlungsrechten auszugeben) oder andere wirtschaftlich vergleichbare Transaktionen (inklusive Transaktionen betreffend derivative Finanzinstrumente) durchzuführen, die wirtschaftlich einen ähnlichen Effekt wie die vorgannten Maßnahmen haben.
E.6	**Verwässerung**	Soweit die Aktionäre ihr Bezugsrecht auf die Neuen Aktien ausüben bleibt ihr Anteil am Grundkapital nach Durchführung der Kapitalerhöhung unverändert. Sofern die Aktionäre ihr Bezugsrecht nicht ausüben und die maximale Anzahl von 46.666.666 Neuen Aktien (am unteren Ende der Bezugspreisspanne) platziert wird, wird jede Aktie der Aktionäre um 58,1 % verwässern (oder um 54,3 % bei Ausgabe von 40.000.000 Neuen Aktien beim Mittelwert der Preisspanne bzw. um 51,0 % bei Ausgabe von 35.000.000 Neuen Aktien am oberen Ende der Preisspanne). Die Verwässerung wurde als Verhältnis des Grundkapitals zum 5. September 2014 in Höhe von 33.607.451 Aktien bezogen auf die Summe des Grundkapitals zum 5. September 2014 in Höhe von 33.607.451 Aktien und der jeweils zugrunde zu legenden maximalen Anzahl an Neuen Aktien ermittelt. Für Zwecke der nachfolgenden Verwässerungsberechnungen - hin-

sichtlich der wertmäßigen Verwässerung - wurde der Buchwert des bilanziellen Eigenkapitals der Gesellschaft („**Angepasster Buchwert des bilanziellen Eigenkapitals**“) auf Basis des Buchwerts des bilanziellen Eigenkapitals zum 30. Juni 2014, bereinigt um immaterielle Vermögenswerte und Anteile von Minderheitsgesellschaftern sowie angepasst um sämtliche Kapitalmaßnahmen, die im Zeitraum vom 1. Juli 2014 bis zum 5. September 2014 durchgeführt wurden, berechnet. Der Buchwert des bilanziellen Eigenkapitals zum 30. Juni 2014, der Wert der immateriellen Vermögenswerte und die Anteile von Minderheitsgesellschaftern wurden dem ungeprüften, verkürzten Konzernzwischenabschluss für den am 30. Juni 2014 endenden Halbjahreszeitraum, aufgestellt nach den Regelungen der IFRS für Zwischenberichterstattung (IAS 34) entnommen. Basierend auf diesen Anpassungen ergibt sich ein Angepasster Buchwert des bilanziellen Eigenkapitals der Gesellschaft zum 5. September 2014 in Höhe von EUR 104.335.993,42. Das entspricht einem Buchwert von EUR 3,10 je Aktie (gerundet und berechnet auf Basis der Anzahl der zum 5. September 2014 ausgegebenen 33.607.451 Aktien der Gesellschaft und bereinigt um etwaige eigene Aktien der Gesellschaft).

Die Gesellschaft beabsichtigt, aus der Kapitalerhöhung einen Bruttoemissionserlös von EUR 140.000.000,00 zu erzielen. Bei Annahme eines Bruttoemissionserlöses in dieser Höhe werden Gesamtkosten für das Angebot (inklusive Bankgebühren und -provisionen) von ungefähr EUR 9.300.000,00 erwartet. Auf Basis dieser Annahmen würde der der Gesellschaft zur Verfügung stehende Gesamtnettoerlös ungefähr EUR 130.700.000,00 betragen und der Buchwert des bilanziellen Eigenkapitals der WESTGRUND zum 5. September 2014 ca. EUR 235.036.000,00, das einem Wert je Aktie von EUR 2,93 (bei einer angenommenen Platzierung der maximalen Anzahl von 46.666.666 Neuen Aktien am unteren Ende der Preisspanne) entspricht, einem Wert je Aktie von EUR 3,19 (bei einer angenommenen Platzierung von 40.000.000 Neuen Aktien zum Mittelwert der Preisspanne) oder einem Wert je Aktie von EUR 3,43 (bei einer angenommenen Platzierung von 35.000.000 Neuen Aktien am oberen Ende der Preisspanne). Diese Angaben basieren auf der Annahme von 80.274.117 ausgegebenen Aktien der Gesellschaft nach Duchführung der Kapitalerhöhung am unteren Ende der Preisspanne (von 73.607.451 ausgegebenen Aktien beim Mittelwert der Preisspanne bzw. von 68.607.451 ausgegebenen Aktien zum oberen Ende der Preisspanne).

Bei Platzierung der maximalen Anzahl von 46.666.666 Neuen Aktien (am unteren Ende der Preisspanne) hätte dies für die Aktionäre, die

		von ihrem Bezugsrecht keinen Gebrauch machen, eine unmittelbare Verringerung des Buchwerts des bilanziellen Eigenkapitals in Höhe von EUR 0,17 (5,5 %) je Aktie zur Folge und eine Verringerung um ungefähr EUR 0,07 (2,3 %) je Aktie für diejenigen, die Neue Aktien erwerben. Bei Platzierung von 40.000.000 Neuen Aktien (zum Mittelwert der Preisspanne) hätte dies für die Aktionäre, die von ihrem Bezugsrecht keinen Gebrauch machen, einen unmittelbaren Anstieg des Buchwerts des bilanziellen Eigenkapitals in Höhe von EUR 0,09 (2,9 %) je Aktie zur Folge und eine Verringerung um ungefähr EUR 0,31 (8,9 %) je Aktie für diejenigen, die Neue Aktien erwerben. Bei Platzierung von 35.000.000 Neuen Aktien (am oberen Ende der Preisspanne) hätte dies für die Aktionäre, die von ihrem Bezugsrecht keinen Gebrauch machen, einen unmittelbaren Anstieg des Buchwerts des bilanziellen Eigenkapitals in Höhe von EUR 0,33 (10,6 %) je Aktie zur Folge und eine Verringerung um ungefähr EUR 0,57 (14,3 %) je Aktie für diejenigen, die Neue Aktien erwerben.
E.7	**Schätzung der Ausgaben, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden.**	Entfällt. Dem Anleger werden von der Emittentin oder dem Anbieter (d.h. von der Emittentin und den Joint Global Coordinators) keine Kosten in Rechnung gestellt.

3. RISK FACTORS

When considering whether to purchase shares of WESTGRUND Aktiengesellschaft (the "**Company**", "**WESTGRUND**", or the "**Issuer**") investors should take into account, along with carefully considering the other information contained within this Prospectus, the following risk factors. The occurrence of one or more of these risks may have material adverse effects on the business, assets and financial and earning positions of WESTGRUND and its subsidiaries (WESTGRUND and its subsidiaries collectively the "**WESTGRUND Group**"). The market price of the Company's shares could drop significantly as a result of each of these risks and investors could lose all or part of their invested capital. Risks associated with the Company and its industry are described below. The risks described below do not represent an exhaustive list of risks to which WESTGRUND is exposed. Additional risks and uncertainties that are not currently known to the Company could also adversely affect the business operations of WESTGRUND and have a negative effect on the business, assets and financial and earning positions of the Company. The order in which the risks are listed does not correspond to or indicate the likelihood of their occurrence or the extent of their potential economic impact. Selection and content of the included risk factors were based on assumptions that may subsequently prove incorrect. The risks described may occur individually or cumulatively.

3.1 Market-related Risks

3.1.1 The Company's success depends on the macroeconomic situation and the development in the German real estate market, in particular in potential fluctuations and developments of rental levels over which the WESTGRUND Group has no control.

The Company's success depends on the developments in the German real estate market, which is affected, in particular, by the macroeconomic environment as well as the valuation and performance of real estate in Germany. Performance and valuation are dependent on various – sometimes interdependent – factors, including demand, tenant creditworthiness, purchasing power of the population, attractiveness of the particular locations, the labor market situation, infrastructure, social structure, demographic developments, changes in household size, the financing environment, the general interest rate level and the availability of capital for real estate investment, legal or taxation framework conditions and other factors influencing supply and demand for real estate in the respective locations and markets.

The success of the WESTGRUND Group depends on these constantly changing factors and is influenced by fluctuations and developments over which the WESTGRUND Group has no control. Economic and demographic developments could significantly impact, among other things, the demand for WESTGRUND Group properties, the rents WESTGRUND Group is able to charge and the payment behavior of WESTGRUND Group's tenants. For instance, rental levels might not develop as expected by the WESTGRUND Group causing an increase in the vacancy rate and a reduction in the total rental income.

Overall, the economic and financial crisis has had a strongly negative impact on the German real estate market, especially the commercial segment, from 2008 onwards. The difficult economic environment during the period from 2008 to early 2010 resulted in ever tougher competition, generally rising vacancy rates and declining rents across the commercial real estate market in Germany. However, from 2010 onwards, a recovery in the commercial real estate market became noticeable. During the last years, low interest rates have driven a strong market development, leading to increased real estate prices and rent levels (see also Section 3.1.3 *"An increase in general interest rate levels could negatively impact the real estate market as well as the financing costs and opportunities of the WESTGRUND Group."*). On the basis of statements from the European Central Bank, interest rates are generally expected to remain on the current or an even lower level for the foreseeable future. As a result, some market observers predict even stronger increases in real estate prices. Such development might lead to a "real estate bubble" which might ultimately lead to a market crash, resulting in material adverse effects on the business and financial position of WESTGRUND Group.

The WESTGRUND Group must continuously monitor and re-assess the ongoing changes in its business environment and the changing decision factors and make the appropriate decisions, in particular in the case any negative macroeconomic development, any negative turn in the real estate market or any erroneous assessment of market requirements by the WESTGRUND Group occur.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.1.2 Locations where the WESTGRUND Group has invested in could lose their attractiveness and suffer an economic decline, which would have negative consequences for the WESTGRUND Group's investments, namely the applicable fair values and would affect the WESTGRUND Group's rental income.

Every real estate location is exposed to specific regional risks over which the Company has no control. The economic development of individual locations, in particular smaller towns where the WESTGRUND Group has invested in, outside the metropolitan areas and conurbations, are often highly dependent on a small number of companies. If any one of these companies vital for a certain region were to become insolvent or would decide to relocate, this might have a negative impact on the economic development of the respective region and might lead to a departure of employees and thus have material adverse effects on the demand for residential properties (see also Section 3.1.5 "*As a result of the expected demographic decline the demand for residential properties may decrease.*"). For example, Wolfsburg is largely affected by the automotive industry and is thus exposed to an above-average industry risk. Any persistent economic adjustment pressure from the automotive industry may negatively affect rents, market prices for real estate and the vacancy rate in Wolfsburg. If such developments were to occur in an area where WESTGRUND Group has invested in this will have a negative impact on the WESTGRUND Group's rental income in this region and the applicable fair values for WESTGRUND Group's properties.

In general, the WESTGRUND Group has very little dependency on any single commercial tenant as the ten largest commercial tenants account for 5.48% and the twenty largest tenants account for 6.96% of the annual net rental income of the WESTGRUND Group. Furthermore, the core business of WESTGRUND Group does not consist of commercial lease. Nevertheless, the Company cannot rule out that a loss of any single commercial lessee could have a negative impact on the WESTGRUND Group's rental income.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.1.3 An increase in general interest rate levels could negatively impact the real estate market as well as the financing costs and opportunities of the WESTGRUND Group.

Extensive financial resources are required to implement the Company's business concept and growth strategy. WESTGRUND is dependent on a substantial portion of these resources to finance its current and potential future property portfolio. When concluding financing agreements or extending such agreements, the Company depends on the availability of debt and/or equity financing and on its ability to agree on terms and conditions pertaining to interest payments that will not impair its desired profit and on amortization schedules that do not restrict its ability to pay intended dividends. The WESTGRUND Group has relied on debt financing to a significant extent in the past, both in terms of short term and fixed-term financing, and will continue to do so. The WESTGRUND Group typically enters into financing agreements with fixed interest rates but also agrees on variable interest rates.

Interest rates have remained low for some time. As a consequence, capital investments in real estate have become more attractive compared to fixed rate investments. In addition, due to the lower cost of debt financing, financing real estate acquisitions and projects has become easier. Increases in interest rates generally cause demand for residential property to decrease. Additionally, higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, may have a significant negative effect on the ability to sell properties. The WESTGRUND Group hedges variable interest rate financing agreements using customary market hedging instruments.

Interest rates may increase from the currently low levels, causing conditions to eventually change during the financing term contrary to the WESTGRUND Group's expectations. In addition, the hedging instruments used by the WESTGRUND Group might not completely counterbalance this effect, or the WESTGRUND Group might be unable to enter into necessary extensions of financing agreements or to renegotiate financing agreements or to hedge instruments at their current interest rate terms, including associated costs. This and any failure of the WESTGRUND Group to obtain financing on favorable terms or its planning anticipates could have a material adverse effect on its cash flows and financial condition.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.1.4 The WESTGRUND Group's ability to unilaterally increase rents is limited by German law.

An essential component of real estate valuation is the possibility of rent increases. German residential landlord-tenant law (*Wohnraummietrecht*), however, is tenant friendly in many respects, restricting the unfettered ability to increase rent and providing for socially-based tenant protections. If the parties to a tenancy agreement have not agreed on a stepped rent or an indexation of rents – which is permissible only in specific cases – and the tenant refuses to amend the tenancy agreement, a rent increase may be feasible unilaterally only within certain statutory limits. According to German landlord-tenant law, a landlord's ability to increase rent is limited to the local reference rent and even then may only be increased by a maximum of 20% over three years. The governments of the German federal states (*Bundesländer*) are empowered to reduce this cap of 20% on rental increases to 15%. For example, the government of Berlin has already implemented such reduction. The WESTGRUND Group's real estate holdings in Berlin and Brandenburg currently amount to 38.0% of the total portfolio and are thus subject to the aforementioned strict rules.

If a landlord refurbishes a privately-financed residence, in accordance with residential landlord-tenant law, the landlord can increase the annual rent by up to 11% to account for the modernization costs incurred. Errors in the calculation of the local reference rent or disputes relating to the disclosure of refurbishment costs could cause the WESTGRUND Group to pay unsuitably high purchase prices, resulting in adverse financial consequences to the acquisition portfolio of the WESTGRUND Group.

The amount of rent is generally, with the exception of the aforementioned cap of 20% for increases, not subject to fix restrictions. However, it cannot excessively exceed the rent levels for the respective region. In the future, on the basis of the current legislative initiatives concerning rent control (*Mietpreisbremse*) fixed caps for rents might be implemented. With respect to lease agreements that are not subject to rent controls, the landlord is - subject to contractual restrictions - entitled to demand the adjustment of the contractual rent up to locally prevailing comparative rent levels if the rent was constant for the preceding 15 months.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.1.5 As a result of the expected demographic decline the demand for residential properties may decrease.

The WESTGRUND Group focuses its business activities to a considerable extent on the acquisition, subsequent renting/letting, and sometimes the profitable sale of residential properties; to a lesser extent its activities concern the same with respect to commercial properties. The demand for residential properties is particularly dependent on demographic developments. According to the German Federal Office for Building and Regional Planning (*Bundesamt für Bauwesen und Raumplanung*), the population in Germany will remain largely stable until 2020, but will decline thereafter. Should the population in Germany actually decline according to that forecast, it could result in lower residential housing demands, which could have an adverse impact on the operations of the WESTGRUND Group. Currently, there is a somewhat counteracting trend towards single-person households and larger apartments. However, these trends – if they were to materialize at all – might not be able to counterbalance generally a lower demand for residential housing. Demand could also be offset if the increase in the number of households or the increase in the average area requirement per capita or household, fail to materialize or do so to a lesser extent than expected.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.1.6 A decrease in the availability of real estate in the German real estate market suitable to the business model of acquiring portfolios with structural substance, real estate viability, and further value-creating factors on satisfactory terms and conditions could adversely impact future business growth.

The proposed expansion of the WESTGRUND Group depends on the acquisition and delivery of certain real estate objects in the German real estate market relevant to its business model at adequate prices. The ability to acquire suitable properties with value creation potential for the holdings portfolio with structural substance, real estate viability, and further value-creating factors is crucial to the WESTGRUND Group's business model. The Company makes acquisition decisions following a contextual analysis of the potential target's economic, legal and technical positions (due diligence). However, there is no assurance that suitable properties with adequate value creation potential can be acquired on satisfactory terms and conditions. For a successful implementation of the WESTGRUND Group's business concept, it is necessary for properties to meet certain prerequisites and that they can be purchased at acceptable terms, with reasonable prices and financing. Important decision criteria for acquisitions are the market value, expected sustainable rental income, cash flow situation, expected return on assets before taxes, vacancy rate, rental potential (reliant on location and quality of the property, building condition and substance, as well as third-party use) of the respective properties, and in the commercial sector, creditworthiness of the tenant and term of the existing lease agreement, are all important decision criteria for potential acquisitions. The WESTGRUND Group utilizes the services of professional intermediaries for this purpose, drawing on a network of brokers, banks, insolvency practitioners, local authority contacts, etc. Nevertheless, the WESTGRUND Group may not be able to realize the purchase or sale of real estate at the right time or at satisfactory terms. In particular, there is a risk of pre-emption by local authorities due to procurement procedures, which could prevent the WESTGRUND Group from acquiring certain objects. If the WESTGRUND Group could not acquire high-yield real estate or real estate portfolios on reasonable terms, this could adversely impact future business growth and the WESTGRUND Group's position in the market.

Since the WESTGRUND Group's investment properties are solely based in Germany, WESTGRUND Group is exposed to the development of the German real estate market (see also Section 3.1.1 *"The Company's success depends on the macroeconomic situation and the development in the German real estate market, in particular in potential fluctuations and developments of rental levels over which the WESTGRUND Group has no control.*"). In case of a decline of the German real estate market or a decrease in the availability of suitable real estate, WESTGRUND will not be able to benefit from possible positive developments in the real estate markets of other countries. Furthermore, due to its focus on the German real estate market, WESTGRUND might not be able to change its business model fast enough and to invest in other countries, to prevent market developments in Germany from affecting its business and, in particular, the implementation of its growth strategy.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.1.7 WESTGRUND is exposed to an increased intense competition and thus, may prove unable to succeed against its competitors regarding the acquisition or sale of its properties.

The entry barrier for competitors in the real estate markets is generally low, which means that the WESTGRUND Group is exposed to intense competition at all its locations from numerous domestic and foreign real estate companies that also deal in the acquisition and leasing of real estate. The competition, to which the WESTGRUND Group is subject to with regard to the purchase and sale of real estate, exists both at a regional level as well as supra-regionally. A number of competitors have been present in the market longer than the WESTGRUND Group and therefore may have greater experience, a more established network of partners, greater financial resources and a higher reputation. In addition, new competitors may become active in the German residential and commercial real estate markets causing further reinforcement or the displacement of existing market participants and competition. If the WESTGRUND Group was unable to procure suitable properties on attractive terms as a result of such strong competition, this could result in adverse consequences for its business, market position and growth strategy.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.1.8 The companies of the WESTGRUND Group may be exposed to the risk of falling under the scope of application of the German Capital Investment Code and thus, may be obliged to appoint an external management company or to turn into an internally managed capital management company, which would require a permission by the BaFin and ongoing compliance with specific organizational requirements.

As holders of real estate, some or all of the companies of the WESTGRUND Group could become subject to the provisions of the German Capital Investment Code (*Kapitalanlagegesetzbuch – KAGB*) which entered into effect on July 22, 2013. Subject to application of the KAGB, the respective companies would be required, inter alia, to either appoint an external management company or to turn into an internally managed capital management company pursuant to the KAGB. As an internally managed capital management company under the KAGB, the respective WESTGRUND Group company would require a permission by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin*). Furthermore, it would have to comply with specific organizational requirements.

If the respective WESTGRUND Group company should not take the required measures to comply with the KAGB rules, in particular if it should not appoint an external management company or apply for a BaFin permission to act as an internally managed capital management company, this could qualify as a criminal offense committed by the directors of such company. Furthermore, BaFin could decide to impose certain administrative measures on the respective company and, ultimately, to liquidate the company.

Any measures to be taken in order to comply with the requirements of the KAGB could result in increased regulatory costs to the WESTGRUND Group. These and other costs must first be covered by proceeds from the real estate portfolios.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.1.9 Contamination of real estate property, including legacies of war, soil and other pollutants, as well as violations of construction requirements or violations of construction safety regulations may expose the WESTGRUND Group to claims from government authorities, purchasers, users/occupants or third parties.

It is not inconceivable that property, particularly in Berlin, that is or will be owned by the WESTGRUND Group is or was contaminated by harmful soil and other pollutants and/or by the legacies of war (the latter including in particular bombs, grenades or other explosives from the Second World War). Existing contamination and other soil-related risks may reduce real estate values. Furthermore, contamination can cause damages and lead to other warranty claims by the acquirer of a property. Responsibility for contamination affects the party causing the contamination, its legal successors and the former owner of the contaminated land as well as the holder of actual authority over the plot of land.

In addition, according to German law, the removal of any form of such contamination is a legal public duty of the respective owner of the real estate. The WESTGRUND Group may therefore be required to pay for costly clean-up efforts associated with such contaminations. These obligations and claims are independent of causation and in such cases it could be that the WESTGRUND Group is entitled to recourse against third parties. Such recourse, however, might not be successful. Reclamation and removal efforts, as well as additional related measures, could have an effect on business, significantly delay any remediation measures, involve substantial additional costs, and/or cause a plan to become economically unviable or impossible to complete.

Additionally, other factors regarding WESTGRUND Group real estate, such as the age of buildings, pollutants in construction materials, soil conditions or below-regulation building conditions could require costly remedial, maintenance and modernization measures. In particular, in some units of the real estate in Spandau owned by WESTGRUND Group, asbestos contamination has been identified. Although remediation measures are planned or already taken in this regard, and although WESTGRUND Group is monitoring its real estate for such contaminations, it cannot be ruled out that real estate owned by the WESTGRUNG Group might be contaminated with asbestos or other pollutants. Except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under currently applicable German federal state asbestos regulations (*Asbest-Richtlinie*). Nevertheless, WESTGRUND Group bears the risk of cost-intensive remediation and removal of such hazardous materials, other residual pollution or ground contamination. Should the necessary remediation measures not be carried out, it could negatively impact the sales and rental incomes associated with an affected property.

Finally, the WESTGRUND Group must comply with certain private and public regulations for the protection of sites. Violations of such regulations can lead to fines or even claims for damages.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.1.10 The WESTGRUND Group's ability to unilaterally increase rents or to select the tenants for its residential units is subject to public subsidy restrictions with regard to certain real estate.

With respect to certain residential units in its portfolio, the WESTGRUND Group and, thus, WESTGRUND, are subject to public subsidy restrictions. The German federal government, federal states and municipalities are required by law to subsidize housing construction, particularly construction of affordable residential units that are intended and suitable for lower income segments of the population. Housing construction financed with public subsidies, which generally take the form of low-interest construction loans, is subject to two significant restrictions: (i) subsidized housing may be occupied only by tenants who hold housing eligibility certificates (*Wohnberechtigungsschein*) and (ii) there are limits on the amount of rent that may be charged for subsidized housing. Hence, where WESTGRUND acquired residential units which had been constructed with financing from public subsidies, the ability of WESTGRUND to unilaterally increase the rents or to select tenants might be subject to the aforementioned public subsidies restrictions.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2 Company-specific Risks

3.2.1 Issuer-acquired property might be priced incorrectly with respect to associated costs or value, in particular incorrect estimates related to the attractiveness of a property location and other decisive factors could cause a lower yield value which could result in the reduction in the value of portfolio properties.

The commercial success of the WESTGRUND Group relies on the selection and acquisition of properties. It therefore entails the risk that structural, legal, economic and other adverse circumstances affecting an acquired property may not be apparent or may be incorrectly assessed. Additionally, assumptions made with respect to the income potential of an acquired property could later prove partially or entirely incorrect. In particular, incorrect estimates related to the attractiveness of a property location and other decisive factors that investors consider when purchasing a property, could cause that property to fail to sell at expected or proposed terms and/or within the specified time period.

Property value defines the net rental yield as this is the ratio of net rental yield to purchase price (acquisition yield) and later market value (net rental yield) (the "**yield value**"). The yield value in turn depends on the amount of annual rental income, site situations, the effect of long-term interest rates and the general condition of a property. Interest rates are used to calculate the value of properties. Therefore, higher interest rates may have a significant effect on the valuation of the properties. The WESTGRUND Group generally utilizes the services of an external expert or a surveyor to perform inspections of real estate to be acquired. Nevertheless, it cannot be ruled out that real estate could be valued too high and that the WESTGRUND Group pays an inflated purchase price. In addition, a material adverse change in the above factors could cause a lower yield value, which could result in the reduction in the value of portfolio properties.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.2 Valuation summaries included in this Prospectus and/or existing or future financial information such as pro forma financial information contained in this Prospectus could incorrectly assess the value of the properties of the WESTGRUND Group.

The independent appraiser Jones Lang LaSalle GmbH prepared valuation summaries (the "**Appraisals**"), which are based on standard valuation principles and represents the opinion of the independent appraiser who prepared the reports. The valuation summaries are based on assumptions that could subsequently turn out to be incorrect. The assumptions underlying the Appraisals are tested merely through random sampling, as is customary in such appraisals. Additionally, the valuation of real estate is based on a multitude of factors that also enter into subjective valuations by the appraiser. These factors include, for example, the general market environment, interest rate levels, the creditworthiness of the tenants, the rental market, the development of the location and tax considerations. Accordingly, the valuation of real estate contained in this Prospectus is subject to numerous uncertainties. Moreover, appraisal methods that are currently generally accepted and that were used for the purpose of preparing the valuation summaries could in the future be determined to have been unsuitable. Also, the assumptions underlying the appraisals of the properties in the past or in the future could later be determined to have been erroneous. The values assigned to the appraised properties in the valuation summaries could exceed the proceeds that the Company can generate from the sale of these properties. This could also apply to sales that occur on or shortly after the respective valuation date. Accordingly, the valuation summaries do not represent the future or currently actually achievable sales prices of the WESTGRUND Group's properties or property portfolio. A change in the factors underlying the appraisal and/or assumptions could also cause the fair value determined for the respective valuation date to fall short of the book value of a property, which would result in a fair value loss. Under these circumstances, WESTGRUND would be required to immediately recognize the negative change in value as a non-cash loss in the relevant accounting period.

Valuations are to some extend illustrated in the historical financial information, but the valuations of assets that were acquired after the historical financial information had been prepared are naturally not considered. The valuation of those assets is consolidated in future pro forma financial information. The pro forma consolidated financial information has been prepared for illustrative purposes only. By its nature, the pro forma consolidated financial information only describes a hypothetical situation and since it is based on assumptions, its presentation does not reflect the actual net assets, financial position and result of operations of the WESTGRUND Group.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.3 The integration of real estate property and/or real estate portfolios acquired and prospectively acquired, in particular necessary adjustments and expansions of corporate structures, might not be successful, might fail to go as planned or might prove to be more expensive than expected.

The growth associated with past and future acquisitions of real estate properties and portfolios is and will be demanding for WESTGRUND Group's management and internal corporate organization. The WESTGRUND Group will try to handle future acquisitions with its existing resources whenever possible. However, acquiring real estate, irrespective of whether the acquisition is made through a direct acquisition of real estate or through the acquisition of property-owning or property-management companies, could require establishing new organizational structures within the WESTGRUND Group or the acquired companies, or modifying the existing ones. In that case, it might be necessary to hire new personnel and to create new personnel management structures, or to integrate existing structures into the WESTGRUND Group's internal organization, in its areas of property management, property development, renovation and modernization of the WESTGRUND Group, so that it can efficiently manage and optimize newly acquired real estate portfolios. These acquisitions could also alter the WESTGRUND Group's geographical footprint, so that it would be necessary to create or integrate new regional corporate structures. The WESTGRUND Group's internal organization must also be adjusted continuously as required by its growth, for example in the areas of asset property management, accounting, personnel and information technology.

The process of growth and integration could prove to be more difficult, or more time-consuming and more expensive than originally expected. For example acquired real estate portfolios might pose substantial integration challenges if they are located at a considerable distance from the regions that the WESTGRUND Group has covered before such an acquisition.

If the WESTGRUND Group was unable to successfully integrate real estate portfolios or participations in real estate companies, whether already acquired or acquired in the future, its growth strategy could be jeopardized.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.4 Unpaid or reduced rents by various tenants as well as changes in the tenant structure that may require above average remodeling and restoration measures could lead to temporary losses and/or result in substantial costs.

The profitability and financial success of the rental properties depends not only on rentability of the properties and their associated rental rates, but also on actual remuneration of the agreed rent and other incidental charges. The WESTGRUND Group bears risks associated with its tenants, including the possibility of tenant insolvency. Regarding residential rents the annual net rent of any single tenant does not exceed EUR 12,000.00. The proportion of the annual net rent referring commercial rents to the total annual net rent of WESTGRUND Group is about 7%. Therefore, WESTGRUND Group's rental income depends on numerous tenants of residential and commercial property. However, WESTGRUND Group is exposed to the risk that various tenants fail to meet their rent payment obligation or larger numbers of tenants give notice of termination and that provisions for such rental losses are not sufficient. Therefore, WESTGRUND Group could sustain losses in current rental income which could have a significant effect on the results of operation. It is possible that current tenants of WESTGRUND Group properties will no longer comply with their existing lease contracts and that new or renewed lease contracts at previous or expected levels may not be achieved. Additionally, changes in the tenant structure may require above average remodeling and restoration measures that could lead to temporary losses in rent and result in substantial costs.

In addition, residential tenants may be legally entitled to lower or reduce rent, in particular in the case of material defects. Insofar as the WESTGRUND Group may be unable to avoid such losses in rental income, these factors could have a material adverse effect on the assets and financial earning position of the WESTGRUND Group.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.5 The WESTGRUND Group's information technology system could malfunction or become impaired.

In view of the small number of staff exercising the business, the WESTGRUND Group's information technology systems are essential for its business operations and success. Any interruptions in, failures of, manipulation of or damage to its information technology systems could lead to delays or interruptions in the WESTGRUND Group's business process. Any malfunction or impairment of the WESTGRUND Group's computer system could interrupt its operations, lead to increased costs and may result in lost revenue. The WESTGRUND Group cannot guarantee that anticipated and/or recognized malfunctions can be avoided by appropriate preventive security measures in every case.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.6 Necessary permits for upgrades and renovations might not be obtained in time or at all or be granted subject to conditions or constraints which might cause increased renovation costs and lead to the delay or cancellation of upgrade or renovation measures.

In case of property refurbishment, renovation or redevelopment it is often necessary to obtain an official permit under the German Building Code (*Baugesetzbuch – BauGB*) and applicable state laws. Although there is an obligation for the responsible authority to grant such a permit, if all legal requirements are fulfilled, the authorities might on a case-by-case basis decide to grant building permits under certain conditions or constraints or they might refuse to grant such permit at all. In addition, listed properties require special permits for renovation. Furthermore, conflicts with residents can delay the grant of permits or otherwise materially adversely affect the process. Each of these factors can cause increased costs and lead to the delay or cancellation of upgrade or renovation measures.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.7 Properties undergoing conversion or modernization measures might not be fully available for letting or other types of marketing within the scheduled timeframe and/or at reasonable terms.

Due to technical or planning/building law reasons or a temporary suspension (e.g. due to insolvency on the part of the developer or general contractor), conversion or modernization measures may experience unexpected delays, which may lead to increased costs and extended vacancy periods. In such cases, conversion or modernization measures might not be completed at economically reasonable terms. Moreover, any overruns of the scheduled timeframe could result in a deterioration of the initially positive demand for the respective objects or competitive situation. Furthermore, third parties, such as tenants, could assert claims for damages or might have the right to terminate the respective contract if contractually stipulated handover dates or deadlines for completion are not met. Also, with regard to any properties undergoing conversion or modernization measures, it is not ensured that any space not pre-let can in fact be let at reasonable terms, or marketed in any other way, during the conversion or modernization phase or thereafter.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.8 The Company's internal organizational structures, particularly its risk management, might prove insufficient and might fail to identify or avoid undesirable developments and risks and impending or already perpetrated violations of the law in a timely manner.

The WESTGRUND Group has a risk management system that serves to sustainably safeguard the WESTGRUND Group's existence and growth and to increase its value and competitiveness by ensuring the appropriate management and transparent communication of individual risks. It is intended to promptly identify disproportionate risks of fact and law, control them, and avoid them to the extent possible. However, the WESTGRUND Group has grown strongly in recent years, placing strain on its internal organizational structures. Following the acquisition of a portfolio comprising approximately 13,300 residential and 73 commercial units, predominately located in Lower Saxony (*Niedersachsen*), Brandenburg, Mecklenburg-Western Pomerania (*Mecklenburg-Vorpommern*) and Saxony (*Sachsen*), (the "**Berlinovo-Portfolio**") it might take considerable organizational efforts to integrate the portfolio in the existing structures. Therefore, further rapid growth could overextend the Company's internal organizational structures. Consequently, the WESTGRUND Group is challenged to safeguard a further development of appropriate organizational, risk monitoring, risk management system that enables the WESTGRUND Group to identify and avoid undesirable development and risks and potential violations of law at an early stage. If the measures taken to improve the risk management system are inadequate, if the intended improvements fail, or if the initiated measures are implemented too late or deficiently, the WESTGRUND Group could recognize risks and undesirable developments and impending or already perpetrated violations of the law too late or not at all. This could result in significantly adverse business decisions.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.9 WESTGRUND Group is exposed to the risks of contractual penalties and damage claims resulting from real estate acquisitions.

In view of potential future acquisitions the respective real estate contracts could require the WESTGRUND Group to assume certain penalties if it fails to make a timely payment on the purchase price of a particular property, or in the event of cancellation by the WESTGRUND Group. For example, the agreement for the acquisition of the Berlinovo-Portfolio, which was executed on July 4/5, 2014 which, following the consent of all relevant supervisory boards, became binding on July 9, 2014 (the "**Berlinovo-Portfolio Acquisition Agreement**"), provides for such contractual penalties, in particular in the events of delay payments of purchase prices or the non-payment of land transfer tax (see Section 3.3.4 "*WESTGRUND Group is exposed to the risk of contractual penalties and damage claims resulting from and to the risk of the seller's rescission of the sale and purchase agreement on the Berlinovo-Portfolio.*"). The acquiring subsidiary of the WESTGRUND Group might immediately be forced for to pay the purchase price plus interest against company assets.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.10 WESTGRUND Group might be held liable under warranties, both from the leasing and the selling of real estate as well as the further development of properties, and might have to bear unexpected maintenance and repair costs.

In connection with the letting or selling of real estate, the WESTGRUND Group could be held liable for defects in quality or title. This applies, in particular, to defects in properties that the WESTGRUND Group failed to become aware of, but which it could and should have detected. In real estate properties defects are typically hidden. Any recourse claims against the previous seller may be frustrated by the expiry of limitation periods, the lack of proof of knowledge or constructive notice of any such defects on the part of the previous seller, the previous seller's insolvency or for other reasons. The WESTGRUND Group therefore bears the risk of the onus of proof, the time-barring of claims and the insolvency of the other contracting parties to sale and purchase agreements for property. In accordance with Section 566 paragraph 2 of the German Civil Code (*Bürgerliches Gesetzbuch - BGB*), upon the sale of a property the seller acts as a guarantor vis-à-vis the tenant for compliance with the purchaser's obligations from the leases that are transferred to the purchaser. The WESTGRUND Group can only disclaim any such obligations to a limited extent. Where purchasers fail to comply with their obligations under transferred leases, the selling property development company may be liable, resulting in unexpected liabilities. In connection with the further development of properties, the WESTGRUND Group could be held liable by tenants or purchasers of real estate for delays and/or construction defects. The WESTGRUND Group does not carry out the construction measures itself, but instead uses the services of planning and construction companies as general contractors or prime contractors. The assertion of any recourse claims against such companies may be frustrated by the time-barring of the underlying claims, the unenforceability of the existing claim or for other reasons. The WESTGRUND Group therefore bears the risk of the onus of proof, the time-barring of recourse claims and the insolvency of the commissioned prime contractor or sub-contractor.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.11 The inadequacy or ineffectiveness of terms/provisions due to the use of standardized contracts may give rise to claims against the WESTGRUND Group from a large number of lease contracts, bad debt or increased expenditure on the part of the WESTGRUND Group.

The WESTGRUND Group has executed a number of residential real estate leases in the past and will likely continue to do so in the future. The WESTGRUND Group uses standardized documents and model/template contracts. As general terms and conditions (*allgemeine Geschäftsbedingungen*) within the meaning of the BGB, these contracts are subject to strict judicial enforcement. For example, in a number of decisions, the German Federal Supreme Court (*Bundesgerichtshof*) ruled that standard clauses in lease agreements are void if they require the tenant to make decorative repairs (*Schönheitsreparaturen*) on a fixed schedule, or require the tenant to fully renovate the flat at the end of the lease. Any ambiguous, unreasonable or incomprehensible clause in such documents could affect a variety of contractual relationships and present risks to the WESTGRUND Group. Problems could also arise with the enforcement of contractual entitlements due to changes in the law or the legal framework controlling such terms and conditions. These sorts of developments could expose the WESTGRUND Group to considerable claims and demands due to the large number of contracts or lead to bad debt losses.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.12 WESTGRUND Group could sustain substantial losses from damages not covered by, or exceeding the coverage limits of insurance policies.

The WESTGROUP Group maintains business and indemnity insurance coverage, liability and financial loss insurance, as well as property damage liability insurance, commercial property owners insurance and landlord liability insurance. All are subject to varying levels of coverage in terms of insured events of loss, disclaimers and limitations. It is possible that coverage could prove inadequate or ineffective. Financial losses could be sustained from damages not covered by, or exceeding the coverage limits, of the insurance policies.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.13 WESTGRUND is the parent of various subsidiaries and therefore must rely to a considerable extent on dividends and distributions derived from or interest on shareholder loans received from affiliates.

WESTGRUND is an operative unit and holding company whose assets comprise of participations in operating and real property holding subsidiaries and affiliates to a large extent. If there is a shortfall of funds and intercompany payments are not sufficient to cover WESTGRUND’s operating and other expenses, it must rely on distributions and withdrawals from WESTGRUND Group companies. In particular, to the extent minority shareholders exist, dividends might not be distributed. If WESTGRUND did not receive such payments, this would have a material adverse effect on the business, net assets, financial condition and results of operations of WESTGRUND. Further, this could adversely affect WESTGRUND’s ability to pay dividends to its shareholders.

3.2.14 WESTGRUND has entered into a profit and loss transfer agreement with an affiliated company, which might result in an individual loss assumption.

WESTGRUND has established a tax group (*Organschaft*) with its 94.82% subsidiary Wiederaufbaugesellschaft mit beschränkter Haftung for income tax purposes. Further, it has entered into a profit and loss transfer agreement with Wiederaufbaugesellschaft mit beschränkter Haftung providing for a transfer of profits to WESTGRUND and the obligation to assume potential losses of Wiederaufbaugesellschaft mit beschränkter Haftung. WESTGRUND has to assume these losses resulting in a payment to its subsidiary, which could have a material adverse effect on WESTGRUND’s business, net assets, financial condition and results of operations. Further, this could adversely affect WESTGRUND’s ability to pay dividends to its shareholders.

3.2.15 The WESTGRUND Group is dependent on the performance and ability of managers and key employees, as well as on the ability to retain qualified internal and external staff.

The effective implementation of corporate objectives and successful development of the WESTGRUND Group business depends, to a large extent, on its ability to recruit and retain qualified personnel. The inability to do so, or the ability to do so only at a high cost, could have a negative impact on the business and financial position of the WESTGRUND Group.

Furthermore, the success of the WESTGRUND Group depends on the performance and ability of a limited number of key individuals. This is particularly the case regarding the Company's management board (the "**Management Board**"), whose skills, contacts and commitment contribute to the development of the WESTGRUND Group. Because of the lean company structure and the limited number of staff the WESTGRUND Group's future success is highly dependent on the individual employees and in particular on the management. The loss of executives and key personnel could lead to a loss in expertise, and in some cases, a loss of this expertise to competitors. This could cause delays in the progress of the Company's business, innovation, and developmental vision. There is no guarantee that the WESTGRUND Group can replace or compensate for such a loss in a timely manner or on commercially reasonable terms.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.2.16 Prefabricated construction property holdings bear the specific risk of unplanned expenses for maintenance and modernization measures due to the inconsistent quality and longevity of such industry-produced prefabricated buildings.

Most of the holdings owned by WESTGRUND Immobilien Beteiligung III. GmbH are located in Berlin, Halle, and Ruegen, are industrially-manufactured residential developments of the former German Democratic Republic (GDR) (which are known as prefabricated buildings). The quality of such industrially-produced prefabricated buildings is subject to the manner in which the building materials were manufactured at the time of the former GDR, which was often subject to material shortages and availability fluctuations. In particular, the longevity of these prefabricated structures is not comparable to that of conventional concrete structures. Although practically all of the prefabricated buildings in the portfolio have since been renovated, with predominantly all of the renovations having taken place within only the last six or seven years, no reliable predictions can be made about the long-term success of such rehabilitations. Therefore, it cannot be ruled out that further renovations might be required and the WESTGRUND Group might incur higher maintenance and modernization costs in the future.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.3 Risks related to the acquisition of the Berlinovo-Portfolio

3.3.1 Necessary consents from third parties might not be obtained on time or at all or preemption rights might be executed and thus the acquisition of the Berlinovo-Portfolio might not be completed or only be completed partially.

WESTGRUND has, acting through subsidiaries, agreed to acquire a portfolio of approximately 13,300 residential and 73 commercial units (the Berlinovo-Portfolio) by way of an asset deal under a sale and purchase agreement (the Berlinovo-Portfolio Acquisition Agreement) that became binding on July 9, 2014. The acquisition of the properties comprising the Berlinovo-Portfolio requires for a significant part of the properties concerned the consent of third parties or their waiver of pre-emption rights, as the case may be, in particular public authorities, public bodies having granted subsidies, condominium administrators (*WEG-Verwalter*) or lease hold owners (*Erbbaurechtsgeber*). If a pre-emption right is validly exercised in respect of a property or a part thereof, the respective seller may, pursuant to the Berlinovo-Portfolio Acquisition Agreement rescind the underlying agreement in respect of the affected property (or part thereof). In all of these cases WESTGRUND is dependent on the decision of a third party and this could result in WESTGRUND acquiring certain properties later than expected or WESTGRUND not being able to acquire certain properties at all, and these issues could affect significant amounts of the properties to be acquired. For example, in Wolfsburg, where the largest cluster of units in the Berlinovo-Portfolio is located, the City of Wolfsburg and the Wolfsburger Struktur- und Beteiligungsgesellschaft hold a pre-emption right (the purchase price for the respective part amounts in aggregate to EUR 26,818,769.49). According to press coverage from a local newspaper, it is expected that the beneficiaries of these pre-emption rights will exercise their rights. In that case, WESTGRUND would not be able to acquire the respective parts of the Berlinovo-Portfolio. As another example, for 1,455 residential units in Brandenburg an der Havel it is a condition precedent for this part of the transaction to be consummated that the local housing society consents to the transfer of the existing management agreement to the purchaser (see also Section 3.3.8 "*The property management agreement concerning the real estate in Brandenburg might be void due to possible violations of EU state aid law which could lead to recession of the transfer of the hereditary building rights and could lead to a recovery of the impermissible state aid granted.*") and the housing society is not obliged to give such consent. The purchase price for one property in Neubrandenburg (purchase price: EUR 4,780,000) matures only if the purchase price for the other four properties in Neubrandenburg has been paid. If the purchase price for these five properties has not been paid by December 28, 2015, the seller is entitled to rescind the underlying agreement for the mentioned (one) property. Furthermore, for selected properties, third parties have already declared their intention to exercise pre-emption rights

Furthermore, even if all other relevant third parties were to consent to the transaction and waive pre-emption rights, the acquisition of the Berlinovo-Portfolio would not be concluded, if the purchase price is not paid (see Section 3.3.2 "*WESTGRUND might not be able to pay the respective purchase prices.*").

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.3.2 WESTGRUND might not be able to pay the respective purchase prices.

For paying the individual purchases prices which are payable under the Berlinovo-Portfolio Acquisition Agreement, WESTGRUND would require aggregate available funds in the amount of EUR 416,500,000. Of this aggregate amount, individual purchase prices totaling EUR 158,634,896.50 will become due and payable on September 30, 2014 or October 31, 2014, while the remainder of the individual purchase prices will become due individually in each case after all conditions for the individual purchase price to become due have been satisfied.

At the time when any of these payments under the Berlinovo-Portfolio Acquisition Agreement become due, WESTGRUND might not be able to pay the respective purchase price (see also Section 3.3.4 "*WESTGRUND Group is exposed to the risk of contractual penalties and damage claims resulting from and to the risk of the seller's rescission of the sale and purchase agreement on the Berlinovo-Portfolio.*").

In particular, WESTGRUND has not yet executed the facility documentation for the planned senior secured credit facility in the amount of up to EUR 331,000,000 which shall be used to finance the acquisition of the Berlinovo-Portfolio. While WESTGRUND has entered into a binding term sheet for this facility, the parties might not be able to execute mutually acceptable documentation or might not be able to execute such documentation on time, in which case the required amounts would not be available to WESTGRUND. If the documentation were to be executed, it will contain conditions precedent for payment by the facility underwriter of the facility amount. Even though certain material conditions which probably would otherwise be included in the facility documentation such as receipt of internal approvals have already been completed, it cannot be excluded that conditions precedent might not be fulfilled. In that case, the facility agent could refuse to pay out the facility amount when required, or it could refuse to do so for other reasons, or because individual purchase prices might become due only after the term of the facility agreement. In any of such cases, WESTGRUND might not be able to pay for the relevant individual purchase prices when they become due.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.3.3 WESTGRUND might face difficulties refinancing or not be able to refinance the bridge facility on time or at satisfactory terms and thus might not be able to refinance the Berlinovo-Portfolio.

Up to EUR 331,000,000 of the aggregate purchase price for the acquisition of the Berlinovo-Portfolio shall be financed via a senior secured facility which shall be granted as a bridge facility with a maturity date of July 9, 2015 (see also Section 3.3.2 "*WESTGRUND might not be able to pay the respective purchase prices.*"). Moreover, repayment of the bridge facility amount could become due earlier in case WESTGRUND or the WESTGRUND Group should breach any of the covenants and other provisions which will be included in the facility documentation or in case a change of control should occur with respect to the WESTGRUND Group. Depending on the development of the Berlinovo-Portfolio, the WESTGRUND Group, the residential real estate market, overall financing conditions, the German economy as a whole and further factors, WESTGRUND might face difficulties refinancing or not be able to refinance the bridge facility on time or at satisfactory terms.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.3.4 The WESTGRUND Group is exposed to the risk of contractual penalties and damage claims resulting from and to the risk of the seller's rescission of the sale and purchase agreement on the Berlinovo-Portfolio.

The Berlinovo-Portfolio Acquisition Agreement contains protection for the sellers in case of default of the purchasers. The purchasing companies of the WESTGRUND Group might not pay or might not be able to pay each individual purchase price as and when it becomes due and in such case might become obliged to pay default interest. In addition, the sellers under the Berlinovo-Portfolio Acquisition Agreement might become entitled to rescind the Berlinovo-Portfolio Acquisition Agreement even if the transfer of properties under the Berlinovo-Portfolio Acquisition Agreement has already been partially completed and WESTGRUND might have invested in the acquired properties. In case of such rescission based on default by one or more purchasing companies of the WESTGRUND Group the respective company of the WESTGRUND Group would be obliged to pay out to the sellers rent payments which they have received during the time until the rescission. Furthermore, the purchasing companies of the WESTGRUND Group could in such scenario become liable to pay a contractual penalty (*Vertragsstrafe*).

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.3.5 The value of the properties of the Berlinovo-Portfolio could be incorrectly assessed, in particular the value could be lower than the agreed individual purchase prices.

The properties which will be acquired under the Berlinovo-Portfolio Acquisition Agreement might be of lower value than the value determined by the appraisers which have assessed their value for WESTGRUND (see also Section 3.2.2 "*Valuation summaries included in this Prospectus and/or existing or future financial information such as pro forma financial information contained in this Prospectus could incorrectly assess the value of the properties of the WESTGRUND Group.*"). In this case, the value of the properties of the Berlinovo-Portfolio could be lower than the agreed individual purchase prices and such adverse difference in value could be significant.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.3.6 Factual or legal defects might not be covered by representations of the sellers or claims thereof might be excluded due to the expiry limitation periods that could lead to losses and/or result in substantial costs.

Under the Berlinovo-Portfolio Acquisition Agreement, the liability of the sellers for factual or legal defects has been excluded and the sellers have made only limited representations. In case of any factual or legal defects with respect to the acquired properties, such defects might not be covered by such representations. If defects exist and are in principal covered by representations, the purchasing WESTGRUND Group companies might nevertheless not be able to recover the damage, because a representation might have been granted only subject to the knowledge of certain individuals, claims might be excluded because of expiration of an agreed statute of limitations, claims do not reach agreed minimum amounts or might exceed agreed maximum amounts of liability of the sellers, or for other reasons. Further, the purchasing WESTGRUND Group companies might not be able to recover incurred damages despite having a claim because the relevant seller might not be solvent. This could lead to losses and result in substantial costs for the WESTGRUND Group.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.3.7 Collateral might not be handed over to the purchasing WESTGRUND Group companies and thus the respective companies might not be successful in obtaining the outstanding collateral from the relevant tenants.

The collateral provided by tenants of the Berlinovo-Portfolio will be handed over to the purchasing WESTGRUND Group companies only if the respective tenants have consented to such transfer. Tenants might not consent to such transfer or might not have provided collateral so that no collateral can be handed over, and in such cases the respective WESTGRUND Group companies might not be successful in obtaining the outstanding collateral from the relevant tenants.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.3.8 The property management agreement concerning the real estate in Brandenburg might be void due to possible violations of EU state aid law which could lead to recession of the transfer of the hereditary building rights and could lead to a recovery of the impermissible state aid granted.

In Brandenburg an der Havel hereditary building rights shall be acquired under the Berlinovo-Portfolio Acquisition Agreement which comprise of 1,455 residential units. As part of the acquisition, a property management agreement concluded in 1997 with WOBRA Wohnungsbaugesellschaft der Stadt Brandenburg an der Havel GmbH ("**WOBRA**") shall also be transferred to the relevant WESTGRUND Group company. Under the property management agreement, WOBRA manages the residential units and is entitled to the rents actually collected, but is obliged to pay over a 30-years-period a fixed monthly amount which increases over the term of the agreement. This agreement or the agreements regarding the hereditary building rights could be void due to possible violations of EU state aid law, procurement law or for other reasons. The EU Commission is investigating a possible violation of EU state aid law with regard to the amount paid under such a property management agreement. The property management agreement with WOBRA is considered in the state aid proceedings. Part of the monthly paid amount under a property management agreement might constitute impermissible state aid. In this case, the relevant WESTGRUND Group company might be held liable for the recovery of the impermissible state aid granted plus interest, also as far as the time period before the transfer of the portfolio to WESTGRUND is concerned. Moreover, both contracts - the agreement concerning the hereditary building rights and the property management agreement - might be held invalid. In that case, the transfer of the respective portfolio might be reversed. If the agreement concerning the hereditary building rights is unwound, WESTGRUND bears the insolvency risk of the respective seller with respect to the repayment of the respective purchase price for the hereditary building rights. The property management agreement might also be adjusted with regard to the fixed amount WOBRA has to pay monthly by way of reduction of the amount of the unlawful state aid as determined by the EU Commission.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operation of the WESTGRUND Group and, thus, WESTGRUND.

3.3.9 WESTGRUND Group could run out of working capital on July 9, 2015 or even earlier, if the Company is not able to obtain the required additional funding on time, which could result in insolvency of WESTGRUND and companies of the WESTGRUND Group.

WESTGRUND Group risks to run out of working capital on July 9, 2015, the maturity date of the bridge facility to be granted by Barclays Bank PLC, or at any time before on which Barclays Bank PLC is entitled to terminate the facility, if the Company is not able to obtain the required additional funding of EUR 331,000,000.00 on time. The bridge facility is granted for payment of part of the acquisition price of the Berlinovo-Portfolio. In order to rectify the imminent shortfall, WESTGRUND intends to refinance the credit facility at or before its maturity by way of (i) a loan refinancing and/or (ii) a securitization transaction.

Depending on the development of the Berlinovo-Portfolio, the WESTGRUND Group, the residential real estate market, overall financing conditions, the German economy as a whole and further factors, WESTGRUND might not be able to refinance the bridge facility completely, on time or on satisfactory terms at maturity of the bridge facility or an earlier point of time if repayment of the bridge facility amount becomes payable prior to maturity as a result of the occurrence of an event of default set forth in the facility agreeement. This could have a material adverse impact on the business operations, financial position and profits of the WESTGRUND Group and, thus, WESTGRUND and could result in insolvency of WESTGRUND and companies of the WESTGRUND Group.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.4 Risks associated with offered shares

3.4.1 Liquidity of trading in the Company's shares might or might not increase and/or might not be maintained or even deteriorate.

The Company's shares, which are already admitted to trading, are currently traded on the Regulated Market of the Dusseldorf Stock Exchange. All of the Company's shares as well as the shares offered by this Prospectus will be admitted to trading on the Regulated Market of the Dusseldorf Stock Exchange, if not already admitted, and the Frankfurt Stock Exchange. In the past the shares of the Company were relatively illiquid and the Company cannot predict what the liquidity of the shares offered by this Prospectus will be. There is no guarantee that liquid trading in the Company's shares will increase or be maintained on the current level. Under certain circumstances, investors may not be able to sell their shares quickly or at a price higher than the acquisition price of the shares or at the market price if an active market for the shares fails to develop or may not be able to re-sell their shares at all.

3.4.2 Fluctuations in the actual or projected performance results of the Company or its competitors, changes in earnings estimates or failure to meet earnings expectations, or other significant changes and factors could influence the share price volatility.

The share price of WESTGRUND may be prone to fluctuations in the actual or projected performance results of the Company or its competitors, changes in earnings estimates or failure to meet security analysts' earnings expectations, changes in general economic conditions, changes in the shareholder base, as well as other factors that could influence price volatility. In addition, price fluctuations in the stocks of particular companies within the same industry can lead to pressure on the price of WESTGRUND shares, notwithstanding sound business operations and prospects of the Company itself, and could limit required or desirable future capital raisings which might be required to finance further growth. High fluctuations in share prices traded at low volumes, as well as changes in the number of publicly-held shares means that the invested capital will be subject to the owner of those WESTGRUND shares. Volatility in stock price can particularly occur if individual shareholders own a significant portion of the capital stock.

3.4.3 Wecken & Cie., Basel, could exercise controlling influence on significant resolutions of the Company.

Wecken & Cie., Basel, currently holds nearly half of the shares of the Company. With its shareholding Wecken & Cie., Basel, could be able to exercise control over passing those resolutions at a shareholders' meeting of the Company (the "**Shareholders' Meeting**") that require a simple majority. Depending on the proportion of shares present at a Shareholders' Meeting it is also possible that with its shareholding Wecken & Cie., Basel, could exercise control over passing resolutions that require a qualified majority of the votes cast or of the share capital present at the Shareholder's Meeting. These resolutions could also relate to capital increases for financing acquisitions or investments or for other purposes. The mere possibility that Wecken & Cie., Basel, could exert its influence, specifically at a Shareholders' Meeting, or exercise influence in some other way which may clash with the interests of the other shareholders, may also have an impact on the Company's share price. If Wecken & Cie., Basel, refuses to participate in any capital increase by the Company in the future, this could limit the Company's options for raising new capital.

3.4.4 Individual majority shareholders and/or a large number of shareholders might sell substantial shareholdings which could affect the price of the Company's shares.

If Wecken & Cie., Basel, and/or other major shareholders were to sell a significant portion of their WESTGRUND shares on the public market, or should speculation about such a sale emerge in the market, the price of the Company's shares could be negatively affected. Such a sale could also limit the Company in issuing new shares at a reasonable price and time in the future.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.4.5 Future capital increases could lead to substantial dilution, i.e. a reduction in the value of existing shareholders' shareholdings in the Company and their voting rights.

As part of the implementation of the Company's growth plans, a significant capital requirement is likely to continue to exist. The Company remains open to the possibility of effectuating capital increases with or without subscription rights to shareholders. The procurement of further equity, the potential exercise of convertible bonds or bonds with warrants, capital increases such as the acquisition of other companies or investments, and other capital measures could result in significant dilution of shareholder participation, i.e. a reduction in the value of existing shareholders' shareholdings in the Company and their voting rights and/or could adversely affect the Company's shares. In particular, the capital increase effectuated with this Prospectus might lead to a reduction of the strike price of bonds already issued. Therefore, holders of bonds may convert their options and will be issued shares of the Company at a comparative low strike price. This could result in dilution of shareholders.

3.4.6 The holdings of shareholders in the Company not participating in the offer will be substantially diluted.

Subscription rights that are not exercised by and including September 24, 2014 will expire valueless. If a shareholder of the Company fails to exercise his or her subscription right, such shareholder's proportionate share of the total equity will decline.

3.4.7 The Underwriting Agreement between the Company and the Joint Global Coordinators could be terminated and thus, shareholders' subscription rights could expire.

The Company executed an underwriting agreement dated September 9, 2014 with the Joint Global Coordinators (the "**Underwriting Agreement**"). According to the provisions of the Underwriting Agreement, the Joint Global Coordinators, subject to certain conditions, are obliged to acquire any residual new shares that have not been subscribed for or placed in the offering. This agreement can be terminated by the Joint Global Coordinators under certain circumstances.

If the Underwriting Agreement is terminated because the Joint Global Coordinators withdraw before the publication of the subscription offer in the German Federal Gazette (*Bundesanzeiger*), because the Company withdraws from the subscription offer, or because the implementation of the capital increase is not registered in the commercial register in a timely manner, the offering will lapse and the shareholders' subscription rights will expire. Allocations already made to investors will be ineffective and investors will not be entitled to delivery of those shares. Subscription declarations for new shares already made would be invalid. The Company would receive no issue proceeds in the event of a termination of the placement agreement. In addition, the Company may not be able to place all offered shares which may result in substantially lower proceeds. Furthermore, financing of the acquired Berlinovo-Portfolio could not be assured and thus, the transaction could not be feasible.

Each of these enumerated risks could have a material adverse impact on the business, net assets, financial position and results of operations of the WESTGRUND Group and, thus, WESTGRUND.

3.4.8 WESTGRUND's shares could be downlisted from the regulated market to the respective stock exchanges' open market or could be delisted from the stock exchange which could adversely affect the price and liquidity of the shares and investors' ability to sell shares.

All of the Company's shares as well as the shares offered by this Prospectus will be admitted to trading on the Regulated Market of the Dusseldorf Stock Exchange, if not already admitted, and the Frankfurt Stock Exchange. According to German jurisdiction the management board of a stock coporation is entitled to resolve on filing for downlisting of shares from the regulated market to the respective stock exchanges' open market or delisting of the shares from a stock exchange without the approval of the shareholders' meeting. An offer to purchase the shares against a cash settlement to be made to the shareholders is also not required according to German jurisdiction. Thus, without involving the Shareholders' Meeting and without paying any cash settlement WESTGRUND's shares could be downlisted from trading on the regulated market to the respective stock exchanges' open market or even delisted from the stock exchange only by resolution of the Management Board.

Such a downlisting or delisting of WESTGRUND's shares could adversely affect the price and the liquidity of the shares and, consequently, could have a negative effect on investors' ability to sell the shares at a satisfactory price or to sell them at all.

3.5 Tax-related Risks

3.5.1 WESTGRUND Group's business is subject to the general legal and tax environment in Germany.

WESTGRUND Group's business is subject to the general legal and tax framework in Germany. The legal situation may change in the future, possibly with retroactive or retrospective effect at any time and on short notice. Thus, changes in tax legislation, administrative practice of German tax authorities or case law could have adverse tax consequences for WESTGRUND and WESTGRUND Group. For example, there could be increases in the rates of real estate transfer tax, property tax or capital gains tax. Additionally, changes could be applicable to the ability to depreciate real properties held, which could have a significant adverse effect on the attractiveness of residential and commercial real estate. Further, the German government is currently considering introducing a financial transaction tax (*Finanztransaktionssteuer*) which, if and when introduced, may also be applicable on sales and/or transfers of shares of the WESTGRUND Group companies. If these changes in the legal or tax framework or its interpretation occur, individually or together, or if other changes of the legal or tax framework should arise affecting negatively WESTGRUND's business, this could have a significant adverse effect on the net assets, financial condition and results of operations of WESTGRUND and WESTGRUND Group.

3.5.2 WESTGRUND could be required to pay additional taxes following tax audits of WESTGRUND and subsidiaries of WESTGRUND.

The whole WESTGRUND Group is subject to tax audits on a regular basis. The most recent tax audit of WESTGRUND covered the fiscal years until 2009. No tax audits have been performed until now at the level of the various WESTGRUND Group companies. All tax assessment notices issued of the years 2010 to 2012 are not finally assessed, and thus, in general, subject to future tax audits by the relevant competent tax office. Previous tax audits did not result in significant additional tax payments. Nevertheless, tax audits or divergent legal interpretations by the tax authorities could lead to additional tax liabilities including interest, which could have a significant adverse effect on the net assets, financial condition and results of operations of WESTGRUND and WESTGRUND Group.

3.5.3 WESTGRUND might not be in a position to make tax deductions for interest payments which may result in a higher tax burden.

WESTGRUND and WESTGRUND Group have entered into numerous financing transactions with third parties, including the financing of acquisitions of real properties and/or portfolios. According to the so-called interest barrier rules (*Zinsschrankenregelung*) the tax deductibility of interest and related expenses might be limited by Section 4h of the German Income Tax Act (*Einkommensteuergesetz - EStG*) in conjunction with Section 8a of the German Corporate Income Tax Act (*Körperschaftsteuergesetz - KStG*). The tax deductibility of net interest expense by a business is generally limited to 30% of the taxable EBITDA, unless certain exceptions apply. Any non-deductible amount that exceeds the 30% ceiling can only be carried forward and may be deductible only in future years under certain circumstances. Currently, WESTGRUND Group is not concerned by the interest barrier rules because the annual net interest expenses on the level of each single legal entity of WESTGRUND Group are below EUR 3 million. If in the future WESTGRUND or WESTGRUND Group is affected by the application of the interest barrier provisions in the future, this would result in a higher tax burden and, consequently, have a significant adverse effect on the net assets, the financial condition and the results of operations of WESTGRUND and WESTGRUND Group.

3.5.4 The abolishment of the so-called extended trade tax deduction (erweiterte Kürzung) might result in a higher tax burden at the level of WESTGRUND and WESTGRUND Group.

According to Section 9 paragraph 1 sentence 2 German Trade Tax Act (*Gewerbesteuergesetz - GewStG*) a business which is exclusively engaged in the management of its own real properties and in holding capital investments may apply for an exemption of the portion of its income determined for trade tax purposes derived from letting real properties, so-called extended trade tax deduction . Currently the subsidiaries of WESTGRUND do not pay trade tax because of existing loss carry forwards and since the extended trade tax deduction could be claimed. If the GewStG is amended, the tax authorities change their interpretation or the subsidiaries of WESTGRUND do not meet the requirements of the extended trade tax deduction, this would result in a higher trade tax burden, and consequently, have a significant adverse effect on the net assets, financial condition and results of operations of WESTGRUND and WESTGRUND Group.

3.5.5 There are uncertainties with respect to the amount of tax-loss carry-forwards and interest carry-forwards.

WESTGRUND and certain WESTGRUND Group companies have existing tax-loss carry-forwards and interest carry-forwards. The loss and interest rate carry-forwards might, subject to certain restrictions, reduce future taxable income. These corporate income and trade tax-loss carry forwards and interest carry-forwards could be jeopardized in the future, in whole or in part, at the level of WESTGRUND and its direct and indirect subsidiaries pursuant to Section 8c of the EStG (or, where applicable, in conjunction with Section 10a sentence 10 of the GewStG and Section 8a of the KStG) if, within a period of five years, 25% or more of the shares or voting rights of WESTGRUND are combined, directly or indirectly, to be held by one shareholder or several shareholders whose interests are aligned (harmful acquisition). Shares are deemed to have been combined (including by way of a capital increase) for these purposes if they are assigned to a single acquirer, persons related to such acquirer, or a group of acquirers whose interests are aligned. Because much of the issued share capital is being assigned within the meaning of Section 8c of the KStG in the context of this offering, there is a risk that WESTGRUND will be unable to utilize, in whole or in part the corporate income tax-loss carry forwards of EUR 18.7 million and trade tax-loss carry-forwards of EUR 17.9 million as of December 31, 2013 according to the published Group Financial Statements for 2013. The tax-loss carry-forwards considered in the half year Group Financial Statements as of June 30, 2014 amounted to EUR 17.4 million for corporate income tax purposes and EUR 17.1 million for trade tax purposes.

Tax-loss carry-forwards could also be lost at the level of WESTGRUND pursuant to Section 8 paragraph 4 KStG (old version). Prior loss carry-forwards could only be used if the economic identity of WESTGRUND is preserved within the meaning of Section 8 paragraph 4 KStG (old version). This would not be the case if this capital increase, together with earlier share transfers, were to result in a greater than 50% change in the shareholder structure and predominantly new assets were contributed to the Company within a certain period. WESTGRUND cannot control this risk because the elimination, in whole or in part, of loss carry-forwards and interest carry-forwards would be triggered by measures and transactions (including subscription to the capital increase) at the shareholder level. In particular, it cannot be ruled out that - as a result of the contemplated capital increase - a shareholder, or several shareholders whose interests are aligned, will hold 25% or more of the shares/voting rights of WESTGRUND.

Further, WESTGRUND may not be entitled to or limited, and, therefore, might be unable, to utilize tax-loss carry-forwards to the extent anticipated. In the group financial statements as of December 31, 2013 deferred tax of EUR 134,620.33 has been capitalized. If loss-carry forwards are lost, this could lead to an amortization of the deferred tax assets in part or in total.

Each of these enumerated risks, in particular, a loss of tax-loss carry-forwards and interest carry-forwards or an unexpected utilization could have a significant adverse effect on the net assets, financial condition and results of operations of WESTGRUND and WESTGRUND Group.

3.5.6 WESTGRUND has entered into a profit and loss absorption agreement, which might not be considered for tax purposes.

WESTGRUND has established a tax group (*Organschaft*) with Wiederaufbaugesellschaft mit beschränkter Haftung for income tax purposes. Further, it has entered into a profit and loss absorption agreement with Wiederaufbaugesellschaft mit beschränkter Haftung providing for a transfer of profits to WESTGRUND and the obligation to assume losses of Wiederaufbaugesellschaft mit beschränkter Haftung, if Wiederaufbaugesellschaft mit beschränkter Haftung occurs losses. It cannot be ruled out that the tax group (*Organschaft*) is deemed invalid, for instance if the profit and loss absorption agreement is considered void, as not having been properly executed or if other requirements for tax groups (*Organschaft*) are not met. Any of these findings could lead to an increase in the WESTGRUND Group's tax obligations and could result in the assessment of penalties. Further, this could have adversely affect WESTGRUND's ability to pay dividends to its shareholders.

Each of these risks could have a material adverse effect on the net assets, financial position and results of operations of WESTGRUND and WESTGRUND Group.

3.5.7 The application of Section 3a of the Real Estate Transfer Tax ACT (RETT Act) and the direct and indirect transfer of 95% of the shares in WESTGRUND within a period of five years would trigger RETT in Germany.

Under Section 1 paragraph 3a RETT Act (*Grunderwerbsteuergesetz*), a transaction triggers real estate transfer tax (**RETT** - *Grunderwerbssteuer*) if as a result of such transaction WESTGRUND directly or indirectly holds an economic participation of at least 95% in a company or partnership holding real estate in Germany. An economic participation is the equal sum of all directly or indirectly held shares in the capital or assets of a company or partnership. Any indirect participation shall be determined by multiplying the respective percentage participations. In respect of share deals any participations held in or by one or more interim vehicle(s) need to be taken into account. Future share deals may be affected by this rule. An asset deal will always trigger a higher RETT liability.

WESTGRUND has established various limited partnerships holding real properties. German RETT of currently 3.5% to 6.5% is triggered if, within a period of five years, 95% or more of the partnerships holding real estate are directly or indirectly transferred to new partners. If such transfer has occurred, the partnership would be liable to German RETT and has to pay the RETT to the competent tax office. The applicable RETT rate tax is based on the value of the real properties determined in accordance with the RETT Act. WESTGRUND cannot control this risk since German RETT would be triggered by measures at the shareholder level.

Each of these enumerated risks could have a material adverse effect on cash flows, financial condition and results of operation of WESTGRUND.

4. GENERAL INFORMATION

4.1 Responsibility for the content of this Prospectus

WESTGRUND Aktiengesellschaft (the "**Company**", "**WESTGRUND**", or the "**Issuer**"), with its registered office at Joachimstaler Strasse 34, 10719 Berlin, Germany, along with Joh. Berenberg Gossler & Co. KG, Hamburg, Germany ("**Berenberg**") and Baader Bank Aktiengesellschaft, Unterschleissheim, Germany ("**Baader Bank**", and together with Berenberg the "**Joint Global Coordinators**" or "**Joint Bookrunners**") assume responsibility for the contents of this securities prospectus (the "**Prospectus**") pursuant Section 5 paragraph 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz – WpPG*) and declare that the information contained therein is, to the best of their knowledge, correct and contains no material omissions, and that they have taken all reasonable care to ensure that the information contained therein is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect the import of the Prospectus.

If an investor files claims in court on the basis of the information contained in this Prospectus, the plaintiff investor may be required by the laws of the individual member states of the European Economic Area (*Europäischer Wirtschaftsraum*) to bear the cost of translating the Prospectus before proceedings begin.

The information in this Prospectus will not be updated subsequent to the date hereof except for any significant new event or significant error or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the shares of the Company and occurs or comes to light following the approval of the Prospectus, but before the completion of the public offering or admission of the New Shares (as defined below) to trading, whichever is later. These updates must be disclosed in a prospectus supplement in accordance with Section 16 paragraph 1 of the WpPG.

4.2 Purpose of the Prospectus

The subject matter of this Prospectus is (i) the public offering of new shares in Germany and Luxembourg as well as (ii) the admission of such new shares and the shares of the existing share capital of WESTGRUND to trading on the regulated market of the Dusseldorf Stock Exchange (*Börse Düsseldorf*) and on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange as described hereinafter in detail. The issuance of new shares and the admission to trading as explained above will be carried out according to German law and in Euro currency.

Public Offering

For the purpose of the public offering of new shares in Germany and Luxembourg, this Prospectus relates to 46,666,666 new ordinary bearer shares with no par value (*Stückaktien*), each such share representing a notional value of EUR 1.00 and carrying full dividend entitlement from January 1, 2014 (the "**New Shares**"). The actual number of New Shares to be placed in connection with the offering will be calculated on the basis of the targeted gross issue proceeds (*Bruttoemissionserlös*) of

EUR 140,000,000.00, divided by the actual subscription price. The actual subscription price will be determined by way of a bookbuilding-procedure that will be carried out via pre-placement of a portion of the New Shares prior to the subscription period and within a price-range of EUR 3.00 to EUR 4.00 per New Share (the details are explained below in Section 5.2 "*The Offering - General*"). 33,333,333 of the New Shares originate from the capital increase against cash contribution with indirect subscription rights for the existing shareholders of the Company, as was resolved by the Shareholders' Meeting on June 13, 2014. 13,333,333 of the New Shares originate from the Authorized Capital 2014/I. utilized by the Management Board and approved by the Supervisory Board on September 8, 2014 (both capital increases together the "**Capital Increase**").

Admission to Trading

For the purpose of admission to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard), this Prospectus relates to up to 46,666,666 New Shares and to all shares of the existing share capital of WESTGRUND which amounts to 33,607,451 shares at the date of this Prospectus (the shares of the existing share capital the "**Existing Shares**", together with the New Shares the "**Admission Shares**"). The Existing Shares are ordinary bearer shares with no par value (*Stückaktien*), with each such share representing a notional value of EUR 1.00 and carrying full dividend entitlement from January 1, 2014; they consist (i) of 29,616,246 shares certified under ISIN DE000A0HN4T3 / WKN A0HN4T (the "**Existing Admitted Shares**") and (ii) of 3,991,205 shares certified under ISIN DE000A11QWT2 / WKN A11QWT (the "**Existing Non-Admitted Shares**"). Further, for the purpose of admission to trading on the regulated market of the Dusseldorf Stock Exchange, this Prospectus relates to up to 46,666,666 New Shares and to the Existing Non-Admitted Shares.

The Existing Admitted Shares are currently admitted to trading on the regulated market of the Dusseldorf Stock Exchange (*Börse Düsseldorf*). The Existing Non-Admitted Shares have not been admitted to trading yet; they comprise (i) a total of 2,774,429 shares from the capital increase against contribution in kind utilizing the Authorized Capital 2013/I, as registered with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on June 12, 2014, (ii) a total of 853,939 shares from the capital increase against contribution in kind utilizing the Authorized Capital 2013/I, as registered with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on June 12, 2014 and (iii) a total of 362,837 shares from the capital increase from Company funds relating to the shares mentioned under no. (i) and (ii) before as registered with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on July 2, 2014.

4.3 Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events. This also applies to statements in the sections entitled "Risk Factors", "Business Overview" and "Recent Developments and Outlook", as well as wherever the Prospectus contains information on future earning capacity, plans and expectations regarding business and management, growth and profitability, and general economic and regulatory conditions to which WESTGRUND and its subsidiaries are exposed. Forward-looking statements in this Prospectus are based on estimates and assessments made to the best of the Company's present knowledge. The sections entitled "Risk Factors", "Business Overview" and "Recent Developments and Outlook" are of particular importance as they contain detailed descriptions of factors that could impact the WESTGRUND Group and the industry in which the WESTGRUND Group is active.

These forward-looking statements are based on current plans, assumptions, estimates, projections and expectations of the WESTGRUND Group, which, while appropriate at this time, may later prove incorrect for a variety of reasons and factors, the occurrence or nonoccurrence of which could cause the performance of the WESTGRUND Group to differ materially from the performance and development of expectations expressed or implied in the forward-looking statements.

These factors include, among others:

- changes in general economic conditions in Germany, business or legal conditions,
- political or regulatory changes,
- demographic changes,
- changes affecting interest rate levels,
- changes in the competitive environment of the WESTGRUND Group,
- other factors as set forth in the Section entitled "Risk Factors" and
- factors that are not known to the Company at this time.

If risks or uncertainties materialize due to the occurrence of one or more of these factors in a single instance or in multiple instances, or should the occurrence of any prove the underlying assumptions of the WESTGRUND Group incorrect, it could cause actual results, including causing the financial condition and profitability of the WESTGRUND Group to differ materially from or fail to meet expectations.

These forward-looking statements speak only as of the date on which they are made. Neither the Company nor the Joint Global Coordinators assume any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. Nevertheless, according to Section 16 paragraph 1 of the WpPG the Company has the obligation to disclose any significant new event or significant error or inaccuracy relating to the information included in this Prospectus that may affect an assessment of the securities and arises or is noted following the approval of the Prospectus, but before the completion of the public offering or the admission of the securities to trading on an organized market, whichever is later. These updates must be disclosed in a supplement to the Prospectus in accordance with Section 16 paragraph 1 of the WpPG.

4.4 Note on third-party information on market information and technical terms

Information in this Prospectus adopted from third-parties has not been verified by WESTGRUND. Such information was gathered by the Company and accurately reproduced. As far as the Company is aware and is able to ascertain from the information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Information on the market environment, market developments, growth rates, market trends and the competitive situation in the areas where the WESTGRUND Group operates, was based on assessments of the Company.

Information extracted thereof and that is thus not derived from independent sources may differ from estimates made by competitors of the WESTGRUND Group or from the analyses of independent sources.

The following published sources are referred to in this Prospectus:

- Deutsche Bank Research. *Focus Germany* (*Ausblick Deutschland*), June 2014.
- Deutsche Bundesbank *Monthly Report*, June 2014.
- Dr. Lübke & Kelber GmbH, *Investmentmarkt Wohnen*, H1 2014
- Wüest & Partner. *Secondary Cities schlagen Top 7*, November 2013.
- Federal Statistical Office (*Statistisches Bundesamt* - Destatis). Facts and Figures, Wiesbaden 2014 (published under https://www.destatis.de/DE/ZahlenFakten/ZahlenFakten.html).
- Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) - *Regional Planning Forecast 2030*. Bonn/Berlin, 2014.
- Baader Bank Equity Research, *Company Report: Westgrund AG*. 2014.
- ifo Institute, Center of Economic Studies (CES), *Konsumreport,* July 2014.
- German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) "Interpretation of the scope of the KAGB and the concept of the term 'investment fund'" - "*Auslegungsschreiben zum Anwendungsbereich des KAGB und zum Begriff des "Investmentvermögens*"", June 14, 2013.
- Prognos AG. *Prognos Zukunftsatlas 2013 – Deutschlands Regionen im Zukunftswettbewerb*. Berlin/Bremen/Düsseldorf, November 2013.
- bulwiengesa AG. *Property Market Index 1975 - 2013*. 2014.
- CBRE, Markt für Wohnimmobilienportfolios. MarketView Q1 2014
- Charles Kingston: 35% more German residential portfolio deals in 2013, February 2014, published under: http://www.refire-online.com/features/investment/35%25-more-german-residential-portfolio-deals-in-2013/

Technical terms used in this Prospectus are defined when first used and additionally in the glossary at the end of the Prospectus.

4.5 Auditors

The auditor for the consolidated financial statements and unconsolidated annual financial statements of WESTGRUND for the current fiscal year ending December 31, 2014 is DHPG Audit GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Niederlassung Köln, Brückenstrasse 5-11, 50667 Cologne, Germany ("**DHPG**"). DHPG is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

DHPG audited the financial statements of the Company as of and for the fiscal year ending December 31, 2013, which were prepared on the basis of the German Commercial Code (*Handelsgesetzbuch HGB*) and the consolidated financial statements as of and for the fiscal year ending December 31, 2013, 2012 and 2011, which were prepared in accordance with International Financial Reporting

Standards as adopted by the European Union (IFRS) and the additional requirements of German commercial law pursuant to Section 315a paragraph 1 of the HGB, in accordance with Section 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer - IDW*) and issued unqualified auditor's opinions thereon.

DHPG further reviewed and certified the Company's pro forma consolidated financial information published in this Prospectus.

4.6 Note on figures and financial information

This Prospectus contains currency values in Euros, expressed as "EUR". Currency figures in the thousands of Euros are indicated as "EUR thousand" or "KEUR". Individual figures (including percentages) in this Prospectus have been rounded. Where figures have been rounded, particular items may not precisely and exactly add up to the totals included.

4.7 Documents available for inspection

For the period during which this Prospectus remains valid, hard copies of the following documents are available for inspection during regular business hours at WESTGRUND's offices, located at Joachimstaler Strasse 34, 10719 Berlin, Germany:

(i) the articles of association of the Company (the "**Articles of Association**");

(ii) the audited consolidated financial statements of WESTGRUND AG as of and for the fiscal years ending December 31, 2011, 2012 and 2013 (IFRS);

(iii) the audited financial statements of WESTGRUND AG as of and for the fiscal years ending December 31, 2012 and 2013 (HGB);

(iv) the unaudited condensed consolidated interim financial statements of WESTGRUND AG for the six month period ending June 30, 2014 (IFRS);

(v) pro forma consolidated financial information of WESTGRUND AG for the fiscal year ending December 31, 2013 and the six month period ending June 30, 2014 (including auditor's report);

(vi) valuation summaries completed by Jones Lang LaSalle GmbH, Berliner Freiheit 2, 10785 Berlin, Germany ("**Jones Lang LaSalle**"), to evaluate the market value as of June 30, 2014 of the existing property portfolio of WESTGRUND up to and including December 31, 2013, of the property portfolio of WESTGRUND acquired and closed as of June 30, 2014, of the property portfolio in Saxony and Mecklenburg-Western Pomerania of WESTGRUND intended to be acquired and of the property portfolio comprising approximately

13,300 residential and 73 commercial units, predominately located in Lower Saxony, Brandenburg, Mecklenburg-Western Pomerania and Saxony (the "**Berlinovo-Portfolio**");

(vii) the Prospectus; and

(viii) any supplement to the Prospectus pursuant to Section 16 German Securities Prospectus Act.

The Prospectus will also be published on the Issuer's website at www.westgrund.de/en/investor-relations/share/securities-prospectus.

4.8 Important note on market value appraisals

At the request of the Issuer and the companies comprising the WESTGRUND Group and due to legal requirements regarding the Prospectus, the independent, external appraisers at Jones Lang LaSalle GmbH, Berliner Freiheit 2, 10785 Berlin, Germany have prepared valuation summaries to determine the fair value pursuant to International Accounting Standard (IAS) 40 as of June 30, 2014 (i) of the Issuer's existing property portfolio up to and including December 31, 2013, (ii) of the Issuer's property portfolio acquired and closed as of June 30, 2014, (iii) of the property portfolio in Saxony and Mecklenburg-Western Pomerania the Issuer intends to acquire in 2014 and (iv) of the Berlinovo-Portfolio. With the consent of Jones Lang LaSalle, the valuation summaries are reprinted on pages V-1 et seqq. of this Prospectus. The Company affirms that no material change in the value has occurred since that date.

Jones Lang LaSalle is not regulated by any supervisory authority. It employs publicly-appointed and sworn experts, members of the Royal Institution of Chartered Surveyors (RICS) and is certified as an expert in real estate business valuation by HypZert GmbH.

5. THE OFFERING

5.1 Subject matter of the Offering

The offering relates to 46,666,666 new ordinary bearer shares with no par value (*Stückaktien*), each such share representing a notional value of EUR 1.00 and carrying full dividend entitlement from January 1, 2014 (the "**New Shares**"). The actual number of New Shares to be placed in connection with the offering will be calculated on the basis of the aspired gross issue proceeds (*Bruttoemissionserlös*) of EUR 140,000,000.00, divided by the actual subscription price. The actual subscription price will be determined by way of a bookbuilding-procedure that will be carried out via pre-placement of a portion of the New Shares prior to the subscription period and within a price-range of EUR 3.00 to EUR 4.00 per New Share (the details are explained below in Section 5.2 "*The Offering - General*"). At the lower end of the price-range, the number of New Shares will amount to 46,666,666 (40,000,000 New Shares or 35,000,000 New Shares at the mid-point and the higher end of the price-range, respectively). The actual subscription price and the resulting actual number of New Shares will be published as an ad hoc release via various media distributed across the entire European Economic Area (*Medienbündel*), and on the Company's website (www.westgrund.de/en/investor-relations/share/securities-prospectus) before the beginning of the subscription period, presumably on September 10, 2014. Further, the actual subscription price and the actual number of New Shares will be contained in the subscription offer which is expected to be published in the German Federal Gazette (*Bundesanzeiger*) on September 10, 2014.

The New Shares will be offered to the public in Germany and in Luxembourg.

5.2 General

The New Shares originate from two resolutions passed by the Shareholders' Meeting on June 13, 2014,

(i) to increase the Company's share capital by up to EUR 40,000,000.00 against contribution in cash by issuing up to 40,000,000 new ordinary bearer shares, each such share representing a notional value of EUR 1.00 and carrying full dividend entitlement from January 1, 2014 (the "**Ordinary Capital Increase**"). The final number of new shares to be issued is limited to such maximum number resulting by dividing (i) the intended gross issue proceeds (*Bruttoemissionserlös*) amounting to a maximum of EUR 100,000,000.00 and (ii) the subscription price amounting to at least EUR 1.00 and to be finally determined in the best possible way by the Management Board, with the approval of the Supervisory Board, under consideration of the current market situation. The Management Board is authorized, with the consent of the Supervisory Board, to establish the further details of the Ordinary Capital Increase. The Ordinary Capital Increase was entered into the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on July 2, 2014, and

(ii) authorizing the Management Board, subject to the approval by the Supervisory Board, to increase the Company's share capital until June 12, 2019, by up to a total of EUR 15,055,000.00 by issuing up to 15,055,000 new ordinary bearer shares in one or more tranches against contribution in cash or contribution in kind, with each such share representing a notional value of EUR 1.00. This Authorized Capital 2014/I. was entered into the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on July 2, 2014.

In exercising these authorizations, on September 8, 2014, the Management Board of the Company resolved, with the approval of the Company's Supervisory Board on the same day, to increase the Company's share capital by up to EUR 46,666,666.00 against contribution in cash through the issue of up to 33,333,333 New Shares based on the Ordinary Capital Increase and of up to 13,333,333 New Shares making use of the Authorized Capital 2014/I., thus altogether of up to 46,666,666 New Shares, with subscription rights for the Company's Shareholders (the "**Capital Increase**"). The actual number of New Shares to be placed in connection with the Offering (as defined below) will be calculated on the basis of the aspired gross issue proceeds (*Bruttoemissionserlös*) of EUR 140,000,000.00, divided by the actual subscription price to be determined by way of a bookbuilding-procedure within a price-range of EUR 3.00 to EUR 4.00. At the lower end of the price-range, the total number of New Shares will amount to 46,666,666, consisting of 33,333,333 New Shares from the Ordinary Capital Increase and 13,333,333 New Shares from the Authorized Capital 2014/I. At the mid-point of the price-range the total number of New Shares will amount to 40,000,000 New Shares, consisting of 28,571,428 New Shares from the Ordinary Capital Increase and 11,428,572 New Shares from the Authorized Capital 2014/I). At the higher end of the price-range the total number of New Shares will amount to 35,000,000 New Shares, consisting of 25,000,000 New Shares from the Ordinary Capital Increase and 10,000,000 New Shares from the Authorized Capital 2014/I. (the date and the way of the publication of the actual number of New Shares are explained above in Section 5.1 "*The Offering - Subject matter of the Offering*"). The New Shares less the Pre-Placement Shares (as defined below) and less the Direct-Subscription-Shares (as defined below) (the shares resulting from such calculation hereinafter the "**Subscription Shares**") are to be offered to the Company's shareholders (the "**Shareholders**") by the Joint Global Coordinators pursuant to the Underwriting Agreement dated September 9, 2014 (see below Section 5.6 "*Underwriting Agreement*") by way of an indirect subscription right (the "**Subscription Offer**", for the details of the Subscription Offer see below Section 5.4 "*Subscription Offer*"). Thereby, the Subscription Shares will be offered at a subscription price that has to be determined by way of a bookbuilding-procedure during the Pre-Placement (as defined below) (the "**Subscription Price**").

Wecken & Cie., Basel, Switzerland, and further shareholders have transferred subscription rights constituting a placement volume of at least EUR 60,000,000.00 to Baader Bank acting on behalf of the Joint Global Coordinators for the purpose of a pre-placement and a bookbuilding-procedure (the New Shares resulting from such transferred subscription rights hereinafter the "**Pre-Placement Shares**"). Before the beginning of the subscription period the Joint Global Coordinators will offer the Pre-Placement Shares with best efforts in Germany and outside Germany in jurisdictions other than the United States of America in accordance with the exemptions under Regulation S of the U.S. Securities Act dated 1933 ("**U.S. Securities Act**") and Canada, Australia and Japan to selected investors for purchase by way of a private placement and a bookbuilding-procedure (the "**Pre-Placement**"). By way of the bookbuilding-procedure the Pre-Placement Shares will be offered within a price-range of EUR 3.00 to EUR 4.00 per New Share. In the course of the Pre-Placement, the Joint Global Coordinators will decide on the allotment of Pre-Placement Shares to investors after reconciliation with the Company. The Joint Gobal Coordinators will not exercise the subscription rights transferred by Wecken & Cie. and other shareholders. These subscription rights will lapse and will be written off without value.

The Subscription Price for the New Shares shall be determined by the Joint Global Coordinators and the Company by way of a pricing agreement concluded between the Company and the Joint Global Coordinators and presumably dated September 10, 2014, according to the outcome of the bookbuilding-procedure. In case such an agreement cannot be achieved, the Subscription Price will equal the lower end of the Price Range as stipulated in the Underwriting Agreement. The Subscription Price and the thus resulting actual number of New Shares will be published as an ad hoc release via various media distributed across the entire European Economic Area (*Medienbündel*) and on the Company's website (www.westgrund.de/en/investor-relations/share/securities-prospectus) prior to the beginning of the subscription period, presumably on September 10, 2014. Further, the Subscription Price and the actual number of New Shares will be contained in the Subscription Offer, which is expected to be published in the German Federal Gazette (*Bundesanzeiger*) on September 10, 2014.

According to the Underwriting Agreement, the Joint Global Coordinators may request Wecken & Cie. to exercise any subscription rights that Wecken & Cie., prior to the signing of the underwriting agreement, has commited to exercise directly vis-à-vis the Company and to directly subscribe for such New Shares (the "**Direct-Subscription-Shares**").

After the end of the subscription period, the Joint Global Coordinators will offer any New Shares which are not placed by way of the Pre-Placement and not directly subscribed for directly vis-à-vis the Company or as part of the Subscription Offer to selected investors in Germany and outside Germany in reliance on the exemptions under Regulation S of the U.S. Securities Act in jurisdictions other than the United States of America, Canada, Australia and Japan at a price at least as high as the Subscription Price (the "**Rump Placement**", together with the Pre-Placement and the Subscription Offer the "**Offering**").

The implementation of the Capital Increase in relation to the Pre-Placement Shares is expected to be registered in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on September 10, 2014 and in relation to the residual New Shares on September 25, 2014.

The Offering is based on the Underwriting Agreement entered into on September 9, 2014 between the Company and the Joint Global Coordinators (the "**Underwriting Agreement**", for details see below Section 5.6 "*Underwriting Agreement*"). The Offering is subject to, among other things, registration of the implementation of the complete Capital Increase in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg.

Under certain circumstances, the Offering may be terminated prematurely (see below Section 5.4 "*Subscription Offer*".)

5.3 Timetable

The anticipated timetable for the Offering and for the admission of the New Shares to the regulated market of the Dusseldorf Stock Exchange and the Frankfurt Stock Exchange (Prime Standard) is as follows:

September 9, 2014	Approval of the Prospectus by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungs-aufsicht, BaFin*), Notification of the approved Prospectus to the competent authority in Luxembourg (Commission de Surveil-lance du Secteur Financier, "**CSSF**") Publication of the Prospectus on the Company's website
September 9, 2014 and Sep-tember 10, 2014	Pre-Placement and determination of the Subscription Price
September 10, 2014	Publication of Subscription Price and actual number of New Shares Publication of the Subscription Offer in the German Federal Ga-zette (*Bundesanzeiger*) Registration of the implementation of the capital increase regard-ing the Pre-Placement Shares in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg
September 11, 2014	Ex-rights day Commencement of the Subscription Period Admission of the Pre-Placement Shares to the regulated market of the Dusseldorf Stock Exchange and of the Frankfurt Stock Exchange (Prime Standard)
September 12, 2014	Book-entry delivery of the Pre-Placement Shares Commencement of trading of the Pre-Placement Shares on the regulated market of the Dusseldorf Stock Exchange and of the Frankfurt Stock Exchange (Prime Standard)
September 15, 2014	Settlement of the Pre-Placement Shares
September 24, 2014	End of Subscription Period
September 25, 2014	Publication of the result of the Subscription Offer Rump Placement of New Shares not subscribed for in the Pre-Placement, directly vis-à-vis the Company, or in the Subscription Offer

	Publication of the result of the Offering Registration of the implementation of the capital increase regarding the residual New Shares in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg
September 26, 2014	Book-entry delivery of the residual New Shares Admission of the residual New Shares to the regulated market of the Dusseldorf Stock Exchange and of the Frankfurt Stock Exchange (Prime Standard)
September 29, 2014	Commencement of trading of the residual New Shares on the regulated market of the Dusseldorf Stock Exchange and of the Frankfurt Stock Exchange (Prime Standard)
September 30, 2014	Settlement of the residual New Shares

The Prospectus will be published on the Company's website at www.westgrund.de/en/investor-relations/share/securities-prospectus. Printed copies of the Prospectus will also be available upon publication from the Company and the Joint Global Coordinators free of charge during normal business hours at the following addresses: WESTGRUND Aktiengesellschaft, Joachimstaler Strasse 34, 10719 Berlin; Joh. Berenberg, Gossler & Co. KG, Bockenheimer Landstr. 25, 60325 Frankfurt am Main; Baader Bank Aktiengesellschaft, Weihenstephaner Str. 4, 85716 Unterschleissheim.

Information on the website listed in this section and information accessible via these websites is neither part of nor incorporated by reference into this Prospectus.

5.4 Subscription Offer

The following is an English translation of the Subscription Offer. All information still to be determined, indicated with "[•]" or set in square brackets hereinafter, will be included in the published Subscription Offer. The German-language version is expected to be published in the German Federal Gazette (*Bundesanzeiger*) on September 10, 2014:

"WESTGRUND Aktiengesellschaft
Berlin
(ISIN DE000A0HN4T3/WKN A0HN4T)
(ISIN DE000A11QWT2/WKN A11QWT)

On June 13, 2014, the Shareholders' Meeting of WESTGRUND Aktiengesellschaft (the "**Company**") resolved to increase the share capital of the Company by up to a total of EUR 40,000,000.00 against cash contributions by issuing up to 40,000,000 new ordinary bearer shares, each such share representing a notional value of EUR 1.00 and carrying full dividend entitlement from January 1, 2014 (the "**Ordinary Capital Increase**"). The final number of new shares to be issued is limited to such maximum number resulting by dividing (i) the intended gross issue proceeds (*Bruttoemissionserlös*) amounting to a maximum of EUR 100,000,000.00 and (ii) the subscription price amounting to at least EUR 1.00 and to be finally determined in the best possible way by the Management Board, with the approval of the Supervisory Board, under consideration of the current market situation. The resolution regarding the Ordinary Capital Increase was entered into the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on July 2, 2014.

Further, by resolution of the Shareholders' Meeting on June 13, 2014, the Management Board is authorized, subject to the approval by the Supervisory Board, to increase the Company's share capital until June 12, 2019, by up to a total of EUR 15,055,000.00 by issuing up to 15,055,000 new ordinary bearer shares in one or more tranches against contribution in cash or contribution in kind, each such share representing a notional value of EUR 1.00. This Authorized Capital 2014/I. was entered into the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on July 2, 2014.

In exercising these authorizations, on September 8, 2014 and on September 10, 2014, the Management Board of the Company resolved, with the approval of the Company's Supervisory Board on the same day each, to increase the Company's share capital by up to EUR [•] against contribution in cash through the issue of up to [•] new no par value bearer shares based on the Ordinary Capital Increase and of up to [•] new no par value bearer shares making use of the Authorized Capital 2014/I., thus altogether of up to [•] new no par value bearer shares, each with a notional value of the Company's share capital of EUR 1.00 and carrying full dividend entitlement from January 1, 2014, with subscription rights for the Company's Shareholders (the "**New Shares**"). The New Shares less the Pre-Placement Shares (as defined below) and less the Direct-Subscription-Shares (as defined below) (the shares resulting from such calculation hereinafter the "**Subscription Shares**") are to be offered to the Company's shareholders (the "**Shareholders**") by Joh. Berenberg, Gossler & Co. KG, Bockenheimer Landstr. 25, 60325 Frankfurt am Main ("**Berenberg**") and Baader Bank Aktiengesellschaft, Weihenstephaner Str. 4, 85716 Unterschleissheim ("**Baader Bank**" and together with Berenberg the „**Joint Global Coordinators**") pursuant to an Underwriting Agreement dated September 9, 2014 at a ratio of [•]:[•] (that is, [•] existing shares of the Company entitle their holder to subscribe for [•] New Shares) for subscription (indirect subscription right) and at a subscription price (the "**Subscription Price**") for each New Share of EUR [•] (the "**Subscription Offer**"). [One/several shareholder(s) has/have waived his/their subscription right out of [•] shares to enable an even subscription ratio.]

Pre-Placement

Wecken & Cie., Basel, Switzerland, and further shareholders have transferred their subscription rights out of [•] shares to Baader Bank acting on behalf of the Joint Global Coordinators for the purpose of a pre-placement and a bookbuilding-procedure (the New Shares resulting from such transferred subscription rights hereinafter the "**Pre-Placement Shares**"). Before the beginning of the subscription period the Company and the Joint Global Coordinators have offered the Pre-Placement Shares in Germany and outside Germany in jurisdictions other than the United States of America in accordance with the exemptions under Regulation S of the U.S. Securities Act dated 1933 ("**U.S. Securities Act**") and Canada, Australia and Japan to selected investors for purchase by way of a private placement and a bookbuilding-procedure (the "**Pre-Placement**"). The Joint Gobal Coordinators will not exercise the subscription rights transferred by Wecken & Cie. and other shareholders. These subscription rights will lapse and will be written off without value. [By way of the Pre-Placement all/[•] Pre-Placement Shares have been placed at the Subscription Price.]

Direct Subscription

Wecken & Cie. has exercised its subscription rights regarding [•] New Shares directly vis-à-vis the Company (the "**Direct-Subscription-Shares**").

Rump Placement

After the end of the Subscription Period (as defined below), the Joint Global Coordinators will offer any New Shares not placed by way of the Pre-Placement and not subscribed for directly vis-à-vis the Company or as part of the Subscription Offer to selected investors in Germany and outside Germany in jurisdictions other than the United States of America in accordance with the exemptions under Regulation S of the U.S. Securities Act and Canada, Australia and Japan at a price at least as high as the Subscription Price (the "**Rump Placement**").

Subscription Offer

The Joint Global Coordinators have agreed, pursuant to an Underwriting Agreement dated September 9, 2014 (the "**Underwriting Agreement**"), to correspondingly offer the Subscription Shares to the Shareholders for subscription, subject to the terms set forth below under "*Important Notice*."

The Subscription Shares are expected to be registered in the commercial register maintained by the local court (*Amtsgericht*) of Berlin Charlottenburg, Germany, on September 25, 2014.

The subscription rights (ISIN DE000A12UPT6/WKN A12UPT) under the existing shares of the Company, all of which are held in collective custody accounts, will be automatically booked by Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, to the depositary banks as of the evening of September 10, 2014.

Subscription rights are attached to all existing shares of the Company with ISIN DE000A0HN4T3/ WKN A0HN4T and ISIN DE000A11QWT2/WKN A11QWT. [•] existing shares of the Company entitle the holder to subscribe for [•] New Shares. The transfer of the New Shares to the shareholders that have exercised their subscription rights in the New Shares will be made by Baader Bank acting on behalf of the Joint Globalcoordinators.

Subscription Period

To avoid exclusion from the exercise of their subscription rights, we request that our shareholders exercise their subscription rights in the New Shares during the period

from September 11, 2014 up to and including September 24, 2014

through their custodian bank at the subscription agent listed below during regular banking hours (the "**Subscription Period**"). Subscription rights that are not exercised in a timely manner will lapse and be of no value. No compensation will be payable for subscription rights not exercised.

Subscription Agent
The Subscription Agent is

Baader Bank Aktiengesellschaft, Weihenstephaner Straße 4
85716 Unterschleissheim
("Baader Bank").

Subscription Ratio
In accordance with the Subscription Ratio of [•]:[•], [•] existing shares of the Company entitle the holder to subscribe for [•] New Shares at the Subscription Price. Shareholders may only subscribe for one entire share or multiples thereof and are not entitled to subscribe for fraction of shares that arise arithmetically due to the individual amount of shares held by a Shareholder. Thus, subscription rights on such residual amounts (*Spitzenbeträge*) are excluded. The notice of the exercise of subscription rights is binding upon its receipt by the subscription agent and cannot be altered afterwards.

Shareholders of the Company should note that the Company reserves the right to terminate the Subscription Offer, e.g., in case of deteriorating market conditions.

Subscription Price
The Subscription Price per New Share is EUR [•]. It has been determined by the Joint Global Coordinators and the Company by way of a pricing agreement concluded between the Company and the Joint Global Coordinators and presumably dated September 10, 2014. The Subscription Price must be paid at the latest on September 24, 2014.

No trade in subscription rights
Subscription rights are – according to the German Stock Corporation Act – transferable. Neither the Company nor the Joint Global Coordinators will arrange for a subscription rights trading. A determination regarding the subscription rights' price is also not applied for. No compensation will be paid for subscription rights not exercised. Upon the expiration of the Subscription Period, subscription rights not exercised will lapse and be of no value.

Underwriting Agreement
Pursuant to the Underwriting Agreement, the Joint Global Coordinatorsare are obliged to acquire any residual New Shares that have not been subscribed for or placed in the offering (less any New Shares placed during the Pre-Placement or the Rump Placement due to any Firm Orders (as defined below) and less any New Shares that have been subscribed for on the basis of binding subscription commitments made prior to the signing of the Underwriting Agreement) against payment of a price equaling the subscription price (the "**Back-Stop-Obligation**"). In addition and until termination of the Rump Placement, the Company is entitled subject to the provisions of the Underwriting Agreement to secure binding offers from acquainted and/or affiliated persons to purchase New Shares ("**Firm Orders**"). Pursuant to the Underwriting Agreement, for the purposes of the Pre-Placement, the Joint Global Coordinators are only obliged to take into account any Firm Orders for the allotment of the New Shares in a maximum volume of 25% of the volume of the Pre-Placement. These commitments

and other obligations are assumed by the Joint Global Coordinators in a ratio 60% (Berenberg) and 40% (Baader Bank).

Delivery, form and certification of the Subscription Shares

The Subscription Shares will be represented by a global share certificate, which is expected to be deposited with Clearstream Banking AG on September 26, 2014. Under the Company's Articles of Association, shareholders are not entitled to have their shares evidenced by individual share certificates. The Subscription Shares will be delivered in the form of co-ownership rights in a global share certificate to be deposited with the collective securities depositary of Clearstream Banking AG. The Subscription Shares are expected to be credited to Shareholders' accounts starting on September 26, 2014 through the book-entry facilities of Clearstream Banking AG. Shareholders can obtain information about the actual delivery of the Subscription Shares from their respective custodian bank. Trading in Subscription Shares is not available before the crediting of such shares to the Shareholders' account.

The Subscription Shares hold the same rights as all other shares of the Company (including full dividend rights from January 1, 2014) and do not convey any additional rights or advantages.

Commissions charged by custodian banks

The custodian banks may charge a customary commission in connection with the subscription of the Subscription Shares.

Admission to trading and listing of the Subscription Shares

The admission of the Subscription Shares to trading on the regulated market (*Regulierter Markt*) of the Dusseldorf Stock Exchange and of the Frankfurt Stock Exchange (Prime Standard) is expected to be granted on September 26, 2014. The Subscription Shares are expected to be included in the quotation for the Company's listed shares on the Dusseldorf Stock Exchange and of the Frankfurt Stock Exchange (ISIN DE000A0HN4T3/WKN A0HN4T) on September 29, 2014.

Important Notice

Prior to making a decision to exercise, purchase or sell subscription rights for the New Shares, shareholders and investors are advised to carefully read the securities prospectus dated September 9, 2014, for the public offering of the New Shares ("Prospectus") and to take particular note of the risks described in the "*Risk Factors*" section of the Prospectus and to consider such information when making their decision. In light of the current high volatility of equity prices and the market environment, shareholders should inform themselves of the Company's current share price before exercising their subscription rights for the New Shares at the Subscription Price. As described above, the Company reserves the right to withdraw from the Subscription Offer, in particular, in the event of a deterioration of the market conditions.

The Joint Global Coordinators have a right of rescission under the Underwriting Agreement under certain circumstances. These circumstances include, in particular,

- **non-fulfillment of the conditions precedent stipulated in the Underwriting Agreement until October 15, 2014,**
- **material adverse changes in the assets, financial condition or results of operations of the Company and its subsidiaries,**
- **suspension or material limitation of trading on or by, as the case may be, any of Dusseldorf Stock Exchange, Frankfurt Stock Exchange, London Stock Exchange or the New York Stock Exchange or declaration of a general moratorium on commercial banking activities by Federal Republic of Germany, United Kingdom, United States Federal or New York State authority,**
- **material adverse changes in national or international economic, industrial, political or financial conditions or laws that have or are expected to have material adverse effects on the financial markets,**
- **the outbreak or escalation of national or international hostilities, the declaration of a national state of emergency by the Federal Republic of Germany, any other member state of the EEA or the United States or other catastrophes and crises that have or are expected to have material adverse effects on the financial markets, the Offer and the Placements or the trade of shares in the Company,**
- **the closing price decreases by 20% or more on the two bank working days before the start of the Subscription Period compared to the SDAX-closing price on July 9, 2014,**
- **implementation of the capital increase which is the subject matter of this Subscription Offer, of the public offer or of the private placements of the New Shares are impossible or unlikely before October 15, 2014.**

If the Joint Global Coordinators terminate the Underwriting Agreement or the Company withdraws from the Subscription Offer before the implementation of the capital increase has been registered in the commercial register, shareholders' subscription rights will lapse without compensation. If the Joint Global Coordinators terminate the Underwriting Agreement after the registration of the capital increase in the commercial register, shareholders who have exercised their subscription rights will be entitled to acquire New Shares at the Subscription Price and a withdrawal of the shareholders is no longer possible in such case.

Selling restrictions

The New Shares have not been and will not be registered under the Securities Act or with the securities regulatory authority of any State or other jurisdiction of the United States of America. The New Shares may at no time be offered, sold, exercised, pledged, transferred or delivered directly or indirectly, to or within the United States of America, except pursuant to an exemption from the registration requirements of the Securities Act or in a transaction not subject to the registration requirements of the Securities Act and, in each case, in accordance with any applicable securities laws of any State of the United States of America.

Availability of the Prospectus

The Prospectus was published on the Company's website (www.westgrund.de/en/investor-relations/share/securities-prospectus) on September 9, 2014. Printed copies of the Prospectus are available from the Company and the Joint Global Coordinators free of charge during normal business hours at the following addresses: WESTGRUND Aktiengesellschaft, Joachimstaler Strasse 34, 10719 Berlin; Joh. Berenberg, Gossler & Co. KG, Bockenheimer Landstr. 25, 60325 Frankfurt am Main; Baader Bank Aktiengesellschaft, Weihenstephaner Str. 4, 85716 Unterschleissheim.

Berlin, September 2014

WESTGRUND Aktiengesellschaft - The Management Board"

5.5 Additional Selling Restriction Notices

The New Shares will be offered to the public solely in Germany and Luxembourg. Further, New Shares will be offered by way of the Pre-Placement and the Rump Placement (see Section 5.4 "*Subscription Offer*") to selected investors in Germany and outside Germany in reliance on the exemptions under Regulation S of the U.S. Securities Act in jurisdictions other than the United States of America, Canada, Australia and Japan.

The New Shares have not been and will not be registered under the Securities Act or with the securities regulatory authority of any state of the United States of America. They may not be offered, sold or delivered, directly or indirectly, within or into the United States except pursuant to an exemption from the registration and reporting requirements of the U.S. securities laws and in compliance with all other applicable provisions of U.S. law. Thus, pursuant to the Underwriting Agreement, the Joint Global Coordinators have agreed (i) not to offer or sell the New Shares in the United States and that, outside the United States, they will offer the New Shares only in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act and in compliance with all other provisions of U.S. law, and (ii) that neither they, nor any third party acting on their behalf, have engaged, or will engage, with regard to the New Shares in (x) "directed selling efforts" in the United States within the meaning of Regulation S under the Securities Act or (y) "general solicitation" or "general advertising" in the United States, each within the meaning of Rule 502(c) of Regulation D under the Securities Act.

The Company does not intend to register the Offering or any portion thereof in the United States or to conduct a public offering of the New Shares in the United States.

Until 40 days after commencement of the Offering, the offer, sale, purchase or transfer of New Shares within the United States by an agent (whether or not participating in the Offering) may violate the registration requirements of the Securities Act. The New Shares have not been approved or rejected by any Federal or State securities commission or regulatory authority of the United States. Furthermore, none of these authorities have confirmed or approved the terms of the Offering, the New Shares or the accuracy or completeness of the Prospectus.

Sales in the United Kingdom are also subject to restrictions. The Joint Global Coordinators have warranted to the Company that they and any of their subsidiaries or any other person acting on their behalf

(i) have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by them in connection with the issue or sale of any New Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(ii) have complied and will comply with all applicable provisions of the FSMA with respect to all activities already undertaken by them or to be undertaken in the future in relation to the New Shares in, from, or otherwise involving the United Kingdom.

The Joint Global Coordinators also have agreed in the Underwriting Agreement that they have not publicly offered and will not publicly offer the New Shares in any member state of the European Economic Area that has implemented Directive 2003/71 EC of the European Parliament and of the Council of November 4, 2003 (the "**Prospectus Directive**", and to the extent a member state of the EEA has implemented Directive 2010/73/EC of the European Parliament and the Council amending the Prospectus Directive (the "**Amended Prospectus Directive**") any reference herein to the Prospectus Directive shall be read as a reference to the Amended Prospectus Directive) (other than the offers in Germany and Luxembourg contemplated herein once this Prospectus has been approved by the BaFin and published in accordance with the Prospectus Directive implemented in Germany and Luxembourg and notified by the BaFin to CSSF) from the date of implementation of the Prospectus Directive unless

(i) a prospectus for the New Shares has been published in advance that has been approved by the competent authorities in the relevant member state or in another member state of the EEA that has implemented the Prospectus Directive, and the competent authorities in the member state in which the Offering is taking place have been notified of this fact in compliance with the Prospectus Directive,

(ii) the Offering is extended exclusively to "qualified investor" within the meaning of the Prospectus Directive, or

(iii) the Offering takes place under other circumstances in which the publication of a prospectus by the Company is not required under Article 3 of the Prospectus Directive, to the extent that this exemption has been implemented in the respective member state.

The New Shares will not be offered in Japan, Canada or Australia.

5.6 Underwriting Agreement

On September 9, 2014, the Company and the Joint Global Coordinators entered into the Underwriting Agreement with regard to the Offering, governing the Pre-Placement including the bookbuilding procedure, the determination of the Subscription Price for the New Shares, the Subscription Offer and the Rump Placement as well as the respective technical implementation of the Offering and the Placements.

According to the Underwriting Agreement, the Subscription Price for the New Shares shall be determined by the Joint Global Coordinators and the Company by way of a pricing agreement concluded between the Company and the Joint Global Coordinators and presumably dated September 10, 2014, according to the outcome of the bookbuilding-procedure. After the bookbuilding procedure, the Joint Global Coordinators will therefore decide on the allotment of Pre-Placement Shares to investors after reconciliation with the Company. In case such an agreement cannot be achieved, the Subscription Price will equal the lower end of the Price Range as stipulated in the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Joint Global Coordinators are obliged to acquire any residual New Shares that have not been subscribed for or placed in the Offering (less any New Shares placed during the Pre-Placement or the Rump Placement due to any Firm Orders (as defined below) and less any New Shares that have been subscribed for on the basis of binding subscription commitments made prior to the signing of the Underwriting Agreement) against payment of a price equaling the subscription price (the "**Back-Stop-Obligation**"). These commitments and other obligations are assumed by the Joint Global Coordinators in a ratio 60% (Berenberg) and 40% (Baader Bank).

In addition and until termination of the Rump Placement, the Company is entitled subject to the provisions of the Underwriting Agreement to secure binding offers from acquainted and/or affiliated persons to purchase New Shares ("**Firm Orders**"). Pursuant to the Underwriting Agreement, for the purposes of the Pre-Placement, the Joint Global Coordinators are only obliged to take into account any Firm Orders for the allotment of the New Shares in a maximum volume of 25% of the volume of the Pre-Placement.

The Underwriting Agreement also stipulates that the Company must release the Joint Global Coordinators from certain liabilities and that their obligations under the agreement are contingent on the fulfillment of certain conditions, including, for example, the receipt of standard legal opinions that the Joint Global Coordinators deem satisfactory.

See above Section 5.4 "*Subscription Offer - Important Notice*" for additional information on termination of the Underwriting Agreement, in particular for information on rescission rights of the Joint Global Coordinators.

The Underwriting Agreement replaced a volume underwriting agreement dated July 9, 2014 (the "**Volume Underwriting Agreement**"), notwithstanding the obligation of the Company under the Volume Underwriting Agreement to pay a fix back-stop commission to the Joint Global Coordinators, to Wecken & Cie. and to further persons that have committed themselves to acquire New Shares (for details of the Volume Underwriting Agreement see below Section 9.8.1 "*Material Contracts during the ordinary course of business*").

5.7 Paying Agent

The paying agent for the Company's Shares is Baader Bank.

5.8 Lock-up Agreements

To the extent permitted by law, the Company has agreed with the Joint Global Coordinators, for a period of six months after payment of the proceeds of the Offering to the Company not to directly or indirectly issue, sell, offer, commit to sell, or otherwise transfer or dispose of any of the Company's shares, options on such shares, or securities that can be converted into or exchanged for such shares or that carry rights to acquire such shares, and further not to announce any capital increase from authorized capital or to initiate a capital increase (except for purposes of issuing shares as part of its or its subsidiaries' existing employee participation plans or based on a capital increase with a volume of maximal 10% of the existing share capital of the Company and for the purposes of issuing shares to the holders of the convertible bond 2014/2016 upon exercise of conversion rights) or to enter into other transactions (including transactions concerning derivative instruments), the economic effect of which would be similar to that of the measures described above, without the prior consent of the Joint Global Coordinators. However, the consent of the Joint Global Coordinators may not be unreasonably withheld or delayed.

5.9 Costs of the Offering and Net Issue Proceeds

Assuming that the gross issue proceeds (*Bruttoemissionserlös*) amount to the targeted EUR 140,000,000.00, the total issue costs of the Offering, including commissions and fees for the Joint Global Coordinators, are expected to be approximately EUR 9,300,000.00. On the basis of the aforementioned assumptions, the Company expects net issue proceeds from the Offering to be approximately EUR 130,700,000.00.

5.10 Dilution

Shareholders who exercise their subscription rights to the New Shares will maintain their percentage of ownership of the Company's share capital following the Capital Increase. To the extent that shareholders do not exercise their subscription rights, and assuming that the maximum number of 46,666,666 New Shares (at the lower end of the price-range) will be issued, each shareholder's share in the Company would be diluted by 58.1% (or by 54.3% by issuance of 40,000,000 New Shares at the mid-point or by 51.0% by issuance of 35,000,000 New Shares at the higher end of price-range, respectively). The dilution has been calculated as relation between the Company's share capital on September 5, 2014 amounting to 33,607,451 shares and the sum of the Company's share capital on September 5, 2014 amounting to 33,607,451 shares and the maximum number of New Shares in each case.

For the purpose of the following dilution calculations - concerning the dilution on value basis - the net book value of the Company ("**Adjusted Net Book Value**") has been determined on the basis of the net book value of the equity as of June 30, 2014, adjusted for intangible assets and shares of minority shareholders (all amounts derived from the Company's unaudited condensed consolidated interim financial statements for the six month period ended June 30, 2014, prepared in accordance with IFRS on interim financial reporting (IAS 34)) and further adjusted for any capital measures made in the period from July 1, 2014 to September 5, 2014. Based on these adjustments the Adjusted Net Book Value of the Company as of September 5, 2014 amounted to EUR 104,335,993.42, which resulted in a net book value per share of EUR 3.10 (rounded and based on 33,607,451 outstanding shares of the Company on September 5, 2014 and adjusted for treasury shares, if any).

The Company is targeting gross issue proceeds (*Bruttoemissionserlös*) from the Capital Increase in an amount of EUR 140,000,000.00. Assuming gross issue proceeds (*Bruttoemissionserlös*) in this amount, the total costs of the Offering (including bank fees and commissions) are estimated to amount to approximately EUR 9,300,000.00. On the basis of the aforementioned assumptions, the net issue proceeds available to the Company would amount to approximately EUR 130,700,000.00 and by September 5, 2014, the net book value of the Company would have been approximately EUR 235,036,000.00, which corresponds to EUR 2.93 per share (assuming the placement of the maximum number of 46,666,666 New Shares at the lower end of the price-range), to EUR 3.19 per share (assuming the placement of 40,000,000 New Shares at the mid-point of the price-range) or to EUR 3.43 per share (assuming the placement of 35,000,000 New Shares at the higher end of the price-range). These figures are based on the assumption of 80,274,117 outstanding shares of the Company after implementation of the Capital Increase at the lower end of the price-range (73,607,451 outstanding shares at the mid-point or 68,607,451 outstanding shares at the higher end of price-range, respectively).

Assuming the placement of the maximum number of 46,666,666 New Shares (at the lower end of the price-range), this would represent an immediate decrease in the net book value of the Company by EUR 0.17 (5.5%) per share for existing shareholders who do not exercise their subscription rights, and an immediate decrease by approximately EUR 0.07 (2.3%) per New Share for those who acquire the New Shares. Assuming the placement of 40,000,000 New Shares (at the mid-point of the price-range), this would represent an immediate increase in the net book value of the Company by EUR 0.09 (2.9%) per share for existing shareholders who do not exercise their subscription rights, and an immediate decrease by approximately EUR 0.31 (8.9%) per New Share for those who acquire the New Shares. Assuming the placement of 35,000,000 New Shares (at the higher end of the price-range), this would represent an immediate increase in the net book value of the Company by EUR 0.33 (10.6%) per share for existing shareholders who do not exercise their subscription rights, and an immediate decrease by approximately EUR 0.57 (14.3%) per New Share for those who acquire the New Shares.

6. REASONS FOR THE OFFERING AND USE OF PROCEEDS

In connection with the Offering, the Company receives the net amount of the proceeds that corresponds to the gross issue proceeds from the placement of the New Shares less the total issue-related expenses to be borne by the Company. The Company targets gross issue proceeds of EUR 140,000,000.00.

The total costs to be borne by the Company consist of the commissions or fees to be paid to the Joint Global Coordinators and further persons in connection with the Volume Underwriting Agreement dated July 9, 2014 and the Underwriting Agreement dated September 9, 2014, Jones Lang LaSalle's fees for the valuation summaries, the auditor's fees for preparing the pro forma financial information and other expenses associated with the issue of the New Shares, e.g. fees for legal services, printing and translation of the Prospectus, marketing activities and fees relating to the approval of the Prospectus and admission of the New Shares to trading on the stock exchange, etc. Assuming that gross issue proceeds of EUR 140,000,000.00 can be achieved, the Company estimates the total costs relating to the Offering (including bank fees and commissions) to amount to approximately EUR 9,300,000.00. On the basis of the aforementioned assumptions, the net issue proceeds available to the Company would amount to approximately EUR 130,700,000.00.

The net issue proceeds will be used to cover the necessary equity financing for the acquisition of the Berlinovo-Portfolio (described in detail in Section 9.12 "*Acquisition of the Berlinovo-Portfolio*"). The aggregated purchase price in the total amount of EUR 416,500,000.00 will be paid through an up to EUR 331,000,000.00 senior secured credit facility from Barclays Bank PLC. Thus, the Company assumes a required equity amount of EUR 110,000,000.00, comprising of EUR 85,000,000.00 residual purchase price and EUR 25,000,000.00 additional costs. Assuming that the maximum number of the New Shares will be placed, the net issue proceeds cover (and even exceed) the equity capital necessary for the acquisition. If less shares are placed at the mid-point or at the higher end of the subscription price-range the respective net issue proceeds expected also cover the equity capital required. However, on the basis of the Back-Stop-Obligation (as defined in Section 5.6) and together with the further subscription commitments (as explained in Section 5.6) the Company expects to achieve the targeted gross issue proceeds of EUR 140,000,000.00 so that it is secured that the required equity amount of EUR 110,000,000.00 for the acquisition of the Berlinovo-Portfolio will be achieved through the Offering.

Any residual amount of the net issue proceeds is considered to be used for financing targeted real estate portfolio acquisitions. Currently, the Management Board has not concluded any real estate acquisition, but is reviewing and targeting to acquire further real estate portfolios (for further information on these portfolios see the valuation summary of Jones Lang LaSalle reprinted in this Prospectus on page V-36 et seqq.).

7. INFORMATION ON THE OFFERED SHARES AND ON THE ADMISSION

7.1 Legal Framework for Creation of the New Shares

Sections 182 et seqq. and 202 et seqq. of the German Stock Corporation Act (*Aktiengesetz* - AktG) on ordinary capital increases and on capital increases utilizing authorized capital against cash contributions provide the legal basis for the issuance of the New Shares.

On June 13, 2014, the Shareholders' Meeting of the Company adopted the following resolution, which was entered into the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on July 2, 2014 (the "**Ordinary Capital Increase**"):

> "The Company's share capital is to be increased by up to a total of EUR 40,000,000.00 by issuing up to 40,000,000 new ordinary bearer shares, each such share representing a notional value of EUR 1.00 and carrying full dividend entitlement from January 1, 2014. The Company's share capital has to be increased by at least EUR 5,000,000.00.
>
> The final number of new shares to be issued is limited to such maximum number resulting by dividing (i) the intended gross issue proceeds (Bruttoemissionserlös) amounting to a maximum of EUR 100,000,000.00 and (ii) the subscription price amounting to at least EUR 1.00 and to be finally determined in the best possible way by the Management Board, with the approval of the Supervisory Board, under consideration of the current market situation. The result is to be rounded down to the next full number of shares. The nominal share capital is to be determined by the multiplication of such number of shares with EUR 1.00. The subscription is to be offered to the shareholders at a ratio (old to new shares) of the number of shares issued on the day prior to the beginning of the subscription period and the number of shares offered within the capital increase. The ratio is to be rounded down to two digits behind the decimal point. Residual amounts (Spitzenbeträge) are to be excluded from shareholders' subscription rights.
>
> The statutory subscription right is granted to the Company's shareholders in such manner that the new shares are subscribed by one or more credit institute(s) or undertaking(s) within the meaning of Section 53 paragraph 1 sentence 1 or Section 53b paragraph 1 sentence 1 or paragraph 7 of the German Banking Act (*Kreditwesengesetz – KWG*) (the "**Subscription Agent(s)**"), such Subscription Agent(s) to be appointed and mandated by the Company's Management Board, at the lowest issue price per share and will be assumed with the obligation to offer them to the Shareholders at a subscription price to be determined and to transfer any surplus proceeds – after deduction of appropriate commission, costs and expenditures – to the company (indirect subscription right).
>
> The Management Board is authorized to – directly or through a credit institution or another intermediary assigned with the processing – dispose of the shares related to the residual amounts (*Spitzenbeträge*) or not subscribed under the subscription offer, by a private placement and/or a public offer at the best possible price, in each case at least at the subscription price. Furthermore the Management Board is authorized to offer the new shares already prior to the begin-

ning of the subscription period within a private placement to private and institutional investors, such offer being subject to the exercise of the shareholder's subscription right at the subscription price („Pre-Placement subject-to-claw-back"). Additionally the Management Board is authorized to offer – through the Subscription Agent(s) upon the Management Board's instructions – shares not subscribed under the subscription offer to the shareholders by means of a supplemental subscription at the subscription price.

The Management Board is authorized, with the consent of the Supervisory Board, to establish the further details of the capital increase, especially the actual number of shares to be issued and the subscription price. The resolution on the capital increase becomes void if the consummation of the capital increase has not been entered into the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on December 13, 2014."

Further, by resolution of the Shareholders' Meeting on June 13, 2014, the Management Board is authorized, subject to the approval by the Supervisory Board, to increase the Company's share capital until June 12, 2019, by up to a total of EUR 15,055,000.00 by issuing up to 15,055,000 new ordinary non-par bearer shares in one or more tranches against contribution in cash or contribution in kind, each such share representing a notional value of EUR 1.00 (Authorized Capital 2014/I., for details of the resolution see Section 16.2 "*Authorized Capital 2014/I.*" below). The Authorized Capital 2014/I. was entered into the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on July 2, 2014.

By resolution of the Management Board dated September 8, 2014, with approval of the Supervisory Board on the same day, the Management Board resolved to execute the Capital Increase on basis of the resolution of the Ordinary Capital Increase and the Authorized Capital 2014/I. by up to EUR 46,666,666.00 against contribution in cash through the issue of up to 33,333,333 New Shares based on the Ordinary Capital Increase and of up to 13,333,333 New Shares making use of the Authorized Capital 2014/I., thus altogether of up to 46,666,666 New Shares, with subscription rights for the Company's Shareholders. The actual number of New Shares to be placed in connection with the Offering will be calculated on the basis of the aspired gross issue proceeds (*Bruttoemissionserlös*) of EUR 140,000,000.00, divided by the actual subscription price to be determined by way of a bookbuilding-procedure within a price-range of EUR 3.00 to EUR 4.00. At the lower end of the price-range, the total number of New Shares will amount to 46,666,666, consisting of 33.333.333 New Shares from the Ordinary Capital Increase and 13,333,333 New Shares from the Authorized Capital 2014/I. At the midpoint of the price-range the total number of New Shares will amount to 40,000,000 New Shares, consisting of 28,571,428 New Shares from the Ordinary Capital Increase and 11,428,572 New Shares from the Authorized Capital 2014/I). At the higher end of the price-range the total number of New Shares will amount to 35,000,000 New Shares, consisting of 25,000,000 New Shares from the Ordinary Capital Increase and 10,000,000 New Shares from the Authorized Capital 2014/I. (the date and the way of the publication of the actual number of New Shares are explained above in Section 5.1 "*The Offering - Subject matter of the Offering*").

The implementation of the Capital Increase in relation to the Pre-Placement Shares is expected to be registered in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg on September 10, 2014 and in relation to the residual New Shares on September 25, 2014.

7.2 Admission to Exchange Trading, Individual Share Certificates, Delivery and Transferability

The Existing Admitted Shares (as defined above in Section 4.2 "*General Information - Purpose of the Prospectus*") are currently admitted to trading on the regulated market of the Dusseldorf Stock Exchange (*Börse Düsseldorf*). In the framework of the Capital Increase the Company will apply for admission of the New Shares and of all Existing Shares (together the "**Admission Shares**") to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. Further, it is intended to apply for admission of the New Shares and of the Existing Non-Admitted Shares to trading on the regulated market of the Dusseldorf Stock Exchange.

The admission of the New Shares to trading on the regulated market of the Dusseldorf Stock Exchange and the Frankfurt Stock Exchange (Prime Standard) is expected to be on September 11, 2014 with regard to the Pre-Placement Shares and on September 26, 2014 with regard to the residual New Shares. The admission of the Existing Admitted Shares to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) is expected to be on September 11, 2014. The admission of the Existing Non-Admitted Shares to trading on the regulated market of the Dusseldorf Stock Exchange and of the Frankfurt Stock Exchange (Prime Standard) is expected to be on September 11, 2014.

The commencement of trading of the New Shares on the regulated market of the Dusseldorf Stock Exchange and the Frankfurt Stock Exchange (Prime Standard) is expected to be on September 12, 2014 with regard to the Pre-Placement Shares and on September 29, 2014 with regard to the residual New Shares. The commencement of trading of the Existing Admitted Shares on the regulated market of the Frankfurt Stock Exchange (Prime Standard) is expected to be on September 12, 2014. The commencement of trading of the Existing Non-Admitted Shares on the regulated market of the Dusseldorf Stock Exchange and of the Frankfurt Stock Exchange (Prime Standard) is expected to be on September 12, 2014.

The New Shares will be delivered to buyers in the form of co-ownership rights in several global share certificates to be deposited with the collective securities depositary of Clearstream Banking AG. The Pre-Placement Shares are expected to be credited to investors' accounts starting on September 12, 2014 through the book-entry facilities of Clearstream Banking AG. The residual New Shares are expected to be credited to investors' accounts starting on September 26, 2014 by the same way. Investors can obtain information about the actual delivery of their respective New Shares from their custodian bank. Trading in New Shares is not available before the crediting of the respective shares to the investor's account.

According to the Company's Articles of Association, shareholders are not entitled to receive individual share certificates.

7.3 ISIN, WKN, Trading symbol

New Shares and Existing Admitted Shares

The Existing Admitted Shares hold and the New Shares will hold the following ISIN/WKN and trading symbol:

International Securities Identification Number (ISIN):	DE000A0HN4T3
Securities Identification Number (WKN):	A0HN4T
Trading symbol:	WEG1

Existing Non-Admitted Shares

The Existing Non-Admitted Shares are currently certified under the following ISIN/WKN as they have not been admitted to trading yet:

International Securities Identification Number (ISIN):	DE000A11QWT2
Securities Identification Number (WKN):	A11QWT

After admission of the New Shares and all Existing Shares to trading on the regulated market of the Dusseldorf Stock Exchange and the Frankfurt Stock Exchange (Prime Standard) all shares in WESTGRUND will be certified under ISIN DE000A0HN4T3 and WKN A0HN4T and will be traded under the trading symbol WEG1.

7.4 Form, voting rights

All of the Admission Shares are ordinary bearer shares with no par value each with a notional value of EUR 1.00. Each of the Admission Shares hold the same rights as all other shares of the Company and do not convey any additional rights or advantages.

Each Admission Share confers one vote at the Shareholders' Meeting. There are no restrictions on voting rights.

7.5 Dividend entitlement and participation in liquidation proceeds

The Admission Shares carry full dividend entitlement from January 1, 2014. In the event of the Company's liquidation, shareholders are entitled to any remaining liquidation surplus in proportion to their shareholding after deduction of the Company's liabilities.

7.6 Disposal Restrictions and Transferability

The Admission Shares are freely transferable. Other than the restrictions listed in Section 5.4 "*Subscription Offer - Selling restrictions*" and in Section 5.5 "*Additional Selling Restriction Notices*", there are no legal restrictions on trading the Admission Shares.

8. GENERAL INFORMATION ABOUT THE COMPANY

8.1 Name, formation, registration with the commercial register, fiscal year, term and subject of business

WESTGRUND is a stock corporation organized under German law, founded on May 15, 1990 in Remscheid. The Company's registered office is in Berlin, Germany. WESTGRUND is registered with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRB 144811 B under the name WESTGRUND Aktiengesellschaft. The Company and its subsidiaries operate on the market under the commercial name "WESTGRUND". No other commercial names are used.

The Company's fiscal year runs from January 1 to December 31 of the same year. The Company is established for an unlimited period. The Company's registered business address is Joachimstaler Strasse 34, 10719 Berlin, Germany. The Company can be reached by telephone: +49 (0)30-63961920, by telefax: +49 (0)30-639619229 or via internet: www.westgrund.de.

Subject of business are all real estate and housing industry transactions according to Section 2 of the Company's Articles of Association. The Company is specifically authorized to conduct business under Section 34c of the German Industry Code (*Gewerbeordnung – GewO*).

In accordance with its subject of business, WESTGRUND may establish branches and cooperative ventures of any kind within and outside the Federal Republic of Germany. It can create other companies, acquire, sell or participate in them.

WESTGRUND may group its shareholdings under its uniform control and/or limit itself to the management of the investment(s). It may execute enterprise agreements of any kind and outsource in whole or in part the operations of the companies in which it participates or is affiliated.

WESTGRUND is entitled to pursue all transactions and measures that are deemed necessary or useful for the attainment of its purposes, with the exception of banking transactions within the meaning of Section 1 of the German Banking Law (*Gesetz über das Kreditwesen - KWG*).

8.2 Formation and History of WESTGRUND Aktiengesellschaft

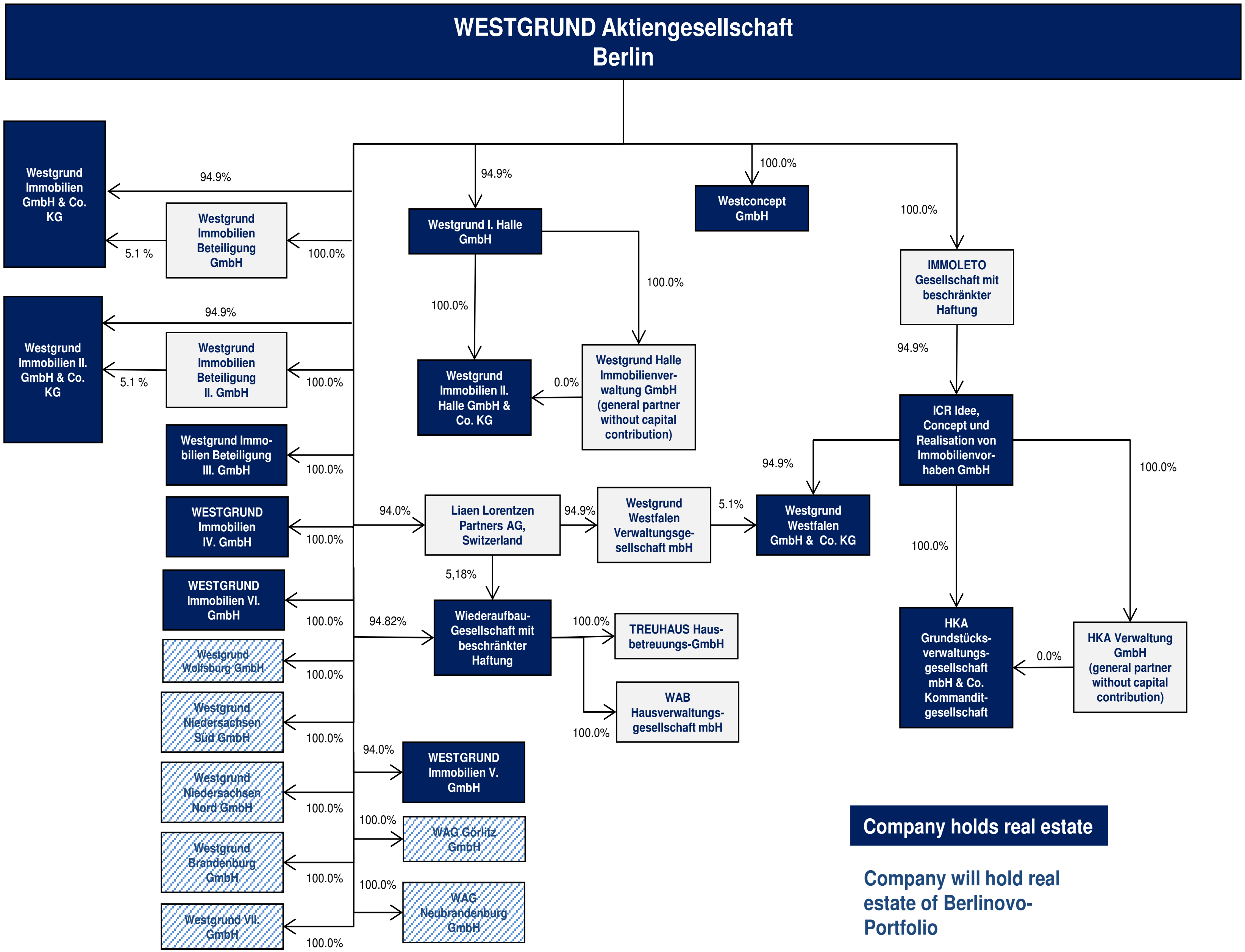
1990	Formation as a stock corporation with registered office in Remscheid under the name „WESTGRUND Aktiengesellschaft Gesellschaft für Grundstücks- und Wohnungswirtschaft".
1998	IPO and listing on the Regulated Market of the Stock Exchange in Dusseldorf (North Rhine-Westphalia).
2000	Admission of shares to the Open Market of the Frankfurt Stock Exchange.
2000	Bankhaus Lampe obtains more than 75% of the share capital.
2006	Swiss asset management company Marivag AG becomes the major shareholder with a stake of more than 75% of the share capital.

August 2006	Marivag AG waives claims of EUR 6.5 million whereby WESTGRUND is free of debt. After a relocation of shares, Marivag AG at that time held about 23% of the share capital.
December 2006	The entrepreneurial family Leffin from Cologne, by way of a capital increase against contribution in kind, contributes all shares (*Geschäftsanteile*) in IMMOLETO Gesellschaft mit beschränkter Haftung, Cologne, in WESTGRUND. As new major shareholder, the family at that time held 22% of the shares of the share capital. (The capital increase was only registered with the commercial register in October 2007 since other shareholders had challenged the underlying resolution of the Shareholders' Meeting.)
2007	Acquisition of Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen am Rhein with over 600 residential units.
January 2008	Increase of the share capital to EUR 8,602,500.00 by way of a capital increase against contribution of Cologne Real Estate GmbH, Dortmund.
September 2010	Increase of the share capital to EUR 10,375,750.00 (capital increase against cash contribution), placement of the new shares with Klaus Wecken, who at that time held 25% of the shares.
June 2012	Increase of the share capital to EUR 18,681,517.00 (largest capital increase against cash contribution in the Company's history), thereby increasing stake of Wecken & Cie., Basel, Switzerland to 49.71% of the shares in WESTGRUND.
September 2012	Relocation of the registered office from Remscheid to Berlin.
November/December 2012	Acquisition of more than 2,000 apartments in Berlin and on Ruegen. Thereby, WESTGRUND doubled its portfolio of apartments.
March 2013	Acquisition of 1,085 apartments in Berlin, increase of portfolio to about 5,000 apartment units after execution of the transaction.
November 2013	Sale of WESTPROJEKT Immobilien-Servicegesellschaft mbH.
December 2013	Acquisition of approximately 1,200 apartments in Halle and Leipzig.
January 2014	Acquisition of 803 apartments in Halle / Saale, increase of portfolio to about 7,000 units.
April 2014	Issue of Convertible Bonds 2014/2016 with conversion rights and mandatory conversion with an interest rate of 5% and a principal amount of EUR 19,860,000.00.
July 2014	Acquisition of approximately 13,300 apartments from berlinovo Immobilien Gesellschaft mbH, Berlin, thereby triplication of portfolio to about 20,000 apartment units.

8.3 Group structure

WESTGRUND acts as a holding and service company; it holds, directly and indirectly, interest in 29 subsidiaries. The holding company itself owns no significant real estate holdings. The essential functions of WESTGRUND are the management of the WESTGRUND Group, the acquisition of real estate portfolios and the procurement of financing and equity. All administrative staff (with the exceptions of TREUHAUS Hausbetreuungs-GmbH, Wiederaufbau-Gesellschaft mit beschränkter Haftung and WESTGRUND Immobilien V. GmbH) is provided by WESTGRUND.

The following chart provides an overview of the structure of the WESTGRUND Group:



WESTGRUND Aktiengesellschaft
Berlin
Westgrund Immobilien GmbH & Co. KG
94.9%
Westgrund Immobilien Beteiligung GmbH
5.1 %
100.0%
Westgrund Immobilien II. GmbH & Co. KG
94.9%
Westgrund Immobilien Beteiligung II. GmbH
5.1 %
100.0%
Westgrund Immobilien Beteiligung III. GmbH
100.0%
WESTGRUND Immobilien IV. GmbH
100.0%
WESTGRUND Immobilien VI. GmbH
100.0%
Westgrund Wolfsburg GmbH
100.0%
Westgrund Niedersachsen Süd GmbH
100.0%
Westgrund Niedersachsen Nord GmbH
100.0%
Westgrund Brandenburg GmbH
100.0%
Westgrund VII. GmbH
100.0%
94.9%
Westgrund I. Halle GmbH
100.0%
Westgrund Immobilien II. Halle GmbH & Co. KG
100.0%
Westgrund Halle Immobilienverwaltung GmbH (general partner without capital contribution)
0.0%
100.0%
Westconcept GmbH
100.0%
IMMOLETO Gesellschaft mit beschränkter Haftung
94.9%
ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH
94.9%
Westgrund Westfalen GmbH & Co. KG
100.0%
94.0%
Liaen Lorentzen Partners AG, Switzerland
94.9%
Westgrund Westfalen Verwaltungsgesellschaft mbH
5.1%
5,18%
94.82%
Wiederaufbau-Gesellschaft mit beschränkter Haftung
100.0%
TREUHAUS Hausbetreuungs-GmbH
100.0%
WAB Hausverwaltungsgesellschaft mbH
100.0%
HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft
0.0%
HKA Verwaltung GmbH (general partner without capital contribution)
94.0%
WESTGRUND Immobilien V. GmbH
100.0%
WAG Görlitz GmbH
100.0%
WAG Neubrandenburg GmbH
Company holds real estate
Company will hold real estate of Berlinovo-Portfolio

Significant portfolio-holding subsidiaries, in terms of the value of the real estate held by the respective companies, are described in more detail below.

8.3.1 Westgrund Immobilien GmbH & Co. KG

Westgrund Immobilien GmbH & Co. KG was founded as Westgrund Immobilien Beteiligung GmbH & Co. KG, based in Remscheid, registered on April 10, 2007 in the commercial register of the local court (*Amtsgericht*) of Wuppertal under HRA 22252. The name of Westgrund Immobilienbeteiligungsgesellschaft GmbH & Co. KG was subsequently changed to Westgrund Immobilien GmbH & Co. KG and its place of business moved to Berlin registered with the commercial register of the local court (Amtsgericht) of Berlin Charlottenburg under HRA 47985 B on March 22, 2013.

The personally liable partner (general partner) is Westgrund Immobilien Beteiligung GmbH with a capital share of 5.1%, which is in turn 100% held by WESTGRUND. The limited partner is WESTGRUND, which holds 94.9% of the shares and has made a contribution in the amount of EUR 9,490.00.

The business purpose of the company is the acquisition and management of real estate, which is currently located in Sundern, Wilhelmshaven, Norden, Verden, Bremerhaven, Syke, Lilienthal and Detmold.

8.3.2 Westgrund Immobilien II. GmbH & Co. KG

Westgrund Immobilien II. GmbH & Co. KG, originally based in Remscheid, was registered on September 28, 2007 in the commercial register of the local court (*Amtsgericht*) of Wuppertal under HRA 22360. Its place of business subsequently moved to Berlin registered with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRA 48018 B on April 4, 2013.

The personally liable partner (general partner) is Westgrund Immobilien Beteiligung II. GmbH with a capital share of 5.1%, which is in turn 100% held by WESTGRUND. The limited partner is WESTGRUND, which holds 94.9% of the shares in the company and has made a capital contribution in the amount of EUR 1,000.00.

The business purpose of the company is the acquisition and management of real estate, which is currently located in Bad Bodenteich, Delligsen, Bockenem (OT Bornum) and Kreiensen.

8.3.3 Westgrund Immobilien Beteiligung III. GmbH

Westgrund Immobilien Beteiligung III. GmbH, originally based in Remscheid, was registered on March 6, 2008 in the commercial register of the local court (*Amtsgericht*) of Wuppertal under HRB 20984. Its place of business moved subsequently to Berlin registered with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRB 146689 B on December 19, 2012.

The share capital of Westgrund Immobilien Beteiligung III. GmbH is EUR 25,000.00, which is 100% held by WESTGRUND.

The business purpose of the company is the acquisition and management of real estate, located in Berlin, Halle / Saale and Fürstenwalde as well as managing other personal assets.

8.3.4 WESTGRUND Immobilien IV. GmbH

WESTGRUND Immobilien IV. GmbH was founded as Brillant 1635. GmbH, based in Berlin, registered on February 21, 2013 under HRB 148051 B in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg. The name of Brillant 1635. GmbH was subsequently changed to WESTGRUND Immobilien IV. GmbH on March 1, 2013.

The share capital of the WESTGRUND Immobilien IV. GmbH is EUR 25,000.00, which is 100% held by WESTGRUND.

The business purpose of the company is the acquisition and management of real estate, which is currently located in Berlin, as well as managing other personal assets.

8.3.5 Westgrund Westfalen GmbH & Co. KG

Westgrund Westfalen GmbH & Co. KG, originally based in Cologne, registered on March 14, 2007 in the Commercial Register of the local court (*Amtsgericht*) of Cologne under HRA 24767 subsequently moved its place of business to Berlin registered in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRA 47626 B on December 18, 2012

The personally liable partner (general partner) is Westgrund Westfalen Verwaltungsgesellschaft mbH, which holds 5.1% of the share capital. Limited partner is ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH, which holds 94.9% of the share capital and has made a contribution in the amount of EUR 949.00.

The business purpose of the company is primarily the acquisition and management of real estate, which is currently located in Beckum.

8.3.6 WESTGRUND Immobilien V. GmbH

WESTGRUND Immobilien V. GmbH was founded as Kommunale Wohnungsbau und Verwaltungsgesellschaft mbH Gingst, based in Gingst, registered on July 25, 1995 in the commercial register of the local court (*Amtsgericht*) of Stralsund under HRB 3292. The name of Kommunale Wohnungsbau und Verwaltungsgesellschaft mbH Gingst was subsequently changed to WESTGRUND Immobilien V. GmbH and its place of business moved to Berlin registered with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRB 153301 B on October 10, 2013.

The share capital of WESTGRUND Immobilien V. GmbH is EUR 40,000.00, which is held 94% by WESTGRUND.

The business purpose of the company is the acquisition and management of real estate, which is currently located in Gingst/Trent and in Wittstock/Dosse, as well as managing other personal assets.

8.3.7 HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft

HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft was originally based in Remscheid, registered on November 12, 1938 in the commercial register of the local court (*Amtsgericht*) of Wuppertal under HRA 23333 and subsequently moved its place of business to Berlin, being registered in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRA 47840 B on February 12, 2013.

The personally liable partner (general partner) without capital contribution is HKA Verwaltungsgesellschaft mbH, which is in turn 100% held by ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH. The limited partner is ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH, which holds 100% of the shares and has made a contribution in the amount of DM 50,000.00.

The business purpose of the company is the acquisition and management of real estate, which is currently located in Nordenham I. and Bad Pyrmont.

8.3.8 Wiederaufbau-Gesellschaft mit beschränkter Haftung

Wiederaufbau-Gesellschaft mit beschränkter Haftung, based in Ludwigshafen, registered on November 11, 1949 in the commercial register of the local court (*Amtsgericht*) of Ludwigshafen a. Rhein under HRB 1118.

The share capital of Wiederaufbaugesellschaft mit beschränkter Haftung is EUR 600,000.00, which is held 94.82% by WESTGRUND and 5.18% by Liaen Lorentzen AG, Switzerland.

The business purpose of the company is construction and lease of residential and business buildings, which are currently located in Ludwigshafen and Schifferstadt.

8.3.9 ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH

ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH, originally based in Remscheid, registered on August 2, 1991 in the local court of Wuppertal (*Amtsgericht*) under HRB 23809 moved its place of business to Berlin registered with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRB 150580 B on June 12, 2013.

The share capital of ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH is EUR 410,000.00, which is held 94.9% by Immoleto GmbH.

The business purpose of the company is the acquisition and sale of real estate, planning and realization of the company's real estate projects, and the management and supervision of the company's real estate, which is currently located in Eisenach, Dueren and Brilon.

8.3.10 Westconcept GmbH

Westconcept GmbH, originally based in Remscheid, registered on June 10, 1996 in the commercial register of the local court (*Amtsgericht*) of Wuppertal under HRB 11861 moved its place of business to Berlin registered on December 10, 2012 in the commercial register of the local court (Amtsgericht) of Berlin Charlottenburg under HRB 146502 B.

The share capital of the Westconcept GmbH is DM 50,000.00 which is 100% held by WESTGRUND.

The business purpose of the company is the acquisition and management of real estate, which is currently located in Leipzig.

8.3.11 Westgrund I. Halle GmbH

Westgrund I. Halle GmbH was founded as Brilliant 2000 GmbH, based in Berlin, registered on July 4, 2013 in the commercial register of the local court (*Amtsgericht*) of Charlottenburg under HRB 151145 B. Brilliant 2000 GmbH moved its place of business to Wesseling registered in the commercial register of the local court (*Amtsgericht*) of Cologne on October 11, 2013 under HRB 79702. The name of Brilliant 2000 GmbH was subsequently changed to Westgrund I. Halle GmbH and the place of business was moved to Berlin registered on August 20, 2014 in the commercial register of the local court (*Amtsgericht*) of Charlottenburg under HRB 160837 B.

The share capital of Westgrund I. Halle GmbH is EUR 25,000.00, which is held 94.9% by WESTGRUND.

The business purpose of the company is the acquisition, management and sale of real estate, which is currently located in Halle as well as managing other personal assets.

8.3.12 Westgrund Immobilien II. Halle GmbH & Co. KG

Westgrund Immobilien II. Halle GmbH & Co. KG was founded as Brillant 1816. GmbH & Co. Immobilienverwaltung KG, based in Berlin, registered on January 1, 2014 in the commercial register of the local court (*Amtsgericht*) of Charlottenburg under HRA 49137 B. The place of business was moved from Berlin to Wesseling, registered on April 28, 2014 with the commercial register of the local court (*Amtsgericht*) of Cologne under HRA 30505. The name of Brillant 1816. GmbH & Co. Immobilienverwaltung KG was subsequently changed to Westgrund Immobilien II. Halle GmbH & Co. KG and the place of business was moved to Berlin registered on August 21, 2014 in the commercial register of the local court (*Amtsgericht*) of Charlottenburg under HRA 49945 B.

The personally liable partner (general partner) without capital contribution is Westgrund Halle Immobilienverwaltung GmbH, which is in turn 100% held by Westgrund I. Halle GmbH. The limited partner of Westgrund Immobilien II. Halle GmbH & Co. KG is Westgrund I. Halle GmbH, which holds 100% of the share capital and has made a contribution in the amount of EUR 100.00.

The business purpose of the company is the acquisition and management of real estate, which is currently located in Halle II.

8.3.13 WESTGRUND Immobilien VI. GmbH

WESTGRUND Immobilien VI. GmbH was founded as Titan 24. VVG GmbH, based in Hamburg, registered on November 28, 2013 in the commercial register of the local court (*Amtsgericht*) of Hamburg under HRB 129786. The name of Titan 24. VVG GmbH was subsequently changed to WESTGRUND Immobilien VI. GmbH and its place of business moved to Berlin, registered on December 30, 2013 with the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRB 155134 B.

The share capital of WESTGRUND Immobilien VI. GmbH is EUR 25,000.00, which is 100% held by WESTGRUND.

The business purpose of the company is the acquisition and management of real estate, which is currently located in Leipzig-Halle (Sparrow), as well as managing other personal assets.

8.4 Tax status

WESTGRUND is subject to corporate income, trade and value added tax. These taxes for 2012 have been assessed by the competent tax office Berlin for corporates (*Finanzamt Berlin für Körperschaften*). All assessments are not final (subject to verification by a later tax audit - *Vorbehalt der Nachprüfung*) and thus subject to a tax audit in the future. The last tax audit for corporate income tax, trade tax and value added tax purposes covered the tax years 2007 to 2009, and those years have been finally assessed. All taxes for WESTGRUND Group have been assessed for all tax years ending 2012.

Social security taxes and contributions withheld by WESTGRUND have been audited for the years 2007 to 2011, and wage taxes from 2008 to 2010. Currently, a special value added tax audit for the year 2013 is performed.

WESTGRUND allocates management fees to Wiederaufbau-Gesellschaft mit beschränkter Haftung, Westgrund Immobilien Beteiligung III. GmbH and WESTGRUND Immobilien IV. GmbH. Further Wiederaufbau-Gesellschaft mit beschränkter Haftung charges respective management fees to TREUHAUS Hausbetreuungs-GmbH.

Since 2011, WESTGRUND has entered into a profit and loss pooling arrangement (*Ergebnis-abführungsvertrag*) with Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen am Rhein, for income tax purposes (corporate income tax, trade tax).

Further, a value added tax ("**VAT**") group has been established. The subsequent corporations are currently members of the VAT group:

- Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen am Rhein
- ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH, Berlin
- Westconcept GmbH, Berlin
- Westgrund Immobilien Beteiligung III. GmbH, Berlin
- WESTGRUND Immobilien IV. GmbH, Berlin
- WESTGRUND Immobilien V. GmbH, Berlin
- TREUHAUS Hausbetreuungs-GmbH, Ludwigshafen am Rhein
- WAB Hausverwaltungsgesellschaft mbH, Ludwigshafen am Rhein
- IMMOLETO Gesellschaft mit beschränkter Haftung, Berlin
- HKA Verwaltung GmbH, Berlin
- Westgrund Immobilien Beteiligung GmbH, Berlin
- Westgrund Immobilien Beteiligung II. GmbH, Berlin
- WESTGRUND Immobilien VI. GmbH, Berlin
- Westgrund Wolfsburg GmbH, Berlin
- Westgrund Niedersachsen Süd GmbH, Berlin
- Westgrund Niedersachsen Nord GmbH, Berlin
- Westgrund Brandenburg GmbH, Berlin
- Westgrund VII. GmbH, Berlin
- WAG Görlitz GmbH, Berlin
- WAG Neubrandenburg GmbH, Berlin
- Westgrund Halle I. GmbH, Berlin
- Westgrund Halle Verwaltung GmbH, Berlin.

9. BUSINESS OVERVIEW

9.1 Introduction and Overview

WESTGRUND describes itself as a specialist in the acquisition, management, optimization and administration of German residential real estate. The business of WESTGRUND Group focuses on

- purchasing small and mid-sized portfolios with volumes of up to EUR 50,000,000.00 to 60,000,000.00; portfolios which tend to be too small for larger competitors and too expensive for private purchasers (such portfolios generally have maximum purchase prices between about EUR 5,000,000.00 to EUR 8,000,000.00);
- building portfolios in strategic regions;
- purchasing residential properties in certain federal states of Germany with an annual net rental income equal to at least 8% to 10% of the respective acquisition price and located in larger cities that provide comparatively low investment risks.

WESTGRUND operates as management holding Company of WESTGRUND Group with the real estate holdings of the WESTGRUND Group held by a number of WESTGRUND subsidiaries.

WESTGRUND Group is constantly expanding and adding properties to its portfolio through the acquisition of selected residential real estate portfolios. The Company has a defined acquisition investment profile and, while building up its real estate portfolio, strictly adheres to the requirements set forth by this investment profile. For example, all acquisitions must fulfill certain minimum requirements with regard to risk diversification and the aim of reaching a minimum size for portfolio management purposes and with respect to their regional locations. For the purpose of optimization, WESTGRUND defined a process to be applied in all acquisitions. The adherence to this process shall also secure that the investment profile is observed and that the respective real estate properly assessed. Real estate portfolios or residential units respectively are acquired via an asset deal or a share deal. WESTGRUND leads and manages all of its subsidiaries and is responsible for asset management. Additional services such as property management, facility management and caretaking are outsourced in a process controlled by WESTGRUND's asset management. WESTGRUND's asset management currently consists of four asset managers, i. e. one technical, one commercial and two reporting members.

The main business of WESTGRUND is purchasing and managing residential real estate portfolios. As of June 30, 2014 WESTGRUND Group's managing portfolio was comprised of approximately 7,000 residential and some additional commercial units. At that time the portfolio provided a yield of 7.7% and a vacancy rate of 7.6%. Since 2012, the portfolio has not exhibited any major maintenance backlogs and the properties are typically in a good state of repair. WESTGRUND Group focuses its activities on a small number of core regions within Germany. Key property locations of the WESTGRUND Group are Berlin and its surroundings, especially Brandenburg (38%), other areas of eastern Germany (41%) and Lower Saxony (11%). In July 2014, WESTGRUND Group entered into agreements for the acquisition of the Berlinovo-Portfolio, thus nearly tripling its residential real estate holdings by acquiring approximately 13,300 units. After completion of the acquisition of the Berlinovo-Portfolio, regional representation of the real estate holdings of WESTGRUND Group will change as follows: Berlin and Brandenburg (33%), Lower Saxony (35%), Saxony, Saxony-Anhalt, Thuringia (22%), Mecklenburg-Western Pomerania (6%) and North Rhine-Westphalia (4%). Furthermore, the new portfolio will require four additional asset managers, i. e. one technical, two commercial and one reporting manger.

Standardized structures and work-flows enable WESTGRUND Group to work with a small team of highly efficient employees. WESTGRUND Group has a lean structure with 25 employees, who support asset management, acquisitions, finance and controlling. Functions such as property management, facility management, caretaking, legal and tax advisory as well as bookkeeping are currently outsourced to a number of reliable service partners to keep the lean structure of the Company. In particular the outsourced property management keeps costs low, mantains the Company flexible with regard to further acquisitions, as WESTGRUND is less dependent on the availability of additional employees, and enables it to stronger incentive structures. With and for the integration of the Berlinovo-Portfolio, the Company has already hired new staff members and expects to still hire a few more new staff members.

Based on this existing structure and business platform, WESTGRUND intends to further increase its real estate holdings to up to 30,000 to 40,000 units over the next few years. As set by the Management Board, preconditions for the targeted growth plan are (i) an existing, flexible and lean corporate platform, (ii) a strong network and track record for the sourcing of assets, (iii) access to funding via the capital markets and close relationships to lending banks, and (iv) an experienced management team.

With the signing of the agreement on the Berlinovo-Portfolio, WESTGRUND Group has successfully taken part in a large structured bidding process for the first time. In the future, WESTGRUND intends to take part selectively in bidding processes where opportune, to keep and expand WESTGRUND Group's market position.

9.2 Competition and Competitive Strengths

In the first two quarters of 2014 the total investment volume of the real estate market sum up to about EUR 7.38 billion. The most significant investors are listed real estate companies, which define the residential investment market in Germany. Over that period, their investment volume amounted to approximately EUR 4.2 billion. The remaining approximately EUR 3 billion mainly came from real estate companies, private investors, asset and investment managers and open real estate and special-purpose funds (*Source: Dr. Lübke & Kelber GmbH, Investmentmarkt Wohnen, H1 2014*), where the latter, contrary to listed companies, invest particularly in project development, focusing on the top 7 German cities (the "**Top 7 Cities**" are Berlin, Cologne, Dusseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart). WESTGRUND's management has experienced that the residential market has also spurred a big interest among international real estate investors that rival strong national competitors, particularly for core products in the Top 7 Cities.

WESTGRUND considers as its core competitive strengths:

- A stringent investment strategy and a corresponding focus on the Company's key strengths.

WESTGRUND has already proven its capacity and capability to correctly assess the risks and opportunities associated with future investments, in particular by correctly determining key portfolio figures of such as rent expenditure ratio and values for potential rent increases. This has enabled WESTGRUND to make successful acquisitions strictly in accordance with its acquisition strategy and to realize value increase potentials. By primarily focusing on the residential real estate market, WESTGRUND avoids venturing into markets where it does not possess the experience and knowledge necessary to distinguish between promising and unattractive acquisition opportunities.

If WESTGRUND – in order to acquire an attractive portfolio – is required to buy real estate that does not fulfill the requirements of the investment profile, it is part of its business strategy to immediately dispose of such real estate. In this regard, WESTGRUND benefits from its broad network, enabling it to quickly find buyers for the respective real estate. For example, WESTGRUND was able to secure FFIRE Immobilienverwaltung AG as a partner to acquire the Berlinovo-Portfolio whereby FFIRE Immobilienverwaltung AG directly bought all those parts of the Berlinovo-Portfolio that did not match the WESTGRUND investment strategy.

- An experienced management team.

  WESTGRUND benefits from the know-how and network connections of its experienced management team. Its chief executive officer (CEO), Arndt Krienen, has been a member of WESTGRUND's Management Board since 2000 and is therefore very familiar with the WESTGRUND Group as well as the markets in which WESTGRUND Group conducts its business. Additionally, prior to joining WESTGRUND, he managed the legal department of an internationally active company with a turnover exceeding EUR 300,000,000.00 per year and gathered extensive managing experience. Additionally, he also spent many years in the USA. He is indeed an individual with experience in the real estate industry.

  WESTGRUND's chief financial officer (CFO), Sascha Giest has been CFO at WESTGRUND since October 2013. He spent many years at JPMorgan and Barclays Capital in London, being responsible for structuring financing and securitization of residential real estate for customers such as Blackstone, Terra Firma/Deutsche Annington and Babcock & Brown. Before his arrival at WESTGRUND, he led the portfolio acquisition department of a large Berlin-based residential real estate company where he was closely involved in the acquisition of 7,000 apartments.

  Furthermore, the members of WESTGRUND's Supervisory Board are similarly qualified in the real estate arena and are able to provide the management board with useful advice.

- Experience in obtaining and controlling external service providers, its network of reliable service providers and the resulting flexibility of the organization.

Due to its lean structure, WESTGRUND is relying on external service providers to carry out different recurring services, such as real estate evaluation, technical and financial due diligence and acquisition of financing or ongoing services, such as property management. Accordingly, WESTGRUND has become very experienced in obtaining and controlling such external service providers and it has created a network of reliable service partners. In particular, WESTGRUND maintains a network of external property managers in different regions, which are controlled and supervised by monthly reporting requirements and irregular audits, and compensated, based on a performance and profit related structure. The structure for the compensation of property managers involves incentive elements that can be measured by the results of managed residential units, which encourages a higher total management performance. WESTGRUND believes that with this structure and its current portfolio size it is able to achieve better performance in property management than companies which implement property management themselves or pay fixed prices to external services.

In addition, working with professional reliable external service providers makes WESTGRUND more flexible with regard to the acquisition of small and mid-sized real estate portfolios (as well as, if necessary, the disposal of real estate), since WESTGRUND is less dependent on the availability of additional employees or, if necessary, reduction in its headcount.

- The ability to gather information about acquisition opportunities, in particular off-market transactions, through its branched network.

  With regard to its acquisition activities, WESTGRUND Group benefits from the branched network structure of WESTGRUND and its management. Various contacts, both in and outside of the real estate industry, enable WESTGRUND to engage in acquisition activities before it is publicly known that the respective acquisition target is for sale (so called “off-market transactions”). Off-market transactions regularly promise better purchase prices due to the reduction or elimination of competitors. Exclusiveness reduces the risk of incurring costs in the due diligence process without reaping the benefits of the purchase.

- The ability to quickly and efficiently react to real estate acquisition opportunities with regard to small and mid-sized portfolios in amounts between EUR 5,000,000.00 and EUR 50,000,000.00 to EUR 60,000,000.00 (or 180 to 1,300 units) and in regions of Germany other than major metropolitan areas.

  WESTGRUND’s acquisition strategy predominantely targets small and mid-sized residential portfolios, a market that is often not in the focus of larger competitors. Due to its lean structure, resulting in agile decision making, and due to its connections to external service providers, WESTGRUND is able to review acquisition opportunities with regard to small and mid-sized portfolios in amounts between EUR 5,000,000.00 and EUR 50,000,000.00 to EUR 60,000,000.00 (or 180 to 1,300 units) and in regions of Germany other than major metropolitan areas on a quicker and more cost-efficient basis than some of its larger competitors.

- A regionally diversified real estate portfolio and acquisition strategy.

In the southern part of Germany the price levels of real estate portfolios are often high and do not fit in the acquisition strategy of WESTGRUND. These price levels are unattractive prospects for cash-flow opportunities and for building up residential real estate portfolios in the south of Germany. In contrast, WESTGRUND's investment strategy prefers geographical purchasing focuses like Berlin (and its surroundings, particularly Brandenburg), the Dresden/Leipzig/Halle metropolitan region (Saxony, Saxony-Anhalt, Thuringia and Mecklenburg-Western Pomerania), mid-sized cities in Lower Saxony and North Rhine-Westphalia. Diversification is relatively high because WESTGRUND invested in residential real estate in more than four German federal states, multiple cities, and maintained no monostructure of economic dependency. Successful bargains depend on WESTGRUND's ability to purchase off-market residential portfolios throughout its branched network. Concentration on a varied but strategic geographical focus makes it possible for WESTGRUND to exercise regional know-how to positively affect real estate opportunities.

9.3 Strategy

9.3.1 Overview

WESTGRUND's strategy focuses on maintaining and growing a sustainable cash-flow oriented business model that involves the gradual extension of regional investments in the residential portfolio. WESTGRUND exercises an opportunistic approach to portfolio acquisitions creating regional clusters within its portfolio by buying real estate in economically strong areas to provide - according to WESTGRUND's own assessment - highly attractive risk-return profiles in the German residential real estate market. Accordingly, WESTGRUND usually avoids investments in areas with extraordinarily high real estate prices, like the town centers of Germany's largest cities.

In general, acquisition targets must be or exhibit the following investment criteria:

- Portfolios concentrated on residential real estate (few commercial units, no development activities, no privatization);
- Geographical location in Berlin (including surroundings), the Dresden/Leipzig/Halle metropolitan region (Saxony, Saxony-Anhalt and Thuringia), mid-sized cities in Lower Saxony, Rhineland-Palatinate and North Rhine-Westphalia;
- Positive cash-flow from the acquisition on, in order to provide high performance and even higher performance potential due to possible vacancy reduction and/or rent increases in densely populated, economically stable or growing areas;
- Good micro locations;
- Good infrastructure;
- Low modernization and maintenance costs.

Although disposals of real estate have occurred in the past and may occur in the future, mainly for purposes of portfolio adjustments and optimization, WESTGRUND does not intend to focus on property disposals. Furthermore, the privatizations (i.e. dividing properties and selling single units to small scale investors or owner-occupiers) and property development activities are not part of the WESTGRUND strategy.

WESTGRUND's organizational strategy focuses on the close link between transactions and asset management. Outsourcing and focus on core value enhancing competences enable the Company to work with a small team of highly efficient employees. The expertise of WESTGRUND's employees is supplemented by an extensive network of capable industry contacts. Most important in that regard is the outsourced property management provided by external, regional managers, with individual acquisitions and portfolio transactions carried out in conjunction with external advisors. The combination of in-house expertise and the know-how of external specialists allows WESTGRUND to conclude efficient cash-flow enhancing and value-accretive deals.

9.3.2 Strategic Aims

WESTGRUND's business strategy focuses on reaching the following aims:

- Building and retaining an attractive residential real estate portfolio with sub-portfolios in several strategic regions in Germany.
- Expanding the overall portfolio size to approximately 30,000 to 40,000 units within the next few years (subject to the availability of real estate suitable to the business model and financial viability) and reaching an annual net rental income of EUR 100,000,000.00 to EUR 133,000,000.00. This is expected to occasionally involve small-scale disposals of real estate to adjustment for portfolio optimization. These disposals affect non-core assets and become necessary from time to time when portfolios are acquired as a whole but do not fit WESTGRUND in their entirety. WESTGRUND might also opportunistically engage in asset or portfolio disposals if such opportunities arise, but does not regard such exits as part of its core business model.
- Increasing the value of the cash-flow of the portfolio by realizing asset management potential and scale effects, the latter being expected to increase with the growing portfolio.
- Long-term vacancy reduction targeting 2% to 3%.
- Widening and diversifying its shareholder base.

In the past, the company has benefited from its private-equity-like shareholder base. However, with the consensus of these shareholders, WESTGRUND believes that it is necessary to broaden its investor base to ensure, promote and boost targeted portfolio growth.

9.3.3 Investment focus

WESTGRUND focuses its investments on residential properties that it considers to provide the following:

- An initial yield of at least 8% to 10%.

WESTGRUND only invests in real estate that generates positive cash-flows from the start. It analyses the different offers in respect of the gross initial rate of return or the gross rent multiplier as its reciprocal value. The initial rate of return shows the relation between the annual rental income from a real estate property (or portfolio) and the respective purchase price. Exceptional items, extraordinary charges and rent increases are excluded from the calculation of this ratio. The gross rent multiplier means the factor of the purchase price over the annual net cold rent of a certain real estate property (or portfolio). It is a reasonable objective and comparable ratio without subjective elements because figures are based solely on existing rental contracts. Furthermore, WESTGRUND analyses, among other things, possible rental increases and maintenance and state of repair issues. It also creates an internal cash-flow model of the respective real estate property (or portfolio) to assess its likely profitability portfolio.

Typically, WESTGRUND targets average net acquisition prices in the range of EUR 450 to EUR 600 per square meter. In the case of the Berlinovo-Portfolio the average net acquisition prices were of EUR 450 to EUR 500 per square meter. In the past, the range paid per square meter has been between EUR 300 and EUR 1,300. The initial annual net rental income percentage of the portfolio acquisitions has been on average between 8% and 12% (*Source: Own assessment of WESTGRUND, 2014*).

- A demographically stable and economically healthy macro location providing for a favorable risk profile.

WESTGRUND follows a so-called “macro to micro location investment approach”, which focuses not only on the acquisition target itself, but also on the quality of the residential location within the respective city, as well as on the region overall. A decisive factor for real estate acquisitions in addition to building structure, purchase price and positive cash-flow is the locality of the property and its immediate environment, which supports sustainable long-term rental income potential, irrespective of potential adverse demographic developments.

WESTGRUND’s transaction strategy geographically focuses on a small number of core regions within Germany. The goal is to create regional portfolios in mid-sized German cities and in Berlin, with transactional volumes of more than EUR 5,000,000.00. The number of residential units in each region should be favorable for economic property management. The mid-term goal is a working inventory of 30,000 to 40,000 units and a net annual rent of EUR 100,000,000.00 to EUR 133,000,000.00. The future total holdings of WESTGRUND are expected to be mainly distributed over the following target regions:

(i) Berlin and its surrounding areas (especially Brandenburg),
(ii) North Rhine-Westphalia,
(iii) Rhineland-Palatinate,
(iv) Lower Saxony,
(v) Saxony, Saxony-Anhalt, Thuringia and Mecklenburg-Western Pomerania.

Local concentration offers the advantage that WESTGRUND can deliver efficient asset management and productively work together with tenants and on-site property managers. While WESTGRUND acts as a holding company and operational unit, taking on central service functions for the whole WESTGRUND Group, each individual special-purpose entity is responsible for direct property management. They focus on their respective regions and can therefore orient their asset management according to developments in the local market. Each entity is tasked with maintaining and increasing the value of the property they are managing. The local external property managers support WESTGRUND asset management decisively regarding the extent and duration of any measures for the properties they look after.

- Active asset management potential (e.g. by refurbishment of empty units) and additional value creation potential via vacancy reduction or rent increases.

  The respective acquisition target should be able to generate a positive cash-flow just from the start. However, any acquisition must provide active asset management potential. Thus, the possibility of necessary repair and maintenance work on acquired holdings in order to minimize vacancy rates and maximize the rental income cannot be excluded. Acquired portfolios are often undermanaged and have vacancy reduction potential. WESTGRUND Group does not focus on developments and luxury apartments and its transactions are typically off-market. WESTGRUND usually does not participate in structured sales auctions, unless a specific strategic edge can be used to lower the purchase price.

By implementing the aforementioned investment strategy WESTGRUND anticipates both favorable rental returns and value appreciation. Where other real estate investors may generate returns either from recurring rental income or from capital gains, WESTGRUND aims to benefit from both. WESTGRUND aspires to capitalize on the potential which results from the micro location consideration of the respective real estate, as well as on the full inherent potentials of the property itself. Where demographic trends and economic developments lead to forecasts stating that demand for living space will increase sooner or later, rental and property prices are likely to follow. By modernizing units, thereby raising the level of potential rent as well as the reduction of vacancy levels, rental income may be improved.

9.3.4 Investment approach

WESTGRUND has established systems for managing real estate acquisition leads and identifying promising acquisition opportunities. It follows a detailed roadmap for possible acquisitions.

- Managing sales leads and identifying acquisition targets

  WESTGRUND carries out market research both by analyzing trends in the residential real estate market and by analyzing primary and secondary data. For this purpose, the Company maintains data from several purchases and offerings and utilizes internally collected data. Secondary data comes from publicly-accessible information (studies, etc.), and from specialized firms who sell primary data and author studies. Using this market research, WEST-

GRUND retains an internal summary and general investment recommendation for the various investment regions WESTGRUND focuses on. Part of the investment recommendation is the targeted investment profile, which is steadily stressed by the results of the trend approach.

Acquisition leads are collected via industry information, personal networking or through individual communications by residential real estate owners who use the WESTGRUND homepage. The sourcing strategy for acquisitions is therefore primarily centered on off-market deals. Only in exceptional cases (as happened in connection with the Berlinovo-Portfolio) WESTGRUND intends to participate in structured sales auctions. Target portfolios and sellers are (among others): private individuals, portfolios from vendor residential mortgage backed securities, portfolios from clean-up activities by banks, or non-performing funds or municipal sellers. Primarily, WESTGRUND buys from property owners in financial distress, where the properties were often financed with not enough equity and/or poorly managed, or from funds, cooperatives, municipalities, banks, insolvency practitioners, etc. facing similarly exceptional situations.

All real estate offerings are reviewed with regard to the requirements of the investment profile and all offerings that do not fulfill these requirements are immediately turned down.

- Management decision on pursuing acquisition opportunities

  If a possible acquisition target fits the investment profile, a memorandum with the most important elements of the investment is prepared and subsequently presented to and discussed with the Management Board. The Management Board will then decide to either continue or to stop the acquisition process. A positive decision regarding the investment memorandum is combined with the release of a budget for the due diligence process.

- Due Diligence

  Given its small workforce, WESTGRUND cannot carry out due diligence in-house. Therefore, external lawyers, technical surveyors, appraisers and tax consultants, suitable to the respective acquisition target in terms of regional capacity and costs, are selected to carry out the due diligence for each acquisition target. In addition, the Management Board and the respective internal transaction manager usually early the process start setting up a financing structure for the acquisition and approaching a limited number of banks to participate in the respective transaction.

  By considering the acquisition criteria, WESTGRUND checks the portfolio profile or the profile of the units by evaluating the following documents (which are necessary for a preliminary review and evaluation of the real estate portfolio):

  - Documentation of the objects significant details;
  - Full address and disclosure of the purchase price;
  - Tenancy schedule;

- Table detailing tenancy start and end dates and rental arrears;
- Site map;
- Photos of the properties;
- Authorization statement and credit agreement with public funding (*Bewilligungsbescheid)*;
- Estate agent offer: proof of sales assignment from owner;
- Site visits.

- Forming an investment decision

  After receiving the relevant due diligence reports, WESTGRUND summarizes the results and identifies any fundamental reasons why the purchase should not go forward. If there are no such reasons, the financing structure is negotiated with the banks approached and the first draft of the purchase contract is negotiated with the seller.

  On the basis of a final investment memorandum, which is prepared in consideration of the results of the due diligence process and valuation reports (market value), risks and opportunities of the respective investment are discussed by the Management Board and – if necessary – the Supervisory Board, which decide on the final terms of the acquisition. The final purchase contract and the final long-term-financing contracts are then negotiated and signed by the Management Board.

9.3.5 Cash-flow generation on a sustainable basis

In order to realize the potential of WESTGRUND's real estate portfolio, active rental management is necessary and, in some cases, portfolios may have to be streamlined through property revitalization. In this regard, limited expenses on refurbishments and modernizations are acceptable to WESTGRUND; however, WESTGRUND is not aiming at acquiring portfolios with major maintenance backlogs. Properties to be acquired should therefore be in a very good state of repair. The necessary property management is done via outsourcing in order to retain the lean structure of WESTGRUND. Local partners manage and maintain properties and are compensated for their work on a success-based schedule. Unprofitable sub-portfolios are sold.

9.4 Market Overview

9.4.1 Core Markets of WESTGRUND

WESTGRUND's business activities are influenced by numerous demographic, economic and political factors. Given WESTGRUND's involvement in the real estate sector, developments in and related to the residential property market in Germany, particularly in the WESTGRUND's core geographical regions, directly affect the company. WESTGRUND´s portfolio holdings are exclusively spread throughout the German federal states of Berlin and Brandenburg, North Rhine-Westphalia, Rhineland-Palatinate, Lower Saxony, Saxony, Saxony-Anhalt, Thuringia and Mecklenburg-Western Pomerania. As of 30 June 2014, Berlin and Brandenburg represent a solid 38% of the real estate portfolio, with

Saxony and Saxony-Anhalt comprising 36% and the rest spread throughout the other regions. Future investments are envisaged to be carried out in the same regions.

The business environment of the residential real estate market significantly impacts the future development of housing prices, rental prices, turnover and vacancy rates, as well as home ownership rates. The chosen core markets of WESTGRUND should benefit from the overall positive economic development in Germany and should be part of the positive trends in the German residential real estate market. Therefore, WESTGRUND analyses overall economic factors, for Germany in general and in the core regions where WESTGRUND operates in particular.

9.4.2 Overall Economic Development in Germany

Industry Development

After a good start to 2014, manufacturing output in Germany is expected to grow by 4% in real terms for the year. Although business expectations recently have weakened somewhat, they remain rather positive. Moreover, capacity utilization is high at present. Germany's industrial sector is benefiting from the gradual economic recovery in Western Europe. (*Source: Deutsche Bank Research. Focus Germany. June 2014*)

It is expected that domestic industrial production will grow further in the remaining months of 2014. One reason for this relatively optimistic forecast is the order intake. Over the last few months, orders have trended upward, although some heavy fluctuations were registered on a monthly basis, which was due primarily to high volatility big-ticket orders. Overall, order intake has been 0.5% higher in seasonally adjusted real terms in the first four months of 2014 than it was in the previous period. However, in a year to year comparison, the increase amounts to 5.2%. It is interesting to note that in the period from January to April 2014 domestic order intake developed more favorably on average than foreign orders. Orders from the Euro area have not yet exhibited a stable uptrend, although their level is higher than in the prior year. (*Source: Deutsche Bank Research. Focus Germany. June 2014; with data from ifo Institute and Destatis*)

Forecasts for industrial output are supported by various sentiment indicators. According to the *ifo Institute, Center of Economic Studies (CES) ("ifo")*, companies' business, production and export expectations have been stable and positive for some time and remain so despite a slight decrease at the time of the latest publication. At the same time, however, geopolitical factors such as political unrest in eastern Ukraine continue to cause severe fluctuations. Companies' assessment of the current situation has not yet essentially been affected. All in all, ifo figures paint a positive picture for the industrial sector, with companies having regarded their current situation as exceeding expectations since the end of 2010. (*Source: ifo Institute, Center of Economic Studies (CES). Konsumreport. July 2014; Deutsche Bank Research. Focus Germany. June 2014*).

Following the contraction of Eurozone gross domestic product (GDP) in 2012 and 2013, the Eurozone economies this year are projected to grow by 1.1%, representing relatively modest dynamics, while considerable macroeconomic risks remain. Nonetheless, this development is likely to provide Germany's industrial sector with some momentum: almost 37% of Germany's exports still go to the Eurozone, only slightly down from 43% in 2008 (*Source: Deutsche Bank Research. Focus Germany. June 2014*). The current dispute between Russia and the Western World concerning Ukraine is very likely to have a negative influence on the development of new orders in the industrial production sector and a decrease in the GDP in 2014.

Inflation

Despite the favorable labor market situation in Germany, inflation has decelerated noticeably. In the first half of 2014 it was at 1.1%, down from 2% in 2012 and 1.5% in 2013; although it was not significantly higher than in the remaining Eurozone. (*Source: Deutsche Bank Research. Focus Germany. June 2014; based on Eurostat figures*)

This deceleration trend was largely driven by the demand-related decline in global commodity prices (energy and food). The relatively strong Euro, together with the underutilization of capacities in the global economy, also weighed heavily on import prices.

The outlook for a recovering global economy, a sliding Euro and the introduction of a nation-wide minimum wage in Germany leads market participants to forecast that inflation is bottoming out. After hitting 1.1% in the current year it could increase to 1.6% in 2015. (*Source: Deutsche Bank Research. Focus Germany. June 2014; based on Eurostat figures*)
It is widely expected that the increasingly noticeable rise in German real estate prices over the past few years cause a boost in rents and thus ultimately inflation. Rents (excluding household energy) are the single most important component of the German consumer price index with a weight of 21%. In fact, rents have gradually accelerated since early 2013. In the first half of 2014, the average rent increase came to 1.5%. This is the highest level since 2007, but nevertheless remains moderate. (*Source: Deutsche Bank Research. Focus Germany. June 2014; with data from Federal Statistical Office (Destatis)*)

The acceleration of rents is also concentrated in a few prospering German federal states such as Berlin, Baden-Wuerttemberg and Hessen. In predominantly rural federal states such as Saarland and Saxony the rent increases are not nearly as pronounced, or have hardly accelerated at all. This development of rents mirrors the regionally diverse development of property prices. On average, housing prices rose in Germany by 4.5% in 2013; in secondary cities the increase amounted to 6.3% and in the Top 7 Cities to 9.0%. Rents in Germany reflect past price increases, not least because of existing tenancy laws. This development hints at further moderate rent increases in the coming years. (*Source: Deutsche Bank Research. Focus Germany. June 2014; with data from Federal Statistical Office (Destatis)*)

Financial markets

The European Central Bank (ECB) decided on a broad package of measures to ease the financial situation in the Eurozone. The refinancing rate was lowered to 0.15% and the deposit rate to -0.1% (the first negative rate ever in the Euro region). In addition, full allotment was prolonged, sterilization of the Securities Markets Program stopped, preparations for a private bond purchase program intensified and a targeted long-term refinancing operation announced. The latter should secure banks' access to liquidity for the foreseeable future and keep short-term interest rates low to stimulate lending.

Lending to corporations remained weak in 2013 with such declines being more pronounced in the Eurozone generally than in Germany specifically. While reductions in Germany reflect a mix of modest investment activity and firms' use of alternative means of financing, the drop in the Eurozone is to a large extent the result of ongoing deleveraging processes.

Households in the Eurozone also continued deleveraging (-0.2% year to year). By contrast, lending to households in Germany continues to rise (April: +1.1%), which is rather modest given the backdrop of strong consumer confidence and record low interest rates in Germany. The moderate credit growth in Germany has been driven solely by mortgage lending.

With benchmark rates remaining historically low, favorable interest rates for German companies persist. Interest rates for corporate credit decreased some 5 base points to 2.95% in April. Credit constraints hit new historic lows in May. A small percentage of companies from industry and trade currently see credit constraints. Similarly, construction companies report more favorable conditions. Only 22% note credit constraints, also a historic low. (*Source: Deutsche Bank Research. Focus Germany. June 2014; based on ECB and ifo Institute figures*)

In 2013, Germany was the only Eurozone country apart from Luxembourg without a budget deficit. But the federal and state governments (in total) still report deficits. The general budget edged into the black only thanks to municipality and social security surpluses. Budgets for 2014 and 2015 are projected to close with small surpluses.

Labor market

The number of employees in German industry is currently more than 7% higher than at its lowest point in the spring of 2010. Employment is continuing to rise. The number of people working in Germany rose to a year-on-year rate of 398,000 persons or 1.0%. While indicators continued to signal a positive outlook for the labor market in May, the ifo employment barometer showed that enterprises' willingness to recruit new staff was somewhat down on the month, albeit from an elevated level. The unemployment rate was at 6.7%. As a result, further employment growth in the German industry is expected to remain virtually unchanged. *(Source: Deutsche Bundesbank. Monthly Report. June 2014; based on statistics from Destatis and a survey from ifo Institute)*

9.4.3 German Real Estate Market

Overview

In contrast to other European States, Germany is characterized by both a federal and a polycentric structure. Germany features a fragmented market structure with numerous major sub-markets. There is no one single dominating metropolis in Germany such as London in the United Kingdom or Paris in

France. Instead, there are many cities with economic importance, which is also reflected in the population spread: apart from the Top 7 Cities, there are a total of 76 cities with more than 100,000 inhabitants, according to the most recent census (2012). The number of inhabitants in these "secondary cities" totals approximately 15,900,000, representing nearly 20% of the German population. (*Source: Wüest & Partner: Secondary Cities schlagen Top 7. November 2013; Wüest & Partner work with the database of the Federal Statistical Office (Destatis); CENSUS RESULTS – based on the results of the 2011 Census. 2011*)

Approximately 24,600,000 people are living in Germany's larger cities (i.e. those above 100,000 residents), which translates to 31% of the population of Germany. Although only four cities (Berlin, Hamburg, Munich and Cologne) have more than 1,000,000 inhabitants, another nine cities have more than 500,000 inhabitants. Four of 13 cities with more than 500,000 inhabitants are in North Rhine-Westphalia, the most densely populated federal state. In the 605 mid-sized cities ("*Mittelstadt*", those with 20,000 to 100,000 residents) lives approximately 29% of the population of Germany. *(Source*: *Wüest & Partner: Secondary Cities schlagen Top 7. November 2013*)

Currently Germany is undergoing three fundamental demographic changes:

(i) a population decline,
(ii) an increase in the number of households coupled with a reduction in average household size, and
(iii) an aging population.

Probably more important for residential property markets than the macroeconomic cycles at play are the dynamics and structural changes with regard to demographics in Germany, which affect the housing habits and the supply of housing in Germany. (*Source: Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) Regional Planning 2030. Bonn/Berlin. 2014*).

Further demographic trends which are important for the residential market in Germany are

(i) a change of the age structure towards an elderly population,
(ii) a higher number of single or two-person households and
(iii) an increasing demand for more living space.

As a result, the number of households has increased (especially in the last decade) and is expected to at least partially compensate for the above mentioned shrinking population when it comes to demand for residential properties (*Source: Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), Regional Planning 2030. Bonn/Berlin. 2014*). In addition, Germany can be described as a highly fragmented and heterogeneous market with significant regional differences. Although the population in Germany is expected to shrink from today's level, and even if the extent is probably difficult to forecast precisely, there are different dynamics within the German landscape. According to the projections from the Federal Statistical Office, the 16 federal states are likely to be affected very differently. (*Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014*)).

The City States Hamburg, Berlin and Bremen are expected to be less affected by the decreasing population given the ongoing urbanization process. Declines in the southern federal states, which offer a strong economic environment, are also expected to be relatively moderate. Conversely, eastern Germany is expected to be the most affected region, yet still sub-regional and local differences persist. (*Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014*)

A study by Prognos analyzes the German landscape with regard to the future prospects based on 29 macro and socio-economic criteria such as demographics, labor market, competition and innovation, wealth and social situation. Even if micro locations differ, the eight categories between "Top future prospects" and "High future risks" applied to each county/city are very important in the initial investment. Still, results may differ from the individual analysis of residential units conducted by WESTGRUND. *(Source: Prognos AG. Prognos Zukunftsatlas 2013 – Deutschlands Regionen im Zukunftswettbewerb. Berlin/Bremen/Düsseldorf, November 2013)*

Market Trends

The most important market trends for the German real estate market in detail are as follows:

- Germany must cope with a population decline. Approximately 80,800,000 people were living in Germany in 2013. Whereas population declined by 0.6% between 2000 and 2010, the number increased by 0.6% in the last three years. This is based on Germany's strong immigration surplus which more than offsets the birth deficit. Germany "lost" some 1,500,000 people in 2011 based on a revised census, which replaced the last census from 1987. Preliminary results were published in 2013 and final results are expected to be published this year. (*Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; with data from Federal Statistical Office and the Federal Ministry of Interior*)

  According to long-term forecasts published in 2009 by the German Federal Statistical Office, the population was expected to decline from about 80,000,000 people to approximately 67,000,000 people in 2060 (-16.1%). When assuming a net immigration rate of 100,000 p.a., the reduction would increase to 21% while a net immigration of 200,000 p.a. would reduce the decline to only 14%. Even if assumptions for net immigration, fertility and life expectancy in the three different scenarios are uncertain, a decline of the German population is highly likely. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; with data from Federal Statistical Office and the Federal Ministry of Interior)*

- Urbanization continues. More and more people in Germany prefer living in large cities (>100,000 inhabitants) or metropolises (>500,000 inhabitants), which offer a sound infrastructure, choice of culture, and most important, greater employment opportunities. This trend started only at the beginning of the millennium. Between 1993 and 1999, large cities exhibited population growth below the overall German trend (i.e. a kind of suburbanization trend). Since then, however, the increase has been disproportionally high in cities. For example, between 2000 and 2011, the share of population of the 13 largest German cities (>500,000 inhabitants) increased from 15.5% to 16.4% and is forecasting a share of 18.6% in 2030. One reason for expected further increase is the fact that approximately 50% of the above mentioned immigrants to Germany in the last three years (on a net basis) moved to large cities. Another reason is increased higher education participation. In 2012, 500,000 young people took up their university education studies (+59% compared to 2000). For this reason, migration to large university cities has consistently increased. Data shows that many of these young people do not return to their smaller home towns after finishing their studies – either because of better job perspectives in the city or because of a changed private environment (new center of life, partner, etc.). *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; support data from BBSR)*

In the coming years, the urbanization process is not expected to change. However, in some fast growing metropolises there is an urgent need to better cope with related urbanization problems such as infrastructure, construction, affordable rents for low income or elderly people, employment prospects and pay, etc.

- In Germany, the number of households is increasing. Since 1991, Germany's population has increased by only 2%, but the number of households has increased by 15% to 40,700,000. This trend is also present in eastern Germany where the number of households increased by 11% despite a strongly shrinking population, which decreased by -10%. According to the coordinated population projection published in 2011 by the Federal Statistical Office, the number of households is forecasted to increase by approximately 2% in Germany until 2030 and is expected to peak around 2025, despite a shrinking population. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; with data from Federal Statistical Office)*

Whereas the number of households is forecasted to increase over the next 10-15 years in Germany, there is also a positive heterogeneous trend within Germany with respect to living space (demand +2% from 2009-2025 expected). The increase is mainly based in the western federal states (+4.5%), which had to compensate for the decline in eastern Germany (-10%), with an even more pronounced forecast of almost 5% for the three City States. The average living space per unit in western Germany is currently higher (94 square meters) than in eastern Germany (77 square meters), and also the space per capita is also higher at 44 square meters versus 40 square meters, respectively. However, according to e.g. projections by empirica institute, this is about to change. In particular, the observation that elderly people absorb more space is likely more pronounced in eastern Germany due to the aging population. For most of the 16 federal states market observers expect an increase in the number of households until 2030. Only for the five former GDR-States and the Saarland this is not the case. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; with data from empirica)*

Germany has to cope with an intensive change in the age of its population. Due to the low birth rates and the rising life expectancy, the share of persons older than 65 years increased from 10% in 1950, to 20% in 2011, and it is forecasted to reach a level of 40% in 2040. In opposition, the share of so-called "working age" persons was largely unchanged at approximately 60% in the last 60 years; however, it is expected to decline to 33% by 2040. *(Source: Baa-*

der Bank Equity Research. Company Report: Westgrund AG. 2014; supported by data from Federal Statistical Office and empirica)

- In Germany's real estate market there is a shift to smaller household units (persons per household). This is not only due to the aging population, but also due to divorces, persons without children and young people who prefer to live alone. The number of one-person households has therefore consistently increased. For example, the number of one- or two-person households increased from about 63% in 1985 to 75% in 2012 and is expected to increase further to about 80% in 2030. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; with data from Federal Statistical Office)*

- Germany's real estate market has noticed a positive trend required living area. This is not only with respect to the average living space per inhabitant, but also per residential unit, both of which have risen as a result of increasing economic wealth, the aging population, and the prior-mentioned trend towards one or two-person households. The average space per capita increased from 35 square meters in 1987 to 47 square meters in 2012. The space per capita also increase with age (e.g. on average 18-year old persons are living on 30 square meters, and 65-year old persons on 55 square meters) as elderly people often stay in apartments even after other family members move out or pass away. This has become particularly evident in owner-occupied housing, which has also increased over the last decades. Usually, owner-occupied housing space is larger than of tenancy units (owners prefer 1/2 family homes). The average space per residential unit increased from 81 square meters in 1987 to 91 square meters in 2012. In addition, new construction has mainly focused on larger apartments, whereas the social housing focusing on smaller apartments comprises only a fraction of new construction. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; with data from Federal Statistical Office)*

Vacancy and Construction

In general, sources about the overall vacancy rate in Germany are limited and, if available, show a relatively wide data range. According to the 2011 census, the overall vacancy rate was 4.4% in Germany, but the Federal Statistical Office stressed wide disparities between different regions, with vacancy being considerably higher in eastern Germany (including Berlin; 7.0%) than in western Germany (3.7%). The highest vacancy rate was found in Saxony with 9.9%, and the lowest rates in Hamburg and Schleswig-Holstein with 1.5% and 2.7%, respectively. According to the Federal Statistical Office, the vacancy was lower in metropolitan areas or cities; some examples are Hamburg with 1.5%, Munich 2.1%, Cologne 2.5%, Frankfurt 2.6%, Dresden 5% and Berlin 3.5%. In these regions, demand has been continuously high with location, quality and price being of lower importance; at least for potential vacancy risk. Even though vacancy remains higher in eastern Germany, this does not rule out that vacancy rates in some eastern cities such as Jena (1.9%) and Weimar (4.4%) exhibit lower vacancy rates than some cities and regions in western Germany. (*Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; supported by data from CBRE and empirica*)

The construction sector benefits from high net immigration and rising disposable income, thus propelling housing demand. Construction activity (April: +4.5%) and orders (+12.7%) are markedly higher than last year despite weakening in April. Construction spending could grow by a solid 5% in real terms in 2014 (2013: -0.2%). (*Source: Deutsche Bank Research. Focus Germany. June 2014; with data from Federal Statistical Office, Gfk, Ifo Institute and EU Commission*)

In April, construction output fell 1.25% month-on-month on seasonally adjusted terms, thus returning to the level that was attained prior to its sharp increase, which was largely due to good weather conditions at the start of the year. Compared to the first quarter, there was a decline of -2.5%. The primary reason for this was the reduced output of the main construction sector (-4.5%), which was heavily affected by bad weather conditions. By contrast, output in the finishing trades decreased minimally (-0.25%). There was a seasonally adjusted 1.75% increase in orders received by the main construction sector in the first quarter of 2014 (the most recent figures available) compared to the final quarter of 2013. Demand for housing grew very sharply. Additionally, there was perceptible growth in commercial construction projects, while public sector construction saw a decline. (*Source: Deutsche Bundesbank. Monthly Report. June 2014*).

In comparison to other European countries, housing completions per capita in Germany were on a relatively low level over the last few years. In the past, the reason was a combination of strong demand and low volumes. Even at the current level, new units per capita remain only on average compared to the rest of Europe. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; support data from Euroconstruct and ifo Institute)*

Residential construction has exhibited a negative trend since the early 1990s (i.e. since the construction boom following the German reunification). This was accompanied by a reduction of subsidies and tax advantages, the slowdown of the economy and declining immigrations. Building completions reached a trough level of only 159,000 units in 2009 compared to an average number of 385,000 in the 18 years before. In 2012, about 200,000 units were completed and, due to a 13% rise in permits to 270,000 units in 2013, the completions for 2013 (not yet reported) and 2014 can be expected to follow this trend (i.e. a volume well above 200,000 p.a. can be expected). *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; with data from Federal Statistical Office)*

In the last 15 years construction for multi-family houses was at extremely low levels but picked up in 2012 and 2013. Whereas building permits for new residential units climbed by 14% in 2003, permits for multi-family units increased by 22%. This development is mainly the result of two factors. First, new rents are increasing to levels where required yields on costs became more attractive again and financing became available at record low conditions. And second, demand is increasing in densely populated urban areas where space and land is limited and expensive.

An increase in the number of households is expected until at least 2025/2030, as well as a positive net immigration, and positive prospects for rent and price increases, all of which are likely to result in more construction in Germany in the upcoming years. As in recent years, this activity is expected to be in high-demanded regions and cities. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; based on the data from BulwienGesa, empirica and Federal Statistical Office).*

Rent Development

Both prices and rents are on the rise in Germany. However, this trend has only gained momentum since 2011, whereas growth was limited over the past 20 years, i.e. since the reunification. More precisely, prices increased by a meager 0.3% p.a. on average and rents by 0.6% p.a. between 1993 and 2010. In comparison, the consumer price index increased by 1.5% p.a. over this same period. In the last three years this trend has increased to 5% p.a. for prices and 4% p.a. for rents. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014;figures are based on calculations by bulwiengesa, which compiles data for 125 regions and cities and can be viewed as a reliable average for price and rent trends across Germany*).

In the light of inflation rates in the past and current price trends, it is not unlikely that the German residential market is in danger of a housing bubble. At least this is not the case for the German real estate overall market. Even if prices advance stronger in some regions and in the metropolitan areas, this will be largely supported by the aforementioned structural trends: increase in demand and a meager supply. Whereas price increases were lower than rent increases in the total period since 1975 (-0.7 percentage points p.a.), they picked up within the last three years (+1.7 percentage points p.a.). A precondition for overheated markets would be a decoupled price-to-rent trend, which is not the case for the overall German market. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; with data from Federal Statistical Office, Eurostat, OECD and Thomson Reuters Datastream)*

Overheating would probably only be observed in the privatization business or in connection with private investments with yields of 3% in cities such as Munich and Hamburg. Deutsche Bundesbank recently stated that in some metropolitan areas (but not for the market in total) prices have been decoupled from their respective economic and demographic trends for which it quantified an overvaluation of 10% to 20%.However, Deutsche Bundesbank currently sees no indications for a destabilization effect caused by residential prices versus the extension of loans. Housing loans to private individuals only increased by about 2% in the years 2012 and 2013. Deutsche Bundesbank also stressed that the banks have increased the financing requirements. Another factor that speaks against a German housing bubble is the outlook on price increases in the European context. In contrast to many other European countries, price increases in Germany were moderate. *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014; with data from Federal Statistical Office, Eurostat, OECD and Thomson Reuters Datastream*)

Some key characteristics of the current situation are as follows *(Source: Baader Bank Equity Research. Company Report: Westgrund AG. 2014, supported by data from F+B, empirica, Federal Statistical Office and Thomson Reuters Datastream*):

- Absolute rent levels for net base rent, i.e. without operating and heating costs, remain at a moderate level in Germany. For tenants, total rent including costs for heating, electricity, water and insurances became more costly. For example, service charges for heating rose by 14% between 2008 and 2012, whereas rents increased by 5% and inflation was up by 5.5%. Therefore the price drivers for tenants and investors are service charges and likely also maintenance costs as the residential stock ages.

- Prices for owner-occupied apartments advanced primarily in the last three years as private persons bought their own units due to fears of increasing rents and inflation, the low cost of debt, lack of investment alternatives, etc. This is tied to the relatively low homeownership rate of only 43% in Germany.

- In large cities with more than 100,000 inhabitants, prices have risen by 7.4% on average in a year-to-year comparison between the first quarter of 2010 and the third quarter of 2013. In metropolises (>500,000 inhabitants), the increase was 8.8%. Corresponding findings by the empirica institute show that rents in independent counties (larger cities) developed more favorably than rents in non-independent counties (note: Germany consists of 402 counties/"*Landkreise*").

Residential Investment Market

The residential property market has seen a substantial rally for portfolio transactions over the last few years, not least due to the prevailing favorable conditions in the financial markets. The second half of 2013 and the fourth quarter in particular have seen a strong pick-up of investment activity. Year-end business was dominated by the acquisition of GSW by Deutsche Wohnen AG, amounting to approximately EUR 3.3 billion. Overall, some EUR 13.83 billion was invested in German residential portfolios in 2013; an increase of 35% even on the extraordinary performance of the previous year. No other type of property attracted as much institutional investment. *(Source: Charles Kingston: 35% more German residential portfolio deals in 2013, February 2014, published under: http://www.refire-online.com/features/investment/35%25-more-german-residential-portfolio-deals-in-2013/)*

As reflected in internal analyses and the overview of several market studies in 2014, WESTGRUND registered the highest quarterly performance in residential transactions in Germany following the Lehman crisis, with a transaction volume of more than EUR 5.5 billion. The first three months in 2014 have already shown an investment dynamic equal to the entire years 2008 and 2011, and has already exceeded the results of 2009 and 2010. The first quarter almost tripled in a year-on-year comparison and shows nearly the same investment volume with about 2% above the strong fourth quarter in 2013. All in all, an extraordinarily high investment dynamic in residential properties currently positions residential real estate as the preferred asset class in the German real estate investment market, above both office (nearly EUR 5.0 billion) and retail properties (nearly EUR 2.5 billion). (*Source: Own assessment of WESTGRUND, 2014.*)

In the first half of the year, transactions involving high-volume portfolios clearly dominated the residential real estate market. High-volume portfolios can be categorized as those with "more than 1,000 residential units". More than 80% of the investment volume, or more than 109,000 of about 129,000 traded residential units, are attributable to these high-volume deals. (*Source: Dr. Lübke & Kelber GmbH, Investmentmarkt Wohnen, H1 2014*) As most of the high volume transactions involve a bidding process, WESTGRUND might – from time to time – have to engage in such bidding processes to implement its growth strategy.

In the residential transaction market, acquisition prices increased notably over the last few years, although in 2014 a decrease has been observed. In the first semester of 2014 the average purchasing price per residential unit has been around EUR 57,400. In comparison to the same period of 2013, there has been a decrease of 15%. The price per square meter has been set in 911 €/m², meaning a decrease of 12% from last year's figures. This reflects an increasing trend towards the investment in budget-priced secondary cities like Halle or Wuppertal. (*Source: Dr. Lübke & Kelber GmbH, Investmentmarkt Wohnen, H1 2014*)

The biggest transaction of the first six months of 2014 was the takeover of 41,500 residential units for a EUR 2.4 billion price by Deutsche Annington SE: around 11,500 of them are in southern Germany and were acquired from DeWAG, while another 30,000 residential units were acquired from the Vitus Group and are located in mid-sized cities like Kiel, Bremen or Wuppertal. The acquisition of around 18,000 residential units by the Austrian Buwog (around EUR 890 million) follows in second place. These transactions, with a total of more than 60,000 residential units, and a volume of around EUR 3.3 billion represented almost 60% of the overall invested capital. (*Source: Dr. Lübke & Kelber GmbH, Investmentmarkt Wohnen, H1 2014*) According to the Management Board's opinion, the signing of the Berlinovo-Portfolio transaction by WESTGRUND comprising EUR 416,500,000.00 is among the biggest transactions in the residential transaction market in the recent past.

Geographically, Berlin continues to enjoy great popularity for residential real estate investments. Both the expected catch-up effects in the residential market and the positive socio-demographic and economic developments and prospects make this location extremely attractive. Due to the strong competition and the resulting increase of other purchase factors, an increasing trend towards high and mid-sized centers, including the East German growth regions like Dresden, Leipzig or Jena, has been identified. These locations distinguish themselves by lower competition, higher yields and a gradually accelerating catch-up effect in rents.

Comparison of Top 7 Cities and secondary market cities

Many of the secondary market cities show stable economic development trends to similar the Top 7 Cities. Ranking of these secondary cities, however, is not feasible as criteria such as total returns or investment risks are impossible to quantify.

After a period of several decades of minor increases, rental values began to rise in urban and surrounding areas approximately five years ago. From 2009 to 2012, acquisition prices rose on average by approximately 25% across Germany mostly fuelled by rising rents, but varying significantly by local markets. *(Source: Wüest & Partner; Secondary Cities schlagen TOP 7; November 2013).*

International and supra-regional investors with high investment budgets and short term investment horizons set their investment focuses on big cities, mainly because of higher perceived transparency, professionalism and liquidity compared to smaller cities. In the past the Top 7 Cities made up for nearly half of all registered real estate transactions. The risk of having to accept supply-induced prices is therefore lower in the secondary markets. For this reason, WESTGRUND believes that smaller cities offer investors good to very good investment chances, depending on local knowledge, at lower investment volumes and longer investment horizons. Therefore, these markets are often marked by lower volatility, both in terms of rents and rental yields. Sustained low interest rates and the strong risk averseness of investors have driven the investment expansion in the Top 7 Cities. Concerns of an oversaturation, however, are significantly lower for the secondary markets than for the Top 7 Cities. For security-oriented investors, the secondary market offers an advantage *(Source: Wüest & Partner: Secondary Cities schlagen Top 7. November 2013).*

The general decrease in the average initial yields ("Yield Compression") has been lower in secondary city markets than in the Top 7 Cities. The spread of yields has developed significantly over the last few years, now amounting to up to 260 basis points (one basis point equals 0.01%) of yield difference. This means that the Top 7 Cities became relatively more expensive than the other cities. Despite nearly the same average risk, there was a difference of about 260 basis points between the Top 7 Cities and the next 76 cities. A risk study that analyzed mixed variables such as general rent level, level of accommodation costs, unemployment rate, vacancy rate, supply and care rate, development rate of households (quantity and structure and population development) was performed by Wüest & Partner. (*Source: Wüest & Partner; Secondary Cities schlagen TOP 7; November 2013*). While the study enhances transparency of the market, every investment should be analyzed individually as every single investment has its own profile and its own benefits and risks.

In 2013, the average initial yield in the growing secondary regions was 8.0% compared to 5.4% in the biggest cities. The range of the average yields in the secondary market cities lies between 5.8% and 9.9%, whereas in the Top 7 Cities it lies between 4.3% and 5.9%. The yield range of secondary city markets of 4.1 percentage points makes clear how different the corresponding location risk within the growing regions is. The low yield difference among the top investment cities also shows how little the sometimes significant differences are reflected in the risk evaluation of yield levels. (*Source: Wüest & Partner; Secondary Cities schlagen TOP 7; November 2013*).

The risks associated to many cities within the secondary city market are by no means higher than those of the Top 7 Cities: In 61 "small" cities the investment risk is lower than in Berlin (the Top 7 City with the highest risk). In 27 secondary regions the risk is lower than in Dusseldorf (the Top 7 City with the lowest risk). (*Source: Wüest & Partner; Secondary Cities schlagen TOP 7; November 2013*).

Market Outlook

According to WESTGRUND's management, current indications are that demand for German residential properties is expected to remain unchanged in 2014. Large listed companies striving for a strategic expansion of their portfolios, equity-strong core-investors who often indirectly invest in special-purpose funds, and private investors should continue to be active market participants. Market development in the mid-sized segment has gained momentum as well in the area of restructuring and portfolio optimization. The management also believes that an increase in the number of large portfolio deals is less probable while an increase in restructuring and optimization of real estate portfolios is expected. The positive development of the German economy and the financial markets is expected to also positively influence the German residential market which is considered to be stable within the near future.

9.5 Real Estate Assets of WESTGRUND

9.5.1 Overview over the Real Estate Portfolio

The following charts and tables provide an overview of each real estate portfolio that is a direct holding of WESTGRUND or is held by subsidiaries that are fully reflected in WESTGRUND's consolidated financial statements. All information contained in this Section 9.5 has been collected from the internal accounting of the Company. The charts and tables show the sum of the number of residential units and the number of commercial units.

Based on the market assessment as discussed in Section 9.4, the Company expects the German residential real estate market to remain very attractive and stable for further investments. The commercial real estate market is expected to play only a minor role in WESTGRUND's activities in the coming years. As a result of the Berlinovo-Portfolio acquisition, WESTGRUND's residential portfolio, including commercial units, will grow 2.7 times (to approximately 20,000 units), and its annual net rental income is expected to increase from around EUR 25,000,000 to over EUR 65,000,000. WESTGRUND will hold approximately 1,300,000 square meters in properties and thus become a much larger market player. The Company's main focus is intended to be on the integration of the Berlinovo-Portfolio and the continued growth of the portfolio. In the midterm, WESTGRUND strives for a working inventory of 30,000 to 40,000 units with a net rental income of approximately EUR 100,000,000 to EUR 133,000,000 per year. Its focus will remain on acquiring assets with significant potential in terms of possible value enhancing measures, e.g. rent increases or vacancy decreases. For further information on the strategy of WESTGRUND see Section 9.3 "*Strategy*".

WESTGRUND has a clear focus on investing in five selected regions in Germany, i.e. (i) Berlin and Brandenburg, (ii) Saxony, Saxony-Anhalt, Thuringia and Mecklenburg-Western Pomerania, (iii) Lower Saxony, (iv) North Rhine-Westphalia and (v) Rhineland-Palatinate.

- The portfolio size prior to the acquisition of the Berlinovo-Portfolio amounted to approximately 7,000 residential units as of June 30, 2014. At the end of 2013, the portfolio consisted of about 4,800 units with about 2,200 additional units already added during the first half of 2014. As of June 30, 2014, the total fair value of the WESTGRUND Group's investment properties (existing portfolio and acquisitions closed as of June 30, 2014, excluding the acquisition of the Berlinovo-Portfolio and also excluding other acquisitions signed until June 30, 2014, but not closed as of June 30, 2014) amounted to about EUR 328,100,000 (see valuation summaries of Jones Lang LaSalle that are reprinted on pages V-1 et seqq. and V-68 et seqq. of this Prospectus).
- Acquisition yields: on average, the acquisition yield of the properties that have been acquired between 2012 and 2014 has amounted to 9.2%.
- Current yields: as of June 30, 2014, the yield amounted to about 7.7%. The acquisition yield of the Berlinovo-Portfolio is approximately 7.8%.

- Portfolio locations prior to the acquisition of the Berlinovo-Portfolio WESTGRUND Group's portfolio holdings were distributed as follows: approximately 38% of units were located in Berlin and Brandenburg, 36% in Saxony and Saxony-Anhalt, 11% in Lower Saxony, about 3% in North Rhine-Westphalia, about 7% in Rhineland-Palatinate and 5% in Mecklenburg-Western Pomerania. Thus, the existing portfolio had a locational biased focus on the greater Berlin region as well as eastern and northern Germany. The largest single city exposures are Berlin, Halle and Ludwigshafen (Rhineland-Palatinate). Units acquired under the Berlinovo-Portfolio transaction are located in Lower Saxony (51%), Brandenburg (29%), Saxony, Saxony-Anhalt and Thuringia (14%) and Mecklenburg-Western-Pomerania (6%) and will therefore significantly enhance the diversification of the WESTGRUND Group's portfolio.

9.5.2 Rental Income and Vacancies

The total fair value of the WESTGRUND Group's investment properties (existing portfolio and acquisitions closed as of June 30, 2014, excluding the acquisition of the Berlinovo-Portfolio and also excluding other acquisitions signed until June 30, 2014, but not closed as of June 30, 2014) was EUR 328,100,000 as of June 30, 2014 (see valuation summaries of Jones Lang LaSalle that are reprinted on pages V-1 et seqq. and V-68 et seqq. of this Prospectus), with an expected net rental income of about EUR 25,000,000. The vacancy rate of the entire existing portfolio is 7.6%.

The following table contains particular details regarding the respective operating companies of WESTGRUND Group based on the valuation summaries of the existing property portfolio and the acquisitions closed as of June 30, 2014 (see valuation summary report V-1 et seqq. and V-68 et seqq. of this Prospectus).

Company	City	Number of "RU" and "CU" JLL 2014-06-30	sqm JLL 2014-06-30	Vacancy rate % (area) JLL 2014-06-30	Net rent JLL 2014-06-30 annualized KEUR	Valuation JLL 2014-06-30 KEUR	Yield %
Westgrund Immobilien II. Halle GmbH & Co. KG	Halle II	445	24,940	10.4	1,209	15,760	7.7
Westgrund I. Halle GmbH	Halle I	361	20,702	7.7	1,069	13,660	7.8
HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft	Nordenham I.	75	5,121	0.0	311	3,630	8.6
ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH	Eisenach	8	598	14.9	30	435	6.9
HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft	Bad Pyrmont	--*	--	0.0	--	145	--
ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH	Düren	10	760	9.8	40	455	8.8
ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH	Brilon	2	27,158	11.5	728	3,560	20.6
Westconcept GmbH	Leipzig	44	2,900	6.5	198	2,780	7.1
Westgrund Aktiengesellschaft	Nordenham	71	4,698	6.5	265	3,307	8.0
Westgrund Aktiengesellschaft	Remscheid	3	220	38.7	12	215	5.6

Westgrund Aktiengesellschaft	Wuppertal	6	8,632	10.9	174	1,640	10.6
Westgrund Immobilien Beteiligung III. GmbH	Berlin	869	49,744	1.5	3,108	49,100	6.3
Westgrund Immobilien Beteiligung III. GmbH	Fürstenwalde	574	30,567	5.3	1,820	22,000	8.3
Westgrund Immobilien Beteiligung III. GmbH	Halle/Saale	310	17,057	7.7	738	7,940	9.3
Westgrund Immobilien GmbH & Co. KG	Sundern	106	6,114	12.1	306	4,202	7.3
Westgrund Immobilien GmbH & Co. KG	Norden	90	5,791	4.5	343	4,620	7.4
Westgrund Immobilien GmbH & Co. KG	Verden	24	1,194	4.5	80	1,200	6.7
Westgrund Immobilien GmbH & Co. KG	Bremerhaven	48	2,377	10.1	133	1,741	7.6
Westgrund Immobilien GmbH & Co. KG	Syke	20	1,019	10.2	58	926	6.3
Westgrund Immobilien GmbH & Co. KG	Lilienthal	40	2,365	0.0	130	1,650	7.9
Westgrund Immobilien GmbH & Co. KG	Detmold	35	2,740	12.8	139	2,210	6.3
Westgrund Immobilien GmbH & Co. KG	Wilhelmshaven	112	6,836	9.1	332	4,200	7.9
WESTGRUND Immobilien IV. GmbH	Berlin	1,092	75,132	5.6	4,404	57,600	7.6
WESTGRUND Immobilien V. GmbH	Gingst/Trent	308	17,889	12.0	834	8,412	9.9
WESTGRUND Immobilien V. GmbH	Wittstock/ Dosse	131	10,166	13.5	414	4,140	10.0
Westgrund Immobilien II. GmbH & Co. KG	Bad Bodenteich	82	5,500	7.3	265	2,903	9.1
Westgrund Immobilien II. GmbH & Co. KG	Delligsen	104	5,304	32.5	195	2,311	8.4
Westgrund Immobilien II. GmbH & Co. KG	Bockenem (OT Bornum)	22	1,432	52.0	33	334	9.9
Westgrund Immobilien II. GmbH & Co. KG	Einbeck (ex Kreiensen)	18	984	23.3	43	531	8.1
WESTGRUND Immobilien VI. GmbH	Leipzig-Halle (Sparrow)	1,274	81,636	9.0	4,621	60,397	7.7
Westgrund Westfalen GmbH & Co. KG	Beckum	103	6,277	0.7	336	4,199	8.0
Wiederaufbau-Gesellschaft mit beschränkter Haftung	Ludwigshafen	524	34,084	5.7	2,702	40,129	6.7
Wiederaufbau-Gesellschaft mit beschränkter Haftung	Schifferstadt	22	1,456	0.0	110	1,730	6.4
Total		**6,933**	**461,394**	**7.6**	**25,180**	**328,062**	**7.7**
* The respective company owns one plot of land.							

Source: WESTGRUND, 2014

9.6 Investment and Financing Requirements

Additional future real estate acquisitions are to be funded partially from the net proceeds of future capital increases. However, further borrowing for acquisition is expected to leverage potential future acquisitions.

The combination of portfolio growth, high yields and low financing costs should promote operating profitability. Given the 7.7% rental yield, financing costs of currently 3.2% and potential scale effects from additional investments, the Management Board expects a strong increase in the Company's profitability.

9.6.1 Funding and capital market orientation

In the past, the Company's portfolio expansion was mainly funded by existing shareholders and given a free float of only 18.5%; there was no distinct orientation towards capital markets. In line with the growth strategy defined by the Management Board, WESTGRUND now intends to strengthen its capital market orientation in order to gain access to potential further capital sourcing to finance its further growth in the short and medium term, also because the time window of opportunities for investing in undermanaged portfolios in secondary locations could be limited. A broader investor base e.g. via an increasing free float, is expected to provide a stronger basis to finance the envisaged growth. In order to additionally support the stronger capital market orientation, WESTGRUND also seeks for an admission to trading to the Prime Standard of the Frankfurt Stock Exchange.

In recent years, the Company growth was funded by a number of capital increases and was supported to a large extent by the main shareholders. In April, a mandatory convertible with a volume of approximately EUR 19.9 million was placed. In the first half of 2014, a new portfolio was financed through a capital increase through a contribution in kind. The Company asked shareholders at the Shareholders Meeting on June 13, 2014 to come to a resolution on a potential increase of the share capital to up to 40,000,000 new shares or gross proceeds of up to EUR 100,000,000. Besides the capital increase, the Company intends to use debt financing, if attractive long-term conditions can be achieved in order to fund new portfolio acquisitions.

9.6.2 Long-term oriented financing structure

The financing structure of WESTGRUND Group is also long-term oriented. The current average debt maturity as of 30 June 2014 is around eight years with a homogenous maturity profile and a current average cost of debt of 3.2%. The current loan to value (ratio of a loan to the value of an asset purchased - "**LTV**") is at about 65%. The Management Board intends to reduce the LTV up to 60%. In April, the company announced the refinancing of short-term debt of more than EUR 40,000,000.00.

To finance the acquisition of the Berlinovo-Portfolio Barclays Bank PLC signed a commitment letter with WESTGRUND and has underwritten up to EUR 331,000,000.00 senior secured credit facilities (see Section 9.12.11 "*Financing of the Acquisition*" below).

The following table shows the WESTGRUND Group's investments in the acquisition of real estate in the last three years up to June 30, 2014, including the respective loan volumes:

Westgrund - financing			
Property / Portfolio	**Purchase price net EUR**	**Purchase price gross EUR**	**Volume of loans EUR**
Berlin Hellersdorf 1	9,511,000	10,142,937	8,000,000
Total of Year 2011	**9,511,000**	**10,142,937**	**8,000,000**
Financing %	**84**	**79**	
Berlin Hellersdorf 2			
Halle, Alte Heerstr., Hanoier Str. etc.			
Fürstenwalde			
Total of Year 2012	**29,989,000**	**32,272,055**	**24,700,000**
Financing %	**82**	**77**	

Kreuzberg			
Spandau			
Rügen			
Wittstock			
Halle I			
Total of year 2013	**83,541,000**	**89,521,175**	**70,200,000**
Financing %	**84**	**78**	
Halle II			
Leipzig 44			
Leipzig -Halle (Sparrow)			
Total of year 2014	**68,543,484**	**73,177,814**	**53,700,000**
Financing %	**78**	**73**	
	Total purchase price - gross	**Total purchase price - net**	
Total	**191,584,484**	**205,113,980**	**156,600,000**
Average Volume of loans %	82	76	

Source: WESTGRUND, 2014

There are no other outstanding investments in 2014 that have already been approved and concluded by the Management Board of WESTGRUND with the exception of the Berlinovo-Portfolio and certain reorganization and maintenance measures. WESTGRUND Group has begun to assign several firms to renovate vacant accommodations resulting in the following investments:

Address	Details	Appraisal of the sum of renovation costs (gross)
Spandau	Renovation of 45 vacant units	930.000,-
Fürstenwalde	Renovation of 12 vacant units	103.000,-
Halle Silberhöhe (Alte Heerstr.)	Renovation of 20 vacant units	367.000,-
Nordenham II / Sundern / Wilhelmshaven	Renovation of 20 vacant units	160.000,-
Halle Hansen (Brillant 1816)	Renovation of 40 vacant units	865.050,-
Total		**2.425.050,-**

Source: WESTGRUND, 2014

The renovations are expected to increase the market value of and the rental income from these units and are financed from WESTGRUND's current income.

To finance WESTGRUND's growth path, further borrowing of capital may be necessary, particularly regarding major investments such as the acquisition of further real estate holdings. As a part of the further expansion of business activities, funds may be required in excess of the Company's net proceeds from any offering.

Should the company prove unable to acquire sufficient equity and/or additional debt financing, it might incur financing costs higher than anticipated or be unable to implement its growth strategy.

9.7 Regulatory Environment

9.7.1 Capital Investment Code

The German Capital Investment Code (*Kapitalanlagegesetzbuch – KAGB*) entered into force on July 22, 2013. It implemented the European Directive 2011/61/EU on Alternative Investment Fund Managers ("**AIFM-Directive**") into German law.

The KAGB provides regulations for alternative investment funds ("**AIF**"). In accordance with the AIFM-Directive, an AIF within the meaning of the KAGB is defined as any type of collective investment undertaking which raises capital from a number of investors with a view of investing it in accordance with a defined investment strategy for the benefit of those investors and which does not perform any operational activity.

In particular two of the above mentioned conditions become relevant when determining whether a real estate company qualifies as an AIF within the meaning of the KAGB.

9.7.1.1 Operational activities

The first condition corresponds to any operational activities that might be performed by a real estate company. In its guidelines "Interpretation of the scope of the KAGB and the concept of the term 'investment fund'" - *"Auslegungsschreiben zum Anwendungsbereich des KAGB und zum Begriff des "Investmentvermögens""*, dated June 14, 2013 ("**Guidelines**"), the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*) takes the view that real estate companies whose business objective is exclusively aimed at the acquisition, rental, lease, management or sale of real estate do not perform operational activities in the above sense and can therefore fall within the scope of the KAGB if the other conditions for qualifying as an AIF are met.

9.7.1.2 Defined investment strategy

If a real estate company does not perform any operational activities as defined above, it has to be clarified whether the company follows a defined investment strategy. In the Guidelines, BaFin has provided criteria to be used to distinguish between a defined investment strategy and a general business strategy. In many cases, however, the distinction between a defined investment strategy and a general business strategy remains subjective to a certain extent. As a consequence, the question whether any of the holding companies of the WESTGRUND Group follows a defined investment strategy within the meaning of the KAGB will have to be decided on a case-by-case basis.

Therefore, it cannot be conclusively determined at this stage whether the provisions of the KAGB will apply to any of the holding companies of the WESTGRUND Group, including WESTGRUND.

9.7.1.3 Requirements of the KAGB

If any of the companies of the WESTGRUND Group should qualify as an AIF within the meaning of the KAGB, the respective WESTGRUND Group company would have to comply with the KAGB rules and principles. According to the KAGB, each AIF has to be managed by a capital management company. Management of the WESTGRUND Group company qualifying as an AIF can be performed by an external AIF-management company or by the WESTGRUND Group company itself. In the latter case, the WESTGRUND Group company will qualify as an internally managed AIF-management company.

If the respective WESTGRUND Group company should decide to not appoint an external management company, but to change into an internally managed AIF-management company, its business operations would require the permission of BaFin. As an internally managed AIF-management company, the WESTGRUND Group company would have to be set up in one of the specific legal forms provided in the KAGB for internally managed AIFs. Furthermore, it would have to meet specific organizational requirements, inter alia:

- Proof of professional competence and reliability of the management company's directors;
- Observance of certain capital requirements, specifically minimum initial capital;
- Establishment of risk, conflict of interest and, where appropriate, liquidity management systems;
- Appointment of a depositary for the company's assets;
- Compliance with the notification and reporting obligations set out in the KAGB and the Commission Delegated Regulation (EU) No. 231/2013 ("**AIFM-Regulation**").

If the WESTGRUND Group company concerned should not take the required measures to comply with the KAGB rules, in particular if it should not appoint an external management company or apply for a BaFin permission as an internally managed management company, this could qualify as a criminal offense of such company. Furthermore, BaFin could take respective measures to unwind the company.

9.7.2 German Tenancy Law

The Company's commercial and residential real estate portfolio is subject to a variety of laws and regulations in Germany. If the Company fails to comply with any of these laws and regulations, it may be subject to civil liability, administrative orders, fines or even criminal sanctions. In particular, the Company's business is subject to German residential tenancy law, which largely favors tenants through social safeguards by e. g. imposing restrictions on the landlord with regard to rent increases, the allocation of ancillary costs, including costs for repairs and maintenance as well as the termination of leases and the eviction of tenants. Further, the sale of residential real estate can be restricted.

Statutory Protection against Termination of Residential Leases and Eviction

Generally, a landlord may terminate an unlimited residential lease only if the landlord has a legitimate interest in ending the lease. In particular, a legitimate interest may arise if the landlord can lawfully claim that it requires the property for living purposes itself or if the continuation of the lease agreement would otherwise hinder the landlord's reasonable economic use of the property, resulting in a material disadvantage to the landlord, whereby such a disadvantage cannot be justified e.g. with the possible realization of a higher rent after under a new lease. Even if the landlord terminates a residential lease on the basis of a legitimate interest, the tenant remains protected under German tenancy law and may not have to vacate the rental space if the court grants the tenant an appropriate interim period (with a maximum delay of one year).

In case of a conversion of real estate into condominiums, the generally legitimate interests personal use and reasonable economic use are not deemed legitimate interests for terminating a lease agreement under the German Civil Code for a period of at least three years following the transfer of title/the hand-over of the leased real estate to the tenant and the subsequent sale of the condominium. In regions where the supply of housing at reasonable conditions is particularly scarce, the German respective federal state governments are authorized to specify territories in which they may legally extend this termination prohibition for a period of up to ten years following the purchase of the property.

Statutory Limits on Rent Increases

The ability of landlords to increase rent unilaterally under existing tenancy agreements is limited by statutory German law; however, the amount of rent agreed upon between existing or new tenants and the landlord is generally not subject to restrictions. This, however, might change in the future on the basis of the current legislative initiatives on the so called rent control (*Mietpreisbremse*). With respect to lease agreements that are not subject to rent controls, the landlord is - subject to contractual restrictions - entitled to demand the adjustment of the contractual rent up to locally prevailing comparative rent levels if the rent was constant for the preceding 15 months. As a general matter, the rent may not be increased by more than 20% in a three-year period (capping limit). However, pursuant to the Tenancy Law Amendment Act *(Mietrechtsänderungsgesetz)*, which entered into force on May 1, 2013, the capping limit may be reduced to 15% by the German federal state governments for certain municipalities if the supply of affordable housing is deemed insufficient or scarce. *Inter alia*, the federal state governments of Bavaria and Berlin have introduced such capping limit effective from May 2013, the federal state government of Brandenburg effective as of September 2014.

For certain modernization measures, the landlord may, subject to statutory or contractual requirements, increase the annual rent by up to 11% (capping limit) of the total cost of the modernization measures. Following the rent increase, the tenants may have the right to terminate the lease *(Sonderkündigungsrecht).*

Statutory Restrictions on Selling Residential Real Estate

If rented residential units have been converted into condominiums or such conversion is planned, the tenant has a statutory pre-emptive right under the German Civil Code to purchase the unit on the same terms as a third-party buyer. No such pre-emptive right exists, however, in instances where the unit was already a condominium at the time the lease commenced.

Landlord's Maintenance and Modernization Measures

Pursuant to the German Civil Code, tenants are, subject to certain requirements, obliged to tolerate maintenance measures *(Erhaltungsmaßnahmen)* and modernization measures *(Modernisierungsmaßnahmen).* Following the rightful announcement of modernization measures, tenants will be entitled to a special termination right *(Sonderkündigungsrecht)* for a period of two months after the month in which the tenant received the respective written notification. For modernization measures which sustainably reduce the final energy consumption (energy-related modernization measures) *(energetische Modernisierung*), tenants will not be entitled to rent reductions for a period of up to three months. The landlord is entitled to transfer costs to tenants by way of an annual rent increase of up to 11% (capping limit) of the cost incurred (less the costs that would have been incurred for ordinary maintenance measures) unless the tenant can prove that the rent increase constitutes an undue burden/hardship.

Landlord's Maintenance and Modernization Obligations

Under German law, the landlord of a property must maintain the condition, including the structure, facade and roof, of the building and the interior of any residential units. In general, the landlord cannot transfer this maintenance obligation to the tenant.

Transferring Utility Costs to the Tenant

German tenancy law allows landlords generally to transfer the building's utility costs to the tenant by way of contract. According to the German Utility Costs Ordinance *(Betriebskostenverordnung),* which defines the types of costs transferable by contract, utility costs include, for example, the cost of water supply, waste disposal and building insurance. However, there are also costs, in particular costs already compensated with the rent such as costs for maintenance and repair works, which are not transferable to tenant under German tenancy law and, hence, are to be borne by landlord.

Obligations under Federal Law

Subject to compliance with certain statutory limitations, landlords may also assign decorative repairs and certain maintenance obligation for a residential unit's interior to a tenant. If the landlord assigns such obligations pursuant to a standard form contract, the terms of the contract governing the transfer of costs to the tenant must comply with the strict requirements applicable to general terms and conditions *(Allgemeine Geschäftsbedingungen).* If these requirements are not met, the assignment of any obligation to the tenant is void. For example, in a number of decisions, the German Federal Supreme

Court *(Bundesgerichtshof)* ruled that standard clauses in lease agreements are void if they require the tenant to make decorative repairs *(Schönheitsreparaturen)* on a fixed schedule, or require the tenant to fully renovate the flat at the end of the lease *(Endrenovierung).* If the tenant carries out these repairs and renovation works without actually being required to do so, the landlord may be required to reimburse the tenant for the corresponding costs.

Requirement of Energy Certificates

Prior to entering into a purchase contract or new lease agreement, potential buyers or tenants are to be given an energy certificate (*Energienachweis*) upon request, which discloses the property's energy efficiency. The landlord or the seller of a property are required to hand over an energy certificate to the other party during the first viewing of the property at the latest and, if a viewing is not scheduled and the energy certificate is not requested by the other party, immediately after the conclusion of the respective lease or sale agreement. If a seller or landlord advertises the property in commercial media, the energy performance indicator of an existing energy certificate of the respective property must be disclosed in the advertisement. An energy certificate must also be prepared in connection with engineering assessments for modernization measures, additions, or extensions if preparation of the certificate is possible at reasonable cost. Moreover, pursuant to the Energy Saving Ordinance (*Energieeinsparverordnung*) also structural alterations, e.g. the replacement of certain types of old heating systems, the insulation of top story ceilings as well as of heat conducting systems, require for energy conservation. An energy certificate is generally valid for ten years.

Public Subsidy Restrictions

The German federal government, federal states and municipalities are required by law to subsidize housing construction, particularly construction of affordable residential units that are intended and suitable for lower income segments of the population. Housing construction financed with public subsidies, which generally take the form of low-interest construction loans, is subject to two significant restrictions: (i) subsidized housing may be occupied only by tenants who hold housing eligibility certificates *(Wohnberechtigungsschein)* and (ii) there are limits on the amount of rent that may be charged for subsidized housing.

9.7.3 Liability for environmental damage and contamination

The real estate portfolio is subject to various rules and regulations relating to the remediation of environmental damage, in particular to soil and groundwater pollution.

Pursuant to the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz - BBodSchG*), the responsibility for hazardous soil contamination and legacy pollutants (a "**Contamination**") lies with each, the originator of the Contamination, such originator's universal successor, the current owner of the property, the party in actual control of the property and, if the title was transferred after March 1999, the previous owner of the property, if he knew or ought to have known of the Contamination. The liability under the BBodSchG is not based on fault; therefore the BBodSchG does not require the competent authority to prove negligence or intent on the part of the parties. Furthermore, the aforementioned parties may not contract out of their public law liability by means of private agreements.

The competent authorities have powers under the BBodSchG to order hazard assessments, exploratory measures, remediation action and other necessary measures to protect against Contamination. There is no general statutory ranking as to which of the aforementioned parties is primarily liable for the remediation of Contamination. This decision is made at the discretion of the competent authority who will take into account the effectiveness of remediation as a prevailing factor. Thus, the current owner of the contaminated property is not unlikely to be the first party to be held responsible because the owner is generally in the best position to undertake the necessary remediation work.

Irrespective of any claims brought by public authorities, the parties to which the BBodSchG applies have a statutory right to claim contribution from one another, with their claims quantified according to the degree to which they were responsible for the Contamination. Under the BBodSchG, for example, a property owner who is subject of an order to take remedial action may in turn claim contribution from the originator of the Contamination. However, contribution claims may be excluded by express contractual agreement.

In the case of groundwater contamination, water and general regulatory provisions may impose public law responsibility to take remedial action.

In certain cases, pollution legacy from explosive ordnance may pose a special risk to real estate. The search for, recovery, transport, storage, handling and destruction of munitions is governed by the respective laws of the German Federal States. According to those laws, the discovery of munitions must be reported without undue delay. Removal is usually initiated by the competent authority. However, under certain circumstances the competent authority may call upon the property owner to bear the associated costs. In particular, property owners must generally bear the costs of restoring the affected areas.

German law imposes obligations to remediate asbestos contamination under certain conditions, according to the asbestos guidelines of the German federal States. The law distinguishes between friable and non-friable asbestos. While there is generally no obligation to remove non-friable asbestos, the real estate owner may under certain conditions be obliged to remove non-friable asbestos which can often be found in construction materials for fire safety in older buildings.

9.8 Material Contracts

9.8.1 Material Contracts during the ordinary course of business

Material contracts concluded by the WESTGRUND Group during the ordinary course of business which remain in existence or were completed within the last two years prior to the Prospectus include:

Contracting Parties	Date	Agreement
Volksbank Remscheid and WESTGRUND	June 19, 2010	Loan Agreement (credit annuity) between the Volksbank Remscheid, as lender, and WESTGRUND, as borrower, as operating loan in the amount of EUR 600,000.00; End of the contract period / expiration of the interest rate agreement: June 30, 2016; Interest rate: 4.25% per annum; Current loan balance: approximately EUR 215,000.00.
Deutsche Kreditbank AG and WESTGRUND	April 29, 2009	Loan Agreement (fixed-term loan) between Deutsche Kreditbank AG, as lender, and WESTGRUND, as borrower to finance proportionally the acquisition of the shares in Wiederaufbau-Gesellschaft mit beschränkter Haftung in the amount of EUR 16,868,000.00; End of contract period / expiration of the interest rate agreement: July 31, 2014; Interest rate: 2.46% per annum; loan agreement was replaced by loan agreement of March 6/13, 2014 with NORD/LB Norddeutsche Landesbank.
Volksbank Düsseldorf Neuss e.G. and Westgrund Immobilien GmbH & Co. KG	July 23, 2012	Loan Agreement (credit annuity) between Volksbank Düsseldorf Neuss e.G., as lender, and Westgrund Immobilien GmbH & Co. KG, as borrower, to finance the real estate portfolio in Wilhelmshaven in the amount of EUR 500,000.00; End of the contract period / expiration of the interest rate agreement: July 30, 2022; Interest Rate: 2.95% per annum; Current loan balance: approximately EUR 480,000.00.
Nordrheinische Ärzteversorgung and Westgrund Immobilien GmbH & Co. KG	July 17, 2012	Loan Agreement (credit annuity) between the Nordrheinische Ärzteversorgung, as lender, and Westgrund Immobilien GmbH & Co. KG, as borrower, to finance the real estate portfolio in Wilhelmshaven in the amount of EUR 2,200,000.00; End of the

Contracting Parties	Date	Agreement
		contract period / expiration of the interest rate agreement: September 30, 2022; Interest Rate: 2.95% per annum; Current loan balance: approximately EUR 2,100,000.00.
Deutsche Kreditbank AG and Westgrund Immobilien GmbH & Co. KG	April 30, 2009	Loan agreement (fixed term loan) between Deutsche Kreditbank AG, as lender, and Westgrund Immobilien GmbH & Co. KG, as borrower, to finance the Nordenham II real estate portfolio in the amount of EUR 1,900,000.00; End of the contract period / expiration of the interest rate agreement: July 31, 2014; Interest rate: 2.46% per annum; loan agreement was replaced by loan agreement of March 6/13, 2014 with NORD/LB Norddeutsche Landesbank.
Deutsche Kreditbank AG and Westgrund Immobilien GmbH & Co. KG	April 29, 2009	Loan agreement (fixed term loan) between Deutsche Kreditbank AG, as lender, and Westgrund Immobilien GmbH & Co. KG, as borrower, to finance the real estate portfolios in Detmold, Lilienthal, Bremerhaven, Norden, Syke, Verden and Sundern in the amount of EUR 10,050,000.00; End of the contract period / expiration of the interest rate agreement: July 31, 2014; Interest Rate: 2.46% per annum; loan agreement was replaced by loan agreement of March 6/13, 2014 with NORD/LB Norddeutsche Landesbank.
NORD/LB Norddeutsche Landesbank and Westgrund Immobilien GmbH & Co. KG and WESTGRUND	March 6/13, 2014	Loan Agreement (redeemable loan) between NORD/LB Norddeutsche Landesbank, as lender, and Westgrund Immobilien GmbH & Co. KG and WESTGRUND, as borrowers, to repay liabilities and to finance modernization and maintenance measures and further acquisitions in the amount of EUR 8,213,432.00 and of EUR 3,591,600.00; End of the contract

Contracting Parties	Date	Agreement
		period / expiration of the interest rate agreement: February 28, 2021; Interest Rate: based on Euribor 01 plus loan margin in the amount of 0.95% respectively 2.05% per annum; Current loan balance: approximately EUR 9,950,000.00 and EUR 6,600,000.00.
Sparkasse Speyer and Wiederaufbau-Gesellschaft mit beschränkter Haftung	December 22, 2008 / March 25, 2009	Loan Agreement (credit annuity) between Sparkasse Speyer, as lender, and Wiederaufbau-Gesellschaft mit beschränkter Haftung, as borrower, to finance the real estate portfolio in Ludwigshafen Schillerstraße in the amount of EUR 1,300,000.00; End of the contract period / expiration of the interest rate agreement: November 30, 2042; Interest Rate: 3.36% per annum; loan agreement was replaced by loan agreement of March 6/13, 2014 with NORD/LB Norddeutsche Landesbank.
Deutsche Kreditbank AG and Wiederaufbau-Gesellschaft mit beschränkter Haftung	April 29/30, 2009	Loan agreement (fixed term loan) between Deutsche Kreditbank AG, as lender, and the Wiederaufbau-Gesellschaft mit beschränkter Haftung, as borrower, to finance the real estate portfolio in Ludwigshafen in the amount of EUR 6,074,700.00; End of the contract period / expiration of the interest rate agreement: July 31, 2014; Interest Rate: 2.74% per annum; loan agreement was replaced by loan agreement of March 6/13, 2014 with NORD/LB Norddeutsche Landesbank.
VR Bank Rhein Neckar eG and Wiederaufbau-Gesellschaft mit beschränkter Haftung	March 12/20, 2013	Loan Agreement (credit annuity) between VR Bank Rhein-Neckar eG, as lender, and Wiederaufbau-Gesellschaft mit beschränkter Haftung, as borrower, to finance the real estate portfolio in Ludwigshafen, Burgundenstrasse in the amount of EUR 850,000.00; End of the contract period / expiration of the interest rate agree-

Contracting Parties	Date	Agreement
		ment: March 31, 2018; Interest rate: 2.65% per annum; Current loan balance: approximately EUR 781,000.00.
NORD/LB Norddeutsche Landesbank and Wiederaufbau-Gesellschaft mit beschränkter Haftung and WESTGRUND	March 6/13, 2014	Loan Agreement (redeemable loan) between NORD/LB Norddeutsche Landesbank, as lender, and Wiederaufbau-Gesellschaft mit beschränkter Haftung and WESTGRUND, as borrowers, to repay liabilities and to finance modernization and maintenance measures and further acquisitions in the amount of EUR 7,319,203.00 and of EUR 2,327,297.00; End of the contract period / expiration of the interest rate agreement: February 28, 2019; Interest Rate: based on Euribor 01 plus loan margin in the amount of 0.9% respectively 1.9% per annum; Current loan balance equals the amount of the loan.
NORD/LB Norddeutsche Landesbank and Wiederaufbau-Gesellschaft mit beschränkter Haftung and WESTGRUND	March 6/13, 2014	Loan Agreement (redeemable loan) between NORD/LB Norddeutsche Landesbank, as lender, and Wiederaufbau-Gesellschaft mit beschränkter Haftung and WESTGRUND, as borrowers, to repay liabilities and to finance modernization and maintenance measures and further acquisitions in the amount of EUR 9,974,300.00 and of EUR 6,649,600.00; End of the contract period / expiration of the interest rate agreement: February 28, 2021; Interest Rate: based on Euribor 01 plus loan margin in the amount of 1.0% respectively 2.15% per annum; Current loan balance: approximately EUR 9,950,000.00 and EUR 6,600,000.00.
Sparkasse Meschede and ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH	April 12, 2011	Loan Agreement (credit annuity) between Sparkasse Meschede, as lender, and ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH, as borrower, to finance the real estate portfolio in Brilon in

Contracting Parties	Date	Agreement
		the amount of EUR 5,112,918.00; End of the contract period / expiration of the interest rate agreement: April 30, 2016; Interest Rate: 3.95% per annum; Current loan balance: approximately EUR 946,000.00.
Allianz Bank, Oldenburgische Landesbank AG and ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH	June 19, 2013	Loan Agreement (credit annuity) between Allianz Bank, Oldenburgische Landesbank AG, as lender, and ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH, as borrower, in the amount of EUR 500,000.00 to refinance current liabilities; End of the contract period / expiration of the interest rate agreement: June 30, 2015; Interest Rate: 5.50% per annum; Current loan balance: approximately EUR 430,000,00.
Investitions- und Förderbank Niedersachsen – NBank and HKA GmbH & Co. KG	June 27 / July 18, 2011	Loan agreement (public housing loans) between Investitions- und Förderbank Niedersachsen – NBank, as lender, and HKA GmbH & Co. KG, as borrower, to finance the real estate portfolio Nordenham in the amount of EUR 1,145,293.81; End of the contract period / expiration of the interest rate agreement: March 15, 2076; Interest Rate: 0.25% per annum; Current loan balance: approximately EUR 747,000.00.
Investitions- und Förderbank Niedersachsen – NBank and HKA GmbH & Co. KG	June 27 / July 18, 2011	Loan agreement (public housing loans) between Investitions- und Förderbank Niedersachsen – NBank, as lender, and HKA GmbH & Co. KG, as borrower, to finance the real estate portfolio Nordenham in the amount of EUR 1,758,844.07; End of the contract period / expiration of the interest rate agreement: March 31, 2050; Interest Rate: 1.13% per annum; Current loan balance: approximately EUR 1,040,000.00.
Allianz Lebensversicherungs-AG and WESTGRUND Westfa-	May 27 / June 7, 2011	Loan Agreement (credit annuity) between Allianz Lebensversicherungs-AG, as lend-

Contracting Parties	Date	Agreement
len GmbH & Co. KG (former REG Portfolio I/2007 GmbH & Co. KG)		er, and WESTGRUND Westfalen GmbH & Co. KG, as borrower, to finance the real estate portfolio in Beckum in the amount of EUR 2,612,500.00; End of the contract period / expiration of the interest rate agreement: April 30, 2021; Interest Rate: 5.19% per annum; Current loan balance: approximately EUR 2,480,000.00.
Deutsche Kreditbank AG and Westgrund Immobilien II. GmbH & Co. KG	April 30, 2009	Loan agreement (fixed term loan) between Deutsche Bank AG, as lender, and Westgrund Immobilien II. GmbH & Co. KG, as borrower, to finance the real estate portfolio in Bad Bodenteich in the amount of EUR 2,220,000.00; End of the contract period / expiration of the interest rate agreement: July 30, 2014; Interest Rate: 2.46% per annum; loan agreement was replaced by loan agreement of March 6/13, 2014 with NORD/LB Norddeutsche Landesbank.
IBB Internationales Bankhaus Bodensee AG and Westgrund Immobilien II. GmbH & Co. KG	September 26 / October 9, 2007	Loan agreement (money market loan) between IBB Internationales Bankhaus Bodensee AG, as lender, and Westgrund Immobilien II. GmbH & Co. KG, as borrower, to finance the real estate portfolio in Bad Gandersheim in the amount of EUR 2,670,000.00; End of the contract period: October 30, 2014 / expiration of the interest rate cap: March 31, 2014; Interest rate: 2.5% per annum; loan agreement was replaced by loan agreement of March 6/13, 2014 with NORD/LB Norddeutsche Landesbank.
NORD/LB Norddeutsche Landesbank and Westgrund Immobilien II. GmbH & Co. KG and WESTGRUND	March 6/13, 2014	Loan Agreement (redeemable loan) between NORD/LB Norddeutsche Landesbank, as lender, and Westgrund Immobilien II. GmbH & Co. KG and WESTGRUND, as borrowers, to repay liabilities and to finance modernization and maintenance measures

Contracting Parties	Date	Agreement
		and further acquisitions in the amount of EUR 3,198,000.00 and of EUR 1,066,000.00; End of the contract period / expiration of the interest rate agreement: February 28, 2019; Interest Rate: based Euribor 01 plus loan margin in the amount of 0.9% respectively 1.9% per annum; Current loan balance: approximately EUR 3,190,000.00 and EUR 1,059,000.00.
Berliner Volksbank eG and Westgrund Immobilien Beteiligung III. GmbH	February 1, 2012	Loan Agreement (credit annuity) between the Berliner Volksbank eG, as lender, and Westgrund Immobilien Beteiligung III. GmbH, as borrower, to finance the real estate portfolio Hellersdorf I in the amount of EUR 8,000,000.00; End of the contract period / expiration of the interest rate agreement: February 28, 2022; Interest Rate: 3.75% per annum; Current loan balance: approximately EUR 7,600,000.00.
Berliner Volksbank eG and Westgrund Immobilien Beteiligung III. GmbH	May 29, 2013	Loan Agreement (credit annuity) between Berliner Volksbank eG, as lender, and Westgrund Immobilien Beteiligung III. GmbH, as borrower, to finance the real estate portfolio in Berlin-Kreuzberg in the amount of EUR 15,200,000.00; End of the contract period / expiration of the interest rate agreement: April 30, 2020; Interest Rate: 3.25% per annum; Current loan balance: approximately EUR 14,800,000.00.
Berliner Volksbank eG and Westgrund Immobilien Beteiligung III. GmbH	May 30, 2012	Loan Agreement (credit annuity) between Berliner Volksbank eG, as lender, and Westgrund Immobilien Beteiligung III. GmbH, as borrower, to finance the real estate portfolio Hellersdorf II in the amount of EUR 5,600,000.00; End of the contract period / expiration of the interest rate agreement: February 28, 2022; Interest

Contracting Parties	**Date**	**Agreement**
		Rate: 3.47% per annum; Current loan balance: approximately EUR 5,300,000.00.
Berliner Volksbank eG and Westgrund Immobilien Beteiligung III. GmbH	November 29, 2012	Loan Agreement (credit annuity) between Volksbank Berlin, as lender, and Westgrund Immobilien Beteiligung III. GmbH, as borrower, to finance the real estate portfolio in Fuerstenwalde in the amount of EUR 14,500,000.00; End of the contract period November 30, 2022; Expiration of the interest rate agreement: December 31, 2017; Interest Rate: 2.65% per annum; Current loan balance: approximately EUR 14,100,000.00.
Volksbank Mittweida eG and Westgrund Immobilien Beteiligung III. GmbH	December 20, 2012	Loan Agreement (credit annuity) between Volksbank Mittweida eG as lender and Westgrund Immobilien Beteiligung III. GmbH, as borrower, to finance the real estate portfolio in Halle/Saale in the amount of EUR 4,600,000.00; End of the contract period / expiration of the interest rate agreement: December 31, 2022; Interest rate: 4.0% per annum; Current loan balance: approximately EUR 4,300,000.00.
Berliner Volksbank eG and WESTGRUND Immobilien IV. GmbH	May 29, 2013	Loan Agreement (credit annuity) between Berliner Volksbank eG, as lender, and WESTGRUND Immobilien IV. GmbH, as borrower, to finance the real estate portfolio Spandau Staaken in the amount of EUR 38,000,000.00; End of the contract period / expiration of the interest rate agreement: April 30, 2020; Interest Rate: 3.25% per annum; Current loan balance: approximately EUR 37,000,000.00.
Berliner Volksbank eG and WESTGRUND Immobilien V. GmbH (former: Kommunale Wohnungsbau- und Verwaltungsgesellschaft mbH Gingst)	June 25, 2013	Loan Agreement (credit annuity) between Berliner Volksbank eG, as lender, and WESTGRUND Immobilien V. GmbH, as borrower, to finance the real estate portfolio in Ruegen in the amount of

Contracting Parties	Date	Agreement
		EUR 4,800,000.00; End of the contract period / expiration of the interest rate agreement: April 30, 2018; Interest Rate: 3.39% per annum; Current loan balance: approximately EUR 4,600,000.00.
Berliner Sparkasse and WESTGRUND Immobilien V. GmbH	June 4/5, 2014	Loan Agreement (operating loan) between Berliner Sparkasse, as lender, and WEST-GRUND Immobilien V. GmbH, as borrower, to finance the real estate portfolio in Witt-stock in the amount of EUR 2,000,000.00; End of the contract period / expiration of the interest rate agreement: June 30, 2019; Interest Rate: 2.35% per annum; Current loan balance: EUR 2,000,000.00.
NORD/LB Norddeutsche Lan-desbank and WESTGRUND Immobilien VI. GmbH	June 27 / 30, 2014	Loan Agreement (bridging loan) between NORD/LB Norddeutsche Landesbank, as lender, and WESTGRUND Immobilien VI. GmbH, as borrower, to finance the real estate portfolio Sparrow in the amount of EUR 41,700,000.00; amount paid out: EUR 40,256,000.00; Interest Rate: 1.8% per annum; refinanced long-term by loan agreement of June 7, 2014.
NORD/LB Norddeutsche Lan-desbank and WESTGRUND Immobilien VI. GmbH and WESTGRUND	July 7, 2014	Loan Agreement (redeemable loan) be-tween NORD/LB Norddeutsche Landes-bank, as lender, and WESTGRUND Immo-bilien VI. GmbH and WESTGRUND, as borrowers, to finance the real estate portfo-lio Sparrow in the amount of EUR 28,400,000.00; End of the contract period / expiration of the interest rate agreement: September 30, 2024; Interest Rate: 2.80% per annum; Current loan bal-ance: approximately EUR 28,400,000.00. The expiring interest hedge is extended through an interest rate swap.
NORD/LB Norddeutsche Lan-desbank and WESTGRUND	July 7, 2014	Loan Agreement (redeemable loan) be-tween NORD/LB Norddeutsche Landes-

Contracting Parties	**Date**	**Agreement**
Immobilien VI. GmbH and WESTGRUND		bank, as lender, and WESTGRUND Immobilien VI. GmbH and WESTGRUND, as borrowers, to finance the real estate portfolio Sparrow in the amount of EUR 13,300,000.00; End of the contract period / expiration of the interest rate agreement: September 30, 2021; Interest Rate: 3.40% per annum; Current loan balance: approximately EUR 13,300,000.00. The expiring interest hedge is extended through an interest rate swap.
LB BW and Westconcept GmbH	April 29, 2014	Loan Agreement between LB BW, as lender, and Westconcept GmbH, as borrower, to finance the real estate portfolio in Leipzig in the amount of EUR 2,000,000.00; End of the contract period / expiration of the interest rate agreement: May 30, 2019; Interest Rate: 2.75% per annum; Current loan balance: approximately EUR 1,990,000.00.
Landesbank Berlin AG and Westgrund I. Halle GmbH (former Brilliant 2000 GmbH)	November 21, 2013	Loan Agreement (credit annuity) between Landesbank Berlin AG, as lender, and Westgrund I. Halle GmbH, as borrower, to finance the real estate portfolio in Halle/Saale in the amount of EUR 9,500,000.00; End of the contract period / expiration of the interest rate agreement: December 31, 2020; Interest Rate: 3.15% per annum; Current loan balance: approximately EUR 9,250,000.00.
Landesbank Baden-Württemberg and Westgrund Immobilien II. Halle GmbH & Co. KG (former Brillant 1816 GmbH & Co. Immobilienverwaltung KG)	April 14, 2014	Loan Agreement (credit annuity) between Landesbank Baden-Württemberg, as lender, and Westgrund Immobilien II. Halle GmbH & Co. KG, as borrower, to finance the real estate portfolio in Halle II in the amount of EUR 10,000,000.00; End of the contract period / expiration of the interest rate agreement: March 31, 2021; Interest Rate: 2.00% per annum; Current loan balance: approximately EUR 9,100,000.00.

Contracting Parties	Date	Agreement
Care4 AG, Basel, Switzerland and WESTGRUND	May 29, 2013	Working capital loan granted by Care4 AG to WESTGRUND in the amount of EUR 2,650,000.00; End of the contract period / expiration of the interest rate agreement: April 30, 2014; Interest rate: 10% per annum; the loan receivable against WESTGRUND AG amounting to EUR 2,900,000.00 as of end of the term was contributed in WESTGRUND by way of a capital increase against contribution in kind against the issuance of 853,939 shares in WESTGRUND.
Marc Leffin, Kastanienbaum, Switzerland and WESTGRUND	May 29, 2013	Working capital loan granted by Marc Leffin to WESTGRUND in the amount of EUR 1,020,000.00; Interest rate: 10% per annum; fully repaid in 2014.
Care4 AG, Basel, Switzerland and WESTGRUND	July 26, 2011	Working capital loan granted by Care4 AG to WESTGRUND in the amount of CHF 3,000,000.00; End of the contract period / expiration of the interest rate agreement: July 31, 2012; Interest Rate: 8% per annum; fully repaid in July 2012.
IKB Deutsche Industriebank AG, Baader Bank AG and WESTGRUND	April 23, 2014	Underwriting agreement between IKB Deutsche Industriebank AG and Baader Bank AG, as joint lead manager, and WESTGRUND regarding the issuance of bonds and subscription und assumption of bonds by the joint lead managers. The bonds are to be offered to private and institutional investors by way of a pre-placement subject to claw back and afterwards to the Company's Shareholders in such manner that the bonds are underwritten by the joint lead managers with the obligation to offer them to private and institutional investors and to the Company's Shareholders for subscription.

Contracting Parties	Date	Agreement
Care4 AG, Basel, Switzerland and WESTGRUND	July 4, 2014	Mezzanine Loan Agreement between Care4 AG, as lender, and WESTGRUND, as borrower, in the amount of EUR 8,500,000.00; End of the contract period: October 4, 2014; Interest rate: 8% per annum; loan is only granted as surety for the acquisition of the Berlinovo-Portfolio, after successful acquisition of the portfolio WESTGRUND is obliged to pay a profit sharing in the amount of 5% of the loan amount to Care4 AG; loan is subordinated to all claims of other creditors.
Baader Bank, Berenberg and Wecken & Cie. and WESTGRUND	July 9, 2014	In order to secure the preliminary financing of the acquisition of the Berlinovo-Portfolio by Barclays Bank PLC, the Company, the Joint Global Coordinators and Wecken & Cie. entered into the Volume Underwriting Agreement. According to the Volume Underwriting Agreement, the Joint Global Coordinators and Wecken & Cie. would have been obliged to acquire any residual New Shares that have not been subscribed for or placed in the offering for a minimum price of EUR 2.54 per share. In addition, according to separate agreements entered into by the Company and certain other persons, such persons have committed themselves to acquire New Shares for a certain amount and at such minimum price. The Volume Underwriting Agreement has been replaced by the Underwriting Agreement dated September 9, 2014, notwithstanding the obligation of the Company under the Volume Underwriting Agreement and the further agreements to pay a fix back-stop commission in the amount of together approximately EUR 1.7 million to the Joint Global Coordinators, to Wecken & Cie. and to such further persons that have committed themselves to acquire New Shares.

Contracting Parties	Date	Agreement
Berenberg and Baader Bank and WESTGRUND	September 9, 2014	Underwriting Agreement between WEST-GRUND, Baader Bank and Berenberg concerning the underwriting of the New Shares to be offered during the subscription period and on Back-Stop-Obligations of Baader Bank and Berenberg; the Underwriting Agreement replaces the Volume Underwriting Agreement dated July 9, 2014 (see directly above) except the Company's obligation to pay the back-stop commission.
Care4 AG, Basel, Switzerland and WESTGRUND	probably on September 9, 2014	Placement Agreement, which will probably be concluded on September 9, 2014, obliging WESTGRUND to pay Care4 AG a fee for the placement of New Shares to shareholders and investors. The amount of the fee is subject to the number of shares that will be placed due to the procurement of Care4 AG.
John Frederik Ehlerding and WESTGRUND	November 26, 2013	Share Purchase Agreement and escrow agreement between Westgrund, as seller and trustor, and John Frederic Ehlerding, as purchaser and trustee, regarding the only share in Westprojekt Immobilien-Servicegesellschaft mbH, Remscheid, in the nominal amount of EUR 25,000.00. The trustee is paid reasonable compensation for expenses. The escrow agreement may be terminated by each party with one month's notice.
CREA Service GmbH & Co. KG, Cologne and WEST-GRUND	December 27, 2013	Share purchase agreement between WESTGRUND, as seller, and CREA Service GmbH & Co. KG, as purchaser, on the shares no. 3 and 4 in Cologne Real Estate GmbH, Berlin with a nominal amount of EUR 9,400 and EUR 9,350.
Wecken Cie. and Roland Zanotelli, Basel, Switzerland and	January 15, / March 28, 2014	Contribution agreement between WEST-GRUND and Wecken Cie. and Roland

Contracting Parties	Date	Agreement
WESTGRUND		Zanotelli concerning the contribution of the shares in Westgrund I. Halle GmbH (former Brilliant 2000 GmbH) held by Wecken Cie. and Roland Zanotelli into WESTGRUND by way of a capital increase against contribution in kind. Westgrund I. Halle GmbH holds the real estate portfolio Halle.
Municipality Gingst and municipality Trent and WESTGRUND and Value Development GmbH	November 30, 2012	Share purchase agreement between the municipalities Gingst and Trent, as sellers, and WESTGRUND and Value Development GmbH, as purchasers, on the shares in Kommunale Wohnungsbau- und Verwaltungsgesellschaft mbH Gingst (renamed WESTGRUND Immobilien V. GmbH). WESTGRUND acquired 94% and Value Development GmbH acquired 6% of the shares of Kommunale Wohnungsbau- und Verwaltungsgesellschaft mbH Gingst (renamed Westgrund Immobilien V. GmbH). Thus, WESTGRUND indirectly acquired the real estate portfolio in Rügen.
Mr Frevert, Mr Adomeit, Mr Urbanowicz and Mr Raforth as partnership organized under the German Civil Code (*Bürgerliches Gesetzbuch*) and Westgrund Immobilien Beteiligung III. GmbH	March 30, 2012	Property acquisition agreement between the partnership organized under the German Civil Code, as seller, and Westgrund Immobilien Beteiligung III. GmbH, as purchaser, on the real estate portfolio in Berlin Hellersdorf consisting of approximately 270 residential and commercial units. The transfer of title took place on July 11, 2012.
Bankimmobilien Vertriebsgesellschaft mbH, Halle/Saale and Westgrund Immobilien Beteiligung III. GmbH	June 21, 2012 and July 20, 2012 (supplement agreement)	Property acquisition agreement between Bankimmobilien Vertriebsgesellschaft mbH, as seller, and Westgrund Immobilien Beteiligung III. GmbH, as purchaser, on the real estate portfolio in Halle/Saale consisting of approximately 310 residential and commercial units. According to the supplement agreement the parties extended the purchase object to include a further parcel of land. The transfer of title took place on

Contracting Parties	Date	Agreement
		January 16, 2013.
Strandgaard Invest GmbH, Berlin (renamed Orlando Real Estate GmbH) and Westgrund Immobilien Beteiligung III. GmbH	November 15, 2012	Property acquisition agreement between Strandgaard Invest GmbH, as seller, and Westgrund Immobilien Beteiligung III. GmbH, as purchaser, on the real estate portfolio in Berlin Kreuzberg consisting of 419 residential and commercial units. The transfer of title took place on August 13, 2013.
Klaus Rudolf Wecken, Bettingen, Switzerland and Westconcept GmbH	March 24, 2014	Property acquisition agreement between Klaus Rudolf Wecken, as seller, and Westconcept GmbH, as purchaser, on the real estate portfolio in Leipzig consisting of approximately 20 residential units.
W & W Immobilien Beratung GmbH & Co. KG, Weil am Rhein and Westconcept GmbH	March 24, 2014	Property acquisition agreement between W & W Immobilien Beratung GmbH & Co. KG, as seller, and Westconcept GmbH, as purchaser, on the real estate portfolio in Leipzig consisting of approximately 24 residential units.
R.I.F. Real Invest Fonds II B.V. and WESTGRUND Immobilien IV. GmbH	March 1, 2013	Property acquisition agreement between R.I.F. Real Invest Fonds II B.V., as seller, and WESTGRUND Immobilien IV. GmbH, as purchaser, on the real estate portfolio in Spandau consisting of approximately 1085 residential units. The transfer of title took place on July 24, 2013.
MULTICON Bau & Boden Investitions- und Immobiliengesellschaft mbH & Co. Friedrich Schiller Straße OHG, Berlin and WESTGRUND Immobilien V. GmbH	November 29, 2013	Property acquisition agreement between MULTICON Bau & Boden Investitions- und Immobiliengesellschaft mbH & Co. Friedrich Schiller Straße OHG, as seller, and WESTGRUND Immobilien V. GmbH, as purchaser, on the real estate portfolio in Wittstock consisting of approximately 122 residential units. The transfer of title took place on June 4, 2014.

Contracting Parties	Date	Agreement
Barrowmann Ltd., Denmill Ltd., Flintbrook Ltd., Harding Ltd., Hayhurst Ltd., Katmore Ltd., Lordmount Ltd., Meritfield Ltd., Saxon Ltd., Speymill Deutsche Immobilien 1 Ltd., Speymill Deutsche Immobilien 2 Ltd., Speymill Deutsche Immobilien 30 Ltd., Speymill Deutsche Immobilien 9 Ltd., Sevenford Ltd., Treeby Ltd. and Wollmon Ltd. and WESTGRUND Immobilien VI. GmbH	December 19, 2013	Property acquisition agreement between Barrowmann Ltd., Denmill Ltd., Flintbrook Ltd., Harding ltd., Hayhurst Ltd., Katmore Ltd., Lordmount Ltd., Meritfield Ltd., Saxon Ltd., Speymill Deutsche Immobilien 1 Ltd., Speymill Deutsche Immobilien 2 Ltd., Speymill Deutsche Immobilien 30 Ltd., Speymill Deutsche Immobilien 9 Ltd., Sevenford Lts., Treeby Ltd. and Wollmon Ltd., as sellers, and WESTGRUND Immobilien VI. GmbH, as purchaser, on the real estate portfolio Sparrow consisting of approximately 1228 residential units primarily located in Dresden, Leipzig and the surrounding area.
WESTGRUND and Westgrund Niedersachsen Nord GmbH, Westgrund Niedersachsen Süd GmbH, Westgrund Wolfsburg GmbH, Westgrund Brandenburg GmbH, Westgrund VII. GmbH, WAG Görlitz GmbH (former Brillant 1904. GmbH), WAG Neubrandenburg GmbH (former Brillant 1905. GmbH), and FFIRE, FFIRE Phönix GmbH and FFIRE Northeim GmbH, and Bavaria Immobilien Beteiligungsgesellschaft mbH & Co. Immobilien Verwaltungs KG – LBB-Fonds 4; Bavaria Immobilien Beteiligungsgesellschaft mbH & Co. Immobilienverwaltungs KG - LBB Fonds 5; Perseus Immobilien Verwaltungs GmbH & Co. KG – Erste Beteiligungsgesellschaft des LBB Fonds Dreizehn; Bavaria Immobilien Verwaltungs GmbH & Co. KG – Bavaria Ertragsfonds I; Prometheus Immobilien Verwaltungs	July 4/5, 2014	Sale and purchase agreement regarding, to the extent relevant for WESTGRUND, a portfolio of approximately 13,300 residential and 73 commercial units. The agreement consists of a framework agreement and, to the extent relevant for WESTGRUND, 44 individual sale and purchase agreements which have been executed under the framework agreement. The maximum aggregate purchase price payable by WESTGRUND under the agreement amounts to EUR 416,500,000. Please refer to Section 9.12 "*Acquisition of Berlinovo-Portfolio*" for details.

Contracting Parties	Date	Agreement
GmbH & Co. KG – Erster IBV-Immobilienfonds für Deutschland; Okeanos Immobilien Verwaltungs GmbH & Co. KG – Zweiter IBV-Immobilienfonds für Deutschland; Thesaurus GmbH & Co. Siebenunddreißigste Immobilien KG; Theseus Immobilien Beteiligungsgesellschaft mbH & Co. KG – Dritter IBV-Immobilienfonds für Deutschland; Prometheus Immobilien Verwaltungs GmbH & Co. Immobilien Leasing Objekt Neubrandenburg KG; Bavaria Immobilien Verwaltungs GmbH & Co. Kyritz, Straße der Jugend KG; Bavaria Immobilien Development GmbH & Co. – Objektgesellschaft BB Fonds; Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Halle; Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Leipzig; Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Brandenburg; Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Cottbus; Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Schwerin; Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Görlitz; Theseus Immobilien Beteiligungsgesellschaft mbH & Co. - Objekt "Karrée-Sellin" KG; Bavaria Immobilien Beteili-		

Contracting Parties	Date	Agreement
gungsgesellschaft mbH & Co. Objekt Hannover-Kronsberg KG; Perseus Immobilien Verwaltungs GmbH & Co. KG – LBB Fonds Dreizehn – and Bavaria Immobilien Beteiligungsgesellschaft mbH & Co. Objekte Brandenburg KG		
Barclays Bank PLC and WESTGRUND	July 9, 2014	Mandate and commitment letter including a binding term sheet for a term loan facility (senior secured bridge facility) which shall be executed between Barclays Bank PLC, as lender, and WESTGRUND and Westgrund Niedersachsen Nord GmbH, Westgrund Niedersachsen Süd GmbH, Westgrund Wolfsburg GmbH, Westgrund Brandenburg GmbH, Westgrund VII. GmbH, WAG Görlitz GmbH and WAG Neubrandenburg GmbH, as borrowers, to fund the purchase price for the acquisition of the real estate Berlinovo-Portfolio in the amount of up to EUR 331,000,000.00; End of the contract period / expiration of the interest rate agreement: July 9, 2015; Interest Rate: Euribor plus loan margin in the amount of 2.50% per annum (for the first six months from the signing date of the mandate and commitment letter), 3.25% per annum (thereafter nine month after signing of the mandate and commitment letter) and 4.0% per annum (for the rest of the term). For detailed information refer to Section 9.12.11 *“Financing of the Acquisition”* below.

9.8.2 Material Contracts outside the ordinary course of business

Material contracts executed by the WESTGRUND Group outside of its ordinary course of business, that are either current or were completed within the last two years before this Prospectus, are as follows:

Contracting Parties	Date	Agreement
WESTGRUND and Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen am Rhein	October 6, 2011	Domination and profit transfer agreement with WESTGRUND as the controlling company; Shareholders Meeting of WESTGRUND approved the agreement on December 19, 2011, which was entered on the commercial register of the controlled company on December 22, 2011; the contract has an indefinite term and may be terminated with six months' notice before the end of a calendar year.
WESTGRUND, CGN Beteiligung GmbH, Cologne Real Estate GmbH and Medcon GmbH	December 6, 2013	Agreement on the purchase of receivables between WESTGRUND, CGN Beteiligung GmbH and Cologne Real Estate GmbH, as sellers, and Medcon GmbH, as purchaser, regarding shareholders subordinated loans granted to Projektgesellschaft Deutz-Mühlheimer-Str. Köln GmbH & Co. KG by the sellers amounting to EUR 117,166.20 in total as of December 30 2012.
CREA Service GmbH & Co. KG and WESTGRUND, ICR Idee, Concept und Realisation von Immobilien GmbH and WESTGRUND Westfalen GmbH & Co. KG (former REG Portfolio I/2007 GmbH & Co. KG)	December 6, 2013	Agreement on the purchase of receivables between WESTGRUND, CGN Beteiligung GmbH ICR Idee, Concept und Realisation von Immobilien GmbH and WESTGRUND Westfalen GmbH & Co. KG, as sellers, and CREA Service GmbH & Co. KG, as purchaser, regarding subordinated loans granted to Cologne Real Estate GmbH by the sellers. The shareholder loan granted by WESTGRUND amounted to EUR 767,092.68 as of December 31, 2012. WESTGRUND sold the receivable exceeding the amount of EUR 750,000.00 together with interest from January 1, 2013 to CREA Service GmbH & Co. KG. The full amount of the loans granted by ICR Idee, Concept und Realisation von Immobilien GmbH and WESTGRUND Westfalen GmbH & Co. KG (former REG Portfolio I/2007 GmbH &

Contracting Parties	Date	Agreement
		Co. KG) that amounted to EUR 138,948.57 respectively EUR 1,016.52 907,057.77 as of December 31, 2012 were sold together with interest from January 1, 2013 to CREA Service GmbH & Co. KG.

9.9 Insurance

WESTGRUND Group has purchased various operating insurance policies, which include, inter alia: pecuniary damage insurance; building and landowner insurance covering damages by fire, tap water, storm, hail, civil commotions, floods, backwater, landslide avalanche, snow pressure, earthquake, as well as loss of rent for a stipulated period; motor vehicle insurance; liability insurance covering personal injury, property damage and financial losses; group accident insurance; content insurance covering fire, burglary, tap water, storm, hail, electronic risks and loss of earnings; legal protection insurance. In addition, a Directors' & Officers' insurance policy (*Vermögensschadenshaftpflichtversicherung*) is in force for the members of the Management Board and Supervisory Board.

The Company considers the WESTGRUND Group to be appropriately covered with regard to the nature of its business activities and the related risks in the context of the available insurance offerings and rates. However, it is impossible to exclude the possibility that WESTGRUND Group will incur damages that are not covered by its insurance policies or that exceed the coverage limits of these insurance policies. Moreover, there can be no guarantee that it will be possible for WESTGRUND Group to obtain adequate insurance coverage in the future.

9.10 Litigation/ Administrative Proceedings

The Issuer respectively the WESTGRUND Group, is subject from time to time to claims and lawsuits in connection with its ordinary business activities. During the last twelve months, however, the issuer, WESTGRUND Group, was not a party to any governmental, legal or arbitration proceedings (including, to the extent that the Company is aware, any such proceedings which may be initiated), which have significant impact on the financial position or profitability of the company or still could impact the company to that end.

9.11 Employees

Currently, the WESTGRUND Group has 25 employees, including 9 temporary assistants (excluding management, trainees, apprentices and employees on parental leave and partial retirement).

The following table contains a summary of the average number of employees (excluding management, trainees, apprentices and employees on parental leave and partial retirement) of the WEST-

GRUND Group for the six months ended on June 30, 2014, as well as for the fiscal years 2013, 2012 and 2011.

	As of June 30, 2014	As of December 31,		
		2013	2012	2011
Total	25 employees (thereof 9 temporary assistants)	21 employees (thereof 9 temporary assistants)	19 employees (thereof 7 temporary assistants)	20 employees (thereof 6 temporary assistants)

9.12 Acquisition of the Berlinovo-Portfolio

9.12.1 The Berlinovo-Portfolio Acquisition Agreement

On July 4/5, 2014, subsidiaries of WESTGRUND and other parties executed an agreement (the "**Berlinovo-Portfolio Acquisition Agreement**") for the acquisition of the so-called Berlinovo-Portfolio. Following the consent of all relevant supervisory boards, the Berlinovo-Portfolio Acquisition Agreement has become binding on July 9, 2014.

Under the Berlinovo-Portfolio Acquisition Agreement, the following wholly owned subsidiaries of WESTGRUND, incorporated as German limited companies (*Gesellschaften mit beschränkter Haftung*) (the "**WESTGRUND-Purchasers**"), agreed to acquire the Berlinovo-Portfolio, a portfolio of properties with approximately 13,300 residential and 73 commercial units:

Westgrund Niedersachsen Nord GmbH,
Westgrund Niedersachsen Süd GmbH,
Westgrund Wolfsburg GmbH,
Westgrund Brandenburg GmbH,
Westgrund VII. GmbH,
WAG Görlitz GmbH (when executing the Berlinovo-Portfolio Acquisition Agreement acting under the name: "Brillant 1904. GmbH") and
WAG Neubrandenburg GmbH (when executing the Berlinovo-Portfolio Acquisition Agreement acting under the name: "Brillant 1905. GmbH").

Sellers were 18 funds incorporated as limited partnerships (*Kommanditgesellschaften*):

Bavaria Immobilien Beteiligungsgesellschaft mbH & Co. Immobilienverwaltungs KG - LBB Fonds 5;
Perseus Immobilien Verwaltungs GmbH & Co. KG – LBB Fonds Dreizehn –;
Bavaria Immobilien Verwaltungs GmbH & Co. KG – Bavaria Ertragsfonds I;
Prometheus Immobilien Verwaltungs GmbH & Co. KG – Erster IBV-Immobilienfonds für Deutschland;
Okeanos Immobilien Verwaltungs GmbH & Co. KG – Zweiter IBV-Immobilienfonds für Deutschland;

Thesaurus GmbH & Co. Siebenunddreißigste Immobilien KG;
Theseus Immobilien Beteiligungsgesellschaft mbH & Co. KG – Dritter IBV-Immobilienfonds für Deutschland;
Prometheus Immobilien Verwaltungs GmbH & Co. Immobilien Leasing Objekt Neubrandenburg KG;
Bavaria Immobilien Verwaltungs GmbH & Co. Kyritz, Straße der Jugend KG;
Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Halle;
Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Leipzig;
Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Brandenburg;
Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Cottbus;
Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Schwerin;
Bavaria Immobilien Trading GmbH & Co. KG – Objektgesellschaft Wohnanlage Görlitz;
Theseus Immobilien Beteiligungsgesellschaft mbH & Co. - Objekt "Karrée-Sellin" KG;
Bavaria Immobilien Beteiligungsgesellschaft mbH & Co. Objekt Hannover-Kronsberg KG and
Bavaria Immobilien Beteiligungsgesellschaft mbH & Co. Objekte Brandenburg KG.

All selling funds are managed by berlinovo Immobilien Gesellschaft mbH ("**Berlinovo**").

In addition to the seven subsidiaries of WESTGRUND, FFIRE Phönix GmbH and FFIRE Northeim GmbH executed the Berlinovo-Portfolio Acquisition Agreement as purchasers. These two purchasers are subsidiaries of FFIRE Investment GmbH ("**FFIRE**"), unrelated to WESTGRUND and under the Berlinovo-Portfolio Acquisition Agreement acquire different properties than those properties which will be acquired by the WESTGRUND-Purchasers.

9.12.2 Auction Process

In 2013, Berlinovo initiated the sale of the Berlinovo-Portfolio in a so-called structured auction process conducted by Jones Lang LaSalle. As WESTGRUND did not intend to acquire the entire Berlinovo-Portfolio, WESTGRUND participated in this auction process in a consortium with FFIRE and by December 16, 2013, submitted a so-called non-binding offer for the Berlinovo-Portfolio.

During the following months and as part of the auction process, WESTGRUND was granted the possibility to visit, together with its advisors, the properties which were for sale and to conduct a due diligence review on the basis of an electronic data room provided on behalf of the sellers. In addition, WESTGRUND received a so-called legal fact book covering the properties and prepared by the legal advisors of the sellers.

At the end of the auction process, Berlinovo selected WESTGRUND and FFIRE as the successful bidders and the sellers executed the Berlinovo-Portfolio Acquisition Agreement with subsidiaries of these bidders acting as purchasers.

9.12.3 The Separation of WESTGRUND and FFIRE

Under the Berlinovo-Portfolio Acquisition Agreement, the entities controlled by FFIRE will acquire different properties than the WESTGRUND-Purchasers. In no instance will the two purchasing groups acquire co-ownership or any other form of joint interests in any property. Likewise, WESTGRUND and its subsidiaries will in no way be liable under the Berlinovo-Portfolio Acquisition Agreement for obligations and liabilities of FFIRE Phönix GmbH and FFIRE Northeim GmbH and vice versa. The description of the Berlinovo-Portfolio Acquisition Agreement and the Berlinovo-Portfolio in this prospectus therefore only covers the acquisition by the WESTGRUND-Purchasers and, unless specifically mentioned otherwise, does not take into account the acquisition of certain other properties under the Berlinovo-Portfolio Acquisition Agreement by FFIRE Phönix GmbH and FFIRE Northeim GmbH.

9.12.4 Berlinovo-Portfolio

If the Berlinovo-Portfolio Acquisition Agreement is completed for all of the properties covered by it (for risks in relation thereto see no. 3.3.1 "*Necessary consents from third parties might not be obtained on time or at all and thus the acquisition of the Berlinovo-Portfolio might not be completed or only be completed partially.*" above), the portfolio which will be (indirectly) acquired by WESTGRUND will consist of approximately 13,300 residential units and 73 commercial units. The properties are predominately located in Lower Saxony, Brandenburg, Mecklenburg-Western Pomerania and Saxony. The portfolio consists of hereditary buildings rights (*Erbbaurechte*), condominiums (*Wohnungs- bzw. Teileigentum*) and properties to which absolute title (*Volleigentum*) shall be acquired. According to an intended sale and purchase agreement with FFIRE and Value Development GmbH for the shares in WAG Görlitz GmbH and WAG Neubrandenburg GmbH the total amount of units to be acquired by WESTGRUND might decrease (see Section 9.12.12 "*Possible sale of certain subsidiaries to FFIRE*" below).

9.12.5 Structure of the Acquisition

The Berlinovo-Portfolio Acquisition Agreement is a framework agreement between all of the sellers and all of the purchasers of the Berlinovo-Portfolio. It provides for rules which are generally applicable to all elements of the transaction and contains provisions governing such areas as for example timing of the economic transfer, transfer of the lease agreements, representations of the sellers and assistance by the sellers for encumbering the properties with land charges.

In addition to the framework agreement, the individual sellers have entered into individual sale and transfer agreements with the respective purchasers. For this purpose, the part of the portfolio which will be acquired by WESTGRUND has been split into 44 transactional units regarding each of which an individual sale and purchase agreement for the respective properties has been concluded. These individual agreements are linked to the framework agreement. The framework agreement contains provisions which are valid for all individual sale and purchase agreements and contains provisions linking the individual sale and purchase agreements concluded by the WESTGRUND-Purchasers (*e.g.* if an individual sale and purchase agreement is rescinded by the respective seller due to default on the part of a WESTGRUND-Purchaser, under certain circumstances the framework agreement and all individual sale and purchase agreements concluded by the WESTGRUND-Purchasers may be rescinded).

9.12.6 Security provided by the Purchasers/WESTGRUND

The WESTGRUND-Purchasers have paid EUR 9,400,000 into an account held by the sellers and pledged in favor of the WESTGRUND-Purchasers. This amount serves as security for the WESTGRUND-Purchasers' obligations to pay the purchase price, to pay the agreed penalty and default interest in case of late payment, to pay real estate transfer tax (*Grunderwerbsteuer*) and all court and notarial fees. WESTGRUND has granted a pledge over an account with an additional amount of EUR 11,800,000 in favor of the sellers. This amount serves as security only for the WESTGRUND-Purchasers' obligation to pay real estate transfer tax. Apart from this pledge, WESTGRUND has assumed no liability for the WESTGRUND-Purchasers in the Berlinovo-Portfolio Acquisition Agreement.

9.12.7 Payment of the Purchase Price

Under the Berlinovo-Portfolio Acquisition Agreement, the individual purchase prices for the individual properties will become due in two different ways: some of the purchase prices will become due on either 30 September or 31 October 2014. The remainder of the purchase prices will become due at the end of the calendar month in which certain conditions for the purchase price falling due have been fulfilled specifically for the respective individual property, but in no event earlier than 30 September or 31 October 2014, as applicable.

For certain properties as specified in the Berlinovo-Portfolio Acquisition Agreement the purchase price will become due on September 30, 2014, unless BaFin has not approved this prospectus at the latest on September 9, 2014, in which case the due date for the purchase prices for these properties will be October 31, 2014. The aggregate of the individual purchase prices for these properties amounts to EUR 158,634,896.50. These purchase prices just stated must be paid on the date mentioned above into an account held by the sellers but pledged in favor of the WESTGRUND-Purchasers, irrespective of further conditions. The pledge will be released if specified conditions have occurred that secure the WESTGRUND-Purchasers' rights under the acquisition agreements (e.g. registration in the land register of priority notices of conveyance (*Auflassungsvormerkungen*), waivers of pre-emption rights, deletion consents for encumbrances not assumed by the WESTGRUND-Purchasers).

The remaining individual purchase prices will become due individually in each case at the end of the calendar month upon all conditions agreed for the individual purchase price to become due having been satisfied, but in any event not before the end of September or October 2014, as applicable (see preceding paragraph). For this part of the portfolio, additional maturity conditions have been agreed because the transactional units are either located in urban refurbishment areas (*Sanierungsgebiete*), consist of hereditary building rights (*Erbbaurechte*) or condominiums (*Wohnungs- und Teileigentum*) or public subsidies are in place, or for other property-specific reasons which require that third parties give their consent to the transaction or waive their pre-emption right (as the case may be). The aggregate amount of all individual purchase prices falling into this category amounts to EUR 257,865,103.50.

To the extent the conditions for individual purchase prices becoming due have not been satisfied by January 9, 2016, each party is entitled to rescind the Berlinovo-Portfolio Acquisition Agreement with respect to all affected properties. For certain specific properties different time periods apply.

If payment of any purchase price is delayed, the WESTGRUND-Purchasers must pay default interest at a rate of 8 percentage points p.a. above the base interest rate (*Basiszinssatz*). However, the maximum amount of all default interest which can become payable under the Berlinovo-Portfolio Acquisition Agreement is capped at EUR 9,400,000 in total for all WESTGRUND-Purchasers. If a WESTGRUND-Purchaser is in default with the payment of any purchase price or a part thereof by one month or more, the respective seller can rescind the individual sale and purchase agreement and all sellers can rescind from the remaining individual sale and purchase agreements, even if they have already been consummated. If any individual seller rescinds because of default by a WESTGRUND-Purchaser, the sellers can demand payment of a contractual penalty of up to EUR 4,500,000. However, any default interest paid or payable by the WESTGRUND-Purchasers can be offset against this contractual penalty.

9.12.8 Transfer of Economic Ownership

Economic ownership, i.e. all benefits and burdens from of the respective property, will be transferred under the Berlinovo-Portfolio Acquisition Agreement to the relevant WESTGRUND-Purchaser with effect as of the end of the calendar month during which the respective purchase price has been paid. As from the transfer date the WESTGRUND-Purchasers assume the lease agreements and further specified agreements in connection with the management of the properties. Any collateral provided by tenants will be handed over to the WESTGRUND-Purchasers after the transfer date provided the respective tenants have consented to such transfer, otherwise the collateral will be returned to the relevant tenant and the respective WESTGRUND-Purchaser will demand new collateral from such tenants under the terms of the lease agreement with such tenant.

9.12.9 Representations of the Sellers

Under the Berlinovo-Portfolio Acquisition Agreement, the sellers have made certain representations (*Garantien*). These representations concern in particular title to the acquired properties, encumbrances, public subsidies, absence of hidden defects and undisclosed environmental damages and accuracy of the amount of the agreed net rent as disclosed in a rent roll with status as of April 30, 2014. Some of these representations have been made only subject to the knowledge of certain individuals on the sellers' side. In case of a breach of a representation the purchaser is entitled to claim damages provided the damage resulting from the individual breach exceeds EUR 15,000 and the aggregate of all damages for the transactional unit exceeds a threshold of 1.0 per cent of the purchase price for the respective transactional unit. Redeemable damages are capped at 10.0 per cent of the purchase price for the respective transactional unit. In case of a breach of the rent roll representation damage claims can only be raised, if the net rent (*Nettokaltmiete*) actually owed by the tenants as of the reference date of the rent roll deviates by more than 1.0 per cent from the rent stated in the rent roll. None of the aforementioned limitations to the sellers' liability under the Berlinovo-Portfolio Acquisition Agreement applies in case a seller has breached its obligations under the agreement willfully (*vorsätzlich*) or gross negligently (*grob fahrlässig*). Furthermore, these limitations only apply to breaches of the representations agreed in the Berlinovo-Portfolio Acquistion Agreement and other breaches of contractual obligations on the part of the sellers are only capped at the full amount of the purchase price for the respective transactional unit. Most claims resulting from breaches of representations become time-barred 24 months after the transfer date (longer periods apply regarding the unencumbered transfer of the properties).

9.12.10 Special Provisions

Nine of the transactional units of the portfolio are located in urban refurbishment areas (*Sanierungsgebieten*). The public levies resulting from such areas (*Ausgleichsbetrag*) which are invoiced after the transfer date will be borne by the WESTGRUND-Purchasers. The transfer of properties in such areas and the registration of any encumbrance requires the consent of the competent public authority. For the relevant properties, the consent to the transfer of the properties is a condition for the respective purchase price to become due. With regard to the condominiums (*Wohnungs- und Teileigentums*) and hereditary building rights (*Erbbaurechte*), the WESTGRUND-Purchasers will assume the underlying agreements. Further, for these units, the consent of the condominium administrator (*WEG-Verwalter*) or the consent of the lease hold property owner (*Erbbaurechtsgeber*), as the case may be, to the transfer and, if required, encumbrance, is also a condition for the individual purchase price becoming due. If lease hold property owners hold a pre-emption right, the waiver of such pre-emption right is a condition for the individual purchase price becoming due. For eleven of the properties public subsidies have been granted in the past that still result in certain restrictions (*e.g.* only limited rent increases, public authority may name tenants). The WESTGRUND-Purchasers will assume the obligations vis-à-vis the funding bodies (*Fördergeber*) with effect as of the transfer date.

9.12.11 Financing of the Acquisition

In addition to funds already available to the Company, WESTGRUND intends to finance the acquisition of the Berlinovo-Portfolio and the payment of the individual purchase prices in parts from the proceeds of the Offering (see Section 6 "*Reasons for the offering and use of proceeds*" above) and in parts through an up to EUR 331,000,000 senior secured credit facility to be underwritten by Barclays Bank PLC. For this purpose, WESTGRUND and Barclays Bank PLC executed a binding mandate and commitment letter including a term sheet on July 9, 2014. WESTGRUND and Barclays Bank PLC have agreed to negotiate and execute full documentation regarding such credit facility before September 15, 2014.

According to the mandate and commitment letter and the corresponding term sheet, WESTGRUND and all WESTGRUND-Purchasers will be borrowers under the facility agreement and each borrower will act as guarantor for all other borrowers. The financing by Barclays Bank PLC will be provided as bridge financing and will be due for repayment on July 9, 2015. Interest will be payable at a rate of

EURIBOR plus 2.5 percentage points p.a. for the time period until January 8, 2015, EURIBOR plus 3.25 percentage points p.a. for the time period thereafter until April 8, 2015, and EURIBOR plus 4.0 percentage points p.a. for the remainder of the term of the bridge facility. In addition, certain fees are payable.

The facility documentation will provide for conditions precedent for paying out the facility amount. Such conditions will, *inter alia*, include the granting of first ranking land charges (*Grundschulden*), the assignment of rental claims, first ranking share pledges over the shares in the WESTGRUND-Purchasers, and the assignment of all claims of the WESTGRUND-Purchasers under the Berlinovo-Portfolio Acquisition Agreement and against the legal counsel of the sellers who prepared the legal fact book regarding the Berlinovo-Portfolio.

Furthermore, the facility documentation will contain covenants and undertakings which will be binding upon WESTGRUND and the WESTGRUND-Purchasers. Among others, these will include obligations to provide Barclays Bank PLC with information, restrictions on the amount of additional indebtedness which can be taken out by WESTGRUND and the WESTGRUND Group, restrictions on the aggregate value of acquisitions which can be made by WESTGRUND and the WESTGRUND Group, and certain financial covenants.

The facility agreement will provide for the right of Barclays Bank PLC to cancel the facility with the effect of all repayment obligations becoming immediately due upon a change of control of WESTGRUND.

9.12.12 Possible sale of certain subsidiaries to FFIRE

WESTGRUND as seller and FFIRE and Value Development GmbH as purchasers intend to enter into a sale and purchase agreement regarding the sale and transfer of all shares in WAG Görlitz GmbH and WAG Neubrandenburg GmbH. Under the terms of the envisaged agreement, WESTGRUND would transfer these WESTGRUND-Purchasers to FFIRE and Value Development GmbH, provided that FFIRE declares at the latest on June 1, 2015, its intention to complete the transfer. The purchase price for these WESTGRUND-Purchasers will depend on the time of completion and on the development of the value of these companies until that time, but is expected to cover at least the purchase price for the properties which will be acquired by these WESTGRUND-Purchasers under the Berlinovo-Portfolio Acquisition Agreement (*i.e.* EUR 29,300,000), plus their share of the financing costs payable to Barclays Bank PLC, plus any ancillary costs relating to the acquisition of the respective properties by these purchasers (in particular real estate transfer taxes and land register charges). If FFIRE does not declare by June 1, 2015 its intention to complete the transfer, WESTGRUND will be entitled to keep an amount of EUR 1,440,000 which has been paid by FFIRE to WESTGRUND in connection with the execution of the sale and purchase agreement for the shares.

If WAG Görlitz GmbH and WAG Neubrandenburg GmbH are transferred to FFIRE and Value Development GmbH, WESTGRUND will by this indirectly dispose of properties in Görlitz and Neubrandenburg which are to be acquired pursuant to the Berlinovo-Portfolio Acquisition Agreement and this will reduce WESTGRUND's share of the Berlinovo-Portfolio to up to 11,985 residential and 63 commercial units.

9.13 Intellectual Property Rights

Due to the nature of WESTGRUND's business activities, intellectual property rights do not play a material role in the Company's business. Its business activities do not depend materially on patents and licenses.

10. CAPITALIZATION AND INDEBTEDNESS; WORKING CAPITAL

The following tables present (i) the actual capitalization and indebtedness of the WESTGRUND Group as of June 30, 2014 and (ii) the capitalization and indebtedness adjusted for the assumed net proceeds resulting from this Offering of approximately EUR 130,700,000.00 after deducting underwriting discounts, commissions and estimated offering expenses payable by the Company and adjusted for the loan financing with a nominal value of EUR 331,000,000.00 in connection with the acquisition of the Berlinovo-Portfolio as well as other effects as reflected in the Pro-Forma Consolidated Financial Information, which are included in the financial section of this Prospectus. The information contained in the following tables is based on the Condensed Consolidated Interim Financial Statements as of June 30, 2014 of WESTGRUND. The tables should be read in conjunction with these Condensed Consolidated Interim Financial Statements which are included in this Prospectus. *When reading the second column investors must be aware that actual gross proceeds of this Offering can be significantly below the expected gross proceeds, as these are based on the assumption that all New Shares will be placed. In the interest of readability, the figures in the tables below are shown in millions of euros (EUR million). All figures presented in this section are rounded to one decimal place. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.*

10.1 Capitalization

	As of June 30, 2014	
	Unadjusted	As adjusted for the Offering(1)
	(unaudited) (EUR million)	
Total current liabilities(2)	**56.8**	**51.4**
of which guaranteed by third parties(3)	0.0	0.0
of which secured by assets(4)	41.1	35.8
of which unsecured	15.7	15.7
Total non-current liabilities(5)	**193.3**	**533.9**
of which guaranteed by third parties(3)	0.0	0.0
of which secured by assets(4)	159.0	491.2
of which unsecured	34.3	42.6
Total equity(6)	**103.7**	**289.6**
Subscribed capital(7)	30.1	67.4
Reserves(8)	26.6	120.0
Shares of minority shareholders	1.0	1.0
Retained earnings(9)	46.0	101.2
Total equity and liabilities(10)	**353.7**	**874.9**

(1) The adjustment reflects the expected net proceeds resulting from this Offering of approximately EUR 130.7 million after deducting underwriting discounts, commissions and estimated offering expenses payable by us and adjusted for the loan financing of the nominal value of EUR 331.0 million in connection with the acquisition of the Berlinovo-Portfolio as well as other effects as reflected in the Pro-Forma Consolidated Financial Information, which are included in the financial section of this Prospectus.

(2) Referred to as “total current debt” in the ESMA update of the CESR recommendations of March 20, 2013, ESMA/2013/319 (the “**ESMA Update**”)

(3) WESTGRUND has no guaranteed liabilities.

(4) These liabilities are secured by mortgages or within the leasehold-mechanism.

(5) Referred to as “total non-current debt (excluding current portion of long-term debt)” in the ESMA Update.

(6) Referred to as “shareholder’s equity” in the ESMA Update.

(7) Referred to as “share capital” in the ESMA Update.

(8) Referred to as “legal reserve” in the ESMA Update.

(9) Referred to as “other reserves” in the ESMA Update.

(10) Referred to as “total” in the ESMA Update.

10.2 Liquidity and Net Financial Liabilities

Indebtedness

	As of June 30, 2014 Unadjusted	As of June 30, 2014 As adjusted for the Offering(1)
	(unaudited) (EUR million)	
A. Cash	12.4	28.8
B. Cash equivalents	0.0	0.0
C. Trading securities	0.0	0.0
D. Liquidity (A) + (B) + (C)	**12.4**	**28.8**
E. Current Financial Receivables(2)	**1.4**	**1.4**
F. Current bank debt(3)	41.1	35.8
G. Current portion of non-current debt	0.0	0.0
H. Other current financial debt(4)	3.8	3.8
I. Current financial debt (F) + (G) + (H)	**44.9**	**39.6**
J. Net current financial indebtedness (I) - (E) - (D)	**31.1**	**9.4**
K. Non-current bank loans	154.3	484.5
L. Bonds and convertible bonds issued	19.2	19.2
M. Other non-current loans	0.0	0.0
N. Non-current financial indebtedness (K) + (L) + (M)	**173.5**	**503.7**
O. Net financial indebtedness (J) + (N)	**204.6**	**513.1**

(1) The adjustment reflects the assumed net proceeds resulting from this Offering of approximately EUR 130.7 million after deducting underwriting discounts, commissions and estimated offering expenses payable by us and adjusted for the loan financing of the nominal value of EUR 331.0 million in connection with the acquisition of the Berlinovo-Portfolio as well as other effects as reflected in the Pro-Forma Consolidated Financial Information, which are included in the financial section of this Prospectus.

(2) Current financial receivables comprise trade receivables and other financial assets (current).

(3) Current bank debt comprises current liabilities due to bank and capital providing insurances and liabilities due to banks included in liabilities related to assets held for sale.

(4) Current financial debt comprises trade liabilities and other financial liabilities (current).

Indirect and contingent indebtedness

As of June 30, 2014, WESTGRUND Group's other financial obligations, which are also referred to as "indirect liabilities" amounted to EUR 0.5 million. These consist of future minimum lease payments for rented office space, office equipment and cars.

10.3 Statement on Working Capital

WESTGRUND Group does not have sufficient working capital to be able to settle its liabilities as they fall due during the next twelve months.

The acquisition of the Berlinovo-Portfolio is intended to be financed by the proceeds from this Offering as well as by a senior secured bridge facility by Barclays Bank PLC with a maturity date of July 9, 2015, in the amount of 331,000,000.00. In case the Company is not able to refinance this credit facility at or before maturity then WESTGRUND Group expects to run out of working capital on July 9, 2015. Moreover, repayment of the bridge facility amount could become due earlier in case WESTGRUND or the WESTGRUND Group should breach any of the covenants and other provisions which will be included in the facility documentation or in case a change of control should occur with respect to WESTGRUND having the result that WESTGRUND Group would run out of working capital even earlier. The shortfall amounts to EUR 331,000,000.00.

In order to rectify the imminent shortfall, WESTGRUND intends to refinance the credit facility at or before its maturity by way of (i) a loan refinancing and/or (ii) a securitization transaction. The Company has already started the refinancing process with other banks which is at an advanced stage of progress at the date of the prospectus. Thus, the Company is confident to meet the payment obligations arising from this credit facility and to cover the imminent shortfall, at least before the final maturity date of the facility. The Company is also in close discussions with Barclays Bank over the prospects of a securitization transaction, which appear favorable at the date of the prospectus and will likely be further investigated as an additional alternative to a bank refinancing.

Depending on the development of the Berlinovo-Portfolio, the WESTGRUND Group, the residential real estate market, overall financing conditions, the German economy as a whole and further factors, WESTGRUND might not be able to refinance the bridge facility completely, on time or on satisfactory terms at maturity of the bridge facility or an earlier point of time if repayment of the bridge facility amount becomes payable prior to maturity as a result of the occurrence of an event of default set forth in the facility agreeement. This could have a material adverse impact on the business operations, financial position and profits of the WESTGRUND Group and, thus, WESTGRUND and could result in insolvency of WESTGRUND and companies of the WESTGRUND Group.

11. DIVIDEND POLICY AND EARNINGS PER SHARE

Shareholder allotments in the distributable profits of the Company shall be determined by their shares in the share capital, unless otherwise decided by Shareholders Meeting. For a German stock corporation (*Aktiengesellschaft*), resolutions concerning the distribution of dividends and the amount to be distributed for a given fiscal year are adopted by the Shareholders' Meeting in the subsequent fiscal year on the basis of a joint proposal by the Management Board and the Supervisory Board. Dividends may be distributed only from the net retained earnings of the Company. Net retained earnings are calculated on the basis of the Company's annual financial statements prepared in accordance with the accounting principles of the HGB. Accounting principles under the HGB differ significantly from those under IFRS.

The net retained earnings available for distribution is calculated by adjusting the net income/net loss for the fiscal year for retained profits/accumulated losses brought forward from the previous fiscal year and withdrawals from or appropriations to reserves. Certain reserves must be created by law and respective allocations must be deducted when calculating the net income/net loss for the fiscal year before profit distributions. Additional limitations apply where internally generated intangible fixed assets, deferred tax assets, or the excess of plan assets over corresponding pension obligations have been capitalized.

The Shareholders' Meeting resolves on the appropriation of net retained earnings with a simple majority of votes cast. If the Management Board and the Supervisory Board adopt the annual financial statements, they may appropriate up to one half of the net income for the fiscal year to other surplus reserves, after deducting from the net income for the year those amounts which must be appropriated to the legal reserve and any accumulated losses brought forward. Any dividends resolved by the Shareholders Meeting are distributed shortly after the Shareholders' Meeting in accordance with the resolution on the appropriation of profits and the rules of the relevant clearing system. Withholding tax of 25% of the dividend, plus a solidarity surcharge of 5.5% thereon and any applicable church tax are generally withheld. To the extent the dividend is disbursed from the contribution account for tax purposes (Section 27 of the German Corporation Tax Act (*Körperschaftsteuergesetz - KStG*)), no withholding tax or solidarity surcharge (or church tax) are withheld. For further information on the taxation of dividends, please refer to Section 18.2 "*Taxation of Shareholders*". There are no restrictions on dividend payments or specific procedures for nonresident owners of a security.

Dividend claims are subject to the regular three-year limitation period. Once the limitation period passes, the dividend remains with the Company.

The Company did not distribute any dividends in the past. However the payment or non-payment of dividends in previous years is no indication of the amount of future dividends. Based on the recent acquisition of additional approximately 13,300 units, the Company sets the ground to be in a position to distribute dividends in the medium-term. As the Company does not conduct any operations itself, its ability to pay dividends depends on its operating subsidiaries making profits and distributing these to the Company.

12. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Investors should read the following selected consolidated financial information of WESTGRUND together with the "Business," "Risk Factors," "Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations" and financial sections of this Prospectus.

The financial information as of, and for the fiscal years ended, December 31, 2013, 2012 and 2011 summarized below has been extracted from the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended, December 31, 2013, 2012 and 2011. The financial information as of, and for the six month period ended, June 30, 2014 has been extracted from the Unaudited Condensed Consolidated Interim Financial Statements (IFRS on interim financial reporting (IAS 34)) of WESTGRUND as of, and for the six month period ended June 30, 2014. The Consolidated Financial Statements and the Condensed Consolidated Interim Financial Statements are included in this prospectus under "Financial Information".

The following financial information is not adjusted for the acquisition of the Berlinovo-Portfolio*. For certain pro-forma financial information relating to the fiscal year ended December 31, 2013 and the six month period ended June 30, 2014 providing information on the WESTGRUND Group and the* Berlinovo-Portfolio *on a combined basis, see "Pro-Forma financial information" included in this prospectus under "Financial Information". For more information on the acquisition of the* Berlinovo-Portfolio*, see Section 9.12 "Acquisition of the Berlinovo-Portfolio".*

Where financial information in the following tables is labeled "audited," this means that it was taken from the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011. The Audited Consolidated Financial Statements of the Company were audited by DHPG Audit GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, Germany. See Section 4.5 "Auditors." Where financial information in the following tables is labeled as "unaudited," this means that it was taken from the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) as of and for the six month period ended June 30, 2014.

In the interest of readability, the figures in the tables below are shown in millions of euros (EUR million). All figures presented in this section are rounded to the nearest one decimal place. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

Selected Data from the Consolidated Profit and Loss Statement

	Six month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	in EUR million				
Revenues	9.4	6.0	18.2	10.8	9.7
Change in stocks of not settled services and work in progress	4.2	2.3	3.4	1.0	(0.2)
Results from the valuation of investment properties	8.7	7.9	20.2	5.9	2.5
Other operating income	0.2	0.1	0.4	0.5	0.2
Cost of materials	(7.1)	(4.3)	(12.3)	(6.3)	(5.3)
Results from the sale of investments properties	0.0	0.0	0.1	0.0	0.0
Personnel expenses	(1.0)	(0.6)	(1.3)	(1.3)	(1.3)
Depreciation	(0.0)	(0.0)	(0.4)	(0.8)	(0.1)
Other operating expenses	(1.6)	(1.2)	(2.5)	(1.7)	(2.0)
Income from investments	0.0	0.0	0.0	0.0	0.0
Other interest and similar income	0.0	0.0	0.0	0.0	0.0
Interest and similar expenses	(4.8)	(1.5)	(4.9)	(3.0)	(3.5)
Share of losses in associated companies	(0.0)	(0.1)	(0.1)	(0.1)	0.2
Profit from the sale of subsidiaries	0.4	0.0	0.5	0.0	0.0
Profit from the first-time consolidation	0.1	0.0	0.0	0.0	0.0
Results of the ordinary business activities	**8.3**	**8.5**	**21.3**	**5.0**	**0.3**
Taxes on income	(1.6)	(1.4)	(3.4)	(0.9)	0.6
Other taxes	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Consolidated net result	**6.7**	**7.1**	**17.9**	**4.1**	**0.8**
Results which are to be attributed to the minority shareholders	(0.2)	0.0	(0.1)	0.2	(0.1)
Results which are to attributed to the shareholders of the parent company	6.6	7.1	17.8	4.3	0.7

Selected Data from the Consolidated Balance Sheet

	As of June 30	As of December 31		
	2014	2013	2012	2011
	(unaudited)	(audited)		
ASSETS	in EUR million			
Intangible assets	0.0	0.0	0.0	0.0
Investment properties	325.6	230.7	135.5	89.3
Property, plant and equipment	0.2	0.3	0.3	0.4
Financial assets	0.0	0.0	1.8	1.8
Other non-current assets	0.7	0.8	0.3	1.0
Deferred tax assets	0.0	0.1	0.0	0.0
Non-current assets(1)	**326.6**	**231.9**	**137.9**	**92.5**
Properties intended for sale and other inventories	13.0	8.7	4.8	4.4
Receivables and other assets	1.8	1.5	1.6	0.7
Cash on hand, cash at banks and insurances providing capital	12.4	4.0	5.4	2.5
Assets held for sale	0.0	1.3	0.0	0.0
Current assets(1)	**27.2**	**15.5**	**11.8**	**7.6**
Total assets	**353.7**	**247.4**	**149.6**	**100.1**
EQUITY AND LIABILITIES				
Subscribed capital	30.1	24.1	18.7	11.4
Reserves	26.6	12.3	8.2	12.8
Shares of minority shareholders	1.0	0.3	0.2	0.4
Retained Earnings	46.0	39.4	21.6	4.1
Total Equity	**103.7**	**76.1**	**48.7**	**28.7**
Deferred tax liabilities	12.3	9.9	6.6	5.8
Provision for pensions	0.1	0.1	0.1	0.1
Liabilities due to banks and capital providing insurances	154.3	97.4	79.6	12.9

Derivatives	2.6	1.0	1.3	1.2
Convertible bond	19.2	0.0	0.0	0.0
Leasing liabilities	4.7	4.7	4.7	4.6
Non-current liabilities	**193.3**	**113.1**	**92.3**	**24.6**
Liabilities due to banks and capital providing insurances	41.1	38.7	3.2	38.6
Advanced payments received	11.8	7.4	3.1	2.5
Leasing liabilities	0.0	0.0	0.0	0.0
Trade liabilities	1.3	1.0	0.7	1.3
Tax liabilities	0.0	0.0	0.0	0.1
Other liabilities	2.5	10.2	1.6	4.3
Liabilities related to assets held for sale	0.0	0.9	0.0	0.0
Current liabilities[(2)]	**56.8**	**58.2**	**8.7**	**46.8**
Total equity and liabilities	**353.7**	**247.4**	**149.6**	**100.1**

(1) The subtotal "Non-current assets" and "Current assets" are not explicitly disclosed in the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011 as well as in the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) of WESTGRUND as of and for the six month period ended June 30, 2014. In the interest of clarity of the financial information these subtotals have been included and are calculated as summation of the individual items. Therefore, these subtotals are unaudited data.

(2) The item "Liabilities in connection with assets held for sale" is separately disclosed and not included in the subtotal "Current liabilities" in the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011 as well as in the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) of WESTGRUND as of and for the six month period ended June 30, 2014. In the interest of clarity of the financial information the item "Liabilities in connection with assets held for sale"has been included by way of summation in the subtotal "Current liabilities". Therefore, the subtotal is unaudited data.

Selected Data from the Consolidated Cash Flow Statement

	Six-month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011[(1)]
	(unaudited)		(audited)		
	in EUR million				
Cash flow from operating activities	1.3	1.9	2.1	(0.9)	(2.8)
Cash flow from investing activities	(59.7)	(47.1)	(61.3)	(40.6)	0.0
Cash flow from financing activities	66.2	44.9	58.3	44.4	4.0
Change in cash and cash equivalents	**7.9**	**(0.3)**	**(0.9)**	**2.9**	**1.3**
Cash and cash equivalents at the beginning of the period	4.0	5.4	5.4	2.5	1.2
Reclassified cash and cash equivalents	0.5	0.0	(0.5)	0.0	0.0
Cash and cash equivalents at the end of the period	**12.4**	**5.1**	**4.0**	**5.4**	**2.5**

(1) Differences between the consolidated financials statements of WESTGRUND AG for the fiscal year ended December 31, 2011 to cash flows 2011 illustrated above are due to the inflow of two loans from third parties amounting to EUR 2.8 million. The loan was recorded as cash inflow from operating activities in the consolidated financial statements 2011. For prior year figures in the consolidated financial statements of WESTGRUND AG for the fiscal year ended December 31, 2012 as well as in the illustration shown above the loan was recorded as cash inflow from financing activities.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of net assets, financial condition and results of operations of WESTGRUND together with the "Business", "Risk Factors" and financial sections of this Prospectus. The following discussion contains forward-looking statements that are subject to risks, uncertainties and other factors which may cause actual events to differ from those expressed or implied in the forward-looking statements (see "Risk Factors" and "General Information—Forward-Looking Statements").

The financial information contained in the following management's discussion and analysis as of and for the fiscal years ended December 31, 2013, 2012 and 2011 is taken or derived from the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of and for the fiscal years ended December 31, 2013, 2012 and 2011 and the Company's accounting records or internal management reporting systems. The Audited Consolidated Financial Statements (IFRS) can be found in the financial section of this Prospectus. Additional financial information for the fiscal year ended December 31, 2013 has been taken or derived from the Audited Unconsolidated Annual Financial Statements (HGB) of WESTGRUND as of and for the fiscal year ended December 31, 2013, which are also included in the financial section of this Prospectus. The financial information contained in the following management's discussion and analysis as of June 30, 2014 and for the six month period ended June 30, 2014 and 2013 is taken or derived from the Unaudited Condensed Consolidated Interim Financial Statements (IFRS on interim financial reporting (IAS 34)) as of and for the six month period ended June 30, 2014 and the Company's accounting records or internal management reporting systems. The Unaudited Condensed Consolidated Interim Financial Statements (IFRS on interim financial reporting (IAS 34)) can be found in the financial section of this Prospectus.

The following financial information is not adjusted for the acquisition of the Berlinovo-Portfolio. For certain pro-forma financial information relating to the fiscal year ended December 31, 2013 and the six month period ended June 30, 2014 providing information on the WESTGRUND Group and the Berlinovo-Portfolio on a combined basis, see the "Pro-Forma financial information" included in this prospectus under "Financial Information". For more information on the acquisition of the Berlinovo-Portfolio, see Section 9.12 – "Acquisition of the Berlinovo-Portfolio".

Where financial information in the following management's discussion and analysis is labeled "audited," this means that it was taken from the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011 or from the audited unconsolidated annual financial statements (HGB) of WESTGRUND as of and for the fiscal year ended December 31, 2013. The Audited Consolidated Financial Statements of the Company and the Audited Unconsolidated Financial Statements were audited by DHPG Audit GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, Germany. See "General Information - Auditors." Where financial information in the following management's discussion and analysis is labeled as "unaudited," this means that it was taken from the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) as of and for the six *month period ended June 30, 2014 or the Company's accounting records or internal management reporting systems.*

In the interest of readability, the figures that appear in the text and in the tables in this section are generally presented in millions of euros (EUR million) or in thousands of euros (EUR thousand), as applicable. All figures presented in this section are rounded to the nearest one decimal place. Unless expressly provided otherwise, the percentage changes that are stated in the text have been commercially rounded to one decimal point. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

Overview

WESTGRUND is a stock corporation organized under German law, founded on May 15, 1990 in Remscheid. After having relocated its headquarters in 2012, the company is now based in Berlin. WESTGRUND is registered in the commercial register of the local court (*Amtsgericht*) of Berlin Charlottenburg under HRB 144811 B.

WESTGRUND operates as a holding and operative company and provides management and financial services to its subsidiaries which merely hold the real estate portfolios of the WESTGRUND Group. Furthermore, WESTGRUND provides financial means to its subsidiaries to fund their acquisitions of real estate portfolios.

The WESTGRUND Group focuses its activities on the acquisition, management, optimization and administration of German residential real estate. A realignment of operations in 2010 resulted in the discontinuation of the segment "project development". WESTGRUND invests in residential real estate portfolios with high performance potential from possible vacancy reductions and/or rent increases. The so called "micro-location investment approach" is of high importance for the Company's strategy, involving a focus on the quality of the residential location within a respective city. A decisive factor for acquisitions, in addition to the building structure, purchase price and return at the time of purchase, is the environment and locality of the property. Acquisition targets are generally believed to generate durable, long-term rental potential irrespective of possible negative demographic developments in the respective region.

Following a strategic decision to expand its portfolio, the WESTGRUND Group purchased several small and mid-sized residential portfolios during 2013 and in the first half of 2014. Furthermore, on July 4/5, 2014, the WESTGRUND Group signed agreements to purchase the Berlinovo-Portfolio of 13,244 residential and 73 commercial units for a purchase price of EUR 416.5 million.

As of June 30, 2014, the investment property portfolio of WESTGRUND Group consisted of 6,785 residential apartments and 148 commercial units with a total floor area of 468,144 square meters. According to the valuation summaries of Jones Lang LaSalle that are reprinted on pages V-1 et seqq. and V-68 et seqq. of this Prospectus, the total fair value of the WESTGRUND Group's investment properties amounted to EUR 328.1 million as of June 30, 2014 (existing portfolio and acquisitions closed as of June 30, 2014, excluding the acquisition of the Berlinovo-Portfolio and also excluding other acquisitions signed until June 30, 2014, but not closed as of June 30, 2014). In the Unaudited Condensed Consolidated Interim Financial Statements (IFRS on interim financial reporting (IAS 34)) as of and for the six month period ended June 30, 2014, investment properties are disclosed with a fair value of EUR 325.6 million as of June 30, 2014. The difference between EUR 328.1 million and EUR 325.6 million relates to an acquisition of 85 properties, four properties of which are not yet passed into the ownership of WESTGRUND Group as of June 30, 2014.

In the six month period ended June 30, 2014, the consolidated net result of the WESTGRUND Group was EUR 6.7 million. In fiscal year 2013, the consolidated net result of the WESTGRUND Group was EUR 17.9 million, after EUR 4.1 million in fiscal year 2012 and EUR 0.8 million in fiscal year 2011.

Key factors influencing the net assets, financial condition and results of operations

Economic, demographic and political developments in Germany

The WESTGRUND Group's business activities are subject to the general economic conditions prevailing in Germany. Among those are cyclical and structural developments beyond the WESTGRUND Group's control, including economic growth, changes in unemployment rates, price trends and interest rate levels affect rental revenues and the level of costs and expenses. For example, rising unemployment rates have affected the average purchasing power of WESTGRUND Group's tenants in the past. Demographic factors also have a particular bearing on the demand for rental apartments and thus on the amount of rental units which the WESTGRUND Group is able to let and on the level of rents the WESTGRUND Group can charge. These demographic factors include among others living space per capita, average household size, home ownership rates and migration patterns.

In the first quarter of 2014, the gross domestic product (GDP) in Germany rose 0.8% versus the fourth quarter of 2013, the highest quarter-on-quarter increase since 2011. In 2013, the GDP growth remained weak after economic growth slowed (0.7% GDP growth) in 2012. In 2011, a growth of 3.3% was recorded (Source: Federal Statistical Office). While unemployment rates are generally low in Germany compared to other European countries, per capita spending has not grown significantly in recent years. The demand for housing space continues to increase, following consistent increases over the last few years. As in previous decades, average household size continues to fall. There are more than 40 million households in Germany today, around 5 million more than at the time of German reunification. On top of this, the average living space per person continues to increase. Despite a forecasted decrease in the overall population, further growth in the demand for housing space can be expected. However, substantial differences between the regions will continue to exist.

Gains and losses from fair value adjustments of properties held for sale or investment properties

The investment properties owned by the WESTGRUND Group are generally remeasured half-yearly in accordance with IAS 40 at their respective market value on the reporting dates by external experts. Changes in the fair value of investment properties are recognized in the profit and loss statement for the period in which they arise. Such valuation gains have an influence on the WESTGRUND Group's earnings even though they are non-cash and therefore are not realized. Two significant factors influence the valuation of the investment properties. The first factor is the cash flow arising from operational performance. The second factor is comprised of the discount rates and the capitalization rates that are derived from the interest rates in the market and the risk premiums applied to WESTGRUND Group's business and their properties respectively. Even small changes in one or more of these factors can have considerable effects on the fair value of the WESTGRUND Group's investment properties and thus on its results of operations. In the six month period ended June 30, 2014, gains from fair value adjustments on investment properties amounted to EUR 8.7 million. In fiscal year 2013, gains from fair value adjustments on investment properties amounted to EUR 20.2 million, in fiscal year 2012 they amounted to EUR 5.9 million and in fiscal year 2011 they amounted to EUR 2.5 million. In the past, the consolidated net results were strongly influenced by the gains from the valuation of the investment properties and this is also expected in the future.

Average vacancy rates and tenant turnover

The WESTGRUND Group's results of operations are affected by the level of vacancies, since rental revenues depend on the number of rented units and since operating expenses principally depend on the total number of units under asset management regardless of whether they are vacant or let to tenants. Vacancy rates of the Group's residential portfolio remained relatively stable throughout recent fiscal years. Increased vacancy rates can result in lower rental revenues as well as an increase in non-recoverable rent and thus negatively affect WESTGRUND Group's results of operations. However, higher turnover also provides opportunities to agree on higher rents with new tenants as more lenient restrictions apply for new leases.

Maintenance and capital expenditures

The WESTGRUND Group spends a significant amount of money on maintenance expenses for its investment portfolio, including maintenance and general upkeep, as well as capital expenditures to improve its properties. The WESTGRUND Group invests in its properties on a continuous basis in order to keep a high tenant satisfaction level and as a prerequisite of successfully re-letting properties if tenants terminate their rental agreements. In the six month period ended June 30, 2014, WESTGRUND Group spent EUR 1.1 million for maintenance and capital expenditures, after EUR 2.3 million in fiscal year 2013, EUR 1.5 million in the fiscal year 2012 and EUR 0.5 million in fiscal year 2011.

Impact of interest rate changes

Changes in interest rates affect the WESTGRUND Group's business and results of operations mostly with respect to results from the revaluation of investment properties and interest expenses. Interest rates affect the WESTGRUND Group's consolidated results from the fair value adjustment of investment properties, because the level of interest rates directly impacts capitalization and discount rates. Since the WESTGRUND Group uses a discounted cash flow model to value its investment properties, discount rates directly influence the fair value of WESTGRUND Group's investment properties. Further, interest rates affect the WESTGRUND Group's consolidated expenses. The vast majority of WESTGRUND Group's residential properties are debt-financed through mortgage loans. Due to the high percentage of fixed rate loans the WESTGRUND Group on a mid-term view has a relatively low exposure to changes in interest rates. The WESTGROUP Group also strives to hedge risks associated with interest fluctuations by concluding hedging instruments with its lenders or their affiliates. As of June 30, 2014, approximately 79% of the WESTGRUND Group's debt was fixed rate or hedged against interest rate risks. The following table shows how sensitive the WESTGRUND Group's pre-tax results are to reasonably projected interest rate fluctuations (as a result of the impact on variable interest loans) in the periods indicated. All other variables are left unchanged.

	Six month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	Impact on the pre-tax result in EUR thousand				
Increase of the interest rate by 20 basis points	(77.5)	(69.2)	(182.7)	(69.3)	(25.2)
Reduction of the interest rate by 20 basis points	77.5	68.8	182.3	68.8	24.3

Impact of the acquisition of the Berlinovo-Portfolio and further future growth on personnel expenses and non-property related other expenses

WESTGRUND Group has a lean organizational structure with an average of only 25 employees during the first half-year 2014, who support asset management, acquisition, finance and reporting processes. In connection with the integration of the Berlinovo-Portfolio the WESTGRUND Group plans to hire four to five new staff members which will lead to an increase of the personnel expenses in the future. Furthermore, non-property related other expenses such as bookkeeping cost, tax advisor cost and auditor's fees as well as other administrative expenses are also expected to rise in the future due the acquisition of the Berlinovo-Portfolio. Personnel expenses as well as other administrative expenses will presumably further increase, if WESTGRUND Group continues with the implementation of the growth strategy.

Comparison of the Consolidated Financial Statements for the fiscal years ended December 31, 2013, 2012 and 2011 and for the six month period ended June 30, 2014 and 2013.

Results of Operations

	Six month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	in EUR million				
Revenues	9.4	6.0	18.2	10.8	9.7
Change in stocks of not settled services and work in progress	4.2	2.3	3.4	1.0	(0.2)
Results from the valuation of investment properties	8.7	7.9	20.2	5.9	2.5
Other operating income	0.2	0.1	0.4	0.5	0.2
Cost of materials	(7.1)	(4.3)	(12.3)	(6.3)	(5.3)
Results from the sale of investments properties	0.0	0.0	0.1	0.0	0.0
Personnel expenses	(1.0)	(0.6)	(1.3)	(1.3)	(1.3)
Depreciation	(0.0)	(0.0)	(0.4)	(0.8)	(0.1)
Other operating expenses	(1.6)	(1.2)	(2.5)	(1.7)	(2.0)
Income from investments	0.0	0.0	0.0	0.0	0.0
Other interest and similar income	0.0	0.0	0.0	0.0	0.0
Interest and similar expenses	(4.8)	(1.5)	(4.9)	(3.0)	(3.5)
Share of losses in associated companies	(0.0)	(0.1)	(0.1)	(0.1)	0.2
Profit from the sale of subsidiaries	0.4	0.0	0.5	0.0	0.0
Profit from the first-time consolidation	0.1	0.0	0.0	0.0	0.0
Results of the ordinary business activities	**8.3**	**8.5**	**21.3**	**5.0**	**0.3**
Taxes on income	(1.6)	(1.4)	(3.4)	(0.9)	0.6
Other taxes	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Consolidated net result	**6.7**	**7.1**	**17.9**	**4.1**	**0.8**

Revenues

Revenues consist of rental income, which includes residential income and other rental income, operating costs charged to tenants and certain other revenues. Rental income comprises the contractually agreed in-place rents for the WESTRGUND Group's residential properties within a given period and certain other rental income that includes income from the rent of commercial space and parking units. Operating costs charged to tenants include payments for purchased services, which are comprised of payments for those services that can be transferred to tenants as ancillary costs including costs of waste management, costs of lighting, insurance costs, taxes and fees and other costs for common areas and equipment such as elevator maintenance or gardens. Other revenues relate to the sales of properties intended for sale.

Revenues increased by 56.7% from EUR 6.0 million in the six month period ended June 30, 2013, to EUR 9.4 million in the six month period ended June 30, 2014. Revenues increased by 68.5% from EUR 10.8 million in fiscal year 2012, to EUR 18.2 million in fiscal year 2013 and by 11.3% from EUR 9.7 million in fiscal year 2011, to EUR 10.8 million in fiscal year 2012. These increases were mainly a result of the acquisitions of residential portfolios made during the course of fiscal year 2012 and 2013. The number of residential and commercial units increased by these acquisitions from 1,597 units to 4,881 units, an increase by 3,284 units or 206%. The following table provides an overview of the acquired units and the date of transfer of the ownership:

Portfolio	**No. of units**	**Date of transfer of ownership**
	(unaudited)	
Berlin-Hellersdorf I	270	01-03-2012
Berlin-Hellersdorf II	180	30-06-2012
Halle	310	31-12-2012
Fürstenwalde	574	31-12-2012
Berlin-Spandau	1,092	31-05-2013
Berlin-Kreuzberg	419	30-06-2013
Rügen	308	22-08-2013
Wittstock	131	31-12-2013
Total	**3,284**	

The above-mentioned acquisitions contributed to the revenues in the six month period ended June 30, 2014 with EUR 5.6 million, in fiscal year 2013 with EUR 8.7 million and in fiscal year 2012 with EUR 1.1 million accordingly.

Change in stocks of not settled services and work in progress

Change in stocks of not settled services and work in progress mainly consists of the net amount of operating costs charged to the tenants in the current year and of operating costs which will be settled with the tenants in the following year. The development of this position from fiscal year 2011 to the six month period ended June 30, 2014, is mainly influenced by the increasing business activities as outlined above.

Results from the valuation of investment properties

The results from the valuation of investment properties contain the gains and losses from the valuation of the investment properties in accordance with IAS 40. In the six month period ended June 30, 2014, a valuation gain of EUR 8.7 million was recorded, of which EUR 4.3 million relate to investment properties acquired in 2014. From the valuation gain of fiscal year 2013 in the amount of EUR 20.2 million an amount of EUR 16.7 million can be allocated to investment properties acquired in fiscal year 2013 and EUR 3.5 million to investment properties acquired before January 1, 2013. In fiscal year 2012, a valuation gain of EUR 5.9 million was recorded, of which EUR 8.2 million relates to investment properties acquired in 2012. The valuation gain of the investment properties acquired in 2012 was partly compensated by a negative valuation result amounting to EUR 2.4 million relating to investment properties acquired before January 1, 2012. This negative valuation result was mainly due to a renewed commercial tenant agreement at less favorable conditions. As no acquisitions were carried out in fiscal year 2011, the valuation gain of EUR 2.5 million solely relates to investment properties acquired before January 1, 2011. The positive valuation results of the newly acquired investment properties indicate that the WESTGRUND Group was able to achieve favorable acquisition prices. The gains from the follow-up valuations are a result of the asset management strategies carried out by the WESTGRUND Group and the general development of the German real estate market in the last years.

Other operating income

Other operating income relates to income not directly attributable to the WESTGRUND Group's main business areas and includes reversals of provisions, income related to other periods, income from derecognized liabilities and miscellaneous other income.

Other operating income increased from EUR 0.1 million in the six month period ended June 30, 2013 to EUR 0.2 million in the six month period ended June 30, 2014 mainly due to higher insurance compensation.

Other operating income decreased from EUR 0.5 million in fiscal year 2012 to EUR 0.4 million in fiscal year 2013 as a result of lower income related to other periods and lower income from derecognized liabilities in fiscal year 2013.

Other operating income increased from EUR 0.2 million in fiscal year 2011 to EUR 0.5 million in fiscal year 2012, principally due to higher income related to other periods and from derecognized liabilities.

Cost of materials

Cost of materials mainly contains chargeable and non-chargeable cost to tenants. Chargeable costs are costs of waste management, costs of lighting, insurance costs, taxes and fees and other costs for common areas and equipment such as elevator maintenance or gardens. Non-chargeable costs are maintenance cost in connection with technical reports and internal repairs such as masonry or carpentry, costs which by law may not be charged to tenants, asset management costs, advertisement costs, provisions for renting and letting, legal costs for rental disputes and operating costs which are allocated to vacant units.

Cost of materials increased by 65.1% from EUR 4.3 million in the six month period ended June 30, 2013, to EUR 7.1 million in the six month period ended June 30, 2014. Cost of materials amounted to EUR 12.3 million in fiscal year 2013, after EUR 6.3 million in 2012 and EUR 5.3 million in fiscal year 2011. These increases were mainly a result of the above-mentioned acquisitions of residential portfolios made during the course of fiscal year 2012 and 2013. These acquisitions of 2012 and 2013 contributed to the cost of material in the six month period ended June 30, 2014 with EUR 4.5 million, in fiscal year 2013 with EUR 7.3 million and in fiscal year 2012 with EUR 0.9 million.

Personnel Expenses

The following table provides an overview of the development and details of personnel expenses in the periods indicated:

	Six month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	in EUR thousand				
Wages and salaries	(874.2)	(543.3)	(1,181.7)	(1,165.9)	(1,098.4)
thereof expenses relating to stock option programs	*(122.3)*	*(76.7)*	*(117)*	*(95)*	*(64)*
Social security contributions	(83.0)	(65.4)	(132,1)	(165.2)	(166.4)
Total	**(957.3)**	**(608.7)**	**(1,313.8)**	**(1,331.1)**	**(1,264.8)**

Personnel expenses increased from EUR 0.6 million in the six month period ended June 30, 2013 to EUR 1.0 million in the six month period ended June 30, 2014 mainly due to the higher number of employees (25 employees on an average in the six month period ended June 30, 2014 compared to 21 employees on an average in the six month period ended June 30, 2014) and the additional board member of WESTGRUND since October 1, 2013.

In fiscal years 2013, 2012 and 2011, personnel expenses have changed only slightly. This is accompanied by a nearly constant number of employees in these periods.

The following table provides an overview of the development of the average number of employees of the WESTGRUND Group in the periods indicated:

	Six month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	in number				
Average number of employees	25	21	21	19	20
thereof temporary assistants	*9*	*9*	*9*	*7*	*6*

Personnel expenses are expected to increase in the future due to the Berlinovo acquisition and the intended further growth of the WESTGRUND Group.

Depreciation

Depreciation contains ordinary depreciation on intangible assets and fixed assets as well as extraordinary depreciations. Depreciation amounted to EUR 0.4 million in fiscal year 2013, after EUR 0.8 million in 2012 and EUR 0.1 million in fiscal year 2011. In fiscal year 2013, extraordinary depreciations were recorded on real estate of the current assets (TEUR 300) and on a goodwill arising from a first-time consolidation (TEUR 5). In fiscal year 2012, extraordinary depreciations were recorded on real estate of the current assets (TEUR 530) and on leasing receivables (TEUR 197).

Other operating expenses

Other operating expenses mainly contain legal and advisor fees, capital market cost, office rent, transfer to bad debt allowance and administrative expenses.

Other operating expenses increased from EUR 1.2 million in the six month period ended June 30, 2013, to EUR 1.6 million in the six month period ended June 30, 2014, mainly due to higher legal and advisor fees and higher transfers to the bad debt allowance in connection with the growth of the real estate portfolio.

Other operating expenses increased from EUR 1.7 million in fiscal year 2012 to EUR 2.5 million in fiscal year 2013 mainly as a result of higher transfers to the bad debt allowance, higher legal and advisor fees, increased capital market cost and higher office rents.

Other operating expenses decreased from EUR 2.0 million in fiscal year 2011 to EUR 1.7 million in 2012, principally due to lower legal and advisor fees.

Other operating expenses are expected to increase in the future due to the Berlinovo acquisition and the intended further growth of the WESTGRUND Group.

Interest and similar expenses

The following table provides an overview of the development and details of interest and similar expenses in the periods indicated:

	Six month period ended June 30		Year ended December 31		
	2014	**2013**	**2013**	**2012**	**2011**
	(unaudited)		**(audited)**		
	in EUR thousand				
Interest from liabilities due to banks and other liabilities	(2,947.9)	(1,628.2)	(4,739.0)	(2,550.9)	(2,980.4)
Interest from leasing liabilities	(158.2)	(155.7)	(490.7)	(306.0)	(270.4)
Changes in derivatives	(1,679.4)	246.7	358.6	(142.2)	(223.4)
Other	0.0	0.0	0.0	0.0	(7.0)
Total	**(4,785.6)**	**(1,537.2)**	**(4,871.1)**	**(2,999.1)**	**(3,481.2)**

Interest and similar expenses increased from EUR 1.5 million in the six month period ended June 30, 2013, to EUR 4.8 million in the six month period ended June 30, 2014 mainly due to higher interest from liabilities due to banks and other liabilities in connection with the growth of the real estate portfolio and the corresponding higher bank loans. The negative changes in derivatives amounting to EUR 1.7 million in the six month period ended June 30, 2014 resulted from the settlement of two interest rate swaps and the signing of new interest rate swap agreements in connection with a long-term refinancing which was closed in March 2014.

Interest from liabilities due to banks and other liabilities increased from EUR 2.5 million in fiscal year 2012 to EUR 4.7 million in fiscal year 2013. The increase was due to the acquisitions in fiscal years 2012 and 2013 which were mainly financed by debt.

In fiscal year 2012, interest from liabilities due to bank and other liabilities decreased from EUR 3.0 million in fiscal year 2011 to EUR 2.6 million. This decrease was primarily due to lower interest levels which could be reached during the refinancing activities in fiscal year 2012.

Profit from the sale of subsidiaries

In November 2013, the investment in Westprojekt Immobilien Servicegesellschaft mbH, Remscheid, Germany, was sold. The deconsolidation of the subsidiary led to an income of EUR 0.4 million in fiscal year 2013.

Taxes on income

	Six month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011
	(unaudited)		(audited)		
	in EUR thousand				
Deferred taxes	(1,576.1)	(1,367.7)	(3,374.6)	(819.3)	608.5
Current taxes	(11.9)	(12.2)	(28.5)	(42.5)	(21.4)
Total	**(1,588.0)**	**(1,379.9)**	**(3,403.2)**	**(861.8)**	**587.1**

Deferred tax expenses increased from EUR 1.4 million in the six month period ended June 30, 2013 to EUR 1.6 million in the six month period ended June 30, 2014. In fiscal year 2013, deferred tax expenses increased to EUR 3.4 million from EUR 0.8 million in fiscal year 2012. In the six month period ended June 30, 2014 and in fiscal years 2013 and 2012, deferred taxes resulted primarily from the valuation of the investment properties and therefore the valuation result had a significant influence on the deferred tax calculation. The development of the deferred tax expenses in the six month period ended June 30, 2014 and in fiscal years 2013 and 2012 corresponds to the result of the valuation of the investment properties in these years. The deferred tax income in fiscal year 2011 was mainly a result of deferred taxes on tax loss carry-forwards, which were offset against deferred tax liabilities.

Consolidated net result

The consolidated net result decreased by 5.6% from EUR 7.1 million in the six month period ended June 30, 2013, to EUR 6.7 million in the six month period ended June 30, 2014. The consolidated net result increased by EUR 13.8 million from EUR 4.1 million in fiscal year 2012, to EUR 17.9 million in fiscal year 2013 and by EUR 3.3 million from EUR 0.8 million in fiscal year 2011, to EUR 4.1 million in fiscal year 2012. The consolidated net results were mainly affected by the valuation results of the investment properties which amounted to EUR 8.7 million in the six month period ended June 30, 2014, to EUR 20.2 million in fiscal year 2013, to EUR 5.9 million in fiscal year 2012 and to EUR 2.5 million in fiscal year 2011. Furthermore, the acquisitions carried out in fiscal year 2012 and 2013 contributed positively to the operating results of these years. As a consequence the results of the ordinary business activities adjusted by the effects of the valuation results from investment properties and derivatives improved constantly over the last three and a half years. The adjusted results of ordinary business activities amounted to EUR 1.4 million in the six month period ended June 30, 2014, EUR 0.7 million in fiscal year 2013, EUR -0.8 million in fiscal year 2012 and to EUR -2.0 million in fiscal year 2011.

Net assets and financial position

The following table highlights selected consolidated balance sheet data as of the dates presented:

	As of June 30	As of December 31		
	2014	2013	2012	2011
	(unaudited)	(audited)		
	in EUR million			
ASSETS				
Non-current assets[(1)]	326.6	231.9	137.9	92.5
Current assets[(1)]	27.2	15.5	11.8	7.6
Total assets	**353.7**	**247.4**	**149.6**	**100.1**
EQUITY AND LIABILITIES				
Equity	103.7	76.1	48.7	28.7
Non-current liabilities	193.3	113.1	92.3	24.6
Current liabilities[(2)]	56.8	58.2	8.7	46.8
Total equity and liabilities	**353.7**	**247.4**	**149.6**	**100.1**

(1) The subtotal "Non-current assets" and "Current assets" are not explicitly disclosed in the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011 as well as in the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) of WESTGRUND as of and for the six month period ended June 30, 2014. In the interest of clarity of the financial information these subtotals have been included and are calculated as summation of the individual items. Therefore, these subtotals are unaudited data.

(2) The item "Liabilities in connection with assets held for sale" is separately disclosed and not included in the subtotal "Current liabilities" in the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011 as well as in the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) of WESTGRUND as of and for the six month period ended June 30, 2014. In the interest of clarity of the financial information the item "Liabilities in connection with assets held for sale"has been included by way of summation in the subtotal "Current liabilities". Therefore, the subtotal is unaudited data.

Non-current assets

Non-current assets mainly consist of investment properties. The following table provides an overview of the development of the WESTGRUND Group's investment properties as of the dates indicated:

	As of June 30	As of December 31		
	2014	2013	2012	2011
	(unaudited)	(audited)		
	in EUR million			
Investment properties at the period start	**230.7**	**135.5**	**89.3**	**88.5**
Additions/Disposals/Reclassifications	86.2	75.0	40.3	(1.7)
Profit from valuation changes	9.2	21.1	11.8	3.4
Losses from valuation changes	(0.5)	(0.9)	(6.0)	(0.9)
Investment properties at the end of the period	**325.6**	**230.7**	**135.5**	**89.3**

Investment properties increased in the six month period ended June 30, 2014 by EUR 94.9 million or 41.1% to EUR 325.6 million. The increase is primarily a result of the acquisitions of residential portfolios in Saxony, Saxony-Anhalt and Thuringia during the first half-year 2014. Furthermore, the increase was due to the aforementioned positive valuation result of EUR 8.7 million.

Investment properties increased in fiscal year 2013 by EUR 95.2 million or 70.3% to EUR 230.7 million. The increase is primarily a result of the acquisitions of residential portfolios in Berlin and Rügen during fiscal year 2013. Furthermore, the increase was due to the aforementioned positive valuation result of EUR 20.2 million.

Investment properties increased in fiscal year 2012 by EUR 46.2 million or 51.7% to EUR 135.5 million. The increase is primarily a result of the acquisitions of residential portfolios in Fürstenwalde, Halle and Hellersdorf during fiscal year 2012. Furthermore, the increase was due to the aforementioned positive valuation result of EUR 5.8 million.

Investment properties increased in fiscal year 2011 by EUR 0.8 million or 1.0% to EUR 89.3 million. The reclassification of certain investment properties reduced the carrying amount of investment properties by EUR 1.7 million. However, the positive overall valuation result amounting to EUR 2.5 million more than compensated for the reclassification resulting in an increase in the total portfolio value.

Current assets

As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, current assets amounted to EUR 27.2 million, EUR 15.5 million, EUR 11.8 million and EUR 7.6 million respectively. Current assets mainly consist of service charges which will be settled with the tenants in the following year and cash and cash equivalents. As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, the share of service charges included in the current assets was 44.1%, 49.8%, 29.2% and 32.9% respectively, and the share of cash and cash equivalents included in the current assets was 45.6%, 25.8%, 45.8% and 32.9% respectively. The development of the current assets mainly resulted from the increasing business activities of the WESTGRUND Group over the last years.

Equity

In the six month period ended June 30, 2014, equity increased compared to the end of fiscal year 2013 by EUR 27.6 million to EUR 103.7 million as of June 30, 2014. The increase is mainly due to a cash capital increase (EUR 8.1 million), two capital increases in kind (EUR 12.3 million) and the consolidated net result of the six month period ended June 30, 2014 (EUR 6.7 million).

In fiscal year 2013, equity increased compared to the end of fiscal year 2012 by EUR 27.4 million to EUR 76.1 million. The increase is mainly due to one cash capital increase (EUR 5.5 million including transaction costs), one capital increase in kind (EUR 3.6 million) and the consolidated net result of fiscal year 2013 (EUR 17.9 million).

Equity increased in fiscal year 2012 by EUR 20.0 million to EUR 48.7 million. The increase is primarily a result of one cash capital increase amounting to EUR 15.8 million (including transaction costs) and the consolidated net result of fiscal year 2012 amounting to EUR 4.1 million.

Non-current and current liabilities

Non-current and current liabilities can be split up as of the dates indicated:

	As of June 30	As of December 31		
	2014	2013	2012	2011
	(unaudited)	(audited)		
	in EUR million			
Non-current liabilities				
Deferred tax liabilities	12.3	9.9	6.6	5.8
Provision for pensions	0.1	0.1	0.1	0.1
Liabilities due to banks and capital providing insurances	154.3	97.4	79.6	12.9
Derivatives	2.6	1.0	1.3	1.2
Convertible bond	19.2	0.0	0.0	0.0
Leasing liabilities	4.7	4.7	4.7	4.6
Total non-current liabilities	**193.3**	**113.1**	**92.3**	**24.6**
Current liabilities				
Liabilities due to banks and capital providing insurances	41.1	38.7	3.2	38.6

Advanced payments received	11.8	7.4	3.1	2.5
Leasing liabilities	0.0	0.0	0.0	0.0
Trade liabilities	1.3	1.0	0.7	1.3
Tax liabilities	0.0	0.0	0.0	0.1
Other liabilities	2.5	10.2	1.6	4.3
Liabilities related to assets held for sale	0.0	0.9	0.0	0.0
Total current liabilities[(1)]	**56.8**	**58.2**	**8.7**	**46.8**
Total liabilities	**250.0**	**171.3**	**100.9**	**71.4**

(1) The item "Liabilities in connection with assets held for sale" is separately disclosed and not included in the subtotal "Current liabilities" in the Audited Consolidated Financial Statements (IFRS) of WESTGRUND as of, and for the fiscal years ended December 31, 2013, 2012 and 2011 as well as in the Unaudited Condensed Consolidated Interim Financial statements (IFRS on interim financial reporting (IAS 34)) of WESTGRUND as of and for the six month period ended June 30, 2014. In the interest of clarity of the financial information the item "Liabilities in connection with assets held for sale"has been included by way of summation in the subtotal "Current liabilities". Therefore, the subtotal is unaudited data.

As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, the non-current liabilities amounted to EUR 193.3 million, EUR 113.1 million, EUR 92.3 million and EUR 24.6 million, respectively.

Non-current liabilities

Non-current liabilities increased in the six month period ended June 30, 2014 by EUR 80.2 million to EUR 193.3 million. The increase is primarily a result of the new debt financing of the acquired residential portfolios during the six month period ended June 30, 2014, the issuing of a convertible bond in April 2014 and the refinancing of existing, short-term liabilities due to banks.

Non-current liabilities increased in fiscal year 2013 by EUR 20.8 million to EUR 113.1 million. The increase is primarily a result of the new debt financing of the acquired residential portfolios during fiscal year 2013 and the rise of deferred tax liabilities. These effects were partly offset by a reclassification of liabilities due to banks from non-current to current liabilities as the remaining terms of these liabilities were lower than one year at the balance sheet date.

Non-current liabilities increased in fiscal year 2012 by EUR 67.7 million to EUR 92.3 million. The increase is primarily a result of the new debt financing of the acquired residential portfolios during fiscal year 2012 and the refinancing of existing, short-term liabilities due to banks.

Current liabilities

Current liabilities decreased in the six month period ended June 30, 2014 by EUR 1.4 million to EUR 56.8 million. The decrease is primarily due to a reduction of other liabilities. This effect was partly offset by the increase of advanced payments received and liabilities due to banks.

Current liabilities increased in fiscal year 2013 by EUR 49.5 million to EUR 58.2 million. The increase was primarily a result of the reclassification of liabilities due to banks from non-current to current liabilities as the remaining maturity of these liabilities was shorter than one year at the balance sheet date. Furthermore, the increase of the current liabilities was caused by the rise of the other liabilities and the advanced payments received.

Current liabilities decreased in fiscal year 2012 by EUR 38.1 million to EUR 8.7 million. The decrease is mainly a result of the refinancing of existing, short-term liabilities due to banks in fiscal year 2012.

In the following the main positions of the non-current and current liabilities are described in more detail:

Deferred tax liabilities

As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, deferred tax liabilities amounted to EUR 12.3 million, EUR 9.9 million, EUR 6.6 million and EUR 5.8 million respectively. Deferred tax liabilities result primarily from the valuation of the investment properties and therefore the valuation result has a significant influence on the deferred tax calculation. The development of the deferred tax liabilities from the end of fiscal year 2011 to June 30, 2014 corresponds to the result of the valuation of the investment properties in this time.

Provision for pensions

WESTGRUND Group recorded a pension provision amounting to EUR 0.1 million as of June 30, 2014, December 31, 2013, December 31, 2012 December 31, 2011, respectively. The pension provision relates to a single direct pension commitment (benefit-oriented pension plan) for the payment of regular pension payments (widow's pension) of EUR 34.8 thousand per annum to a 96-year old beneficiary. There have been no other pension provisions in the periods under review.

Liabilities due to banks and capital providing insurances (non-current and current)

As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, the non-current and current portion of the liabilities due to banks and capital providing insurances in total amounted to EUR 195.4 million, EUR 136.0 million, EUR 82.8 million and EUR 51.5 million, respectively. The liabilities due to banks and capital providing insurances are generally secured by property, by assigning rights under the tenancy agreements and by pledged bank accounts.

Liabilities due to banks and capital providing insurances increased in the six month period ended June 30, 2014, by EUR 59.4 million or 43.7% to EUR 195.4 million. The increase is primarily a result of the acquisitions of residential portfolios in Saxony, Saxony-Anhalt and Thuringia during the six month period ended June 30, 2014.

Liabilities due to banks and capital providing insurances increased in fiscal year 2013 by EUR 53.2 million or 64.3% to EUR 136.0 million. The increase is primarily a result of the acquisitions of residential portfolios in Berlin and Rügen during fiscal year 2013.

Liabilities due to banks and capital providing insurances increased in fiscal year 2012 by EUR 31.3 million or 60.8% to EUR 82.8 million. The increase is mainly a result of the acquisitions of residential portfolios in Fürstenwalde, Halle and Hellersdorf during fiscal year 2012.

Derivatives

Derivatives relate to interest rate swaps which WESTGRUND Group uses in order to hedge itself against interest rate risks. These derivative financial instruments are reported at fair value at the balance sheet dates.

As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, derivatives amounted to EUR 2.6 million, EUR 1.0 million, EUR 1.3 million and EUR 1.2 million, respectively. In the course of the long-term refinancing of short-term liabilities in March 2014 two interest rate swaps with remaining terms till 2015/2018 were settled. Simultaneously with the signing of the new financing contracts new interest rate swaps were closed, which apply to a significant higher loan volume compared to the settled swaps. The changes between the fiscal years 2011 to 2013 mainly resulted from fluctuations in the underlying interest curves which were used for the determination of the fair values of the derivatives.

Convertible bond

This position as of June 30, 2014, reflects a mandatory convertible bond with a nominal value of EUR 19,860,000 which was issued by WESTGRUND in April 2014 by a private placement to institutional investors. Costs in connection with the issuance of the bond were offset against the gross proceeds of the bond.

Leasing liabilities (non-current and current)

The leasing liabilities result from leasehold agreements, which had residual terms between 36 and 192 years by the end of fiscal year 2013. As a rule, the leasehold agreements envisage a right to renew the leasehold agreement in the event of a new leasehold being created after expiry of the existing leasehold agreement, or a right of first refusal for the leaseholder in the event of a sale of the property and land. Building lease fees are generally index-linked. Book values are determined by discounting the future cash outflows using property-specific real estate interest rates.

As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, leasing liabilities amounted to EUR 4.7 million, EUR 4.7 million, EUR 4.7 million and EUR 4.6 million, respectively.

Advanced payments received

Advanced payments received related to payments made by tenants in respect of apportionable operating costs. As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, the advanced payments received amounted to EUR 11.8 million, EUR 7.4 million, EUR 3.1 million and EUR 2.5 million respectively. The development of the advanced payments received corresponds with the increasing business activities of the WESTGRUND Group over the last years.

Trade liabilities

Trade liabilities basically consist of liabilities from operating activities. As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, trade liabilities amounted to EUR 1.3 million, EUR 1.0 million, EUR 0.7 million and EUR 1.3 million, respectively.

The development of the trade liabilities from December 31, 2012 to June 30, 2014 corresponds to the higher property management cost in connection with the growth of the business activities of the WESTGRUND Group.

Trade liabilities decreased in fiscal year 2012 by EUR 0.6 million to EUR 0.7 million. The decrease is mainly a result of the settlement of a purchase price liability (EUR 0.6 million) in connection with the acquisition of the Westgrund Westfalen KG which was paid in fiscal year 2012.

Other liabilities

As of June 30, 2014, December 31, 2013, December 31, 2012 and December 31, 2011, other liabilities amounted to EUR 2.5 million, EUR 10.2 million, EUR 1.6 million and EUR 4.3 million, respectively.

Other liabilities decreased in the six month period ended June 30, 2014 by EUR 7.7 million to EUR 2.5 million. The decrease is mainly a result of the repayment of loans provided by related parties in the amount of EUR 4.6 million and the payment of a purchase price liability amounting to EUR 3.2 million in connection with the acquisition of a residential portfolio in Wittstock.

Other liabilities increased in fiscal year 2013 by EUR 8.6 million to EUR 10.2 million. The increase is primarily a result of loans provided by related parties in the amount of EUR 4.4 million and a purchase price liability amounting to EUR 3.2 million in connection with the acquisition of a residential portfolio in Wittstock which was acquired at the end of fiscal year 2013.

Other liabilities decreased in fiscal year 2012 by EUR 2.7 million to EUR 1.6 million. The decrease is mainly a result of the repayment of loans provided by related parties in the amount of EUR 2.6 million.

Liabilities related to assets held for sale

As of December 31, 2013, liabilities in connection with assets held for sale amounted to EUR 0.9 million and related to the subsidiary Cologne Real Estate GmbH, Berlin, which was sold in January 2014.

The maturities of the liabilities as of June 30, 2014, are as follows.

	Total	Maturities: Due within one year	Maturities: Due between one and five years	Maturities: Due after five years
	(unaudited) in EUR million			
Deferred tax liabilities	12.3	0.0	0.0	12.3
Provision for pensions	0.1	0.0	0.1	0.0
Convertible bond	19.2	0.0	19.2	0.0
Liabilities due to banks and capital providing insurances	195.4	41.1	13.7	140.5
Derivatives	2.6	0.0	0.0	2.6
Leasing liabilities	4.7	0.0	0.1	4.6
Advanced payments received	11.8	11.8	0.0	0.0
Trade liabilities	1.3	1.3	0.0	0.0
Tax liabilities	0.0	0.0	0.0	0.0
Other liabilities	2.5	2.5	0.0	0.0
Total	**250.0**	**56.7**	**33.1**	**160.1**

Liquidity and capital resources

WESTGRUND Group has financed its investments primarily through bank loans, cash capital increases, contributions in kind, convertible bonds and loans from third parties.

Cash flow

The following table highlights selected consolidated cash flow statement data as of the dates presented:

	Six month period ended June 30		Year ended December 31		
	2014	2013	2013	2012	2011[(1)]
	(unaudited)		(audited)		
	in EUR million				
Cash flow from operating activities	1.3	1.9	2.1	(0.9)	(2.8)
Cash flow from investing activities	(59.7)	(47.1)	(61.3)	(40.6)	0.0
Cash flow from financing activities	66.2	44.9	58.3	44.4	4.0
Change in cash and cash equivalents	**7.9**	**(0.3)**	**(0.9)**	**2.9**	**1.3**
Cash and cash equivalents at the beginning of the period	4.0	5.4	5.4	2.5	1.2
Reclassified cash and cash equivalents	0.5	0.0	(0.5)	0.0	0.0
Cash and cash equivalents at the end of the period	**12.4**	**5.1**	**4.0**	**5.4**	**2.5**

(1) Differences between the consolidated financials statements of WESTGRUND AG for the fiscal year ended December 31, 2011 to cash flows 2011 illustrated above are due to the inflow of two loans from third parties amounting to EUR 2.8 million. The loan was recorded as cash inflow from operating activities in the consolidated financial statements 2011. For prior year figures in the consolidated financial statements of WESTGRUND AG for the fiscal year ended December 31, 2012 as well as in the illustration shown above the loan was recorded as cash inflow from financing activities.

Cash flow from operating activities

In the six month period ended June 30, 2014, cash inflows from operating activities in the amount of EUR 1.3 million were recorded, after cash inflows of EUR 2.1 million in fiscal year 2013, after cash outflows of EUR 0.9 million in fiscal year 2012 and cash outflows of EUR 2.8 million in fiscal year 2011.

The cash flow from operating activities in the six month period ended June 30, 2014 was EUR 1.3 million and therefore on lower level in relation to the comparable period of prior year with EUR 1.9 million. The positive cash flow effects based on the increase in gross profit were compensated through higher interest payments and a smaller increase of working capital compared to the previous year period.

Mainly due to the portfolio acquisitions in 2012 and 2013 the WESTGRUND Group realized a positive cash flow from operating activities of EUR 2.1 million in fiscal year 2013 after two preceding years of negative cash flows in fiscal years 2011 and 2012. The components of the positive cash flow from operating activities in fiscal year 2013 of EUR 2.1 million were the positive result before tax of EUR 21.3 million negatively adjusted by the results from the valuation of investment properties of EUR 20.2 million, the results from the valuation of interest rate swaps of EUR 0.4 million, other non-cash effects of EUR 0.3 million and positively adjusted by changes in working capital of EUR 1.7 million.

The improved cash outflows from operating activities of EUR 0.9 million in 2012 mainly consisted of the positive result before tax of EUR 5.0 million negatively adjusted by the results from the valuation of investment properties of EUR 5.8 million, changes in working capital of EUR 1.1 million and positively adjusted by depreciation of EUR 0.8 and other non-cash effects of EUR 0.2 million.

The cash outflows from operating activities of EUR 2.8 million in fiscal year 2011 was influenced by the positive result before tax of EUR 0.3 million negatively adjusted by the results from the valuation of investment properties of EUR 2.5 million and the changes in working capital of EUR 0.6 million.

Cash flow from investing activities

Cash flow from investing activities amounted to EUR -59.7 million in the six month period ended June 30, 2014, EUR -61.3 million in fiscal year 2013 and EUR -40.6 million in fiscal year 2012. These cash outflows were primarily due to acquisitions of investment properties. In fiscal year 2011, no significant investing activities were carried out.

In the six month period ended June 30, 2014, the cash outflow from investing activities was mainly due to payments for the acquisition of real estate investment properties amounting to EUR 59.9 million concerning the portfolios in Saxony, Saxony-Anhalt, Thuringia and Wittstock.

In fiscal year 2013, the cash outflow from investing activities was mainly due to payments for the acquisition of real estate investment properties amounting to EUR 61.7 million concerning the portfolios Berlin-Spandau, Berlin-Kreuzberg and Wittstock. Furthermore, an advanced payment in the amount of EUR 0.5 million relating to an investment property acquired in 2014 was made as well as capital expenditures of EUR 0.6 million. These cash outflows were only partly offset by a cash inflow of EUR 1.2 million from the sale of a subsidiary and other cash inflows of EUR 0.3 million.

The cash outflow from investing activities in fiscal year 2012 was mainly influenced by the payments for the acquisition of real estate investment properties amounting to EUR 40.6 million and related to the portfolios Fürstenwalde, Berlin-Hellersdorf 1, Berlin-Hellersdorf 2 and Halle.

Cash flow from financing activities

Cash flow from financing activities amounted to EUR 66.2 million in the six month period ended June 30, 2014 compared to cash flow from financing activities of EUR 44.9 million in the six month period ended June 30, 2013. This change mainly resulted from an increase of cash inflows from bank loans which increased from EUR 35.7 million in the six month period ended June 30, 2013 to EUR 41.1 million in the six month period ended June 30, 2014 and the increase of cash inflows from other loans (including the convertible bond) which amounted to EUR 18.1 million in the six month period ended June 30, 2014 after a cash inflow of EUR 3.7 million in the six month period ended June 30, 2013. Furthermore, in the six month period ended June 30, 2014, proceeds from capital increases in the amount of EUR 7.9 million (including transaction costs) were received after EUR 5.5 million (including transaction costs) in the six month period ended June 30, 2013.

Cash flow from financing activities amounted to EUR 58.3 million in fiscal year 2013 compared to cash flow from financing activities of EUR 44.4 million in fiscal year 2012. This change resulted from an increase of cash inflows from bank loans which increased from EUR 31.2 million in fiscal year 2012 to EUR 48.1 million in fiscal year 2013 and the increase of cash inflows from other loans which amounted to EUR 4.4 million in fiscal year 2013 after a cash outflow of EUR 2.6 million in fiscal year 2012. These increases were partly offset by the decrease of cash inflows from capital increases which amounted to EUR 5.8 million (including transaction costs) in fiscal year 2013 after EUR 15.8 million (including transaction costs) in fiscal year 2012.

Cash flow from financing activities amounted to EUR 44.4 million in fiscal year 2012 compared to cash flow from financing activities of EUR 4.0 million in fiscal year 2011. This change resulted primarily from an increase of cash inflows from bank loans which amounted to EUR 31.2 million in fiscal year 2012 after a cash outflow from bank loans of EUR 1.2 million in fiscal year 2011. Furthermore, the cash inflows from capital increases rose from EUR 2.4 million (including transaction costs) in fiscal year 2011 to EUR 15.8 million (including transaction costs) in fiscal year 2012. These increases were partly offset by the decrease of cash flows from other loans. In fiscal year 2012, repayments on other loans amounted to EUR 2.6 million after cash inflows from other loans amounting to EUR 2.8 million were recorded in fiscal year 2011.

Contingent liabilities and other financial obligations

As of June 30, 2014, other financial obligations largely consist of building lease agreements. The total amount of the financial obligations from rental and leasing agreements amounts to EUR 0.5 million as of June 30, 2014.

Off-balance sheet arrangements

WESTGRUND Group has not entered into any off-balance sheet arrangements.

Quantitative and qualitative disclosure about market risks

For a description of the quantitative and qualitative disclosure about market risks see section D.3 and D.21 in the notes to the consolidated financial statements as of December 31, 2013, which are part of the Audited Consolidated Financial Statements as of December 31, 2013, and are included in the financial section of this Prospectus.

Critical accounting policies

WESTGRUND Group has identified the following critical accounting policies of the consolidated financial statements which require management to make assumptions about matters that were uncertain at the time those policies were applied and with respect to which management reasonably could have made different assumptions in the relevant period or with respect to which changes in the assumptions reasonably likely to occur from period to period would have a material impact on the presentation of WESTGRUND Group’s financial condition, changes in financial condition or results of operations. Investors should read the following paragraphs in conjunction with the audited consolidated financial statements and the unaudited condensed consolidated interim financial statements, including the related notes. The audited consolidated financial statements as well as the unaudited condensed consolidated interim financial statements can be found in the financial section of this Prospectus.

Investment properties

Property holdings disclosed as "investment properties" include the real estate portfolio of the WESTGRUND Group, which is held to generate rental income and/or for the purpose of increasing values and which is not used for the delivery of goods or the provision of services, for administrative purposes or for sale within the context of customary business activities (IAS 40.5). It primarily concerns residential real estate; commercial real estate is let to a lesser degree. The real estate is exclusively let to third parties.

Investment properties are valued according to costs incurred at the time of acquisition or construction, including related secondary acquisition and/or manufacturing costs. Within the scope of subsequent valuations, the real estate is valued at the fair value (IAS 40.33), whereby the accounting principles of time and substance are complied with. Profits or losses from changes to the fair values of the investment properties are entered in the profit and loss statement in the year in which they are incurred. The same applies to profits or losses resulting from the re-classification of real estate in the inventories relating to the investment properties (IAS 40.63). Investment properties are derecognized if it is sold or if it is no longer usable and no future financial benefit will be expected from its disposal. The difference between the net sales proceeds and the book value of the asset is entered in the income statement at the time of its derecognition.

Independent real estate experts determine the fair values of the real estate. In determining the fair value, the experts used their knowledge of the market and their expert discretion rather than relying exclusively on past comparable transactions. All experts commissioned with determining fair value have not only the necessary qualifications, but also relevant experience in relation to the specific real estate under appraisal. Since fiscal year 2012, the real estate appraisals were carried out for the whole portfolio of investment properties by applying the nationally as well as internationally accepted DCF Method (Discounted Cash Flow Method). In earlier years, the earnings value method was used. The DCF Method is the method favored by international investors and regularly serves as the basis for estimating the attractiveness of an investment opportunity. The method uses projections of the future gross cash flows of each investment object as of the date of the appraisal and discounts them. The resulting cash value (current value or gross capital value) is the real estate value as of the date of appraisal, not including transaction costs. From the seller's point of view, a discount on the gross capital value is useful for transaction costs, as the seller cannot recoup these as part of the purchase price. The forecast period is usually divided into two phases. The first phase covers 10 years and reflects cash flow during the detailed forecast period. Current rental income (potential rental income when fully let, i.e. gross annual income) is reduced to reflect reductions in income owing to current vacancy rates and projected structural vacancy rates in the subsequent years 2 to 10. This amount represents the actual annual net rental income. Further deduction of the regular costs (administration costs, costs which are not apportionable, maintenance and repair costs) produces the net annual income. The net annual income figure depicts the free cash flow before taxes and capital servicing costs have been deducted. In the second phase, it is assumed that there will be a stabilization of cash flow in year 10 as no further cross-period changes are expected beyond this point. The annual net income in year 10 is capitalized in perpetuity at a property-specific capitalization rate and discounted on the valuation date in the same way as the cash flows of the detailed planning period. The present value of the cash flows from the 1st phase (detailed forecast) and the hypothetical resale values are determined and combined. A discount corresponding to the amount of the potential transaction costs is considered. The resulting figure represents the fair value of the real estate. For further information on how we determine the fair value of our investment properties, see the notes to the WESTGRUND

Group's Audited Consolidated Financial Statements (IFRS) for the fiscal year ended December 31, 2013, which can be found in the financial section of this Prospectus.

Leasing transactions

The economic ownership of movable and immovable leased objects is assigned to the party to the leasing contract that bears the substantial opportunities and risks associated with the leased object. If the lessor bears the substantial opportunities and risks (Operating Lease), the leased object is to be disclosed in the lessor's balance sheet. If the lessee bears the substantial opportunities and risks associated with the ownership to the leased object (Finance Lease), then the leased object is to be disclosed in the lessee's balance sheet. In case of finance leases, the leased object is to be capitalized by the lessee at fair value or the lower present value of the future minimum leasing payments at the time of acquisition and – insofar as subject to wear and tear – amortized over the shorter of its estimated useful life or the term of the lease. Changes in the residual value of the leased object are to be taken into account. The lessee recognizes a leasing liability at the commencement of the lease, corresponding to the book value of the leased object. The leasing liability will be amortized and carried forward in subsequent periods using the effective interest method. The lessor in a finance lease recognizes a receivable equal to the amount of the net investment in the lease. Leasing income is divided into repayments of the leasing receivable and financial income. Receivables from the lease are amortized and carried forward in subsequent periods using the effective interest method. In doing so, changes to the residual value of the leased object are to be taken into account.

Deferred taxes

Deferred taxes are recorded in accordance with IAS 12 for all temporary difference in accounting and valuations in the tax balance sheet and the IFRS consolidated balance sheet. In addition, deferred tax assets on benefits from unused tax losses carried forward are to be capitalized to the extent that it can be expected with sufficient probability that the company can generate sufficient future taxable income.
The book value of the deferred tax assets is assessed at every balance sheet date and reduced by the amount by which it is no longer likely that sufficient taxable earnings will be generated for which the deferred tax credit can be used, at least in part. Unrecognized deferred tax assets are assessed at every balance sheet date and reported to the extent at which it has become likely that future taxable operating results will enable the utilization of the deferred tax assets. For the deferred tax calculation - taking into account the local tax environment of the respective group companies - expected future tax rates are used for the release of temporary accounting and valuation differences. The prevailing tax regulations and tax rates as of the balance sheet date are applied. Future changes in tax rates will be taken into consideration provided that their eventual enactment in the course of the legislative process is accepted as a given fact. Changes in deferred taxes will be entered in the income statement under the condition that the original transaction was entered in the income statement. In the event of actuarial offsetting of a transaction charged against equity, deferred taxes will also be charged to equity outside the income statement.

Loans

Subsequent to initial recognition, interest-bearing loans are measured at amortized acquisition costs using the effective interest method. Profits and losses are entered in the income statement when the liabilities are derecognized and as part of the effective interest rate method amortization process.

Amortized acquisition costs are calculated taking into account any premiums or discounts, as well as any costs or fees, which are integral components of the effective interest rate. The amortization by means of the effective interest rate method is included in the profit and loss statement under "financing expenses". A financial liability is derecognized if the obligation upon which this liability is based, has been satisfied, revoked or has lapsed. Financial assets and liabilities are netted and the net amount reported in the balance sheet only when a current legal entitlement exists to offset the amounts against one another or it is intended to settle on a net basis or realize the asset and settle the liability simultaneously. An exchange of an existing financial liability for another financial liability from the same lender at substantially different contractual terms and conditions, or if the terms and conditions of an existing liability are substantially changed, such an exchange or such a change will be treated as a derecognition of the original liability and recognition of a new liability. The difference between the respective book values will be entered in the income statement.

Derivative financial instruments

The WESTGRUND Group uses derivative financial instruments (interest rate swaps) in order to hedge itself against interest rate risks. These derivative financial instruments are reported at fair value at the time of acquisition and reported at fair value in subsequent reporting periods. Derivative financial instruments are recognized 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 WESTGRUND Group are on a long-term basis. Profits or losses from changes in the fair value of any derivative financial instrument not reported as a hedging instrument are immediately recorded in the income statement. Changes in the fair value of interest rate swaps are entered under the item “other interest and similar expenses” or “other interest and similar income”. The fair value of any swap contract is determined in reference to current relevant market parameters. A derivative financial instrument is derecognized when the contractual rights expire or the WESTGRUND Group reassigns the rights from the derivative financial instruments.

Stock options

Stock options granted under the Stock Option Plans 2007, 2008 and 2011 are accounted for in accordance with IFRS 2 “Share-based Payment”. Costs resulting from the granting of stock options will be measured at fair value at the time they are granted. The standard requires us to measure these instruments at fair value using a generally accepted valuation methodology. We determine the fair value of the stock options on the basis of the option pricing model of Black/Scholes model and have made various assumptions about, among other things, interest rates, price volatility and vesting periods. Personnel costs resulting from granting equity instruments and the corresponding increase in shareholder equity is recorded over the period in which the exercise or performance conditions must be fulfilled (vesting period). This period of time ends on the day of the first vesting option, i.e. the time at which the employee concerned is irrevocably entitled to subscription. For more information on how we calculate the fair value of the options, see our explanations to the Stock Option Plans 2007, 2008 and 2011 in our Audited Consolidated Financial Statements (IFRS) for the fiscal year ended December 31, 2013 which can be found in the financial section of this Prospectus. For more information on the Stock Option Plans 2008 and 2011, see Section 14.5 “*Shareholdings and Stock Options*”, Section 16.3.1 “*Contingent Capital II und stock option plan 2008*” and Section 16.3.3 “*Contingent Capital IV and stock option plan 2011*”.

Information from the Unconsolidated Financial Statements in accordance with HGB for the fiscal year ended December 31, 2013

The Company's unconsolidated financial statements for the fiscal year ended December 31, 2013, have been prepared in accordance with the applicable provisions of the HGB and the AktG. According to these financial statements, the Company's balance sheet total increased by EUR 11.7 million compared with December 31, 2012, to EUR 60.7 million, mainly due to a cash capital increase, a capital increase in kind and a short-term loan from a shareholder. The received funds were primarily used to finance investing activities of the Company's subsidiaries. The Company's total equity amounted to EUR 34.1 million as of December 31, 2013, compared to EUR 26.8 million as of December 31, 2012. As in the previous year, the Company generated revenues of EUR 0.7 million for the fiscal year 2013. The Company generated a net loss in fiscal year 2013 of EUR 2.1 million after a net loss of EUR 1.9 million in fiscal year 2012. For further information on WESTGRUND's financial statements, see the notes to the Company's Audited Unconsolidated Financial Statements (HGB) for the year ended December 31, 2013, which can be found in the financial section of this Prospectus.

14. CORPORATE BODIES

The Company's corporate bodies are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the Shareholders' Meeting (*Hauptversammlung*). The powers and responsibilities of these corporate bodies are governed by the German Stock Corporation Act (*Aktiengesetz*), the Company's Articles of Association (*Satzung*) and, if applicable, the Bylaws (*Geschäftsordnungen*) of the Management Board and Supervisory Board.

14.1 Overview

The Management Board conducts the business of the Company in accordance with the law, the Articles of Association and the Bylaws of the Management Board to the extent Bylaws are issued, taking into account the resolutions of the Shareholders' Meeting and any distribution-of-business-plan. The Management Board represents the Company in its dealings with third parties. The Management Board is required to introduce and maintain appropriate risk management and risk controlling measures, in particular setting up a monitoring system, in order to ensure that any developments potentially endangering the continued existence of the Company may be identified early. Furthermore, the Management Board must report regularly, promptly and in detail to the Supervisory Board about the intended business policies and fundamental issues concerning corporate planning, profitability of the Company, the course of business as well as transactions which may be of significant importance for the profitability or liquidity of the Company. At the same time, the Management Board shall illustrate any deviations of the course of business from the established plans and targets, together with the reasons for the developments. Furthermore, as regards all matters of particular significance to the Company, each member of the Management Board who becomes aware of such matters must immediately report these matters to the chairman of the Supervisory Board or to all members of the Supervisory Board. In addition, the Supervisory Board may at any time require the Management Board to submit a report on issues affecting the company. In Bylaws (*Geschäftsordnung*) rules of procedure for the Management Board may be issued that certain types of transaction shall require the consent of the Supervisory Board. The Supervisory Board is entitled to extend or reduce the list of transactions requiring its consent at any time.

The Supervisory Board appoints the members of the Management Board and has the right to remove them for good cause. Simultaneous membership on the Management Board and the Supervisory Board is prohibited. The Supervisory Board advises the Management Board in the management of the Company and monitors its management activities. In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board is not authorized to exercise management functions.

The members of the Management Board and Supervisory Board owe duties of loyalty and due care to the Company. In this context, the members of these corporate bodies must take into account a broad spectrum of interests, in particular, those of the Company, its shareholders, its employees and its creditors. The Management Board must further take into account the rights of shareholders to equal treatment and equal information.

Under German law, individual shareholders (as well as any other person) are prohibited from exerting their influence on the Company and causing a member of the Management Board or Supervisory Board to take an action detrimental to the Company. Shareholders having a controlling influence may not use their influence to take any action which is detrimental to the Company's interests, unless the disadvantages are compensated. Any person who intentionally, exerting its influence on a company, causes a member of the Management Board or Supervisory Board, a holder of general commercial power of attorney (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigten*) to act in a manner causing damage to the Company or its shareholders, must compensate the Company and its shareholders for all damages resulting thereof. In addition, the members of the Management Board and Supervisory Board are jointly and severally liable if they have acted in breach of their duties.

If the members of the Management Board or Supervisory Board are in breach of their duties, the members concerned are jointly and severally liable for damages to the Company. WESTGRUND has taken out a Directors' and Officers' (D&O) Liability Insurance policy (*Vermögensschadenhaftpflichtversicherung*) for members of the Management Board and Supervisory Board.

Shareholders whose joint holdings equal or exceed 1% of the share capital or a proportionate interest of EUR 100,000.00 at the time the petition is submitted may petition in their own name for a claim for damages to be heard by the regional court where the Company has its registered office. The Company may only waive or settle a claim for damages against board members if at least three years have elapsed since the vesting of the claim, so long as the shareholders approve the waiver or settlement in the Shareholders' Meeting by a simple majority and provided that a minority of shareholders whose aggregate shareholdings amount to at least 10% of the share capital do not record an objection to such resolution in the minutes of the meeting.

14.2 The Management Board

14.2.1 Composition, Resolutions and Representation

Pursuant to the Company's Articles of Association, the Company's Management Board is composed of one or several members. The Supervisory Board determines the exact number of members, their responsibilities and their term of office. Pursuant to Section 84 paragraph 2 German Stock Corporation Act (*Aktiengesetz*) a Management Board member may be appointed chairman of the Management Board by the Supervisory Board. At present, the Management Board of WESTGRUND consists of two members. The members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. The reappointment or extension of the term is permissible, in each case for a maximum of five years. The Supervisory Board can revoke the appointment of a member of the Management Board before expiration of the tem of appointment for good cause, e.g. for gross breach of duties, or if the Shareholders' Meeting declares it has no confidence in the member of the Management Board, unless the vote of no confidence is based on obviously unobjective grounds.

The Management Board shall adopt its resolutions by simple majority of the votes cast unless otherwise stipulated by law, the Company's Articles of Association or the Bylaws.

If only one Management Board member is appointed, then that person represents the Company alone. If the Management Board is comprised of several members, the Company is legally represented jointly by two members of the Management Board or by one Management Board member acting jointly with a holder of a general power of attorney (*Prokurist*). The Supervisory Board may grant to each member of the Management Board of the Company sole power of representation. The Supervisory Board may also relieve individual members or all the members of the Management Board in general or in specific cases from the prohibition pursuant to Section 181 BGB on undertaking legal transactions in the name of the company with itself as representative of a third party (*Mehrfachvertretung*).

Pursuant to Section 11 of the Company's Articles of Association the Management Board must seek prior consent of the Supervisory Board for the following transactions or measures:

- the acquisition or sale of shares and other interests in companies;
- taking up loans with a term of more than one year as well as taking up bonds;
- granting of a general power of attorney (*Prokura*).

The Supervisory Board may extend the scope of transactions requiring its approval.

On January 31, 2013 the Supervisory Board has issued the Bylaws for the Management Board.

The members of the Management Board can be reached at the Company's business address.

14.2.2 Current Members of the Management Board

At present, the Management Board consists of the following members:

Arndt Krienen (*1966)

Mr. Arndt Krienen is a fully qualified lawyer (*Volljurist*). Having completed his law studies at Julius-Maximilians-Universität in Würzburg in 1992 and his legal clerkship (*Referendariat*) at the Dusseldorf Higher Regional Court in 1994, he began his professional career in 1995 in the legal department of BARMAG AG in Remscheid. He was working for two years in this legal department and lastly as department head. In 1998 he was sent to AMERICAN BARMAG CORPORATION, Charlotte, NC, USA, a 100% subsidiary of BARMAG AG. Mr. Krienen was responsible for after-sales services for the whole NAFTA region and was a member of the management of AMERICAN BARMAG CORPORATION. Since August 2000 Mr. Krienen is member of the Management Board of WESTGRUND.

The Supervisory Board reappointed Mr. Krienen as member of the Management Board by resolution of September 30, 2013. His term of office ends on September 30, 2016. In his capacity as sole member of the Management Board he was responsible for all business areas until October 1, 2013. At present, he still is responsible for all areas except for the areas purchase of real estate and finance.

The Supervisory Board has granted power of sole representation to Mr. Krienen.

Mr. Krienen has not had a position in the last five years as a partner or member of an administrative, management or supervisory body or a partner of any enterprise outside WESTGRUND Group.

Sascha Giest (*1976)

Mr. Sascha Giest graduated from Berufsakademie Berlin as Bachelor in Banking and Business Administration in 2000. Parallel to his studies he took part in a three years part-time trainee program at Deutsche Bank AG. He started his professional career at JP Morgan, London, for most of the time as capital advisory associate, and in an M&A health care team were he advised European clients on acquisitions, divestures and mergers. From 2005 to 2008 he worked at Barclays Capital in London in the Real Estate Team of the Investment Bank as associate director. From August 2008 to July 2009 he took a one year career break. After that he worked for two years as chief executive officer at EzyBoat Ltd. and until September 2013 with GEWOBAG AG, Berlin as Transaction Manager.

In its meeting on September 30, 2013, the Supervisory Board appointed Mr. Giest as additional member of the Management Board until September 30, 2015, effective as of October 1, 2013. Mr. Giest is responsible for the areas of purchase of real estate and finance.

Mr. Giest has not had a position in the last five years as a partner or member of an administrative, management or supervisory body or a partner of any enterprise outside WESTGRUND Group.

Compensation

In fiscal year 2013 the members of the Management Board received remuneration from the Company as follows:

Management Board	**Remuneration**			
EUR	Fixed	Variable	Other[1]	**Total**
Arndt Krienen	140,000.00	50,000.00[2]	40,000.00	230,000.00
Sascha Giest[3]	30,000.00	0.00	0.00	30,000.00

[1] Other remuneration includes non-cash benefits such as the private use of a company car, travel expenses, etc.

[2] Bonus for the fiscal year 2012

[3] For the period from October 1, 2013 to December 31, 2013

Furthermore, in fiscal year 2013 the members of the Management Board acquired claims for variable remuneration in the amount of EUR 50,000.00 (Mr Krienen) and of EUR 30,000.00 (Mr Giest) which are payable at the end of 2014 if the preconditions for their payment are met.

Provisions for pension funds for former or actual members of the Management Board have not been made since there are no respective obligations of any company of WESTGRUND Group. A further compensation for former members of the Management Board has not been paid in fiscal year 2013.

The employment contracts of the members of the Management Board state that in the event of a change of control the members of the Management Board are entitled to an extraordinary termination right with a three month notice period, that must be exercised within three months following the change of control. In such case, the Company will pay the members of the Management Board a severance payment. The amount of the severance payment depends on the remuneration (fixed and variable remuneration) for the remainder of the agreed period of the employment contract, but for a maximum of 36 months. These payments are in accordance with Section 4.2.3 (4) and (5) of the German Corporate Governance Codex and the severance cap contained in that provisions.

The Company has taken out a Directors' & Officers' (D&O) insurance policy (*Vermögensschadenshaftpflichtversicherung*) with renewable premiums in the amount of approximately EUR 9,000.00 p.a. for all governing bodies paid by the Company and an insurance policy for criminal defense. The agreed coverage is EUR 5,000,000.00 per insured event and overall per period of insurance.

Loans, Guarantees or other Warranties on behalf of Members of the Management Board

Apart from the short-term loan granted to Mr Krienen in December 2013, which was completely repaid in the first quarter 2014, the members of the Management Board were not granted any company loan in fiscal year 2013. The Company did not assume any guarantees or other warranties on behalf of these persons.

Other legal Relationships

During the last five years, no member of the Management Board has been convicted of any fraudulent offense. In addition, no member of the Management Board has been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies) or, acting in the capacity of a member of an administrative, management or supervisory body or as founder of an issuer, been associated with any bankruptcies and/or insolvencies, receiverships or liquidations. No member of the Management Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Apart from the activities described in this section 14.2.2, the members of the Management Board do not carry out any other activity significant for the Company.

There are no family relationships between (i) individual members of the Management Board or (ii) between Management Board members and members of the Supervisory Board.

There are no actual or potential conflicts of interest between the responsibilities of the members of the Management Board vis-à-vis the Company and their private interests or other responsibilities.

14.3 The Supervisory Board

14.3.1 Composition, Resolutions and Representation

The Company's Supervisory Board consists of three members all elected by the Shareholders' Meeting as representatives of the shareholders. Pursuant to the Articles of Association of WESTGRUND the members of the Supervisory Board and, if applicable, their substitute members are elected for the period up until the end of the Shareholders' Meeting that decides on the formal approval of the actions of the Supervisory Board for the fourth fiscal year after the term of office commenced. The fiscal year in which the term of office commences shall not be calculated in this period. On their election the Shareholders' Meeting may stipulate a shorter period. Reelection, including repeated reelection, is permissible. For each member of the Supervisory Board, the shareholders may, at the same time the respective member is elected, appoint substitute members. These substitute members will replace the elected Supervisory Board member in the event of his premature departure in an order that was defined at the time of the appointment. The term of office of the substitute member replacing the departing member terminates, if a successor is elected at the next Shareholders' Meeting or the following one, at the close of the Shareholders' Meeting, otherwise on the expiry of the term of office of the departed member of the Supervisory Board.

Pursuant to Section 100 AktG the following individuals may not become a member of the Supervisory Board: a person (i) who is already a member of a Supervisory Board in ten commercial companies which are required by law to have supervisory boards, (ii) who is a statutory representative of an enterprise which is controlled by the Company, (iii) who is legal representative of other corporations whose supervisory board comprises a member of the Management Board of the Company, or (iv) who in the past two years has served as member of the Management Board of the Company, unless it is appointed upon a motion presented by shareholders holding more than 25% of the voting rights in the Company. Members of the Supervisory Board who were elected by the Shareholders' Meeting may be dismissed at any time during their term of office by a resolution of the Shareholders' Meeting adopted by 75% of the votes cast. According to the Company's Articles of Association, any member or substitute member of the Supervisory Board may resign at any time, even without providing a reason, by giving one month's notice of his resignation to the Chairman of the Supervisory Board or the Managing Board in writing. This does not affect the right to resign for good cause. In this case any member of the Supervisory Board may resign without notice.

In its first meeting after its election, the Supervisory Board elects from among its members a Chairman and a Vice Chairman for the term of their individual office. If the Chairman or Vice Chairman leaves office before their end of term, the Supervisory Board shall elect a replacement Chairman or Vice Chairman immediately.

The Supervisory Board must hold two meetings within six months of each calendar year pursuant to Section 110 AktG. Meetings are called by the Chairman or Vice Chairman. The Supervisory Board has a quorum if at least three members are present. A member also takes part in the resolution if it abstains from voting. Absent members may participate in the vote on a resolution if they arrange for a written vote to be submitted by another member. Furthermore, pursuant to Section 10 paragraph 4 of the Company's Articles of Association absent members may cast their votes orally, by telephone, by fax, email or using other standard means of telecommunication.

As a rule, resolutions of the Supervisory Board shall be passed at physical meetings. Resolutions of the Supervisory Board may also be passed by votes transmitted orally, by telephone, in writing, by fax, email or using other standard means of telecommunication.

The resolutions of the Supervisory Board are passed with a simple majority, unless otherwise mandated by law or the Articles of Association. An abstention shall not be considered as a vote cast.

According to the Articles of Association the Supervisory Board shall issue its own Bylaws, but it has not yet exercised this right.

The Supervisory Board has not formed any committees from among its members. Thus, the Company does not have an audit committee or a remuneration committee.

The members of the Supervisory Board can be reached at the Company's business address.

14.3.2 Current Members

At present, the Company's Supervisory Board consists of three members. They have been elected by the ordinary Shareholders' Meeting on December 19, 2011 and their term lasts until the end of the ordinary Shareholders' Meeting 2016. The following table lists the members of the Company's Supervisory Board and the positions they hold outside the Company.

Name	Principal occupation outside of the WESTGRUND Group
Gerhard Wacker (Chairman)	Lawyer, Rödl & Partner, Nürnberg
Günther Villing	Lawyer, Walldorf
Dr. Marc Schulten	Graduate in business administrations (*Diplom-Kaufmann*), co-founder and member of the Management Board of FFIRE Immobilienverwaltung AG, Berlin

Curricula Vitae

Gerhard Wacker (*1974)
Mr. Gerhard Wacker completed his law studies at Friedrich-Alexander-Universität in Erlangen-Nuremberg in 1999. Thereafter, he passed his legal clerkship (*Referendariat*) at the Nuremberg Higher Regional Court. From 2002 to the end of 2005 he worked as lawyer (*Rechtsanwalt*) at KPMG, Cologne and since 2006 with Rödl & Partner, Nuremberg, in the areas of M&A, venture capital/private equity, corporate and tax law. Since July 2009 he is partner at Rödl & Partner.

Apart from the position mentioned before Mr. Wacker has not had a position in the last five years as a partner or member of an administrative, management or supervisory body or a partner of any enterprise outside WESTGRUND Group.

Günther Villing (*1952)
Mr. Günther Villing studied political economies and law and obtained a diploma degree in economics (*Diplomvolkswirt*) in 1978 and passed his law degree (*erstes juristisches Staatsexamen*) in 1979. After his legal clerkship (*Referendariat*) he passed his second state examination (*zweites juristisches Staatsexamen*) and started his professional career as in-house counsel of a trust company in Heidelberg. Since 1985 he works as lawyer (*Rechtsanwalt*) in the areas of economic and corporate law. From 2006 to 2009 he was chairman of the Supervisory Board of Quintos Real Estate AG, Hamburg. Since 1991 he is chairman of the Supervisory Board of Salzbrücke AG, Meiningen.

Apart from the positions mentioned before Mr. Villing has not had a position in the last five years as a partner or member of an administrative, management or supervisory body or a partner of any enterprise outside WESTGRUND Group.

Dr. Marc Schulten (*1962)
Dr. Marc Schulten studied business economy in Bamberg and obtained his degree (*Diplomkaufmann*) in 1989. In 1995 he obtained his doctor's degree. He started his professional career in 1990 as managing director of a textile and clothing company. Thereafter, he worked as independent advisor for or as director of various companies in the areas of real estate, project development etc. Since April 2010 he is chairman of the Management Board of FFIRE Immobilienverwaltung AG which is focused on the restructuring of overleveraged and undermanaged real estate portfolios. Since 2011 he is member of the Supervisory Board of IC-International Campus AG and since 2013 he is member of the Advisory Board of One-Group AG.

Apart from the positions mentioned before Dr. Schulten has not had a position in the last five years as a partner or member of an administrative, management or supervisory body or a partner of any enterprise outside WESTGRUND Group.

Compensation
The remuneration of the Supervisory Board is regulated in Section 12 of the Company's Articles of Association. Pursuant to Section 12 paragraph 1 and 2, from 2014 each member of the Supervisory Board receives a fixed compensation of EUR 17,500.00 for his activity payable upon the completion of the fiscal year, besides reimbursement of their expenses. The Chairman receives a fixed compensation in the amount of EUR 25,000.00 p.a.

The remuneration of the Supervisory Board for the fiscal year 2013 was as follows:

Supervisory Board	compensation		
Expressed in EUR	fixed compensation	performance-related compensation	total
Gerhard Wacker	15.000	0	15.000
Günther Villing	10.000	0	10.000
Dr. Marc Schulten	10.000	0	10.000
total	**35.000**	**0**	**35.000**

Provisions for pension funds for former or actual members of the Supervisory Board have not been made since there are no respective obligations of the WESTGRUND Group. The Supervisory Board members are further entitled to reimbursement of all expenses. Value added tax shall be borne by the Company. The Company has taken out a Directors' & Officers' (D&O) insurance policy (*Vermögensschadenshaftpflichtversicherung*) for the members of the Supervisory Board with renewable premiums in the amount of approximately EUR 9,000.00 p.a. for all governing bodies paid by the Company. The agreed coverage is EUR 5,000,000.00 per insured event and overall per period of insurance.

No member of the Supervisory Board was compensated for any consulting services for the Company for the term of office. There are no service contracts between the members of the Supervisory Board and WESTGRUND Group. No other agreements between the Company and the members of the Supervisory Board provide for the payment of any benefits after termination or expiration of the term of office.

Loans, Guarantees or other Warranties on behalf of Members of the Supervisory Board

Currently, members of the Supervisory Board are not granted any loans by the Company and the Company does not issue any guarantee or warranty for any member of the Supervisory Board.

Other legal Relationships

During the last five years, no member of the Supervisory Board has been convicted of any fraudulent offense. In addition, no member of the Supervisory Board has been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies) or, acting in the capacity of a member of an administrative, management or supervisory body or as founder of an issuer, been associated with any bankruptcies and/or insolvencies, receiverships or liquidations. No member of the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

At the beginning of March 2013, Westgrund Immobilien IV. GmbH, Berlin, purchased 1,085 apartments in Berlin-Spandau from FFIRE Immobilienverwaltung AG, Berlin, out of a non-performing loan portfolio. The member of the Company's Supervisory Board Dr. Schulten is the founding shareholder and the sole member of the management board of FFIRE Immobilienverwaltung AG. The purchase price was below the market values of the properties determined by surveyors. FFIRE Immobilienverwaltung AG and WESTGRUND are active in the German property market. Therefore, it cannot be excluded FFIRE Immobilienverwaltung AG to be a competitor to WESTGRUND in future real estate acquisitions.

In addition, there are no actual or potential conflicts of interest between the responsibilities of the members of the Management Board vis-à-vis the Company and their private interests or other responsibilities.

There are no family relationships between (i) individual members of the Supervisory Board or (ii) between Supervisory Board members and Management Board members.

14.4 Shareholders' Meeting

The Shareholders' Meeting is the body in which shareholders can exercise their rights within the Company. Pursuant to the Articles of Association the Shareholders' Meeting must be held at the registered office of the Company or in another German city with a stock exchange. Each individual share confers one vote in the Shareholders' Meeting. Limitations on voting rights do not exist. The voting right accrues only upon full payment of the relevant contribution. Voting rights can be exercised through a proxy. The granting and withdrawal of power of attorney and the provision of evidence of authorization to the Company shall be in text form. The details for the granting of the power of attorney, its revocation and the proof of the authorization towards the Company will be announced with the notice to the Shareholders' Meeting. The notice of the meeting can establish relief from the form requirement; Section 135 of the Stock Corporation Act (*Aktiengesetz*) is unaffected. If the shareholder grants the power of attorney to more than one person, the Company may refuse one or several of them.

Resolutions are adopted by the Shareholders' Meeting with a simple majority and, if the law so requires, with a simple majority of share capital, unless otherwise provided by mandatory applicable law or the Company's Articles of Association.

Neither the German Stock Corporation Act nor the Articles of Association require any minimum participation for the Shareholder's Meeting to have quorum.

Under the German Stock Corporation Act (*Aktiengesetz*), certain resolutions of fundamental importance mandatorily require - in addition to a majority of the votes cast - a majority of at least three-quarters of the share capital represented at the vote. These resolutions include in particular:

- Capital increases excluding shareholders' subscription rights,
- Capital reductions,
- Creation of authorized or contingent capital,
- Corporate transformation measures, such as mergers, de-mergers and changes in legal form,
- Execution and amendment of Company agreements (for example, control and profit and loss transfer),
- Transfer of all the assets of the Company and
- Liquidation of the Company.

The Shareholders' Meeting of the Company is convened as a rule once a year (annual shareholders' meeting) and may be convened by the Management Board and/or by the Supervisory Board as prescribed by law. In addition, an extraordinary shareholders' meeting must be convened by the Management Board or Supervisory Board if the interests of the Company so require. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), shareholders whose shares constitute at least 5% of the share capital may demand that the Shareholders' Meeting is to be convened; this demand must be made in writing, stating the purpose of the meeting and be directed to the Management Board.

The ordinary Shareholders' Meeting must take place within the first eight months of each fiscal year.

Notice of the convening of the Shareholders' Meeting, accompanied by the agenda, is made through publication in the German Federal Gazette (*Bundesanzeiger*) and must be issued no later than 30 days before the day on which shareholders must register prior to the meeting. This period does not include the day on which the convening notice is issued and the day on which the shareholders must register to participate in the Shareholders' Meeting. The registration must be received by the company at least six days prior to the meeting at the address stated for this purpose in the invitation in text form in German or English. Shareholders wishing to participate in Shareholders' Meetings or exercise their voting rights must register for the Shareholders' Meeting and provide proof of their authorization. Written evidence of the shareholdings in German or English, prepared by the custodian institution, must be presented to the Company at least six days before the Shareholders' Meeting not including the day of receipt and the day of the Shareholders' Meeting. The written evidence of shareholding must relate to the beginning of the twenty-first day prior to the Shareholders' Meeting.

In general, for periods and deadlines which are calculated backwards from the Shareholders' Meeting the date of the Shareholders' Meeting is not to be included in the calculation; if the end of that period is a Sunday, an official holiday at the registered office of the Company or a Saturday, such day will not be replaced by the preceding or succeeding working day.

Pursuant to the Articles of Association the Management Board is authorized to make provision for shareholders to participate in the Shareholders' Meeting without actually attending the venue and without granting powers of proxy, and to exercise their voting rights in part or in full via electronic means (online participation). The Management Board may define individual rules concerning the scope and method of online participation that are published with the notice for the Shareholders' Meeting.

Furthermore, the Management Board is authorized to make provision for shareholders to cast their votes in writing or via electronic means without attending the Shareholders' Meeting (postal vote). It may define individual rules concerning the process of postal voting that are published with the notice for the Shareholders' Meeting.

Neither German law nor the Company's Articles of Association restrict the right of shareholders not resident in Germany or foreign shareholders to hold shares or to exercise the voting rights attached to such shares.

14.5 Shareholdings and Stock Options

As of the date of this Prospectus, the Members of the Management Board and of the Supervisory Board hold shares in the Company as follows:

Name	Number	Proportion
Arndt Krienen	45,000	approx. 0.13%
Sascha Giest	2,000	approx. 0.006%
Gerhard Wacker	0	0%
Günther Villing	0	0%
Dr. Marc Schulten	0	0%

As of the date of this Prospectus, the Members of the Management Board hold stock options as follows:

Arndt Krienen:
246,400 stock options from stock option program 2011

Sascha Giest:
160,000 stock options from stock option program 2011

The conditions upon which the exercise of stock options depends are described in detail in Section 16.3.3 "*Contingent Capital IV and stock option plan 2011*".

No stock options were issued to members of the Supervisory Board.

14.6 Corporate Governance

The German Corporate Governance Code (the "**Code**"), which was passed in February 2002 by the Government Commission on the Corporate Governance Code (*Regierungskommission Deutscher Corporate Governance Kodex*) and last amended on May 13, 2013, contains recommendations and suggestions for the management and supervision of German companies listed on the stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to make the German system of corporate governance and supervision transparent for investors. The Code includes recommendations and suggestions for management and supervision with regard to shareholders and Shareholders' Meetings, Management and Supervisory Boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. However, the German Stock Corporation Act (*Aktiengesetz*) requires that the Management Board and Supervisory Board of a German listed company declare, every year, either that the recommendations have been or will be applied, or which recommendations have not been or will not be applied and explain why the Management Board and the Supervisory Board do not/will not apply such recommendations that have not been or will not be applied. This declaration is to be made permanently accessible to shareholders. However, deviations from the suggestions contained in the Code need not be disclosed.

Having taken due account of the provisions of the Code, the Management Board and the Supervisory Board of the Company adopted the following declaration of compliance according to section 161 German Stock Corporation Act (*Aktiengesetz*):

"Since the issuance of the latest declaration according to section 161 German Stock Corporation Act (*Aktiengesetz*) WESTGRUND has complied with and will comply with the recommendations of the "Governmental Commission German Corporate Governance Code", currently in the version of May 13, 2013 as amended from time to time("**Code**") with the following exceptions:

In derogation of the recommendation in clause 3.8 paragraph 3 of the Code, no deductible has been stipulated with respect to the Directors & Officers insurance agreement concluded for the Supervisory Board. The Supervisory Board and the Management Board are of the opinion that concluding a deductible agreement would not improve incentive and performance of the Supervisory Board at WESTGRUND.

In derogation of the recommendation in clause 4.2.1 paragraph 1 of the Code the Management Board of WESTGRUND consisted of only one person until September 30, 2013, and therefore, no chairman or spokesperson of the Management Board was appointed. Due to the recent corporate development of the company an expansion of the Management Board was appropriate. Therefore in October, 2013 a second person was appointed to the Management Board. In derogation of the recommendation in clause 4.2.1 paragraph 1 of the Code the Management Board of WESTGRUND still neither appointed a chairman nor a spokesperson of the Management Board after October 1, 2013 as the Supervisory Board does not deem it necessary, considering that the Management Board consists of only two persons.

In derogation of the recommendation in clause 5.1.2 paragraph 2 sentence 3 of the Code, WESTGRUND does not provide an age limit for members of the Management Board. The provision of an age limit is currently not deemed necessary considering the age structure of the current Management Board of WESTGRUND.

In derogation of the recommendation in clause 4.2.2 paragraph 1 of the Code, the Supervisory Board in its entirety handles Management Board contracts and defines the total remuneration of individual management board members, as well as adopting and regularly reviewing the Management Board compensation system.

In derogation of the recommendation in clause 4.2.3 paragraph 6 of the Code, the Company waives to inform the Shareholders' Meeting about the main features of the remuneration system by the chairman of the Supervisory Board because the main features of the remuneration system and the exact amounts of the respective remunerations are already provided and described in the annual financial statement.

In derogation of the recommendation in clause 5.3 of the Code, the Supervisory Board has currently not formed any committees (clause 5.3.1). No audit committee has been set up (clause 5.3.2). The duties of the audit committee are carried out by all the members of the Supervisory Board. In the derogation of the recommendation in clause 5.3.3 of the Code, the Supervisory Board has not formed a nomination committee. The entire Supervisory Board nominates suitable candidates for the consideration of the shareholders in Shareholders' Meeting. The Supervisory Board currently consists of the minimum number of three members prescribed by the German Stock Companies Act. The number of the members of the Supervisory Board is not suited to form an audit or other committees. In its current size of three members the Supervisory Board still deems it possible to perform efficiently when fully represented, and does not deem necessary the formation of committees of two persons, or even at least three persons if the committee is supposed to have a quorum.

In the derogation of the recommendation in clause 5.4.2 of the Code, the members of the Supervisory Board are allowed to execute board functions or advisory duties for other major competitors of the Company. The Management Board and Supervisory Board are of the opinion that the experience gained from such activities can be used profitable for the WESTGRUND AG.

In derogation of the recommendation in clause 5.4.6 paragraph 3 of the Code, the remuneration of the members of the Supervisory Board is not disclosed, broken down by individual and component, in the Corporate Governance Report. The remuneration of the Supervisory Board members is evident from the Articles of Association.

In derogation of the recommendation in clause 7.1.2 of the Code, financial statements are made available to the public in accordance with the disclosure requirements stipulated by law. WESTGRUNG currently does not see any improvement in capital market transparency when business figures are published faster than required by law.

Berlin, August 12, 2014

WESTGRUND AG“

As of the date of this Prospectus, the Company is in compliance with the recommendations of the Code in the scope declared in the Declaration of Compliance by the Management Board and Supervisory Board of the Company of August 12, 2014.

15. MAJOR SHAREHOLDERS AND LEGAL RELATIONSHIPS WITH RELATED PARTIES

15.1 Shareholder Structure

On the basis of the notifications received by the Company as of the date of this Prospectus in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*) and pursuant to the information provided by the respective shareholders therein, the following persons, directly or indirectly, have a notifiable interest in the Company's capital and voting rights:

Shareholder	**Proportion of shares and voting rights**
Wecken & Cie. (directly)	49.7%
Quartenal Investment Ltd. (directly)	21.6%
Ms Angela Lechner, attributed from - Paloulita Limited (4.7%) - Orlando Real Berlin GmbH (5.5%)	10.2%
Free Float	18.5%
Total	**100%**

Information on the number of shares held by the members of the Management Board and the Supervisory Board can be found in Section 14.5 above. Each share in the Company carries one vote at the Company's Sharesholders' Meeting. There are no different voting rights or restrictions on voting rights.

Due to its holdings of almost 50% of the voting rights in the Company, Wecken & Cie. is able to exercise direct control over WESTGRUND. Considering the presence of voting rights in the Company's shareholders' meetings over the last years, it is likely that Wecken & Cie. will continue to control the majority of voting rights in future shareholders' meetings, even if Wecken & Cie. does not exercise all of its subscription rights. Apart from Wecken & Cie. no shareholder of WESTGRUND has direct or indirect control over WESTGRUND.

15.2 Legal Relationships with Related Parties

In the three prior fiscal years and since the end of the last fiscal year up to the date of this Prospectus, the following legal relationships existed between the WESTGRUND Group and related parties:

WESTGRUND Group	**Related party**	**Legal nature of relationship**
WESTGRUND	Care4 AG, Basel, Switzerland (affiliated with Wecken & Cie., major shareholder of WESTGRUND)	Placement Agreement, which will probably be concluded on September 9, 2014, obliging WESTGRUND to pay Care4 AG a fee for the placement of New Shares to shareholders and investors. The amount

WESTGRUND Group	**Related party**	**Legal nature of relationship**
		of the fee is subject to the number of shares that will be placed due to the procurement of Care4 AG.
WESTGRUND	Wecken & Cie. (major shareholder of WESTGRUND)	In order to secure the preliminary financing of the acquisition of the Berlinovo-Portfolio by Barclays Bank PLC, the Company, the Joint Global Coordinators and Wecken & Cie. entered into the Volume Underwriting Agreement (dated July 9, 2014). According to the Volume Underwriting Agreement, the Joint Global Coordinators and Wecken & Cie. would have been obliged to acquire any residual New Shares that have not been subscribed for or placed in the offering for a minimum price of EUR 2.54 per share. In addition, according to separate agreements entered into by the Company and certain other persons, such persons have committed themselves to acquire New Shares for a certain amount and at such minimum price. The Volume Underwriting Agreement has been replaced by the Underwriting Agreement dated September 9, 2014, notwithstanding the obligation of the Company under the Volume Underwriting Agreement and the further agreements to pay a fix back-stop commission in the amount of together approximately EUR 1.7 million to the Joint Global Coordinators, to Wecken & Cie. and to such further persons that have committed themselves to acquire New Shares.
WESTGRUND	Care4 AG, Basel, Switzerland (affiliated with Wecken & Cie., major shareholder of WESTGRUND)	Mezzanine Loan Agreement dated July 4, 2014, Loan amount: EUR 8,500,000.00, interest rate 8% p.a., maturity: October 4, 2014, loan is only granted as surety for the acquisition of the Berlinovo-Portfolio, after successful acquisition of the portfolio WESTGRUND is obliged to pay a profit

WESTGRUND Group	Related party	Legal nature of relationship
		sharing in the amount of 5% of the loan amount to Care4 AG, loan is subordinated to all claims of other creditors.
Westconcept GmbH	Klaus Rudolf Wecken (affiliated to Wecken & Cie., major shareholder of WESTGRUND)	Property acquisition agreement dated March 24, 2014, between Klaus Rudolf Wecken, as seller, and Westconcept GmbH, as purchaser, on the real estate portfolio in Leipzig consisting of approximately 20 residential units.
Westconcept GmbH	W & W Immobilien Beratung GmbH & Co. KG, Weil am Rhein, Germany (affiliated to Wecken & Cie., major shareholder of WESTGRUND)	Property acquisition agreement dated March 24, 2014, between W & W Immobilien Beratung GmbH & Co. KG, as seller, and Westconcept GmbH, as purchaser, on the real estate portfolio in Leipzig consisting of approximately 24 residential units.
WESTGRUND	Wecken & Cie. (major shareholder of WESTGRUND)	Notarial Contribution Agreements (dated January 15, 2014 and March 28, 2014) concerning the contribution of 61.7% of the shares in Westgrund I. Halle GmbH (former Brilliant 2000 GmbH) into WESTGRUND by way of a capital increase against contribution in kind; Westgrund I. Halle GmbH holds the real estate portfolio Halle.
WESTGRUND	Arndt Krienen (member of the Management Board)	Short-term loan granted to Mr Krienen in the amount of EUR 123,000, completely repaid in first quarter 2014; loan receivable was a result of income tax to be settled by WESTGRUND, resulting from the exercising of stock options by Mr Krienen in December 2013.
WESTGRUND	Roland Zanotelli, Basel, Switzerland (related to Wecken & Cie., major shareholder of WEST-	Working capital loan dated November 6, 2013, granted by Mr Zanotelli in the amount of EUR 440,000.00, interest rate: 10% p.a., fully repaid in 2014.

WESTGRUND Group	Related party	Legal nature of relationship
	GRUND)	
WESTGRUND	Marc Leffin, Kastanienbaum, Switzerland (related to Wecken & Cie. major share-holder of WESTGRUND)	Working capital loan dated November 6, 2013, granted by Mr Leffin in the amount of EUR 220,000.00, interest rate: 10% p.a., fully repaid in 2014.
WESTGRUND	Marc Leffin, Kastanienbaum, Switzerland (related to Wecken & Cie. major share-holder of WESTGRUND)	Commission in the amount of EUR 500,000.00 granted to Mr Leffin for procurement of financing of the acquisition of the portfolio in Berlin-Kreuzberg in July 2013.
WESTGRUND	Care4 AG, Basel, Switzer-land (affiliated to Wecken & Cie., major shareholder of WESTGRUND)	Working capital loan dated May 29, 2013, granted by Care4 AG in the amount of EUR 2,650,000.00, interest rate: 10% p.a., the loan receivable against WESTGRUND AG was contributed in WESTGRUND by way of a capital increase against contribu-tion in kind (contribution agreement dated April 25, 2014).
WESTGRUND	Care4 AG, Basel, Switzer-land (affiliated to Wecken & Cie., major shareholder of WESTGRUND)	Contribution Agreements (dated April 25, 2014) concerning the contribution of the loan receivable amounting to EUR 2,900,000.00 as of the end of term (loan agreement dated May 29, 2013) of Care4 AG against WESTGRUND into WESTGRUND by way of a capital in-crease against contribution in kind; 853,939 shares in WESTGRUND have been issued.
WESTGRUND	Marc Leffin, Kastanienbaum, Switzerland (related to Wecken & Cie., major shareholder of WEST-GRUND)	Working capital loan dated May 29, 2013, granted by Mr Leffin in the amount of EUR 1,020,000.00, interest rate: 10% p.a., fully repaid in 2014.
WESTGRUND	FFIRE Immobilienverwal-tung AG, Berlin, Germany	Commission in the amount of EUR 500,000.00 granted to FFIRE Immo-

WESTGRUND Group	**Related party**	**Legal nature of relationship**
	(company related to Dr. Marc Schulten, member of the Supervisory Board)	bilienverwaltung AG for procurement of external financing for the acquisition of the portfolio in Berlin-Spandau in February 2013.
WESTGRUND	Care4 AG, Basel, Switzerland (affiliated company of Wecken & Cie., major shareholder of WESTGRUND)	Working capital loan (dated July 26, 2011) granted by Care4 AG (an affiliated company of Wecken & Cie.) to WESTGRUND in the amount of CHF 3,000,000.00, interest rate of 8% p.a., fully repaid in 2012.

The Company maintains no agreement or understanding with its major shareholders, customers, suppliers, or other persons, with respect to appointments to the Management Board or Supervisory Board of the Company.

16. INFORMATION ON THE CAPITAL OF THE COMPANY

16.1 Issued Share Capital and Shares

As of the date of this Prospectus, the Company's share capital amounts to EUR 33,607,451.00 divided into 33,607,451 ordinary bearer shares with no par value (*Stückaktien*), each representing a notional value of EUR 1,00. Each share carries one vote at the Shareholders' Meeting. The Articles of Association do not provide for any restrictions on voting rights. The shares are fully entitled to dividends. If the Company is dissolved, the Company's assets remaining after the deduction of liabilities will be divided by the percentages shareholders hold in the share capital of the Company.

Section 5 paragraph 5 of the Articles of Association states that shareholders are not entitled to have their shares evidenced by individual share certificates. The Existing Shares have been deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany, in the form of global share certificates without dividend coupons.

Development of the Share Capital

The Company's share capital as of January 1, 2011 – the beginning of the period the historical financial information refers to – was EUR 10,375,750.00.

By resolution of the Management Board on October 31, 2011, approved by the Supervisory Board on November 1, 2011, the Company's share capital was increased from the authorized capital which had been created by a resolution of the Shareholders' Meeting of February 28, 2011 by EUR 1,037,570.00 to EUR 11,413,320.00 The consummation of this capital increase was registered with the commercial register on December 8, 2011.

On December 19, 2011 the Shareholders' Meeting resolved to increase the share capital by up to EUR 15,000,000.00. By resolution of the Management Board and the Supervisory Board of May 22, 2012 the Company's share capital was increased by EUR 7,268,197.00 to EUR 18,681,517.00, registered with the commercial register on June 15, 2012.

By resolution of the Management Board on January 22, 2013, approved by the Supervisory Board on the same day, the Company's share capital was increased from the authorized capital which had been created by a resolution of the Shareholders' Meeting of August 24, 2012 by EUR 1,868,150.00 to EUR 20,549,667.00. The consummation of this capital increase was registered with the commercial register on February 25, 2013.

By resolution of the Management Board on May 8, 2013, approved by the Supervisory Board on the same day, the Company's share capital was increased by EUR 1,200,000.00 to EUR 21,749,667.00, registered with the commercial register on July 12, 2013.

By resolution of the Management Board on July 15, 2013, approved by the Supervisory Board on the same day, the Company's share capital was reduced by EUR 7.00 to EUR 21,749,660.00 by withdrawal of treasury shares that were purchased by the Company according to an authorization granted as a result of the Shareholders' Meeting on August 24, 2012.

On July 15, 2013 the Shareholders' Meeting resolved to increase the Company's share capital from own funds by EUR 2,174,966.00 to EUR 23,924,626.00, registered with the commercial register on September 13, 2013.

By exercise of stock options of the member of the management board, Mr Arndt Krienen, on December 13, 2013 and on December 17, 2013, the Company's share capital was increased from the contingent capital which had been created by a resolution of the Shareholders' Meeting of August 27, 2008 by EUR 165,000.00 to EUR 24,089,626.00. The consummation of this capital increase was registered with the commercial register on January 30, 2014.

By resolution of the Management Board on March 19, 2014, approved by the Supervisory Board on the same day, the Company's share capital was increased from the authorized capital which had been created by a resolution of the Shareholders' Meeting of July 15, 2013 by EUR 2,392,374.00 to EUR 26,482,000.00. The consummation of this capital increase was registered with the commercial register on March 24, 2014.

By resolution of the Management Board on April 16, 2014, approved by the Supervisory Board on the same day, the Company's share capital was increased from the authorized capital which had been created by a resolution of the Shareholders' Meeting of July 15, 2013 by EUR 2,774,429.00 to EUR 29,256,429.00. The consummation of this capital increase was registered with the commercial register on June 12, 2014.

By resolution of the Management Board on April 30, 2014, approved by the Supervisory Board on the same day, the Company's share capital was increased from the authorized capital which had been created by a resolution of the Shareholders' Meeting of July 15, 2013 by EUR 853,939.00 to EUR 30,110,368.00. The consummation of this capital increase was registered with the commercial register on June 12, 2014.

By resolution of the Management Board on June 13, 2014, approved by the Supervisory Board on the same day, the Company's share capital was reduced by EUR 8.00 to EUR 30,110,360.00 by withdrawal of treasury shares that were purchased by the Company according to an authorization granted as a result of the Shareholders' Meeting on August 24, 2012.

On June 13, 2014 the Shareholders' Meeting resolved to increase the Company's share capital from own funds by EUR 3,011,036.00 to EUR 33,121,396.00, registered with the commercial register on July 2, 2014.

Since the beginning of July 2014, the Company continuously issues new shares out of contingent capital due to ongoing conversions of the Convertible Bonds 2014/2016. Due to these conversions the Company's share capital rose to EUR 33,607,451.00 at the date of this Prospectus. The new share capital is expected to be registered with the commercial register on September 10, 2014. According to the conditions of the Convertible Bonds 2014/2016 conversion are still possible until December 15, 2014 in the current business year.

All shares were issued in accordance with the terms of German stock corporation law

The following overview represents the amount of shares that currently can be converted according to outstanding stock options and convertible bonds:

Subscription rights	**Number of shares in case of complete exercise of all subscription rights**
stock option programme 2008	165,891
stock option programme 2011	704,000
convertible bond 2014/2016	5,424,643

Beyond that, the Company has not issued any such financial instruments which grant to their holders conversion and/or subscription rights to shares in the Company.

16.2 Authorized Capital 2014/I.

By resolution of the Shareholders' Meeting on June 13, 2014, which was entered into the commercial register on July 2, 2014, the Management Board has been authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to a total of EUR 15,055,000.00 by issuing up to 15,055,000 new ordinary bearer shares with no par value in one or more tranches against contribution in cash or contribution in kind until and including June 12, 2019 (Authorized Capital 2014/I.).

The Management Board is authorized, subject to the approval of the Supervisory Board, to completely or partially exclude shareholders' statutory subscription rights in the following cases:

i. in the case of capital increases against contribution in cash, if shares in the company are traded on a stock market (regulated market or open market or the successors to these segments) the capital increase does not exceed 10% of the share capital at either the time of coming into effect or the time of this authorization being exercised and the issue price of the new shares is not significantly lower than the market price of shares in the company of the same class and features already traded on the stock market within the meaning of Sections 203 paragraph 1 and 2, 186 paragraph 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). The amount of 10% of the share capital must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorization with pre-emption rights disapplied under direct or mutatis mutandis application of Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), if such inclusion is required by law. For the purposes of this authorization, the issue price for the purchase of new shares by an intermediary with the simultaneous obligation of such intermediary to offer the new shares for purchase to one or more third parties designated by the company is deemed to be the amount that must be paid by the third party or parties;

ii. to issue shares against contribution in kind in particular for the purpose of acquisition of companies, parts thereof, investments in companies, industrial property rights, such as patents, brands or licenses to these, or other product rights or other non-cash contributions as well as bonds, convertible bonds or other financial instruments;

iii. to the extent required, to grant holders of conversion or option rights or creditors of convertible bonds with conversion obligations that have been issued by the Company or a directly or indirectly wholly owned subsidiary a subscription right to new no par value bearer shares, to the extent that such shareholders would be entitled to if they were to exercise their option or conversion rights or upon fulfillment of a conversion obligation;

iv. in order to exclude fractional amounts from the subscription rights.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the further content of share rights and the other details of the capital increase and its implementation. The Management Board is authorized to determine that the new shares in accordance with Section 186 paragraph 5 of the German Stock Corporation Act (*Aktiengesetz*) must be assumed by a bank or a company operating in accordance with Section 53 paragraph 1 sentence 1 or Section 53b paragraph 1 sentence 1 or paragraph 7 of the German Banking Act (*Kreditwesengesetz*), with the obligation of offering them for subscription to shareholders.

16.3 Contingent Capital

16.3.1 Contingent Capital II und stock option plan 2008

The share capital is increased on a contingent basis by up to EUR 165,891.00 through the issuance of 165,891 new no par value bearer shares, each representing a notional value of EUR 1.00 (Contingent Capital II). The Contingent Capital II serves to grant stock options to members of the Management Board and employees of the Company as well as directors and employees of WESTGRUND Group companies on the basis of the resolution of the Shareholders' Meeting on August 27, 2008, which authorized the "stock option plan 2008". Within a period of five years after the Contingent Capital II is registered with the commercial register, the Management Board and the Supervisory Board are authorized to issue up to 457,000 stock options in one or more tranches. The Management Board is authorized to grant stock options to beneficiaries except for members of the Management Board. The Supervisory Board is authorized to grant stock options to members of the Management Board of the Company. The contingent capital increase shall be implemented only to the extent that subscription rights are exercised. The Management Board, with the consent of the Supervisory Board, is authorized to define the further details of the implementation of the contingent capital increase. The shares issued out of the contingent capital increase are entitled to dividends from the beginning of the fiscal year preceding the year of their creation, if the Shareholders' Meeting has not passed any resolution on the use of the net profit available for distribution at the point of time the shares are issued.

Stock options in the amount of 287,100 in total were issued pursuant to the stock option plan 2008. The conditions for exercising the stock options are:

Employment relationship

Stock options may only be exercised if the beneficiary is in an ongoing employment relationship with WESTGRUND or a WESTGRUND Group company at the time the option is exercised, subject to the following exemptions.

In the event, a beneficiary is employed in a fixed-term service or employment relationship due to its function in the Company and the contract is prolonged without interruption or renewed without termination, this contract is deemed as valid employment without termination for the time of its existence for the purpose of this stock option plan. The right to terminate the employment by the Company remains unaffected.

Should these requirements fail to be met, issued stock options expire without compensation subject to the following exemptions.

For the purpose of this stock option plan an employment relationship is deemed as terminated if, for whatever reason, a beneficiary does not make its capacity for work available to the Company for a longer term, i.e. for more than four months within a period of one year, although this employment is continuing in a legal sense. In this case the employment relationship shall be deemed terminated as of the 120th calendar day that the beneficiary does not perform any services in succession.

Issued stock options expire one year after the termination of employment if the employment is terminated after expiry of the waiting period (as specified below) and if the employment relationship was neither terminated by the holder himself, nor terminated without notice by the Company; in other words, the subscription rights may be exercised until that date, subject to the other terms of the stock option plan 2008.

If a change of control (as specified below) occurs after stock options are issued and if the employment is terminated after a change of control occurs, the waiting period can be completed after the termination of the employment. In this case, issued stock options expire one year after the end of the waiting period. Within this period subscription rights may be exercised subject to the other terms of the stock option plan 2008. In the event the employment is terminated by the holder himself subscription rights will not expire if the employment is terminated after the change of control. For the purposes of the stock option plan 2008, a change of control occurs at the time an offerer announces that he has gained indirect or direct control of the Company (if applicable taking into account voting rights attributed to the respective offeror) pursuant to Section 10 in conjunction with Section 35 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). Furthermore, for the purpose of this resolution on the stock option plan 2008 the reception of a notification stating that a shareholder has reached or exceeded 50% or 75% of the voting rights in the Company is deemed as change of control if a publishment pursuant to Section 10 in conjunction with Section 35 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) does not precede. The reception of a notification stating that a shareholder has reached or exceeded 30% of the voting rights in the Company is also deemed as change of control for the purpose of this the stock option plan 2008, if a voluntary takeover offer has been made before.

Beneficiaries retiring after the waiting period may exercise issued stock options within a period of two years after the retirement, subject to the other terms of the stock option plan 2008.

The Management Board - and the Supervisory Board in view of a member of the Management Board – is authorized to determine exemptions from these terms in favor of the beneficiaries in an individual case or generally by written statement.

Performance target

Stock option may only be exercised if the performance target has been reached. The performance target for the issued stock options is reached if the average of the opening and closing prices of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or a functionally comparable successor system has taken its place) over the last five trading days prior to the exercise date is at least 20% above the strike price.

Waiting period

Stock options may be exercised for the first time after a waiting period of two years has elapsed. The waiting period begins when the stock options are granted. For the purpose of the stock option plan, the date on which the options are granted is designated as the last day of the month in which the options are granted in accordance with the respective individual agreement.

Exercise and lock-up periods

After expiry of the waiting period, stock options may be exercised at any time. However, the exercise of stock options shall not be permissible during the period between the 20th day of the last month of each fiscal quarter and the day on which the Company announces the provisional results for that quarter respectively for the fiscal year (inclusive), nor can they be exercised between March 20 of each year and the day of the annual Shareholders' Meeting of WESTGRUND (inclusive).

Exercise notice

In order to exercise issued stock options the beneficiary has to deliver to the company a written, personally signed exercise notice in duplicate according to the form available at the Company. The original exercise notice must be submitted to the office and in the time specified in the exercise notice in order to have legal effect. It shall not be sufficient to submit the exercise notice by fax.

At an appropriate time prior to each exercise period the Company is authorized to determine that stock options must be exercised via a specific bank or auditing company as escrow holder announced by the Company.

Exercise price

The share options can be exercised only against payment of the strike price. The exercise does only have legal effect if the strike price per option is paid in time and without fail to an account named by the Company.

The subscription or exercise notice may demand payments on account for taxes, contributions and other expenses in total or partial to be paid along with the strike price.

The strike price is 100% of the average opening and closing price of the Company's shares in XETRA trading on Frankfurt Stock Exchange (or a functionally comparable successor system which has taken its place) on the last five trading days before the option is issued.

Term

The term of the options begins on the day the options are granted and ends upon expiry of five years.

Any specific arrangements in the event of payment in cash remain unaffected.

16.3.2 Contingent Capital III and Convertible Bonds 2014/2016

The share capital is increased on a contingent basis by up to EUR 5,652,587.60 divided into 5,652,587.6 no par value bearer shares, each representing a notional value of EUR 1.00 (Contingent Capital III). The new shares will participate in the profits from the beginning of the fiscal year in which they are created. The Contingent Capital III serves to grant shares to the holders of convertible and/or option bonds issued by the Company pursuant to the authorization of December 19, 2011, in the period until December 18, 2016. The contingent capital increase shall be implemented only to the extent that conversion or option rights are exercised and to the extent that no other forms of fulfilment are used to service these rights. The Management Board is authorized to define the further details of the implementation of the contingent capital increase.

In exercise of the aforementioned authorization the company has issued the Convertible Bonds 2014/2016 on April 22, 2014 with conversion rights and mandatory conversion at the end of term in an amount of EUR 19,860,000.00. The end of term is on 22 April 2016. During the term of the bonds, the bondholders have the vested right to convert the bonds within the conversion windows into non-par value shares in WESTGRUND corresponding to a fraction of the share capital of EUR 1.00 each. The bonds bear interest at the rate of 5% per annum on their principal amount. The current conversion ratio is EUR 3.36 (nominal) to one share. Due to the Ordinary Capital Increase the Issuer will further adjust the conversion ratio in accordance with the terms and conditions of the Convertible Bonds 2014/2016. The Contingent Capital III and the Contingent Capital 2012 (see below Section 16.3.4) serve the purpose of granting shares to the holders of the Convertible Bonds 2014/2016.

16.3.3 Contingent Capital IV and stock option plan 2011

The share capital is increased on a contingent basis by up to EUR 774,400.00 through the issuance of 774,400 new no par value bearer shares, each representing a notional value of EUR 1.00 (Contingent Capital IV). The Contingent Capital IV serves to grant stock options to members of the Management Board and employees of the Company as well as directors and employees of WESTGRUND Group companies on the basis of the resolution of the Shareholders' Meeting on February 28, 2011, which authorized the "stock option plan 2011". Within a period of five years after the Contingent Capital IV is registered with the commercial register, the Management Board and the Supervisory Board are authorized to issue up to 640,000 stock options in one or more tranches. The Management Board is authorized to grant stock options to beneficiaries except for members of the Management Board. The Supervisory Board is authorized to grant stock options to members of the Management Board of the Company. The contingent capital increase shall be implemented only to the extent that subscription rights are exercised. The Management Board, with the consent of the Supervisory Board, is authorized to define the further details of the implementation of the contingent capital increase. The shares issued out of the contingent capital increase are entitled to dividends from the beginning of the fiscal year preceding the year of their creation if the Shareholders' Meeting has not passed any resolution on the use of the net profit available for distribution at the point of time the shares are issued.

Stock options to the extent of in total 704,000 shares in case of complete exercise of all subscription rights (current number of shares according to the increase of the stock options due to the capital increase from own funds in 2013 and 2014) were issued pursuant to the stock option plan 2011. The conditions for exercising the stock options are:

Employment relationship

Stock options may only be exercised if the beneficiary is in an ongoing employment relationship with WESTGRUND or a WESTGRUND Group company at the time the option is exercised, subject to the following exemptions.

In the event, a beneficiary is employed in a fixed-term service or employment relationship due to its function in the Company and the contract is prolonged without interruption or renewed without termination, this contract is deemed as valid employment without termination for the time of its existence for the purpose of this stock option plan. The right to terminate the employment by the Company remains unaffected.

Should these requirements fail to be met, issued stock options expire without compensation subject to the following exemptions.

For the purpose of this stock option plan an employment relationship is deemed as terminated if, for whatever reason, a beneficiary does not make its capacity for work available to the Company for a longer term, i.e. for more than four months within a period of one year, although this employment is continuing in a legal sense. In this case the employment relationship shall be deemed terminated as of the 120th calendar day that the beneficiary does not perform any services in succession.

Issued stock options expire one year after the termination of employment if the employment is terminated after expiry of the waiting period (as specified below) and if the employment relationship was neither terminated by the holder himself, nor terminated without notice by the Company; in other words, the subscription rights may be exercised until that date, subject to the other terms of the stock option plan 2011.

If a change of control (as specified below) occurs after stock options are issued and if the employment is terminated after a change of control occurs, the waiting period can be completed after the termination of the employment. In this case, issued stock options expire one year after the end of the waiting period. Within this period subscription rights may be exercised subject to the other terms of the stock option plan 2011. In the event the employment is terminated by the holder himself subscription rights will not expire if the employment is terminated after the change of control. For the purposes of the stock option plan 2011, a change of control occurs at the time an offerer announces that he has gained indirect or direct control of the Company (if applicable taking into account voting rights attributed to the respective offeror) pursuant to Section 10 in conjunction with Section 35 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). Furthermore, for the purpose of this resolution on the stock option plan 2011 the reception of a notification stating that a shareholder has reached or exceeded 50% or 75% of the voting rights in the Company is deemed as change of control if a publishment pursuant to Section 10 in conjunction with Section 35 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) does not precede. The reception of a notification stating that one has reached or exceeded 30% of the voting rights in the Company is also deemed as change of control for the purpose of the stock option plan 2011, if a voluntary takeover offer has been made before.

Beneficiaries retiring after the waiting period may exercise issued stock options within a period of two years after the retirement, subject to the other terms of the stock option plan 2011.

The Management Board - and the Supervisory Board in view of a member of the Management Board – is authorized to determine exemptions from these terms in favour of the beneficiaries in an individual case or generally by written statement.

Performance target

Stock option may only be exercised if the performance target has been reached. The performance target for the issued stock options is reached if the average of the opening and closing prices of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or a functionally comparable successor system which has taken its place) over the last five trading days prior to the exercise date is at least 20% above the strike price.

Waiting period

Stock options may be exercised for the first time after a waiting period of four years has elapsed. The waiting period begins when the stock options are granted. For the purpose of the stock option plan, the date on which the options are granted is designated as the last day of the month in which the options are granted in accordance with the respective individual agreement.

Exercise and lock-up periods

After expiry of the waiting period, stock options may be exercised at any time. However, the exercise of stock options shall not be permissible during the period between the 20th day of the last month of each fiscal quarter and the day on which the Company announces the provisional results for that quarter respectively for the fiscal year (inclusive).

Exercise notice

In order to exercise issued stock options the beneficiary has to deliver to the company a written, personally signed exercise notice in duplicate according to the form available at the Company. The original exercise notice must be submitted to the office and in the time specified in the exercise notice in order to have legal effect. It shall not be sufficient to submit the exercise notice by fax.

At an appropriate time prior to each exercise period the Company is authorized to determine that stock options must be exercised via a specific bank or auditing company as escrow holder announced by the Company.

Exercise Price

The share options can be exercised only against payment of the strike price. The exercise does only have legal effect if the strike price per option is paid in time and without fail to an account named by the Company.

The subscription or exercise notice may demand payments on account for taxes, contributions and other expenses in total or partial to be paid along with the strike price.

The strike price is 100% of the average opening and closing price of the Company's shares in XETRA trading on Frankfurt Stock Exchange (or a functionally comparable successor system which has taken its place) on the last five trading days before the option is issued.

Term

The term of the options begins on the day the options are granted and ends upon expiry of five years. Any specific arrangements in the event of payment in cash remain unaffected.

16.3.4 Contingent Capital 2012 and Convertible Bonds 2014/2016

The share capital is increased on a contingent basis by up to EUR 3,388,000.00 through the issuance of 3,388,000 new no par value bearer shares, each representing a notional value of EUR 1.00 (Contingent Capital 2012). The new shares will participate in the profits from the beginning of the fiscal year in which they are created. The contingent capital increase shall be implemented only to the extent that

i. the bearers of convertible and/or option bonds issued by the Company or WESTGRUND Group companies on the basis of the authorization resolution by the Shareholders' Meeting on August 24, 2012 up to and including August 23, 2017 exercise their conversion or option rights and the Company decides to serve the conversion or option rights from this Contingent Capital 2012, or

ii. the bearers of convertible and/or option bonds issued by the Company or WESTGRUND Group companies on the basis of the authorization resolution by the Shareholders' Meeting on August 24, 2012 up to and including August 23, 2017 satisfy their obligation and the Company decides to serve the conversion or option rights from this Contingent Capital 2012.

The shares issued under utilization of the Contingent Capital 2012 shall be issued in line with the provisions of the authorization resolution of the Shareholders' Meeting of August 24, 2012, i.e. in particular at a price of at least 80% of the arithmetic average of the closing auction price of company shares in the same category in the XETRA trading on Frankfurt Stock Exchange (or a functionally comparable successor system which has taken its place) on the last ten trading days before the resolution by the Management Board to issue the respective bonds or - in the event of a direct or indirect subscription right being allocated - at least 80% of the arithmetic average of the closing auction price of company shares in the same category in the XETRA trading on Frankfurt Stock Exchange (or a functionally comparable successor system which has taken its place) within the subscription period excluding that days of the subscription period that are necessary to announce the conversion and/or subscription price in time pursuant to Section 186 paragraph 2 sentence 2 of the German Stock Corporation Act (*Aktiengesetz*), taking into account adjustments as per the dilution protection regulations of the resolution of the Shareholders' Meeting of June 13, 2014.

The Supervisory Board is authorized to amend the Articles of Association after complete or partial implementation of the capital increase pursuant to the Contingent Capital 2012.

The Contingent Capital 2012 serves the purpose of granting shares to the holders of the Convertible Bonds 2014/2016 (see above Section 16.3.2).

16.3.5 Contingent Capital 2014/I and convertible and/or option bonds or profit participation rights

The share capital is increased on a contingent basis by up to EUR 4,207,500.00 through the issuance of 4,207,500 new no par value bearer shares, each representing a notional value of EUR 1.00 (Contingent Capital 2014/I). The new shares will participate in the profits from the beginning of the fiscal year in which they are created. The contingent capital increase serves to grant bonds that will be issued under the authorization granted by the Shareholders' Meeting on June 13, 2014. It shall be implemented only to the extent that

i. the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights issued by the Company or its subordinate Group companies on the basis of the authorization resolution by the Shareholders' Meeting on June 13, 2014 up to and including June 12, 2019 exercise their conversion or option rights and the Company decides to serve the conversion or option rights from this Contingent Capital 2014/I, or

ii. the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights with a conversion obligation issued by the Company or its subordinate Group companies on the basis of the authorization resolution by the Shareholders' Meeting on June 13, 2014 up to and including June 12, 2019 satisfy their obligation to convert or the Company exercises its right to tender delivery of shares and the company decides to deliver shares from this Contingent Capital 2014/I.

The shares issued under utilization of the Contingent Capital 2014 shall be issued in line with the provisions of the authorization resolution of the Shareholders' Meeting of June 13, 2014, i.e. in particular at a price of at least 80% of the arithmetic average of the closing auction price of company shares in the same category in the XETRA trading on Frankfurt Stock Exchange (or a functionally comparable successor system which has taken its place) on the last ten trading days before the resolution by the Management Board to issue the respective bonds or - in the event of a direct or indirect subscription right being allocated - at least 80% of the arithmetic average of the closing auction price of company shares in the same category in the XETRA trading on Frankfurt Stock Exchange (or a functionally comparable successor system which has taken its place) within the subscription period excluding that days of the subscription period that are necessary to announce the conversion and/or subscription price in time pursuant to Section 186 paragraph 2 sentence 2 German Stock Corporation Act (*Aktiengesetz*), taking into account adjustments as per the dilution protection regulations of the resolution of the Shareholders' Meeting of June 13, 2014.

The Supervisory Board is authorized to amend the Articles of Association after complete or partial implementation of the capital increase pursuant to the Contingent Capital 2014/I.

16.3.6 Contingent Capital 2014/II and stock option program 2014

The share capital is increased on a contingent basis by up to EUR 2,371,600.00 by issuing bearer shares for servicing the option rights granted to the parties entitled under the stock option plan 2014 (Contingent Capital 2014/II). On the basis of the resolution of the Shareholders' Meeting on June 13, 2014, the Management Board and the Supervisory Board are authorized to issue up to 2,156,000 stock options in one or more tranches to members of the Management Board and employees of the Company as well as directors and employees of WESTGRUND Group companies. This authorization is valid until to June 12, 2019. The stock options may not be transferred, pledged or otherwise charged. However, the Management Board, with the approval of the Supervisory Board, can approve such legal transactions given proof of the justified interest of a person with a subscription entitlement or the justified interest of WESTGRUND. In case the beneficiary is a member of the Management Board, the relevant decision will solely be made by the Supervisory Board. The stock options can be inherited and be subject to a legacy. The contingent capital increase shall be implemented only to the extent that subscription rights are exercised. The shares issued out of the contingent capital increase are entitled to dividends from the beginning of the fiscal year in which they are issued. The strike price is the average of the price of the Company's shares on the last five trading days before the option is granted. The price of the Company's share is to be calculated on the basis of the closing price (or a comparable price) of the Company's shares in XETRA trading on Frankfurt Stock Exchange (or a functionally comparable successor system which has taken its place).

The conditions for exercising the stock options are:

Stock options can only be exercised within the period between the ninth XETRA trading day on Frankfurt Stock Exchange (or a functionally comparable successor system which has taken its place) after the financial results of the first quarter, the half year, the first nine months or the entire fiscal year have been announced and the last calendar day of the respective quarter the results are announced in.

The stock options issued pursuant to this authorization are allocated to groups of beneficiaries as follows:

current and future members of the Management Board	1,078,000 options maximum
current and future members of the management of subsidiaries	323,400 options maximum
current and future employees of the Company	646,800 options maximum
current and future employees of subsidiaries	107,800 options maximum

Stock options are to be allocated to 50% to current and future members of the Management Board, 15% to current and future members of the management of subsidiaries, 30% to current and future employees of the Company and 5% to current and future employees of subsidiaries.

The Management Board and, to the extent that the Management Board itself is affected, the Supervisory Board determines the beneficiary and the number of issued subscription rights in each case. Stock options are granted without consideration.

The Supervisory Board has to define a possibility of limitation (cap) for extraordinary, unforeseeable developments regarding stock options issued to members of the Management Board.

Stock options can be exercised 1 : 1 in new ordinary bearer shares with no par value. Upon exercise of the subscription rights, a subscription price must be paid for each subscription right exercised. The subscription price is the average closing price (or a comparable price) of the Company’s shares in XETRA trading on Frankfurt Stock Exchange (or a comparable successor system of the Deutsche Börse AG) on the last five trading days before the stock options are issued.

Stock option may only be exercised if the average of the price of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system of the Deutsche Börse AG) over the last five trading days prior to the exercise date must be at least 20% above the subscription price.

Stock options may be exercised for the first time after a waiting period of four years has elapsed. The option rights end ten years after the date on which the option rights were granted unless the Management Board and, to the extent that the Management Board itself is affected, the Supervisory Board determine a shorter term. Stock options can only be exercised within 15 days beginning on the third XETRA trading day after the financial results of the first quarter, the half year, the first nine months or the entire fiscal year have been announced. In case provisional financial results are announced, the day of the announcement of provisional financial results is deemed as relevant date for calculating the exercise period. In addition, the restrictions arising from the general statutory regulations, in particular the Securities Trading Act (*Wertpapierhandelsgesetz*) must be observed.

Stock options cannot be exercised within defined lock-up periods that are:

(i) the period from the day on which the Company publishes an offer to its shareholders with respect to the new shares or bonds with conversion or option rights until the date on which the preferential shares are quoted "ex subscription rights" ;

(ii) the period from the last banking day on which the shareholders may register their attendance at the Shareholders' Meeting until the end of the day the Shareholders' Meeting takes place.

Issued stock options expire without compensation in the event a beneficiary resigns its employment with the Company or its subsidiaries prior to the expiry of at least two years after the stock options were issued or the employment is terminated prior to this time without immediately being given a new employment. The Company is entitled to grant exemptions from these requirements.

If a change of control (as specified below) occurs after stock options are issued and if the employment is terminated after a change of control occurs, the waiting period can be completed after the termination of the employment. In this case, issued stock options expire one year after the end of the waiting period. Within this period subscription rights may be exercised subject to the other terms of the stock option plan 2014. In the event the employment is terminated by the holder himself subscription rights will not expire if the employment is terminated after the change of control. For the purposes of the stock option plan 2014, a change of control occurs at the time an offerer announces that he has gained indirect or direct control of the Company (if applicable taking into account voting rights attributed to the respective offeror) pursuant to Section 10 in conjunction with Section 35 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). Furthermore, for the purpose of this resolution on the stock option plan 2014 the reception of a notification stating that one has reached or exceeded 50% or 75% of the voting rights in the Company is deemed as change of control if a publishment pursuant to Section 10 in conjunction with Section 35 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) does not precede. The reception of a notification stating that a shareholder has reached or exceeded 30% of the voting rights in the Company is also deemed as change of control for the purpose of the stock option plan 2014, if a voluntary takeover offer has been made before.

The provisions of the subscription rights might also foresee that the subscription rights may be exercised before expiry of the waiting period within a reasonable period of notice after there has been a change of control, provided that in such case performance is provided for through cash payment. The terms of the subscription rights may further provide that the subscription rights can, within a reasonable period of time, be terminated unilaterally by the Company following any change of control effected, including during the waiting period, in return for cash payment in the amount of the difference between the exercise price and the closing price of the Company's shares in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system of the Deutsche Börse AG) on the last stock exchange trading day prior to the date of termination (date of issuing the declaration of termination).

The provisions of the subscription rights may also provide that the beneficiaries of stock options are obliged to transfer the subscription rights to an offeror (within the meaning of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) who makes a voluntary takeover offer or a compulsory offer for all issued shares of the Company, provided the price per subscription right offered for the transfer of the subscription right corresponds at least to the difference between the exercise price and the price offered per share for the acquisition of the shares issued (included any price increase). Provided these conditions are met the provisions of the subscription rights may provide that the beneficiaries of stock options are obliged to waive their subscription rights.

The provisions of the subscription rights are adjusted in the event of any share issues (dilution protection).

The Management Board and, to the extent that the Management Board itself is affected, the Supervisory Board is authorized to define the further content of the subscription rights.

16.4 General Provisions on Changes in the Share Capital

According to the German Stock Corporation Act (*Aktiengesetz*), the share capital of a stock corporation may be increased by a resolution taken by the Shareholders' Meeting. The resolution must be adopted by a majority of at least three-quarters of the share capital represented at the meeting, unless the stock corporation's Articles of Association specify other requirements with regard to majorities. The Company has exercised its right to stipulate a smaller majority of shares. Pursuant to Section 17 paragraph 1 of the Company's Articles of Association, the Company's Shareholders' Meeting adopts its resolutions by a simple majority of the votes cast and, to the extent that a majority vote of shares is required, by a simple majority of the shares present at the meeting, except as otherwise required by the law or the Company's Articles of Association.

The shareholders may also create authorized capital. The creation of authorized capital requires a resolution adopted by a majority of three-quarters of the share capital represented at the meeting to authorize the Management Board to issue shares of up to a specific nominal amount within a period of no more than five years. The nominal amount of the authorized capital may not exceed half of the share capital existing at the time of the authorization.

Additionally, shareholders may resolve to create contingent capital to issue shares to holders of convertible bonds or other securities that grant their holders the right to subscribe for shares, to grant shares as consideration in a merger with another company, or to offer shares to officers and employees, provided that, in each case, a corresponding resolution is approved by a three-quarters majority of the share capital represented when the vote is taken. The nominal amount of contingent capital created for the issuance of shares to officers and employees may not exceed 10% of the share capital existing at the time of the resolution. In all other cases, it may not exceed half of the share capital existing at the time of the resolution.

A resolution to decrease the share capital requires approval by a three-quarters majority of the share capital represented when the vote is taken.

16.5 General Provisions Governing Subscription Rights

The German Stock Corporation Act (*Aktiengesetz*) grants, in principle, all shareholders the right to subscribe for new shares to be issued in a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a fixed period prior to the commencement of the subscription period. The Shareholders' Meeting may, subject to a majority of at least 75% of the share capital represented at the meeting, resolve to exclude subscription rights. Exclusion of shareholders' subscription rights also requires a report from the Management Board, which must justify and demonstrate that the company's interest in excluding subscription rights outweighs the interest of the shareholders to be granted subscription rights. Excluding shareholders' subscription rights when new shares are issued is specifically permissible where (i) the company is increasing share capital against contribution in cash, (ii) the amount of the capital increase does not exceed 10% of the share capital in issue and (iii) the price at which the new shares are being issued is not materially lower than the stock exchange price.

Subscription rights enable shareholders to maintain their current percentage of share capital and their voting rights ("dilution protection"). If the shareholders' subscription rights are excluded, the provisions of Section 255 paragraph 2 of the German Stock Corporation Act (*Aktiengesetz*) require that the fixed issue price of the new shares or the minimum price under which the new shares may not be issued may not be "unreasonably low". By virtue of the nature of a contingent capital increase, a shareholder's general subscription right is excluded. In order to protect shareholders, the nominal value of the contingent capital, regardless of its purpose, may not exceed half of the share capital. If the contingent capital grants subscription rights to employees or members of the management of the company or a subsidiary, the nominal amount may not exceed 10% of the share capital.

16.6 Treasury shares

Currently, WESTGRUND and its subsidiaries do not hold any own shares (treasury shares). By virtue of the resolution adopted by the Shareholders' Meeting on August 24, 2012 the Company, in the period until August 23, 2017, is authorized to acquire treasury shares in the amount of up to 10% of the registered share capital at the time of the resolution on this authorization pursuant to Section 71 paragraph 1 number 8 of the German Stock Corporation Act (*Aktiengesetz*).

16.7 Shareholding Notification and Disclosure Requirements

Since the Company's shares are admitted to trading on the regulated market (*regulierter Markt*) of the Dusseldorf Stock Exchange, the Company, as a publicly traded company, is subject to the shareholding notification requirements of the German Securities Trading Act (*Wertpapierhandelsgesetz - WpHG*). After admission of the Company's shares to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) the requirements of the WpHG still apply

Section 21 WpHG requires that anyone who acquires, sells or in some other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in an issuer whose country of origin is the Federal Republic of Germany and whose shares are admitted to trading on an organized market must immediately but no later than within four trading days notify the issuer and at the same time the BaFin. The notice can be drafted in either German or English and either sent in writing or via telefax (Section 18 of the German Securities Trading Reporting and Insider Register Ordinance (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*). The notice must declare the individual or entity's address, the share of voting rights held and the date of reaching, exceeding or falling below the respective threshold. As a domestic issuer, WESTGRUND must publish such notices immediately, but no later than within three trading days after receiving them, via media outlets. Media outlets include any media which one can assume will disseminate the information throughout the European Union and in the non-E.U. contracting parties to the EEA Agreement. The Company must also transmit the notice to the BaFin and to the electronic company register (*elektronisches Unternehmensregister*) for archiving. Moreover, under Section 25 WpHG, any person who directly or indirectly holds certain financial instruments or other instruments is subject to similar notification obligations. "Other instruments" include, for instance, re-transfer claims under securities loans or the agreement by a seller to buy a security back from the respective purchaser at a specified price at a designated future date (repo transactions). These financial and other instruments must entitle the holder to unilaterally acquire existing shares of the Company carrying voting rights by binding legal agreement of an issuer whose country of origin is the Federal Republic of Germany. These notification obligations apply if the sum of the shares such holder can acquire, together with any voting right stakes the holder may already hold in the issuer or which are attributable to him pursuant to Sections 21 and 22 WpHG (voting rights shares), reaches or exceeds any of the thresholds mentioned, with the exception of the 3% threshold.

Furthermore, pursuant to Section 25a WpHG, any person who directly or indirectly holds financial instruments or other instruments that are not covered by Section 25 WpHG and that enable the holder based on their terms to acquire existing shares carrying voting rights of an issuer whose home country is the Federal Republic of Germany is subject to the aforementioned notification obligations. The notification obligations apply on financial and other instruments (i) which provide for a cash settlement only, but not for a right to acquire shares, if the counterparty is in a position to hedge its risks under the instruments by holding shares and (ii) under which shares may be acquired directly. The latter include instruments such as physical call options providing for a condition which is beyond the control of the holder of the instrument.

In connection with these notice requirements, the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various rules on when the voting rights of shares are deemed to belong to parties required to make a disclosure in cases where they do not hold the shares directly but nevertheless control the voting rights. For example, shares are deemed to belong to a party if they belong to a third party controlled by the relevant party; the same applies where shares are held by a third company for the account of the relevant company.

Breaches of the notification obligation are punishable by a fine. Moreover, shareholders who do not file a notification cannot exercise the rights attached to their shares (including voting rights and the right to receive dividends; but with regard to dividends, only in cases where the failure to file was willful and has not been remedied) until this failure has been rectified. This period is extended by six months in case of willful or grossly negligent violation of the notification obligations if the shareholder omitted or did not correctly file a notification regarding the number of voting rights attributable to him. However, in respect of the notification obligations pursuant to the new Section 25a WpHG, breaches of the notification obligations can only trigger a fine.

Furthermore, Section 27a WpHG requires any shareholder whose holdings reach or exceed the 10% threshold or a higher threshold to notify the issuer of the aims being pursued with the acquisition of the voting rights and the origin of the funds used for the acquisition within 20 trading days of the date on which the respective threshold is met or exceeded. Once this information is received, and even if no notification is received, the issuer has to publish it in the form discussed above, or give notice that the disclosure requirement was not met, within no more than three trading days following the issuer's access to the notification. The issuer's Articles of Association may stipulate that the shareholders are not subject to notification obligations. The Articles of Association of the Company do not contain such a provision.

In addition, the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) provides that any person whose voting rights reach or exceed 30% of the Company's voting shares must publish this fact and the percentage of voting rights held in at least one national newspaper designated for stock exchange notices (*Börsenpflichtblatt*) or by means of an electronically operated information dissemination system for financial information within seven calendar days and, unless released from this obligation, must subsequently submit a mandatory public offer addressed to all of the Company's shareholders.

16.8 Disclosure of Directors' Dealings

Under the German Securities Trading Act (*Wertpapierhandelsgesetz*), persons holding managerial responsibilities within listed stock corporations ("directors") are required to notify the stock corporation and the BaFin within five business days of their own transactions involving shares of the company or related financial instruments, including, in particular, derivatives. This obligation also applies to directors' related parties. Domestic issuers must publish this notification immediately after receiving it, notify the BaFin of its publication and send a copy to the electronic company register.

Notification is not required if the total sum of all transactions involving a director and his or her related parties is less than EUR 5,000.00 for the calendar year.

Director for these purposes means any managing partner or member of the company's management, administrative or supervisory bodies and any person who has regular access to insider information and is authorized to make important managerial decisions. Related parties include spouses, registered civil partners, dependent children and other relatives who have been living in the same household as the director for at least one year when the relevant transaction is made. Notice is also required for legal entities in which a director and/or any of the aforementioned parties holds supervisory responsibilities, which are controlled by a director or such parties or which were established for the benefit of a director or such a party or the economic interests of which are substantially equivalent to those of a director or such a party.

Negligent non-compliance with these notification requirements may result in the imposition of a statutory fine.

17. THIRD PARTY INTERESTS

The Joint Global Coordinators have entered into the Underwriting Agreement with the Company in connection with the Offering. Pursuant to the Underwriting Agreement, the Joint Global Coordinators will receive a commission subject to the successful execution of the Offering. Further, the investors who submit Firm Orders and the shareholders (additional to Wecken & Cie.) who make binding subscription commitments (as explained in Section 5.6) are also entitled to a commission subject to the successful execution of the Offering. Thus, all such entities and persons have an interest in the implementation of the Capital Increase.

Care4 AG, Basel, Switzerland (affiliated with Wecken & Cie.), and WESTGRUND will enter, probably on September 9, 2014, into a Placement Agreement, obliging WESTGRUND to pay Care4 AG a fee for the placement of New Shares to shareholders and investors. The amount of the fee is subject to the number of shares that will be placed due to the procurement of Care4 AG. Thus, after conclusion of the Placement Agreement, Care4 AG has an interest in the implementation of the Capital Increase.

The Company has a financing interest in the Offering (see Section "*Reasons for the Offering and use of proceeds*").

The existing shareholders have an interest in the successful implementation of the Capital Increase since it will improve the Company's equity base and strengthen its financial position.

18. TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following section outlines certain key German tax principles that may be relevant with respect to the acquisition, holding, or transfer of shares/subscription rights. This summary does not purport to be a comprehensive or exhaustive description of all German tax considerations that may be relevant to shareholders. This presentation is based upon domestic German tax laws in effect at the time of preparation of this Prospectus and the provisions of double taxation treaties currently in force between Germany and other countries. It is important to note that the legal situation may change, possibly with retroactive or retrospective effect. For example, the German government is currently considering introducing a financial transaction tax (Finanztransaktionssteuer) which, if and when introduced, may also be applicable on sales and/or transfers of shares of the Company.

The tax information presented in this Prospectus is not a substitute for individual tax advice. Therefore, it is recommended that any prospective investor consult with a tax advisor concerning the tax consequences of acquiring, holding, selling and gifting or bequeathing shares and/or subscription rights. The same applies with respect to the rules governing the refund of any German dividend withholding tax (Kapitalertragsteuer) withheld. Only an individual tax consultation can appropriately account for the particular tax situation of each investor.

The Issuer does not assume any responsibility for the withholding of tax levied on income from the Shares or Subscription Rights.

18.1 Taxation of the Company

The Company's taxable income, whether distributed or retained, is generally subject to corporate income tax (*Körperschaftsteuer*) at a uniform rate of 15% plus the solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon, resulting in a total tax liability of 15.825%.

Dividends (*Gewinnanteile*) and other distributions received by the Company from domestic or foreign corporations are exempt from corporate income tax; however, 5% of such revenue is treated as a non-deductible business expense and, as such, is subject to corporate income tax plus the solidarity surcharge. Ultimately, therefore, 95% of the amount of dividends and other distributions that the Company receives from corporations is exempt from corporate income tax. The same applies in general to profits earned by the Company from the sale of shares in another domestic or foreign corporation. However, this 95% exemption does not apply where at the beginning of the calendar year the Company directly holds less than 10% of the registered share capital of the distributing domestic or foreign corporation (*Streubesitzdividende*). In this case those dividends are fully taxable. The acquisition of a participation during the year is deemed to have taken place at the beginning of the calendar year. Losses incurred from the sale of such shares are not deductible for tax purposes irrespective of the participation held.

In addition, the Company is subject to trade tax (*Gewerbesteuer*) with respect to its taxable trade profit (*Gewerbeertrag*) from its permanent establishments in Germany (*inländische gewerbesteuerliche Betriebsstätten*). When determining the amount on which to assess the trade tax, among other things, 25% of the interest expense on debt, as well as 25% of the interest portion of rent, lease payments and royalties, is added back into the amount of profits calculated for corporate income tax purposes, to the extent these interest payments cumulatively exceed EUR 100,000.00. A special deduction might be available for a mere asset management company.

The trade tax rate depends on the local municipalities in which the Company maintains its permanent establishments (*inländische gewerbesteuerliche Betriebsstätten*). For the Company it currently amounts to between approximately 10% and 17% of the taxable trade profit (*Gewerbeertrag*), depending on the local trade tax multiplier.

Dividends received from other corporations and capital gains from the sale of shares in other corporations are treated in principle in the same manner for trade tax purposes as for corporate income tax purposes. However, dividends received from domestic and foreign corporations are effectively 95% exempt from trade tax only if the Company held and continues to hold at least 15% (10% in the case of companies resident for tax purposes in EU member states other than Germany) of the registered share capital (*Grundkapital* or *Stammkapital*) of the distributing corporation at the beginning or — in the case of foreign corporations — since the beginning of the relevant tax assessment period. Additional limitations apply with respect to dividends received from foreign non-EU corporations.

The tax deductibility of interest expenditure might be limited subject to the "interest barrier" rules (*Zinsschranke*). When the Company calculates its taxable income, the interest barrier rules generally prevent the Company from deducting net interest expense, i.e. the excess of interest expense over interest income for a given fiscal year, exceeding 30% of its taxable EBITDA (taxable earnings adjusted for interest expense, interest income and certain depreciation/amortization and other reductions) if its net interest expense is EUR 3 million (*Freigrenze*) or greater and no exception to the restriction of the interest deduction applies. Special rules apply in the case of external financing undertaken by shareholders or related parties. Interest expense that is not deductible in a given year may be carried forward to subsequent fiscal years of the Company (interest carry-forward) and will increase the interest expense in those subsequent years. EBITDA amounts that could not be utilized may, under certain conditions, be carried forward into future fiscal years. If such EBITDA carry-forward is not used within five fiscal years it will be forfeited. An EBITDA carry-forward that arose in an earlier year must be used before a carry-forward that arose in a later year is used. The EBITDA carry forward is not available in the case the interest barrier does not apply due to exemptions.

Tax-loss carry forwards can be used to fully offset taxable income for corporate income tax and trade tax purposes up to an amount of EUR 1 million. If the taxable profit for the year or taxable profit subject to trade taxation exceeds this threshold, only up to 60% of the amount exceeding the threshold may be offset by tax-loss carry-forwards. The remaining 40% is subject to tax, so-called minimum taxation rules (*Mindestbesteuerung*). Unused tax-loss carry-forwards may be generally carried forward indefinitely and used in subsequent assessment periods to offset future taxable income in accordance with this rule.

However, unused losses and interest carry-forwards are forfeited in full if within five years more than 50% of the subscribed capital, membership interests, equity interests or voting rights of the Company are transferred, whether directly or indirectly, to an acquiring party or affiliated individuals/entities, or a similar change of ownership occurs (harmful acquisition) (*schädlicher Beteiligungserwerb*). A group of acquirers with aligned interests is also considered to be an acquiring party for these purposes. In addition, any current year losses incurred prior to the acquisition will not be deductible. If between 25% and 50% of the subscribed capital, membership interests, equity interests or voting rights of the Company is transferred, a proportional amount of the unused losses and interest carry-forwards is forfeited. However, such acquisitions do not constitute a harmful acquisition if the same person owns directly or indirectly 100% of the seller and the purchaser. Unused losses and interest carry-forwards are not forfeited to the extent that they are covered at the time of the harmful acquisition by hidden reserves (built in gains), if the liquidation of the hidden reserves is taxable in Germany.

18.2 Taxation of Shareholders

Shareholders are taxed particularly in connection with the holding of shares (taxation of dividend income), upon the sale of shares and subscription rights (taxation of capital gains) and the gratuitous transfer of shares and subscription rights (inheritance and gift tax).

18.2.1 Taxation of Dividend Income

If the Company pays dividends out of a tax-recognized contribution account (*steuerliches Einlagekonto*), as investment income, are not subject to withholding tax, individual income tax (including the solidarity surcharge and church tax, if any) or corporate income tax, as the case may be. However, dividends lower the acquisition costs of the shares, which may result in a greater amount of taxable capital gain upon the shareholder's sale of such shares. To the extent that dividends from the tax-recognized contribution account exceed the then lowered acquisition costs of the shares, a capital gain is recognized by the shareholder, which may be subject to tax in accordance with the provisions outlined below.

18.2.2 Dividend Withholding Tax

The dividends distributed by the Company are subject to a dividend withholding tax at a 25% rate on dividends distributed by the Company plus a solidarity surcharge of 5.5% on the amount of withholding tax (amounting in total to a rate of 26.375%). The basis of the dividend withholding tax is the dividend approved for distribution by the Company's Shareholders' Meeting.

Dividend withholding tax is withheld regardless of whether and, if so, to what extent the shareholder must report the dividend for tax purposes and regardless of whether the shareholder is a resident of Germany.

The tax is generally withheld by a German-based disbursing agent (directly or indirectly) paying out the dividend ("**German Disbursing Agent**"; *auszahlende Stelle*).

If the shares are kept in a custodial account with a German Disbursing Agent and the shareholder is subject to church tax in Germany, the German Disbursing Agent will withhold church tax on dividends distributed before 2015 only upon request by the shareholder. As of 2015, the German Disbursing

Agent has to withhold church tax (where applicable) unless the shareholder objects in writing to the Federal Central Tax Office (*Bundeszentralamt für Steuern*). In case the church tax has not been withheld by the German Disbursing Agent, the shareholder has to file a tax return including the dividends and the church tax will then be collected by way of assessment.

Where dividends are distributed to a company resident in another member state of the European Union within the meaning of Article 2 of the Parent-Subsidiary Directive (EC Directive 90/435/EEC of the Council of July 23, 1990, as amended), the withholding of the dividend withholding tax may not be required, or the tax refunded, upon application, provided that additional requirements are met. This also applies to dividends distributed to a permanent establishment located in another European Union member state of such a parent company or of a parent company that is tax resident in Germany if the interest in the dividend-paying subsidiary is part of the respective permanent establishment's business assets. An important pre-requisite for the exemption from withholding at source under the Parent-Subsidiary Directive is that the shareholder has directly held at least 10% of the company's registered capital continuously for one year and that the German tax authorities (*Bundeszentralamt für Steuern, Hauptdienstsitz Bonn-Beuel, An der Küppe 1, D-53225 Bonn*) have, based upon an application filed by the creditor on the officially prescribed form, certified to him that the prerequisites for exemption have been met.

The dividend withholding tax rate for dividends paid to other shareholders without a tax domicile in Germany will be reduced in accordance with the applicable double taxation treaty, if any, between Germany and the shareholder's country of residence, provided that the shares are not held as part of the business assets of a permanent establishment or a fixed base (*feste Einrichtung*) in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. The reduction in the dividend withholding tax is generally obtained by applying to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), with its registered office (*Hauptdienstsitz*) in Bonn-Beuel, An der Küppe 1, D-53225 Bonn, Germany, for a refund of the difference between the dividend withholding tax withheld, including the solidarity surcharge, and the amount of withholding tax actually owed under the applicable double taxation treaty, which is usually 15%. Forms for the refund procedure may be obtained from the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) (http://www.bzst.bund.de), as well as German embassies and consulates.

Corporations that are not tax resident in Germany will receive a refund of two-fifths of the dividend withholding tax that was withheld and remitted to the tax authorities. This is in addition to any further reduction or exemption provided under the Parent-Subsidiary Directive or a double taxation treaty. But foreign corporations will generally have to meet certain substance criteria defined by statute in order to receive an exemption from or (partial) refund of German dividend withholding tax.

18.2.3 Taxation of Dividends of Shareholders with a Tax Domicile in Germany

Individuals who Hold the Shares as Private Assets

Dividends paid to shareholders being tax resident in Germany and holding the shares as private (non-business) assets are subject to a flat income tax rate of 25% plus solidarity surcharge of 5.5% thereon (combined tax rate of 26.375%), as well as church tax if applicable ("**Flat Tax**"; *Abgeltungsteuer*). The private investor's income tax liability (plus solidarity surcharge) is in general settled by the withholding tax, i.e. the withholding tax will generally serve as a final tax irrespective of the individual income tax rate of the shareholder. In other words, once deducted, the shareholder's income tax liability on the dividends will be settled, and he or she will no longer have to declare them on his or her annual tax return.

The purpose of the Flat Tax is to provide for separate and final taxation of capital investment income earned; in other words, taxation that is unconnected to the individual's personal income tax rate. Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual's personal income tax rate if this would result in a lower tax burden. In this case, the base for taxation would be the gross dividend income less the lump-sum allowance of EUR 801.00 (EUR 1,602.00 for married couples filing jointly), with no deduction for costs actually incurred to generate the capital investment income. Any tax already withheld would be credited against the income tax so determined and any overpayment refunded.

If the individual owns (i) at least 1% of the shares in the Company and works for the Company or (ii) at least 25% of the shares, the tax authorities may approve upon application that the dividends are treated under the partial-income method (see below "—*Sole Proprietors (Individuals)*").

Upon the application of a shareholder who is subject to church tax and whose shares are held as private assets – and within the framework of the applicable regional church tax laws (*Landeskirchensteuergesetze*) – the church tax on the dividend is withheld and remitted by the domestic bank or other Domestic Disbursing agent that pays the dividend to the shareholder for the Company's account. An assessment to tax is mandatory, where the tax was not levied by way of withholding, e.g., where the individual shareholder is subject to church tax but church tax has not been withheld.

Shares Held as Business Assets

If the shares form part of a shareholder's domestic business assets, taxation of the dividends depends upon whether the shareholder is a corporation, sole proprietor or partnership (*Mitunternehmenschaft*). When shares are held as part of a shareholder's business assets, the dividend withholding tax to be withheld according to the above principles the Flat Tax does not apply. Instead, shareholders are able to have the dividend withholding tax credited against their individual or corporate income tax liability plus solidarity surcharge liability and have any overpayment refunded.

Corporations

Dividend payments received by corporations resident in Germany are fully subject to corporate income tax and solidarity surcharge, unless the participation is a direct participation of 10% or more in the registered share capital of the Company. In the latter case the dividends received are generally exempt from corporate income tax and solidarity surcharge, however, 5% of the tax-exempt dividend income is treated as a non-deductible business expense (i.e. effectively 95% of the dividend income is exempt) and, as such, is subject to corporate income tax (plus the solidarity surcharge). Moreover, actual business expenses incurred to generate the dividends may be deducted. However, the amount of any dividends after deducting business expenses related to the dividends is also subject to trade tax, unless the corporation held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the aforementioned exemption of 95% of the dividend income applies analogously for trade tax purposes.

Sole Proprietors (Individuals)

If the shares are held as part of the business assets of a sole proprietor (individual), with his tax domicile in Germany, 40% of the dividend is tax exempt (so-called partial-income method — *Teileinkünfteverfahren*). Only 60% of the expenses economically related to the dividends are tax-deductible. The partial-income method will also apply when individuals hold the shares indirectly through a partnership (with the exception of personal investors who hold their shares through an asset management partnership (*vermögensverwaltende Personengesellschaft*)). If the shares form part of the business assets of a domestic permanent establishment of a trade, the full amount of the dividend income (after deduction of business expenses that are economically related to the dividends) is also subject to trade tax, unless the taxpayer held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. However, trade tax is generally credited – fully or in part – as a lump sum against the shareholder's personal income tax liability.

Partnerships

If the shareholder is a trading or deemed to be a trading (*gewerblich geprägte*) partnership with its tax domicile in Germany, the personal income tax or corporate income tax, as the case may be, and the solidarity surcharge, are levied at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the partner is a corporation or an individual. If the partner is a corporation, the dividend income is generally 95% tax-exempt provided the corporations holds indirectly at least 10% of the registered share capital of the Company (see above "—*Corporations*"). If the indirect participation of the corporate partner is less than 10% the dividend income will be fully subject to corporate income tax. If the partner is an individual, only 60% of the dividend income is subject to income tax (see above "—*Sole Proprietors (Individuals)*").

If the shares form part of the business assets of a domestic permanent establishment of a trading or deemed to be a trading (*gewerblich geprägt*) partnership, the full amount of the dividend income is subject to trade tax at the level of the partnership. In the case of partners who are individuals, the trade tax that the partnership pays on his or her proportion of the partnership's income is generally credited as a lump sum – fully or in part – against the individual's personal income tax liability. If the partnership held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends are not subject to the trade tax. However, if the partners are corporations, the 5% of the dividend income treated as non-deductible business expenses will be subject to trade tax.

Financial and Insurance Sector

Special rules apply to companies active in the financial and insurance sectors (see below "—*Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

18.2.4 Taxation of Dividends of Shareholders without a Tax Domicile in Germany

If a shareholder (individual or corporation) who is subject to non-resident taxation in Germany holds shares as part of the business assets of a permanent establishment or fixed place of business in Germany or as part of the business assets for which a permanent representative in Germany has been appointed, the same taxation rules that are applicable to resident shareholders apply. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability. If the amount withheld exceeds the personal or corporate income tax liability, any excess amount is refunded. The same applies to the solidarity surcharge. These shareholders are essentially subject to the same rules applicable to resident shareholders, as discussed above.

In all other cases, the withholding of the dividend withholding tax discharges any tax liability of the shareholder in Germany. A refund or exemption is granted only as discussed in the section on dividend withholding tax above (please see "*Dividend Withholding Tax*").

18.3 Taxation of Capital Gains

18.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

Shares and Subscription Rights Held as Private Assets

Gains on the sale of shares/subscription rights that are held as private assets by shareholders with a tax domicile in Germany, and which were acquired after December 31, 2008, are generally taxable regardless of the length of time held. The tax rate is (generally) a uniform 25% plus the 5.5% solidarity surcharge thereon (as well as any church tax). The same applies to gains on the sale of subscription rights granted for such shares. Losses on the sale of such shares/subscription rights can only be used to offset gains made on the sale of shares/subscription rights during the same year or in subsequent years. Losses on the sale of shares may only be netted against gains on the sale of shares. Losses from the sale of subscription rights can only be offset against positive private capital investment income.

In the view of tax authorities, the exercise of subscription rights is not considered as a sale of such subscription rights. Shares acquired as a consequence of the exercise of subscription rights are deemed to be acquired at a subscription price of EUR 0 at the time of exercise of the subscription right.

If the shares or subscription rights were acquired and were held in a custodial account or administered by a German financial institution, a German financial services provider (including the German branch of a foreign institution) or securities trading companies or securities trading banks (the "**Domestic Disbursing Agent**"), or if a Domestic Disbursing Agent carries out the sale of the shares or subscription rights and disburses or credits the sales proceeds, the tax on the sale is generally satisfied by the Domestic Disbursing Agent who withholds taxes in the amount of 25% (plus the 5.5% solidarity surcharge thereon and any church tax) on the capital gain from the sales proceeds and remits them to the tax authorities. If the shares were held in safekeeping or administered by the respective Domestic Disbursing Agent after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses that stand in direct relation to the sale, and the amount paid to acquire the shares. However, the withholding tax rate of 25% (plus the 5.5% solidarity surcharge thereon and any church tax) will be applied to 30% of the gross sales proceeds if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such a verification is not valid. In this case, the shareholder is entitled to verify the original costs of the shares in his annual tax return. In any case, the acquisition costs for subscription rights granted by the Company are valued at EUR 0 for purposes of this calculation.

Upon the application of a shareholder who is subject to church tax, and who is within the framework of the applicable regional church tax laws, the church tax on the capital gain is withheld by the Domestic Disbursing Agent, in which case the church tax liability is in general settled. An assessment to tax is mandatory, where the tax was not levied by way of withholding, e.g., where the individual shareholder is subject to church tax but church tax has not been withheld. The description on the collection of church tax on dividends by way of withholding (please see above under *Taxation of Dividends*) applies accordingly to church tax on capital gains.

A shareholder may request that all his items of capital investment income, along with his other taxable income, be subject to the individual progressive income tax rate instead of the flat tax rate for private capital investment income, if this lowers his tax burden. In this case, the withholding tax will be credited to the progressive income tax and any excess amount will be refunded. The non-deductibility of income related expenses and the restrictions on offsetting losses also apply to a tax assessment at the progressive income tax rate.

Shareholders/subscription rights holders can apply to have gains on the sale of their shares/subscription rights taxed in accordance with the general rules for determining an individual's tax bracket, rather than the system of final flat taxation if that would result in a lower tax burden. The base for taxation would be the gross income less a lump-sum allowance of EUR 801.00 (EUR 1,602.00 for married couples filing jointly), with no deduction for costs actually incurred to generate the income. Any tax already withheld would be credited against the income tax so determined and any overpayment refunded.

Notwithstanding the foregoing, if a shareholder or, in the case of a gratuitous transfer, any of the shareholder's legal predecessors held, directly or indirectly, at least 1% of the Company's capital at any time during the five years prior to the sale (a "**Qualified Participation**"), the capital gains on the sale of shares realized by such shareholder will be subject to the partial-income method and not the final Flat Tax, with the result that 60% of the capital gains on the sale of shares will be taxable at the individual's personal income tax rate, and 60% of the expenses economically related to the capital gains will be deductible. The partial-income method should apply *mutatis mutandis* to gains or losses on sales of subscription rights. In the case of a Qualified Participation, the "total value method" (*Gesamtwertmethode*) is used to determine the acquisition costs of the subscription rights. This is based on the concept that the acquisition of the subscription rights was included in the acquisition of the old shares. Accordingly, the granting of the subscription rights results in a splitting off of part of the original acquisition costs for the old shares, i.e., the acquisition costs of the old shares are reduced by the portion attributable to the subscription rights split off. In the case of a Qualified Participation, withholding tax is also withheld by the Domestic Disbursing Agent. However, this does not discharge the shareholder's liability for taxes. Hence, the shareholder is obligated to declare the gain on the sale on his income tax return. The withholding tax withheld and remitted (including solidarity surcharge) is credited against the shareholder's income tax liability in the course of the tax assessment and any excess amount is refunded. In the case of a Qualified Participation, the exercise of subscription rights should also not be considered as a sale.

Under certain conditions, prior payments from the tax-recognized contribution account (*steuerliches Einlagekonto*) may lead to reduced acquisition costs of the shares held as personal assets and, as a consequence, increase the taxable capital gain.

Shares and Subscription Rights held as Business Assets

Gains on the sale of shares held by an individual or corporation as business assets are also subject to the 25% withholding tax (plus the 5.5% solidarity surcharge thereon and any church tax) if they are held in a custodial account or administered by a German Disbursing Agent, or if a German Disbursing Agent carries out their sale. The tax withheld, however, is not treated as a final tax. In this case, the amount of tax withheld can be also credited against the shareholder's individual or corporate income tax liability and any overpayment refunded.

If the shares/subscription rights form part of a shareholder's business assets, taxation of the capital gains realized will then depend upon whether the shareholder is a corporation, sole proprietor or partnership.

In general, capital gains earned on the sale of shares by *corporations* domiciled in Germany are 95% exempt from corporate income tax (including the solidarity surcharge) and trade tax, irrespective of the stake represented by the shares and the length of time the shares are held. However, 5% of the capital gains is treated as a nondeductible business expense and, as such, is subject to corporate income tax (plus the solidarity surcharge) and to trade tax. Losses from the sale of shares and any other reductions in profit do not qualify as tax-deductible business expenses.

Gains realized by corporations on the sale of subscription rights are subject in full to corporate income tax and trade tax. Losses from the sale of subscription rights and other reductions in profit reduce the taxable income. The exercise of subscription rights should not be treated as a sale of subscription rights.

If the shares/subscription rights are held as business assets of a tax resident *sole proprietor (individual)* in Germany, 60% of the capital gains on their sale is subject to the individual's tax bracket plus the solidarity surcharge (partial-income method). Similarly, only 60% of losses from such sales and 60% of expenses economically related to such sales are deductible. For church tax, if applicable, the partial-income method does apply. If the shares/subscription rights are attributable to the permanent establishment maintained in Germany by a trade, 60% of the capital gains are also subject to trade tax. The trade tax is fully or partially credited as a lump sum against the shareholder's personal income tax liability.

If the shareholder is a trading or deemed to be a trading (*gewerblich geprägte*) partnership, personal income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the respective partner is a corporation or an individual. If the partner is a corporation, the tax principles applying to capital gains which are outlined above apply. If the partner is an individual, the tax principles applying to capital gains which are set out above apply. Upon application and provided that additional prerequisites are met, an individual who is a partner can obtain a reduction of his personal income tax rate for profits not withdrawn from the partnership.

In addition, capital gains from the sale of shares/subscription rights attributable to a permanent establishment maintained in Germany by a trading partnership are subject to trade tax at the level of the partnership. As a rule, only 60% of the gains in this case is subject to trade tax if the partners in the partnership are individuals, while 5% is subject to trade tax if the partners are corporations and shares are sold. Losses on sales and other reductions in profit in connection with the shares/subscription rights sold are generally under the principles discussed under 1 and 2 above not deductible or only partially deductible or in case of subscription rights fully deductible, if the partner is a corporation. If the partner is an individual, the trade tax the partnership pays on his or her share of the partnership's income is generally credited as a lump sum — fully or in part — against his or her personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of the taxpayer.

Special rules apply to capital gains realized by companies active in the financial and insurance sectors, as well as by pension funds, as described below.

When a Domestic Disbursing Agent is involved, gains on the sale of shares or subscription rights held as business assets are generally subject to withholding tax to the same extent as for a shareholder whose shares or subscription rights are held as private assets (see the section entitled "*—Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany—Shares and Subscription Rights Held as Private Assets*"). However, the Domestic Disbursing Agent may refrain from withholding the withholding tax if (i) the shareholder is a corporation, association (*Personenvereinigung*) or estate (*Vermögensmasse*) with its tax domicile in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the disbursing agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Disbursing Agent nevertheless withholds taxes, the withholding tax withheld and remitted (including solidarity surcharge) will be credited against the shareholder's income tax or corporate income tax liability and any excess amount will be refunded.

18.3.2 Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany

Capital gains realized by a shareholder with no tax domicile in Germany are subject to German income tax only if the selling shareholder holds a Qualified Participation or if the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed.

Most double taxation treaties provide for an exemption from German taxes and assign the right of taxation to the shareholder's country of domicile in the former case. However, certain double taxation treaties contain special provisions for shareholdings in a real estate company. In the latter case the taxation of capital gains is governed by the same rules applying to shareholders resident in Germany.

18.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If financial institutions (*Kreditinstitute*) or financial services providers (*Finanzdienstleistungsinstitute*) hold or sell shares that are allocable to their trading book (*Handelsbuch*) pursuant to Section 1a of the German Banking Act (*Gesetz über das Kreditwesen*), they will not be able to use the partial-income method nor have 60% of their gains exempted from taxation nor be entitled to the 95% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income and capital gains are fully taxable. The same applies to shares that are acquired by a financial enterprise (*Finanzunternehmen*) within the meaning of the German Banking Act (*Gesetz über das Kreditwesen*) for purposes of realizing short-term gains from proprietary trading, and to shares held through a permanent establishment in Germany by financial institutions, financial services providers and financial enterprises with their registered office in another member state of the European Union or another contracting party to the European Economic Area Agreement. Further, the tax exemption for corporations for dividend income and capital gains from the sale of shares described above, does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds. The partial-income method for gains on the sale of subscription rights also does not apply in these cases.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent-Subsidiary Directive (Directive 90/435/EEC of the Council of July 23, 1990, as amended) applies.

18.5 Inheritance and Gift Tax

The transfer of shares/subscription rights to another person by will or gift is generally subject to German inheritance and gift tax only if

(i) the decedent, donor, heir, beneficiary or other transferee maintained his or her domicile or usual residence in Germany, or had its place of management or registered office in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years outside Germany without maintaining a residence in Germany (special rules apply to certain former German citizens who neither maintain their domicile nor have their usual residence in Germany),

(ii) the shares/subscription rights were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed, or

(iii) the decedent or donor, either individually or collectively with related parties, held, directly or indirectly, at least 10% of the Company's registered share capital at the time of the inheritance or gift.

The few German double taxation treaties relating to inheritance tax and gift tax currently in force usually provide that the German inheritance tax or gift tax can only be levied in the cases of (i) above, and also with certain restrictions in case of (ii) above. Special provisions apply to certain German nationals living outside of Germany and former German nationals.

18.6 Other Taxes

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of shares or subscription rights. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value added tax on transactions that are otherwise tax-exempt. Net wealth tax (*Vermögensteuer*) is currently not imposed in Germany.

The European Commission and certain EU Member States (including Germany) intend to introduce a financial transaction tax ("**FTT**") (presumably on secondary market transaction on financial transactions involving at least one financial intermediary). It is currently uncertain if and when the proposed FTT will be enacted by the participating EU Member States.

19. TAXATION IN LUXEMBOURG

The following information is of a general nature only and is based on the laws in force in Luxembourg as of the date of this Prospectus. It does not purport to be a comprehensive description of all the tax considerations that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the offering and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to shareholders. This summary is based on the laws in force Luxembourg on the date of this prospectus and is subject to any change in law that may take effect after such date. Prospective shareholders should consult their professional advisors with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject, and as to their tax position. Please be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impot sur le revenu des collectivites*), municipal business tax (*impot commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impot sur le revenu*) generally. Corporate shareholders may further be subject to net wealth tax (*impot sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

The Issuer does not assume any responsibility for the withholding of tax levied on income from the Shares or Subscription Rights.

Luxembourg Taxation of Shares of a Non-Resident Company

19.1 Income Tax

Taxation of Income Derived From Shares, and Capital Gains Realized On Shares by Luxembourg Residents

Luxembourg Resident Individuals

Dividends and other payments derived from the shares by resident individual shareholders, who act in the course of the management of either their private wealth or their professional/business activity, are subject to income tax at the progressive ordinary rate with a current top effective marginal rate of 40% (43.60% including the maximum 9% solidarity surcharge) depending on the annual level of income of individuals. A tax credit may be granted for foreign withholding taxes, provided that it does not exceed the corresponding Luxembourg tax. Under current Luxembourg tax law, 50% of the gross amount of dividends received by resident individuals from a company either resident in an EU Member State and covered by Article 2 of the Council Directive 2011/96/EU of November 30, 2011, as amended (the "EU Parent-Subsidiary Directive"), or established in a country with which Luxembourg has signed a Double Taxation Agreement, such as the Company, is exempt from income tax.

Capital gains realized on the disposal of the shares by resident individual shareholders, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if the shares are disposed of within six months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual shareholder holds, either alone or together with his spouse or partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the Company. A shareholder is also deemed to transfer a substantial participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the transferor (or the transferors in case of successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition thereof are subject to income tax according to the half-global rate method (that is, the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on a substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the shares.

Capital gains realized on the disposal of the shares by resident individual shareholders, who act in the course of their professional/business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

Luxembourg Fully Taxable Resident Undertakings with a Collective Character and Luxembourg Permanent

Establishments of Foreign Undertakings with a Collective Character or of Non-Resident Individuals

Unless benefiting from a special tax regime, dividends and other payments made by the Company to a Luxembourg resident fully-taxable undertaking with a collective character or to a Luxembourg permanent establishment of a foreign undertaking with a collective character or of non-resident individuals are subject to income tax at their respective ordinary rates. Under current Luxembourg tax laws, 50% of the gross amount of dividends received from a company resident in an EU Member State and covered by Article 2 of the amended EU Parent-Subsidiary Directive, or established in a country with which Luxembourg has signed a Double Taxation Agreement, such as the Company, is exempt from income tax. A tax credit may further be granted for foreign withholding taxes, provided it does not exceed the corresponding Luxembourg corporate income tax on the dividends and other payments derived from the shares.

However, under the participation exemption regime, dividends derived from shares of an entity covered by Article 2 of the amended EU Parent-Subsidiary Directive, such as the Company, may be exempt from income tax at the level when the shareholder if, at the time of the dividend is made available to the shareholders, cumulatively, (i) the shareholder is (a) a fully taxable Luxembourg resident undertaking with a collective character, (b) a Luxembourg permanent establishment of a company covered by Article 2 of the amended EU Parent-Subsidiary Directive, (c) a Luxembourg permanent establishment of a foreign undertaking with a collective character in a country having a tax treaty with Luxembourg, or (d) a Luxembourg permanent establishment of a company limited by share capital or a cooperative company resident in the European Economic Area other than an EU Member State, (ii) the shareholder has held or commits itself to hold the shares of the distributing entity (i.e. the Company) for an uninterrupted period of at least 12 months, (iii) during this uninterrupted period of 12 months, the shares represent a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least EUR 1,200,000.00, and (iv) the dividend is put at its disposal within such period. Liquidation proceeds may be exempt under the same conditions. Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the assets of the transparent entity.

Capital gains realized by (a) a Luxembourg fully-taxable resident undertaking with a collective character or (b) the Luxembourg permanent establishment of a non-resident foreign undertaking with a collective character on the shares of the Company are subject to income tax at the maximum global rate of 29.22% in Luxembourg-City, unless the conditions of the participation exemption regime, as described above, are satisfied except that the acquisition price must be of at least EUR 6,000,000.00 for capital gain exemption purposes. Shares held through a tax transparent entity are considered as a direct participation holding proportionally to the percentage held in the assets of the transparent entity.

Taxable gains are determined to be the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

Capital gains realized on the disposal of the shares by a non-resident individual holding the shares through a Luxembourg permanent establishment are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

19.2 Net Wealth Tax

Shares held by a Luxembourg fully-taxable resident undertaking with a collective character or a Luxembourg permanent establishment of a foreign entity of the same type are subject to annual Luxembourg net wealth tax (*impot sur la fortune*) ("**NWT**") at the rate of 0.5% applied on its net assets as determined for NWT purposes. Net wealth is referred to as the unitary value (*valeur unitaire*), as determined at the key-date of January 1 of each year. The unitary value is basically calculated as the difference between (a) assets estimated at their fair market value (*valeur estimee de realisation* or *Gemeiner Wert*), and (b) liabilities vis-a-vis third parties, unless one of the exceptions mentioned below is satisfied.

Unless benefiting from a special tax regime, NWT will be levied on the shares in the hands of a Luxembourg fully taxable resident company or of a Luxembourg permanent establishment of a foreign company.

Further, in the case of a company covered by Article 2 of the amended EU Parent-Subsidiary Directive, such as the Company, the shares may be exempt for a given year, if the shares represent at the key-dates a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least EUR 1,200,000.00. The NWT charge for a given year can be reduced if a specific reserve, equal to five times the NWT to save, is created before the end of the subsequent tax year and maintained during the five following tax years. The maximum NWT to be saved is limited to the corporate income tax amount due for the same tax year, including the employment fund surcharge, but before imputation of available tax credits.

19.3 Withholding Taxes

Dividend payments made to shareholders by a non-resident company, such as the Company, as well as liquidation proceeds and capital gains derived therefrom are not subject to a withholding tax in Luxembourg.

19.4 Other Taxes

Under Luxembourg tax law, where an individual shareholder is a resident of Luxembourg for inheritance tax purposes at the time of his/her death, the shares are included in his or her taxable basis for inheritance tax purposes.

Gift tax may be due on a gift or donation of the shares if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

FINANCIAL INFORMATION

CONTENT

I.

Unaudited Condensed Consolidated Interim Financial Statements of WESTGRUND AG for the six month period ended June 30, 2014 (IFRS)

Consolidated Balance Sheet as of 30 June 2014

A S S E T S	30 June 2014	30 June 2014	31 Dec. 2013
	EUR	EUR	KEUR
A. Non-current assets			
I. Intangible assets			
1. Trademarks and similar rights	15.00		0
2. Goodwill	0.00	**15.00**	0
II. Investment properties		**325,559,808.49**	230,655
III. Plant and equipment			
1. Technical equipment, plant and machinery	223,354.03		247
2. Other equipment, fixtures and fittings	25,887,42	**249,241.45**	23
IV. Financial assets			
1. Security investments		**27,512.00**	28
V. Other non-current assets		**695,189.65**	809
VI. Deferred tax assets		**42,854.95**	135
B. Current assets			
I. Properties intended for sale and other inventories			
1. Properties intended for sale	240,682.80		236
2. Services not yet settled	11,997,829.73		7,707
3. Work in progress	737,025.00	**12,975,537.53**	737
II. Receivables and other assets			
1. Trade receivables	802,832.88		742
2. Tax receivables	47,879.14		46
3. Other assets	928,603.61	**1,779,315.63**	740
III. Cash on hand, cash at banks and insurers providing capital		**12,409,770.09**	4,024
C. Assets held for sale		**0.00**	1,252
		353,739,244.79	**247,381**

EQUITY AND L I A B I L I T Y	30 June 2014	30 June 2014	31 Dec. 2013
	EUR	EUR	KEUR
A. Equity			
I. Subscribed capital	30,110,360.00		24,090
II. Reserves	26,621,434.55		12,288
III. Shares of minority shareholders	1,006,475.24		332
IV. Retained earnings	45,971,069.07	**103,709,338.86**	39,387
B. Non-current liabilities			
1. Deferred tax liabilities	12,332,437.81		9,926
2. Provisions for pensions	80,913.00		97
3. Liabilities due to banks and capital providing insurers	154,263,453.78		97,385
4. Derivatives	2,630,723.62		951
5. Convertible bond	19,239,559.60		0
6. Leasing liabilities	4,721,970.58	**193,269,058.39**	4,729
C. Current liabilities			
1. Liabilities due to banks and capital providing insurers	41,091,953.58		38,656
2. Advanced payments received	11,787,280.13		7,414
3. Leasing liabilities	12,090.73		11
4. Trade liabilities	1,294,538.39		1,002
5. Tax liabilities	37,974.06		33
6. Other liabilities	2,537,010.65	**56,760,847.54**	10,197
D. Liabilities related to assets held for sale		**0.00**	883
		353,739,244.79	247,381

Consolidated Income Statement for the period from 1 January to 30 June 2014

	01 Jan. 2014 - 30 June 2014	01 Jan. 2014 - 30 June 2014	01. Jan. 2013 - 30. June 2013
	EUR	EUR	KEUR
1. Revenues		**9,357,920.58**	5,985
2. Change in stocks of not settled services and work in progress		**4,197,472.82**	2,274
3. Results from the valuation of investment properties		**8,660,005.42**	7,940
4. Other operating income		**159,109.41**	72
5. Cost of materials			
a) Property management	-7,146,428.21		-4,175
b) Sale of properties	0.00	**-7,146,428.21**	-96
6. Personnel expenses			
a) Wages and salaries	-874,241.40		-543
b) Social security contributions	-83,012.43	**-957,253.83**	-65
7. Depreciation		**-48,395.84**	-32
8. Other operating expenses		**-1,626,750.05**	-1,245
9. Income from investments		**0.00**	0
10. Profit from the sale of subsidiaries		**380,873.28**	0
11. Other interest and similar income		**40,662.64**	19
12. Interest and similar expenses		**-4,785,542.68**	-1,537
13. Profit from the first-time consolidation		**101,030.05**	0
14. Share of losses in associated companies		**0.00**	-125
15. Results of ordinary business operations		**8,332,703.59**	8,472
16. Taxes on income		**-1,587,945.69**	-1,380
17. Other taxes		**-100.30**	0
18. Consolidated net result		**6,744,657.60**	7,092
19. Profits attributable to minority interest (previous year: losses)		**-161,055.47**	33
20. Profits attributable to shareholders of the parent company		**6,583,602.13**	7,125
21. Consolidated profit carried forward		**39,387,466.94**	21,586
22. Retained earnings		**45,971,069.07**	**28,711**

Consolidated Statement of Comprehensive Income for the period from 1 January to 30 June 2014

	01 Jan. 2014 - 30 June 2014	01. Jan. 2013 - 30. June 2013
	EUR	KEUR
Consolidated net result	6,744,657.60	7,092
Other comprehensive result of the year	0.00	0
Comprehensive income of the year	6,744,657.60	7,092
thereof the following relate to		
Shareholders of the parent company	6,583,602.13	7,125
Shares without a controlling influence	161,055.47	-33
Earnings per share		
Non-diluted earnings per share (in EURO)	0.26	0.35
Diluted earnings per share (in EURO)	0.25	0.34

Consolidated Cash Flow Statement for the period 1 January to 30 June 2014

	01 Jan. 2014 - 30 June 2014	**01. Jan. 2013 - 30. June 2013**
	KEUR	**KEUR**
Group operating results before taxes on income	**8,333**	**8,472**
Adjustments for		
Financial expenses	4,786	1,537
Financial income	-41	-19
Depreciations (+) / write-ups (-) on fixed assets	48	32
Profit (-) / loss (+) from the valuation of investment properties	-8,660	-7,940
Profit (-) from acquisition of subsidiaries	-101	0
Profit (-) from sales of subsidiaries	-381	0
Loss (+) / profit (-) from associated companies	0	125
Personnel expenses from share option programme (+)	122	77
Increase (+) / reduction (-) in provisions	-16	-16
Increase (+) / reduction (+) in other assets	-4,223	-2,370
Increase (+) / reduction (-) in other liabilities	4,753	3,745
Interest paid (-)	-3,353	-1,784
Interest received (+)	41	19
Received (+) / paid (-) taxes	-8	-20
Cash-flow from operating activities	**1,300**	**1,858**
Cash inflows from sales of investment properties (+)	0	73
Cash outflows for investments in the property, plant and equipment (-)	-59,903	-47,161
Cash inflows from the sale of company shares minus liquid funds (+)	249	0
Cash outflows for the acquisition of company shares minus acquired liquid funds (-)	-5	-3
Cash-flow from the investing activity	**-59,659**	**-47,091**
Increase (+) / reduction (-) in bank liabilities	41,089	35,699
Increase (+) / reduction (-) in financing liabilities	18,135	3,665
Cash outflows for the funding of debts (-)	-875	0
Cash inflows from capital increases, less transaction costs (+)	7,895	5,533
Cash-flow from financing activity	**66,244**	**44,897**
Changes in cash and cash equivalents	7,885	-336
Cash and cash equivalent at the beginning of the period	4,024	5,445
Reclassification of assets held for sale	501	0
Cash and cash equivalents at the end of the period	**12,410**	**5,109**
Thereof not freely disposable	556	2,821
Cash and cash equivalents at the end of the period (disposable)	**11,854**	**2,288**

Consolidated Statement of Changes in Equity for the period 1 January to 30 June 2014

	Subscribed capital	Capital reserves	Profit carried-forward	Shares of minority shareholders	Period results	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance on 01. Jan. 2013	**18,681,517.00**	**8,210,360.17**	**17,270,812.01**	**225,127.73**	**4,315,373.94**	**48,703,190.85**
Appropriation of profits 2012	0.00	0.00	4,315,373.94	0.00	-4,315,373.94	0.00
Change in stock option programme	0.00	116,532.90	0.00	0.00	0.00	116,532.90
Cash capital increase	1,868,150.00	3,754,981.50	0.00	0.00	0.00	5,623,131.50
Costs of cash capital increase	0.00	-89,162.98	0.00	0.00	0.00	-89,162.98
Capital increase in kind	1,200,000.00	2,400,000.00	0.00	0.00	0.00	3,600,000.00
Capital increase from corporate funds	2,174,966.00	-2,174,966.00	0.00	0.00	0.00	0.00
Exercising of stock options	165,000.00	92,400.00	0.00	0.00	0.00	257,400.00
Increase in minority shares	0.00	0.00	0.00	39,589.82	0.00	39,589.82
Collection of own shares	-7.00	-32.73	0.00	0.00	0.00	-39.73
Other results of the fiscal year	0.00	-21,826.43	0.00	-67.87	0.00	-21,894.30
Consolidated net income for the year	0.00	0.00	0.00	67,783.76	17,801,280.99	17,869,064.75
Balance on 31. Dec. 2013	**24,089,626.00**	**12,288,286.43**	**21,586,185.95**	**332,433.44**	**17,801,280.99**	**76,097,812.81**
Balance on 01 Jan. 2014	**24,089,626.00**	**12,288,286.43**	**21,586,185.95**	**332,433.44**	**17,801,280.99**	**76,097,812.81**
Appropriation of profits 2013	0.00	0.00	17,801,280.99	0.00	-17,801,280.99	0.00
Change in stock option programme	0.00	122,360.82	0.00	0.00	0.00	122,360.82
Cash capital increase	2,392.374.00	5,741,697.60	0.00	0.00	0.00	8,134,071.60
Capital increase in kind I	2,774,429.00	6,658,631.00	0.00	0.00	0.00	9,433,060.00
Capital increase in kind II	853,939.00	2,049,453.60	0.00	0.00	0.00	2,903,392.60
Costs of cash capital increase	0.00	-238,994.90	0.00	0.00	0.00	-238,994.90
Increase in minority shares	0.00	0.00	0.00	512,986.33	0.00	512,986.33
Acquisition of treasury shares	-8.00	0.00	0.00	0.00	0.00	-8.00
Consolidated net income for the first half year 2014	0.00	0.00	0.00	161,055.47	6,583,602.13	6,744,657.60
Balance on 30. June 2014	**30,110,360.00**	**26,621,434.55**	**39,387,466.94**	**1,006,475.24**	**6,583,602.13**	**103,709,338.86**

Selected Explanatory Notes on the Consolidated Interim Financial Statements as of 30 June 2014

A. General

The half-year financial report of WESTGRUND AG includes interim consolidated financial statements and an interim group management report in accordance with the provisions of section 37w (2) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] in conjunction with section 37y WpHG as well as a statement of the management board according to sections 264 (2) sentence 3 and 289 (1) sentence 5 HGB ["Handelsgesetzbuch": German Commercial Code]. The consolidated financial statements were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) for interim financial reporting. The interim group management report was prepared in accordance with the relevant provisions of the German Securities Trading Act.

The only substantial reporting segment is that of "real estate management". Therefore, segment reporting has been dispensed with.

B. Basis of Accounting

The interim consolidated financial statements have been prepared in accordance with section 315a HGB ["Handelsgesetzbuch": German Commercial Code] and IFRSs, as adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The consolidation principles and accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the following new or revised standards effective as of 1 January 2014:

- IAS 28: The new version of IAS 28 "Investments in Associates and Joint Ventures" regulates the inclusion of shares in associates and joint ventures using the equity method.
- IAS 32: In December 2011, the IASB published amendments to IAS 32 "Financial Instruments: Presentation". The amendments shall clarify the requirements for the offsetting of financial instruments and correct inconsistencies in current practice of offsetting financial assets and financial liabilities.
- IAS 36: In May 2013, the IASB published amendments to IAS 36 "Impairment of Assets". When developing IFRS 13 "Fair Value Measurement", the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets. The amendments published clarify the IASB's original intention: that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.
- IAS 39: In June 2013, the IASB issued "Novation of Derivatives and Continuation of Hedge Accounting," an amendment to IAS 39 (Financial Instruments: Recognition and Measurement). The amendment introduces new rules for continuing an existing hedge accounting relationship using a novated derivative. A novation occurs when the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. The new rules enable a derivative to remain a hedging instrument in a continuing hedge accounting relationship despite its novation if certain criteria are met.
- IFRS 10: In May 2011, the IASB published IFRS 10 "Consolidated Financial Statements". IFRS 10 provides a consistent definition of control and therefore a consistent basis for the existence of control and the determination of the entities that should be included in the consolidated financial statements of the parent company. The new standard replaces the guidance in IAS 27 and SIC-12 that was previously applicable in this respect.
- IFRS 11: In May 2011, the IASB published IFRS 11 "Joint Arrangements". IFRS 11 regulates the accounting of Joint Ventures and Joint Operations. The new standard replaces the regulations IAS 31 and SIC-13, which previously regulated the accounting of Joint Ventures.
- IFRS 12: In May 2011, the IASB published IFRS 12 "Disclosure of Interests in Other Entities". IFRS 12 provides guidance on disclosure requirements for all forms of interests in other entities in consolidated financial statements.
- In October 2012, under the title "Investment Entities," the IASB issued amendments to IFRS 10, IFRS 12 and IAS 27 for investment entities. Such entities are to be exempted from the requirement to consolidate

certain subsidiaries according to IFRS 10. Instead, they must recognize them at fair value through profit or loss. IFRS 12 introduces additional disclosure requirements for investment entities.

The amendments did not have any effects on the Group´s net assets, financial position and results of operations.

The provisions of IAS 34, “Interim Financial Reporting”, have been applied. The interim financial statements as of 30 June 2014 should be read in conjunction with the consolidated financial statements as of 31 December 2013.

The preparation of interim consolidated financial statements in accordance with IFRSs requires management to make estimates and assumptions which have an effect on the amount of recognised assets and liabilities, income and expenses and contingent liabilities. Actual amounts may differ from these estimates.

C. Group of consolidated companies

In addition to WESTGRUND AG, all companies are included in the group of consolidated companies, by which WESTGRUND has directly or indirectly the possibility to determine the business and financial policies in order to draw benefits from the business activities of these companies (subsidiaries).

The group of consolidated companies, along with the proportion of shares held, as of 30 June 2014 is as follows:

1	WESTGRUND AG, Berlin		
2	Westconcept GmbH, Berlin	100%	
3	IMMOLETO Gesellschaft mit beschränkter Haftung GmbH, Berlin	100%	
4	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH, Berlin	94.9%	Indirect participation
5	HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft, Berlin	94.9%	Indirect participation
6	HKA Verwaltungsgesellschaft mbH, Berlin	94.9%	Indirect participation
7	Westgrund Immobilien GmbH & Co. KG, Berlin	100%	
8	Westgrund Immobilien Beteiligung GmbH, Berlin	100%	
9	Westgrund Immobilien II. GmbH & Co. KG, Berlin	100%	
10	Westgrund Immobilien Beteiligung II. GmbH, Berlin	100%	
11	Westgrund Immobilien Beteiligung III. GmbH, Berlin	100%	
12	Westgrund Westfalen Verwaltungsgesellschaft mbH, Wesseling	89.2%	Indirect participation
13	Westgrund Westfalen GmbH & Co. KG, Berlin	94.6%	Indirect participation
14	WESTGRUND Immobilien Beteiligung IV. GmbH, Berlin	100%	
15	WESTGRUND Immobilien Beteiligung V. GmbH, Berlin	94.0%	
16	WESTGRUND Immobilien Beteiligung VI. GmbH, Berlin	100%	
17	Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen am Rhein	99.7%	4.9% as indirect participation
18	TREUHAUS Hausbetreuungs-GmbH, Ludwigshafen am Rhein	99.7%	Indirect participation
19	WAB Hausverwaltungsgesellschaft mbH, Ludwigshafen am Rhein	99.7%	Indirect participation
20	Liaen Lorentzen Partners AG, Zug/Switzerland	94.0%	
21	Westgrund Wolfsburg GmbH, Berlin	100%	
22	Westgrund Niedersachsen Süd GmbH, Berlin	100%	
23	Westgrund Niedersachsen Nord GmbH, Berlin	100%	
24	Westgrund Brandenburg GmbH, Berlin	100%	
25	Westgrund VII. GmbH, Berlin	100%	
26	Brilliant 2000 GmbH, Wesseling	94.9%	
27	Brillant 1816. GmbH, Wesseling	94.9%	Indirect participation
28	Brillant 1816. GmbH & Co. Immobilienverwaltung KG, Wesseling	94.9%	Indirect participation

The companies listed from no. 21 were founded or acquired in the first half-year 2014 and included in the consolidated financial statements for the first time.

The subsidiaries 21 to 25 were each acquired at a purchase price of KEUR 29 in the first half-year 2014 and hold liquid funds of KEUR 25 each. As a result of initial consolidation, negative effects of KEUR 4 each have been effectively recorded in the profit and loss statement.

In June 2014, the subsidiaries 26 to 28 were acquired by way of a capital increase in kind of the WESTGRUND AG. The purchase price of the 94.9% of the shares in Brilliant 2000 GmbH, which holds 100% of the shares in Brilliant 1816 GmbH and in Brilliant 1816 GmbH & Co. Immobilienverwaltung KG, was EUR 9,433,060 and was completely settled by the issuing of 2,774,429 new shares of WESTGRUND AG at a share price of EUR 3.40. Brilliant 2000 GmbH together with its subsidiaries dispose of the following assets and liabilities at the time of registration of the capital increase in kind in the commercial register on 12 June 2014 (transfer date):

	Fair value KEUR	Book value KEUR
Investment properties	29,420	25,840
Services not yet settled	262	262
Cash and cash equivalents	7	7
Other assets	209	209
Deferred tax liabilities	923	923
Liabilities due to banks	18,486	18.486
Advanced payments received	403	403
Other liabilities (current)	28	28
Minority interest	512	
Net assets	9,546	

The purchase price allocation for the first-time consolidation was carried out based on available evidence and information available as of the balance sheet date. The fair value of the investment properties was determined on the basis of an appraisal of an independent expert. The first-time consolidation led to a positive difference in the amount of KEUR 101 which was directly recorded in the profit and loss statement and disclosed in a separate line. The pro forma result for the period from 1 January 2014 until 12 June 2014 amounted to KEUR -396.

There were no further share purchases or newly formed companies in the first half-year 2014.

D. Explanations on the balance sheet

a) Fair values of the investment properties

With a few exceptions, all investment properties of the group are intended to be held on a long-term basis to generate rental income and for the purpose of increasing values. The investment properties as of 30 June 2014 are measured at fair value according to IAS 40. The determination of the fair values as of 30 June 2014 was carried out by an external expert.

The DCF valuations are based on the following significant, property-specific, individualized assumptions which are mainly unchanged compared to 31 December 2013:

Regular maintenance: (EUR / sqm):	EUR 5.00 - EUR 11.50 p.a.
Administration costs:	EUR 240 - 300/ unit p.a.
Tenant fluctuation:	5% - 10% p.a.
Discount rate:	5.5% - 7.25% (commercial real estate up to 10 %)
Capitalisation rate:	4.5% - 9.5% (commercial real estate up to 9.5%)
Transaction costs discount:	6.0% - 9.5%

Since 31 December 2013, the investment properties developed as follows:

	30. June 2014 KEUR	31. Dec. 2013 KEUR
Carry-forward 1. Jan.	**230,655**	**135,453**
Additions/Disposals	86,245	74,989
Changes in fair value		
Profits from changes in fair value	9,152	21,125
Losses from changes in fair value	-492	-912
Balance as of 30. June/ 31. Dec.	**325,560**	**230,655**

b) Deferred tax assets and liabilities

Deferred taxes are recorded in accordance with IAS 12 for all temporary difference in the tax book values and the IFRS values and on consolidation effects which have an impact on profit and loss. Deferred tax assets on benefits from unused tax losses carried forward are to be capitalised to the extent that it can be expected with sufficient probability that the company can generate sufficient future taxable income.

The deferred tax rate is 30.2% as in prior years' period (15% corporate tax and solidarity surcharge levied at 5.5% of corporate tax assessment levels, plus 14.35% trade tax).

c) Services not yet settled

At the balance sheet date, prepayments on apportionable operating expenses amounted to EUR 12.0 million. Impairments were not recorded. The prepayments relate to the year 2014 and to operating expenses of the year 2013 which have not yet settled with the tenants.

d) Properties intended for sale

The sale of the properties intended for sale is expected on a short-term basis. In contrast to the real estate portfolios classified as investment properties, the properties intended for sale mainly consist of individual apartments at the locations Hagen and Remscheid, which should not be kept in long-term.

e) Work in progress

Reported under work in progress is the last project that is currently still being developed. Owing to the length of the project development phase, the value of the undeveloped real estate as of the balance sheet date is calculated as the value of the land, excluding future contributions to operating results.

f) Cash on hand and at banks

As of 30 June 2014, cash and cash equivalents amount to EUR 12.4 million of which EUR 0.6 million are not freely available. The change in cash and cash equivalents compared to 31 December 2013 is shown in the cash flow statement of the first half-year 2014 which is a separate part of these interim financial statements.

The cash capital increase carried out in March 2014 led to a cash inflow of approx. EUR 7.9 million after deduction of cost relating to the cash capital increase.

Furthermore, the convertible bond (2014/2016) issued in April 2014 led to a cash inflow of EUR 19.2 million after deduction of cost.

g) Development of equity

The subscribed capital of WESTGRUND AG as of the balance sheet date is EUR 30,110,368.00 (31. December 2013: EUR 24,089,626.00). It is divided into 30,110,368 in no-par value shares with a nominal amount of EUR 1.00 each. Therefrom Westgrund AG is holding eight shares as of June 30, 2014, which have been set off against the subscribed capital.

In March 2014 a capital increase was carried out, partially utilising the authorised capital while excluding the subscription rights of existing shareholders. The nominal capital of the company was increased by EUR 2,392,374.00 to EUR 26,482,000.00 by way of a cash capital increase. The issue price for the new shares was EUR 3.40.

In June 2014 a capital increase was carried out in connection with the acquisition of the portfolio Halle/Saale and a receivable of a shareholder was acquired through the issue of shares. In total, 3,628,368 bearer shares at an issue price of EUR 3.40 were issued. After that, the nominal capital of WESTGRUND AG amounts to EUR 30,110,368.00.

On 12 June 2014, WESTGRUND AG acquired eight treasury shares at a share price of EUR 3.75. The acquisition costs amounted to EUR 45.97.

At the Annual General Meeting on 13 June 2014 it was decided to increase the share capital of the Company, which is after registration of the capital reduction of EUR 8.00 in the commercial register of EUR 30,110,360.00, by EUR 3,011,036.00 to EUR 33,121,396.00 by a capital increase from company funds (withdrawal from the capital reserve). The capital increase is carried out by the issue of 3,011,036 new, no-par value bearer shares each with a notional value of the Company's share capital of EUR 1.00 per share. The new shares are available to shareholders in proportion to their shares in the former capital. The new shares carry dividend rights from the beginning of fiscal year 2014. The issuance of the new shares took place in July 2014.

The calculation of the undiluted earnings per share in the first half-year 2014 was based on 25,754,871 shares and the diluted earnings per share on 26,296,800. The undiluted earnings per share was EUR 0.26 and the diluted earnings per share EUR 0.25.

The development of equity in the first half-year 2014 and the corresponding prior years' figure are presented in the statement of changes in equity which is a separate part of these interim financial statements. At the balance sheet date the equity ratio of the group amounted to 29.3%.

Without taking into account the capital increase from company funds in June 2014, the Net Asset Value (EPRA) has developed as follows in the first half-year 2014:

	30. June 2014 KEUR	31. Dec 2013 KEUR
Total equity without minorities (IFRS)	102,703	75,766
(+) deferred taxes	12,290	9,791
(+) derivatives	2,631	951
NAV	**117,624**	**86,508**
NAV in EUR / share	**3.91**	**3.59**

h) Liabilities due to banks

Liabilities due to banks are predominantly associated with real estate holdings and as of 30 June 2014 to 79% long-term nature. From the current liabilities in the amount of EUR 41.1 million with a remaining time to maturity with less than one year EUR 36.9 million have already been refinanced long term in July 2014 with a maturity of 30 September 2024 at a synthetic fixed interest rate of 2.99%.

From the non-current liabilities due to banks EUR 13.8 million have a remaining time to maturity of more than one and less than five years and EUR 140.5 million have a remaining time to maturity of more than five years.

i) Derivatives

In the course of the long-term refinancing of short-term liabilities in March 2014 two interest rate swaps with remaining terms till 2015/2018 were settled. Simultaneously with the signing of the new financing contracts new interest rate swaps were closed leading to the result that the long-term liabilities to banks are synthetic fixed interest rate liabilities.

Due to the linking of the terms of the newly closed interest rate swaps with the repayment of the former interest rate swaps the hedge accounting between the interest rate swaps and the underlying liabilities to banks has been assessed as non-effective in the sense of IAS 39 until balance sheet date. For the future it is assumed that the hedge accounting between the new interest rate swaps and the hedged interest payments resulting from the refinanced liabilities to banks are effective in the sense of IAS 39. The changes in value of the interest rate swaps for the first half-year 2014 amounting to EUR 1.7 million are therefore recorded with impact to the profit and loss statement and disclosed within the interest and similar expenses. In the future the changes in value of the interest rate swaps will be recorded directly within the equity provided that the hedge accounting is effective.

j) Convertible Bond

In beginning of April 2014, a mandatory convertible bond amounting to EUR 19,860,000 (convertible bond 2014/2016; ISIN DE000A11QPV2; WKN A11QPV) was offered to subscribe to institutional investors in a private placement without premium. The convertible bond was issued on 23 April 2014 and has a term until 22 April 2016. Due to high demand in the private placement, the convertible bond was fully placed and bears interest of 5% p.a. on their principal amount. The historical conversion price is EUR 3.70 for a share (after the issue of bonus shares in July EUR 3.36). The cost of the bond issue will be deducted from the nominal amount of the bond and amortized over the term of the bond with effect on the profit and loss.

k) Non-current assets held for sale and their associated liabilities

Non-current assets held for sale and their associated liabilities recorded as of 31 December 2013 have been sold in January 2014 by the way of a share deal resulting in a deconsolidation profit of KEUR 381.

l) Disclosures on fair values and financial instruments

For WESTGRUND Group following hierarchy is used for the determination and reporting of the fair values of financial instruments for each valuation method:

Level 1: Quoted (non-adjusted) prices on active markets for equivalent assets or liabilities.

Level 2: Market price quotations that are to be observed either directly or indirectly
for the asset or the debt not stated at Level 1.

Level 3: Methods using input parameters that have a substantial effect on the reported fair Value and where these input parameters are not based on observable market data.

The fair values of the assets and liabilities in the consolidated balance sheet break down as follows:

	Fair Value hierarchy	30. June 2014 KEUR	31. Dec. 2013 KEUR
Assets			
Investment properties	Level 3	325,560	230,655
Liabilities			
Derivatives	Level 2	2,631	951
Provisions for pensions	Level 3	81	97

In addition, the following financial instruments are measured at amortised cost in the consolidated financial statements:

		Book value		Fair Value	
		30. June 2014	31. Dec. 2013	30. June 2014	31. Dec. 2013
		KEUR	KEUR	KEUR	KEUR
Financial assets					
Security investments	(3)	28	28	28	28
Reinsurance	(4)	167	167	167	167
Cash and cash equivalents	(3)	12,410	4,024	12,410	4,024
Receivables and other assets	(1)	1,363	1,256	1,363	1,256
Non-current receivables	(4)	149	94	149	94
Financial liabilities					
Bank liabilities	(2)	195,355	136,041	194.549	135,153
Trade liabilities	(2)	1,295	1,002	1,295	1,002
Other liabilities	(2)	2,537	11,080	2,537	11,080
Leasing liabilities	(5)	4,734	4,740	4,734	4,740

Category according to IAS 39:
(1) Loans and receivables
(2) Liabilities accounted at amortised acquisition costs
(3) Financial Assets Available for Sale
(4) Assets Held to Maturity
(5) Liabilities from finance leasing

E. Other disclosures

a) Acquisition and sale of treasury shares

In the Annual General Meeting on 24 August 2012 the Company was authorised, in accordance with section 71 para. 1 No. 8 AktG (German Stock Corporation Act), to acquire its own shares up to an amount representing 10% of the equity capital by 23 August 2017. In the first half-year 2014, the Company acquired eight own shares (0.0% of the equity capital) at a total purchase price plus fees of EUR 45.97. The treasury shares were redeemed in July 2014.

b) Related party transactions

The related parties of the Company include the Management Board and the members of the Supervisory Board as well as the shareholders and executive body members of subsidiaries, including their close family members, as well as those companies upon which the Management Board or the Supervisory Board members of the Company, or their close family members, can exert a controlling influence, or in which they have a substantial voting right share. In addition, the relating parties include those companies, in which the Company holds a participation that enables it to exert a controlling influence on the business policies of the holding company and the principal shareholders of the Company.

As of 31 December 2014, current liabilities amounting to KEUR 379 existed towards the minority shareholders of Cologne Real Estate GmbH, on which interest was paid at customary market rates. Cologne Real Estate GmbH was sold in January 2014 so that the liabilities due to the minority shareholder no longer exist as of 30 June 2014.

In 2013 and as of 31 December 2013, WESTGRUND AG received working capital loans totalling EUR 4.1 million from significant shareholders and directly or indirectly related parties via a foreign corporation, which incur interest at customary market rates. The disclosure as of the year-end was made under other liabilities. The liability was completely repaid in the first half-year 2014. Thereby a receivable of a shareholder against Westgrund AG amounting to EUR 2.9 million was put into Westgrund AG by capital increase by way of contribution in kind. 853,939 shares with a price of EUR 3,40 have been issued.

As of 31 December 2013, a current loan receivable of KEUR 123 existed against the Management Board (loan to executive bodies in accordance with to section 89 AktG) as a result of income tax to be settled by WESTGRUND AG, resulting from the exercising of stock options in December 2013. This was a short-term loan that was fully settled in the first quarter of 2014.

In January 2014, WESTGRUND AG closed the acquisition of a residential real estate portfolio with a total of 803 housing units in Halle / Saale executed as a share deal from a shareholder and a third party at a purchase price of EUR 9.4 million in accordance with normal market practice. The execution of the transaction by way of a capital increase in kind with the issue of 2,774,429 shares at a share-issuing price of EUR 3.40 was carried out in June 2014.

In May 2014, real estate in Leipzig was acquired at reasonable conditions with a value of EUR 2.7 million from a shareholder and a company related to this shareholder.

In July 2014, WESTGRUND AG received a working capital loan totaling EUR 8.2 million from a foreign company which is related to a significant shareholder. The loan incurs interest at customary market rates and will be disclosed under other liabilities as of the next balance sheet date.

The intended secondary purchase of 1,300 units out of the Berlinovo-Portfolio notarized in July 2014 is made to FFIRE Immobilienverwaltung AG, Berlin, at customary market conditions. The chief executive officer of FFIRE Immobilien-verwaltung AG is member of the supervisory board of Westgrund AG.

Members of the Management Board are employed on contracts with reasonable terms of compensation.

No further business transactions with related parties in accordance with IAS 24 were conducted in the first half-year 2014.

c) Contingent liabilities, other financial liabilities and transactions not included in the balance sheet

As of 30 June 2014 other financial liabilities largely consist of building lease agreements. As of 30 June 2014, the other financial liabilities resulting from rental expenses for offices and office equipment amount to approximately KEUR 360 (prior year: KEUR 512) and a term until 31 January 2016. As of 30 June 2014, the other financial liabilities resulting from leasing agreements amount to KEUR 111 (prior year: KEUR 3) until the end of the leasing agreements. As of 30 June 2014, the total amount of other financial liabilities amounts to KEUR 471 (prior year: KEUR 515).

Other than these, no further contingent liabilities and other financial liabilities of significance in assessing the company‘s financial position are to be noted as of the balance sheet date.

d) Number of employees

An average of 25 employees, including 9 temporary assistants (previous year period: 21 employees, thereof 9 temporary assistants) were employed during the first half-year 2014.

e) German Corporate Governance Code

The current declarations in accordance with section 161 AktG of the Management Board and Supervisory Board of WESTGRUND AG concerning the German Corporate Governance Code are permanently available on the website www.westgrund.de.

f) Declaration of the Management Board

To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Berlin, 12 August 2014

Management Board

signed Arndt Krienen signed Sascha Giest

The following review report (Bescheinigung nach prüferischer Durchsicht) refers to the unaudited condensed consolidated interim financial statements prepared on the basis of International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": "German Commercial Code") as well as the interim group management report prepared in accordance with the German Securities Trading Act (WpHG) of WESTGRUND AG for the six month period ended June 30, 2014 as a whole and not solely to the unaudited condensed interim consolidated financial statements presented in this Prospectus on the preceding pages. The above-mentioned review report (Bescheinigung nach prüferischer Durchsicht) and the unaudited condensed consolidated interim financial statements are both translations of the respective German-language documents.

Review Report

To WESTGRUND Aktiengesellschaft, Berlin

We have reviewed the condensed interim consolidated financial statement comprising the consolidated statement of income, comprehensive income, financial position, cash flow and changes in equity, and notes to the condensed interim consolidated financial statements, and the interim group management report, of WESTGRUND Aktiengesellschaft, Berlin for the period from January 1, 2014 to June 30, 2014 which are part of the semi-annual financial report pursuant to Sec. 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with IFRS applicable to the interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statement and the interim group management in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed a financial statement audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the condensed interim financial statement is not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Cologne, August 12, 2014

DHPG AUDIT GMBH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

(Schaidinger)	(Güntgen)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

II.

Audited Consolidated Financial Statements of WESTGRUND AG for the year ended December 31, 2013 (IFRS)

Consolidated Balance Sheet as of 31 December 2013

A S S E T S	Note	31 Dec. 2013	31 Dec. 2013	31 Dec. 2012
		EUR	**EUR**	**KEUR**
A. Non-current assets				
I. Intangible assets				
1. Trademarks and similar rights	D.1	15.00		0
2. Goodwill	D.2	0.00	**15.00**	0
II. Investment properties	D.3		**230,654,884.00**	135,453
III. Property, plant and equipment	D.4			
1. Technical equipment, plant and machinery		247,472.00		295
2. Other equipment, fixtures and fittings		23,321.04	**270,793.04**	28
IV. Financial assets				
1. Shares in associated companies	D.5	0.00		875
2. Security investments	D.6	27,512.00		832
3. Advanced payments	D.6	0.00	**27,512.00**	51
V. Other non-current assets	D.7		**809,211.07**	268
VI. Deferred tax assets	D.13		**134,620.33**	20
B. Current assets				
I. Properties intended for sale and other inventories				
1. Properties intended for sale	D.9	235,891.93		279
2. Services not yet settled	D.8	7,707,194.69		3,447
3. Work in progress	D.10	737,025.00	**8,680,111.62**	1,037
II. Receivables and other assets	D.11			
1. Trade receivables		742,275.91		507
2. Tax receivables		46,014.16		38
3. Other assets		740,262.24	**1,528,552.31**	1,074
III. Cash on hand, cash at banks and insurers providing capital	D.12		**4,023,827.66**	5,445
C. Assets held for sale			**1,251,732.17**	0
			247,381,259.20	**149,649**

EQUITY AND L I A B I L I T Y		31 Dec. 2013	31 Dec. 2013	31 Dec. 2012
	Note	EUR	EUR	KEUR
A. Equity				
I. Subscribed capital	D.14	24,089,626.00		**18,682**
II. Reserves	D.14	12,288,286.43		**8,210**
III. Shares of minority shareholders		332,433.44		**225**
IV. Retained earnings		39,387,466.94	**76,097,812.81**	**21,586**
B. Non-current liabilities				
1. Deferred tax liabilities	D.13	9,925,549.31		**6,627**
2. Provisions for pensions	D.18	97,039.00		**103**
3. Liabilities due to banks and capital providing insurers	D.19	97,385,305.67		**79,551**
4. Derivatives	D.20	951,367.98		**1,310**
5. Leasing liabilities	D.19	4,728,493.32	**113,087,755.28**	**4,661**
C. Current liabilities	D.19			
1. Liabilities due to banks and capital providing insurers		38,656,074.86		**3,243**
2. Advanced payments received		7,414,294.69		**3,068**
3. Leasing liabilities		11,246.44		**9**
4. Trade liabilities		1,002,382.63		**706**
5. Tax liabilities		32,467.17		**34**
6. Other liabilities		10,196,619.87	**57,313,085.66**	**1,634**
D. Liabilities related to assets held for sale	D.12		**882,605.45**	**0**
			247,381,259.20	**149,649**

Consolidated Income Statement for the period from 1 January to 31 December 2013

	Note	2013 EUR	2013 EUR	2012 KEUR
1. Revenues	E.1		**18,192,799.39**	10,767
2. Change in the stock of not settled services and work in progress			**3,391,120.11**	965
3. Results from the valuation of investment properties			**20,213,288.34**	5,850
4. Other operating income	E.2		**434,076.20**	509
5. Cost of materials				
a) Property management	E.3	-12,287,684.04		-6,203
b) Sale of properties	E.3	-43,070.00	**-12,330,754.04**	-113
6. Results from the sale of investment properties			**51,677.63**	0
7. Personnel expenses				
a) Wages and salaries	E.4	-1,181,749.08		-1,166
b) Social security contributions	E.4	-132,069.71	**-1,313,818.79**	-165
8. Depreciation	E.5		**-372,726.27**	-792
9. Other operating expenses	**E.6**		**-2,487,407.59**	-1,687
10. Income from investments			**6,859.20**	6
11. Other interest and similar income	E.7		**23,930.12**	48
12. Interest and similar expenses	E.7		**-4,871,075.62**	-2,999
13. Share of losses in associated companies			**-125,023.55**	-69
14. Profit from the sale of subsidiaries			**460,004.71**	0
15. Results of ordinary business operations			**21,272,949.84**	4,951
16. Taxes on income	E.8		**-3,403,180.30**	-862
17. Other taxes			**-704.79**	-1
18. Consolidated net result			**17,869,064.75**	4,088
19. Profits attributable to minority interest (prv. year: losses)			**-67,783.76**	227
20. Profits attributable to shareholders of the parent company			**17,801,280.99**	4,315
21. Consolidated profit carried forward			**21,586,185.95**	4,063
22. Withdrawals from the capital reserves			**0.00**	13,208
23. Retained earnings			**39,387,466.94**	**21,586**

Consolidated Statement of Comprehensive Income for the period from 1 January to 31 December 2013

	2013	2012
	EUR	KEUR
Consolidated net income for the year	17,869,064.75	4,088
Other comprehensive result of the year	-21,894.30	0
Comprehensive income of the year	17,847,170.45	4,088
thereof the following relate to		
Shareholders of the parent company	17,779,454.56	4,315
Shares without a controlling influence	67,715.89	-227
Earnings per share		
Non-diluted earnings per share (in EURO)	0.77	0.25
Diluted earnings per share (in EURO)	0.77	0.24

Consolidated Cash Flow Statement for the period 1 January to 31 December 2013

	2013	2012
	KEUR	**KEUR**
Group operating results before taxes on income	**21,272**	**4,951**
Adjustments for		
Financial expenses	4,871	2,999
Financial income	-31	-54
Depreciations (+) / write-ups (-) on fixed assets	73	262
Depreciations (+) / write-ups (-) on current assets	300	530
Profit (-) / loss (+) from the valuation of investment properties at fair value	-20,213	-5,850
Profit (-) / loss (+) from the disposal of fixed assets	-32	0
Profit (-) from business acquisitions/sales	-460	-70
Loss (+) / profit (-) from associated companies	125	69
Personnel expenses from share option programme (+)	117	95
Increase (+) / reduction (-) in provisions	-32	2
Increase (+) / reduction (+) in other assets	-3,094	-1,118
Increase (+) / reduction (-) in other liabilities	4,773	-34
Interest paid (-)	-5,603	-2,740
Interest received (+)	24	48
Received (+) / paid (-) taxes	-31	4
Cash-flow from operating activities	**2,059**	**-906**
Cash inflows from sales of investment properties (+)	427	60
Cash inflows from dividends (+)	7	6
Cash inflows from repayments of financial assets	71	0
Cash outflows for investments in the property, plant and equipment (-)	-62,780	-40,567
Cash outflows for investments in the financial assets (-)	0	-25
Cash inflows from the sale of company shares minus sale of liquid funds (+)	1,206	0
Cash outflows for the acquisition of company shares minus acquired liquid funds (-)	-194	-73
Cash-Flow from the investing activity	**-61,263**	**-40,599**
Increase (+) / reduction (-) in bank liabilities	48,062	31,231
Increase (+) / reduction (-) in financing liabilities	4,449	-2,595
Cash inflows from capital increases, less transaction costs (+)	5,773	15,808
Cash-flow from financing activity	**58,284**	**44,444**
Changes in cash and cash equivalents	-920	2,939
Cash and cash equivalent at the beginning of the period	5,445	2,506
Re-classification of assets held for sale	-501	0
Cash and cash equivalents at the end of the period	**4,024**	**5,445**
thereof not freely disposable	2,157	3,673
Cash and cash equivalents at the end of the period (disposable)	**1,867**	**1,772**

The cash flow was calculated in accordance with IAS 7. Cash flow resulting from operational activities was shown according to “indirect method”.

The financial resources of the company consist of cash on hand, bank accounts and accounts with insurance companies. The respective amounts are at free disposition of the company except the amount of KEUR 2,157 (prv. year: KEUR 3,673) which are held as security for the bank loans. There were no further restrictions as in previous years.

Consolidated Statement of Changes in Equity for the period 1 January to 31 December 2013

	Subscribed capital	Capital reserves	Profit carried-forward	Shares of minority shareholders	Period results	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance on 01. Jan. 2012	**11,413,320.00**	**12,783,316.46**	**3,317,951.08**	**435,229.14**	**745,122.11**	**28,694,938.79**
Profit distribution 2011	0.00	0.00	745,122.11	0.00	-745,122.11	0.00
Change in stock option programme	0.00	94,778.72	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	15,990,033.40
Costs of cash capital increase	0.00	-181,832.59	0.00	0.00	0.00	-181,832.59
Addition minorities	0.00	0.00	0.00	16,484.17	0.00	16,484.17
Withdrawal from capital reserves	0.00	-13,207,738.82	13,207,738.82	0.00	0.00	0.00
Period results 1. Jan. - 31. Dec. 2012	0.00	0.00	0.00	-226,585.58	4,315,373.94	4,088,788.36
Balance on 31. Jan. 2012	**18,681,517.00**	**8,210,360.17**	**17,270,812.01**	**225,127.73**	**4,315,373.94**	**48,703,190.85**
Balance on 01. Jan. 2013	**18,681,517.00**	**8,210,360.17**	**17,270,812.01**	**225,127.73**	**4,315,373.94**	**48,703,190.85**
Appropriation of profits 2012	0.00	0.00	4,315,373.94	0.00	-4,315,373.94	0.00
Change in stock option programme	0.00	116,532.90	0.00	0.00	0.00	116,532.90
Cash capital increase	1,868,150.00	3,754,981.50	0.00	0.00	0.00	5,623,131.50
Costs of cash capital increase	0.00	-89,162.98	0.00	0.00	0.00	-89,162.98
Capital increase in kind	1,200,000.00	2,400,000.00	0.00	0.00	0.00	3,600,000.00
Capital increase from corporate funds	2,174,966.00	-2,174,966.00	0.00	0.00	0.00	0.00
Exercising of stock options	165,000.00	92,400.00	0.00	0.00	0.00	257,400.00
Increase in minority share	0.00	0.00	0.00	39,589.82	0.00	39,589.82
Collection of own shares	-7.00	-32.73	0.00	0.00	0.00	-39.73
Other results of the fiscal year	0.00	-21,826.43	0.00	-67.87	0.00	-21,894.30
Consolidated net income for the year	0.00	0.00	0.00	67,783.76	17,801,280.99	17,869,064.75
Balance on 31. Dec. 2013	**24,089,626.00**	**12,288,286.43**	**21,586,185.95**	**332,433.44**	**17,801,280.99**	**76,097,812.81**

Notes on the consolidated financial statements for fiscal year 2013

A. GENERAL DISCLOSURES

1. BASIC INFORMATION

WESTGRUND Aktiengesellschaft is the parent company of the WESTGRUND Group. The registered seat and management of the company are located at Joachimstaler Straße 34 in Berlin, Germany. The shares of the company are traded publicly.

The business of the WESTGRUND Group includes activities in connection with the property- and the housing industry. These activities extend along the whole value added chain, from purchase to development and enhancement, from management to sale. Due to legal and tax considerations, the real estate portfolio of the WESTGRUND Group is largely held by subsidiaries of WESTGRUND AG.

The only substantial reporting segment is that of “real estate management”. Therefore, segment reporting has been dispensed with.

WESTGRUND AG prepared its consolidated financial statements – consisting of consolidated balance sheet, consolidated profit and loss statement, consolidated statement of changes in equity, consolidated cash flow statement and consolidated notes – for the fiscal year from 1 January 2013 until 31 December 2013 in accordance with international accounting regulations, the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. All announcements of the International Accounting Standards Board (IASB), which are to be applied as mandatory, were taken into consideration. The consolidated financial statements are thus in line with the IFRS. The requirements for the preparation of the consolidated financial statements according to the IFRS, as adopted by the EU, and in accordance with section 315a HGB (German Commercial Code) have therefore been satisfied. Moreover, all applicable regulations as set out in German Commercial Law, have been satisfied when preparing the consolidated financial statements.

The consolidated financial statements have been prepared in EURO. Insofar as not otherwise stated all values will be rounded up or down to units of a thousand (KEUR) in line with commercial practice. The breakdown of the profit and loss statement is carried out according to the cost summary method.

Each significant group of items in the consolidated financial statements is shown separately. Items, which are not of a similar kind or with a similar function, are disclosed separately provided that they are not insignificant.

Individual items are summarised both in the consolidated balance sheet as well as in the consolidated profit and loss statement in order to increase clarity. These items are explained in the notes. A distinction is made between non-current and current assets, as well as non-current and current liabilities in the balance sheet. Assets, provisions and liabilities are considered to be current if they are due within one year, or are expected to have an impact within the normal business cycle.

The Management Board granted approval for the publication of the consolidated financial statements on 16 April 2014. There are no reservations against the publication of these financial statements.

2. CHANGES TO ACCOUNTING METHODS

The accounting and valuation methods principally correspond with the methods applied in the previous year, with the exception of the following new or revised standards and interpretations that came into effect on 1 January 2013:

<u>a) CHANGES APPLIED IN 2013</u>

The following accounting standards or interpretations were to be applied for the first time in the financial year 2013:

IFRS 13: Fair Value Measurement
IFRS 13 “Fair Value Measurement” was published in May 2011. IFRS 13 contains specifications regarding the determination of the fair value of an asset when applying various standards. IFRS 13 is to be applied to fiscal years, which begin on or after 1 January 2013. The EU endorsement was carried out on 11 December 2012. This did not lead to any essential implications for the net assets, financial position or results of operations of the group.

IAS 19: Employee Benefits
The changes set out in the amendment of June 2011 come into force for all companies with financial years starting after 1 January 2013. In the IFRS consolidated financial statements as of 31 December 2013, the outcome of the re-evaluation of pension provisions (actuarial profits/losses) was entered under “Other comprehensive Income”, outside of the profit and loss statement, for the first time. The so-called “corridor method”, despite being previously admissible, was not applied up to and including 2012. A one-off result of KEUR – 21 was recorded in the financial year 2013 as a result of this change.

IAS 1: Presentation of Financial Statements
The changes to IAS 1 relate to the presentation of the “other comprehensive results” and apply to all financial years that started on or after 1 July 2012. This amendment did not have any substantial implications for the net assets, financial position and results of operations of the group.

IFRS 7: Financial Instruments: Disclosures
The changes to IFRS 7 specifically relate to disclosure obligations relating to offsetting and related agreements. The amended standard is applied to financial years that began on or after 1 January 2013. This amendment did not have any substantial implications for the net assets, financial position and results of operations of the group.

b) AMENDMENTS ANNOUNCED IN 2013 WHICH HAVE NOT YET COME INTO FORCE

The following standards and interpretations, despite already being approved, are not relevant for the financial year 2013. They will be applied as soon as they have come into force and have been adopted by the European Commission:

- IAS 32: In December 2011, the IASB published changes to IAS 32 “Financial Instruments: Presentation“. The requirements related to the offsetting of financial instruments are to be made clearer. Inconsistencies in their practical application related to the offsetting of financial assets and financial liabilities will be remedied by the changes. The changes are to be applied to financial years beginning on or after 1 January 2014. Earlier implementation is permitted.

- IFRS 9: In November 2009, the IASB published IFRS 9 “Financial Instruments: Classification and Measurement“. This standard was developed as part of the project to replace IAS 39 and should have been completed in 2010. The standard regulates the classification and measurement of financial assets. The categories “Amortised cost” and “Fair Value” by IFRS 9 replace the previous categories of “Loans and Receivables, Financial Investments Held to Maturity“, ”Financial Assets Available for Sale“ and ”Assets Measured at the Fair Value Affecting Net Income“. Whether an instrument can be classified under amortised cost or not, is on the one hand dependent on the business model of the company and on the other hand on the characteristics of the particular instrument. Instruments, which do not satisfy the definition criteria of the category amortised cost, are to be measured at the fair value affecting net income. A measurement at fair value not affecting net income is permitted for selected equity instruments. The effective date for IFRS 9 will be determined by the IASB only upon completion of the whole IAS 39 replacement project.

- IFRS 9: In October 2010, the IASB published supplements to IFRS 9 “Financial Instruments: Classification and Measurement“. The previous IFRS 9 (2009), which was published in November 2009, only contained regulations for the classification and measurement of financial assets. In addition, the newly published IFRS 9 (2010) contains regulations for the classification and measurement of financial liabilities as well as for the derecognition of financial assets and liabilities. The effective date for IFRS 9 will be determined by the IASB only upon completion of the whole IAS 39 replacement project.

- IFRS 10: A standard concept for the preparation and presentation of consolidated financial statements is being introduced with IFRS 10. The distinction between classical subsidiaries (IAS 27) and special purpose entities (SIC-12) is thus being dispensed with. Control can only exist where an investor has the decision-making power, has a right to fixed returns or variable returns over which they have an influence. SIC-12 is revoked as IFRS 10 comes into force; also revoked are the regulations of IAS 27, which have been relevant to consolidated financial statements. The standard is to be applied across the European Union for financial years that begin on or after 1 January 2014.

- IFRS 11: In May 2011, the IASB published IFRS 11 “Joint Arrangements“. IFRS 11 regulates the accounting of Joint Ventures and Joint Operations. The new standard replaces the regulations IAS 31 and SIC-13, which previously regulated the accounting of Joint Ventures. The standard is to be applied across the European Union for financial years that begin on or after 1 January 2014.

- IFRS 12: In May 2011, the IASB published IFRS 12 “Disclosure of Interests in Other Entities“. IFRS 12 regulates the disclosure requirements for all forms of interest in other entities in the consolidated financial statements. The standard is to be applied across the European Union for financial years that begin on or after 1 January 2014.

- IAS 27: The new version of the IAS 27 “Consolidated and Separate Financial Statements“ regulates the accounting of subsidiaries, joint ventures and associated companies in the annual financial statements, as well as the associated disclosures in the notes. The standard is to be applied across the European Union for financial years that begin on or after 1 January 2014.

- IAS 28: The new version of IAS 28 “Investments in Associates and Joint Ventures” regulates the inclusion of shares in associates and joint ventures using the equity method. The standard is to be applied across the European Union for financial years that begin on or after 1 January 2014.

- IAS 36: In May 2013, the IASB published changes to IAS 36 “Impairment of Assets“. With the development of IFRS 3 “Fair Value Measurement” the IASB had decided to amend IAS 36 to require the disclosure of information concerning impaired assets. With the changes announced by the IASB, there has been a return to the original intention of ensuring that an entity‘s assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use) and is only to be disclosed for impaired assets or cash generating units. The changes will come into force in the European Union for reporting years beginning on or after 1 January 2014.

- IFRSs 2010 – 2012 Cycle: On 12 December 2013 the IASB published amendments as part of the “Annual Improvements to IFRSs 2010 – 2012 cycle”. The following standards have been amended:
  - IFRS 2 Share-based Payment: Clarification regarding the definition “Exercising Conditions”
  - IFRS 3 Business Combinations: Clarification regarding the accounting of conditional purchase price payments in the event of business acquisitions
  - IFRS 8 Operating Segments: Clarification concerning disclosures in notes with regard to the aggregation of operating segments and for the reconciliation of the segments’ assets to the group assets.
  - IFRS 13 Fair Value Measurement: Clarification regarding the omission of the discounting of current receivables and liabilities.
  - IAS 16 Property, Plant and Equipment/IAS 38 Intangible Assets: Clarification regarding the proportional adjustment of the accumulated depreciations when using the revaluation method.
  - IAS 24 Related Party Disclosures: Clarification of the definition of “related parties” and their influence on the interpretation of the term “key management personnel”.

  The changes will come into force for financial years beginning on or after 1 July 2014 and have not yet been adopted as EU law.

- IFRSs 2011 – 2013 Cycle: On 12 December 2013 the IASB published amendments as part of the “Annual Improvements to IFRSs 2011 – 2013 cycle”. The following standards have been amended:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards: Clarification of the definition in IFRS 1.7 “ each IFRS effectiveat the end of the reporting period”
  - IFRS 3 Business Combinations: Clarification on the scope exclusion for Joint Ventures
  - IFRS 13 Fair Value Measurement: Clarification of the scope of portfolio exception
  - IAS 40 Investment properties: Clarification that the regulations of IFRS 3 are decisive in determining whether the acquisition of investment properties represents a business combination.

The changes will come into force for reporting years that begin on or after 1 July 2014 and have not yet been incorporated into EU law.

The application of these new or amended standards and interpretations could lead to additional disclosure obligations in the upcoming consolidated financial statements. Implications on the net assets, financial position and results of operations of the group are not expected as a result of these changes.

B. CONSOLIDATION PRINCIPLES, GROUP OF CONSOLIDATED COMPANIES AND CONSOLIDATION METHODS

a) CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of WESTGRUND AG and its subsidiaries as of 31 December 2013. The financial years of all companies within the group match the calendar year.

Subsidiaries are consolidated in full from the time of acquisition, i.e. from the time, at which the group gains control. The consolidation ends as soon as the control by the parent company no longer exists. Control in this case is understood to mean the determination of the business and financial policies of the subsidiary in order to draw benefits from its business activity.

It can be assumed that WESTGRUND AG has either direct or indirect control when it holds a majority of the voting rights in another company.

The financial statements of the subsidiaries are prepared by applying standard accounting and valuation methods as of the same balance sheet date as for the financial statements of the parent company.

b) GROUP OF CONSOLIDATED COMPANIES

In addition to WESTGRUND AG, 20 subsidiaries were included in the consolidated financial statements as of 31 December 2013.

The group of consolidated companies, along with the proportion of shares held, as of 31 December 2013 is as follows:

1. Westconcept GmbH, Berlin	100.0%	
2. IMMOLETO GmbH, Berlin	100.0%	
3. ICR Idee Concept und Realisation von Immobilienvorhaben GmbH, Berlin	94.9%	indirect participation
4. HKA Grundstücksverwaltungsgesellschaft mbH & Co.KG, Berlin	94.9%	indirect participation
5. HKA Grundstücksverwaltungsgesellschaft mbH, Berlin	94.9%	indirect participation
6. Westgrund Immobilien GmbH & Co. KG (vormals Westgrund Immobilien Beteiligung GmbH & Co. KG), Berlin	100.0%	
7. Westgrund Immobilien Beteiligung GmbH, Berlin	100.0%	
8. Westgrund Immobilien II. GmbH & Co. KG, Berlin	100.0%	
9. Westgrund Immobilien Beteiligung II. GmbH, Berlin	100.0%	
10. Liaen Lorentzen Partners AG, Zug / Switzerland	94.0%	
11. Wiederaufbau-GmbH, Ludwigshafen	99.7%	4.9 % as indirect participation
12. TREUHAUS Hausbetreuungs-GmbH, Ludwigshafen	99.7%	indirect participation
13. WAB Hausverwaltungsgesellschaft mbH, Ludwigshafen	99.7%	indirect participation

14. Westgrund Immobilien Beteiligung III. GmbH, Berlin	100.0%	
15. Cologne Real Estate GmbH, Berlin	75.0%	
16. Westgrund Westfalen GmbH & Co. KG, Berlin	94.6%	indirect participation
17. Westgrund Westfalen Verwaltungsgesellschaft mbH, Berlin	89.2%	indirect participation
18. WESTGRUND Immobilien Beteiligung IV. GmbH, Berlin	100.0%	
19. WESTGRUND Immobilien Beteiligung V. GmbH, Berlin	94.0%	
20. WESTGRUND Immobilien Beteiligung VI. GmbH, Berlin	100.0%	

The subsidiaries listed as 1 to 17 were included in the group of consolidated companies during the whole fiscal year 2013.

The 50% share in the Projektgesellschaft Deutz-Mühlheimer Straße, Köln GmbH & Co. KG, Cologne, was sold in December 2013. The deconsolidation of Projektgesellschaft Deutz-Mühlheimer Straße, Köln GmbH & Co. KG and its subsidiary, Projektgesellschaft Deutz-Mühlheimer Straße, Köln Verwaltung GmbH, Cologne resulted in a positive result of KEUR 64. The two companies contributed EUR 0 to the group operating results for the period from 1 January 2013 until 31 December 2013. The companies did not have any significant assets, but debts due to third parties amounting to KEUR 88.

The 100 % participation in Westprojekt Immobilien-Servicegesellschaft mbH, Remscheid, was sold, effective as of 30 November 2013. The contribution to the operating results from this deconsolidation amounted to KEUR 396. Westprojekt Immobilien-Servicegesellschaft mbH contributed to the group operating results with a profit of KEUR 30 for the period from 1 January 2013 to 30 November 2013. Substantial assets of the companies disposed of were 5 % of the shares in a non-consolidated real estate company, which were recorded with a book value of KEUR 832 under security investments in the previous year.

The subsidiaries 18 and 20 were each acquired at a purchase price of KEUR 28 in 2013 and hold liquid funds of KEUR 25 each. As a result of initial consolidation, negative effects of KEUR 3 have been effectively recorded.

The 94 % participation in Kommunale Wohnungsbau- und Verwaltungsgesellschaft mbH, Gingst (now: Westgrund Immobilien V. GmbH, Berlin, number 19) was acquired at a purchase price, including all acquisition costs, of KEUR 303. The company is solely responsible for the management of the real estate portfolio in Rügen. The company enjoys independence in managing the properties. As of the takeover date (22 August 2013) Westgrund Immobilien V. GmbH owned the following assets and liabilities:

	Fair value	**Book value**
	KEUR	**KEUR**
Properties (IAS 40)	6,379	7,341
Deferred tax receivables	152	0
Services not yet settled	857	857
Liquid funds	35	35
Other assets	109	109
Advance payments received	745	745
Current liabilities	6,465	6,465
Shares of other shareholders	19	
Net assets	303	
Revenues 23.08.-31.12.2013	881	
Profit 23.08. - 31.12.2013	2,152	

The purchase price allocation for the first-time consolidation was carried out based on available evidence and information available as of the balance sheet date. No difference resulted from the first-time consolidation. The pro forma result for the period from 1 January 2013 until 22 August 2013 amounted to KEUR 21, whereby a result from the measurement according to IAS 40 is not included for this period of time.

As of 30 June 2012, 94.9 % of the shares in Westgrund Westfalen Verwaltungsgesellschaft mbH had been acquired. An essential asset of Westgrund Westfalen Verwaltungsgesellschaft mbH is a 5.1 % participation in Westgrund Westfalen GmbH & Co. KG, which already belongs to the Westgrund Group. Westgrund Westfalen Verwaltungsgesellschaft mbH had the following assets and liabilities as of the acquisition date:

	Fair value	**Book value**
	KEUR	**KEUR**
Investments	130	42
Liquid funds	2	2
Other assets	24	24
Current liabilities	46	3
Shares of other shareholders	16	3
Net assets	**94**	**62**

A negative difference totalling KEUR 70 resulted from the acquisition of the 94.9 % of the shares in Westgrund Westfalen Verwaltungsgesellschaft mbH at a purchase price of KEUR 24, which was included under "other operating income" in the consolidated profit and loss statement of the fiscal year 2012. Under the assumption that the 94.9 % of the shares in Westgrund Westfalen Verwaltungsgesellschaft mbH would have been acquired by 1 January 2012, an additional group revenue amounting to EUR 0 and additional group operating results of EUR 0 would have been recorded based on a pro forma analysis in 2012.

There were no further share purchases or newly formed companies in 2013 and 2012.

The 75 % participation in Cologne Real Estate GmbH, Berlin, including the two 20 % participations held by Cologne Real Estate, was sold for KEUR 1 plus the agreement of a debtor warrant up to a maximum of KEUR 150 in January 2014. A positive effect on operating results of approx. KEUR 246 resulted from the deconsolidation in January 2014. Cologne Real Estate GmbH contributed to the group operating results with a loss of KEUR 147 in the fiscal year 2013.

c) CONSOLIDATION METHODS

All subsidiaries numbered 1 to 20 have been included in the consolidated financial statements on a full consolidation basis.

The capital consolidation was carried out in accordance with IFRS 3, using the acquisition method by offsetting the carrying amount of investments against the proportionate newly measured equity of the subsidiaries at the date of acquisition. Differences remaining after the allocation of hidden reserves and charges are recognized as goodwill or negative goodwill. If the fair value of the acquired net assets exceeds the assigned total consideration, the difference will be entered in the profit and loss statement.

Amounts due as receivables or payables in respect of companies within the consolidated group have been offset against each other. There are no unexpended amounts. Intra-group expenses and income are also offset.

Minority interest represents that portion of profit or loss and net assets of the subsidiary attributable to shares that are not owned by the parent. The share of the group operating results relating to the minority interest is disclosed separately in the consolidated profit and loss statement. The disclosure in the consolidated balance sheet is included under „equity", reported separately from the shareholder equity of the parent company. Losses accrued by a consolidated subsidiary are also allocated to the minority interest, even when this leads to a negative balance. Minority interests in partnerships are reported as debt as a result of the termination rights set out in IAS 32.

d) CURRENCY CONVERSION

Items in the consolidated financial statements are expressed in the group‘s functional currency, which is the currency of the primary economic environment in which the group operates. The reporting currency of the consolidated financial statements is the EURO, which represents the functional currency of the parent company and the consolidated subsidiaries.

Transactions in foreign currencies are converted into the functional currency at the exchange rates as of the balance sheet date. Profits and losses, resulting from the execution of such transactions and from the conversion of monetary assets and liabilities into foreign currency at exchange rates as of the balance sheet date, are recorded as income or loss.

C. ACCOUNTING AND VALUATION METHODS

1. Intangible assets

All acquired intangible assets have a fixed duration of amortisation; therefore, they are entered in the balance sheet according to IAS 38 at acquisition cost and amortised on a straight-line basis over their useful lives (as a rule three years). There are no internally generated intangible assets.

2. Business combinations and goodwill

Business combinations are reported using the acquisition method. The costs of a business acquisition are measured based on the fair value of assets received and incurred or acquired debt at the date of exchange, plus any costs directly attributable to the business acquisition. Identifiable assets acquired within the context of a business combination and debts and contingent debts, which are acquired, are initially recognised with the respective fair values at the time of the acquisition, irrespective of the scope of possible minority shareholdings.

Goodwill is valued at acquisition cost on initial recognition, which is measured as a surplus of the cost of the business acquisition over the share of the group in the net fair values of the identifiable assets, debts and contingent debts of the acquired business. If the acquisition costs are below the fair value of the net assets of the acquired subsidiary, the difference is to be entered in the profit and loss statement after an evaluation according to IFRS 3.36.

Following initial recognition, the goodwill is measured at cost less any accumulated impairment losses. There is no ordinary depreciation of disclosed goodwill. For the purpose of impairment testing, the goodwill that is accrued within the context of business combinations is allocated to the cash generating units of the group from the time of the acquisition, which are to profit from the synergy effects from the business combination. This applies irrespective of whether other assets or debts from the acquired business are allocated to these cash generating units.

Goodwill is tested for impairment at least once a year. An impairment test will also be carried out if events or circumstances indicate that the book value could have been impaired. Any value adjustment is determined based on the recoverable amount of the cash-generating unit (or the group of cash generating units) to which the goodwill relates. Insofar as the recoverable amount of the cash-generating unit (or the group of cash generating units) falls short of the book value of the cash-generating unit (or the group of cash generating units) to which the goodwill relates, an impairment loss is recorded. Once recorded, an impairment loss relating to goodwill may not be reversed in subsequent reporting periods.

3. Investment properties

Property holdings disclosed as „investment properties“ include the real estate portfolio of the group, which is held to generate rental income and/or for the purpose of increasing values and which is not used for the delivery of goods or the provision of services, for administrative purposes or for sale within the context of customary business activities (IAS 40.5). It primarily concerns residential real estate; commercial real estate is let to a lesser degree. The real estate is exclusively let to third parties.

Investment properties are valued according to costs incurred at the time of acquisition or construction, including related secondary acquisition and/or manufacturing costs. Within the scope of subsequent valuations, the real estate is valued at the fair value (IAS 40.33), whereby the accounting principles of time-related and consistency are complied with. The valuation at market values deviates from German commercial law. Profits or losses from changes to the fair values of the investment properties are entered in the profit and loss statement with effect on net income in the year in which they are incurred. The same applies to profits or losses resulting from the re-classification of real estate in the inventories relating to the investment properties (IAS 40.63).

Investment properties are derecognised if they are sold or if they are no longer usable and no future financial benefit will be expected from their disposal. The difference between the net sales proceeds and the book value of the asset is entered in the profit and loss statement at the time of its derecognition.

4. Fixed assets: property, plant and equipment

Property, plant and equipment are capitalised at amortised acquisition or manufacturing costs according to IAS 16 and, insofar as their use is finite, depreciated as scheduled on a straight-line basis over the expected useful life. Borrowing costs are entered as an expense irrespective of the use of the debt in the period in which they were incurred, as qualified assets are not produced. The following useful lives are applied:

	Useful life in years
Outdoor facilities	**10 - 18**
Technical equipment and machinery	**10 - 18**
Other equipment, fixtures and fittings	**3 - 20**

5. Shares in associated companies

The group‘s shareholdings in associate companies are disclosed in accordance with the equity method. An associate company is an entity in which the group has a significant influence and which is neither a subsidiary nor a joint venture.

In accordance with the equity method, shareholdings in associates are recorded in the balance sheet at acquisition costs plus the changes in the group‘s share in the net assets of the associate after the time of the acquisition. The goodwill associated with the associate is included in the book value of the share and is neither depreciated as scheduled, nor subjected to a separate impairment test.

The profit and loss statement includes the Group’s share in the result of the associate. Changes directly disclosed in the equity of the associate will be entered by the group in the amount of its share and, if applicable, presented in the statement of changes in equity. Unrealised profits and losses from transactions between the group and the associate are eliminated in accordance with the group share in the associated company.

The share in the results of an associated company is disclosed in the profit and loss statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the associated company.

The financial statements of associated companies are prepared as of the same balance sheet date as the financial statements of the parent company. Adjustments are made in order to ensure compliance with group accounting and valuation principles.

Following the application of the equity method, the group determines whether it is necessary to enter an additional impairment loss for the group shareholdings in associated companies. On each balance sheet date, the group determines whether there are objective indications that the share in an associated company could have been impaired. If this is the case, the difference between the recoverable amount and the book value of the share in the associated company is be entered as an impairment loss affecting net income.

6. Leasing transactions

The economic ownership of movable and immovable leased objects is assigned to the party to the leasing contract that bears the substantial opportunities and risks associated with the leased object. If the lessor bears the substantial opportunities and risks (Operating Lease), the leased object is to be disclosed in the lessor's balance sheet. If the lessee bears the substantial opportunities and risks associated with the ownership to the leased object (Finance Lease), then the leased object is to be disclosed in the lessee's balance sheet.

In case of finance leases, the leased object is to be capitalised by the lessee at fair value or the lower present value of the future minimum leasing payments at the time of acquisition and – insofar as subject to wear and tear – amortised over the shorter of its estimated useful life or the term of the lease. Changes in the residual value of the leased object are to be taken into account. The lessee recognises a leasing liability at the commencement of the lease, corresponding to the book value of the leased object. The leasing liability will be amortised and carried forward in subsequent periods using the effective interest method. The lessor in a finance lease recognises a receivable equal to the amount of the net investment in the lease. Leasing income is divided into repayments of the leasing receivable and financial income. Receivables from the lease are amortised and carried forward in subsequent periods using the effective interest method. In doing so, changes to the residual value of the leased object are to be taken into account.

7. Services not yet settled

Disclosed under „services not yet settled“ are apportionable operating expenses from let properties, for which the WESTGRUND group has made advance payments. It is normally the case that the settlement of the operating expenses has not yet been carried out at the balance sheet date, resulting in these advance payments appearing under „services not yet settled“. Once tenants have been invoiced for their operating and utilities costs, often in the following calendar year, the amount disclosed under „services not yet settled“ is correspondingly reduced. The „services not yet settled“ are initially recorded at either cost of acquisition or manufacturing. Subsequent valuations are carried out at amortised acquisition or manufacturing costs by taking possibly existing impairments into account, in accordance with IAS 2.9.

8. Work in progress

The category „work in progress“ includes all current projects that have reached the stage at which, with reasonable assurance, they can be classified as assets. „work in progress“ are disclosed at the lower of the cost of acquisition or manufacturing and the net realisable value. The net realisable value is the estimated realisable value generated in ordinary course of business less the estimated costs until the date of disposal and the estimated sales costs. Costs allocated for accounting purposes comprise the directly attributable costs of the projects and reasonable shares of general administration costs.

9. Properties intended for Sale

„Properties intended for sale“ are initially reported at cost of acquisition or manufacturing as of the balance sheet date. Subsequent valuation is carried out according to IAS 2.9, at amortised acquisition or manufacturing costs and taking into account potentially lower net proceeds from the sale, including associated costs of the sale.

10. Financial assets

Financial assets, as defined by IAS 39, are shown at fair value at the time of their initial reporting. Depending on their category, the financial assets are subsequently reported at either fair value or their amortised acquisition costs. Categories are assigned upon initial recognition. Insofar as no separate market value is stated in the notes, the market value corresponds to the book value.

A distinction is to be made between the following categories:

- Assets Held for trading will be measured at the fair value. There are no such assets in the WESTGRUND Group.
- Financial investments held to maturity are reported at their amortised acquisition costs. There are no substantial assets of this kind in the WESTGRUND Group.
- Loans and receivables not held for trading are principally accounted with their amortised acquisition costs. Loans and receivables are non-derivative financial assets with fixed determinable payments, which are not listed on an active market. These are largely trade receivables, loans and other assets, which are not deferred tax assets.
- Available-for-Sale financial assets are principally reported at fair value. This concerns debt instruments, which are to be held for a certain period of time and which can be sold to satisfy the group's liquidity requirements. Cash and cash equivalents are classified under these items.
- Leasing agreements under which the group is the lessor and a leasing receivable exists as a result of a finance lease, are not classified as a financial instrument in line with IAS 39.2. IAS 39 is applied with regard to derecognition or impairment.

Normal market purchases of financial assets are generally accounted as of the settlement day, i.e. on the day of delivery. Any liabilities arising from the acquisition are recognised at the same point in time.

A financial asset will be derecognised if one of the following requirements has been satisfied:

- The contractual rights to the receipt of cash flows from a financial asset have expired.
- The company has reassigned its contractual rights to the receipt of cash flows from the financial asset to third parties.

At each balance sheet date it is to be determined whether there are objective indications for an impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets are deemed as impaired if, as a result of one or several events, occurring after the initial recognition of the asset, there are objective indications of an impairment which has an implication on the expected future cash flows of the financial asset or the group of financial assets. Indications of an impairment exist if there are indications that the debtor, or a group of debtors, has substantial financial difficulties, where interest or loan repayments are either not forthcoming or are late, where bankruptcy or insolvency proceedings are likely, and if observable data indicates a measurable reduction in future cash flows, such as changes to provisions or economic conditions that correlate with defaults.

If objective indications of impairment in financial assets exist, measured at amortised acquisition costs, the amount of the impairment loss is calculated as the difference between the book value of the asset and the cash value of the future cash flows. The book value of the asset is reduced using a value adjustment account and the impairment loss entered the income statement. If the amount of an estimated impairment increases or decreases in subsequent reporting periods as a result of an event occurring after the impairment has been reported, the previously entered impairment will be increased or reduced in the income statement via an adjustment to the value adjustment account.

If there are indications of an impairment in financial assets measured at fair value through profit or loss, the cumulative loss – which is calculated as the difference between the acquisition costs and the current fair value less any impairment loss on the financial asset previously recognized in the income statement – removed from the other operating result (not affecting net income) and entered in the income statement. Value adjustments for equity instruments are not reversed in the income statement; any subsequent increase in fair value is entered under other changes to net income.

The group enters into business with creditworthy third parties. Rental receivables are continuously monitored in order to ensure that high levels of unrecoverable rental receivables cannot arise against individual tenants. Moreover, bad debt loss risks are minimised through collateral agreements.

11. Deferred taxes

Deferred taxes are recorded in accordance with IAS 12 for all temporary difference in accounting and valuations in the tax balance sheet and the IFRS consolidated balance sheet. In addition, deferred tax assets on benefits from unused tax losses carried forward are to be capitalised to the extent that it can be expected with sufficient probability that the company can generate sufficient future taxable income.

The book value of the deferred tax assets is assessed at every balance sheet date and reduced by the amount by which it is no longer likely that sufficient taxable earnings will be generated for which the deferred tax credit can be used, at least in part. Unrecognised deferred tax assets are assessed at every balance sheet date and reported to the extent at which it has become likely that future taxable operating results will enable the utilisation of the deferred tax assets.

For the deferred tax calculation - taking into account the local tax environment of the respective group companies - expected future tax rates are used for the release of temporary accounting and valuation differences. The prevailing tax regulations and tax rates as of the balance sheet date are applied. Future changes in tax rates will be taken into consideration provided that their eventual enactment in the course of the legislative process is accepted as a given fact. The tax rate of the parent company is therefore 30.2 % (previous year: 30.2 %).

Changes in deferred taxes will be entered in the income statement under the condition that the original transaction was entered in the income statement. In the event of actuarial offsetting of a transaction charged against equity, deferred taxes will also be charged to equity outside the income statement.

12. Other provisions

Provisions are recorded when the company has a legal or constructive obligation towards a third party on the basis of a past event that will lead to future net cash outflows. The amount will be recorded as the best possible estimate of the outflow of funds required to satisfy the current obligations on the balance sheet date. In accordance with IAS 37, provisions were only recorded where the probability of occurrence is at least 50 %. Obligations to pay cash, for which no interest is to be paid, are recognised at their cash value.

13. Pension obligations

An obligation from a direct pension commitment, which is already in the payment phase, is recorded. There are no further obligations. The cost of providing benefits under the defined-benefit plan is determined by applying the Projected Unit Credit Method. Reference is made to Section D. 18 of these notes.

14. Financial liabilities

Financial liabilities as defined by IAS 39 can be classified as financial liabilities if they are reported at Fair Value in the income statement, or as loans or derivatives that have been designated as hedging instruments and are used as such. The group classifies its financial liabilities upon initial recognition.

All financial liabilities are reported at fair value upon initial recognition; the fair value of loans includes any directly attributable transaction costs. The financial liabilities of the group comprise trade liabilities, other liabilities, overdraft facilities, loans and derivative financial instruments.

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

- <u>Financial liabilities measured at fair value through profit and loss</u>
  Financial liabilities measured at fair value through profit and loss comprise the financial liabilities Held for Trading as well as other financial liabilities, which are classified as measured at fair value through profit and loss upon their initial recognition. Financial liabilities are classified as Held for Trading if they are acquired for the purpose of sale in the near future.
- <u>Loans</u>
  Subsequent to initial recognition, interest-bearing loans are measured at amortised acquisition costs using the effective interest method. Profits and losses are entered in the income statement when the liabilities are derecognized and as part of the effective interest rate method amortisation process. Amortised acquisition costs are calculated taking into account any premiums or discounts, as well as any

costs or fees, which are integral components of the effective interest rate. The amortisation by means of the effective interest rate method is included in the profit and loss statement under „financing expenses“.

A financial liability is derecognised if the obligation upon which this liability is based, has been satisfied, revoked or has lapsed.

Financial assets and liabilities are netted and the net amount reported in the balance sheet only when a current legal entitlement exists to offset the amounts against one another or it is intended to settle on a net basis or realise the asset and settle the liability simultaneously.

An exchange of an existing financial liability for another financial liability from the same lender at substantially different contractual terms and conditions, or if the terms and conditions of an existing liability are substantially changed, such an exchange or such a change will be treated as a derecognition of the original liability and recognition of a new liability. The difference between the respective book values will be entered in the income statement.

Derivative financial instruments
The group uses derivative financial instruments (interest rate swaps) in order to hedge itself against interest rate risks. These derivative financial instruments are reported at fair value at the time of acquisition and reported at fair value in subsequent reporting periods. Derivative financial instruments are recognised 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 are on a long-term basis.

Profits or losses from changes in the fair value of any derivative financial instrument not reported as a hedging instrument are immediately recorded in the income statement. Changes in the fair value of interest rate swaps are entered under the item “other interest and similar expenses” or “other interest and similar income”. The fair value of any swap contract is determined in reference to current relevant market parameters.

A derivative financial instrument is derecognised when the contractual rights expire or the group reassigns the rights from the derivative financial instruments.

Leasing liabilities
Leasing agreements, with which the group is the lessee and a leasing liability exists owing to a finance leasing are not classified as a financial instrument in line with IAS 39.2. IAS 39 will merely be applied with regard to the derocognition.

15. Advance payments received

Advance payments made by tenants in respect of apportionable operating costs are reported under „Advance payments received“ until the point in time at which these apportionable operating costs are settled. Once the apportionable operating costs have been settled, the advanced payments received are derecognised and offset against revenue.

16. Non-current assets held for sale and their associated liabilities

An individual non-current asset will be classified as Held for Sale when the corresponding book value is realised mainly through a disposal transaction and not from continued use. The group reports assets and liabilities as disposal groups if these are to be sold as a group in one transaction or disposed of in any other manner and meet the main criteria specified by IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The assets and liabilities of the disposal groups are reported separately in the balance sheet under “Assets Held for Sale” and “Liabilities in connection with Assets Held for Sale”. The costs and revenues of a disposal group are reported as income from continuing operations until the disposal.

Upon initial classification, the non-current assets Held for Sale, the lower value of the book value and fair value minus sales costs at the time of the reclassification will be recorded. A disposal group will initially be recorded in accordance with the relevant IFRS standards. Subsequent measurement will be based on the lower of the new book value and the net fair value. Impairments resulting from the initial classification as „Held for Sale“ are also to be entered in the profit and loss statement, as are any subsequent reversals of impairment losses.

17. Stock options

Costs resulting from the granting of stock options to members of the Management Board and to employees of the group will be measured at fair value at the time they are granted. Fair value is calculated on the basis of accepted share option models.

Personnel costs resulting from granting equity instruments and the corresponding increase in shareholder equity is recorded over the period in which the exercise or performance conditions must be fulfilled (vesting period). This period of time ends on the day of the first vesting option, i.e. the time at which the employee concerned is irrevocably entitled to subscription. The accumulated expenses resulting from granting equity instruments, disclosed on each balance sheet date until the time of the first vesting option, reflect the elapsed portion of the vesting period along with the group‘s best estimate of the number of equity instruments that will be vested with the expiry of the vesting period. The amount recorded as a charge or credit in the profit and loss statement reflects the development of the accumulated expenses reported at the beginning and end of the reporting period.

18. Treasury shares

Should the group acquire its own shares, these shall be entered at acquisition costs and reported netted with equity. The purchase, sale, issue or redemption of the treasury shares are reported in equity with no effect on net income. Any differences between the book value and the consideration paid are reported in the capital reserves.

19. Discretionary decisions, estimates and assumptions

Discretionary decisions, estimations and assumptions are made by the management when preparing the consolidated financial statements, which may have an impact on the income, costs, assets and liabilities, and the disclosure of contingent liabilities, reported as of the balance sheet date. The uncertainty relating to these assumptions and estimations could lead to results that may require material adjustments to the carrying amounts of the relevant assets and liabilities in the future.

Discretionary decisions

In its application of the group‘s accounting and valuation methods the following decisions taken by management have materially affected the amounts in the consolidated financial statements:

<u>Accounting of leaseholds as Finance Leases – group as lessee</u>
In connection with its investment properties the group concluded leasehold agreements according to which the right of use of the property exists – for a limited period of time – for the duration of the leasehold. For investment properties the leasehold properties used by the group as lessee are therefore taken into consideration when determining the fair value. A leasing liability of KEUR 4,740 (previous year: KEUR 4,670) is accordingly reported for the leasehold properties used by the group.

Estimates and assumptions

The most important assumptions, including the main sources of uncertainties, as of the balance sheet date, for which there is a substantial risk of adjustments to the book values of assets and liabilities within the next financial year, are explained below.

<u>Investment properties</u>
The WESTGRUND Group measures its investment properties (book value as of 31.12.2013: KEUR 230,655; previous year KEUR 135,453) at fair value, whereby changes in the fair values are entered in the income statement.

The group has commissioned independent experts with the determination of the fair values as of 31.12.2013 for the let real estate. As no directly comparable market data were available owing to the nature of the investment properties, the experts used a valuation method based on the income of the real estate for their measurement. The resulting fair value of the investment properties is highly dependent on the estimated yield, which is essentially dependent on the expected useful life, expected cash flows, the discount and capitalisation interest rates as well as the expected long-term vacancy rate. If the actual results deviate from the forecast results, or if the discounting/capitalisation interest rates fall, this will have implications on the net assets, financial position and operating results of the WESTGRUND Group.

Given the sensitivity of fair value to changes in valuation parameters, reference is made to the explanation concerning the balance sheet position of the investment properties.

Properties Intended for Sale
To test the value of the real estate Intended for Sale, the net realisable value is determined. This is based upon estimated sales prices, which are subject to a certain degree of uncertainty.

Deferred tax assets
Deferred tax assets (book value as of 31.12.2013: KEUR 135; previous year: KEUR 20) are reported after possible netting against existing deferred tax liabilities, for all unused tax losses carried forward to the extent that it appears probable that taxable income will be available against which the unused tax losses carried forward can be utilized. The deferred tax assets relate to losses carried forward in relation to trade and corporation tax both at WESTGRUND AG level and at the subsidiary level. It is currently overwhelmingly assumed that, in particular as a result of the special tax structures, no sufficiently positive tax income can be generated to utilise the losses carried forward. Therefore, deferred tax assets are only recorded to the extent that these can be offset against deferred tax liabilities. Should actual developments deviate from these assumptions and a positive tax result is recorded, this will lead to effective tax savings and thus positive implications on the net assets, financial position and operating results of the WESTGRUND Group.

Pension commitments
The costs of a benefit-oriented pension plan and the cash value of the pension obligation (book value as of 31.12.2013: KEUR 97; previous year: KEUR 103) is determined based on actuarial calculations based on the projected unit credit method. The actuarial valuation is based on assumptions relating to discount rates, mortality and future pension increases. All assumptions are re-examined as of each balance sheet date and the value determined by an independent expert. Assumptions relating to mortality are based on the 2005 G mortality tables of Dr Klaus Heubeck.

Fair value of financial instruments
The fair value of financial liabilities reported in the balance sheet (book value of interest rate swaps as of 31.12.2013: KEUR -951; previous year: KEUR -1,310) was calculated using mathematical methods based on the market data available at the time of the calculation. The market data is subject to continuous changes and the fair value determined as a result of these calculations is highly dependent on the parameters derived from the market data (e.g. interest development).

Provisions
The value of provisions (book value as of 31.12.2013: EUR 0; previous year: EUR 0) is based upon assumptions and estimates made at the balance sheet date and extending into the future. Should actual results deviate from the fundamental assumptions and estimates, this could have negative implications on the net assets, financial position and operating results of the WESTGRUND Group.

Stock-based remuneration
Costs for the group from granting equity instruments to employees are reported at fair value as of the time when they are granted. In order to estimate the fair value of share-based remuneration, the best valuation method for the valuation of equity instruments must be determined, depending upon the terms upon which they are granted.

20. Recognition of expenses and income

Revenues and other operating income will only be recorded when the service has been provided or the goods and products have been delivered and the receipt of financial benefit is probable. As a rule this occurs when the risk has been transferred to the customer or buyer. Rental income revenues are recognised on a pro rata basis. Revenues from long-term construction contracts are not to be realised. Income is measured at fair value of the consideration less cash and other discounts and sales taxes or other duties.

Revenues mainly consist of rents, incidental rental charges and the proceeds of real estate sales. Rental incomes are booked on a monthly basis. Revenues from incidental rental charges are reported upon settlement of the incidental rental charges at the end of each billing period. Proceeds from the sale of real estate are reported upon fulfilment of the contractual stipulations for the transfer of the beneficial ownership.

21. Borrowing costs

Borrowing costs that can be directly allocated to the acquisition, construction or production of an asset, for which a substantial period of time is necessary to make it ready for use or sale, will be capitalised as part of the acquisition or manufacturing costs of the corresponding asset. All other borrowing costs are entered as expenses at the time at which they were incurred, whereby in the event of the application of the effective interest method amortisation is carried out over the term of the liability. Borrowing costs are interest and other costs incurred by a company in connection with the borrowing of funds.

D. NOTES ON THE BALANCE SHEET

1. Intangible assets

The development of the individual intangible assets for the financial year is reported along with depreciation in the WESTGRUND Group's statement of changes in fixed assets. In the profit and loss statement the disclosure is reported under the position "depreciation". This exclusively concerns ordinary depreciations. Extraordinary depreciations were not necessary.

2. Goodwill

The development of goodwill of originally KEUR 2,669 is presented in the WESTGRUND group's statement of fixed assets. It resulted from the acquisition of Cologne Real Estate GmbH in January 2008. Impairments amounting to KEUR 2,669 were entered under goodwill in the financial years up to and including 2010. The disclosure was included under depreciations. The book value of the goodwill thus amounts to EUR 0 as of the balance sheet date. The participation in Cologne Real Estate GmbH was sold in full in January 2014.

3. Investment properties

The investment properties comprise such real estate which is held to generate rental income or for the purpose of capital appreciation rather than for the delivery of goods or the provision of services, for administrative purposes or for sale during the course of normal business activities.

At the time of initial recognition the investment properties are disclosed at acquisition or manufacturing cost, including incidental acquisition or manufacturing costs. The book value does not include the costs for the regular maintenance of the real estate. In subsequent reporting periods the investment properties is reported at fair value.

The fair value of the investment properties developed as follows:

	2013 KEUR	2012 KEUR
Carry-forward 1 January	**135,453**	**89,308**
Additions/disposals/reclassifications	74,989	40,295
Changes in fair value		
Profits from changes in fair value	21,125	11,821
Losses from changes in fair value	-912	-5,971
Balance as of 31 December	**230,655**	**135,453**

Determination of the fair values for the let real estate:

Independent real estate experts determine the fair values of the real estate. In determining the fair value, the experts used their knowledge of the market and their expert discretion rather than relying exclusively on past comparable transactions. All experts commissioned with determining fair value have not only the necessary qualifications, but also relevant experience in relation to the specific real estate under appraisal.

The real estate appraisals were carried out for the whole portfolio of investment properties as in the previous year by applying the nationally as well as internationally accepted DCF Method (Discounted Cash Flow Method). The DCF Method is the method favoured by international investors and regularly serves as the basis for estimating the attractiveness of an investment opportunity. The method uses projections of the future gross cash flows of each investment object as of the date of the appraisal and discounts them. The resulting cash value (current value or gross capital value) is the real estate value as of the date of appraisal, not including transaction costs. From the seller's point of view, a discount on the gross capital value is useful for transaction costs, as the seller cannot recoup these as part of the purchase price.

The forecast period is usually divided into two phases.

The first phase covers 10 years and reflects cash flow during the detailed forecast period. Current rental income (potential rental income when fully let, i.e. gross annual income) is reduced to reflect reductions in income owing to current vacancy rates and projected structural vacancy rates in the subsequent years 2 to 10. This amount represents the actual annual net rental income. Further deduction of the regular costs (administration costs, costs which are not apportionable, maintenance and repair costs) produces the net annual income. The net annual income figure depicts the free cash flow before taxes and capital servicing costs have been deducted.

In the second phase, it is assumed that there will be a stabilisation of cash flow in year 10 as no further cross-period changes are expected beyond this point. The annual net income in year 10 is capitalised in perpetuity at a property-specific capitalisation rate and discounted on the valuation date in the same way as the cash flows of the detailed planning period.

The present value of the cash flows from the first phase (detailed forecast) and the hypothetical resale values are determined and combined. A discount corresponding to the amount of the potential transaction costs is considered. The resulting figure represents the fair value of the real estate.

The DCF valuations include the following property-specific assumptions:

Regular maintenance (EUR / m²):	EUR 9.00 p.a.
Administration costs:	EUR 280 / unit p.a.
Tenant fluctuation:	10 % p.a.
Discount rate:	5.5 % - 8.75 % (commercial real estate up to 10 %)
Capitalisation rate:	4.75 % - 8.75 % (commercial real estate up to 9.5 %)
Transaction costs discount:	5.8 % - 9.1 %

Calculations of the fair value of investment properties take into account leasehold properties used by the holder of the lease.

Related to the sensitivity of the expert valuations carried out in 2013, changes in the most important parameters have the following effects on fair value: an increase in the discount and capitalisation rates of 25 basis points leads to a fair value reduction of EUR 10.3 million; a reduction of net rental income (excluding operating costs) of 5.0 % leads to a fair value reduction of EUR 15.2 million.

As the company is a long-term holder of real estate, rental income is primarily reported in the profit and loss statement under investment properties. Rental income amounted to EUR 18.0 million (previous year: EUR 10.5 million) with apportionable and non-apportionable property management costs totalling EUR 12.3 million in 2013 (previous year: EUR 6.2 million).

Land charges of EUR 137.5 million (previous year: EUR 82.1 million) are entered against the properties and serve to collateralise loans that have been taken out exclusively by WESTGRUND Group companies. Leasehold agreements include the customary stipulations regarding the consent requirements and pre-emptive rights of the lessee. There are no other restrictions on the sale of the properties. No contractual obligations related to the acquisition, production, development, repair, maintenance or improvement of the properties exist.

Of the profits from changes to fair value an amount of EUR 16.7 million relates to real estate acquired in 2013.

Once depreciations had been netted and acquisitions and disposals taken into account, the amortised acquisition costs of the investment properties increased by EUR 73.0 million in 2013 to EUR 154.3 million (EUR 82.3 million in 2012).

4. Tangible fixed assets

The development of the individual fixed assets and the associated capitalised expenses and amortisation charges for the financial year are presented in the WESTGRUND group‘s statement of changes in fixed assets. In the profit and loss statement this is under the position “depreciations”. This only includes ordinary depreciations. Extraordinary depreciations were not necessary.

Substantial changes to the historical acquisition costs of the fixed assets are not known and were accordingly not recognised.

5. Shares in associated companies

As of the balance sheet date, the group holds 20 % participations in two project development companies, reported under Assets Held for Sale in accordance with IFRS 5. These participations have been intended for sale since July 2013 and therefore no income and expenses arising from these equity interests were reported for the second half of 2013. The sales price minus sales costs is above the book value. Further explanations can be found under D. 12. “Assets Held for Sale and their associated liabilities”.

Equity participations in these KGs (Limited Partnerships) up to 30 June 2013 are as follows:

	2013 **KEUR**	**2012** **KEUR**
KG participation 1		
Share of assets and debts disclosed in the balance sheet of the associate:		
Current assets	4,063	3,408
Non-current assets	5	5
Current liabilities	-94	-95
Non-current liabilities	-3,325	-2,544
Book value KG participation 1	649	774
Share of the revenues and the operating results of the associated company		
Revenues	1	1
Operating results	-125	-68

	2013 KEUR	2012 KEUR
KG participation 2		
Share of assets and debts disclosed in the balance sheet of the associate:		
Current assets	118	118
Non-current assets	5	5
Current liabilities	-6	-6
Non-current liabilities	-16	-16
Book value KG participation 2	101	101
Share of the revenues and the operating results of the associated company		
Revenues	0	0
Operating results	-1	-1
Book value shares in associated companies	**750**	**875**
Re-classification to “Assets Held for Sale”	-750	0
Balance at 31 December	**0**	**875**

6. Other non-current assets

	2013 KEUR	2012 KEUR
Asset value of pension liability insurance	167	238
Non-current tax receivables	24	30
Advance payment made on real estate acquisitions	524	0
Non-current leasing receivable	94	0
Total	**809**	**268**

7. Services not yet settled

At the balance sheet date, advance payments for service costs apportionable to tenants in 2013 amounted to EUR 7.7 million (previous year: EUR 3.4 million). No impairments were recorded. As operating costs for 2012 had been settled, service costs that have not yet been settled are included in the 2013 changes in inventory. Operating costs for 2013 will be settled 12 months after the balance sheet date.

8. Properties Intended for Sale

Real estate Intended for Sale is expected to be sold within a short-term. In contrast to the investment properties, this category primarily relates to individual apartments in Hagen, Remscheid and Enkhausen, which are not intended to be held in the portfolio in the long-term.

The development of the properties intended for sale are as follows:

	2013 KEUR	2012 KEUR
Carried forward 1 January	**279**	**830**
Impairments	0	-530
Disposal	-43	-21
Balance as of 31 December	**236**	**279**

Changes in book values as a result of the sale of real estate are entered under material costs. In accordance with IAS 2.9, impairments are made following reassessment of the sales scenarios if the projected net recoverable amount (projected sales price minus associated costs) is below the book value.

Land charges of KEUR 200 are entered against the real estate (previous year: KEUR 300), serving as loan collateral.

9. Work in progress

Reported under work in progress is the last project that is currently still being developed. Owing to the length of the project development phase, the value of the undeveloped real estate as of the balance sheet date is calculated as the value of the land less demolition costs, excluding future contributions to operating results.

10. Receivables and other assets

	2013 KEUR	2012 KEUR
Financial assets		
Trade receivables	742	507
Other assets	514	1,037
Non-financial assets		
Current tax assets	46	38
Other assets	226	37
	1,528	**1,619**

The maturity structure of the financial assets can be seen as follows:

	2013 KEUR	2012 KEUR
Book value	1,256	1,544
Book value of impaired receivables	342	314
Book value of non-impaired receivables	914	1,230
Thereof:		
Neither overdue, nor impaired	0	0
Overdue, but not impaired	914	1,230

The overdue but not impaired receivables are largely less than 30 days overdue.

The book value of the receivables and other assets, provided by the company as collateral, amounts to KEUR 570 as of the balance sheet date (previous year: KEUR 446).

Where impairments were necessary, these were carried out at the level of the individual receivable and disclosed under other operating expenses. No impairments were made at portfolio level. In determining impairments, all identifiable default risks (in particular impending insolvencies) were taken into consideration. The development of the itemised impairment allowances is as follows:

	KEUR
Balance as of 1 January 2012	**207**
Allocation	158
Use	-13
Reversal	-38
Balance as of 31 December 2012	**314**
Allocation	513
Use	-48
Reversal	-67
Balance as of 31 December 2013	**712**

11. Cash on hand and at banks

Apart from KEUR 2,157 (previous year: KEUR 3,673) that is pledged as collateral for bank loans, the liquid funds reported are at the free disposal of the WESTGRUND Group.

12. ASSETS held FOR SALE AND ASSOCIATED LIABILITIES

The Assets Intended for Sale are as follows:

	KEUR
Shares in associates	750
Liquid funds	500
Other assets	1
	1,251

The assets are counterbalanced with other liabilities of KEUR 883.

13. Deferred tax receivables / liabilities

Deferred tax assets are set off against deferred tax liabilities if the tax assets and liabilities exist with the same tax authorities. KEUR 135 (previous year: KEUR 20) could not be offset in this way. The reported amount of the deferred tax assets takes reasonable consideration of planning uncertainties. Reference is made to the explanations concerning estimates and taxes on income.

14. Subscribed capital/ capital reserves/ retained earnings

The subscribed capital of WESTGRUND AG as of the balance sheet date is EUR 24,089,626 (previous year: EUR 18,681,517). It is divided into 24.089.626 no-par value shares with a nominal amount of EUR 1.00 each, which are fully paid up.

In January 2013 a capital increase was carried out, partially utilising the authorised capital while excluding the subscription rights of existing shareholders. The nominal capital of the company was increased by 1,868,150 shares to EUR 20,549,667 via cash capital increase. The issue price for the new shares was EUR 3.01. Once the costs of the capital increase had been deducted, the company received KEUR 5,531.

In July 2013 a capital increase was carried out in connection with the November 2012 acquisition of the portfolio Berlin-Kreuzberg. Moreover, the 7 treasury shares acquired in the first half of 2013 were redeemed. The nominal capital of WESTGRUND AG subsequently amounted to EUR 21,749,660.

In the Annual General Meeting on 15 July 2013 a motion was passed to increase the nominal capital of the company, which amounted to EUR 21,749,660.00 following the entry of the capital reduction in the commercial registry of EUR 7.00, by EUR 2,174,966.00 to EUR 23,924,626.00 via a capital increase from corporate funds (transfer from the capital reserves). The capital increase was carried out by the issue of 2,174,966 new no-par value bearer shares with a calculable share of the nominal capital of EUR 1.00 per share. The shareholders are entitled to the new shares in proportion to their shares in the previous nominal capital. Profit participation for the new shares started at the beginning of the fiscal year 2013.

In addition, the nominal capital of WESTGRUND AG increased by EUR 165,000.00 to EUR 24,089,626.00 in December 2013 as a result of the Management Board exercising stock options.

The capital reserves result from paid share premiums within the framework of capital increases and from the recognised personnel expenses associated with the award of stock options to group employees.

15. Conditional capital

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

In the Annual General Meeting on 19 December 2011 the Management Board was authorized to issue bearer and/or registered bonds, once or more than once, with a total nominal amount of up to EUR 60,000,000.00 with conversion right or warrants through the issuance of up to 4,671,560 no par bearer shares of WESTGRUND AG with a proportionate share in the equity capital of a total of up to EUR 4,671,560.00 ("bonds") by 18 December 2016.

In order to grant shares to the holders/creditors of convertible or warrant bonds, equity capital was conditionally increased by up to EUR 4,671,560 by the issuance of up to 4,671,560 no par bearer shares (conditional capital 2011/1). The conditional capital increase will only be carried out by the issuance of up to 4,671,560 individual no par bearer shares with a right to profit participation from the start of the financial year of their issuance to the extent that the holders or creditors of convertible bonds or of warrants attached to bonds, which are issued in accordance with the authorization of the Management Board of WESTGRUND AG until 18 December 2016, exercise their conversion or option obligations, satisfy their conversion or option obligations or tender their shares and insofar as no other forms of fulfilment are used to service these rights. The new shares are issued at the conversion/option prices determined in accordance with the authorisation of the Management Board by the Annual General Meeting described above. The Management Board is authorised to decide on the further details of the conditional capital increase. The number of shares is increased to 5,138,716 no par value shares as a result of the capital increase from corporate funds carried out in 2013.

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

In the Annual General Meeting on 24 August 2012, authorisation was given to the Management Board with the approval of the Supervisory Board to issue one time or several times convertible bonds and/or warrant bonds denominated in the holder's name or participation rights (together "bonds"), with or without term limitations, totalling up to EUR 28,000,000 by 23 August 2017 and to grant the holders or creditors of bond conversion rights or options to no par value shares in the company with a share of the nominal capital totalling up to EUR 2,800,000 in accordance with the more detailed provisions of the conversion or option bond terms and conditions. The Management Board is hereby authorised to exclude the subscription right of the shareholders in certain cases with the approval of the Supervisory Board.

In order to grant shares to the holders or creditors of convertible bonds/warrant bonds the nominal capital was conditionally increased by up to EUR 2,800,000 by the issue of up to 2,800,000 new no par value shares with profit participation rights from the start of the financial year in which they are issued (conditional capital 2012/1). The number of shares is increased to 3,080,000 as result of capital increase from corporate funds carried out in 2013.

The conditional capital increase shall only be carried out insofar as

- the holders of convertible bonds and/or participation rights with exchange or subscription rights, issued by the company or one of its dependent group companies in accordance with the authorisation resolution passed in the Annual General Meeting of 24 August 2012, exercise their exchange or subscription rights on or before by 23 August 2017, and the company decides to service their exchange or subscription rights from this conditional capital 2012, or
- the holders of convertible and/or warrant bonds and/or of participation rights with exchange or subscription rights, with conversion obligations, issued on or before by 23 August 2017 by the company or one of its dependent group companies in accordance with the authorisation resolution passed in the Annual General Meeting of 24 August 2012, satisfy their conversion obligation or the company exercises its tender right to supply shares and the company decides to supply shares in this respect from this conditional capital 2012.

c) Stock option plan 2011 (Conditional Captial IV)

In the extraordinary General Meeting on 28 February 2011 it was decided to conditionally increase the equity capital of WESTGRUND AG by up to EUR 640,000.00 by issuing up to 640,000 new no par value shares (conditional capital 2011/2). The conditional capital increase exclusively for the purpose of issuing up to 640,000 share options to members of the company‘s Management Board, to the company‘s employees and to managing directors and employees of the company‘s dependent group companies in accordance with the WESTGRUND stock option plan 2011. The conditional capital increase will only be carried out to the extent that the holders of subscription rights exercise these within the framework of the WESTGRUND share option plan 2011. Each share option confers the right to purchase an ordinary share.

The Management Board and Supervisory Board were authorised to issue subscription rights once or more than once up to 640,000 ordinary shares with a calculated share of the equity capital of EUR 1.00 ordinary share within a period of five years after the conditional capital IV is entered in the commercial register. Taking into account the capital increase from corporate funds carried out in 2013, the number of shares is increased to 704,000 ordinary shares.

Subscription rights have been awarded to Management Board members (up to 50 %) and employees (up to 50%) of WESTGRUND AG and its dependent group companies. Each subscription right grants the holder the right to acquire an ordinary no par value shares of WESTGRUND AG in return for payment of the exercise price. Options can only be exercised when the employment relationship of the subscription right holder with WESTGRUND AG or one of its dependent group companies still exists at the time when the subscription right is exercised.

Options can only be exercised if the average of the opening and closing price of the company‘s shares on the XETRA® securities exchange in Frankfurt am Main (or a functionally comparable successor system which replaces it), over the five trading days preceding the day upon which the subscription right from the stock option is exercised, has increased by at least 20% relative to the index base. Options can only be exercised after being held for four years. The holding period begins from the day the option is granted. Options can only be exercised against the payment of the exercise price. The exercise price is 100% of the average of the opening and closing prices of the company‘s shares on the XETRA® stock exchange in Frankfurt am Main (or a functionally comparable successor system which replaces it) over the five trading days before the option is issued. The term of the options will begin on the day upon which the options are granted and end after a period of five years.

In the financial year 2013/2012, 305,000/165,000 subscription rights were issued under this share option plan.

16. Authorised capital

In the Annual General Meeting on 15 July 2013, authorisation was given to the Management Board, with the approval of the Supervisory Board, to increase the company‘s equity capital once or more than once on or before 14 July 2018 against cash or non-cash contributions by up to a total of EUR 11,960,000.00 via the issuance of new no par value shares with a calculated in the company‘s equity capital of EUR 1.00 per share (approved capital 2013/I). The Management Board made no use of this authorisation in the financial year 2013. All other existing authorised capitals were revoked.

With the approved capital 2013/I the Management Board is further authorised, with the approval of the Supervisory Board, to decide in full or in part about the exclusion of the subscription rights of the shareholders.

With respect to Authorised Capital 2013/I and subject to approval from the Supervisory Board, the Management Board is further authorised to exclude the subscription rights of shareholders, in whole or in part, only

- if the capital increase is carried out against cash contribution and if the proportion of the equity capital represented by the new shares for which subscription rights are excluded does not exceed 10 % of the share capital at the time the shares are issued and if the issue price is not significantly lower than the stock market price for shares of the same class carrying the same rights.
- capital increases carried out against non-cash contributions, in particular for the acquisition of companies, divisions and participations in companies, industrial property rights, including but not limited to patents, trademarks or related licenses, or other product rights or other non-cash, also bonds, convertible bonds and other financial instruments,
- insofar as this is necessary in order to grant the holders or creditors of bonds with option or conversion rights or obligations, issued by the company or one of its dependent group companies, a subscription right on new shares to the extent as they would be entitled after exercising their option or conversion right or after satisfaction of an option or conversion obligation,
- to eliminate fractional shares arising from the subscription ratio.

17. Authorisation to acquire the company´s own shares

In the Annual General Meeting on 24 August 2012 the company was authorised, in accordance with section 71 Par. 1 No. 8 AktG (German Stock Corporation Act), to acquire its own shares up to an amount representing 10 % of the equity capital, for purposes excluding share trading, by 23 August 2017. The acquisition may also be carried using equity derivatives, i.e. of call and/or put options. At no time is the company permitted to hold its own shares representing more than 10 % of the current equity capital. This includes own shares owned directly and other own shares attributable to the company in accordance with sections 71a et seq. AktG. The acquisition is carried out at the discretion of the Management Board and in accordance with the principle of equal treatment as defined by the German Stock Corporation Act (section 53a AktG) either on the stock exchange or by means of a public purchase offer. In the case of a public purchase offer the company can either stipulate a price or a price range for the acquisition. If the shares are acquired through the stock exchange the purchase price per share (excluding secondary acquisition costs) may not exceed the opening price for the company‘s shares on the XETRA® exchange in Frankfurt (or a successor system specified by Deutsche Börse AG) on the day of trading prior to the acquisition by more than 10 %, nor fall short of it by more than 20 %. If the company‘s shares are acquired outside of the stock exchange the purchase price per share (excluding secondary acquisition costs) may not exceed the average opening price on the XETRA® exchange in Frankfurt (or a successor system determined by Deutsche Börse AG) over the preceding five days by more than 10 %, nor fall short of it by more than 20 %. The relevant value in the case of a public purchase offer is the average opening price for the company‘s shares on the last five trading days prior to the public announcement of the purchase offer. If significant deviations in the stock exchange price of the company‘s share price arise after the announcement of the formal offer compared with the relevant value, then the offer may be adjusted. In the event of any adjustment, reference will be made to the average opening price for the company‘s shares on the XETRA® exchange in Frankfurt (or a successor system determined by Deutsche Börse AG) on the five trading days leading up to the announcement of the offer. In case of an acquisition of the shares outside of the stock exchange in any other manner, the relevant value is the average opening price of the company‘s shares on the XETRA® exchange in Frankfurt (or a successor system determined by Deutsche Börse AG) on five trading days preceding the conclusion of the contracts upon which the acquisition is based. In the event that a public purchase offer is oversubscribed, the purchase must be affected in proportion with the shares offered. Provisions may be made for the preferred acceptance of small quantities of up to 100 shares for the acquisition of shares offered per shareholder and for rounding according to commercial principles.

The Management Board has been authorised to resell its own shares with the approval of the Supervisory Board in accordance with the principles of equal treatment (section 53a AktG) for purposes other than the trade in own shares. The sale of its own shares can be carried out via the stock exchange. The subscription rights of shareholders are hereby excluded. In addition, the sale can also be carried out in another manner than via the stock exchange, in particular also against non-cash benefits such as the acquisition of companies, parts of companies or participating interests in companies, industrial property rights, such as e.g. patents, trademarks or related licenses, other product rights or other non-cash contributions, including bonds, convertible bonds and other financial instruments. A sale outside of the stock exchange is in particular also permitted insofar as a maximum number of shares of 10 % of the equity capital, both calculated at the time of authorisation as well as at the time when the authorisation is exercised, and the own shares are sold at a price not below the relevant value of shares carrying the same rights by more than 5% (excluding secondary costs). The amount of 10% of the share capital must include the amount relating to shares issued or on the basis of a different corresponding authorisation where subscription rights have been excluded under direct or indirect application of section 186 (3) subsection 4 AktG, if such inclusion is required by law. The relevant value is the average of the opening prices for the company‘s shares on the XETRA® exchange in Frankfurt (or a successor system determined by Deutsche Börse AG) on the five trading days before the sale of the shares.

The Management Board was authorised to offer own shares to shareholders for subscription within the framework of an offer directed at all shareholders in accordance with the principles of equal treatment (section 53a AktG). In this case the Management Board can, with the approval of the Supervisory Board, exclude the subscription right for fractional amounts. Use for fulfilling the obligations of the company from a share option plan is also possible. Insofar as own shares are to be assigned to members of the Management Board of the company within the framework of such a share option plan, the decision in this respect is the responsibility of the Supervisory Board of the company. Provisions for the distribution of subscription rights to management and employees, performance-related targets, acquisition, vesting and qualifying periods are determined by the resolutions of the Annual General Meeting, which passes the resolution for the introduction of a stock option plan. Shareholder subscription rights are hereby excluded.

With the approval of the Supervisory Board, the Management Board is authorized to recall own shares without a further resolution of the General Meeting. Any recall will lead to reductions in equity capital. Deviating from this provision, the Management Board can decide that the equity capital remains unchanged following recall and is instead increased by the recall of the share of other individual shares in the equity capital according to section 8 Par. 3 AktG (simplified recall procedure in accordance with section 237 Par. 3 No. 3 AktG). In this case the Management Board is authorized to adjust the number of individual shares recorded in the statutes.

The above authorisations can be exercised in full or in part, once or more than once, individually or jointly by the company, as well as by the company‘s dependent group companies or by third parties acting on their account. The above authorisations shall also apply to the company‘s own shares acquired in accordance with previous authorisation resolutions in accordance with section 71 Par. 1 No. 8 AktG.

In the closed financial year the company acquired seven own shares (0.0 % of the equity capital) at a total purchase price of EUR 23.80 plus EUR 15.93 in fees in May 2013. The reason for the purchase of the own shares was to use corporate funds to ensure even subscription rights for the planned capital increase. The seven own shares were recalled as part of the capital increase from company funds. In the fiscal year 2012 the company did not purchase or sell any own shares.

18. Provisions for pensions

The pension obligation currently consists of a single direct pension commitment (benefit-oriented pension plan) for the payment of regular pension payments (widow’s pension) of KEUR 34 per annum to a 96-year old beneficiary. The company incurred no charges related to defined benefit pension plans. There were no plan assets. A salary growth factor was not applied (previous year: 0.0 %). A pension growth factor of 2.0 % (previous year: 2.0 %) p.a. was applied. A discount rate of 3.2 % (previous year: 3.0 %) was applied. Any variation in the parameters used for these calculations would only have insignificant implications on the valuation of the obligation due to the high age of the single beneficiary. The mortality tables 2005 G (probabilities for events of death and invalidity) of Dr Klaus Heubeck were used for these calculations. Actuarial profits/losses owing to the adjustment to life expectancy are reported under other comprehensive income.

The change in the cash value of the benefit-oriented obligation as disclosed under personnel expenses is as follows:

	KEUR
Cash value of the performance-related obligation as of 1. Jan 2012	**101**
Interest expenses	4
Actuarial losses / (-) profits	31
Paid benefits	-33
Cash value of the performance-related obligation as of 31. Dec 2012	**103**
Interest expenses	2
Actuarial losses / (-) profits	26
Paid benefits	-34
Cash value of the performance-related obligation as of 31. Dec 2013	**97**

The index-linked actuarial losses totalling KEUR 25 are reported under other comprehensive income outside the income statement once deferred taxes of KEUR 4 in accordance with amendments to IAS 19 have been deducted. In the previous year, actuarial losses amounting to KEUR 31 were reported under personnel expenses (the corridor method is not applied). The retrospective application of IAS 19 is waived in line with the materiality principle. Benefits are reported under personnel expenses as in the previous year. Interest expenses are also reported under the personnel expenses.

The group expects the following contributions to the benefit-oriented pension plan for the fiscal year 2014: Interest expenses KEUR 3 and pension payments of KEUR 35.

19. Liabilities

Statement of consolidated liabilities as of 31 December 2013:

		Expected residual terms		
	Total amount	**up to 1 year**	**1-5 years**	**more than 5**
	KEUR	**KEUR**	**KEUR**	**KEUR**
Deferred tax liabilities	**9,926**	0	0	9,926
(in the previous year)	**(6,627)**	(0)	(0)	(6,627)
Pension provisions	**97**	0	0	97
(in the previous year)	**(103)**	(0)	(0)	(103)
Bank liabilities	**136,041**	38,656	8,961	88,424
(in the previous year)	**(82,794)**	(3,243)	(41,010)	(38,541)
Advance payments received	**7,414**	7,414	0	0
(in the previous year)	**(3,068)**	(3,068)	(0)	(0)
Trade liabilities	**1,002**	1,002	0	0
(in the previous year)	**(706)**	(706)	(0)	(0)
Derivatives	**951**	0	951	0
(in the previous year)	**(1,310)**	(0)	(243)	(1,067)
Current tax liabilities	**32**	32	0	0
(in the previous year)	**(34)**	(34)	(0)	(0)
Leasing liabilities	**4,740**	11	51	4,678
(in the previous year)	**(4,670)**	(9)	(42)	(4,619)
Other liabilities	**11,080**	11,080	0	0
(in the previous year)	**(1,633)**	(1,633)	(0)	(0)
Total liabilities	**171,283**	58,195	9,963	103,125
(in the previous year)	**(100,945)**	(8,693)	(41,295)	(50,957)

Non-current bank liabilities include banks loans with residual terms of more than one year. The current bank liabilities incur interest charges of between 0.25 % and 7.1 % p.a. They are collateralised against real estate, pledges on accounts and the assignment of claims from rental agreements.

The leasing liabilities result from leasehold agreements, which has at the balance sheet date residual terms between 36 and 192 years. As a rule, the leasehold agreements envisage a right to renew the leasehold agreement in the event of a new leasehold being created after expiry of the existing leasehold agreement, or a right of first refusal for the leaseholder in the event of a sale of the property and land. Building lease fees are generally index-linked. Book values are determined by discounting the future cash outflows using property-specific real estate interest rates of between 4 % and 7.75 %.

	2013		**2012**	
	Book value	**Minimum Lease payments**	**Book value**	**Minimum Lease payments**
	KEUR	**KEUR**	**KEUR**	**KEUR**
One year or less	11	316	9	309
One to five years	51	1,262	42	1,239
More than five years	4,678	42,294	4,619	41,989
	4,740	**43,872**	4,670	43,537
less future interest costs	-	-39,132	-	-38,867
	4,740	**4,740**	**4,670**	**4,670**

20. Derivatives

Derivatives contracts for the hedging of interest rate risks have been concluded as follows:

	Amount 31.12.2013 KEUR	Interest rate	Fair Value 31.12.2012 KEUR	Fair Value 31.12.2013 KEUR	Change 2013 KEUR	End of term
Swap	2,500	4.50%	-243	-134	109	15.1.2015
Swap	5,000	4.65%	-1,067	-817	250	15.1.2018
			-1,310	**-951**	**359**	

The fair values of the derivatives were determined as of the balance sheet date by applying accepted actuarial methods based on reliable market data.

Changes in fair value totalling KEUR 359 are reported in the income statement under interest and related expenses. Accumulated changes in fair value total KEUR - 951.

All derivatives were redeemed at the fair value as part of the re-financing process carried out in March 2014.

21. Additional disclosures relating to financial instruments

Objectives and methods of the financial risk management

The substantial financial liabilities used by the WESTGRUND Group – with the exception of derivative financial instruments – comprise bank loans, loans from insurance companies, overdraft facilities, trade liabilities, leasing liabilities and other loans granted to the company. The main purpose of these financial liabilities is the financing of the business operations of the group. The group has various financial assets such as trade receivables and cash and cash equivalents.

In addition, the group concluded two interest rate swaps. The purpose of these derivative financial instruments is to hedge against potential interest rate risks directly resulting from the business operations of the group and its financing sources.

In line with group-internal guidelines no derivative trading took place in the financial years 2012 and 2013 and no trading will be carried out in the future.

Substantial risks to the group from financial instruments include interest-related cash flow risks, liquidity and credit risks. There are no substantial exchange rate risks in the opinion of the group.

Interest rate risks/hedging relationships

The risk of fluctuations in market interest rates, to which the group is exposed, mainly results from the non-current financial liabilities with variable interest rates.

The group‘s interest costs are managed using a combination of debt at fixed and variable interest rates. In order to achieve a beneficial financing structure, the group concludes interest rate swaps with which the group, at stipulated intervals, exchanges the difference in interest rate cash flows from a nominal amount agreed in advance with the contractual partner at fixed and variable rates. As a result of the interest rate swaps concluded as of the balance sheet date, the group‘s debt tied to long-term fixed interest rates amounted to EUR 7.5 million (previous year: EUR 7.5 million).

The following table shows how sensitive the group‘s pre-tax results are to reasonably projected interest rate fluctuations (as a result of the impact on variable interest loans). All other variables are left unchanged. There are no additional impacts on group equity not recognised in the income statement.

	Increase/reduction in the interest rate in basic points	Effects on pre-tax results in KEUR
2013	+20	-183
2013	-20	182
2012	+20	-69
2012	-20	69

Fluctuations in interest rates also lead to changes with the market values of the contracted interest rate swaps. An increase (reduction) in the interest rate of 20 basis points affects the pre-tax results by KEUR 48 in 2013 (KEUR- 48). In 2012 the effect on the pre-tax results amounted to KEUR 69 (KEUR -69). These changes in value are included in the calculations mentioned above.

The hedging relationships to secure cash flows were classified as ineffective. A profit amounting to KEUR 359 (previous year: loss of KEUR -142) once deferred tax assets of KEUR -57 were taken into account (previous year: KEUR 43) was reported in the group operating results for 2013.

Default risk

The group only concludes business transactions with creditworthy third parties. In particular, new rental contracts are only entered into following assessment of the tenant's credit-worthiness. Moreover, receivables are constantly monitored to prevent exposing the group to substantial non-payment risks. The maximum default risk cannot exceed the amount of KEUR 1.270 (previous year: KEUR 1.543) reported under receivables as of the balance sheet date. There are no concentrated default risks in the group. Value adjustments are made at each balance sheet date for substantial debtors on the basis of individual receivables.

The maximum exposure to credit risk from cash and cash equivalents matches the book value of these funds if the contracting party fails to pay.

Liquidity risks

The group uses a liquidity-planning tool to regularly monitor the risk of a liquidity shortage. This tool takes account of the residual terms of financial investments and assets, along with expected cash flows from business operations.

It is the objective of the group to ensure a healthy balance between continuously satisfying the company's need for funds and the requirements for financial management flexibility in the use of overdraft and credit facilities. The financial liabilities mature according to the following schedule. They are reported on the basis of the contractually agreed non-discounted payments.

Cash outflows as a result of "bank liabilities" can be itemised as follows according to agreed interest and principal payments:

Year	KEUR
2014	37,868
2015	11,938
2016	6,191
2017	5,941
2018	6,357
2019 +	91,471

With regard to the expected cash outflows from the "leasing liabilities" reference is made to the presentation under D. 19.

On the two interest rate swaps annual payments amount to KEUR 345. With regard to the lengths of the swaps we refer to D.19.

For all other liabilities – with the exception of the deferred tax liabilities – the cash outflows expected in 2013 essentially correspond with the accounted book values.

A number of loans have secondary conditions in relation to capital servicing in addition to interest and principal payments. These conditions were fully complied with in 2013.

Management of capital

The prime objective of the group‘s capital management is to optimise the capital structure in order to increase the enterprise value and present a good equity ratio. Both the capital measures and dividend policies are structured in accordance with this prime objective.

Equity is composed of the no par bearer shares (subscribed capital) and the reserves apportionable to the share-holders.

The management of financial liabilities for the financing of real estate investments is carried out on a case-by-case basis in accordance with economically relevant parameters (in particular the market value of the real estate, lending values and cash flow available to service the debt).

The key figures developed as follows:

		31. Dec. 2013	**31. Dec. 2012**
Equity	KEUR	76,098	48,703
thereof relating to WESTGRUND AG shareholders	KEUR	75,765	48,478
Balance sheet total	KEUR	247,381	149,649
Equity ratio	in %	30.8%	32.5%
Liquid funds	KEUR	4,024	5,445

No essential changes to the targets, guidelines or methods in relation to capital management were made in the fiscal years 2012 and 2013.

Book values and fair values of the financial instruments by category:

		Book value		Fair Value	
		2013	2012	2013	2012
		KEUR	KEUR	KEUR	KEUR
Financial assets					
Security investments	(3)	28	831	28	-
Reinsurance	(4)	167	238	167	238
Cash and cash equivalents	(3)	4,024	5,445	4,024	5,445
Receivables and other assets	(1)	1,256	1,544	1,256	1,543
Non-current receivables	(4)	94	0	94	0
Financial liabilities					
Derivatives	(5)	951	1,310	951	1,310
Bank liabilities	(2)	136,041	82,794	135,153	81,879
Trade liabilities	(2)	1,002	706	1,002	706
Other liabilities	(2)	11,080	1,633	11,080	1,633
Leasing liabilities	(6)	4,740	4,670	4,740	4,670

Category according to IAS 39:
(1) Loans and receivables
(2) Liabilities accounted at amortised acquisition costs
(3) Financial Assets Available for Sale
(4) Assets Held to Maturity
(5) Financial liabilities measured at the Fair Value affecting net income
(6) Liabilities from finance leasing

The methods and assumptions applied for determining the fair values are as follows:

- Cash and cash equivalents, current deposits, trade receivables, trade liabilities and other current financial liabilities correspond closely with their book value due to the short terms of these instruments.
- Non-current receivables with fixed and variable interest rates are measured by the group based on parameters such as interest rates and credit worthiness of the individual customers. Impairments are carried out based on these measurements in order to reflect expected losses from these receivables into account. As of 31 December 2013 the book values of the receivables, less the impairment, did not differ substantially from their calculated fair values.
- The security investments relate to shares in cooperative banks and are subject to customary fluctuations in interest rates.
- The fair value of unlisted financial instruments, bank loans and other financial liabilities is estimated by discounting the future cash flows using currently available interest rates of debt at comparable conditions, credit risks and maturity terms. With several non-current loans at fixed interest rates, fair value is lower than the book value because of comparably favourable interest rates in relation to current market circumstances.
- The fair value of the premium refund insurance contract is calculated based on the repurchase value as of 31 December of each year as communicated by the insurer. There are no indications for valuation risks.
- The group only enters into derivative financial instruments with financial institutions with good credit-worthiness. The group has entered into two interest rate swaps as derivatives, reported at fair value calculated using market-observable input parameters (e.g. interest rate developments).
- The fair value of the leasing liabilities is determined based on the leasing payments resulting from the respective leasing relationship and the applicable capitalisation rate. Book values correspond with the fair values.

Hierarchy of Fair Values

The following hierarchy is used for the determination and reporting of the Fair Values of financial instruments for each valuation method:

Level 1: Quoted (non-adjusted) prices on active markets for equivalent assets or liabilities.
Level 2: Market price quotations that are to be observed either directly or indirectly for the asset or the debt not stated at Level 1.
Level 3: Methods using input parameters that have a substantial effect on the reported Fair Value and where these input parameters are not based on observable market data.

Of the disclosed cash and cash equivalents, KEUR 2,157 (previous year: KEUR 3,673), and of the trade receivables KEUR 570 (previous year: KEUR 446), have been pledged as collateral. In case of default the collateral-taker can collect the receivables with two weeks warning. No warning is required in cases of insolvency.

The following net profits / (-) losses affecting net income were recorded for the financial year 2013:

		Profit/loss 2013 KEUR	Profit/loss 2012 KEUR	Disclosed in Income Statement under
Financial assets				
Cash and equivalents	(3)	0	0	
Receivables and other assets	(1)	-315	-190	Other operating costs
Leasing receivables	(6)	0	-194	Impairment provisions
Other financial assets	(4)	0	103	Other operating income
Financial liabilities				
Derivatives	(5)	359	-142	Financing costs
Bank liabilities	(2)	0	0	
Trade liabilities /other liabilities	(2)	0	90	Other operating income
Leasing liabilities	(6)	-171	-306	Financing costs

Measurement category according to IAS 39:
(1) Loans and receivables
(2) Liabilities accounted at amortised acquisition costs
(3) Financial Assets Available for Sale
(4) Assets Held to Maturity
(5) Financial liabilities measured at the fair value affecting net income
(6) Receivables /liabilities from finance leasing

E. NOTES ON THE INCOME STATEMENT

1. Revenues

Revenues of KEUR 17,988 (previous year: KEUR 10,517) mainly relate to rental income and settled operating costs. Proceeds from the sale of real estate held as current assets amounted to KEUR 42 (previous year: KEUR 85). As in the previous year there were no other significant income categories.

2. Other operating income

Other operating income includes income not relating to the current reporting period amounting to KEUR 115 (previous year: KEUR 426) and the profit from the sale of a leasehold property (KEUR 94).

3. Cost of materials

Cost of materials includes real estate management costs as well residual book values of disposed real estate held in the short-term.

4. Personnel expenses

Personnel expenses are largely comprised of expenses for wages and salaries totalling KEUR 1,065 (previous year: KEUR 1,071) as well as social security contributions totalling KEUR 132 (previous year: KEUR 165). Additionally, costs of the share option programme are included at KEUR 117 (previous year: KEUR 95).

5. Depreciation

Depreciations for the year include the ordinary depreciation amounting to KEUR 68 (previous year: KEUR 65) and the extraordinary depreciations on real estate of the current assets of KEUR 300 (previous year: KEUR 530) and goodwill arising from first-time consolidations (KEUR 5).

6. Other operating expenses

As in the previous year, other operating expenses mainly cover costs incurred by the administrative sector of the group. Included in the other operating expenses are expenses not relating to the period in the amount of KEUR 534 (previous year: KEUR 240).

7. Financial income and expenses

Financial income is first and foremost interest income from balances at banks.

The financial expenses are composed as follows:

	2013	**2012**
	KEUR	**KEUR**
Interest on bank liabilities and other liabili-	-4,740	-2,551
Interest on leasing liabilities	-490	-306
Changes in value of derivatives	359	-142
	-4,871	**-2,999**

In 2013, net profits/ losses of KEUR 359 (previous year: KEUR -142) resulted from financial liabilities accounted at fair value (derivatives), which are shown in the income statement under financial expenses.

Interest expenses of KEUR 4,740 (previous year: KEUR 2,551) resulted from the financial liabilities accounted at amortised acquisition costs.

8. INCOME TAX

	2013	**2012**
	KEUR	**KEUR**
Deferred taxes	-3,375	-819
Current taxes	-28	-43
	-3,403	**-862**

The parent company's effective tax rate for the calculation of deferred taxes is 30.2 % (15 % corporation tax and solidarity surcharge levied at 5.5% of corporation tax assessment levels, plus 14.35 % trade tax). As a result of the move to Berlin, the trade tax burden and thus also the effective tax rate in 2012 fell from 31.6 % to 30.2 %. The tax rates for calculating the German subsidiaries' deferred taxes are between 14.35 % and 31.6 %.

The following group reconciliation statement summarises the individual deferred tax items determined in relation to the individual companies, considering the consolidation measures. The expected tax expenses/income is hereby reconciled with the actual tax expenses in the income statement.

	2013 KEUR	2012 KEUR
Pre-tax results	21,272	4,951
Expected tax rate	30.2%	30.2%
Expected tax expenses/income (-)	6,424	1,496
Tax effects from deviations in the assessment base	170	162
Reduction as a result of extended trade tax reduction	-3,305	-1,476
Non-capitalised deferred taxes on loss carry-forwards	114	609
Effect of reduced trade tax rate	0	71
Total tax expenses/income	**3,403**	**862**

As of the balance sheet date, the Group's companies reported corporate tax loss carry-forwards of EUR 18.7 million (previous year: EUR 15.7 million) and trade tax loss carry-forwards of EUR 17.9 million (previous year: EUR 14.2 million). As a result of peculiarities in tax law, deferred taxes were not recognised on corporate tax loss carry-forward of EUR 1.3 million (previous year: EUR 1.3 million) and on trade tax loss carry-forward of EUR 14.2 million (previous year: EUR 12.5 million) as a use of these loss carry-forwards is not sufficiently likely according to the criteria of IAS 12.

As expected, the deferred taxes relating to the investment properties will not be realised in the following year. Temporary differences are as follows:

	balance as of 31. Dec 2013 KEUR	Deferred taxes (+assets / - liabilities) KEUR	Profit and loss effect 2013 KEUR	balance as of 31. Dec 2012 KEUR	Deferred taxes (+assets/ - liabilities) KEUR	Profit and loss effect 2012 KEUR
Investment properties	82,142	-13,411	-3,406	60,820	-10,005	-839
Work in progress	112	-34	90	412	-124	16
Leasing receivables	0	0	-23	-77	23	60
Pension obligations	97	15	-1	103	16	0
Leasing liabilities	4,740	1,111	4	4,670	1,107	-37
Accrued financing costs	2,115	-361	-361	0	0	0
Negative Fair Value Derivatives	951	150	-57	1,310	207	23
Non-balanced and capitalised loss carry-forwards	447	135	-37	68	20	-9
Balanced loss carry-forwards (corp. tax + trade tax)	16,450	2,604	455	13,742	2,149	-33
	107,054	**-9,791**	**-3,336**	**81,048**	**-6,607**	**-819**
Deferred taxes on costs of capital increase			-39			0
Deferred tax income/ -costs income statement			**-3,375**			**-819**
Balance sheet disclosure:						
Deferred tax receivables		135			20	
Deferred tax liabilities		-9,926			-6,627	
		-9,791			**-6,607**	

The total amount of non-recognised temporary differences, which are associated with shares in subsidiaries, is EUR 0.7 million (previous year: EUR 0.4 million). Future charges in relation to these shares are not to be expected, as a sale of the shares in the subsidiaries is not currently planned.

9. Earnings per share

In calculating the non-diluted earnings per share, the results attributable to holders of the parent company's ordinary shares are divided by the weighted average number of ordinary shares in circulation during the year.

In calculating the diluted earnings per share the results the results attributable to holders of the parent company's ordinary shares are divided by the time-weighted average number of ordinary shares in circulation during the year, plus the weighted average number of ordinary shares, which would result from the conversion of all potential ordinary shares with dilution effect into ordinary shares.

	KEUR
2013	
Group's operating results (without minority results)	17,847
Minority interests	-68
Net income used to determine earnings per share	17,779
Average number of shares 2013	23,018,099
Diluted shares from stock option programmes / contracts	198,748
Number of shares used in calculating the diluted results	23,216,847
Earnings per share 2013 in EUR	
Non-diluted	0.77
Diluted	0.77
2012	
Group's operating results (without minority results)	4,089
Thereof minority interests	226
Net income used to determine earnings per share	4,315
Average number of shares 2012	17,550,907
Diluted shares from stock option programmes	321,593
Number of shares used in calculating the diluted results	17,872,500
Earnings per share 2012 in EUR	
Non-diluted	0.25
Diluted	0.24

In March 2014, the company's nominal capital was increased by EUR 2,392,374 to EUR 26,482,000 by way of the cash capital increase under the partial utilisation of authorised capital and under the exclusion of the subscription rights of existing shareholders. The issue price for the new shares was EUR 3.40. Moreover, it is expected that 2,774,429 no par value shares from an expected increase in non-cash capital will be taken into consideration in 2014, as a result of a real estate purchase contract concluded at a share price of EUR 3.40 in January 2014. If the shares issued and to be issued in 2014 had been reconciled into 2013's earnings, diluted and undiluted earnings per share would have been reduced by EUR 0.11.

Authorised and contingent capital may result in dilution of earnings per share in future. In reference to this, please see Sections D.15 and D.16.

F. NOTES ON THE CASH FLOW STATEMENT

The cash flow statement was prepared in accordance with IAS 7. The presentation of cash flow from operating activity is carried out in accordance with indirect method.

Liquid funds are composed of cash on hand and balances at banks and insurers. The amounts are available for the free disposal of the group, with the exception of bank account balances totalling KEUR 2,157 (previous year: KEUR 3,673), which were pledged as collateral for bank loans to the bank providing the credit. As in the previous year, no other restrictions on the disposal exist.

There were no substantial unused credit lines as of the balance sheet date.

Financial liabilities reported in the cash flow statement are all liabilities due to banks. Interest, dividend and income and expenses from taxes on income are disclosed separately within the cash flow statement.

In addition to the cash and cash equivalents of KEUR 4,024 disclosed in the balance sheet, the cash and cash equivalents also include liquid funds of KEUR 500 that are intended for sale and therefore disclosed separately under “Assets Held for Sale”. KEUR 1,250 was collected for subsidiaries sold during the financial year 2013, reconciled against disposals of cash and cash equivalents totalling KEUR 4. The purchase prices for acquired subsidiaries amounted to KEUR 358, of which KEUR 51 was paid in the previous year and KEUR 28 will be paid 2014. Increases in cash and non-cash equivalents amounting to KEUR 85 were associated with the subsidiaries.

With regard to the assets and liabilities of the acquired and disposed subsidiaries, reference is made to the explanations concerning the change in the group of consolidated companies.

Within the context of the acquisition of a property portfolio, a portion of the purchase price totalling KEUR 3,600 was settled via the issuance of new shares.

G. OTHER DISCLOSURES

1. Contingent liabilities, other financial liabilities and transactions not included in the balance sheet

As of 31 December 2013 other financial liabilities largely consist of building lease agreements. The total rental expenses for offices and office equipment amount to approximately KEUR 227 in 2014, with a contract until 31 January 2016. Expenses of KEUR 14 are expected to result from leasing agreements for the fiscal year 2014. The total amount of the financial liabilities from rental and leasing agreements amounts to KEUR 487 as of 31 December 2013 (previous year: KEUR 36).

Other than these, no further contingent liabilities of significance in assessing the company‘s financial position are to be noted as of the balance sheet date.

As trustee, WESTGRUND AG holds shares in a GmbH (Private Limited Company) amounting to KEUR 25.

2. Number of employees

An average of 21 employees, including 9 temporary assistants (previous year: 19 employees, thereof 7 temporary assistants) were employed during the year.

3. Members of the Management Board and their remuneration

Members of the Management Board during the fiscal year 2013 were

- Mr Arndt Krienen, Remscheid: Fixed salary (incl. benefits in kind and a bonus of KEUR 50 from 2012) KEUR 230 (previous year: KEUR 157); bonus entitlement 2013: KEUR 50 (previous year: KEUR 50)
- Mr Sascha Giest, Berlin (from 1 October 2013): Fixed salary (incl. benefits in kind) KEUR 30 (previous year: KEUR 0); bonus entitlement 2013: KEUR 30 (previous year: KEUR 0)

Mr Krienen received 165,000 shares with a market value of EUR 3.10 per share at a purchase price of EUR 1.56 per share from the exercising of stock options.

As of the balance sheet date Mr Krienen possessed 50,000 WESTGRUND AG shares as a result of exercising stock options in December 2013. In connection with the exercising of stock options he was granted a short-term loan of KEUR 123 which was settled in full in the first quarter of 2014. A total of 385,000 stock options dated 17 December 2008, 7 September 2012 and 15 November 2013 were granted to Mr Arndt Krienen as components of a long-term variable compensation package. The fair value of the options at the time when they were granted amounted to KEUR 468. In 2009, 2010 and 2011 no stock options were issued to the Management Board.

On 15 November 2013, Mr Sascha Giest received 110,000 stock options as a non-current variable compensation component. The fair value of the options at the time when they were granted amounted to KEUR 194. Mr Giest does not possess any shares in WESTGRUND AG.

4. Members of the Supervisory Board and their remuneration

Members of the Supervisory Board in the closed fiscal year were:

- Mr Gerhard Wacker, lawyer, Chairman
  Compensation: KEUR 15 (previous year: KEUR 15)
- Dr. Marc Schulten, businessman, Deputy Chairman
  Compensation: KEUR 10 (previous year: KEUR 10)
  Member of the Supervisory Board of International Campus AG, Munich
  Member of the Advisory Board of One-Group AG, Hamburg
- Günther Villing, lawyer. Compensation: KEUR 10 (previous year: KEUR 10)

At the balance sheet date, 157,142 WESTGRUND AG shares are to be attributed to Dr. Schulten via a company related to him. No members of the Supervisory Board possess any shares in WESTGRUND AG.

5. Related party disclosures (IAS 24)

The related parties of the company include the Management Board and the members of the Supervisory Board as well as the shareholders and executive body members of subsidiaries, including their close family members, as well as those companies upon which the Management Board or the Supervisory Board members of the company, or their close family members, can exert a controlling influence, or in which they have a substantial voting right share. In addition, the relating parties include those companies, in which the company holds a participation that enables it to exert a controlling influence on the business policies of the holding company and the principal shareholders of the company.

Current liabilities amounting to KEUR 379 exist towards the minority shareholders of Cologne Real Estate GmbH (previous year: KEUR 350), on which interest is paid at customary market rates. These liabilities are disclosed under liabilities connected with Assets Intended for Sale.

In 2013 and as of the balance sheet date, WESTGRUND AG received working capital loans totalling EUR 4.1 million from significant shareholders and directly or indirectly related parties via a foreign corporation, which incur interest at customary market rates. The disclosure as of the balance sheet date appears under other liabilities.

As of the balance sheet date, a current loan receivable of KEUR 123 existed against the Management Board (loan to executive bodies in accordance with section 89 AktG) as a result of income tax to be settled by WESTGRUND AG, resulting from the exercise of stock options in December 2013. This was a short-term loan that was settled in full in the first quarter of 2014.

In accordance with market norms, a company related to a Supervisory Board member received compensation of KEUR 500 for the mediation of the external financing of a real estate portfolio in Berlin-Spandau, acquired in 2013.

The mediation of the financing of the real estate portfolio in Berlin-Kreuzberg, which was integrated into WESTGRUND AG by way of a capital increase in kind of EUR 17.9 million was carried out by a person related to a shareholder, who received a reasonable remuneration for this mediation.

In January 2014, WESTGRUND AG closed the acquisition of a residential real estate portfolio with a total of 803 housing units in Halle / Saale executed as a share deal from a company related to a shareholder at a purchase price of EUR 9.4 million in accordance with normal market practice. The execution of the transaction within the framework of an increase of capital contributions in kind at a share-issuing price of EUR 3.40 is planned for the first half of 2014.

Members of the Management Board are employed on contracts with reasonable terms of compensation.

In April 2014, real estate was acquired at reasonable conditions in Leipzig with a value of EUR 2.7 million from a shareholder and a related company.

No further business transactions to be reported in accordance with IAS 24 were conducted in the financial year 2013.

6. Events after the balance sheet date

Events after the balance sheet date are reported in the group management report as part of these financial statements.

7. Announcements published in accordance with section 21 WPHG (German Securities Trading Act) (section 160 PAR. 1 Nr. 8 AKTG)

The following announcements subject to public disclosure in accordance with section 21 WpHG were received by the company and accordingly published.

REPORTED BY	DATE	THRESHOLD*	NEW SHARE
Angela Lechner, Berlin	22. Oct 2013	>10%	10.2%
Orlando Real Estate GmbH, Berlin	17. July 2013	>5%	5.5%
Wecken & Cie., Switzerland	27. Sept 2012	>30%	49.7%
Quartenal Ltd., Cyprus	13. Dec 2011	>20%	20.6%

* < = Threshold not reached; > = threshold reached

8. Fee fort the auditor of the financial statements

In the financial year 2013, KEUR 30 were recorded as expenses for the audit of the annual financial statements as of 31 December 2013 and KEUR 70 for the audit of the consolidated financial statements as of 31 December 2013. Other services in the financial year amounting to KEUR 2 are included under expenses.

9. Declaration in accordance with section 161 AKTG

Declarations in accordance with section 161 AktG concerning compliance with the recommendations of the “Government Committee German Corporate Governance Code” as announced by the Federal Ministry of Justice in the official section of the electronic version of the Bundesanzeiger (German Federal Gazette) were submitted in 2013 and made available to shareholders on WESTGRUND AG‘s website. Reference is made to the contents of the published version in the group management report for the financial year 2013.

10. Risk management policies

Detailed presentation of the risk management policies of the WESTGRUND Group is included in the group management report 2013, which is a part of these financial statements.

11. Share-based remuneration forms

Stock option plan 2007

The WESTGRUND Group has allowed its employees to participate in the success of the group since 2007 in accordance with the share option plans approved in 2007 and subsequent years.

Based on the available equity capital of EUR 24,089,626 (previous year: EUR 18,681,517) reported on the balance sheet date, the situation regarding outstanding share options is as follows:

	Number of options						
	2013	2012	2011	2010	2009	2008	2007
Outstanding options on 1. Jan	18,600	98,600	98,600	108,000	108,000	80,000	0
Granted options	0	0	0	0	0	28,000	80,000
Surrendered options	0	0	0	9,400	0	0	0
Exercised options	0	0	0	0	0	0	0
Lapsed options	18,600	80,000	0	0	0	0	0
Unexercised options on 31. Dec	0	18,600	98,600	98,600	108,000	108,000	80,000
Options that can be exercised on 31. Dec	0	18,600	98,600	98,600	80,000	0	0
Weighted average exercise price in EUR		5.26	5.26	5.26	5.26	5.26	5.22
Weighted average residual term in years		0.0	0.0	0.0	0.1	1.1	2.0

As a result of the capital increase from company funds in 2013, each number appearing in the table above increased by 10 %. The exercise prices also needed to be adjusted accordingly, which however no longer has any practical relevance as a result of the full lapse of the options as of 31 December 2013.

Stock option plan 2008

Based on the available equity capital of EUR 24,089,626 (previous year: EUR 18,681,517) recorded on the balance sheet date, the situation regarding outstanding share options is as follows:

	2013	2012	2011	2010	2009	2008
Outstanding options on 1. Jan.	315,810	315,810	315,810	165,000	165,000	0
Granted options	0	0	0	150,810	0	165,000
Surrendered options	0	0	0	0	0	0
Exercised options	-165,000	0	0	0	0	0
Lapsed options	0	0	0	0	0	0
Unexercised options on 31. Dec.	150,810	315,810	315,810	315,810	165,000	165,000
Options that can be exercised on 31.Dec.	150,810	315,810	165,000	165,000	0	0
Exercise price in EUR (2008)	1.56	1.56	1.56	1.56	1.56	1.56
Exercise price in EUR (2010)	1.33	1.33	1.33	1.33	-	-
Residual term in years (2008)	0.0	0.0	0.0	0.0	1.0	2.0
Residual term in years (2010)	0.0	0.0	1.0	2.0	-	-

A total of 150,000 stock options (today 165,000) were issued to Mr Arndt Krienen (Management Board) in 2008. The stock options were exercised in 2013. The fair value of the granted options was calculated using the Black-Scholes-Model. The following fundamental parameters were used:

Share price on the date of valuation	EUR 1.70
Target: Increase in price against exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	2 years
Exercise price based at the expected exercise date	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%

A total of 137,100 (today 150,810) stock options were granted to employees in 2010. The fair value of the options was calculated using the Black-Scholes-Model. The following fundamental parameters were used:

Share price on the date of valuation	EUR 1.65
Target: Increase in price against exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	2 years
Exercise price based at the expected exercise date	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%

Stock option plan 2011

Reference is made to the statements relating to the conditional capital with regard to the contents and terms of the stock option plan 2011.

Based on equity capital of EUR 24,089,626 as of the balance sheet date (previous year: EUR 18,681,517) the following situation arises with regard to the outstanding options as of the balance sheet date:

	2013	**2012**	**2011**
Outstanding options on 1. Jan.	292,600	127,600	0
Granted options	305,000	165,000	127,600
Surrendered options	0	0	0
Exercised options	0	0	0
Lapsed options	0	0	0
Outstanding options on 31. Dec.	597,600	292,600	127,600
Options that can be exercised on 31. Dec.	0	0	0
Exercise price in EUR (2011)	2.23	2.23	2.23
Exercise price in EUR (2012)	2.30	2.30	-
Exercise price in EUR (2013)	3.46	-	-
Residual term in years (2011)	2.0	3.0	4.0
Residual term in years (2012)	2.7	3.7	-
Residual term in years (2013)	3.9	-	-

A total of 116,000 (today 127,600) stock options were granted to employees in 2011. The fair value of the options was calculated using the Black-Scholes-Model. The following fundamental parameters were used:

Share price on the date of valuation	EUR 2.54
Target: Increase in price against exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	4 years
Exercise price based at the expected exercise date	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%

On two occasions in 2012, 50,000 stock options (today 55,000) were issued to employees and 50,000 stock options (today 55,000) to the Management Board. The fair value of the issued options was calculated using the Black-Scholes-Model. The following fundamental parameters were used for three packages:

Share price on the date of valuation	EUR 2.22
Target: Increase in price against exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	4 years
Exercise price based at the expected exercise date	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 date of valuation	EUR 2.21
Target: Increase in price against exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	4 years
Exercise price based at the expected exercise date	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 date of valuation	EUR 3.01
Target: Increase in price against exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	4 years
Exercise price based at the expected exercise date	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	64.0%
Expected fluctuation of option holders for the term of the option	0.0%

The following assessment parameters were used with regard to the 305,000 stock options granted to employees in 2013:

Share price on the date of valuation	EUR 3.50
Target: Increase in price against exercise price	20%
Maximum term until issue date	5 years
Expected term of the options	4 years
Exercise price based at the expected exercise date	EUR 3.46
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	72.1%
Expected fluctuation of option holders for the term of the option	0.0%

Additional disclosures relating to the share option plans 2007, 2008 and 2011

WESTGRUND AG retains the right to grant the option holder cash compensation instead of shares. As no obligation exists for the company to offer cash compensation, no measurement adjustment is necessary in line with the regulations of IFRS 2.43.

The granting of options under the stock option programmes 2007, 2008 and 2011 has the following implications on the group's net assets, financial position and operating results:

	Fair value when granted	Profit and loss 2007	Profit and loss 2008	Profit and loss 2009	Profit and loss 2010	Profit and loss 2011	Profit and loss 2012	Profit and loss 2013
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Options granted 2007								
- stock option programme 2007	160	5	80	75	0	0	0	**0**
Options granted 2008								
- stock option programme 2007	70	0	27	35	8	0	0	**0**
- stock option programme 2008	127	0	2	64	61	0	0	**0**
Options granted 2010								
- stock option programme 2008	118	0	0	0	32	59	27	**0**
Options granted 2011								
- stock option programme 2011	220	0	0	0	0	5	54	**55**
Options granted 2012								
- stock option programme 2011	178	0	0	0	0	0	14	**45**
Options granted 2013								
- stock option programme 2011	543	0	0	0	0	0	0	**17**
	1,416	**5**	**109**	**174**	**101**	**64**	**95**	**117**

Personnel expenses were offset directly under capital equity. Insofar as the stock options from the stock option plans are exercised there is a liquidity inflow for WESTGRUND AG at the time the options are exercised equal to the exercise price as long as no cash compensation is chosen as an alternative.

Volatility forecasts for the term of the share options are made following assessment of historical volatilities together with projected share price development. In accordance with IFRS 2.B25, the annualised historical volatility over the expected term of the stock options is to be applied. This amounts to two years for the stock option programmes 2007, 2008 and 2010 and four years for the stock option programme 2011. According to the assessment of the Management Board, the historical volatility over a two-year period preceding the granting of stock options in 2007 was not a suitable period for assessment as a result of restructuring and subsequent strategic re-orientation of the WESTGRUND Group. Reference was therefore made to the volatility of the twelve months leading up to the respective stock options being granted. For the stock options granted in 2008, 2010 and 2011 on the other hand, the historical volatility of the preceding two/four years was used as a basis.

12. Responsibility statement by the management board in accordance with section 297 par. 2 subsection 4 HGB

The Management Board, as legal representative of WESTGRUND AG, hereby assures to the best of its knowledge that according to the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the development of the group.

13. Exemption from the obligation to prepare and publish annual financial statements in accordance with regulations applicable to corporations in section 264B HGB

The following group subsidiaries have exercised exemption rights in accordance with section 264b HGB (German Commercial Code):

- Westgrund Immobilien Beteiligung GmbH & Co. KG, Berlin
- Westgrund Immobilien II. GmbH & Co. KG, Berlin
- HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG, Berlin
- Westgrund Westfalen GmbH & Co. KG, Berlin

Berlin, April 2014

WESTGRUND Aktiengesellschaft
Management Board

Arndt Krienen Sascha Giest

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2013

	Acquisition costs						Depreciations					IAS 40 Valuation				
	Balance on 01. Jan 2013	Additions	Disposals	Change in the group of consolidate companies	at equity-measurement	Balance on 31. Dec 2013	Balance on 01. Jan. 2013	Additions	Disposals	Change in the group of consolidate companies	Balance on 31. Dec 2013	Balance on 01. Jan 2013	Reclassi-fication 2013	Disposals 2013	Balance on 31. Dec 2013	Balance on 31. Dec. 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets																
1. Trademarks and similar rights	42,485.23	0.00	-2,607.59	-5,998.00	0.00	33,879.64	42,369.23	101.00	-2,606.59	-5,999.00	33,864.64	0.00	0.00	0.00	15.00	116.00
2. Goodwill	2,705,781.45	0.00	0.00	-2,671,336.04	0.00	34,445.41	2,705,781.45	0.00	0.00	-2,671,336.04	34,445.41	0.00	0.00	0.00	0.00	0.00
	2,748,266.68	**0.00**	**-2,607.59**	**-2,677,334.04**	**0.00**	**68,325.05**	**2,748,150.68**	**101.00**	**-2,606.59**	**-2,677,335.04**	**68,310.05**	**0.00**	**0.00**	**0.00**	**15.00**	**116.00**
II. Investment Properties	**116,357,894.17**	**69,115,228.30**	**-553,151.58**	**6,378,790.32**	**0.00**	**191,298,761.21**	**2,104,308.53**	**0.00**	**-143,725.04**	**0.00**	**1,960,583.49**	**21,199,905.36**	**20,213,288.34**	**-96,487.42**	**230,654,884.00**	**135,453,491.00**
III. Property, plant and equipment																
1. Technical equipment, plant and machinery	687,195.80	1,188.95	-7,859.06	1.00	0.00	680,526.69	**392,683.08**	48,146.67	-7,775.06	0.00	433,054.69	0.00	0.00	0.00	247,472.00	294,512.72
2. Other equipment, fixtures and fittings	298,896.14	21,892.81	-34,740.12	-5,234.17	0.00	280,814.66	270,775.55	24,478.60	-31,955.35	-5,805.18	257,493.62	0.00	0.00	0.00	23,321.04	28,120.59
	986,091.94	**23,081.76**	**-42,599.18**	**-5,233.17**	**0.00**	**961,341.35**	**663,458.63**	**72,625.27**	**-39,730.41**	**-5,805.18**	**690,548.31**	**0.00**	**0.00**	**0.00**	**270,793.04**	**322,633.31**
IV. Financial assets																
1. Shares in associated companies	875,111.46	0.00	0.00	-750,087.91	-125,023.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	875,111.46
2. Security investments	831,759.03	0.00	0.00	-804,247.03	0.00	27,512.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27,512.00	831,759.03
3. Advance payments	51,447.04	0.00	-51,447.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51,447.04
	1,758,317.53	**0.00**	**-51,447.04**	**-1,554,334.94**	**-125,023.55**	**27,512.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**27,512.00**	**1,758,317.53**
Total	**121,850,570.32**	**69,138,310.06**	**-649,805.39**	**2,141,888.17**	**-125,023.55**	**192,355,939.61**	**5,515,917.84**	**72,726.27**	**-186,062.04**	**-2,683,140.22**	**2,719,441.85**	**21,199,905.36**	**20,213,288.34**	**-96,487.42**	**230,953,204.04**	**137,534,557.84**

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2012

	Acquisition costs					Depreciations				IAS 40 Valuation			
	Balance on 01. Jan. 2012	Additions	Disposals	at equity-measurement	Balance on 31. Dec. 2012	Balance on 01. Jan. 2012	Additions	Disposals	Balance on 31. Dec. 2012	Balance on 01. Jan. 2012	Reclassi-fications 2012	Balance on 31. Dec. 2012	Balance on 31. Dec. 2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets													
1. Trademarks 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 properties	**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. Technical equipment, plants 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 equipment, fixtures and fittings	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 associated 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. Security investments	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	0.00	-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. Advanced payments	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**

The following audit opinion (Bestätigungsvermerk) refers to the consolidated financial statements prepared on the basis of International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": "German Commercial Code") as well as the group management report prepared on the basis of German commercial law (HGB) of WESTGRUND AG for the fiscal year ended December 31, 2013 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The above-mentioned audit opinion (Bestätigungsvermerk) and consolidated financial statements are both translations of the respective German language documents.

Auditors' opinion

We have audited the consolidated financial statements prepared by Westgrund Aktiengesellschaft, Berlin, comprising the balance sheet, the income statement and statement of comprehensive income, the cash flow statement, the statement of changes in equity and the Notes to the consolidated financial statements, and management report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and group management report according to the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to section 315a (1) HGB (German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any restrictions.

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

Cologne, April 16, 2014

DHPG Audit GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Brandenburg) Wirtschaftsprüfer (German Public Auditor)	(Güntgen) Wirtschaftsprüfer (German Public Auditor)

IV.

Audited consolidated financial statements of WESTGRUND AG for the year ended December 31, 2012 (IFRS)

Consolidated balance sheet as of 31 December 2012

A S S E T S	Note	31. Dec 2012 EUR	31. Dec 2012 EUR	31. Dec 2011 KEUR
A. Non-current assets				
I. Intangible assets				
1. Trademarks and similar rights	D.1	116.00		3
2. Goodwill	D.2	0.00	**116.00**	0
II. Investment properties	D.3		**135,453,491.00**	89,308
III. Property, plant and equipment	D.4			
1. Technical equipment, plant and machinery		294,512.72		345
2. Other equipment, fixtures and fittings		28,120.59	**322,633.31**	32
IV. Financial assets				
1. Shares in associated companies	D.5	875,111.46		944
2. Security investments	D.6	831,759.03		807
3. Other Loans	D.6	0.00		0
4. Advanced payments	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 intended for sale and other inventories				
1. Properties intended 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. Tax receivables		38,133.70		118
3. Other assets		1,073,360.93	**1,618,495.92**	231
III. Cash on hand, cash at banks and insurers providing capital	D.12		**5,444,633.61**	2,506
			149,648,522.18	**100,093**

EQUITY AND L I A B I L I T Y	Note	31. Dec 2012 EUR	31. Dec 2012 EUR	31. Dec 2011 KEUR
A. Equity				
I. Subscribed capital	**D.14**	18,681,517.00		**11,413**
II. Reserves	**D.14**	8,210,360.17		**12,784**
III. Shares of minority shareholders		225,127.73		**435**
IV. Retained earnings		21,586,185.95	**48,703,190.85**	**4,063**
B. Non-current liabilities				
1. Deferred tax liabilities	**D.13**	6,626,929.59		**5,813**
2. Provisions for pensions	**D.18**	102,778.00		**101**
3. Liabilities due to banks and capital providing insurers	**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 providing insurers		3,242,945.79		**38,612**
2. Advanced payments received		3,067,635.93		**2,490**
3. Leasing liabilities		9,250.19		**9**
4. Trade liabilities		706,006.99		**1,345**
5. 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**

Consolidated Income Statement for the period from 1 January to 31 December 2012

	Note	2012 EUR	2012 EUR	2011 KEUR
1. Revenues	E.1		**10,766,866.41**	9,692
2. Change in the stock of not settled services and work in progress			**964,744.16**	-224
3. Results from the valuation of investment properties			**5,850,139.94**	2,486
4. Other operating income	E.2		**508,874.33**	217
5. Cost of materials				
a) Property management	E.3	-6,202,788.33		-5,056
b) Sale of properties	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		**-791,877.66**	-75
8. Other operating expenses	E.6		**-1,686,925.97**	-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. Share of losses in associated companies (prv. year: profit)			**-68,944.97**	152
13. Results of ordinary business operations			**4,951,328.77**	250
14. Taxes on income	E.8		**-861,779.25**	587
15. Other taxes			**-761,16**	-1
16. Consolidated net result			**4,088,788.36**	836
17. Losses attributable to minority interest (prv. year: profit)			**226,585.58**	-91
18. Profits attributable 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 the capital reserves			**13,207,738.82**	0
21. Retained earnings			**21,586,185.95**	**4,063**

Consolidated Statement of Comprehensive Income for the period from 1 January to 31 December 2012

	2012	2011
	EUR	KEUR
Consolidated net income for the year	4,088,788.36	836
Other comprehensive result of the year	0.00	0
Comprehensive income of the year	4,088,788.36	836
thereof the following relate to		
Shareholders of the parent company	4,315,373.94	745
Shares without a controlling influence	-226,585.58	91
Earnings per share		
Non-diluted earnings per share (in EURO)	0.28	0.07
Diluted earnings per share (in EURO)	0.28	0.07

Consolidated Cash Flow Statement for the financial year 2012

	2012	2011
	KEUR	KEUR
Group operating results before taxes on income	4,951	249
Adjustments for		
Financial expenses	2,999	3,481
Financial income	-54	-33
Depreciations (+) / write-ups (-) on fixed assets	262	75
Depreciations (+) / write-ups (-) on current assets	530	0
Profit (-) / loss (+) from the valuation of investment properties	-5,850	-2,486
Profit (-) from business acquisitions/sales	-70	0
Loss (+) / profit (-) from associated companies	69	-152
Personnel expenses from share option programme (+)	95	63
Increase (+) / reduction (-) in provisions	2	-6
Increase (+) / reduction (+) in other assets	-1,118	-327
Increase (+) / reduction (-) in other liabilities	-34	-261
Interest paid (-)	-2,740	-3,258
Interest received (+)	48	24
Received (+) / paid (-) taxes	4	-120
Cash-flow from operating activities	**-906**	**-2,751**
Cash inflows from sales of investment properties (+)	60	0
Cash inflows from dividends (+)	6	9
Cash outflows for investments in the property, plant and equipment (-)	-40,567	-16
Cash outflows for investments in the financial assets (-)	-25	0
Cash outflows for the acquisition of company shares minus acquired liquid funds(-)	-73	0
Cash-Flow from the investing activity	**-40,599**	**-7**
Increase (+) / reduction (-) in bank liabilities	31,231	-1,168
Increase (+) / reduction (-) in financing liabilities	-2,595	2,802
Cash inflows from capital increases, less transaction costs (+)	15,808	2,387
Cash-flow from financing activity	**44,444**	**4,021**
Changes in cash and cash equivalents	2,939	1,263
Cash and cash equivalent at the beginning of the period	2,506	1,243
Cash and cash equivalents at the end of the period	**5,445**	**2,506**
thereof not freely disposable	3,673	1,141
Cash and cash equivalents at the end of the period (disposable)	1,772	1,365

The cash flow was calculated in accordance with IAS 7. Cash flow resulting from operating activities was shown according to the “indirect method”.

The financial resources of the company consist of cash on hand, bank accounts and accounts with insurance companies. The respective amounts are at free disposition of the company except the amount of KEUR 3.673 (prv. year: KEUR 1,141) which are held as security for the bank loans. There were no further restrictions both in 2012 and 2013. Capex for the acquisition of shares refers to acquisition of two companies (KEUR 24 and KEUR 51 respectively). On occasion of the acquisition KEUR 2 of liquid assets were acquired. Major assets of both companies were fairs of 5.1% in companies already consolidated representing a fair value of KEUR 130.

Consolidated Statement of Changes in Equity for the period from 1 January to 31 December 2012

	Subscribed capital	Capital reserves	Own shares	Profit carried-forward	Shares of minority shareholders	Period results	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance on 01. Jan. 2011	**10,375,750.00**	**11,412,066.01**	**-42,500.00**	**-6,388,486.26**	**344,390.30**	**9,706,437.34**	**25,407,657.39**
Profit distribution 2010	0.00	0.00	0.00	9,706,437.34	0.00	-9,706,437.34	0.00
Change in 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
Period results 1. Jan. - 31. Dec. 2011	0.00	0.00	0.00	0.00	90,838.84	745,122.11	835,960.95
Balance on 31. Dec. 2011	**11,413,320.00**	**12,783,316.46**	**0.00**	**3,317,951.08**	**435,229.14**	**745,122.11**	**28,694,938.79**
Balance on 01. Jan. 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 profits 2011	0.00	0.00	0.00	745,122.11	0.00	-745,122.11	0.00
Change in 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
Increase in minority shares	0.00	0.00	0.00	0.00	16,484.17	0.00	16,484.17
Withdrawal from capital reserves	0.00	-13,207,738.82	0.00	13,207,738.82	0.00	0.00	0.00
Period results 1.Jan. - 31. Dec. 2012	0.00	0.00	0.00	0.00	-226,585.58	4,315,373.94	4,088,788.36
Balance on 31.Dec. 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**

Notes on the Consolidated Financial Statements for fiscal year 2012

A. General information

1. Basics

WESTGRUND Aktiengesellschaft is the parent company of the Westgrund Group. The registered seat and management 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 activities in connection with property- and the 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 subsidiaries 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 financial year 2010 and are negligible by the standards of IFRS 8. The only significant segment has been the "property management" since the 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 consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and consolidated 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 adopted by 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 adopted 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 (KEUR) 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 authorized 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 accounting 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 distinguishing 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 net assets, financial position and result of operations 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 net asset, financial position and result of operations 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 of 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 years 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 years starting on or after 1 January 2013. The EU endorsement took place on 11 December 2012. Significant implications on the Group's net assets, financial position and result of operations are currently not expected as a result of these changes.

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 years starting on or after 1 January 2013. The EU endorsement took place on 11 December 2012. Significant implications on the Group's net assets, financial position and result of operations are currently not expected as a result of these changes.

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 accounting and valuation methods.

b) Consolidation scope

20 subsidiaries are included in the consolidated financial statements as of 31 December 2012 in addition to WESTGRUND AG.

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%	
3.	IMMOLETO Gesellschaft mit beschränkter Haftung, Berlin	100.0%	
4.	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH, 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	89.2%	Indirect interest

The subsidiaries under numbers 1 to 19 were included in the consolidation scope throughout the entire financial year 2012. Westgrund Immobilien III. GmbH & Co. KG, Berlin, has merged to the Westgrund AG as at 31 December 2012 following the resigation 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 income in the IFRS financial statements.

As at 30 June 2012, 94.9% of the shares in Westgrund Westfalen Verwaltungsgesellschaft mbH were acquired. 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
	KEUR	KEUR
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 KEUR 24 resulted in a negative difference of KEUR 70 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 KEUR 0 and additional group result of KEUR 0 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 in the way 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 consolidation was carried out in accordance with IFRS 3, using the acquisition method by offsetting the carrying amount of investments against the proportionate newly measured equity of the subsidiaries at the date of acquisition. Differences remaining after the allocation of hidden reserves and charges are recognized as goodwill or negative goodwill. If the fair value of the acquired net assets exceeds the assigned total consideration, the difference will be entered in the profit and loss statement.

Amounts due as receivables or payables in respect of companies within the consolidated group have been offset against each other. There are no unexpended amounts. Intra-group expenses and income are also offset.

Minority interest represents that portion of profit or loss and net assets of the subsidiary attributable to shares that are not owned by the parent. The share of the group operating results relating to the minority interest is shown separately in the consolidated profit and loss statement. The disclosure in the consolidated balance sheet is included under „equity“, reported separately from the shareholder equity of the parent company. Losses accrued by a consolidated subsidiary are also allocated to the minority interest, even if this leads to a negative balance. Minority interests in partnerships are reported as debt as a result of the termination rights set out in IAS 32.

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 and valuation methods

1. Intangible assets

All acquired intangible assets have a fixed duration of amortisation; therefore, they are entered in the balance sheet according to IAS 38 at acquisition cost and amortised on a straight-line basis over their useful lives (as a rule three years). There are no internally generated intangible assets.

According to IFRS 3, goodwill is not amortised but rather its impairment is reviewed annually or incident-related. The amortisation of goodwill only incident-related differs from German commercial law.

2. Business combination and goodwill

Business combinations are reported using the acquisition method. The costs of a business acquisition are measured based on the fair value of assets received, issued equity instruments and incurred or acquired debt at the date of exchange, plus any costs directly attributable to the business acquisition. Identifiable assets acquired within the context of a business combination and debts and contingent debts, which are acquired, are initially recognised with the respective fair values at the time of the acquisition, irrespective of the scope of possible minority shareholdings.

Goodwill is valued at acquisition cost on initial recognition, which is measured as a surplus of the cost of the business acquisition over the share of the group in the net fair values of the identifiable assets, debts and contingent debts of the acquired business. If the acquisition costs are below the fair value of the net assets of the acquired subsidiary, the difference is to be entered in the profit and loss statement.

Following initial recognition, the goodwill is measured at cost less any accumulated impairment losses. There is no ordinary depreciation of disclosed goodwill. For the purpose of impairment testing, the goodwill that is accrued within the context of business combinations is allocated to the cash generating units of the group from the time of the acquisition, which are to profit from the synergy effects from the business combination. This applies irrespective of whether other assets or debts from the acquired business are allocated to these cash generating units.

Goodwill is tested for impairment at least once a year. An impairment test will also be carried out if events or circumstances indicate that the book value could have been impaired. Any value adjustment is determined based on the recoverable amount of the cash-generating unit (or the group of cash generating units) to which the goodwill relates. Insofar as the recoverable amount of the cash-generating unit (or the group of cash generating units) falls short of the book value of the cash-generating unit (or the group of cash generating units) to which the goodwill relates an impairment loss is recorded. Once recorded, an impairment loss relating to goodwill may not be reversed in subsequent reporting periods. The impairment testing of the goodwill is carried out by the Group as of 31 December.

3. Investment properties

Property holdings disclosed as „investment properties“ include the real estate portfolio of the group, which is held to generate rental income and/or for the purpose of increasing values and which is not used for the delivery of goods or the provision of services, for administrative purposes or for sale within the context of customary business activities (IAS 40.5). It primarily concerns residential real estate; commercial real estate is let to a lesser degree. The real estate is exclusively let to third parties.

Investment properties are valued according to costs incurred at the time of acquisition or construction, including related secondary acquisition and/or manufacturing costs. Within the scope of subsequent valuations, the real estate is valued at the fair value (IAS 40.33), whereby the accounting principles of time-related and factual consistency are complied with. The valuation at market values deviates from German commercial law. Profits or losses from changes to the fair values of the investment properties are entered in the profit and loss statement with an effect on net results in the year in which they are incurred. The same applies to profits or losses resulting from the re-classification of real estate in the inventories relating to the investment properties (IAS 40.63).

Investment properties are derecognised if they are sold or if they are no longer usable and no future financial benefit will be expected from its disposal. The difference between the net sales proceeds and the book value of the asset is entered in the profit and loss statement at the time of its derecognition.

4. Property, plant and equipment

Property, plant and equipment are capitalised at amortised acquisition or manufacturing costs according to IAS 16 and, insofar as their use is finite, depreciated as scheduled on a straight-line basis over the expected useful life. Borrowing costs are entered as an expense irrespective of the use of the debt in the period in which they were incurred, as 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 and associated companies

The Group's shares in associated companies are recorded 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 nor 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 results of an associated company is shown in the income statement. This concerns the result after tax and minority interests attributable to the shareholders of the associated company.

The financial statements of the associated companies 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 accounting and valuation methods.

After applying the equity method, the Group determines 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 that the share in an associated company could be impaired. If this is the case, the difference between the achievable amount and the carrying amount of the share in the associated company is recorded as an impairment loss with an effect on net income.

6. 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 recognises a leasing liability at the commencement of the lease, corresponding to the book value of the leased object. The leasing liability will be amortised and carried forward in subsequent periods using the effective interest method. The lessor in a finance lease recognises a receivable equal to the amount of the net investment in the lease. Leasing income is divided into repayments of the leasing receivable and financial income. Receivables from the lease are amortised and carried forward in subsequent periods using the effective interest method. In doing so, changes to the residual value of the leased object are to be taken into account.

7. Services not yet settled

Disclosed under „services not yet settled“ are apportionable operating expenses from let properties, for which the WESTGRUND group has made advance payments. It is normally the case that the settlement of the operating expenses has not yet been carried out at the balance sheet date, resulting in these advance payments appearing under „services not yet settled“. Once tenants have been invoiced for their operating and utilities costs, often in the following calendar year, the amount disclosed under „services not yet settled“ is correspondingly reduced. The „services not yet settled“ are initially recorded at either cost of acquisition or manufacturing. Subsequent valuations are carried out at amortised acquisition or manufacturing costs by taking possibly existing impairments into account, in accordance with IAS 2.9.

8. Work in progress

The category “work in progress“ includes all current projects that have reached the stage at which, with reasonable assurance, they can be classified as assets. “Work in progress“ are disclosed at the lower of the cost of acquisition or manufacturing and the net realisable value. The net realisable value is the estimated realisable value generated in ordinary course of business less the estimated costs until the date of disposal and the estimated sales costs. Costs allocated for accounting purposes comprise the directly attributable costs of the projects and reasonable shares of general administration costs.

9. Properties intended for sale

“Properties intended for sale“ are initially reported at cost of acquisition or manufacturing as of the balance sheet date. Subsequent valuation is carried out according to IAS 2.9, at amortised acquisition or manufacturing costs and taking into account potentially lower net proceeds from the sale, including costs of the sale.

In 2010, most of the property that had been shown under “current assets” was reclassified as non-current assets under “investment properties”. As a result of the new strategy of the group to keep most of the property on a long term basis these properties had to be shown under long term assets. Nevertheless, the remaining properties will be put on the market in order to sell them. These properties mainly consist of single condominiums and not of cohesive property portfolios.

10. Financial assets

Financial assets, as defined by IAS 39, are shown at fair value at the time of their initial reporting. Depending on their category, the financial assets are subsequently reported at either fair value or their amortised acquisition costs. Categories are assigned upon initial recognition. Insofar as no separate market value is stated in the notes, the market value corresponds to the book value.

A distinction is to be made between the following categories:

- Assets Held for Trading will be measured at fair value. There are no such assets in the WESTGRUND Group.
- Financial investments held to maturity are reported at their amortised acquisition costs. There are no substantial assets of this kind in the WESTGRUND Group.
- Loans and receivables not held for trading are principally accounted with their amortised acquisition costs. Loans and receivables are non-derivative financial assets with fixed determinable payments, which are not listed on an active market. These are largely trade receivables, loans and other assets, which are not tax assets.
- Financial assets Available-for-Sale are principally reported at fair value. This concerns debt instruments, which are to be held for a certain period of time and which can be sold to satisfy the group‘s liquidity requirements. Cash and cash equivalents are classified under these items. The fixed asset securities which also belong to this category are recorded at amortised acquisition cost because the fair value cannot be determined reliably (IAS 39.46 (c)).

- Leasing agreements under which the group is the lessor and a leasing receivable exists as a result of a finance lease, are not classified as a financial instrument in line with IAS 39.2. IAS 39 is only applied with regard to derecognition or impairment.

Normal market purchases of financial assets are generally accounted as of the settlement day, i.e. on the day of delivery. Any liabilities arising from the acquisition are recognised at the same point in time.

A financial asset will be derecognised if one of the following requirements has been satisfied:

- The contractual rights to the receipt of cash flows from a financial asset have expired.
- The company has reassigned its contractual rights to the receipt of cash flows from the financial asset to third parties.

At each balance sheet date it is to be determined whether there are objective indications for an impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets are deemed as impaired if, as a result of one or several events, occurring after the initial recognition of the asset, there are objective indications of an impairment which has an implication on the expected future cash flows of the financial asset or the group of financial assets. Indications of an impairment exist if there are indications that the debtor, or a group of debtors, has substantial financial difficulties, where interest or loan repayments are either not forthcoming or are late, where bankruptcy or insolvency proceedings are likely, and if observable data indicates a measurable reduction in future cash flows, such as changes to provisions or economic conditions that correlate with 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 cash flow. 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 measured at fair value through profit or loss, the cumulative loss – which is calculated as the difference between the acquisition costs and the current fair value less any impairment loss on the financial asset previously recognized in the income statement – removed from the other operating result (not affecting net income) and entered in the income statement. Value adjustments for equity instruments are not reversed in the income statement; any subsequent increase in fair value is entered under other changes to net income.

The group enters into business with creditworthy third parties. Rental receivables are continuously monitored in order to ensure that high levels of unrecoverable rental receivables cannot arise against individual tenants. Moreover, bad debt loss risks are minimised through 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 reviewed 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.

For the deferred tax calculation - taking into account the local tax environment of the respective group companies - expected future tax rates are used for the release of temporary accounting and valuation differences. The prevailing tax regulations and tax rates as of the balance sheet date are applied. Future changes in tax rates will be taken into consideration provided that their eventual enactment in the course of the legislative process is accepted as a given fact. 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 recorded when the company has a legal or constructive obligation towards a third party on the basis of a past event that will lead to future net cash outflows. The amount will be recorded as the best possible estimate of the outflow of funds required to satisfy the current obligations on the balance sheet date. In accordance with IAS 37, provisions were only recorded where the probability of occurrence is at least 50 %. Obligations to pay cash, for which no interest is to be paid, are recognised at their cash value.

13. Pension obligations

An obligation arising from a direct pension commitment that is already in the pay-out 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. 18 of these notes for further details.

14. Financial liabilities

Financial liabilities within the meaning of IAS 39 can be classified as financial liabilities measured at fair value with an effect on net income, as loans or as derivatives which were designated as hedging instruments and are effective as such. The Group classifies its financial liabilities upon initial recognition.

All financial liabilities are measured at fair value upon initial recognition; 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, overdraft facilities, loans and derivative financial instruments.

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

- Financial liabilities measures at fair value through profit and loss
  Financial liabilities measured at fair value through profit and loss comprise financial liabilities held for trading and other financial liabilities classified as measured at fair value through profit and loss upon their initial recognition. Financial liabilities are classified as held for trading when they are acquired for the purposes of selling in the near future.
- Loans
  Subsequent to initial recognition, interest-bearing loans are measured at amortised acquisition costs using the effective interest method. Profits and losses are entered in the income statement when the liabilities are derecognized and as part of the effective interest rate method amortisation process. Amortised acquisition costs are calculated taking into account any premiums or discounts, as well as any costs or fees, which are integral components of the effective interest rate. The amortisation by means of the effective interest rate method is included in the profit and loss statement under “financing expenses“.

A financial liability is derecognised if the obligation upon which this liability is based, has been satisfied, revoked or has lapsed.

Financial assets and liabilities are netted and the net amount reported in the balance sheet only when a current legal entitlement exists to offset the amounts against one another or it is intended to settle on a net basis or realise the asset and settle the liability simultaneously.

An exchange of an existing financial liability for another financial liability from the same lender at substantially different contractual terms and conditions, or if the terms and conditions of an existing liability are substantially changed, such an exchange or such a change will be treated as a derecognition of the original liability and recognition of a new liability. The difference between the respective book values will be entered in the income statement.

Derivative financial instruments

The group uses derivative financial instruments (interest rate swaps) in order to hedge itself against interest rate risks. These derivative financial instruments are reported at fair value at the time of acquisition and reported at fair value in subsequent reporting periods. Derivative financial instruments are recognised 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 are on a long-term basis.

Profits or losses from changes in the fair value of any derivative financial instrument not reported as a hedging instrument are immediately recorded in the income statement. Changes in the fair value of interest rate swaps are entered under the item "other interest and similar expenses" or "other interest and similar income". The fair value of any swap contract is determined in reference to current relevant market parameters.

A derivative financial instrument is derecognised when the contractual rights expire or the group reassigns the rights from the derivative financial instruments.

Leasing liabilities

Leasing agreements, with which the group is the lessee and a leasing liability exists owing to a finance leasing are not classified as a financial instrument in line with IAS 39.2. IAS 39 will merely be applied with regard to the derocognition.

15. Advance payments received

Advance payments made by tenants in respect of apportionable operating costs are reported under "Advance payments received" until the point in time at which these apportionable operating costs are settled. Once the apportionable operating costs have been settled, the advanced payments received are derecognised and offset against revenue.

16. Stock options

Costs resulting from the granting of stock options to members of the Management Board and to employees of the group will be measured at fair value at the time they are granted. Fair value is calculated on the basis of accepted share option models.

Personnel costs resulting from granting equity instruments and the corresponding increase in shareholder equity is recorded over the period in which the exercise or performance conditions must be fulfilled (vesting period). This period of time ends on the day of the first vesting option, i.e. the time at which the employee concerned is irrevocably entitled to subscription. The accumulated expenses resulting from granting equity instruments, disclosed on each balance sheet date until the time of the first vesting option, reflect the elapsed portion of the vesting period along with the group's best estimate of the number of equity instruments that will be vested with the expiry of the vesting period. The amount recorded as a charge or credit in the profit and loss statement reflects the development of the accumulated expenses reported at the beginning and end of the reporting period.

17. Treasury shares

Should the group acquire its own shares, these shall be entered at acquisition costs and netted with equity. The purchase, sale, issue or redemption of the treasury shares are reported in equity with no effect on net income. Any differences between the book value and the consideration paid are recorded in the capital reserves.

18. Discretionary Decisions, Estimates and Assumptions

Discretionary decisions, estimations and assumptions are made by the management when preparing the consolidated financial statements, which may have an impact on the income, costs, assets and liabilities, and the disclosure of contingent liabilities, reported as of the balance sheet date. The uncertainty relating to these assumptions and estimations could lead to results that may require material adjustments to the carrying amounts of the relevant assets and liabilities in the future.

Discretionary decisions

In its application of the group's accounting and valuation methods the following decisions taken by management have materially affected the amounts in the consolidated financial statements:

Accounting of leaseholds as Finance Leases – group as lessee

In connection with its investment properties the group concluded leasehold agreements according to which the right of use of the property exists – for a limited period of time – for the duration of the leasehold. For investment properties the leasehold properties used by the group as lessee are therefore taken into consideration when determining the fair value. A leasing liability of KEUR 4,670 (previous year: KEUR 4,645) is accordingly reported for the leasehold properties used by the group.

Estimates and assumptions

The most important assumptions, including the main sources of uncertainties, as of the balance sheet date, for which there is a substantial risk of adjustments to the book values of assets and liabilities within the next financial year, are explained below.

Investment property

Westgrund Group measures its investment properties (book value as at 31 Dec 2012: KEUR 135,453; previous year: KEUR 89,308) at fair value, whereby changes in the fair values are entered in the income statement.

The group has commissioned independent experts with the determination of the fair values as of 31.12.2012 for the let real estate. As no directly comparable market data were available owing to the nature of the investment properties, the experts used a valuation method based on the income of the real estate for their measurement. The resulting fair value of the investment properties is highly dependent on the estimated yield, which is essentially dependent on the expected useful life, expected cash flows, the discount and capitalisation interest rates as well as the expected long-term vacancy rate. If the actual results deviate from the forecast results, or if the discounting/capitalisation interest rates fall, this will have implications on the net assets, financial position and operating results of the WESTGRUND Group.

Given the sensitivity of fair value to changes in valuation parameters, reference is made to the explanation concerning the balance sheet position of the investment properties.

Properties held for sale

To review the value of the real estate Intended for Sale, the net realisable value is determined. This is based upon estimated sales prices, which are subject to a certain degree of uncertainty.

Impairment of non-financial assets

The impairment tests by the Westgrund Group regarding goodwill (carrying amount as at 31 Dec. 2012: KEUR 0; previous year: KEUR 0) are based on the calculations of the use value applying a discounted cash flow method. The cash flows applied are derived from the business 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

Deferred tax assets (book value as of 31. Dec 2012: KEUR 20; previous year: KEUR 29) are reported after possible netting against existing deferred tax liabilities, for all unused tax losses carried forward to the extent that it appears probable that taxable income will be available against which the unused tax losses carried forward can be utilized. The deferred tax assets relate to losses carried forward in relation to trade and corporation tax both at WESTGRUND AG level and at the subsidiary level. It is currently overwhelmingly assumed that, in particular as a result of the special tax structures, no sufficiently positive tax income can be generated to utilise the losses carried forward. Therefore, deferred tax assets are only recorded to the extent that these can be offset against deferred tax liabilities. Should actual developments deviate from these assumptions and a positive tax result is recorded, this will lead to effective tax savings and thus positive implications on the net assets, financial position and operating results 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: KEUR 103; previous year: KEUR 101) 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 balance sheet 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: KEUR -1,310; previous year: KEUR -1,168) 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. development of interest rates).

Provisions

Valuation of the provisions (book value as at 31 Dec. 2012: KEUR 0; previous year: KEUR 0) is based upon assumptions and estimates made at the balance sheet date and extending into the future. Should actual results deviate from the fundamental assumptions and estimates, this could have negative implications on the net assets, financial position and operating results 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. Furthermore, the data flowing into the valuation procedure, such as, in particular, the term to maturity of the options, volatility and dividend yield, must be determined through corresponding assumptions and estimates.

19. Recognition of expenses and income

Revenues and other operating income will only be recorded when the service has been provided or the goods and products have been delivered and the receipt of financial benefit is probable. As a rule this occurs when the risk has been transferred to the customer or buyer. Rental income revenues are recognised on a pro rata basis. Revenues from long-term construction contracts are not to be realised. Income is measured at fair value of the consideration less cash and other discounts and sales taxes or other duties.

Revenues mainly consist of rents, incidental rental charges and the proceeds of real estate sales. Rental incomes are booked on a monthly basis. Revenues from incidental rental charges are reported upon settlement of the incidental rental charges at the end of each billing period. Proceeds from the sale of real estate are reported upon fulfilment of the contractual stipulations for the transfer of the beneficial ownership.

20. Borrowing costs

Borrowing costs that can be directly allocated to the acquisition, construction or production of an asset, for which a substantial period of time is necessary to make it ready for use or sale, will be capitalised as part of the acquisition or manufacturing costs of the corresponding asset. All other borrowing costs are entered as expenses at the time at which they were incurred, whereby in the event of the application of the effective interest method amortisation is carried out over the term of the liability. Borrowing costs are interest and other costs incurred by a company in connection with the borrowing of funds.

D. Notes on the balance sheet

1. Intangible assets

The development of the individual intangible assets for the financial year is reported along with depreciation in the WESTGRUND Group's statement of changes in fixed assets. In the profit and loss statement the disclosure is reported under the position "depreciation". This exclusively concerns ordinary depreciations. Extraordinary depreciations were not necessary.

2. Goodwill

The development of the goodwill in the amount of originally KEUR 2,706 is shown in the Westgrund Group statement of changes in fixed assets. 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 KEUR 2,669 were recorded. These were recorded as part of the depreciation. The book value of the goodwill amounts on the balance sheet date to KEUR 0.

3. Investment properties

The investment properties comprise such real estate which is held to generate rental income or for the purpose of capital appreciation rather than for the delivery of goods or the provision of services, for administrative purposes or for sale during the course of normal business activities.

At the time of initial recognition the investment properties are disclosed at acquisition or manufacturing cost, including incidental acquisition or manufacturing costs. The book value does not include the costs for the regular maintenance of the real estate. In subsequent reporting periods the investment properties is reported at fair value.

The fair value of investment property developed as follows:

	2012 KEUR	2011 KEUR
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% - 7.75%

The properties were valued in 2012 for the entire investment property portfolio initially by applying the nationally and internationally accepted discounted cash flow method (DCF method). Effects on the net assets, financial position and result of operations 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 cash flows of an investment property are forecast and discounted on the valuation date based on it. The cash value (discounted value) or gross capital value calculated in this way 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 covers 10 years and reflects cash flow during the detailed forecast period. Current rental income (potential rental income when fully let, i.e. gross annual income) is reduced to reflect reductions in income owing to current vacancy rates and projected structural vacancy rates in the subsequent years 2 to 10. This amount represents the actual annual net rental income. Further deduction of the regular costs (administration costs, costs which are not apportionable, maintenance and repair costs) produces the net annual income. The net annual income figure depicts the free cash flow before taxes and capital servicing costs have been deducted.

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 cash flows 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 present values of the cash flows 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% (up to 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 valuation in 2012, changes in the most important parameters on which the valuations are based have 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 properties. Revenue amounted to EUR 10.5 million (previous year: EUR 9.3 million) and property management costs to EUR 6.2 million in 2012 (previous year: EUR 5.1 million).

Land charges are entered against the real estate of EUR 82.1 million (previous year: EUR 51.1 million) and serve to collateralise loans, which are taken exclusively by Westgrund Group companies. Leasehold agreements include the customary stipulations regarding the consent requirements and pre-emptive rights of the lessee. There are no other restrictions on the sale of the properties. No contractual obligations related to the acquisition, production, development, repair, maintenance or improvement of the properties exist.

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 assets and the associated capitalised expenses and amortisation charges for the financial year are presented in the WESTGRUND group's statement of changes in fixed assets. In the profit and loss statement this is disclosed under the position "depreciations". This only includes ordinary depreciations. Extraordinary depreciations were not necessary. Substantial changes to the historical acquisition costs of the fixed assets are not known and were accordingly not recognised.

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:

	KEUR	KEUR
KG participation 1		
Share of assets and debts disclosed in the balance sheet of the associate:		
Current assets	3,408	2,566
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 revenues and the operating results of the associate		
Revenues	1	1
Operating results	-68	164
KG participation 2		
Share of assets and debts disclosed in the balance sheet of the associate:		
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 of the revenues and the operating results of the associate		
Revenues	0	0
Operating results	-1	-12
Book value 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 recorded at costs or at the lower fair value according to the provisions of IAS 39.

The other loans are interest bearing. In 2011, impairments of KEUR 8 were made which are shown under Depreciation. In 2012, the other loans were derecognised.

7. Other non-current assets

	2012 KEUR	2011 KEUR
Asset value of pension liability insurance	238	135
Non-current tax receivables	30	38
Advance payment made on purchase of real estate	0	666
Non-current leasing receivable	0	194
Total	**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 settled

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). Impairments were not recorded. Because the settlement for operating costs and utilities for 2011 have been completed, services for the previous year that have not yet been settled are recorded in 2012 under expenses as changes in stock. The settlement for operating costs and utilities of 2012 are expected to be completed within 12 months of the balance sheet date.

9. Properties intended for sale

The properties intended for sale is expected 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 KEUR	2011 KEUR
Carried forward 1 January	**830**	**1,056**
Impairments	-530	0
Disposal from sale	-21	-226
Balance as of 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 are entered against the real estate of EUR 0.3 million (previous year: EUR 0.3 million), serving as loan collateral.

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 KEUR 1,037 (previous year: KEUR 1,037) as of the balance sheet date 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 high uncertainty about their further realisation.

11. Receivables and other assets

	2012 KEUR	2011 KEUR
Financial assets		
Trade receivables	507	369
Other assets	1,037	31
Non-financial assets		
Current tax assets	38	118
Other assets	37	200
	1,619	**718**

A receivable of KEUR 870 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 KEUR	2011 KEUR
Book value	1,544	400
Book value of impaired receivables	314	43
Book value of non-impaired receivables	1,230	357
Thereof:		
Neither overdue, nor impaired	0	0
Overdue, but not impaired	1,230	357

The overdue but not impaired receivables are largely less than 30 days overdue.

The book value of the receivables and other assets, provided by the company as collateral, amounts to KEUR 446 as of the balance sheet date (previous year: KEUR 308).

Where impairments were necessary, these were carried out at the level of the individual receivable and disclosed under other operating expenses. No impairments were made at portfolio level. In determining impairments, all identifiable default risks (in particular impending insolvencies) were taken into consideration.

The development of the individual adjustments is as follows:

	KEUR
Balance as of 1 January 2011	**128**
Allocation	91
Use	0
Reversal	-12
Balance as of 31 December 2011	**207**
Allocation	158
Use	-13
Reversal	-38
Balance as of 31 December 2012	**314**

12. Cash in hand and cash at banks and capital providing insurers

Apart from KEUR 3,673 (previous year: KEUR 1,141) that is pledged as collateral for bank loans, the liquid funds reported are at the free disposal of the WESTGRUND Group.

13. Deferred tax assets / liabilities

Deferred tax assets are set off against deferred tax liabilities, as long as the tax assets exist with the same tax authority. For KEUR 20 (previous year: KEUR 29) no netting was possible. While recognising and measuring deferred tax assets, planning uncertainties were taken appropriately into account. Reference is made to the explanations concerning estimates and taxes on income.

14. Shareholder equity / capital reserves / retained earnings

Westgrund AG's shareholder equity on the balance sheet 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 of new no-par value shares, each with an arithmetical share in 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 granting stock options to Group employees. To offset Westgrund AG's balance sheet loss from the previous year and Westgrund AG's net loss in 2012, an amount of KEUR 13,208 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 4,671,560.00 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 28,000,000.00 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 2,800,000.00 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 2,800,000.00 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. Dec. 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. 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.

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 financial year 2011, the company sold its own stock of 10,000 shares (0.1% of the subscribed capital) at an overall price of EUR 33,500.00 on the stock exchange.

18. Provisions for pensions

There is a single 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 salary growth factor was applied (previous year: 0.0%). A pension growth factor 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 mortality tables 2005 G (probabilities for events of deaths and invalidity) by Dr Klaus Heubeck were used. 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:

	KEUR
Cash value of the performance-related obligation as of 1. Jan. 2011	**106**
Interest expenses	4
Actuarial losses / (-) profits	23
Paid benefits	-32
Cash value of the performance-related obligation as of 31. Dec. 2011	**101**
Interest expenses	4
Actuarial losses / (-) profits	31
Paid benefits	-33
Cash value of the performance-related obligation as of 31. Dec. 2012	**103**

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

19. Liabilities

Consolidated Statement of Liabilities as at 31 December 2012:

	Total	Expected remaining term up to 1 year	1-5 years	over 5 years
	KEUR	KEUR	KEUR	KEUR
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 provision	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)*
Advance payments 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 due to banks include bank loans with residual terms of more than one year. Current liabilities owed to banks incur interest charges of between 0.25% p.a. up to 7.1% p.a. They are collateralised against real estate, pledges on accounts and the assignment of claims from rental agreements.

The leasing liabilities result from leasehold agreements, which has at the balance sheet date residual terms between 37 and 193 years. As a rule, the leasehold agreements envisage a right to renew the leasehold agreement in the event of a new leasehold being created after expiry of the existing leasehold agreement, or a right of first refusal for the leaseholder in the event of a sale of the property and land. Building lease fees are generally index-linked.

	2012 Book value	2012 Minimum Lease payments	2011 Book value	2011 Minimum Lease payments
	KEUR	KEUR	KEUR	KEUR
One year or less	9	309	9	309
One to five years	42	1,239	42	1,238
More than five years	4,619	41,989	4,594	42,271
	4,670	43,537	4,645	43,818
less future interest costs	-	-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. Dec. 2012 KEUR	Interest rate	Fair Value 31. Dec. 2011 KEUR	Fair Value 31. Dec. 2012 KEUR	Change 2012 KEUR	End of term
Swap	2,500	4.50%	-271	-243	28	15. Jan. 2015
Swap	5,000	4.65%	-897	-1,067	-170	15. Jan. 2018
			-1,168	**-1,310**	**-142**	

The fair value for the derivatives on the balance sheet date were calculated using recognised mathematical methods based on market data on the balance sheet date. The changes in the fair value of KEUR -142 are recognised in the income statement with effect on the net income under interest and similar expenses. Cumulatively, the changes in recognised value amounted to KEUR -1,310.

21. Additional disclosures about financial instruments

Objectives and methods of the financial risk management

The substantial financial liabilities used by the WESTGRUND Group – with the exception of derivative financial instruments – comprise bank loans, loans from insurance companies, overdraft facilities, trade liabilities, leasing liabilities and other loans granted to the company. The main purpose of these financial liabilities is the financing of the business operations of the group. The group has various financial assets such as trade receivables and cash and cash equivalents.

In addition, the group concluded two interest rate swaps. The purpose of these derivative financial instruments is to hedge against potential interest rate risks directly resulting from the business operations of the group and its financing sources.

In line with group-internal guidelines no derivative trading took place in the financial years 2011 and 2012 and no trading will be carried out in the future.

Substantial risks to the group from financial instruments include interest-related cash flow risks, liquidity and credit risks. There are no substantial exchange rate risks in the opinion of the group.

Interest rate risks/hedging relationships

The risk of fluctuations in market interest rates, to which the group is exposed, mainly results from the non-current financial liabilities with variable interest rates.

The group‘s interest costs are managed using a combination of debt at fixed and variable interest rates. In order to achieve a beneficial financing structure, the group concludes interest rate swaps with which the group, at stipulated intervals, exchanges the difference in interest rate cash flows from a nominal amount agreed in advance with the contractual partner at fixed and variable rates. As a result of the interest rate swaps concluded as of the balance sheet date, the group‘s debt tied to long-term fixed interest rates amounted to EUR 7.5 million (previous year: EUR 7.5 million).

The following table shows how sensitive the group's pre-tax results are to reasonably projected interest rate fluctuations (as a result of the impact on variable interest loans). All other variables are left unchanged. There are no additional impacts on group equity not recognised in the income statement.

	Increase/reduction in the interest rate in basic points	Effects on pre-tax results in KEUR
2012	+20	-69
2012	-20	69
2011	+20	-25
2011	-20	24

Fluctuations in interest rates also lead to changes with the market values of the contracted interest rate swaps. An increase (reduction) in the interest rate of 20 basis points affects the pre-tax results by KEUR 69 in 2012 (KEUR -69). In 2011 the effect on the pre-tax results amounted to KEUR 78 (KEUR -78). These changes in value are included in the calculations mentioned above.

The hedging relationships to secure cash flows were classified as ineffective. A loss amounting to KEUR 142 (previous year: KEUR 224) once deferred tax assets of KEUR 43 were taken into account (previous year: KEUR 71) was reported in the group operating results for 2012.

Default risk

The Group only concludes transactions with creditworthy third parties. New lease agreements in particular are only entered into following assessment of the tenant's credit-worthiness. Accounts receivable are also monitored on a continuous basis to prevent exposing the Group to any significant risk of default. The maximum risk of default is limited to the amount stated as trade receivables of KEUR 1,543 (previous year: KEUR 400) on the balance sheet date. For trade receivables of KEUR 507, 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 outflows from the “Liabilities due to banks” are as follows, with regard to the interest and redemption payments agreed contractually:

Year	KEUR
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 presentation under D. 19.

Annual payments of KEUR 345 are to be made on both interest rate swaps. We regard to terms of the swaps we refer to D.20.

For the other liabilities - with the exception of the deferred tax liabilities - the expected cash outflows 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 debt 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.

Equity is comprised of the no-par value bearer shares attributable to shareholders (Subscribed 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. Dec. 2012	31. Dec. 2011
Equity	KEUR	48,703	28,695
thereof attributable to shareholders of Westgrund AG	KEUR	48,478	28,260
Balance sheet total	KEUR	149,649	100,093
Equity ratio	in%	32.5%	28.6%
Cash and cash equivalents	KEUR	5,445	2,506

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 2012 KEUR	Carrying amount 2011 KEUR	Fair value 2012 KEUR	Fair value 2011 KEUR
Financial assets					
Security investments	(3)	831	807	-	-
Recoverage insurance	(4)	238	135	238	135
Cash and cash equivalents	(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 payables	(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 at amortised acquisition cost
(3) Financial assets available for sale
(4) Assets held to maturity
(5) Financial liabilities measured at fair value affecting net income
(6) Receivables from finance lease
(7) Liabilities from finance lease

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

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

- Cash and current deposits, trade receivables, trade liabilities and other current financial liabilities generally correspond very closely 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 less 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 debt 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 due to 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 share capital of the company 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 KEUR 42,308 as at 31.Dec. 2011, the Group's share in the assets (carrying amount) of the company is KEUR 2,115. The

Group has no intention currently to sell the assets.

- The fair value of the premium refund insurance contract is based on the redemption value as at 31 Dec. of each year as communicated by the insurer.
- The Group concludes derivative financial instruments with financial institutions with good credit-worthiness. The Group has entered into two interest swaps as derivatives which are measured 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 correspond with the fair values.

Fair value hierarchy

The following hierarchy is applied in the Group for the determination and reporting of the fair value of financial instruments for each valuation method:

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 input parameters are used that have a considerable effect on the fair value recorded and are not based on observable market data.

Of the cash and cash equivalents recorded, KEUR 3,673 (previous year: KEUR 1,140), and of the trade receivables, KEUR 446 (previous year: KEUR 308) 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 financial year 2012 affecting net income:

		Profit/ loss 2012 KEUR	Profit/ loss 2011 KEUR	Record of income statement
Financial assets				
Security investments	(3)	0	0	
Loans	(1)	0	-8	Depreciation
Cash and cash equivalents	(3)	0	0	
Receivables and other assets	(1)	-190	-49	Other operating expenses
Lease receivables	(6)	-194	10	Value adjustment /Interest income
Other financial assets	(4)	103	21	Other operating income
Financial liabilities				
Derivatives	(5)	-142	-223	Financial expenses
Liabilities due to banks	(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 receivables
(2) Liabilities recorded at amortised acquisition cost
(3) Financial assets available for sale
(4) Assets held to maturity
(5) Financial liabilities measured at fair value with an effect on profit and loss
(6) Finance lease receivable
(7) Liabilities from finance leasing

E. Notes to the income statement

1. Revenue

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

2. Other operating income

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

3. Cost of materials

Material costs include, in particular, the property management costs as well as residual book values of disposed real estate held in the short-term.

4. Personnel expenses

Personnel expenses includes in particular expenses for wages and salaries of KEUR 1,071 (previous year: KEUR 1,035) and social security contributions of KEUR 165 (previous year: KEUR 167). Additionally, expenses from the stock options programme of KEUR 95 (previous year: KEUR 64) are included.

5. Depreciations

Depreciations for the year include ordinary depreciations amounting to KEUR 65 and extraordinary depreciations on real estate of the current assets of KEUR 530 and on leasing receivables (KEUR 197).

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 KEUR 240 (previous year: KEUR 175).

7. Financial income and financial expenses

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

Financial expenses are composed as follows:

	2012 KEUR	2011 KEUR
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 KEUR 142 (previous year: KEUR 224) that were included in the income statement under financial expenses.

Interest expenses of KEUR 2,541 (previous year: KEUR 2,980) resulted from the financial liabilities recorded at amortised costs.

8. Taxes on income

	2012 KEUR	2011 KEUR
Deferred taxes	-819	608
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 company-related reconciliations taking into consideration the consolidation measures. The expected tax expense/income is reconciled with the tax expense/income that was actually recognised.

	2012 KEUR	2011 KEUR
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
Non-capitalised deferred taxes on losses carried forward	609	35
Effect arising from tax rate reduction (trade tax)	71	0
Total tax expenses/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 the use of these losses carried forward is not sufficient likely according to the criteria of IAS 12.

As expected, the deferred taxes from the investment properties will not be realised in the following year.

The temporary differences are as follows:

	As at 31. Dec 2012 KEUR	Deferred taxes (+ asset / -liability) KEUR	Profit and loss effect 2012 KEUR	As at 31. Dec 2011 KEUR	Deferred taxes (+ asset / -liability) KEUR	Profit and loss effect 2011 KEUR
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
Netted 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 disclosure:						
Deferred tax assets		20			29	
Deferred tax liabilities		-6,627			-5,813	
		-6,607			-5,784	

The total amount of not 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

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

To calculate the diluted earnings per share, the result attributable to the holders of ordinary shares of the parent company is 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.

	KEUR
2012	
Consolidated result (excluding minority result)	4,089
Minority interest	226
Earnings for calculating the earnings per share in 2012	4,315
Average number of shares in 2012	15,375,941
Diluting shares from stock options programmes / contracts	308,578
Number of shares for calculating the diluted result	15,684,559
Earnings per share 2012	
undiluted	0.28
diluted	0.28
2011	
Consolidated result (excluding minority earnings)	836
Minority interest	-91
Earnings for calculating the earnings per share in 2011	745
Average number of shares in 2011	10,439,237
Diluting shares from stock 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 authorized 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.

F. Cash flow statement

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

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

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

All liabilities due to banks are considered as financial liabilities in the context of the cash flow statement. Interest, dividend and income tax payments are reported separately in 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. The total rental expenses for office premises and office equipment amounts to approximately KEUR 23 in 2013. Costs of KEUR 13 are expected to arise from leasing agreements for financial year 2013. The total financial obligations from rental and leasing agreements amounted to KEUR 36 as of 31 December 2012 (previous year: KEUR 68).

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 financial year 2012 was Arndt Krienen, Remscheid. Mr. Krienen was reimbursed as follows:

- Fixed remuneration (including benefits in kind): KEUR 151 (previous year: KEUR 142)
- Bonus entitlement: KEUR 50 (previous year: KEUR 5)

The Management Board does not own any shares of 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 stock options. The present value of the options at the time they were granted amounted in total to KEUR 278. No stock 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: KEUR 15 (previous year: KEUR 0)
- Dr Marc Schulten, entrepreneur, deputy chairman
  - Remuneration: KEUR 10 (previous year: KEUR 0)
- Günther Villing, lawyer,
  - Remuneration: KEUR 10 (previous year: KEUR 10)
  - 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 operate in 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 KEUR 350 (previous year: KEUR 324) 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. The loans were reported under other liabilities in 2011.

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

6. Events after the 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. Sept. 2012	>30%	49.7%
Mr Ferry Wecken, UK	27. Sept. 2012	< 3%	0.0%
Mr Klaus Wecken, Switzerland	27. Sept. 2012	<3%	0.0%
Close Brothers Group plc., UK	04. July 2012	<3%	0.0%
Close Brothers Holdings Limited, UK	04. July 2012	<3%	0.0%
Close Securities (Germany) Limited, UK	04. July 2012	<3%	0.0%
Close Securities Holdings Limited, UK	04. July 2012	<3%	0.0%
Close Brothers Seydler Bank AG, Frankfurt	04. July 2012	<3%	0.0%
Close Brothers Group plc., UK	15. June 2012	>30%	38.9%
Close Brothers Holdings Limited, UK	15. June 2012	>30%	38.9%
Close Securities (Germany) Limited, UK	15. June 2012	>30%	38.9%
Close Securities Holdings Limited, UK	15. June 2012	>30%	38.9%
Close Brothers Seydler Bank AG, Frankfurt	15. June 2012	>30%	38.9%
FMM Asset Management GmbH, Munich	13.June 2012	<3%	3.0%
Mr Klaus Wecken, Switzerland	14. Feb. 2012	>30%	30.1%
Mr Timo Herbrand, Cologne	01. Feb. 2012	<3%	2.6%
Paladin Holding AG, Switzerland	30. Jan. 2012	<3%	2.6%
Quartenal Ltd., Cyprus	13. Dec 2011	>20%	20.6%

* < = falls below threshold; > = exceeds threshold

8. Auditor's fee

During financial year 2012, KEUR 30 was recorded as expense for the audit of the annual financial statements of 31 December 2012, and KEUR 60 was recorded for the audit of the consolidated financial statements of 31 December 2012. In addition, KEUR 49 was paid in financial year 2012 for the audit of the annual and consolidated financial statements of 2010 and KEUR 10 of 2011. An amount of KEUR 24 was booked as expenses for other assurance 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. Reference is made to the contents of the published version in 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 stock 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	80,000	0	0	0	0	0
Options outstanding as of 31. Dec.	18,600	98,600	98,600	108,000	108,000	80,000
Exercisable options on 31. Dec.	18,600	98,600	98,600	80,000	0	0
Weighted average exercise price in EUR	5.26	5.26	5.26	5.26	5.26	5.22
Weighted average remaining term in years	0.0	0.0	0.0	0.1	1.1	2.0

In 2008, 28,000 stock options were granted 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. Jan.	287,100	287,100	150,000	150,000	0
Options granted	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.Dec.	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 stock options were granted to Mr Arndt Krienen (Board). The fair value of the issued options was calculated using 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 stock options were granted to employees. The fair value of the granted options was calculated using the Black-Scholes model based on the following parameters:

Share price on the valuation date	EUR 1.65
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 stock 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. Jan	116,000	0
Options granted	150,000	116,000
Options returned	0	0
Options exercised	0	0
Expired options	0	0
Outstanding options on 31. Dec.	266,000	116,000
Exercisable options as of 31. Dec.	0	0
Exercise price in EUR (2011)	2.52	2.52
Exercise price in EUR (2012)	2.50	-
Remaining term in years (2011)	3.0	4.0
Remaining term in years (2012)	3.7	-

In 2011, a total of 116,000 stock options were granted to employees. The fair value of the options granted 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 stock options were twice granted to employees and 50,000 share options were granted to the Board. The fair value of the options granted was calculated using the Black-Scholes model. The three packages were granted 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	64.0%
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 stock 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 stock option plans of the years 2007, 2008 and 2011 has the following effects on the net assets, financial position and result of operations of the Group:

	Fair value on grant	P&L 2007	P&L 2008	P&L 2009	P&L 2010	P&L 2011	P&L 2012
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Options granted 2007 - stock option plan 2007	160	5	80	75	0	0	0
Options granted 2008 - stock option plan 2007	70	0	27	35	8	0	0
Options granted 2008 - Stock option plan 2008	127	0	2	64	61	0	0
Options granted 2010 - stock option plan 2008	118	0	0	0	32	59	27
Options granted 2011 - stock option plan 2011	220	0	0	0	0	5	54
Options granted 2012 - stock 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 stock option plans Westgrund AG has an inflow of liquidity at the exercise time amounting to the base price of each exercised stock option, as long as the cash compensation is not selected.

Volatility forecasts for the term of the share options are made following assessment of historical volatilities together with projected share price development. In accordance with IFRS 2.B25, the annualised historical volatility over the expected term of the stock options is to be applied. This amounts to two years for the stock option programmes 2007, 2008 and 2010 and four years for the stock option programme 2011. According to the assessment of the Management Board, the historical volatility over a two-year period preceding the granting of stock options in 2007 was not a suitable period for assessment as a result of restructuring and subsequent strategic re-orientation of the WESTGRUND Group. Reference was therefore made to the volatility of the twelve months leading up to the respective stock options being granted. For the stock options granted in 2008, 2010 and 2011 on the other hand, the historical volatility of the preceding two/four years was used as a basis.

11. Responsibility statement by the management board in accordance with section 297 par. 2 sentence 4 of the HGB

The Management Board, as legal representative of WESTGRUND AG, hereby assures to the best of its knowledge that according to the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group.

12. 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 have exercised exemption rights 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

Consolidated statement of changes in fixed assets for the period from 1 January to 31 December 2012

	Acquisition costs/Production costs					Depreciation				IAS 40 valuation		Carrying amount	
	As at 01. Jan 2012	Addition	Disposals	At equity Valuation	As at 31. Dec. 2012	As at 01. Jan. 2012	Additions	Disposals	As at 31. Dec. 2012	As at 01. Jan 2012	Change 2012	As at 31. Dec. 2012	As at 31. Dec. 2011
					EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets													
1. Trademarks and similar rights	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 properties	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 equipment, fixtures and fittings	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 associated 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. Security investments	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. Advanced payments	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

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

		Acquisition costs/Production costs					Depreciation				IAS 40 valuation		Carrying amount	
		As at 01. Jan. 2011	Additions	Disposals	Reclassi-fication	As at 31. Dec. 2011	As at 01. Jan. 2011	Additions	Disposals	As at 31 Dec. 2011	As at 01. Jan. 2011	Change 2011	As at 31. Dec. 2011	As at 31. Dec. 2010
I.	**Intangible assets**													
	Trademarks and similar rights	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	2,741,342.68	4,267.00	0.00	2,745,609.68	0.00	0.00	2,657.00	6,924.00
II.	**Investment properties**	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	291,559.30	50,614.24	0.00	342,173.54	0.00	0.00	345,022.26	395,636.50
2.	Other equipment, fixtures and fittings	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 associated 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.	Security investments	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

The following audit opinion (Bestätigungsvermerk) refers to the consolidated financial statements prepared on the basis of International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": "German Commercial Code") as well as the group management report prepared on the basis of German commercial law (HGB) of WESTGRUND AG for the fiscal year ended December 31, 2012 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The above-mentioned audit opinion (Bestätigungsvermerk) and consolidated financial statements are both translations of the respective German language documents.

Auditors' opinion

We have audited the consolidated financial statements prepared by Westgrund Aktiengesellschaft, Berlin, comprising the balance sheet, the income statement and statement of comprehensive income, the cash flow statement, the statement of changes in equity and the Notes to the consolidated financial statements, and management report for the business year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and group management report according to the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to section 315a (1) HGB (German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any restrictions.

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

Cologne, May 16, 2013

DHPG Audit GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Siebrecht)	(Güntgen)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

V.

Audited consolidated financial statements of WESTGRUND AG for the year ended December 31, 2011 (IFRS)

Consolidated balance sheet as af 31 December 2011

A S S E T S	Note	31. Dec. 2011 EUR	31. Dec. 2011 EUR	31. Dec. 2010 KEUR
A. Non-current assets				
I. Intangible assets				
1. Trademarks and similar rights	D.1	2,657.00		7
2. Goodwill	D.2	0.00	**2,657.00**	0
II. Investment properties	D.3		**89,307,886.15**	88,497
III. Property, plant and equipment	D.4			
1. Technical equipment, plant and machinery		345,022.26		396
2. Other equipment, fixtures and fittings		31,736,49	**376,758.75**	29
IV. Financial assets				
1. Shares in associated companies	D.6	944,056.43		792
2. Security investments	D.5	806,747.03		807
3. Other loans	D.5	0.00	**1,750,803.46**	13
V. Other non-current assets	D.7		**1,033,411.65**	325
VI. Deferred tax assets	D.13		**28,706.53**	24
B. Current assets				
I. Properties intended for sale and other inventories				
1. Properties intended for sale	D.9	830,669.78		1,056
2. Services not yet settled	D.8	2,500,734.36		2,731
3. Work in progress	D.10	1,037,025.00	**4,368,429.14**	1,037
II. Receivables and other assets	D.11			
1. Trade receivables		369,534.78		336
2. Tax receivables		117,668.67		89
3. Other assets		230,686.33	**717,889.78**	189
III. Cash on hand, cash at banks and insurers providing capital	D.12		**2,506,216.92**	1,243
			100,092,759.38	**97,571**

EQUITY AND L I A B I L I T Y	Note	31. Dec. 2011	31. Dec. 2011	31. Dec. 2010
		EUR	EUR	KEUR
A. Equity				
I. Subscribed capital	D.14	11,413,320.00		**10,376**
II. Reserves	D.14	12,783,316.46		**11,412**
III. Reserves for own shares		0.00		**-42**
IV. Shares of minority shareholders		435,229.14		**344**
V. Retained earnings		4,063,073.19	**28,694,938.79**	**3,318**
B. Non-current liabilities				
1. Deferred tax liabilities	D.13	5,813,210.08		**6,417**
2. Provisions for pensions	D.18	100,933.00		**107**
3. Liabilities due to banks and capital providing insurers	D.19	12,859,427.67		**8,876**
4. Derivatives	D.20	1,167,702.35		**944**
5. Leasing liabilities	D.19	4,635,557.00	**24,576,830.10**	**6,308**
C. Current liabilities	D.19			
1. Liabilities due to banks and capital providing insurers		38,612,004.13		**43,764**
2. Advanced payments received		2,489,761.44		**2,613**
3. Leasing liabilities		9,342.00		**12**
4. Trade liabilities		1,344,955.87		**1,688**
5. Tax liabilities		78,532.66		**149**
6. Other liabilities		4,286,394.39	**46,820,990.49**	**1,285**
			100,092,759.38	**97,571**

Consolidated Income Statement for the period from 1 January to 31 December 2011

	Note	2011 EUR	2011 EUR	2010 KEUR
1. Revenues	E.1		**9,692,254.23**	13,253
2. Change in the stock of not settled services and work in progress			**-224,253.99**	-84
3. Results from the valuation of investment properties			**2,486,114.42**	13,951
4. Other operating income	E.2		**217,047.75**	270
5. Cost of materials				
a) Property management	E.3	-5,055,574.05		-4,842
b) Sale of properties	E.3	-225,174.75	**-5,280,748.80**	-4,111
6. Personnel expenses				
a) Wages and salaries	E.4	-1,098,390.82		-1,395
b) Social security contributions	E.4	-166,424.10	**-1,264,814.92**	-171
7. Depreciation	E.5		**-75,510.40**	-2,579
8. Other operating expenses	E.6		**-2,003,934.93**	-1,629
9. Income from investments			**8,962.20**	18
10. Other interest and similar income	E.7		**23,928.87**	35
11. Interest and similar expenses	E.7		**-3,481,238.07**	-2,826
12. Share of profit in associated companies (prev. year: loss)			**152,291.84**	-6
13. Results of ordinary business operations			**250,098.20**	9,884
14. Taxes on income	E.8		**587,112.68**	-706
15. Other taxes			**-1,249.93**	-1
16. Consolidated net result			**835,960.95**	9,177
17. Profits attributable to minority interest (prv. year: loss)			**-90,838.84**	529
18. Profits attributable to shareholders of the parent company			**745,122.11**	9,706
19. Consolidated profit carried forward/loss carried forward			**3,317,951.08**	-6,388
20. Retained earnings			**4,063,073.19**	**3,318**

Consolidated Statement of Comprehensive Income for the period from 1 January to 31 December 2011

	2011	2010
	EUR	KEUR
Consolidated net income for the year	835,960.95	9,177
Other comprehensive result of the year	0.00	0
Comprehensive income of the year	835,960.95	9,177
thereof the following relate to		
Shareholders of the parent company	745,122.11	9,706
Shares without a controlling influence	90,838.84	-526
Earnings per share		
Non-diluted earnings per share (in EURO)	0.07	1.01
Diluted earnings per share (in EURO)	0.07	1.00

Cash flow statement for the period from 1 January to 31 December 2011

	2011 KEUR	2010 KEUR
Consolidated income before tax on earnings	249	9,884
Adjustments for		
Financial expenditures	3,481	2,826
Financial income	-33	-53
Depreciation and amortisation (+) / appreciation (-) on non-current assets	75	1,611
Depreciation and amortisation (+) / appreciation (-) on current assets	0	968
Profit (-)/loss (+) from the fair value valuation of the investment property	-2,486	-13,951
Loss (+) / profit (-) from the divestiture of fixed assets	0	15
Loss (+) / profit (-) from associated companies	-1 52	6
Personnel expenses of share options programme (+)	63	101
Increase (+) / reduction (-) in provisions	-6	-1
Increase (-) / reduction (+) in other assets	-327	3,985
Increase (+) / reduction (-) in other liabilities	2,536	652
Interest paid (-)	-3,258	-2,611
Interest received (+)	24	25
Taxes paid (-)	-120	0
Taxes received (+)	0	79
Cash flow from operating activity	**46**	**3,536**
Incoming payments from dividends (+)	9	18
Payments to acquire subsidiary companies less means of payment acquired (-)	0	-237
Disbursals for investments in fixed assets (-)	-16	-9
Disbursals for investments in financial assets (-)	0	-2
Cash flow from investment activity	**-7**	**-230**
Increase (+) / reduction (-) in amounts owed to banks	-1,168	-4,044
Repayment of loans granted	5	0
Reduction in financial liabilities (-)	0	-1 2
Incoming payments from equity allocation less transaction costs	2,387	1,484
Cash flow from financing activity	**1,224**	**-2,572**
Changes in the cash and cash equivalents affecting payments	1,263	734
Cash and cash equivalents at period start	1,243	509
Cash and cash equivalents at period end	**2,506**	**1,243**
of which not freely disposable	1,141	259
Cash and cash equivalents at the end of the period (disposable)	1,365	984

The cash flow was calculated in accordance with IAS 7. Cash flow resulting from operational activities was shown according to “indirect method”.

The financial resources of the company consist of cash on hand, bank accounts and accounts with insurance companies. The respective amounts are at free disposition of the company except the amount of KEUR 1,141 (prv. year: KEUR 259) which are held as security for the bank loans. There were no further restrictions as in the previous year.

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

	Subscribed capital	Capital reserves	Own shares	Profit carried-forward	Shares of minority shareholders	Period results	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance on 01. Jan 2010	**9,432,500.00**	**10,761,556.24**	**-42,500.00**	**-4,169,576.45**	**872,986.22**	**-2,218,909.81**	**14,636,056.20**
Appropriation of loss 2009	0.00	0.00	0.00	-2,218,909.81	0.00	2,218,909.81	0.00
Change in stock option programme	0.00	101,111.30	0.00	0.00	0.00	0.00	101,111.30
Cash capital increase	943,250.00	565,950.00	0.00	0.00	0.00	0.00	1,509,200.00
Costs of cash capital increase	0.00	-16,551.53	0.00	0.00	0.00	0.00	-16,551.53
Period results 1. Jan. - 31. Dec. 2010	0.00	0.00	0.00	0.00	-528,595.92	9,706,437.34	9,177,841.42
Balance on 31. Dec. 2010	**10,375,750.00**	**11,412,066.01**	**-42,500.00**	**-6,388,486.26**	**344,390.30**	**9,706,437.34**	**25,407,657.39**
Balance on 01. Jan. 2011	**10,375,750.00**	**11,412,066.01**	**-42,500.00**	**-6,388,486.26**	**344,390.30**	**9,706,437.34**	**25,407,657.39**
Appropriation of profits 2010	0.00	0.00	0.00	9,706,437.34	0.00	-9,706,437.34	0.00
Change in 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
Period results 1. Jan. - 31. Dec. 2011	0.00	0.00	0.00	0.00	90,838.84	745,122.11	835,960.95
Balance on 31. Dec. 2011	**11,413,320.00**	**12,783,316.46**	**0.00**	**3,317,951.08**	**435,229.14**	**745,122.11**	**28,694,938.79**

Notes on the consolidated financial statements for fiscal year 2011

A. General disclosure

1. Basic principles

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

The business activities of the Westgrund Group include all types of business activities in connection with the property- and the housing industry. The entire value-added chain is covered, from the purchase of real estate through its development and upgrading up to the point of sale. For legal and tax reasons, the real estate holdings of the Westgrund Group is largely held by the subsidiaries of WESTGRUND AG.

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

WESTGRUND AG has compiled its consolidated financial statements, consisting of a consolidated balance sheet, consolidated income statement, consolidated equity change statement, consolidated cash flow statement and consolidated notes, for the financial year from 1 January 2011 to 31 December 2011 in accordance with international financial reporting rules, the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as these are to be applied within the EU. In this process, all pronouncements regarding mandatory application made by the International Accounting Standards Board (IASB) have been taken into account. The consolidated financial statements are therefore in accordance with the IFRS. The requirements pursuant to section 315a HGB (German Commercial Code) for the preparation of consolidated financial statements in accordance with IFRS as they were adopted 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 EURO. Unless otherwise stated, all values are rounded up or down to thousand Euros (KEUR) using commercial rounding. The income statement is structured using the total cost method.

Items of a dissimilar nature or function are shown separately unless they are insignificant.

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

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

2. Changes to the accounting methods

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

a) Adjustments applicable in 2011

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

b) Adjustments already published by 2011 but not yet applicable

The following new or amended accounting standards, which had already been adopted, have not yet been applied in the 2011 financial year, as there is not yet an obligation to appy them:
IFRS 7/IFRS 9: Financial instruments
IFRS 9 was published in November 2009. According to this, in future financial assets are to be allocated to the valuation categories “at amortised cost” and “at fair value” and valued accordingly. In October 2010, addenda were published in the form of the future provisions for the balance sheet inclusion of financial liabilities. In addition, there followed in December 2011 further addenda to IFRS 9 and IFRS 7 (Financial instruments: details). IFRS 9 is to be applied in the financial year starting on or after 1 January 2015. The EU endorsement of IFRS 9 is still pending. The application of IFRS 9 will lead to changes to the presentation and accounting of financial assets and liabilities.

IFRS 10: Consolidated financial statements

In May 2011, the IASB published IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities”, changes to IAS 27 “Separate Financial Statements” and changes to IAS 28 “Investments in Associates and Joint Ventures” together with IFRS 10 “Consolidated Financial Statements”. IFRS 10 shall replace the current regulations on consolidated financial statements (parts of IAS 27 and SIC 12 “Consolidation - Special Purpose Entities”). IFRS 10 and the other associated changes are to be applied in the financial year starting on or after 1 January 2013. EU endorsement is still awaited. Significant implications on the Group’s net assets, financial position and result of operations are currently not expected as a result of these changes.

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 years starting on or after 1 January 2013. The EU endorsement is still outstanding. Significant implications on the Group’s net assets, financial position and result of operations are currently not expected as a result of these changes.

IAS 1: Representation of comprehensive results

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

IAS 19: Benefits for employees

In June 2011, “Amendments to IAS 19 - benefits for employees” were published. The amendments deal with changes in the financial reporting of pension plans and other benefits for employees. Significant implications on the Group’s net assets, financial position and result of operations are currently not expected as a result of these changes.

IASB and IFRIC have published further amendments and interpretations in 2011 and 2012 from which according to current estimates, no significant implications on the Group’s net assets, financial position and result of operations are expected.

B. Consolidation principles, consolidation scope and consolidation methods

a) Consolidation principles

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

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

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

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

b) Consolidation scope

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

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

Westprojekt Immobilien-Servicegesellschaft mbH, Remscheid	100.0%	
Westconcept GmbH, Remscheid	100.0%	
IMMOLETO Gesellschaft mit beschränkter Haftung, Remscheid	100.0%	
ICR Idee Concept und Realisation von Immobilienvorhaben GmbH, Remscheid	94.9%	indirect interest
HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG Remscheid	94.9%	indirect interest
HKA Verwaltungsgesellschaft mbH, Cologne	94.9%	indirect interest
Westgrund Immobilien Beteiligung GmbH & Co. KG Remscheid	100.0%	
Westgrund Immobilien Beteiligung GmbH, Remscheid	100.0%	
Westgrund Immobilien II GmbH & Co. KG Remscheid	100.0%	
Westgrund Immobilien Beteiligung II GmbH, Remscheid	100.0%	
Liaen Lorentzen Partners AG, Zug / Switzerland	94.0%	
Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen	99.7%	4.9% as indirect holding
TREUHAUS Hausbetreuungs-GmbH, Ludwigshafen	99.7%	indirect interest
WAB Hausverwaltungsgesellschaft mbH, Ludwigshafen	99.7%	indirect interest
Westgrund Immobilien III. GmbH & Co. KG, Remscheid	100.0%	
Westgrund Immobilien Beteiligung III. GmbH, Remscheid	100.0%	
Cologne Real Estate GmbH, Remscheid	75.0%	
Projektgesellschaft Deutz-Mühlheimer Straße, Cologne GmbH & Co. KG, Cologne	37.5%	indirect interest
Projektgesellschaft Deutz-Mühlheimer Straße, Köln Verwaltung GmbH, Cologne	37.5%	indirect interest
Westgrund Westfalen GmbH & Co. KG, Cologne	90.1%	indirect interest

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

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

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

	KEUR
Real estate	3,387
Cash and cash equivalents	13
Other assets	228
Assets	3,628
Provisions	32
Income tax liabilities	35
Deferred taxes	0
Liabilities due to banks	2,462
Other liabilities	241
Debt	2,770
Minority interest shares	44
Net assets	814

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

c) Consolidation methods

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

Capital consolidation has been undertaken in accordance with IFRS 3 using the acquisition method by offsetting the book values of the investment with the proportionately newly valued equity of the subsidiary at the point in time of its acquisition. Any remaining differences are handled as goodwill after the allocation of hidden reserves and hidden charges.

When consolidating liabilities, intra-group receivables and liabilities are offset against each other. Residual 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, 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 liability according to the regulations of IAS 32 due to the existing possibility of termination.

d) Currency conversion

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

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

C. Accounting and valuation methods

1. Intangible assets

All acquired intangible assets have a fixed duration of amortisation; therefore, they are entered in the balance sheet according to IAS 38 at acquisition cost and amortised on a straight-line basis over their useful lives (as a rule three years). There are no internally generated intangible assets.

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

2. Business combinations and goodwill

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

The impairment of goodwill is reviewed at least once a year. An impairment test is also carried out if events or circumstances indicate that the carrying amount could be impaired. The impairment of value is established by determining the amount which can be achieved by the cash-generating unit (or the group of cash-generating units) to which the goodwill has been allocated. Insofar as the amount which can be achieved by the cash-generating unit (or by the group of cash-generating units) falls below the book value of the cash-generating unit (or the group of cash-generatingunits) to which the goodwill has been allocated, an impairment charge is recorded. An impairment loss recognised for goodwill must not be made up for in subsequent reporting periods. The Group carries out the annual review of goodwill for impairment on 31 December.

3. Investment property

Property holdings disclosed as „investment properties“ include the real estate portfolio of the group, which is held to generate rental income and/or for the purpose of increasing values and which is not used for the delivery of goods or the provision of services, for administrative purposes or for sale within the context of customary business activities (IAS 40.5). It primarily concerns residential real estate; commercial real estate is let to a lesser degree. The real estate is exclusively let to third parties.

Investment properties are valued according to costs incurred at the time of acquisition or construction, including related secondary acquisition and/or manufacturing costs. Within the scope of subsequent valuations, the real estate is valued at the fair value (IAS 40.33), whereby the accounting principles of time-related and fractual consitency are complied with. The valuation at market values deviates from German commercial law. Profits or losses from changes to the fair values of the investment properties are entered in the profit and loss statement with an effect on net results in the year in which they are incurred. The same applies to profits or losses resulting from the re-classification of real estate in the inventories relating to the investment properties (IAS 40.63).

Investment properties are derecognised if it is sold or if it is no longer usable and no future financial benefit will be expected from its disposal. The difference between the net sales proceeds and the book value of the asset is entered in the profit and loss statement at the time of its derecognition.

4. Property, plant and equipment

Property, plant, and equipment are reported as assets at purchase or manufacturing costs according to IAS 16 and amortised linearly according to schedule over their expected useful life, insofar as their use is time-limited. Borrowing costs are recorded as an expense for the period in which they occur without consideration of the use of the borrowed capital. The following useful lives are applied:

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

5. Shares in associated companies

The Group's shares in an associated company are recorded 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 associated companies 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 accounting and valuation methods.

After applying the equity method, the Group determines 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 that the share in an associated company could be impaired. If this is the case, the difference between the achievable amount and the carrying amount of the share in the associated company is recorded as an impairment loss with an effect on net income

6. Securities and other loans

The securities and other loans receivable reported under financial assets are recorded at the acquisition costs or the lower “fair value” according to the provisions of IAS 39.

7. Leasing transactions

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

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

8. Services not yet settled

Disclosed under “services not yet settled“ are apportionable operating expenses from let properties, for which the WESTGRUND group has made advance payments. It is normally the case that the settlement of the operating expenses has not yet been carried out at the balance sheet date, resulting in these advance payments appearing under „services not yet settled“. Once tenants have been invoiced for their operating and utilities costs, often in the following calendar year, the amount disclosed under “services not yet settled“ is correspondingly reduced. The “services not yet settled“ are initially recorded at either cost of acquisition or manufacturing. Subsequent valuations are carried out at amortised acquisition or manufacturing costs by taking possibly existing impairments into account, in accordance with IAS 2.9.

9. Work in progress

The category “work in progress“ includes all current projects that have reached the stage at which, with reasonable assurance, they can be classified as assets. “Work in progress“ is disclosed at the lower of the cost of acquisition or manufacturing and the net realisable value. The net realisable value is the estimated realisable value generated in ordinary course of business less the estimated costs until the date of disposal and the estimated sales costs. Costs allocated for accounting purposes comprise the directly attributable costs of the projects and reasonable shares of general administration costs.

10. Properties held for sale

“Properties intended for sale“ are initially reported at cost of acquisition or manufacturing as of the balance sheet date. Subsequent valuation is carried out according to IAS 2.9, at amortised acquisition or manufacturing costs and taking into account potentially lower net proceeds from the sale, including associated costs of the sale.

In 2010, most of the property that had been shown under “current assets” was reclassified as non-current assets under “investment properties”. As a result of the new strategy of the group to keep most of the property on a long term basis these properties had to be shown under non-current assets. Nevertheless, the remaining properties will be put on the market in order to sell them. These properties mainly consist of single condominiums and not of cohesive property portfolios.

11. Financial assets

Financial assets, as defined by IAS 39, are disclosed at fair value at the time of their initial reporting. Depending on their category, the financial assets are subsequently reported at either fair value or their amortised acquisition costs. Categories are assigned upon initial recognition. Insofar as no separate market value is stated in the notes, the market value corresponds to the book value.

A distinction is to be made between the following categories:

- Assets Held for Trading will be measured at the fair value. There are no such assets in the WESTGRUND Group.
- Financial investments Held to Maturity are reported at their amortised acquisition costs. There are no substantial assets of this kind in the WESTGRUND Group.
- Loans and receivables not Held for Trading are principally accounted with their amortised acquisition costs. Loans and receivables are non-derivative financial assets with fixed determinable payments, which are not listed on an active market. These are largely trade receivables, loans and other assets, which are not tax assets.
- Financial assets Available-for-Sale are principally reported at fair value. This concerns debt instruments, which are to be held for a certain period of time and which can be sold to satisfy the group‘s liquidity requirements. Cash and cash equivalents are classified under these items. The fixed asset securities which also belong to this category are recorded at amortised acquisition cost because the fair value cannot be determined reliably (IAS 39.46 (c)).
- Leasing agreements under which the group is the lessor and a leasing receivable exists as a result of a finance lease, are not classified as a financial instrument in line with IAS 39.2. IAS 39 is only applied with regard to derecognition or impairment.

Normal market purchases of financial assets are generally accounted as of the settlement day, i.e. on the day of delivery. Any liabilities arising from the acquisition are recognised at the same point in time.

A financial asset will be derecognised if one of the following requirements has been satisfied:

- The contractual rights to the receipt of cash flows from a financial asset have expired.
- The company has reassigned its contractual rights to the receipt of cash flows from the financial asset to third parties.

At each balance sheet date it is to be determined whether there are objective indications that there is an impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets are deemed as impaired if, as a result of one or several events, occurring after the initial recognition of the asset, there are objective indications of an impairment which has an implication on the expected future cash flows of the financial asset or the group of financial assets. Indications of an impairment exist if there are indications that the debtor, or a group of debtors, has substantial financial difficulties, where interest or loan repayments are either not forthcoming or are late, where bankruptcy or insolvency proceedings are likely, and if observable data indicates a measurable reduction in future cash flows, such as changes to provisions or economic conditions that correlate with 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 cash flow. 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 measured at fair value through profit or loss, the cumulative loss – which is calculated as the difference between the acquisition costs and the current fair value less any impairment loss on the financial asset previously recognized in the income statement – removed from the other operating result (not affecting net income) and entered in the income statement. Value adjustments for equity instruments are not reversed in the income statement; any subsequent increase in fair value is entered under other changes to net income.

The group enters into business with creditworthy third parties. Rental receivables are continuously monitored in order to ensure that high levels of unrecoverable rental receivables cannot arise against individual tenants. Moreover, bad debt loss risks are minimised through collateral agreements.

12. Deferred taxes

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

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

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

13. Other provisions

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

14. Pension commitments

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

15. Financial liabilities

Financial liabilities within the meaning of IAS 39 can be classified as financial liabilities measured at fair value with an effect on net income, as loans or as derivatives which were designated as hedging instruments and are effective as such. The Group classifies its financial liabilities upon the initial recognition.

All financial liabilities are measured at fair value upon initial recognition; 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, overdraft facilities, loans and derivative financial instruments.

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

- *Financial liabilities measures at fair value through profit and loss*
  Financial liabilities measured at fair value through profit and loss comprise financial liabilities held for trading and other financial liabilities classified as measured at fair value through profit and loss upon their initial

recognition. Financial liabilities are classified as held for trading when they are acquired for the purposes of selling in the near future.

- *Loans*
  Subsequent to initial recognition, interest-bearing loans are measured at amortised acquisition costs using the effective interest method. Profits and losses are entered in the income statement when the liabilities are derecognized and as part of the effective interest rate method amortisation process. Amortised acquisition costs are calculated taking into account any premiums or discounts, as well as any costs or fees, which are integral components of the effective interest rate. The amortisation by means of the effective interest rate method is included in the profit and loss statement under „financing expenses".

A financial liability is derecognised if the obligation upon which this liability is based, has been satisfied, revoked or has lapsed.

Financial assets and liabilities are netted and the net amount reported in the balance sheet only when a current legal entitlement exists to offset the amounts against one another or it is intended to settle on a net basis or realise the asset and settle the liability simultaneously.

An exchange of an existing financial liability for another financial liability from the same lender at substantially different contractual terms and conditions, or if the terms and conditions of an existing liability are substantially changed, such an exchange or such a change will be treated as a derecognition of the original liability and recognition of a new liability. The difference between the respective book values will be entered in the income statement.

Derivative financial instruments
The group uses derivative financial instruments (interest rate swaps) in order to hedge itself against interest rate risks. These derivative financial instruments are reported at fair value at the time of acquisition and reported at fair value in subsequent reporting periods. Derivative financial instruments are recognised 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 are on a long-term basis.

Profits or losses from changes in the fair value of any derivative financial instrument not reported as a hedging instrument are immediately recorded in the income statement. Changes in the fair value of interest rate swaps are entered under the item “other interest and similar expenses” or “other interest and similar income”. The fair value of any swap contract is determined in reference to current relevant market parameters.

A derivative financial instrument is derecognised when the contractual rights expire or the group reassigns the rights from the derivative financial instruments.

Leasing liabilities
Leasing agreements, with which the group is the lessee and a leasing liability exists owing to a finance leasing are not classified as a financial instrument in line with IAS 39.2. IAS 39 will merely be applied with regard to the derocognition.

16. Advanced payments received

Advance payments made by tenants in respect of apportionable operating costs are reported under „Advance payments received" until the point in time at which these apportionable operating costs are settled. Once the apportionable operating costs have been settled, the advanced payments received are derecognised and offset against revenue.

17. Stock options

Costs resulting from the granting of stock options to members of the Management Board and to employees of the group will be measured at fair value at the time they are granted. Fair value is calculated on the basis of accepted share option models.

Personnel costs resulting from granting equity instruments and the corresponding increase in shareholder equity is recorded over the period in which the exercise or performance conditions must be fulfilled (vesting period). This period of time ends on the day of the first vesting option, i.e. the time at which the employee concerned is irrevocably entitled to subscription. The accumulated expenses resulting from granting equity instruments, disclosed on each balance sheet date until the time of the first vesting option, reflect the elapsed portion of the vesting period along with the group‘s best estimate of the number of equity instruments that will be vested with the expiry of the vesting period. The amount recorded as a charge or credit in the profit and loss statement reflects the development of the accumulated expenses reported at the beginning and end of the reporting period.

18. Own shares

Should the group acquire its own shares, these shall be entered at acquisition costs and netted with equity. The purchase, sale, issue or redemption of the treasury shares are reported in equity with no effect on net income. Any differences between the book value and the consideration paid are recorded in the capital reserves.

19. Discretionary decisions, estimates and assumptions

Discretionary decisions, estimations and assumptions are made by the management when preparing the consolidated financial statements, which may have an impact on the income, costs, assets and liabilities, and the disclosure of contingent liabilities, reported as of the balance sheet date. The uncertainty relating to these assumptions and estimations could lead to results that may require material adjustments to the carrying amounts of the relevant assets and liabilities in the future.

Discretionary decisions
In its application of the group‘s accounting and valuation methods the following decisions taken by management have materially affected the amounts in the consolidated financial statements:

Accounting of leaseholds as finance leases, with the Group acting as lessee
In connection with its “investment property”, the Group has concluded Leasehold agreements (leasing contracts) according to which the right of usage to the plots of land, for a limited period of time, exists beyond the duration of the inheritable building right. By cancelling IAS 17.14, adherence has no longer been made since 2010 to accounting as operating leasing relationships and the existence of finance leasing relationships has correspondingly been assumed. Among the investment property, plots of land with leasehold rights with a recognised fair value of KEUR 4,645 (previous year: KEUR 6,321) have been recorded.

Estimates and assumptions
The most important assumptions, including the main sources of uncertainties, as of the balance sheet date, for which there is a substantial risk of adjustments to the book values of assets and liabilities within the next financial year, are explained below.

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

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

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

Properties held for sale
To review the value of the real estate Intended for Sale, the net realisable value is determined. This is based upon estimated sales prices, which are subject to a certain degree of uncertainty.

Impairment of non-financial assets
The tests of intrinsic value of the Westgrund Group with reference to goodwill (book value as at 31 Dec. 2011 KEUR 0; previous year: KEUR 0) are based on the calculations of the use value applying a discounted cash flow method. The cash flows applied are derived from the business 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
Deferred tax assets (book value as of 31. Dec. 2011: KEUR 29; previous year: KEUR 24) are reported after possible netting against existing deferred tax liabilities, for all unused tax losses carried forward to the extent that it appears probable that taxable income will be available against which the unused tax losses carried forward can be utilized. The deferred tax assets relate to losses carried forward in relation to trade and corporation tax both at WESTGRUND AG level and at the subsidiary level. It is currently overwhelmingly assumed that, in particular as a result of the special tax structures, no sufficiently positive tax income can be generated to utilise the losses carried forward. Therefore, deferred tax assets are only recorded to the extent that these can be offset against deferred tax liabilities. Should actual developments deviate from these assumptions and a positive tax result is recorded, this will lead to effective tax savings and thus positive implications on the net assets, financial position and operating results of the WESTGRUND Group.

Pension benefits
Expenses from a performance-related pension plan as well as the fair market value of the pension commitment (book value as at 31 Dec. 2011: KEUR 101; previous year: KEUR 107) is established on the basis of actuarial calculations using the projected unit credit method. The actuarial valuation is particularly undertaken on the basis of assumptions regarding discounting rates, mortality and future pension payments. All assumptions are reviewed on the balancce sheet 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. 2011: KEUR -1,168; previous year: KEUR -944) 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 deried from the market data (e.g. trend in interest rates).

Provisions
Valuation of the provisions (book value as at 31 Dec. 2011: KEUR 0; previous year: KEUR 0) is based on assumptions and estimates related to the balance sheet 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 result of operations of the Westgrund Group.

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

20. Recognition of expenses and income

Revenues and other operating income will only be recorded when the service has been provided or the goods and products have been delivered and the receipt of financial benefit is probable. As a rule this occurs when the risk has been transferred to the customer or buyer. Rental income revenues are recognised on a pro rata basis. Revenues from long-term construction contracts are not to be realised. Income is measured at fair value of the consideration less cash and other discounts and sales taxes or other duties.

Revenues mainly consist of rents, incidental rental charges and the proceeds of real estate sales. Rental incomes are booked on a monthly basis. Revenues from incidental rental charges are reported upon settlement of the incidental rental charges at the end of each billing period. Proceeds from the sale of real estate are reported upon fulfillment of the contractual stipulations for the transfer of the beneficial ownership.

21. Borrowed capital costs

Borrowing costs that can be directly allocated to the acquisition, construction or production of an asset, for which a substantial period of time is necessary to make it ready for use or sale, will be capitalised as part of the acquisition or manufacturing costs of the corresponding asset. All other borrowing costs are entered as expenses at the time at which they were incurred, whereby in the event of the application of the effective interest method amortisation is carried out over the term of the liability. Borrowing costs are interest and other costs incurred by a company in connection with the borrowing of funds.

D. Balance Sheet Disclosures

1. Intangible assets

The development of the individual intangible assets for the financial year is reported along with depreciation in the WESTGRUND Group‘ statement of changes in fixed assets. In the profit and loss statement the disclosure is reported under the position “depreciation”. This exclusively concerns ordinary depreciations. Extraordinary depreciations were not necessary.

2. Goodwill

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

3. Real estate held as a financial investment

The investment properties comprise such real estate which is held to generate rental income or for the purpose of capital appreciation rather than for the delivery of goods or the provision of services, for administrative purposes or for sale during the course of normal business activities.

At the time of initial recognition the investment properties are disclosed at acquisition or manufacturing cost, including incidental acquisition or manufacturing costs. The book value does not include the costs for the regular maintenance of the real estate. In subsequent reporting periods the investment properties is reported at fair value. In 2010, the Westgrund Group, due to the present Group strategy, which is focused on long-term holding, reassigned most of the real estate previously recorded under current assets as “Real estate intended for sale” to this balance sheet item. Until then, the properties previously recorded under current assets were valued at acquisition cost in accordance with IAS 2. On 31 December 2010 these properties had to be assessed in accordance with IAS 40 for the first time. In the process, the Group exercised the option under IAS 40.32A to the effect that the “real estate held as a financial investment” must now, as other real estate already recorded in this item, be measured at fair value.

The fair value of investment porperties developed as follows:

	2011 KEUR	2010 KEUR
Carry forward 1 Jan.	88,497	18,146
Additions from consolidation scope	0	3,387
Reclassification / Change in reporting	-1,675	53,014
Changes in fair value		
Gains from changes in fair value	3,429	15,674
Losses from changes in fair value	-943	-1,724
As at 31 Dec.	89,308	88,497

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

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

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

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

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

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

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

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

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

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

4. Property, plan and equipment

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

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

5. Securities and other loans

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

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

The maturities of these loans and advances are as follows:

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

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

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

6. 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:

	2011 KEUR	2010 KEUR
KG participation 1		
Share of assets and liabilities recognised in the balance sheet of the associated companies:		
Current assets	2,566	2,477
Non-current assets	12	5
Current liabilities	-893	-1,541
Non-current liabilities	-843	-263
Book value KG participation 1	842	678
Share of the proceeds and the income of the associated company:		
Revenues	2	3
Result	164	-6

	2011 KEUR	2010 KEUR
KG participation 2		
Share of assets and liabilities recognised in the balance sheet of the associates:		
Current assets	118	119
Non-current assets	7	6
Current liabilities	-6	-6
Non-current liabilities	-17	-5
Book value KG participation 2	102	114
Share of the proceeds and the income of the associated company:		
Revenues	0	0
Result	-12	0
Book value KG participation 2	102	114
Book value Shares in associated Companies	944	792

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

7. Other non-current assets

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

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

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

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

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

8. Services not yet settled

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

9. Real estate intended for sale

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

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

	2011 KEUR	2010 KEUR
Carry forward 1 January	1,056	58,181
Transfer to “Investment properties”	0	-53,014
Disposals from sales	-225	-4,111
As at 31 December	831	1,056

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

10. Work in progress

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

11. Receivables and other assets

	2011 IFRS KEUR	2010 IFRS KEUR
Financial assets		
Trade receivables	370	336
Other assets	30	141
Non-financial assets		
Other tax refund claims	118	89
Other assets	200	48
	718	614

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

The maturity structure of financial assets is as follows:

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

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

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

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

	Individual valuation adjustment KEUR
As at 1 Jan. 2010	33
Additions with effect on expenses	95
Use	0
Releases	0
As at 31 Dec. 2010	128
Additions with effect on expenses	61
Use	30
Releases	-12
As at 31 Dec. 2011	207

12. Cash at hands and cash at banks

Apart from KEUR 1,141 (previous year: KEUR 259) that is pledged as collateral for bank loans, the liquid funds reported are at the free disposal of the WESTGRUND Group.

13. Deferred tax assets/liabilities

Deferred tax assets are set off with deferred tax liabilities, as long as the tax refund exist with the same tax authority. For KEUR 29 (previous year: KEUR 24) 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 taxes on income.

14. Shareholder equity/capital reserves/retained earnings

Westgrund AG's shareholder equity on the balance sheet date amounted to EUR 11,413,320 (previous year: EUR 10,375,750). It is divided into 11,413,320 no par value shares each with a nominal value of EUR 1.00.

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

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

15. Conditional Capital

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

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

At the general meeting on 19 December 2011, the existing Conditional Capital III of up to EUR 4,150,000.00 as well as the authorisation to issue convertible bonds and/or warrants were rescinded.

In the extraordinary shareholders meeting on 19 December 2011, the Management Board was authorised to issue, once or several times until 18 December 2016, bearer and/or registered bonds to the overall nominal amount of EUR 60,000,000.00 with a right of conversion, or option rights guaranteed in the form of bearer warrants, or a combination of these instruments, totalling up to 4,671,560 bearer shares of Westgrund AG with a proportionate amount of share capital totalling up to EUR 4,671,560.00 ("bonds").

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

b) Stock option plan 2011 (Conditional Capital IV)

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

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

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

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

In the financial year 2011, 116,000 subscription rights were granted under this stock 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 shares with a mathematical share of the share capital of EUR 1.00 per share (Authorised Capital 2013/ I). In the 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 the authorised capital is still available.

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

- to avoid fractional amounts,
- to grant subscription rights to holders of conversion and
- to issue staff shares to employees of Westgrund AG and affiliates of the company pursuant to section 15 German Stock Corp. Act (AktG),
- in exchange for non-cash contributions, especially in the form of companies, or parts of companies, or equity investments in companies,
- to tap into new capital markets abroad,
- if the capital is increased against cash contributions and the proportionate amount of new shares, for which the shareholders subscription right is excluded, does not exceed 10% of shareholder equity at the time at which the shares are issued, and the issue price of the new shares is not significantly lower than the stock exchange price of the listed shares of the same class and rights at the time at which the issue price is finally determined by the Management Board.

17. Authorisation to acquire treasury shares

At the ordinary shareholders‘ meeting on 7 July 2010, the company was authorised, pursuant to section 71 para. 1 (8) AktG, to purchase treasury shares at a value up to 10% of the shareholder equity, except for the purpose of trading in treasury shares, until 6 July 2015. The aggregate of the shares acquired under this authorisation, together with other shares in the company, which the company has already acquired and still possesses or which are attributable to it in accordance with sections 71d or 71e AktG, may at no time make up more than 10% of the shareholder equity. The nominal value of shares purchased may not exceed or fall short of the average of the opening and closing prices of the company in XETRA trading in the Frankfurt Stock Exchange by more than 5% during the previous 10 days of trading.

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

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

Over the financial year, the company sold its own stock of 10,000 shares (0.1% of the subscribed capital) at an overall price of EUR 33,500.00 on the stock exchange. In 2010, the company did not purchase or sell any treasury shares. The profit of KEUR 9 was recorded into capital reserves.

18. Provisions for pensions

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

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

	KEUR
Cash value of the defined benefit obligation as at 01. Jan. 2010	108
Interest expense	5
Actuarial (-) gains / losses	25
Benefits paid	-32
Cash value of the defined benefit obligation as at 31. Dec. 2010	106
Interest expense	4
Actuarial (-) gains / losses	23
Benefits paid	-32
Cash value of the defined benefit obligation as at 31. Dec. 2011	101

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

19. Liabilities

Consolidated statement of liabilities as at 31 December 2011:

		Expected remaining term		
	Total	up to 1 year	1-5 Years	over 5 years
	KEUR	KEUR	KEUR	KEUR
Deferred tax liabilities	5,813	0	0	5,813
(previous year)	(6,417)	(0)	(0)	(6,417)
Other provisions	0	0	0	0
(previous year)	(0)	(0)	(0)	(0)
Pension provisions	101	0	0	101
(previous year)	(107)	(0)	(0)	(107)
Liabilities due to banks	51,472	38,613	5,624	7,235
(previous year)	(52,640)	(43,764)	(4,145)	(4,731)
Advanced payments received	2,490	2,490	0	0
(previous year)	(2,612)	(2,612)	(0)	(0)
Trade liabilities	1,345	1,345	0	0
(previous year)	(1,688)	(1,688)	(0)	(0)
Derivatives	1,167	0	271	896
(previous year)	(944)	(0)	(263)	(681)
Actual tax liabilities	79	79	0	0
(previous year)	(149)	(149)	(0)	(0)
Leasing liabilities	4,645	9	42	4,594
(previous year)	(6,321)	(12)	(54)	(6,255)
Other liabilities	4,286	4,286	0	0
(previous year)	(1,298)	(1,298)	(0)	(0)
Total liabilities	71,398	42,822	5,937	18,538
(previous year)	(72,176)	(49,523)	(4,462)	(18,191)

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

The lease liabilities result from leasehold agreements that have a remaining maturity of 38 to 194 years at the balance sheet date. As a rule, the leasehold agreements envisage a right to renew the leasehold agreement in the event of a new leasehold being created after expiry of the existing leasehold agreement, or a right of first refusal for the leaseholder in the event of a sale of the property and land. The interest on the building rights is regulated predominantly in an index-oriented manner.

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

20. Derivatives

Derivatives were used to hedge interest rate risk as follows:

	Amount 31. Dec. 2011 KEUR	Interest rate	Fair value 31. Dec. 2010 KEUR	Fair value 31. Dec. 2011 KEUR	Change 2011 KEUR	Term to maturity
Swap	2,500	4.50%	-263	-271	-8	15 Jan. 2015
Swap	5,000	4.65%	-681	-897	-216	15 Jan. 2018
			-944	-1,168	-224	

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

The changes in the fair value of KEUR 224 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 KEUR 1,168.

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, loans from insurance companies and bank overdrafts, trade liabilities, lease obligations and granted loans. The main purpose of these financial liabilities is to finance the Group's business activities. The Group has various financial assets such as, for example, trade receivables, leasing receivables and cash.

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

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

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

Interest risk / Hedging

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

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

The following table shows how sensitive the group's pre-tax results are to reasonably projected interest rate fluctuations (as a result of the impact on variable interest loans). All other variables are left unchanged. There are no additional impacts on group equity not recognised in the income statement.

	Increase/decrease of the interest rate in basis points	**Effects on earnings before taxes in**
2011	+20	-25
2011	-20	24
2010	+20	-10
2010	-20	8

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

The hedge relationships for hedging cash flow were categorised as ineffective. As a result the consolidated result for 2011 includes a loss of KEUR 224 (previous year: KEUR 106) with due regard to deferred tax assets of KEUR 71 (previous year: KEUR 33).

Risk of default

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

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

Liquidity risk

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

The objective of the Group is to ensure that there is a balance between continuous coverage of funding needs and the necessary financial flexibility through the use of overdrafts and loans. Liabilities feature the following due dates. The statements made are based on non-discounted payments agreed contractually.

In detail the cash outflows from the “Liabilities due to banks” are as follows, with regard to the interest and redemption payments agreed contractually:

Year	KEUR
2012	39,848
2013	4,693
2014	955
2015	968
2016	706
2017 +	9,906

In terms of the expected cash outflows from “Leasing liabilities”, reference is made to the presentation under D.19.

Annual payments amounting to KEUR 345 have to be made on both interest swaps. We make reference to D.20 in relation to the terms.

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

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

In May 2012, an extension to 30 July 2014 of short-term loans with a volume of EUR 34.5 million was approved by the financing bank. The aforementioned balance sheet date-related presentation of future interest and redemption payments will therefore change significantly and the significant payments stated for 2012 will be reclassed to the future.

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

Capital management

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

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

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

The key figures have developed as follows:

		31 Dec. 2011	31 Dec. 2010
Equity	KEUR	28,695	25,408
of which apportionable to shareholders of Westgrund AG	KEUR	28,260	25,064
Balance sheet total	KEUR	100,093	97,571
Equity ratio	in %	28.6%	26.0%
Cash and cash equivalents	KEUR	2,506	1,243

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

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

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

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

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

- Cash and current deposits, trade receivables, trade liabilities and other current financial liabilities generally correspond very closely to the book value due to the short terms for these instruments.
- Long-term fixed interest and variable interest receivables / loans are assessed by the Group based on parameters such as interest rates and credit worthiness of the individual customers. Impairment provisions are made based on this assessment in order to account for expected defaults with these receivables. As at 31 December 2011 the book values for these receivables less 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 due to 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 is divided into bearer shares. No determination was

made here as a result of a lack of market transactions and no knowledge of the parameters which essentially influence the fair value of the assets. Assuming company equity under commercial law as at 31 Dec. 2011 of KEUR 41,966 the Group's share of the company's assets (book value) is KEUR 2,098. The Group has no intention currently to sell the assets.

- The fair value of the return of premium refund insurance contract is based on the redemption value as at 31 December of any year as communicated by the insurance company.
- The Group concludes derivative financial instruments with banks with good credit ratings. The Group has entered into two interest swaps as derivatives which are valued at market value using the input parameters observed on the market (e.g. interest rate developments).
- The fair value of the leasing receivables and liabilities is determined based on the leasing payments resulting from the relevant leasing agreement as well as the applicable capitalisation rate. Both payment streams as well as the capitalisation rate remained largely unchanged compared with the point in time of the establishment of the relevant leasing relationship, meaning that the book values correspond with the fair values.

Fair value hierarchy

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

Level 1: listed (unadjusted) prices on active markets for assets or liabilities of the same type.
Level 2: procedures whereby all input parameters which significantly affect the fair values recorded can be observed either directly or indirectly.
Level 3: procedures in which input parameters are used that have a considerable effect on the fair values recorded and these input parameters are not based on observable market data.

Of the cash and cash equivalents recorded, KEUR 1,140 (previous year: KEUR 259) and from the trade receivables KEUR 308 (previous year: KEUR 145) are pledged as collateral. In the event of default the secured party may collect the receivables with a notice period of two weeks. No notice is required in the event of insolvency.

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

		Profit/Loss 2011 KEUR	Profit/Loss 2010 KEUR	Line item Profit/Loss
Financial assets				
Security investments	(3)	0	0	
Loans	(1)	-8	-37	Depreciation
Cash and cash equivalents	(3)	0	0	
Receivables and other assets	(1)	-49	-210	Other operating expenses
Leasing receivables	(6)	10	10	Interest income
Other financial assets	(4)	21	95	Other operating income
Financial liabilities				
Derivatives	(5)	-223	-106	Financial expense
Liabilities due to banks	(2)	0	0	
Trade liabilities	(2)	80	21	Other operating income
Other liabilities	(2)	0	0	
Leasing liabilities	(7)	-270	-268	Interest expenses

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

E. Income statement disclosures

1. Revenue

In the current financial year revenues amouting to KEUR 9,280 (previous year: KEUR 9,506) relate to rental income including invoiced operating costs. The gross profit amounted to KEUR 267 (previous year: KEUR 3,575). As in the previous year, there were no other important income categories.

2. Other operating income

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

3. Material costs

Material costs include, in particular, the property management costs as well as residual book values fo disposed real estate held in the short-term.

4. Personnel expenses

Personnel expenses contain in particular expenses for wages and salaries amounting to KEUR 1,035 (previous year: KEUR 1,294) and social security contributions amounting to KEUR 166 (previous year: KEUR 171). There are also expenses from the stock option plan totalling KEUR 64 (previous year: KEUR 101) included.

5. Depreciation

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

6. Other operating expenses

The other operating expenses contain, as in the previous year, mainly expenses for the Group's administration. Expenses not-related to the reporting period are include with KEUR 23 (previous year: KEUR 267).

7. Financial income and financial expenditures

Financial income of KEUR 24 was mainly interest income from credit balances at banks.

Financial expenses are made up of the following:

	2011 KEUR	2010 KEUR
Interest of liabilities due to banks and other liabilities	-2,980	-2,342
Leasing liabilities	-270	-268
Derivatives	-224	-106
Other	-7	-110
	-3,481	-2,826

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

Interest expenses of KEUR 2,964 (previous year: KEUR 2,451) resulted from financial liabilities recorded at amortised costs.

8. Taxes on income

	2011 KEUR	2010 KEUR
Deferred taxes	608	-546
Current taxes	-21	-160
	587	-706

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

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

	2011 **KEUR**	**2010** **KEUR**
Result before taxes on income	249	9,885
Expected tax rate	31.6%	31.6%
Expected tax expense/income (-)	80	3,123
Tax effects from the deviation of the assessment basis		
Depreciation Goodwill	0	474
Other (additions)	11	25
Tax rate deviation		
Trade tax effects	-713	-2,476
Tax losses carried forward		
Not capitalised/not recognised deferred tax assets on losses carried forward	-252	-434
Utilisation of tax losses carried forward	287	-5
Effects not attributable to the reporting period		
Tax expense for previous years	0	-1
Total tax expense/income	-587	706

On the balance sheet date the Group companies have corporation tax losses carried forward amounting to EUR 11.6 million (previous year: EUR 14.6 million) and trade tax losses carried forward amounting to EUR 11.6 million (previous year: EUR 12.6 million). As a result of special legal tax features, deferred taxes were calculated for corporation tax losses carried forward in the amount of EUR 1.5 million (previous year: EUR 5.6 million) and trade tax carryforwards amounting to EUR 8.4 million (previous year: EUR 12.1 million) because the use of these losses carried forward are not sufficient likely in accordance with the criteria of IAS 12.

As expected, the deferred taxes from the real estate held as investment porperties will not be realised in the following year.

The temporary differences are as follows:

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

9. Earnings per share

In order to calculate the undiluted earnings per share, the result 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.

In order 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.

	KEUR
2011	
Consolidated result (excluding minority result)	836
Portion of result related to minorities	-91
Income used to calculate the income per share 2011	745
Average number of shares 2011	10,439,237
Diluting shares from stock option programmes	78,060
Number of shares for calculating the diluted result	10,517,297
Earnings per share 2011	
Undiluted	0.07
Diluted	0.07
2010	
Consolidated result (excluding minority result)	9,177
Portion of result related to minorities	529
Income used to calculate the income per share 2010	9,706
Average number of shares 2010	9,603,894
Diluting shares from stock option programmes	39,534
Number of shares for calculating the diluted result	9,643,428
Earnings per share 2010	
Undiluted	1.01
Diluted	1.01

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

F. Cash Flow Statement

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

Cash and cash equivalent comprises the cash on hand and the cash at banks and insurance companies. The amounts are at the Group's free disposal with the exception of bank accounts in the amount of KEUR 1,141 (previous year: KEUR 259), which have been pledged to banks as collateral for bank loans. As in the previous year, there were no other restrictions to the availability of the cash. All liabilities due to banks are considered as financial liabilities in the context of the cash flow statement. Interest, dividend and income tax payments are reported separately under the cash flow statement.

G. Additional information

1. Other financial commitments and contingent liabilities

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

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

2. Number of employees

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

3. Members of the Management Board and remuneration

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

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

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

4. Members of the Supervisory Board and remuneration

Over the past financial year, the Supervisory Board comprised:

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

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

5. Disclosures concerning related parties (IAS 24)

Persons and companies related to the company include the Management Board and the Supervisory Board as well as the shareholders and board members of the subsidiaries, in all cases including their close family members and those companies on which the members of the Boards of the companies or their close family members can exert a significant influence or companies where they have significant voting rights. In addition, the related parties include those companies in which the company holds a participation that enables it to exert a significant influence over the business policies of the participating company as well as the main shareholders of that company.
As in the previous year, there are two 20%-equity investments in associated companies that operate in project development. The rate of investments reflects the Westgrund Group's share of the profits. There are no specific performance obligations in relation to the implementation of the projects.

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

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

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

6. Events after the 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 in accordance with section 25 WpHG (section 160 para. 1 (8) AktG)

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

Reported by	Date	Threshold	New share
Mr Klaus Wecken, Switzerland	10.Feb. 2012	>30%	30.05%
Mr Timo Herbrand, Cologne	26.Jan. 2012	< 3%	2.64%
Paladin Holding AG	26. Jan 2012	< 3%	2.64%
Quartenal Ltd. Cyprus	08. Dec. 2011	> 20%	20.63%
FMM Asset Management GmbH, Munich	08. Dec. 2011	< 5%	4.90%
Mr Ferry Wecken, United Kingdom	08. Dec. 2011	> 3/5%	6.46%
Quartenal Ltd. Cyprus	25. May 2011	> 15%	16.90%
Quartenal Ltd. Cyprus	28. Mar. 2011	> 10%	11.56%
Quartenal Ltd. Cyprus	24. Feb. 2011	> 3/5%	5.78%

< = falls below threshold; > = exceeds threshold

8. Auditor's fees

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

9. Declaration in accordance with section 161 AktG

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

10. Risk management policy

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

11. Share-based forms of remuneration

Stock option plan 2007

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

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

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

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

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

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

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

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

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

Stock option plan 2008

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

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

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

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

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

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

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

Stock option plan 2011

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

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

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

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

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

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

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

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

	Fair value at time of issue	Inc.Stmt. 2007 KEUR	Inc.Stmt. 2008 KEUR	Inc.Stmt. 2009 KEUR	Inc.Stmt. 2010 KEUR	Inc.Stmt. 2011 KEUR
Options issued 2007						
- Stock option plan 2007	160	5	80	75	0	0
Options issued 2008						
- Stock option plan 2007	70	0	27	35	8	0
- Stock option plan 2008	127	0	2	64	61	0
Options issued 2010						
- Stock option plan 2008	118	0	0	0	32	59
Options issued 2011						
- Stock option plan 2011	91	0	0	0	0	5
	566	5	109	174	101	64

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

Future volatility during the expected terms of the stock options was estimated based on historic volatilities taking into consideration the expected future performance. Under consideration of IFRS 2.B25, the annualised historical volatility is to be used over the expected term of the options. For the options granted in 2007, 2008, 2010 and 2011 this terms is two years in each case. Due to the restructuring and the subsequent strategic realignment of the Westgrund Group, the Management Board did not consider the historic volatility of the two years prior to the time of grant in 2007 to be appropriate so the volatility of the last twelve months before the grant of the stock options was used in each case. In contrast, for the stock options granted in 2008, 2010 and 2011 were based on the historic volatility of the two years prior.

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

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

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

Remscheid, May 2012

Westgrund Aktiengesellschaft

Management Board

Arndt Krienen

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

	Acquisition / manufacturing costs					Depreciation and amortisation				IAS 40 valuation		Book value	
	As at 01. Jan. 2011 EUR	Additions EUR	Disposals EUR	Reclassification EUR	As at 31 Dec. 2011 EUR	As at 01. Jan. 2011 EUR	Additions EUR	Disposals EUR	As at 31 Dec. 2011 EUR	As at 01. Jan. 2011 EUR	change 2011 EUR	As at 31 Dec. 2011 EUR	As at 31. Dec. 2010 EUR
I. Intangible assets													
1. Licences and similar rights	42,485.23	0.00	0.00	0.0 0	42,485.23	35,561.23	4,267.00	0.00	39,828.23	0.0 0	0.00	2,657.00	6,924.00
2. Goodwill	2,705,781.45	0.00	0.00	0.0 0	2,705,781.45	2,705,781.45	0.0 0	0.00	2,705,781.45	0.0 0	0.00	0.00	0.0 0
	2,748,266.68	0.00	0.00	0.0 0	2,748,266.68	2,741,342.68	4,267.00	0.00	2,745,609.68	0.0 0	0.00	2,657.00	6,924.00
II. Investment properties	77,738,042.26	0.00	0.00	-1,675,613.00	76,062,429.26	2,104,308.53	0.0 0	0.00	2,104,308.53	12,863,651.00	2,486,114.42	89,307,886.15	88,497,384.73
III. Fixed assets													
1. Machinery and equipment	687,195.80	0.00	0.00	0.0 0	687,195.80	291,559.30	50,614.24	0.00	342,173.54	0.0 0	0.00	345,022.26	395,636.50
2 Other equipment, furniture, fixtures	273,887.66	15,204.90	0.00	0.0 0	289,092.56	244,898.07	12,458.00	0.00	257,356.07	0.0 0	0.00	31,736.49	28,989.59
	961,083.46	15,204.90	0.00	0.0 0	976,288.36	536,457.37	63,072.24	0.00	599,529.61	0.0 0	0.00	376,758.75	424,626.09
IV. Financial assets													
1. Shares in associated companies	791,764.59	152,291.84	0.00	0.0 0	944,056.43	0.0 0	0.0 0	0.00	0.0 0	0.0 0	0.00	944,056.43	791,764.59
2. Security investments	806,747.03	0.00	0.00	0.0 0	806,747.03	0.0 0	0.0 0	0.00	0.0 0	0.0 0	0.00	806,747.03	806,747.03
3. Other loans	77,506.82	136.65	-5,480.32	0.0 0	72,163.15	63,991.99	8,171.16	0.00	72,163.15	0.0 0	0.00	0.00	13,514.83
	1,676,018.44	152,428.49	-5,480.32	0.0 0	1,822,966.61	63,991.99	8,171.16	0.00	72,163.15	0.0 0	0.00	1,750,803.46	1,612,026.45
Total	83,123,410.84	167,633.39	-5,480.32	-1,675,613.00	81,609,950.91	5,446,100.57	75,510.40	0.00	5,521,610.97	12,863,651.00	2,486,114.42	91,438,105.36	90,540,961.27

Consolidated statement of changes in fixed assets for the period from 1 January to 31 December 2010

	Acquisition / manufacturing costs						**Depreciation and amortisation**				**IAS 40 valuation**		**Book value**	
	As at 01. Jan. 2010 EUR	Change Group changes EUR	Additions EUR	Disposals EUR	Reclassification EUR	As at 31. Dec. 2010 EUR	As at 01. Jan. 2010 EUR	Additions EUR	Disposals EUR	As at 31. Dec. 2010 EUR	As at 01. Jan. 2010 EUR	change 2010 EUR	As at 31. Dec. 2010 EUR	As at 31. Dec. 2009 EUR
I. Intangible assets														
1. Licenses and similar rights	42,485.23	0.00	0.00	0.00	0.00	42,485.23	27,156.22	8,405.01	0.00	35,561.23	0.00	0.00	6,924.00	15,329.01
2. Goodwill	2,705,781.45	0.00	0.00	0.00	0.00	2,705,781.45	1,205,781.45	1,500,000.00	0.00	2,705,781.45	0.00	0.00	0.00	1,500,000.00
	2,748,266.68	0.00	0.00	0.00	0.00	2,748,266.68	1,232,937.67	1,508,405.01	0.00	2,741,342.68	0.00	0.00	6,924.00	1,515,329.01
II. Investment properties	21,337,180.04	3,387,243.04	0.00	0.00	53,013,619.18	77,738,042.26	2,104,308.53	0.00	0.00	2,104,308.53	-1,087,021.51	13,950,672.51	88,497,384.73	18,145,850.00
III. Fixed assets														
1. Machinery and equipment	687,195.80	0.00	0.00	0.00	0.00	687,195.80	240,946.46	50,612.84	0.00	291,559.30	0.00	0.00	395,636.50	446,249.34
2. Other equipment, furniture, fixtures	264,863.99	0.00	9,023.67	0.00	0.00	273,887.66	229,960.50	14,937.57	0.00	244,898.07	0.00	0.00	28,989.59	34,903.49
	952,059.79	0.00	9,023.67	0.00	0.00	961,083.46	470,906.96	65,550.41	0.00	536,457.37	0.00	0.00	424,626.09	481,152.83
IV. Financial assets														
1. Shares in associated companies	797,396.75	0.00	0.00	-5,632.16	0.00	791,764.59	0.00	0.00	0.00	0.00	0.00	0.00	791,764.59	797,396.75
2. Security investment	806,747.03	0.00	0.00	0.00	0.00	806,747.03	0.00	0.00	0.00	0.00	0.00	0.00	806,747.03	806,747.03
3. Other loans	90,602.58	0.00	2,297.65	-15,393.41	0.00	77,506.82	27,117.00	36,874.99	0.00	63,991.99	0.00	0.00	13,514.83	63,485.58
	1,694,746.36	0.00	2,297.65	-21,025.57	0.00	1,676,018.44	27,117.00	36,874.99	0.00	63,991.99	0.00	0.00	1,612,026.45	1,667,629.36
Total	26.732.252.87	3,387,243.04	11,321.32	-21,025.57	53,013,619.18	83,123,410.84	3,835,270.16	1,610,830.41	0.00	5,446,100.57	-1,087,021.51	13,950,672.51	90,540,961.27	21,809,961.20

The following audit opinion (Bestätigungsvermerk) refers to the consolidated financial statements prepared on the basis of International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": "German Commercial Code") as well as the group management report prepared on the basis of German commercial law (HGB) of WESTGRUND AG for the fiscal year ended December 31, 2011 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The above-mentioned audit opinion (Bestätigungsvermerk) and consolidated financial statements are both translations of the respective German language documents.

Auditors' opinion

We have audited the consolidated financial statements prepared by Westgrund Aktiengesellschaft, Berlin, comprising the balance sheet, the income statement and statement of comprehensive income, the cash flow statement, the statement of changes in equity and the Notes to the consolidated financial statements, and management report for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and group management report according to the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to section 315a (1) HGB (German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any restrictions.

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

Cologne, June 1, 2012

DHPG Audit GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Siebrecht)	(Güntgen)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

V.

Audited Financial Statements of WESTGRUND AG for the year ended December 31, 2013 (HGB)

Balance Sheet as of 31 December 2013

A S S E T S	31. Dec. 2013	31. Dec. 2013	31. Dec. 2012
	EUR	EUR	KEUR
A. Non-current assets			
I. Intangible assets			
Franchises, trademarks, patents, licenses and similar rights		**1.00**	0
II. Property, plant and equipment			
1. Land, leasehold rights and buildings, including buildings on land owned by others	3,553,273.46		3,584
2. Technical equipment, plant and machinery	1.00		0
3. Other equipment, fixtures and fittings	7,692.00	**3,560,966.46**	11
III. Financial assets			
1. Shares in affiliated companies	27,498,133.15		29,140
2. Advanced payments for investments	0.00	**27,498,133.15**	51
B. Current assets			
I. Inventories			
1. Land intended for sale	235,891.93		279
2. Work in progress	176,608.92	**412,500.85**	204
II. Receivables and other assets			
1. Trade receivables	106,150.07		140
2. Receivables from affiliated companies	26,280,037.52		10,756
3. Other assets	337,829.67	**26,724,017.26**	82
III. Cash on hand and cash at banks		**2,447,839.88**	4,652
C. Deferred charges and prepaid expenses		**23,448.74**	22
		60,666,907.34	**48,921**

EQUITY AND L I A B I L I T Y	31. Dec. 2013	31. Dec. 2013	31. Dec. 2012
	EUR	EUR	KEUR
A. Equity			
I. Subscribed capital	24,089,626.00		**18,682**
II. Capital reserves	11,467,847.05		**7,395**
III. Earnings reserves			
Other earnings reserves	687,663.82		688
IV. Accumulated deficit	-2,109,439.42	**34,135,697.45**	**0**
B. Provisions			
Other provisions		**442,127.15**	**382**
C. Liabilities			
1. Liabilities due to banks	16,051,514.60		**16,521**
2. Advanced payments received on account	174,173.73		**165**
3. Trade accounts payable	210,266.13		**107**
4. Liabilities due to affiliated companies	4,647,612.00		**4,671**
5. Other liabilities	5,005,516.28	**26,089,082.74**	**310**
Thereof from taxes: EUR 143,599.40 (previous year: KEUR 75)			
Thereof for social security contributions: EUR 1,230.62 (previous year: KEUR 0)			
		60,666,907.34	**48,921**

Income Statement for the period from 1 January to 31 December 2013

	2013 EUR	2013 EUR	2012 KEUR
1. Revenues		**659,660.85**	702
2. Decrease in work in progress and completed work		**-27,247.64**	-3
3. Other operating income		**1,194,766.63**	581
4. Cost of purchased services			
a) Expenses related to property management	-419,928.40		-397
b) Expenses for properties held for sale	-43,070.00	**-462,998.40**	-22
5. Personnel expenses			
a) Wages and salaries	-683,785.27		-709
b) Social security contributions and for pensions schemes and support Thereof for pensions: EUR 6,537.20 (previous year: KEUR 7)	-58,807.14	**-742,592.41**	-61
6. Depreciation			
a) of intangible assets and property, plant and equipment	-107,790.68		-262
b) of current assets, where this exceeds ordinary depreciation for the cooperation	-159,072.91	**-266,863.59**	-530
7. Other operating expenses		**-2,903,068.07**	-1,480
8. Income from profit transfer agreements		**831,095.43**	843
9. Other interest and similar income thereof from affiliated companies: EUR 516,283.89 (previous year: KEUR 144)		**543,049.06**	183
10. Interest and similar expenses thereof to affiliated companies: EUR 145,375.03 (previous year: KEUR 144)		**-934,872.28**	-772
11. Results from ordinary business activities		**-2,109,070.42**	-1,927
12. Other taxes		**-369.00**	0
13. Annual net loss		**-2,109,439.42**	-1,927
14. Loss carry-forward		**0.00**	-11,281
15. Withdrawals from the capital reserves		**0.00**	13,208
16. Accumulated deficit		**-2,109,439.42**	**0**

Notes on the financial statements for the financial year 2013

A. Preliminary remarks

The object of the company and the Westgrund Group is all activities in connection with the property and housing industry, whereby the entire value added chain is covered from purchasing the property and its refinement through to the sale.

As in the previous year, the annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) as well as generally accepted accounting principles. The applied accounting standards correspond to those of the previous year.

The income statement is structured using the total costs method taking into account the regulations for housing companies.

B. Accounting standards

1. Intangible assets

Acquired intangible assets have been recorded on the basis of acquisition costs and will be depreciated using the straight-line method over a period of up to five years.

2. Property, plant and equipment

The property, plant and equipment is valued at acquisition costs less ordinary straight-line depreciation. The following useful lives are applied:

Useful life in years:

Building	25 - 50
Outdoor facilities	10 - 18
Technical equipment and machinery	10 - 18
Other assets, office and plant equipment	3 - 20

Land and land rights are recorded at acquisition costs unless a lower value has to be assigned on the balance sheet date. In financial year 2013 write-ups of KEUR 72 had to be considered and no extraordinary depreciation was recorded. Cumulative extraordinary depreciations are KEUR 162 on the balance sheet date.

3. Financial assets

The financial assets are recognised at acquisition cost unless a lower value had to be assigned to the assets on the balance sheet date. The modified lower of cost or market principle is observed in this case.

4. Inventories

Inventories are recorded at acquisition or production cost. The lower of cost or market principle is observed in this case.

5. Receivables and other assets

Receivables and other assets are recorded at their nominal value or at a lower fair value on the balance sheet date. Allowances have been made for recognizable risks.

6. Other provisions

Provisions have been made for contingent liabilities recognized on the basis of reasonable economic judgement in respect to the settlement of the liabilities.

7. Liabilities

Liabilities are stated at the settlement amount.

8. Currency conversion

The currency conversion takes place at the time of initial recognition at the rates prevailing on the balance sheet date. At the balance sheet date assets and liabilities denominated in foreign currencies are converted at the mean spot exchange rate. Assets and liabilities with a residual term of more than one year will be recorded with the exchange rate at the date of acquisition at most (section 256a HGB).

C. Notes to the balance sheet

1. Non-current assets

The development of the individual fixed asset items and details of the depreciations in the financial year are shown in the fixed asset schedule.

As of the balance sheet date 31 December 2013 Westgrund AG held the following shareholdings:

- Westconcept GmbH, Berlin
  - Shares: 100%
  - Share capital: KEUR 26
  - Equity: KEUR -198
  - Annual net loss 2013: KEUR 0

- IMMOLETO Gesellschaft mit beschränkter Haftung, Berlin
  - Shares: 100%
  - Share capital: KEUR 6,884
  - Equity: KEUR 6,792
  - Annual net loss 2013: KEUR -3

- ICR Idee Concept und Realisierung von Immobilienvorhaben mbH, Berlin
  - Shares: 94.9% (indirect holding)
  - share capital: KEUR 410
  - Equity: KEUR 2,084
  - Annual net loss 2013: KEUR -416

- HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG, Berlin
  - Shares: 94.9% (indirect holding)
  - Limited liability capital: KEUR 26
  - Equity: KEUR 9,779
  - Annual net loss 2013: KEUR -11

- HKA Grundstücksverwaltungs GmbH, Berlin
  - Shares: 94.9% (indirect holding)
  - Share capital: KEUR 26
  - Equity: KEUR 87
  - Annual net profit 2013: KEUR 3

- Westgrund Immobilien Beteiligung GmbH, Berlin
  - Shares: 100%
  - Share capital: KEUR 25
  - Equity: KEUR 38
  - Annual net profit 2013: KEUR 2

- Westgrund Immobilien GmbH & Co. KG, Berlin
  - Shares: 100%
  - Limited liability capital: KEUR 9
  - Equity: KEUR 829
  - Annual net profit 2013: KEUR 191

- Westgrund Immobilien Beteiligung II. GmbH, Berlin
  - Shares: 100%
  - Share capital: KEUR 25
  - Equity: KEUR 37
  - Annual net profit 2013: KEUR 2

- Westgrund Immobilien Beteiligung II. GmbH & Co. KG, Berlin
  - Shares: 100%
  - Limited liability capital: KEUR 1
  - Equity: KEUR -409
  - Annual net loss 2013: KEUR -374

- Westgrund Immobilen III. GmbH
  - Shares: 100%
  - Share capital KEUR 25
  - Equity: KEUR -592
  - Annual net loss 2013: KEUR -296

- Liaen Loritzen Partners AG, Zug/Switzerland
  - Shares: 94.0 %
  - Share capital: KEUR61
  - Equity: KEUR -365
  - Annual net loss 2013: KEUR -90

- Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen
  - Shares: 99.7% incl. indirect shares
  - Share capital: KEUR 600
  - Equity: KEUR 2,464
  - Annual net profit 2013: KEUR 0 (after profit and loss transfer agreement)

- Treuhaus Hausbetreuungs-GmbH, Ludwigshafen
  - Shares: 99.7% (indirect holding)
  - Share capital: KEUR 80
  - Equity: KEUR 293
  - Annual net profit 2013: KEUR 23

- WAB Hausverwaltungsgesellschaft mbH, Ludwigshafen
  - Shares: 99.7% (indirect holding)
  - Share capital: KEUR 26
  - Equity: KEUR 50
  - Annual net profit 2013: KEUR 1

- Cologne Real Estate GmbH, Berlin
  - Shares: 75.0%
  - Share capital: KEUR 25
  - Equity capital: KEUR -1,086
  - Annual net loss 2013: KEUR -71

- Westgrund Westfalen GmbH & Co. KG, Berlin
  - Shares: 94.6% (indirect holding)
  - Limited liability capital: KEUR 1
  - Equity: KEUR 715
  - Annual net profit 2013: KEUR 60

- Westgrund Westfalen Verwaltungsgesellschaft GmbH, Berlin
  - Shares: 89.2% (indirect holding)
  - Share capital KEUR 25
  - Equity: KEUR 26
  - Annual net loss 2013: KEUR -1

- Westgrund Immobilien IV. GmbH, Berlin
  - Shares: 100.0%
  - Share capital: KEUR 25
  - Equity capital: KEUR -1,567
  - Annual net loss 2013: KEUR -1,592

- Westgrund Immobilien V. GmbH, Berlin
  - Shares: 94.0 %
  - Share capital: KEUR 40
  - Equity: KEUR 1,066
  - Annual net loss 2013: KEUR -58

- Westgrund Immobilien VI. GmbH, Berlin
  - Shares: 100.0 %
  - Share capital: KEUR 25
  - Equity: KEUR 23
  - Annual net loss 2013: KEUR -2

Furthermore, the company holds shares as fiduciary in a limited liability company with a share capital of KEUR 25.

2. Inventories

Inventories refer to condominiums mainly at the site of Remscheid intended for sale as well as prepayments for operating expenses.

3. Receivables and other assets

Receivables and other assets relate in particular to outstanding rent receivables, receivables from property managers, affiliated companies and Management Board members as well as tax refund claims and offsetting receivables from a purchase price settlement. Receivables from affiliated companies relate to other receivables.

There are receivables due after one year with the amount of KEUR 14.

4. Cash on hand and cash at banks

Cash at banks is held by German banks and except an amount of KEUR 1,976 is disposable at the company.

5. Prepaid expenses and deferred charges

Prepayments and deferred charges amounting to KEUR 21 refer to time-related capital market costs and insurance fees.

6. Deferred taxes

The recognition of deferred tax assets was waived in accordance with section 274 (1) subsection 2 HGB due to the loss carry-forwards eligible for offset in the next five years. The tax rate for corporate tax and trade tax totals approximately 30.2%. As of 31 December 2013 the company had loss carry-forwards for corporate tax of EUR 13.6 million and loss carry-forwards for trade tax of EUR 12.6 million. There are deferred tax liabilities resulting from temporary differences for shares in affiliated companies of around EUR 3.9 million.

7. Equity

On the balance sheet date the subscribed capital of Westgrund AG amounted to EUR 24,089,626 (previous year: EUR 18,681,517). It is subdivided into 24,089,626 no par value shares each with a nominal value of EUR 1.00, fully paid up.

In January 2013 the company's share capital was increased by EUR 1,868,150 shares to EUR 20,549,667 in the way of a cash capital increase by partially utilising the authorised capital to the exclusion of the subscription rights of the existing shareholders. The issue price of the new shares was EUR 3.01. After deduction of the costs of the capital increase the company received proceeds of KEUR 5,531.

In July 2013 the capital increase in connection with the acquisition of the Berlin Kreuzberg portfolio from November 2012 was completed. In addition, seven own company shares acquired in the first half-year 2013 were redeemed. The share capital of Westgrund AG thereafter amounted to EUR 21,749,660.

At the ordinary shareholders' meeting on 15 July 2013 it was resolved to increase the company's share capital, which amounted to EUR 21,749,660.00 after registration of a capital reduction of EUR 7.00 in the commercial register, by EUR 2,174,966.00 to EUR 23,924,626.00 through a capital increase from company funds (withdrawal from the capital reserve). The capital increase was carried out by issuing 2,174,966 new no-par value bearer shares each with an arithmetical share of EUR 1.00 of the share capital. The new shares are assigned to the shareholders in accordance to the proportion of their interests in the existing share capital. The new shares will be entitled to profit from the beginning of financial year 2013.

Furthermore, the share capital of Westgrund AG increased by EUR 165,000.00 to EUR 24,089,626.00 in December 2013 due to the stock options exercised by the Management Board.

The capital reserve is the result of premiums paid in the course of capital increases.

Development of equity in the financial years 2012 and 2013:

	Subscribed capital KEUR	Capital reserves KEUR	Earnings reserves KEUR	Accumulated annual loss KEUR	Total KEUR
As of 1. Jan. 2012	11,414	11,881	688	-11,281	12,702
Cash capital increase	7,268	8,722	0	0	15,990
Withdrawal from capital reserve	0	-13,208	0	13,208	0
Annual net loss 2012	0	0	0	-1,927	-1,927
As of 31. Dec. 2012	18,682	7,395	688	0	26,765
Cash capital increase	1,868	3,755	0	0	5,623
Capital increase through contributions in kind	1,200	2,400	0	0	3,600
Capital increase from company funds	2,175	-2,175	0	0	0
Exercise of stock options	165	92	0	0	257
Annual net loss 2013	0	0	0	-2,109	-2,109
As of 31. Dec. 2013	24,090	11,467	688	-2,109	34,136

8. 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 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 (the "bonds").

In order to be able to grant shares to the holders or creditors of convertible bonds/warrant bonds the share capital was conditionally increased by up to EUR 4,671,560 by issuing up to 4,671,560 bearer no-par value shares (Conditional Capital 2011/1). 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 to exercise their conversion/option right, fulfil their conversion/option obligation or shares are tendered and provided no other forms of fulfilment are used to settle these rights. The new shares shall be issued at the conversion/option prices determined in each case in accordance with the above-mentioned authorization resolution. The Management Board is authorised to specify further details with regard to the implementation of the conditional capital increase. With the inclusion of the capital increase from company funds carried out in 2013 the number of shares will increase to 5,138,716 no-par value shares.

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.

To issue shares to holders or creditors of convertible/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 2012/1). Taking into account the increase in capital from company funds carried out in 2013 the number of shares will increase to 3,080,000 no-par value shares. 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) Stock 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.

The Management Board and Supervisory Board were authorised to issue within a period of five years after registration of the conditional capital IV in the commercial register subscription rights to up to 640,000 no-par value shares with an arithmetical share of the share capital of EUR 1.00 per no-par value share on one or several occasions. With the inclusion of the capital increase from company funds carried out in 2013 the number of shares will increase to 704,000 no-par value shares.

The group of beneficiaries includes members of the Management Board (up to 50%) and employees (up to 50%) of Westgrund AG and its group companies. 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 option rights may only be exercised if the beneficiary is still in the employ of Westgrund AG or a group company at the time of exercising the subscription right.

The 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 option rights may only be exercised against payment of the strike price. The strike price amounts to 100% of the average of the opening and closing prices of the company shares in XETRA trading on the stock exchange in Frankfurt am Main (or any functionally comparable system that may succeed and replace the Xetra system) on the last five trading days before the option is granted. The term of the options starts on the date when the options are granted and ends after five years.

In financial year 2013/2012 305,000/165,000 subscription rights were issued from this stock option plan.

9. Authorised capital

At the ordinary shareholders' meeting on 15 July 2013 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 14 July 2018 on one or several occasions against cash contributions or contributions in kind by up to a total of EUR 11,960,000.00 by issuing new no-par value bearer shares with a mathematical share of the share capital of EUR 1.00 per share (Authorised Capital 2013/I). The Management Board did not make use of this authorisation in financial year 2013. All the previously existing authorised capital has been revoked.

In the case of Authorised Capital 2013/I the Management Board is also authorised to decide, with the approval of the Supervisory Board, whether to exclude shareholders' subscription rights in whole or in part. Exclusion of subscription rights is however only permitted

- if the capital is increased against cash contributions and the total pro rata amount of share capital represented by the new shares in respect of which the shareholders' subscription rights are excluded does not exceed 10% of the existing share capital and the issue price of the new shares is not substantially below the stock exchange price of already listed shares of the same class carrying the same rights,
- for capital increases against contributions in kind, in particular 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, also bonds, convertible bonds and other financial instruments,
- provided this is necessary in order to grant the holders or creditors of the bonds with option or conversion rights or obligations issued by the company or its group companies subscription rights to new shares to the extent to which the holders or creditors of these conversion or option rights would be entitled after they had exercised their right,

- to eliminate fractional amounts that arise as a result of the subscription ratio.

10. 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 by 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. AktG; the acquired shares may at no time exceed 10% of the existing share capital. The shares may be acquired at the discretion of the Management Board and within the limits based on the criteria of the German Stock Corporation Act according to 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.

If the shares are acquired via the stock exchange, the purchase price paid for each share (excluding incidental purchasing costs) may be not 10% more and 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 purchasing costs) may be not 10% more and 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.

In the previous financial year the company acquired seven company shares in May 2013 (0.0% of the share capital) at a total purchase price of EUR 23.80 plus EUR 15.93 in charges. The background to the purchase of the company shares was the establishment of an even subscription rights ratio for the planned capital increase from company funds. The seven company shares were called in during the course of the capital increase from company funds. The company did not buy or sell any of its treasury shares in financial year 2012.

11. Other provisions

The other provisions developed as follows:

	As at 1. Jan. 2013 KEUR	Consumption KEUR	Reversal KEUR	Increase KEUR	As at 31. Dec. 2013 KEUR
Preparation and audit of the financial statements/preparation of appraisal reports	170	151	19	200	200
Provisions for personnel expenses	145	58	2	109	194
Other	67	42	9	32	48
Total	382	251	30	341	442

12. Liabilities

The remaining terms of the liabilities are as follows:

	Total Amount KEUR	up to 1 year KEUR	1 to 5 Years KEUR	Over 5 years KEUR
Liabilities to banks	16,052	15,643	183	226
(in the previous year)	*(16,521)*	*(559)*	*(15,728)*	*(234)*
Advance payments received	174	174	0	0
(in the previous year)	*(165)*	*(165)*	*(0)*	*(0)*
Trade liabilities	210	210	0	0
(in the previous year)	*(107)*	*(107)*	*(0)*	*(0)*
Liabilities due to affiliated companies	4,648	4,648	0	0
(in the previous year)	*(4,671)*	*(4,671)*	*(0)*	*(0)*
Other liabilities	5,005	5,005	0	0
(in the previous year)	*(310)*	*(310)*	*(0)*	*(0)*
	26,089	25,680	183	226
Total *(in the previous year)*	*(21,774)*	*(5,812)*	*(15,728)*	*(234)*

The amounts due to banks are, as in the previous year, fully secured by mortgages, pledging of bank accounts, and assignment of claims from rental agreements.

The liabilities due to affiliated companies are categorized under other liabilities.

D. Notes to the income statement

1. Gross margin

Since Westgrund AG is largely acting as a holding company, it has generated only minor revenues. Revenues in 2013 were KEUR 42 resulting from sales of residential units and land and KEUR 618 from collected rent. The remaining book value, included under material costs, of the residential units sold amounted to KEUR 43, resulting in a gross margin of KEUR -1 from the sale of residential properties. The costs of property management amounted to KEUR 420, which resulted in a profit contribution of KEUR 198.

2. Other operating income

Other operating income concerns in particular the intergroup management fees of KEUR 1,080 and revenue not relating to the accounting period from the reversal of provisions (KEUR 30) and the write-up of properties recorded under fixed assets (KEUR 72). Furthermore, the other operating income include income unrelated to the accounting period of KEUR 0.

3. Depreciation

The depreciation for the financial year includes ordinary depreciation amounting to KEUR 108. Extraordinary depreciation of receivables from affiliated companies of KEUR 159 is also included.

4. Other operating expenses

Other operating expenses include losses from the sale of investments (KEUR 853), financing costs (KEUR 150), valuation allowances and bad debt losses (KEUR 50), accounting and auditing costs (KEUR 200), costs of valuation reports (KEUR 107), legal and consulting expenses (KEUR 261), capital market costs (KEUR 102), rental costs (KEUR 211), bookkeeping fees (KEUR 84), costs from non-deductible input taxes (KEUR 145), capital increase costs (KEUR 128), PR costs (KEUR 91), travel expenses (KEUR 83), prospectus costs (KEUR 141), shareholders' meeting costs (KEUR 40) and Supervisory Board remuneration (KEUR 35). Expenses not related to the reporting period amounting to KEUR 10 are included in the other operating expenses.

5. Interest and similar expenses

Interest and similar expenses are primarily generated from ongoing amounts due to banks.

6. Income from the profit and loss transfer agreement

Income from the profit assumption agreement resulted from a profit and loss transfer agreement with Wiederaufbaugesellschaft mbH Ludwigshafen. The agreement has been carried out in 2013 as in previous years.

E. Other information

1. Other financial commitments and contingencies

On 31 December 2013, the other financial commitments essentially resulted from the tenancy agreement for the office premises in Berlin. The total rental expenses for office premises and office equipment amounted to approximately KEUR 227 in 2014 with a term ending on 31 January 2016. Costs of KEUR 3 are expected to arise from leasing agreements for financial year 2014. The total financial obligations from rental and leasing agreements amounted to KEUR 477 as of 31 December 2013 (previous year: KEUR 36).

In addition, Westgrund AG is liable to the financing banks of Westgrund Immobilien GmbH & Co. KG, Westgrund Immobilien II. GmbH & Co. KG, ICR Idee, Concept und Realisation von Immobilienvorhaben GmbH, Westgrund Immobilien III GmbH, Westgrund Immobilien IV GmbH, Westgrund Immobilien V GmbH and Wiederaufbaugesellschaft mbh through mortgages, guarantees and the furnishing of cash deposits up to a total sum of EUR 28.6 million.

Furthermore, Westgrund AG submitted subordination and comfort letters with a volume of EUR 0.7 million to subsidiaries with a balance sheet deficit, regardless of the existence of any existing hidden reserves, which have to be taken into account when examining over indebtedness under insolvency law, to eliminate any insolvency-related doubts.

Contingencies exist exclusively with affiliated companies. Westgrund AG does not anticipate any claims from the companies given their sufficient assets.

Westgrund AG is liable to an unlimited extent for the losses under commercial law of Wiederaufbaugesellschaft mbH, Ludwigshafen, based on the profit transfer agreement concluded with Wiederaufbaugesellschaft mbH, Ludwigshafen, in 2011.

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

2. Average number of employees

The company employed an average of 5 employees over the year.

3. Members of the Management Board and remuneration

The members of the Management Board during financial year 2013 were

- Mr. Arndt Krienen, Remscheid: Fixed remuneration (incl. remuneration in kind and bonuses of KEUR 50 from 2012) KEUR 230 (previous year: KEUR 157); bonus entitlement 2013: KEUR 50 (previous year: KEUR 50)
- Mr. Sascha Giest, Berlin (since 1 October 2013): Fixed remuneration (incl. remuneration in kind) KEUR 30 (previous year: KEUR 0); bonus entitlement 2013: KEUR 30 (previous year: KEUR 0)

Mr Krienen received 165,000 shares with a market value of EUR 3.10 per share for a purchase price of EUR 1.56 per share from the exercise of stock options. As of the balance sheet date Mr Krienen had 50,000 shares in Westgrund AG from the exercise of stock options in December 2013. In connection with the exercise of stock options he was granted a short-term loan of KEUR 123, which was already repaid in full in the first quarter of 2014. As a long-term variable remuneration element Mr Arndt Krienen was granted stock options totalling 385,000 on 17 December 2008, 7 September 2012 and 15 November 2013. The present value of the options at the time they were granted amounted in total to KEUR 468. No stock options were granted to the Management Board in 2009, 2010 and 2011.

Mr Sascha Giest received 110,000 stock options as a long-term variable remuneration element on 15 November 2013. The present value of the options at the time they were granted was KEUR 194. Mr Giest holds no shares in Westgrund AG.

4. Members of the Supervisory Board and remuneration

Over the past financial year, the Supervisory Board comprised:

- Mr Gerhard Wacker, Attorney, Chairman
  - Remuneration: KEUR 15 (previous year: EUR 15)
- Dr Marc Schulten, Entrepreneur, Deputy Chairman
  - Remuneration: KEUR 10 (previous year: KEUR 10)
  - Member of the Supervisory Board of International Campus AG, Munich
  - Member of the Advisory Board of One-Group AG, Hamburg
- Günther Villing, Attorney
  - Remuneration: KEUR 10 (previous year: KEUR 10)

Dr Schulten held 157,142 shares in Westgrund AG as of the balance sheet date via a company with which he is associated. None of the members of the Supervisory Board own shares in Westgrund AG.

5. Relations with related parties

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

In 2013 and as of the balance sheet date Westgrund AG received operating loans totalling EUR 4.1 million from major shareholders and a foreign corporation which is held directly or indirectly by these related parties. The loans were subject to interest at the customary market rates. They were shown on the balance sheet date under other liabilities.

In January 2014 Westgrund AG registered the acquisition of a residential property portfolio with a total of 803 housing units in Halle/Saale through the share deal of a shareholder's associated company at the normal market purchase price of EUR 9.4 million. It is planned to complete the transaction in the first half-year of 2014 as part of a capital increase through contributions in kind at a share issue price of EUR 3.40.

6. Notices published in accordance with section 21 WpHG (section 160 Para. 1 (8) AktG)

To date the company has received the following notices subject to public disclosure under section 21 WpHG, which were published accordingly:

Reported by	Date	Threshold *	New share
Angela Lechner, Berlin	22. Oct. 2013	>10%	10.2%
Orlando Real Estate GmbH, Berlin	17. July 2013	>5%	5.5%
Wecken & Cie., Switzerland	27. Sept. 2012	>30%	49.7%
Quartenal Ltd. Cyprus	13. Dec. 2011	>20%	20.6%

* < = falls below threshold; > = exceeds threshold

7. Auditor's fees

In financial year 2013 KEUR 30 were recorded as the costs for auditing the annual financial statements as of 31 December 2013 and KEUR 70 for auditing the consolidated financial statements as of 31 December 2013. The expenses include other assurance services in the financial year of KEUR 2.

8. Declaration in accordance with section 161 AktG

The statement of compliance according to section 161 AktG in respect of the recommendations of the German Commission on the German Corporate Governance Code published in the official section of the Electronic Federal Gazette by the Federal Ministry of Justice was issued for 2013 and made available to the shareholders on the website of Westgrund AG.

9. Assurance of the Management Board as required by section 264 Para. 2 clause 3 HGB

The Management Board, as legal representative of WESTGRUND AG, hereby assures to the best of its knowledge that according to the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the company.

10. Proposal for the appropriation of the result

The financial year 2013 closed with an annual net loss of EUR 2,109,432.42, which will be carried forward to the new account.

Berlin, March 2014

Westgrund Aktiengesellschaft

Arndt Krienen	Sascha Giest
Board Member	Board Member

Development of fixed assets

		Historical acquisition costs					Accumulated depreciation					Carrying amount	
		Carry forward 1. Jan. 2013	Addition	Reclassifi-cation	Disposal	As at 31. Dec. 2013	Carry-forward 1. Jan. 2013	Additions	Write-up	Disposal	As at 31. Dec. 2013	As at 31. Dec. 2013	As at 31. Dec. 2012
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Non-current assets													
I.	**Intangible assets**												
	Franchises, trademarks												
	patents, licenses, and similar rights	15,166.81	0.00	0.00	-2,642.04	12,524.77	15,164.81	0.00	0.00	-2,641.04	12,523.77	1.00	2.00
		15,166.81	0.00	0.00	-2,642.04	12,524.77	15,164.81	0.00	0.00	-2,641.04	12,523.77	1.00	2.00
II.	**Property, plant and equipment**												
1.	Land, leasehold rights and buildings												
	including buildings on land owned by others	6,637,912.10	0.00	0.00	0.00	6,637,912.10	3,054,162.64	103,085.27	-72,609.27	0.00	3,084,638.64	3,553,273.46	3,583,749.46
2.	Technical equipment, plant and machinery	96,396.18	0.00	0.00	0.00	96,396.18	96,386.46	8.72	0.00	0.00	96,395.18	1.00	9.72
3.	Other equipment, furniture, fixtures	198,306.62	4,048.69	0.00	-186,569.24	15,786.07	187,249.62	4,696.69	0.00	-183,852.24	8,094.07	7,692.00	11,057.00
		6,932,614.90	4,048.69	0.00	-186,569.24	6,750,094.35	3,337,798.72	107,790.68	-72,609.27	-183,852.24	3,189,127.89	3,560,966.46	3,594,816.18
III.	**Financial assets**												
1.	Shares in affiliated companies	31,722,716.56	306,638.10	51,447.04	-2,025,000.00	30,055,801.70	2,582,667.55	0.00	0.00	-24,999.00	2,557,668.55	27,498,133.15	29,140,049.01
2.	Advance payments for investments	51,447.04	0.00	-51,447.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51,447.04
		31,774,163.60	306,638.10	0.00	-2,025,000.00	30,055,801.70	2,582,667.55	0.00	0.00	-24,999.00	2,557,668.55	27,498,133.15	29,191,496.05
Total		38,721,945.31	310,686.79	0.00	-2,214,211.28	36,818,420.82	5,935,631.08	107,790.68	-72,609.27	-211,492.28	5,759,320.21	31,059,100.61	32,786,314.23

The following audit opinion (Bestätigungsvermerk) refers to the annual financial statements as well as the management report prepared on the basis of German commercial law (HGB) ("Handelsgesetzbuch": "German Commercial Code") WESTGRUND AG for the fiscal year ended December 31, 2013 as a whole and not solely to the annual financial statements presented in this Prospectus on the preceding pages. The above-mentioned audit opinion (Bestätigungsvermerk) and annual financial statements are both translations of the respective German language documents.

Auditors' opinion

We have audited the annual financial statements – comprising the balance sheet, the income statement and notes – including the accounting and the management report of Westgrund Aktiengesellschaft, Berlin, for the business year from 1 January to 31 December 2013. The accounting as well as the preparation of the annual financial statements and the management report in accordance with German commercial law and the Company's bylaw are the responsibility of the Company's Management. Our responsibility is to express an opinion of the annual financial statements, including the accounting, and the management report, based on our audit.

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

Our audit has not led to any restrictions.

In our opinion, based on the findings of our audit, the annual financial statements comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the German Accepted Accounting Principles and the Company's bylaw. The management report is consistent with the annual financial statements and as a whole provides a suitable understanding of the position of the Company and suitably presents the opportunities and risks of future development.

Cologne, April 16, 2014

DHPG Audit GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Alefelder)	(Güntgen)
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

VI.

Pro-Forma Consolidated Financial Information of WESTGRUND AG for the fiscal year ended December 31, 2013 and the six month period ended June 30, 2014

PRO-FORMA CONSOLIDATED FINANCIAL INFORMATION OF WESTGRUND AG FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013, AND THE SIX MONTHS PERIOD ENDED JUNE 30, 2014

A. Introduction

WESTGRUND AG (the "**Company**" or "**WESTGRUND"** and together with its subsidiaries "**WESTGRUND Group**") has entered into a property acquisition agreement through a subsidiary on December 19, 2013 and acquired approximately 1,274 residential and commercial units ("**Sparrow-Portfolio**"). This acquisition has been made by the way of an asset deal. For most parts of the Sparrow portfolio, the transfer of ownership took place on June 30, 2014.

Furthermore, subsidiaries of WESTGRUND and other parties executed an agreement for the acquisition of the so-called Berlinovo-Portfolio on July 4/5, 2014. Following the consent of all relevant supervisory boards, the acquisition agreement relating to the Berlinovo-Portfolio has become binding on July 9, 2014. This acquisition has been made by the way of an asset deal and the transfer of ownership of the acquired Berlinovo-Portfolio, which contains 13,317 residential and commercial units, is expected to be not earlier than the end of September 2014.

On the basis of these acquisitions, WESTGRUND has prepared pro-forma consolidated profit and loss statements for the period from January 1, 2013 to December 31, 2013 and for the period from January 1, 2014 to June 30, 2014 as well as a pro-forma balance sheet as of June 30, 2014 and supplemented these with pro-forma notes (hereafter collectively referred to as the "**Pro-Forma Consolidated Financial Information**"). The purpose of the Pro-Forma Consolidated Financial Information is to present the material effects the acquisitions of the Sparrow-Portfolio and the Berlinovo-Portfolio would have had on the historical consolidated financial statements of WESTGRUND AG if the acquisitions had been a part of the WESTGRUND Group throughout the entire fiscal year ended December 31, 2013 and the six months period ended June 30, 2014.

In addition to the above-mentioned acquisitions, WESTGRUND Group has acquired further real estate portfolios by the way of share or asset deals during the period from January 1, 2013 to December 31, 2013 and the period from January 1, 2014 to June 30, 2014. The impact of these transactions on the consolidated balance sheet of WESTGRUND AG are reflected in the pro-forma consolidated balance sheet as of June 30, 2014 through the historical financial information of WESTGRUND Group as of June 30, 2014. However, as the transactions were carried out during the period from January 1, 2013 to December 31, 2013 or the period from January 1, 2014 to June 30, 2014, the financial data of these transactions relating to the profit and loss statements are only considered on a pro-rata basis in the historical financial information of WESTGRUND Group for the period from January 1, 2013 to December 31, 2013 and for the period from January 1, 2014 to June 30, 2014. Based on the guidelines of the European Securities and Markets Authority ("**ESMA**") relating to the preparation of Pro-Forma Financial Information, WESTGRUND has assessed whether the financial data of these transactions not reflected in the historical financial information of WESTGRUND Group are significant or not. The not reflected financial data did neither on an individual basis nor on a cumulative basis exceed the materiality criteria and thus were not considered in the Pro-Forma Consolidated Financial Information.

The Pro-Forma Consolidated Financial Information has been prepared for illustrative purposes only. Because of its nature, the Pro-Forma Consolidated Financial Information describes only a hypothetical situation and since it contains assumptions and uncertainties, the presentation does not reflect the actual net assets, financial position and results of operations of the WESTGRUND Group as of any historical date nor does it project the future development of the net assets, financial position and results of operations of WESTGRUND Group. The Pro-

Forma Consolidated Financial Information is only meaningful in conjunction with WESTGRUND AG's historical consolidated financial statements for the fiscal year ended December 31, 2013 and condensed consolidated interim financial statements for the six months period ended June 30, 2014.

In the interest of readability, the figures that appear in the text and in the tables in this Pro-Forma Consolidated Financial Information are generally presented in millions of euros (EUR million) or in thousands of euros (EUR thousand), as applicable. All figures presented are rounded. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

1. Historical Financial Information

The Pro-Forma Consolidated Financial Information was prepared on the basis of the following historical financial information:

- The audited and published consolidated financial statements of WESTGRUND AG for the fiscal year ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315a (1) German Commercial Code (Handelsgesetzbuch, HGB).
- The unaudited and published condensed consolidated interim financial statements of WESTGRUND AG for the six month period ended June 30, 2014, which have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.
- The unaudited and unpublished financial information relating to income and expenses of the Sparrow-Portfolio for the period from 1 January to 31 December 2013.
- The unaudited and unpublished financial information relating to income and expenses of the Sparrow-Portfolio for the period from 1 January to 30 June 2014.
- The unaudited and unpublished financial information relating to income and expenses of the Berlinovo-Portfolio for the period from 1 January to 31 December 2013.
- The unaudited and unpublished financial information relating to income and expenses of the Berlinovo-Portfolio for the period from 1 January to 30 June 2014.
- The unaudited and unpublished financial information relating to the acquisition cost of the Sparrow-Portfolio.
- The unaudited and unpublished financial information relating to the acquisition cost of the Berlinovo-Portfolio.
- The unaudited and unpublished appraisal report relating to the Sparrow-Portfolio as of December 31, 2013 and June 30, 2014 prepared by an independent, external appraiser.
- The unaudited and unpublished appraisal report relating to the Berlinovo-Portfolio as of December 31, 2013 and June 30, 2014 prepared by an independent, external appraiser.

The historical basic figures used for the Pro Forma Consolidated Financial Information were prepared in accordance with IFRS as adopted by the European Union. With regard to the accounting policies applied consistently in the Pro-Forma Consolidated Financial Information, we refer to the notes to the audited consolidated financial statements of WESTGRUND AG for the fiscal year ended December 31, 2013 as well as to the notes to the unaudited condensed consolidated interim financial statements of WESTGRUND AG for the six month period ended June 30, 2014.

2. Principles used in Preparing the Pro Forma Consolidated Financial Information

The required pro-forma adjustments are based on available information, provisional estimates and certain assumptions, as described in the pro-forma notes to the Pro-Forma Consolidated Financial Information, which the management of WESTGRUND AG considers reasonable.

The Pro-Forma Consolidated Financial Information was prepared in accordance with the rules of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer (IDW)) for preparing pro-forma financial information (IDW Accounting Practice Statement: Preparation of Pro-Forma Financial Information (IDWAcPS AAB 1.004) (IDW Rechnungslegungshinweis: Erstellung von Pro-Forma-Finanzinformationen (IDW RH HFA 1.004)).

B. Basis of Preparation

1. Acquisition of the Sparrow-Portfolio

WESTGRUND has entered into a property acquisition agreement through a subsidiary on December 19, 2013 and acquired approximately 1,274 residential and commercial units. This acquisition has been made in the way of an asset deal and includes in total 85 properties. For 81 properties of the Sparrow portfolio, the transfer of ownership took place on June 30, 2014. Therefore, the acquisition of these properties is already included in the consolidated balance sheet of WESTGRUND as of June 30, 2014. The transfer of ownership for the remaining four properties is expected in the third quarter 2014.

The acquisition was financed by a bridge facility and liquid funds of the Company. It is intended to refinance the bridge facility by a long-term credit facility in the amount of EUR 41.7 million (“**Sparrow-Refinancing**”). The corresponding agreement with the bank has already been signed. The credit facility is divided into two tranches. The first tranche in the amount of EUR 13.3 million has a maturity of September 2021 with an average repayment of 3.5 percentage points p.a. and fixed interest rate of 3.4 percentage points p.a.. The second tranche in the amount of EUR 28.4 million has a maturity of September 2024 with an average repayment of 2.0 percentage points p.a. and fixed interest rate of 2.8 percentage points p.a..

2. Acquisition of the Berlinovo-Portfolio

Subsidiaries of WESTGRUND and other parties executed an agreement (the "**Berlinovo-Portfolio Acquisition Agreement**") for the acquisition of the so-called Berlinovo-Portfolio on July 4/5, 2014. Following the consent of all relevant supervisory boards, the Berlinovo-Portfolio Acquisiton Agreement has become binding on July 9, 2014. In addition to the seven subsidiaries of WESTGRUND (“**WESTGRUND-Purchaser**”), two subsidiaries of FFIRE Investment GmbH ("**FFIRE**") executed the Berlinovo-Portfolio Acquisition Agreement as purchasers. These two subsidiaries of FFIRE are unrelated to WESTGRUND and under the Berlinovo-Portfolio Acquisition Agreement acquire different properties than those properties which will be acquired by the WESTGRUND-Purchasers.

The Berlinovo-Portfolio Acquisition Agreement is a framework agreement between all of the sellers and all of the purchasers of the Berlinovo-Portfolio. It provides for rules which are generally applicable to all elements of the transaction. In addition to the framework agreement, the individual sellers have entered into individual sale and transfer agreements with the respective purchasers. For this purpose, the part of the portfolio which will be acquired by WESTGRUND has been split into 44 transactional units regarding each of which an individual sale and purchase agreement for the respective properties has been concluded. These individual agreements are linked to the framework agreement.

If the Berlinovo-Portfolio Acquisition Agreement is completed for all of the properties covered by it, the portfolio which will be (indirectly) acquired by WESTGRUND will consist of approximately 13,317 residential and commercial units. The aggregate of the individual purchase prices for these properties amounts to EUR 416.5 million. The acquisition has been made by the way of asset deals and the transfer of ownership of the acquired Berlinovo-Portfolio is expected to be no earlier than the end of September 2014.

In addition to funds already available to WESTGRUND Group, WESTGRUND intends to finance the acquisition of the Berlinovo-Portfolio and the payment of the individual purchase prices in parts from the proceeds of an capital increase (the "**Capital Increase**") and in parts through an up to EUR 331,000,000 senior secured credit facility to be underwritten by Barclays Bank PLC ("**Barclays**"). For this purpose, WESTGRUND and Barclays executed on July 9, 2014, a binding mandate and commitment letter including a term sheet (the "**Berlinovo-Credit-Facility**"). WESTGRUND and Barclays have agreed to negotiate and execute before September 15, 2014 full documentation regarding such credit facility. According to the mandate and commitment letter and the corresponding term sheet, WESTGRUND and all WESTGRUND-Purchasers will be borrowers under the facility agreement and each borrower will act as guarantor for all other borrowers. The financing by Barclays will be provided as bridge financing and will be due for repayment on July 9, 2015. Interest will be payable at a rate of EURIBOR plus 2.5 percentage points p.a. for the time period until January 9, 2015, EURIBOR plus 3.25 percentage points p.a. for the time period thereafter until April 9, 2015, and EURIBOR plus 4.0 percentage points p.a. for the remainder of the term of the bridge facility. In addition, certain fees are payable.

The Capital Increase is currently being prepared by WESTGRUND and will be carried out by way of a subscription offer. The subscription price of the new shares will be determined by a pre-placement and a bookbuilding procedure. At the time of preparing the Pro-Forma Consolidated Financial Information, the outcome of the Capital Increase is uncertain as neither the number of new shares nor the subscription price are fixed. Therefore, for the purpose of preparing the Pro-Forma Consolidated Financial Information the Management Board of the Company has to make assumptions regarding the number of new shares, the subscription price and costs relating to the Capital Increase. Based on the targeted gross proceeds of EUR 140 million it is assumed to issue 37,333,333 new shares within the Capital Increase at a subscription price of EUR 3.75 per share and to bear costs relating to the Capital Increase amounting to EUR 9.3 million.

WESTGRUND as seller and FFIRE as purchasers intend to enter into a sale and purchase agreement regarding the sale and transfer of all shares in Westgrund Görlitz GmbH and Westgrund Neubrandenburg GmbH. Based on the envisaged transaction, WESTGRUND shall transfer these WESTGRUND-Purchasers to FFIRE, provided that FFIRE declares at the latest on June 1, 2015 its intention to complete the transfer (the "**FFIRE-Call-Option**"). The purchase price for these WESTGRUND-Purchasers will depend on the time of completion and on the development of the value of these companies until that time, but is expected to cover at least the purchase price for the properties which will be acquired by these WESTGRUND-Purchasers under the Berlinovo-Portfolio Acquisition Agreement (*i.e.* EUR 29,300,000), plus their share of the financing costs payable to Barclays, plus any ancillary costs relating to the acquisition of the respective properties by these purchasers (in particular real estate transfer taxes and land register charges). If Westgrund Görlitz GmbH and Westgrund Neubrandenburg GmbH are transferred to FFIRE, WESTGRUND will by this indirectly dispose of properties in Görlitz and Neubrandenburg which are to be acquired pursuant to the Berlinovo-Portfolio Acquisition Agreement and this will reduce WESTGRUND's share of the Berlinovo-Portfolio to 11,985 residential and 63 commercial units.

3. Preparation Procedure and Assumptions

The pro-forma consolidated profit and loss statements for the period from January 1, 2013 to December 31, 2013, and for the period from January 1, 2014 to June 30, 2014 were prepared based on the assumption that the acquisitions of the Sparrow-Portfolio and the Berlinovo-Portfolio with the Sparrow-Refinancing, the Berlinovo-Credit-Facility and the net proceeds of the Capital Increase took place as of January 1, 2013.

With respect to the pro-forma consolidated balance sheet as of June 30, 2014, the assumption was made that the acquisitions of the Sparrow-Portfolio and the Berlinovo-Portfolio with the Sparrow-Refinancing, the Berlinovo-Credit-Facility and the net proceeds of the Capital Increase had taken place as of June 30, 2014. Furthermore, it is assumed that FFIRE will exercise the FFIRE-Call-Option and therefore, the corresponding part of the Berlinovo-Portfolio is recorded as 'Assets held for Sale' in the pro-forma consolidated balance sheet as of June 30, 2014.

The historical financial information of the Sparrow-Portfolio and the Berlinovo-Portfolio had been adjusted on the accounting policies of WESTGRUND as follows:

- The acquired investment properties have been measured at fair value in accordance to IAS 40.
- Effects of provisions for necessary repairs have been eliminated.
- As the Sparrow-Portfolio and the Berlinovo-Portfolio are not taxable entities, the historical financial information did not include any taxes on income. Therefore, income taxes have been calculated on the net results of the historical financial information of both portfolios using a corporate tax rate of 15.83%. It is assumed that the portfolios are not subject to trade tax.

As the acquisitions of the Sparrow-Portfolio and the Berlinovo-Portfolio are made by the way of asset deals, the historical financial information relating to the pro-forma consolidated balance sheet contain only the acquisition costs of the portfolios, the effect from the valuation of the acquired investment properties in accordance with IAS 40 and deferred tax liabilities relating to the valuation of the investment properties at fair value.

The pro-forma adjustments reflect the effects of the Sparrow-Refinancing, the Berlinovo-Credit-Facility and the Capital Increase on the pro-forma consolidated profit and loss statements for the period from January 1, 2013 to December 31, 2013, and for the period from January 1, 2014 to June 30, 2014 as well as on the pro-forma consolidated balance sheet as of June 30, 2014. Interest income on the excess liquidity from the assumed funding is not considered.

Pro-Forma Consolidated Profit and Loss Statement for the Period from January 1, 2013 to December 31, 2013, and from January 1, 2014 to June 30, 2014, and Pro-Forma Consolidated Balance Sheet as of June 30, 2014

The following table shows the pro-forma consolidated profit and loss statement for the period from January 1, 2013 to December 31, 2013:

	Historical Financial Information						
	WESTGRUND Group	Berlinovo-Portfolio	Sparrow-Portfolio	Total	Pro-Forma notes	Pro-Forma Adjustment	Pro-Forma Consolidated Profit and Loss
	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2013			Jan. 1 – Dec. 31, 2013
	in EUR thousand					in EUR thousand	
Revenues	18,193	39,646	4,673	62,512		0	62,512
Change in stocks of not settled services and work in progress	3,391	18,614	2,144	24,149		0	24,150
Results from the valuation of investment properties	20,213	66,320	4,430	90,964		0	90,964
Other operating income	434	733	0	1,167		0	1,167
Cost of materials	(12,331)	(40,347)	(3,984)	(56,661)		0	(56,661)
Results from the sale of investments properties	52	0	0	52		0	52
Personnel expenses	(1,314)	0	0	(1,314)		0	(1,314)
Depreciation	(373)	0	0	(373)		0	(373)
Other operating expenses	(2,487)	(2,011)	(5)	(4,503)		0	(4,503)
Income from investments	7	0	0	7		0	7
Other interest and similar income	24	0	0	24		0	24
Interest and similar expenses	(4,871)	(157)	(1)	(5,029)	1)	(23,172)	(28,201)
Share of losses in associated companies	(125)	0	0	(125)		0	(125)
Profit from the sale of subsidiaries	460	0	0	460		0	460
Results of the ordinary business activities	**21,273**	**82,798**	**7,258**	**111,329**		**(23,172)**	**88,157**
Taxes on income	(3,403)	(13,107)	(1,149)	(17,659)	1)	3,668	(13,991)
Other taxes	(1)	0	0	(1)		0	(1)
Consolidated net result	**17,869**	**69,691**	**6,109**	**93,669**		**(19,504)**	**74,166**
Thereof attributable to:							
Shareholder of the parent company	17,801	69,691	6,109	93,602		(19,504)	74,098
Minority shareholders	68	0	0	68		0	68
Earnings per share							
Undiluted (in EUR)	0.77	n/a	n/a	n/a	2)	n/a	1.23
Diluted (in EUR)	0.77	n/a	n/a	n/a	2)	n/a	1.22

The following table shows the pro-forma consolidated profit and loss statement for the period from January 1, 2014 to June 30, 2014:

	Historical Financial Information						
	WESTGRUND Group	Berlinovo-Portfolio	Sparrow-Portfolio	Total	Pro-Forma notes	Pro-Forma Adjustment	Pro-Forma Consolidated Profit and Loss
	Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2014			Jan. 1 – June 30, 2014
	in EUR thousand					in EUR thousand	
Revenues	9,358	20,004	2,347	31,709		0	31,709
Change in stocks of not settled services and work in progress	4,197	9,355	1,122	14,674		0	14,674
Results from the valuation of investment properties	8,660	(2,933)	1	5,728	3)	(4,278)	1,450
Other operating income	159	396	0	555		0	555
Cost of materials	(7,146)	(16,905)	(1,793)	(25,844)		0	(25,844)
Results from the sale of investments properties	0	0	0	0		0	0
Personnel expenses	(957)	0	0	(957)		0	(957)
Depreciation	(48)	0	0	(48)		0	(48)
Other operating expenses	(1,627)	(1,125)	(2)	(2,754)		0	(2,754)
Income from investments	0	0	0	0		0	0
Other interest and similar income	41	0	0	41		0	41
Interest and similar expenses	(4,786)	(157)	0	(4,943)	1)	(7,744)	(12,686)
Share of losses in associated companies	0	0	0	0		0	0
Result from first-time consolidation	101	0	0	101		0	101
Profit from the sale of subsidiaries	381	0	0	381		0	381
Results of the ordinary business activities	**8,333**	**8,635**	**1,675**	**18,642**		**(12,022)**	**6,621**
Taxes on income	(1,588)	(1,367)	(265)	(3,220)	1), 3)	1,903	(1,317)
Other taxes	(0)	0	0	(0)		0	(0)
Consolidated net result	**6,745**	**7,268**	**1,409**	**15,422**		**(10,119)**	**5,304**
Thereof attributable to:							
Shareholder of the parent company	6,584	7,268	1,409	15,261		(10,119)	5,142
Minority shareholders	161	0	0	161		0	161
Earnings per share							
Undiluted (in EUR)	0.26	n/a	n/a	n/a	2)	n/a	0.08
Diluted (in EUR)	0.25	n/a	n/a	n/a	2)	n/a	0.08

a) Historical Financial Information

The acquired investment properties of the Berlinovo-Portfolio and the Sparrow-Portfolio have been measured at fair value in accordance with IAS 40. In fiscal year 2013, this led to a valuation profit of EUR 66.3 million relating to the Berlinovo-Portfolio attributable to WESTGRUND Purchaser and EUR 4.4 million for the Sparrow-Portfolio. In the six months period ended June 30, 2014, a valuation loss of EUR 2.9 million was recorded for the Berlinovo-Portfolio.

On the basis of the net results of the historical financial information of the Berlinovo-Portfolio and the Sparrow-Portfolio income taxes have been calculated using a corporate tax rate of 15.83%. The corresponding tax expenses amounted to EUR 14.3 million in fiscal year 2013 and to EUR 1.6 million in the six months period ended June 30, 2014.

The historical financial information of WESTGRUND Group for the six months period ended June 30, 2014, include a valuation profit of EUR 4.3 million which relates to the Sparrow-Portfolio and which is also considered in the historical financial information of the Sparrow-Portfolio for fiscal year 2013. This valuation profit is eliminated in the pro-forma consolidated profit and loss statement for the six month period ended June 30, 2014 by the pro-forma adjustment number 3 (reference is made to the following explanations to the pro-forma adjustments (b.3)).

b) Pro-Forma Notes to the Pro-Forma Consolidated Profit and Loss Statement for the Period from January 1, 2013 to December 31, 2013, and the Pro-Forma Consolidated Profit and Loss Statement for the Period from January 1, 2014 to June 30, 2014

The following pro-forma adjustments would have a continuing effect on WESTGRUND Group results of operations:

1) Interest expenses were adjusted to reflect the assumed financing structure with the Sparrow-Refinancing and the Berlinovo-Credit-Facility. Arrangement fees in connection with the Berlinovo-Credit-Facility have been completely considered in fiscal year 2013. The adjustments led to additional interest expenses of EUR 23.2 million in fiscal year 2013 and of EUR 7.7 million in the six months period ended June 30, 2014. Correspondingly, tax income was recorded in the amount of EUR 3.7 million and of EUR 1.2 million in fiscal year 2013 and in the six month period ended June 30, 2014, respectively.

2) The earnings per share are calculated by considering an increase in the number of issued shares of 37,333,333 shares as of January 1, 2013 to 58,189,816 in conjunction with the intended Capital Increase. Consequently, the undiluted earnings per share for the period January 1, 2013 to December 31, 2013 is calculated on the basis of 60,349,068 shares and the diluted earnings per share on the basis of 60,547,799 shares. The undiluted earnings per share for the period from January 1, 2014 to June 30, 2014 is calculated on the basis of 63,088,310 shares and the diluted earnings per share on the basis of 63,630,238 shares.

3) The historical financial information for the period from January 1, 2013 to December 31, 2013 relating to the Sparrow-Portfolio contain a valuation profit of EUR 4.4 million in connection with the valuation of the investment properties at fair value according to IAS 40. Due to the integration of most parts of the Sparrow-Portfolio in the WESTGRUND Group as of June 30, 2014, the historical financial information for the period from January 1, 2014 to June 30, 2014 relating to WESTGRUND Group contain a valuation profit of EUR 4.3 million in connection with the valuation of the investment properties of the Sparrow-Portfolio at fair value according to IAS 40. Since the valuation profit is thus included due to technical reasons, both in the historical financial information for the period from January 1, 2013 to December 31, 2013 and in the period from January 1, 2014 to June 30, 2014, the valuation profit recorded in the first half-year 2014 together with the tax effect were eliminated.

The following table shows the pro-forma consolidated balance sheet as of June 30, 2014:

	Historical Financial Information				Pro-Forma notes	Pro-Forma Adjustment	Pro-Forma Consolidated Balance Sheet
	WESTGRUND Group	Berlinovo-Portfolio	Sparrow-Portfolio	Total			
	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014			June 30, 2014
	in EUR thousand					in EUR thousand	
ASSETS							
Intangibles assets	0	0	0	0		0	0
Investment properties	325,560	471,968	1,973	799,501	4)	355	799,856
Property, plant and equipment	249	0	0	249		0	249
Financial assets	28	0	0	28		0	28
Other non-current assets	695	0	0	695	4)	(355)	341
Deferred tax assets	43	0	0	43		0	43
Non-current assets	**326,575**	**471,968**	**1,973**	**800,516**		**0**	**800,516**
Properties intended for sale and other inventories	12,976	0	0	12,976		0	12,976
Receivables and other assets	1,779	0	0	1,779		0	1,779
Cash on hand, cash at banks and insurances providing capital	12,410	(437,347)	(1,820)	(426,758)	5), 6)	455,580	28,823
Assets held for sale	0	30,784	0	30,784		0	30,784
Current assets	**27,165**	**(406,563)**	**(1,820)**	**(381,218)**		**455,580**	**74,362**
Total assets	**353,739**	**65,405**	**153**	**419,298**		**455,580**	**874,878**
EQUITY and LIABILITIES							
Subscribed capital	30,110	0	0	30,110	6)	37,333	67,444
Reserves	26,621	0	0	26,621	6)	93,348	119,969
Shares of minority shareholders	1,007	0	0	1,006		0	1,006
Retained Earnings	45,971	53,353	129	99,453	5)	1,719	101.172
Total Equity	**103,709**	**53,353**	**129**	**157,191**		**132,400**	**289,591**
Deferred tax liabilities	12,332	10,034	24	22,391	5)	(1,719)	20,672
Provision for pensions	81	0	0	81		0	81
Liabilities due to banks and capital providing insurances	154,263	0	0	154,263	5)	330,224	484,487
Derivatives	2,631	0	0	2,631		0	2,631
Convertible bond	19,240	0	0	19,240		0	19,240
Leasing liabilities	4,722	2,018	0	6,740		0	6,740
Non-current liabilities	**193,269**	**12,052**	**24**	**205,346**		**328,505**	**533,850**
Liabilities due to banks and capital providing insurances	41,092	0	0	41,092	5)	(36,108)	4,984
Advanced payments received	11,787	0	0	11,787		0	11,787
Leasing liabilities	12	0	0	12		0	12
Trade liabilities	1,295	0	0	1,295		0	1,295
Tax liabilities	38	0	0	38		0	38
Other liabilities	2,537	0	0	2,537		0	2,537
Liabilities related to assets held for sale	0	0	0	0	5)	30,784	30,784
Current liabilities	**56,761**	**0**	**0**	**56,761**		**(5,324)**	**51,437**
Total equity and liabilities	**353,739**	**65,405**	**153**	**419,298**		**455,580**	**874,878**

a) Historical Financial Information

As the acquisitions of the Sparrow-Portfolio and the Berlinovo-Portfolio are made by the way of asset deals, the historical financial information relating to the pro-forma consolidated balance sheet contain only the acquisition costs of the portfolios, the effect from the valuation of the acquired investment properties in accordance with IAS 40 and deferred tax liabilities relating to the valuation of the investment properties at fair value. The funding of the transactions is presented separately as pro-forma adjustment. Therefore, the cash balance in the historical financial information is negative.

b) Pro-Forma Notes to the Pro-Forma Consolidated Balance Sheet as of June 30, 2014

4) Acquisition-related costs concerning the Berlinovo-Portfolio and the remaining parts of the Sparrow-Portfolio were reclassified to investment properties.

5) Liabilities due to banks were adjusted to reflect the assumed financing structure with the Sparrow-Refinancing and the Berlinovo-Credit-Facility. As most parts of the Sparrow-Portfolio are already included in the historical financial information of WESTGRUND Group as of June 30, 2014 including the funding of the transaction, the assumed Sparrow-Refinancing will lead to an additional increase of liabilities due to banks as well as cash and cash equivalents of EUR 4.8 million. Furthermore, based on the assumed Sparrow-Refinancing a reclassification from current liabilities to non-current liabilities in the amount of EUR 36.1 million was made. The pro-forma adjustment relating to the Berlinovo-Credit Facility considers the total expected credit facility amount of EUR 331.0 million, which is recorded at amortised acquisition costs using the effective interest method. A portion of this credit facility in the amount of EUR 30.8 million is shown as liabilities in connection with assets held for sale.

6) As a result of the intended Capital Increase and the issue of 37,333,333 new shares with assumed net proceeds of EUR 130.7 million the issued share capital increases in the amount of EUR 37,333,333, the premium between the nominal value and the assumed purchase price of the shares is considered within the reserve in the amount of EUR 102.7 million. Expected cost relating to the Capital Increase in the amount of EUR 9.3 million are considered as a reduction of the reserves.

Berlin, August 15, 2014

Management Board

signed Arndt Krienen signed Sascha Giest

Auditor's Report

To Westgrund Aktiengesellschaft, Berlin

We have audited whether the pro forma financial information as of June 30, 2014 of Westgrund AG, Berlin has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the company. The pro forma financial information consists of the pro forma profit and loss statement for the period from January 1 to December 31, 2013, the profit and loss statement for the period from January 1 to June 30, 2014 and the pro forma balance sheet of June 30, 2014 as well as pro forma notes.

The purpose of the pro forma financial information is to present the material effects the transaction described in the pro forma notes would have had on the historical financial statements if the group had existed in the structure created by the transaction throughout the entire reporting period. As pro forma financial information reflects a hypothetical situation it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period.

The compilation of pro forma financial information is the responsibility of the Company's management.

Our responsibility is to express an opinion, based on our audit, whether the pro forma financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the company. The subject matter of this engagement does neither include an audit of the basic figures including their adjustment to the accounting policies of the company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our audit in accordance with the IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1) promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany) in such a way that material errors in the compilation of the pro forma financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the company are detected with reasonable assurance.

In our opinion, the pro forma financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the company.

Cologne, August 15, 2014

DHPG AUDIT GMBH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

(Schaidinger)	(Güntgen)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Portfolio Summary Report (existing portfolio)

This Portfolio Summary Report has been prepared by Jones Lang LaSalle GmbH in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes ('International Valuation Standards'), the Valuation Standards of the Royal Institution of Chartered Surveyors ('Red Book') and the International Financial Reporting Standards (IFRS) following the completion of our assessment of Market Value, as at valuation date 30 June 2014 of the portfolio of IAS 40 properties (the 'properties') of Westgrund Aktiengesellschaft (hereinafter 'client').

The Westgrund Aktiengesellschaft portfolio consists of 4,716 residential units, 91 commercial units (in residential properties), 2 commercial buildings (office, light industrial), 1,066 garages/car parking spaces and 78 miscellaneous rental units (e.g. including cellars, storages, antennae) with a total lettable area of around 337,965 sqm, located in 28 locations within Berlin, Rhineland-Palatinate, Lower-Saxony, Brandenburg, North Rhine-Westphalia, Mecklenburg-Western Pomerania, Saxony-Anhalt, Bremen and Thuringia.

Client

Westgrund Aktiengesellschaft
Joachimstaler Straße 34
10719 Berlin
Germany

Valuer

Jones Lang LaSalle GmbH
Berliner Freiheit 2
10785 Berlin
Germany

Dates of Valuation:

30 June 2014

Date of Portfolio Summary Report:

23 July 2014

Summary of Valuation Results

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the client, and subject to the assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Westgrund Aktiengesellschaft (hereinafter 'client') as at the effective date of Valuation, 30 June 2014, was as follows:

€ 235,465,000

(Two hundred thirty-five million, four hundred sixty-five thousand euros)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	337,965 sqm
Average market value per sqm of lettable area:	€ 697
Current rental income (gross) per annum:	€ 18,078,789
Potential rental income (gross) per annum:	€ 19,406,062
Market rental value (gross) per annum	€ 20,132,445
Multiplier (based on current rent):	13.0-fold
Multiplier (based on potential rent):	12.1-fold
Multiplier (based on market rent):	11.7-fold
Gross initial yield:	7.68%
Net initial yield:	5.16%
Net reversionary yield:	6.09%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the summary report.

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1 Brief and Scope of Instruction

1.1 Instruction & Purpose of Valuation Report

As instructed by Westgrund Aktiengesellschaft (the 'Client'), Jones Lang LaSalle GmbH (hereinafter 'Jones Lang LaSalle'), has examined the properties of the client and carried out a valuation (the 'Valuation') to determine the Market Value, as at 30 June 2014, of the freehold and leasehold interests (as appropriate) in each of the properties.

We understand that this Valuation Report is required firstly, to confirm the Market Value of the real estate assets as at 30 June 2014, respectively, for the Board of Westgrund Aktiengesellschaft. Furthermore this Valuation Report will be included in a prospectus (the 'Prospectus') for (i) public offering of new shares of Westgrund Aktiengesellschaft to be issued by way of a capital increase with indirect subscription rights for the existing shareholders ("New Shares") and (ii) the admission of the entire share capital of Westgrund Aktiengesellschaft and of the New Shares to trading on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) to be approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht "BaFin") in accordance with the Law of 22 June 2005 on prospectuses for securities, as amended, and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 as recently amended and notified to the Commission de Surveillance du Secteur Financier ("CSSF"). Investors and the Client's shareholders will rely on the Prospectus in making their decision to acquire the New Shares and to invest in the company.

1.2 Addressees

The Valuation Report is addressed to and may be relied upon only by:

- Westgrund Aktiengesellschaft, Joachimstaler Straße 34, 10719 Berlin, Germany;
- further banks, Westgrund Aktiengesellschaft's existing shareholders, investors and their respective affiliates

  The valuation report is intended solely for the addressees and may be used only for the purpose specified here.

1.3 Publication

Jones Lang LaSalle acknowledges and agrees that the Valuation Report will appear in unchanged format in the Prospectus and - if applicable - in the Offering Circular. Before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents (other than as contemplated in this Prospectus), or any part thereof, are otherwise disclosed verbally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must be first obtained. For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle is referred to by name and whether or not the contents of our Valuation Report are combined with others. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in the Valuation Report may be cited and summarised elsewhere in the Prospectus and - if applicable - the Offering Circular.

1.4 Assignment of Rights to Third Parties

The addressees of the Valuation Report are not entitled to assign their rights – either in whole or in part – to third parties.

1.5 Status of Valuer and Conflicts of Interest

We confirm that Jones Lang LaSalle has undertaken the Valuation acting as External Valuers, as defined by the RICS Red Book, qualified for the purpose of the Valuation.

Furthermore we confirm that Jones Lang LaSalle has acted as an Independent Valuer according to the definition of ESMA guidelines (ESMA (European Securities and Markets Authority) update of the CESR recommendations - The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, dated March 20, 2013).

Finally we confirm that Jones Lang LaSalle is not aware of any actual or potential conflict of interest that may have influenced its status as External or Independent Valuer.

1.6 Scope of Work

The scope of work has been carried out for the Market Valuation, including the following processes:

- Analysis and evaluation of the property information (e.g. property database, rent roll, land register extracts, information to leasehold properties, etc.) provided by the client;
- Analysis, evaluation and interpretation of the properties (e.g. location, type of property etc.);
- Inspection of all individual property units, as well as the determination of a qualified sample of representative units for the internal inspection;
- Individual market and locational analysis of all properties;
- Determination of the Market Value on an individual property basis.

1.7 Subject of Valuation

The subject of the Valuation is the main part of the IAS 40 portfolio belonging to Westgrund Aktiengesellschaft (the 'Westgrund Aktiengesellschaft portfolio' or 'portfolio'). The portfolio consists of 5,953 rental units in total (76 units as residual partial ownerships) and is divided into 4,716 residential units, of which 3,631 are private residential units, 1,085 are publicly subsidised residential units, 91 commercial units (in residential properties) as well as 1,066 garages/car parking spaces and 78 miscellaneous units (e.g. cellars, storages, antennae). Furthermore, there are 2 commercial buildings in the portfolio. The total lettable area amounts to 337,965 sqm of which 286,460 sqm is defined as residential space (thereof 74,386 sqm being publicly subsidised) and 51,505 sqm as commercial space. Within the portfolio 11 ground leasehold properties with a total lettable area of 54,513 sqm (16.1% of the portfolios total lettable area) and one parcel of undeveloped land with a total plot area of 64,268 sqm are included.

1.8 Valuation Definitions

Market Value

Our Valuations have been prepared in accordance with the appropriate sections of the latest Valuation Standards (VS) contained within the latest Appraisal and Valuation Standards, (2014: 9th Edition) (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuation Standards, and in accordance with IVSC International Valuation Standard 1 (IVS 1), the International Accounting Standards (IAS), International Financing Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Markets Authority (ESMA) on the basis of Market Value. This is included in the General Principles Adopted in the Preparation of Valuations and Reports of Jones Lang LaSalle. This is an internationally accepted basis of valuation. The Market Value is defined as:
'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The above definition concurs with that the concept of 'Fair Value' defined by the currently valid International Financial Reporting Standards and the appropriate International Accounting Standard 40, paragraphs 1-86.

In undertaking our Valuations on the basis of Market Value, we have considered the comments made by the International Valuation Standards Council, which are included in the Red Book standards.

Market Rent

The Market Rent is assessed in accordance with the Red Book (2014, 9th Edition) VPS 4 1.3.1., which has been approved by the International Valuation Standards Committee. Under these provisions, the Market Rent represents

'The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

In accordance with the above, where the properties or parts thereof are vacant at the date of Valuation, the rental value reflects the Market Rent that we consider obtainable on an open market letting for vacant areas as at the date of Valuation.

1.9 Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a 'supposition taken to be true' ('assumption'). Assumptions are:

'Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process.'

In undertaking our Valuation, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, we have let the client confirm that our assumptions are correct to the best of their knowledge. In the event that any of these assumptions prove to be incorrect, then our Valuation would require to be reviewed.

Database

The client has provided Jones Lang LaSalle with the latest property-related databases at corresponding valuation dates. This included key information such as addresses, construction years, number of units, lettable areas, vacancy rates and current rental income on a single unit basis. We have assumed that the information the client have supplied to us in respect to the subject portfolio is complete, correct and up to date and that the accuracy of all such documents has been confirmed by the client.

Jones Lang LaSalle has carried out a verification of such data on the basis of qualified samples, which were then checked for accuracy and plausibility. No abnormalities were detected in the results. Furthermore, land register extracts, information regarding public easements and leasehold have been made available. These documents were sampled and checked for plausibility accordingly, whereby Jones Lang LaSalle again detected no abnormalities. We have assumed the accuracy of the documents that have been provided to us by the client and that all such documents have been verified by the client.

1.10 Timeline

Confirmation of instruction:	23 July 2014
Delivery of Portfolio Summary Report:	23 July 2014

1.11 Date of Valuation

The date of valuation is 30 June 2014.

1.12 Taxation and Costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon disposals.

1.13 Value Added Tax

The Market Values and Market Rents listed in this Valuation Report do not include the relevant Value Added Tax at the prevailing rate.

1.14 Currency

The currency referred to in the Valuation Report is Euros (€).

1.15 Roundings

Due to the calculation basis, marginal differences can occur in the roundings of the numbers (€, %, etc.).

1.16 Legal Terms

The valuation is conducted on the following legal basis:

- Rent increase: §§ 556 - 561 BGB (German Civil Code, Chapter 2, Rent)
- Non-recoverable costs: Betriebskostenverordnung 2004 (valid for rental contracts from January 2004 onwards)
- II. Berechnungsverordnung 2004

- Valuation methods: RICS Valuation - Professional Standards 2014 (the “Red Book”)
- TEGoVA European Valuation Standards
- International Financial Reporting Standards
- International Accounting Standard (IAS) 40 numbers 1 – 86

2 Portfolio Overview

2.1 General Overview

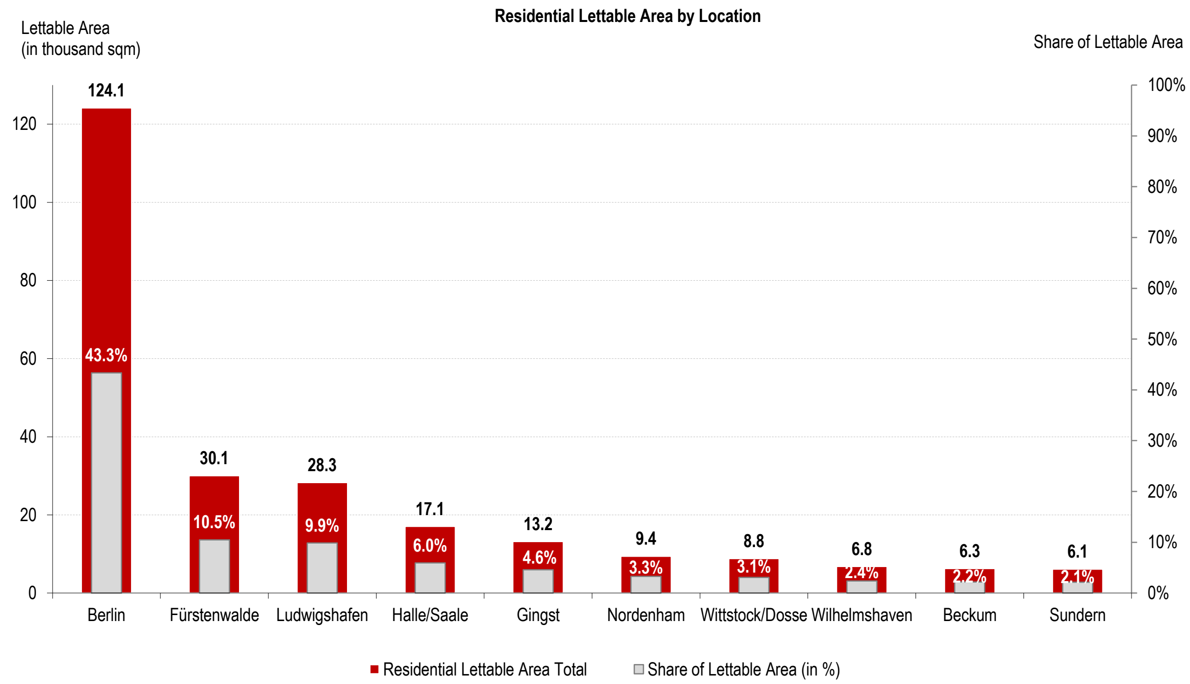
The properties within the whole portfolio of the client are located in Berlin, Rhineland-Palatinate, Lower-Saxony, Brandenburg, North Rhine-Westphalia, Mecklenburg-Western Pomerania, Saxony-Anhalt, Bremen and Thuringia.

The distribution of the properties in the portfolio is depicted in the following map:

Note: Incorporation of Kreiensen into Einbeck (2013)

2.2 Analysis of Units and Areas by Location

The portfolio, which for the most part comprises residential-use properties, consists of 5,953 rental units in total, as at the valuation dates. 87.3% of the total 286,460 sqm residential space (4,112 residential units) is situated in the following cities: namely Berlin, Fürstenwalde, Ludwigshafen, Halle/Saale, Gingst, Nordenham, Wittstock/Dosse, Wilhelmshaven, Beckum and Sundern. The cities with the highest share of lettable residential area are Berlin (124,130 sqm) and Fürstenwalde (30,056 sqm).

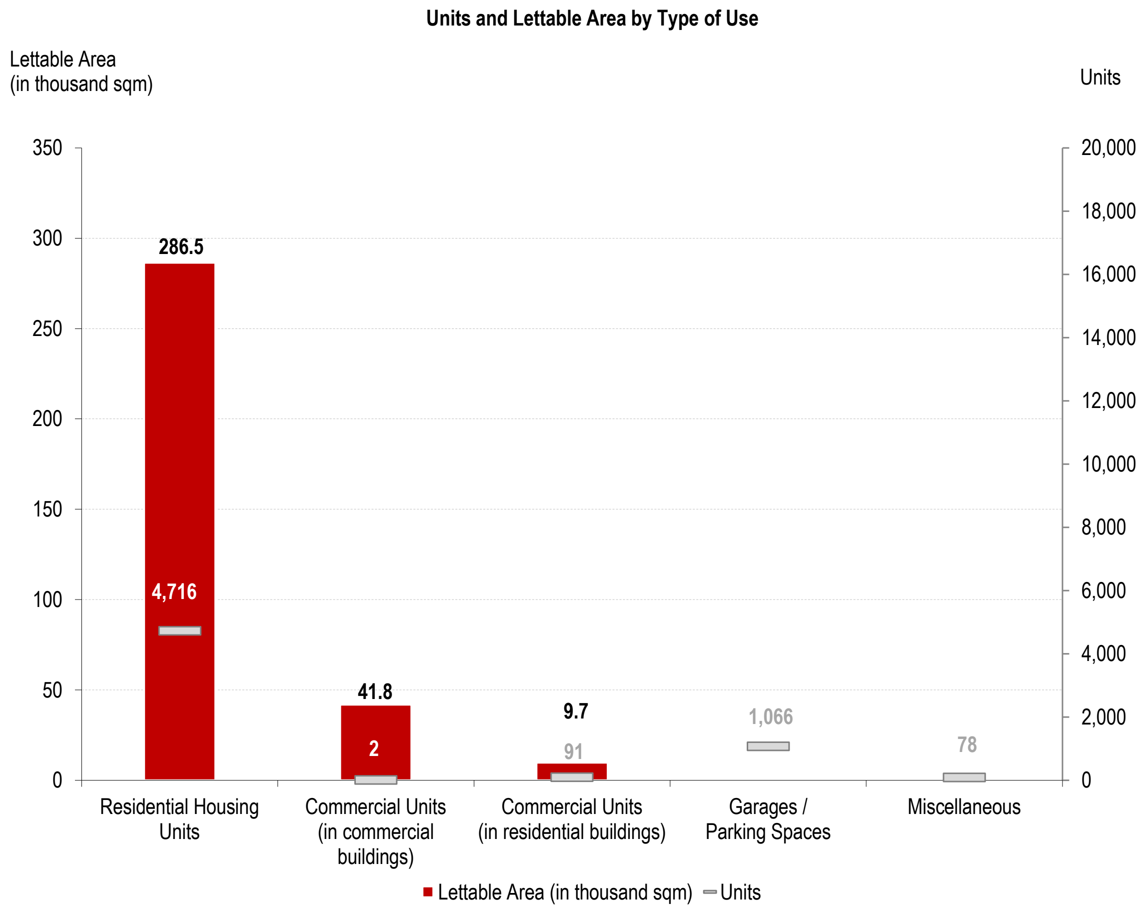


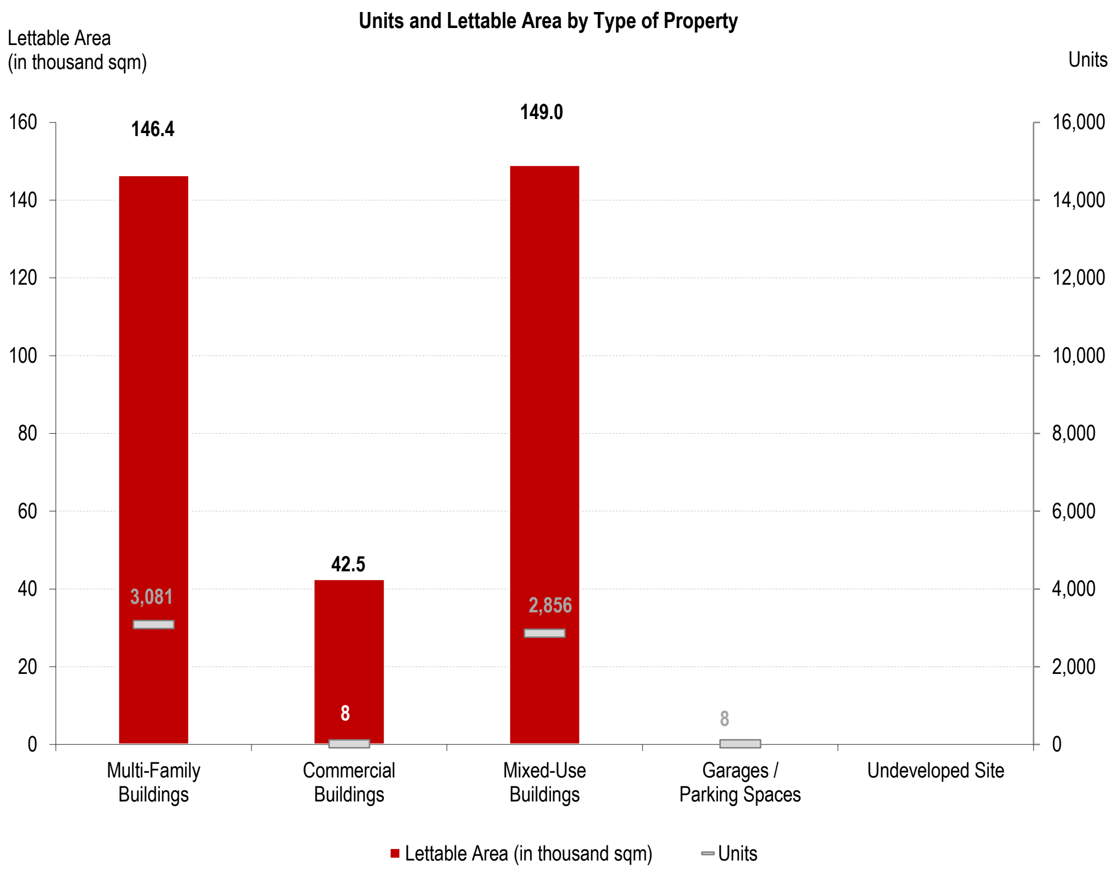
Location	Residential Housing Units	Commercial Units (in residential buildings)	Commercial Units (in commercial buildings)	Garages / Parking Spaces	Miscellaneous	Units Total
Berlin	1,954	7	-	378	7	2,346
Fürstenwalde	567	7	-	89	2	665
Ludwigshafen	470	54	-	155	19	698
Halle/Saale	310	-	-	-	-	310
Gingst	225	11	-	52	38	326
Nordenham	143	3	-	31	3	180
Wittstock/Dosse	122	9	-	134	-	265
Wilhelmshaven	112	-	-	-	2	114
Sundern	106	-	-	24	2	132
Delligsen	104	-	-	19	-	123
Other Locations	603	-	2	184	5	794
Total	4,716	91	2	1,066	78	5,953

2.3 Analysis of Units and Areas by Type of Use and Property

The portfolio includes 4,716 residential housing units, of which 3,631 are private housing units and 1,085 are publicly subsidised housing units. Furthermore the portfolio includes 91 commercial units in residential properties, 1,066 garages and/or parking spaces and a further 78 miscellaneous units (e.g. such as cellars, storages, antennae).

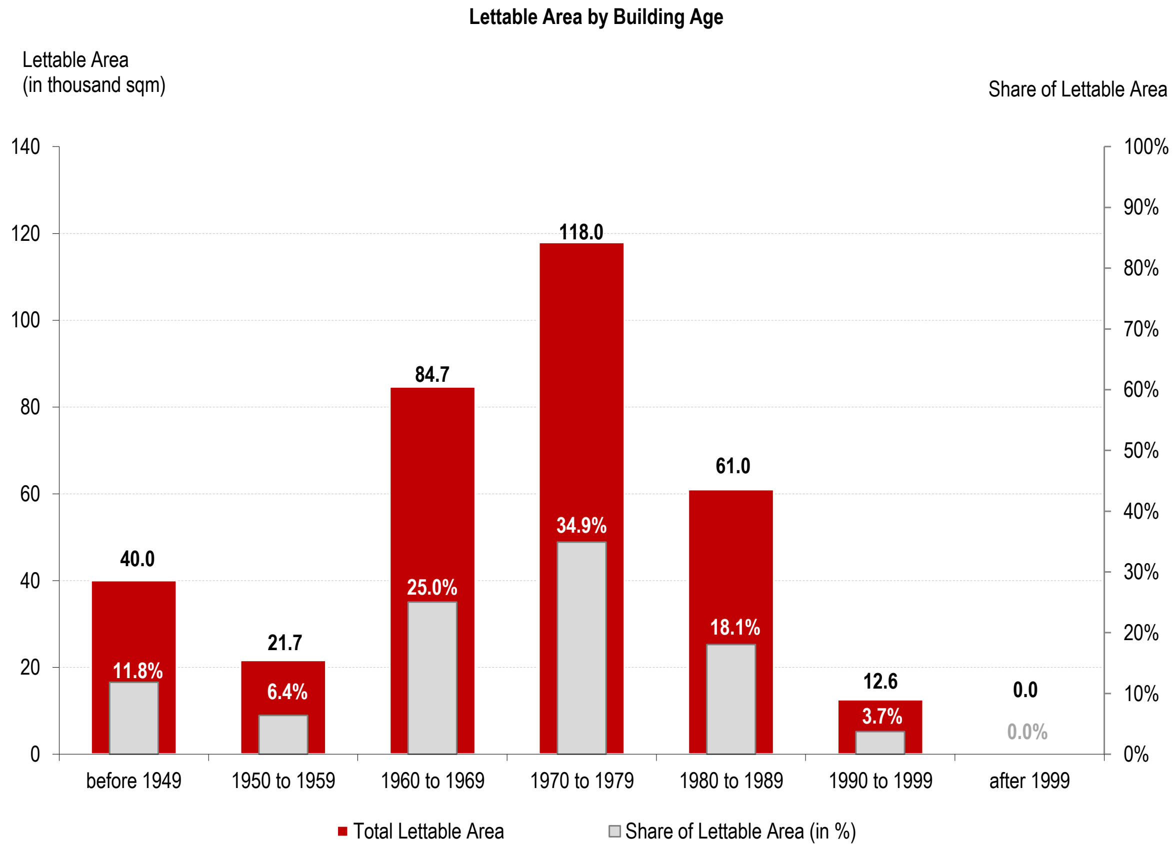
In addition there are 2 commercial buildings, including office and light industrial areas.


Units and Lettable Area by Type of Use
Lettable Area
(in thousand sqm)
Units
350
300
250
200
150
100
50
0
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
286.5
4,716
41.8
2
9.7
91
1,066
78
Residential Housing Units
Commercial Units (in commercial buildings)
Commercial Units (in residential buildings)
Garages / Parking Spaces
Miscellaneous
Lettable Area (in thousand sqm)
Units


Units and Lettable Area by Type of Property
Lettable Area
(in thousand sqm)
Units
160
140
120
100
80
60
40
20
0
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
146.4
3,081
42.5
8
149.0
2,856
8
Multi-Family Buildings
Commercial Buildings
Mixed-Use Buildings
Garages / Parking Spaces
Undeveloped Site
Lettable Area (in thousand sqm)
Units

2.4 Analysis of Units and Areas by Building Age

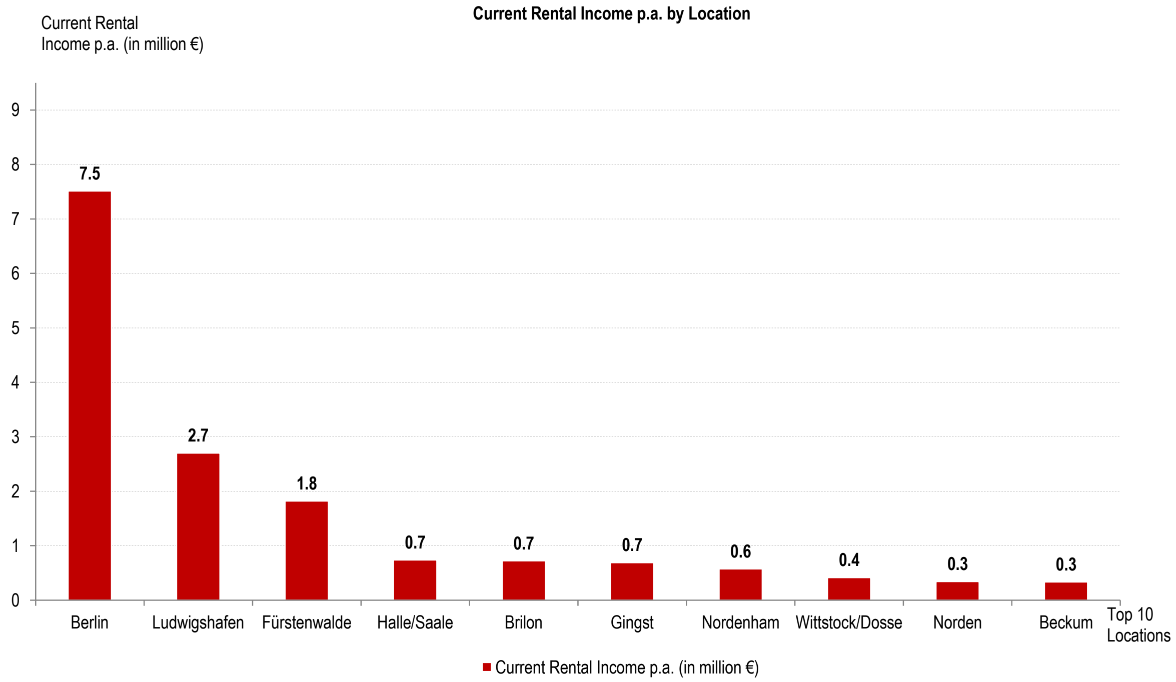
The units within the Westgrund Aktiengesellschaft portfolio have been classified in different construction year categories. The majority of residential space was built between 1970 and 1979 (34.9%), followed by properties constructed between 1960 and 1969 (25.0%) and thereafter those erected between 1980 and 1989 (18.1%).



Building Age	Residential Housing Units	Commercial Units (in residential buildings)	Commercial Units (in commercial buildings)	Garages / Parking Spaces	Miscellaneous	Units Total
before 1949	713	10	-	109	6	838
1950 to 1959	297	34	-	88	12	431
1960 to 1969	736	15	2	225	7	983
1970 to 1979	1,805	18	-	454	50	2,327
1980 to 1989	1,014	-	-	45	3	1,062
1990 to 1999	151	14	-	145	-	310
after 1999	-	-	-	-	-	-
Total	4,716	91	2	1,066	78	5,953

2.5 Analysis of Current Rental Income by Location

The top 10 locations namely Berlin, Ludwigshafen, Fürstenwalde, Halle/Saale, Brilon, Gingst, Nordenham, Wittstock/Dosse, Norden and Beckum generate approximately € 15.9 million of the total current rental income per annum. Thereby, the cities together generate around 87.7% of the current rental income from 84.8% of the lettable space within the entire portfolio. Berlin produces the most rental income per annum with € 7.5 million (41.6%), followed by Ludwigshafen with € 2.7 million (14.9%) and Fürstenwalde with € 1.8 million (10.1%).

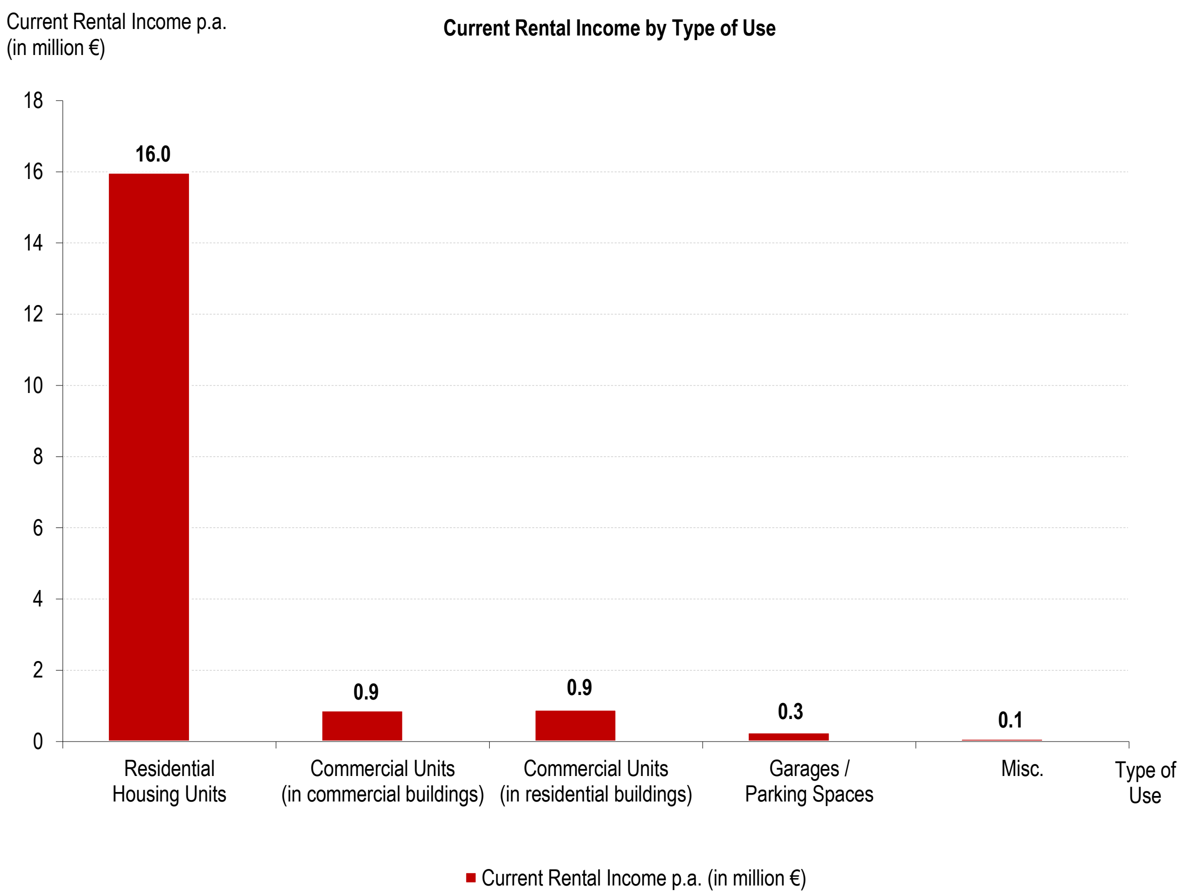


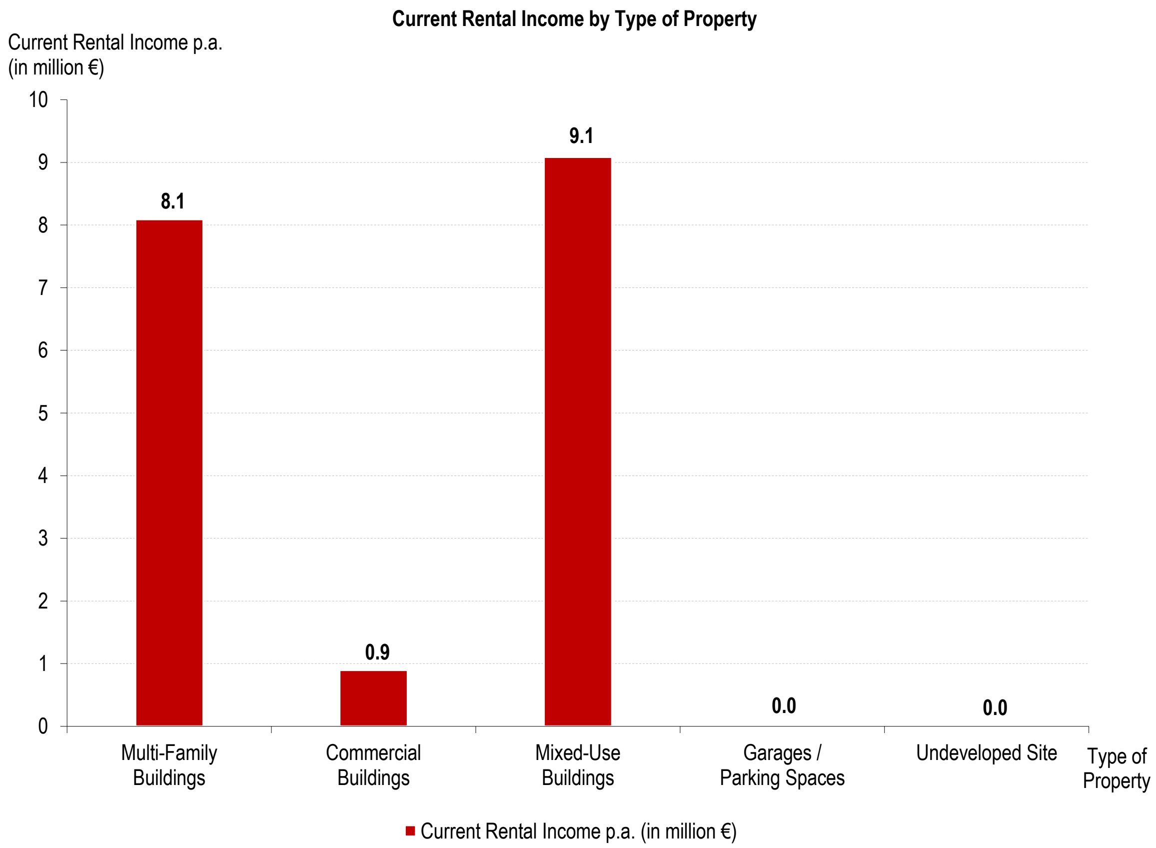
2.6 Analysis of Current Rental Income by Type of Use and Property

According to the property databases as at the respective valuation dates, the current rental income p.a. equates to € 18.1 million. Of this, € 16.0 million p.a. (88.4%) is generated through the residential units in the portfolio; publicly subsidised residential units account for € 4.3 million p.a. (23.6%).

€ 0.9 million p.a. (5.0%) of the current rental income p.a. is generated through the commercial units in residential properties in the portfolio. The commercial buildings amount to € 0.9 million p.a. (4.8%) of the current rental income p.a.

The 1,066 garages and/or parking spaces generate € 0.3 million p.a. (1.4%), while the 78 miscellaneous units (such as cellars, storages, antennae) generate a current rental income of € 0.1 million p.a. (0.4%).


Current Rental Income p.a.
(in million €)
Current Rental Income by Type of Use
18
16
14
12
10
8
6
4
2
0
16.0
0.9
0.9
0.3
0.1
Residential Housing Units
Commercial Units (in commercial buildings)
Commercial Units (in residential buildings)
Garages / Parking Spaces
Misc.
Type of Use
Current Rental Income p.a. (in million €)


Current Rental Income by Type of Property
Current Rental Income p.a.
(in million €)
10
9
8
7
6
5
4
3
2
1
0
8.1
0.9
9.1
0.0
0.0
Multi-Family Buildings
Commercial Buildings
Mixed-Use Buildings
Garages / Parking Spaces
Undeveloped Site
Type of Property
Current Rental Income p.a. (in million €)

From the current rental income, mixed-use buildings account for € 9.1 million p.a. (50.3%), multi-family buildings account for € 8.1 million p.a. (44.8%) and commercial buildings account for € 0.9 million p.a. (5.0%).

2.7 Analysis of Current Rental Income by Building Age

The analysis of the current rental income based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 36.4% of the current rental income of the total lettable area originates from properties built between 1970 and 1979, followed by 19.2% of the current rental income generated from properties constructed between 1960 and 1969. 18.5% of the current rental income originates from properties constructed between 1980 and 1989 and 12.8% from the properties erected before 1949. 9.7% of the current rental income originates from properties constructed between 1950 and 1959 and 3.3% from the properties erected between 1990 and 1999. There are no properties constructed after 1999.

2.8 Undeveloped Sites

There is one undeveloped site in the portfolio (Bad Pyrmont, Lower Saxony) with a total plot area of 64,268 sqm.

2.9 Ground Leasehold Properties

There are 11 properties listed in the client's portfolio, which have been leased long term under ground lease contracts from third parties. The total lettable area for the ground lease properties amounts to 54,513 sqm (16.1% of the portfolios total lettable area). Leasehold-related rental costs amount to € 316,259 and the weighted remaining lease term of the leasehold agreements stands at around 138 years.

2.10 Assessment of the portfolio Locations

Jones Lang LaSalle developed a macro-location scoring model to assess the future prospects of the various markets in the portfolio. The relevant indicators for scoring the markets cover the demand and supply side as well as underlying economic trends:

Market demand
- population and household development (2006-2012)
- population and household forecast (2012-2025)

Economic trends
- development (2007-2012) and forecast (2012-2025) of employment
- unemployment rate and development of unemployment rate (2008-2013)
- gross domestic product per inhabitant (2012)
- purchasing power per inhabitant (2014)

Market supply
- vacancy rate (2011)
- development of vacancy rate (2006-2011)
- rent level and development (2005-2013)
- purchase prices and development (2005-2013)

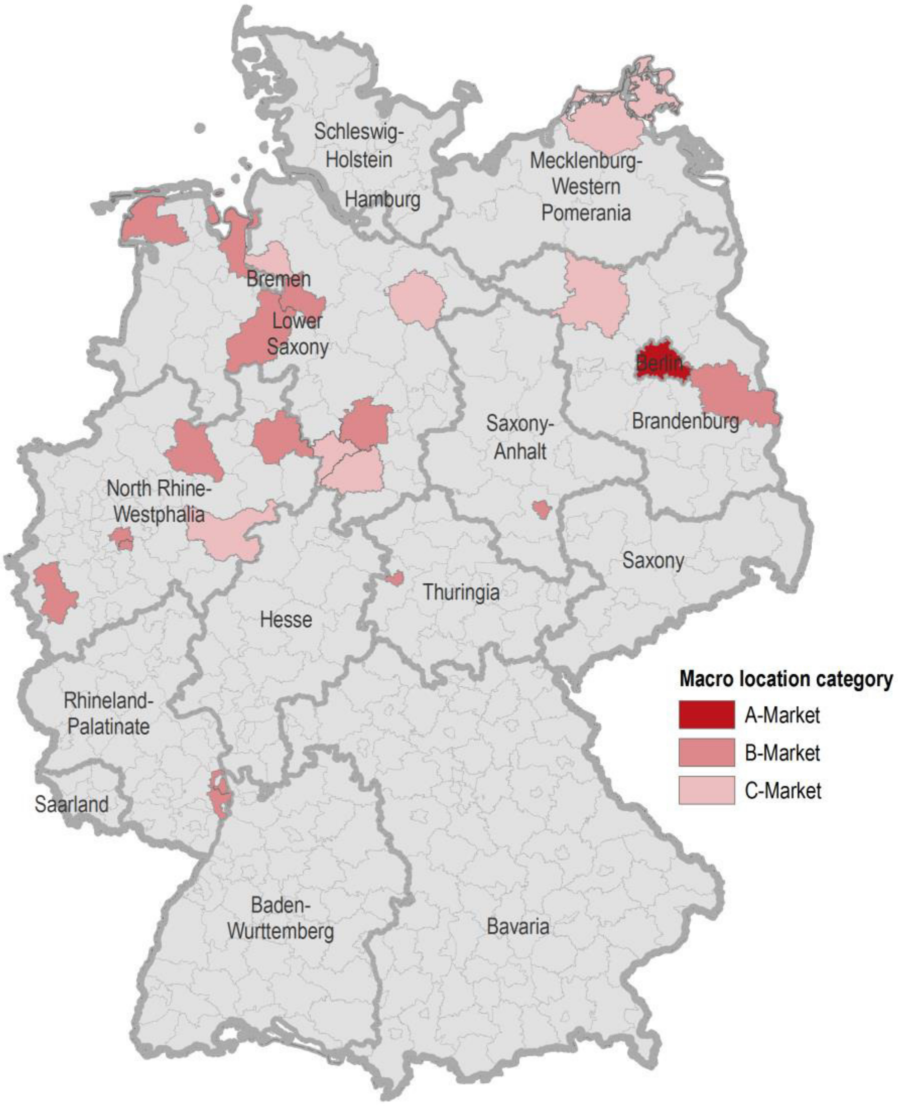
The demand in the respective property markets is mainly reflected by the population and household trends. Positive population development indicates increased demand and even in the case of declining population, household growth may remain positive, due to smaller household size.

The local economic situation largely influences the ability to pay rent and determines the demand for commercial units. Positive economic indicators support rental value growth. The most important indicators are employment trends and resulting wealth, reflected by the purchasing power.

A reliable measurement of supply metrics in a local market is the vacancy rate. Oversupply results in high vacancy rates, while demand markets register low levels of vacancy. Changes in the vacancy rate indicate the market trend in recent years. The market trend is also reflected by the development of rents and prices. The absolute level of rents and prices identify the market character as mature and expensive or inexpensive and more risky.

The markets in the portfolio are segmented into three different types: A-Markets, with an above-average future prospect compared to Germany as a whole, B-Markets, with an average outlook, and C-Markets, with a below-average outlook.

Macro-location scoring of portfolio locations



2.10.1 A-Markets

A-Markets are characterised by an above-average future prospect. The population and household growth is positive and reflects increasing demand. The economy develops at a higher pace than the German economy. Residential vacancy rates are below the German average of 3.4% and commercial vacancy levels are low. The residential markets are undersupplied, which causes rents and prices to increase. Commercial rents and prices are also on a growth path.

2.10.2 B-Markets

The outlook for B-Markets is comparable to the prospect for properties in Germany as a whole. The population in most regions has been stagnating or only experienced modest growth in recent years. The forecast for population growth is negative but households and demand in these markets will likely increase until 2025. The outlook for the economy in B-Markets is at the German average. Vacancy rates are usually at or slightly above the German average of 3.4% for residential properties. For modern commercial units, the vacancy risk is moderate. Rents and prices have marginally appreciated in recent years and are forecasted to continue on this trajectory in the medium-term.

2.10.3 C-Markets

C-Markets are likely to perform below the German market average. They have already lost population and households, thus experiencing declining demand for housing and commercial units. Economic development is weak and the prospects for economic growth are weaker than for Germany as a whole. The vacancy level is above the German average. Rents and prices are below other regions of Germany and show little momentum. Rents and prices can be at risk to marginally decline in the medium-term (5-10 years) but this depends largely on the individual property.

3 Valuation Approach

3.1 Valuation units

The valued portfolio of Westgrund Aktiengesellschaft comprises 84 individual property units (client ID's). The Valuation has been carried out on an individual property unit basis in order to adequately and correctly reflect property-specific information, such as the current rental income, the vacancy rate, the existing public subsidies or the leaseholds or entries in Section II of the land register.

3.2 Site Inspections

Property and site inspections were carried on the following dates:

2012 – 13-19 December
2013 – 9 April, 11 April, 16-21 April, 19 August, 15 November

All valuation-relevant property units were fully inspected. For internal inspections at least the staircase, basement, attic (if applicable and accessible), all other common areas as well as a vacant or in the case of fully let properties, a let apartment (in some cases not possible) were inspected with a property manager of the client.

3.3 DCF Calculation

The calculation of the Market Value has been based on the Discounted Cash Flow (DCF) method. This is an internationally recognised method, based on transparent, dynamic and explicit valuation parameters to determine the Market Value. Initially all future cash flows (both revenues and costs) for residential properties are explicitly determined for a ten-year detailed planning period. At the end of this period, a terminal value is calculated, by effectively capitalising all future projected net cash flows generated by the property. The assumptions made for the model reflect comparable analysis and decisions that would have been made by investors active in the market as at the effective date of valuation.

The cash flows for the relevant year of the detailed planning period are calculated as follows:

The potential rental income at full occupancy is reduced by the loss of rent due to vacancy and/or rent collection loss. The resulting amount reflects the current rental income. For non-subsidised housing and/or following the end of public funding for subsidised housing, rents have been adjusted with due regard to the relevant legislation (§ 558 of German Building Code, Sec. 3). This legislation states that the rent may not be increased by more than 20% (cap limit) within a three-year period and may not exceed local comparable rents. Berlin, Hamburg, Munich as well as more than 90 cities and municipalities in Bavaria and almost 60 cities and municipalities in North Rhine-Westphalia now have a cap limit of 15%. After deduction of the non-transferable costs (maintenance costs, management costs, other costs, ground rents and non-recoverable operating costs), the net cash flow is determined before taxes and debt service. The respective cash flows of the individual periods are then discounted to the date of valuation by the pre-determined discount rate (see Determination of Discount Rate, Sec. 5.11).

The calculation of the terminal value after Year 10 is carried out as follows:

In general, a stabilised cash flow (stabilised rental income less stabilised expenses) can normally be achieved by the end of Year 10. As no period-overlapping changes are expected in the cash flow after this point, the net operating income at Year 10 serves as the basis for the forecasted future cash flows.

By means of the property-specific capitalisation rate (see Determination of Capitalisation Rate, Sec. 5.11), the net operating income (NOI) is capitalised into perpetuity. The capitalised terminal value, like the cash flows of the detailed planning period, is likewise discounted to the date of valuation.

The result of the DCF method mirrors the economic view that would be taken by the majority of active market participants as at the effective date of valuation and reflects the Market Value.

3.4 Valuation of Undeveloped Sites

To determine the value of undeveloped land, purchase prices of comparable land have been generally used. In the Valuation process, land values are derived according to the German Building Code (BauGB), thus in most cases suitable land values, have been determined by independent expert committees (or valuation panels) on the basis of actual transactions and purchase price analyses (cf. §§ 193 et seq. BauGB).

4 Assumptions

4.1 Title / Legal Restrictions / Building and Other Encumbrances

The available information regarding title, legal restrictions, building and other encumbrances has been mainly made available to Jones Lang LaSalle by the client. A random sampling of the information based on the documents provided by the client was carried out. No discrepancies or points of concern were identified. Title entries registered in Section II of the sampled land registers were considered to have either no or only a minimal influence on value, if at all. Furthermore, any potential encumbrances and restrictions from Section II of the valued properties are duly registered in the land registers.

We have made the assumption that the provided copies of the available documents for the properties have been made available to us that they are complete, correct and up to date and that such documents have been verified by the client.

Moreover based on the above and a random sampling of the available information we identified no points of concern and have made the assumption that the properties have good and marketable freehold or leasehold title in each case and that the properties are free from any depreciating rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings.

As is normal valuation practise, we have also assumed that the properties are free from mortgages, charges or other financially relevant encumbrances. Furthermore, no account has been taken in our Valuation of any goodwill that may arise from the present occupation of the properties.

4.2 Contamination and Soil Conditions

Information with regard to the suspicion of soil or other contamination for the properties has been made available to us, however, according to the client, no environmental issues for the properties as at the date of Valuation were known which are sufficient to affect value. We have not undertaken nor been instructed to conduct a formal environmental assessment, and have not carried out any investigation into past uses, either of the properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites.

We have assumed that there are no abnormal ground conditions or contamination, which are sufficient to affect value or adversely affect the present or future occupation or development of the properties. Should suspicion regarding contamination arise in the future, environmental assessment reports need to be acquired and in case contamination is detected, the Valuation would have to be appropriately adjusted.

We have also made the assumption that there are no archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

4.3 Condition and Structural Inspections, Deleterious Materials

Information regarding condition and structural reports as well as deleterious materials has been made available to us by the client, where applicable. We have not undertaken nor been instructed to conduct a formal condition or structural survey, although where building deficiencies were identified during the internal or external inspections, they were subsequently reflected in the Valuation.

The results of the inspections are based on exclusively purely visual examinations, with no guarantee as to the completeness of the information presented. Unless otherwise informed by the client, we have made the assumption that the properties are free from any mildew, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not investigated whether high alumina cement, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of any of the properties. For the purposes of this Valuation, unless otherwise informed by the client, we have made the assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the foundations of the properties are free from any defect. Unless otherwise informed by the client, we have made the assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed thereon.

4.4 Building Law

We have made the assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications are existent and that there are no outstanding statutory notices as to their construction, use or occupation. We have made a further assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply.

4.5 Town and Traffic Planning

We have made the assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply. According to the client there is no information regarding value-relevant impact of public planning projects (town or traffic planning) available.

4.6 Protection of Historic Structures

Based on the provided information by the client, the multi-family building in Wilhelmshaven (Lower Saxony) is listed as historical monument.

4.7 Technical Equipment, Plant & Machinery

During our inspections, no tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services, nor have the drains been tested. Unless otherwise informed by the client, we have made the assumption that all services to the properties are functioning satisfactorily.

No allowance has been made in these Valuations for any items of plant or machinery not forming part of the service installations of the properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses.

The technical equipment in the subject properties such as passenger and goods lifts and other means of transportation, heating systems and further technical installations have been considered as integral components of the property. We have excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

4.8 Areas

We have not measured the properties, but have applied floor areas provided by the client. We have assumed that these areas have been measured and calculated in accordance with the current market practice where the properties are located. A qualified sampling of the information was verified and checked for plausibility, whereby we could not find any discrepancies.

4.9 Leases and Tenancy Information

Information regarding rental units, contractual rents, lease terms, rental terms and, where applicable, publicly subsidised units was made available to Jones Lang LaSalle by the client. A random sampling of the information was verified based on documents provided by the client. No abnormalities were detected.

We have made the assumption that copies of all relevant documents for the properties have been made available to us that they are complete, correct and up to date and that such documents have been verified by the client.

For the purpose of the Valuation, we have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge or we have been specifically advised to the contrary, we have made the assumption that the tenants are financially in a position to meet their current obligations. Unless otherwise advised, we have also made the assumption that there are no material arrears of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

However, our Valuation reflects the type of tenants currently leasing the properties or responsible for meeting lease commitments or likely to lease vacant spaces, and the market's general perception of their creditworthiness, if appropriate.

We have also made an assumption that wherever rent reviews or lease renewals are pending or impending, all notices have been served legally within the appropriate time limits.

4.10 Taxes, Fees and Charges

No information has been made available to Jones Lang LaSalle. We have made the assumption that all public taxes, fees, charges, etc. which could have an influence on the value, have been levied and if applicable, had been paid at the time of this Valuation.

4.11 Insurance Policies

At the date of the Valuation, Jones Lang LaSalle was not aware of whether or to what extend insurance policies existed to limit the risks resulting from business activities (e.g. property insurance, liability insurance and construction insurance). As neither supporting nor contrary information was made available by the client nor known by Jones Lang LaSalle, we have made the assumption that potential claims are covered with regard to the insurance level and type by valid insurance policies.

5 Valuation Parameters

5.1 Market Rents

Jones Lang LaSalle has used the following sources for obtaining information on market rents:

- Westgrund Aktiengesellschaft Assessment (basis – rent roll)
- Rent index (Mietspiegel) for respective cities/municipalities (if available)
- Internal Jones Lang LaSalle database (leasings, transactions)
- Offered rents from the online real estate portal IDN Immodaten on street level.

Market Rent Residential

The market rents were determined in 3-steps by Jones Lang LaSalle. In the first step, the current rental income per sqm, a list of new private housing lettings from the past two years (as provided by the client) as well as the researched, quality-differentiated market rents per sqm were assigned and compared. In the second step, with consideration to the current vacancy rate and depending on the three respective rental levels per sqm (current rent, new lettings rents and the researched market rent per sqm), the preliminary market rent per sqm is determined. In the third and last step as part of the individual evaluation, the preliminary market rent per sqm undergoes on an individual assessment basis a more precise review with regard to the existing micro-location quality and the property condition and if necessary, is adjusted according to expert knowledge.

5.2 Rent Adjustment

Non-Rent Controlled Properties

The rental growth forecast applied in the Valuation was developed separately for the various types of use within the real estate market (residential, commercial, garage, parking spaces and miscellaneous) by means of a detailed analysis of the current rental situation, the regional markets and the location of the property in this market.

For non-rent controlled residential properties, a growth rate of 0.50% to 1.25% p.a. was assumed, depending on the location rating and beginning in the second year. The weighted average for non-rent controlled residential units is 1.07% p.a.

The valuation assumptions relating to the macroeconomic parameters (e.g. purchasing power) were considered on an administrative district or independent municipality level.

Rent Controlled Properties

The growth of rental costs (up to 31 December 2001) or the rents for subsidised social housing (after 1 January 2002) generally progresses more moderately than the development of rents for non-rent controlled housing, as the increase in rental costs usually requires proof from the landlord regarding a change in the cost situation with regard to the property (calculation of profitability) or because a rent increase for subsidised social housing effective from 1 January 2002 may not exceed the maximum permissible rent determined by the subsidy regulation (‘Förderzusage’). A growth rate of 0.25% p.a. starting in the second year for rent-controlled properties was assumed.

Commercial Buildings

The rent escalation analysis is based on the individual clauses agreed within the leases, whereby the rental income is most commonly linked to growth in the Consumer Price Index [CPI].

5.3 Publicly Subsidised Units

According to the information provided by the client 23.6% of the current rental income of the portfolio or respectively, 1,085 residential rental units are publicly subsidised and subject to rent controls. The restrictions related to rent controls were taken into consideration in our Valuation. The benefits resulting from the granting of cheaper loans are generally not considered in property valuations. These benefits are assessed by the client according to IAS 39.

5.4 Rent Loss (Vacancy)

Rental loss reflects the share of the gross rental income that could have potentially been generated, if vacant units within any property had been rented out. Jones Lang LaSalle has calculated with a stabilised vacancy for each property, ranging from 2.00% to 100.00% of the gross rent p.a., depending on the local market situation, property condition, level of rent adjustment (net rent to market rent) and current vacancy rate. The stabilised weighted average rental loss for the Westgrund Aktiengesellschaft portfolio has been calculated at 3.36% of the potential rental income.

5.5 Maintenance Costs

On-going Maintenance Costs

On-going maintenance costs are non-transferable costs that are incurred during the expected useful life of a property for the preservation of the defined use of the buildings and structures (with the exception of commercial tenants), in order to remove damage caused by wear & tear, age, weather and environmental influences and/or to comply with legal requirements, to maintain the quality and yield capacity of the property.

The on-going maintenance costs have been calculated as a € per sqm-figure relating to the total lettable area.

In the Valuation, the maintenance costs for residential and commercial units range from € 3.00 to € 9.00/sqm p.a., calculated depending on the age and condition of the respective property. The weighted average amounts to € 8.80/sqm p.a. For garages and parking spaces as well as miscellaneous units, maintenance costs of € 10.00 per unit p.a., were applied.

Maintenance Costs associated with Tenant Turnover

Costs for the refurbishment of units associated with tenant turnover are incurred in order to successfully re-let a vacant flat. These costs include decorative repairs as well as renovation costs, marketing costs and non-recoverable operating costs.

Jones Lang LaSalle has estimated refurbishment costs of € 40.00/sqm for each residential unit, which becomes vacant as a result of tenant turnover.

Tenant improvements for commercial properties are incurred when a new rental contract is signed. These costs are assumed by the landlord in the process of contractual negotiations. For the 2 commercial buildings we have taken tenant improvements of € 25.00/sqm to € 75.00/sqm depending on the use and type of property into account in our valuation.

5.6 Deferred Maintenance

No in-depth technical review (Technical Due Diligence) of the properties was instructed nor carried out for this Valuation. Based on the information provided to Jones Lang LaSalle by the client as at the date of Valuation and with reference to the results from the on-site inspections, in cases there were no identified maintenance backlog.

5.7 Management Costs (Non-Transferable)

Management costs incurred in the management of residential leases, encompassing all necessary labour and equipment as well as for the legal and optional audit of annual financial statements (with exception of commercial tenants) are normally non-transferable.

Management costs for residential buildings are dependent on location, condition and tenancy. Jones Lang LaSalle has considered management costs in the Valuation depending on location and property type of € 280 per residential unit p.a. For commercial units, the potential rental income was applied at 2.5% to 4.0% p.a., management cost for parking spaces as well as garages and miscellaneous units € 30 per unit p.a.

5.8 Operating Costs (Non-Transferable)

The German Regulations on Operating Costs (Betriebskostenverordnung - BetrKV) define transferable operating costs for residential properties.

For vacant rental space, certain types of costs, such as minimum heating costs, caretaker or security costs, as well as electricity and cleaning costs, which are generally transferable, cannot be transferred. Therefore, Jones Lang LaSalle has applied for each vacant sqm of residential area non-transferable operating costs of € 16.24 p.a. (weighted average).

Vacancy occurs within the detailed planning period as a result of tenant fluctuation. For these vacant areas, the scheduled non-transferable costs were not taken into consideration, as these costs are already considered in the maintenance costs associated with tenant turnover.

5.9 Other Costs

'Other costs' refer to and reflect the risk of a reduction in income as a result of uncollectable arrears of rent. They also serve to cover the costs of legal action to collect payments, cancel a rental contract or clear premises. Arrears of rent, due deposit payments and due property management costs must also be taken into account under this heading. The amount of such costs depends on the local market situation, type and condition of the property, tenancy situation, quality of tenants and quality of lease agreements. These costs are calculated as percentage of the current rental income. A percentage of 1.00% of the current rental income was used in the Valuation (weighted average).

5.10 Inflation

Residential Buildings

All costs, calculated on a per square metre or per unit basis, have been indexed with the average rate of inflation over the last 10 years according to the German Statistical Office.

In average the inflation increased by 1.57% per annum within the last 10 years depending on the respective valuation date. The indexation of other costs such as management costs, vacancy costs and costs for ground lease is calculated by applying the above indexation figure.

Commercial Buildings

General inflation is based on the forecast of Global Insight. Inflation was added to all costs included within the cash flow. The average long-term inflation forecast is at 2.35% per annum. This applies also to the non-recoverable ancillary costs as well as to tenant improvements.

5.11 Discount Rate and Capitalisation Rate (Cap Rate)

Discount Rate

The Discount Rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consists of an interest rate for a risk-free investment as well as a premium to account for specific investment risks associated with real estate investments.

The risk-free interest rate reflects the rate that can be achieved in the investment market for a risk-free investment. Jones Lang LaSalle uses the risk-free interest rate of around 3.78% p.a. referring to the average interest rate of the past 120 months of a 10-year bond, issued by the European Central Bank. A property-specific, weighted risk premium, which is based on a rating (market, location, property and cash flow) is applied to the risk-free interest rate in order to derive a risk-adjusted discount rate, which reflects the opportunities and risks of the properties in the market. Normal discount rates for German properties generally range between 4.5% and 9.0%, depending on market conditions, the micro-location quality, property type and use, property condition and cash flow security. The weighted discount rate for the subject portfolio stands at 6.3%, which, based on our experience, is comparable to similar transactions on the market.

Capitalisation Rate

The Capitalisation Rate (the 'Cap Rate') is used to capitalise the stabilised Net Operating Income at Year 10 into perpetuity, as it is assumed that properties are kept in stock after the detailed 10-year planning period. The Cap Rate is based on each property's individual discount rate. For the determination of the terminal value, which is based on the NOI at year 10, an individual growth rate (positive or negative) of future cash flows has been calculated. According to normal practice, the growth rate of a stabilised cash flow has then been deducted from the discount rate in order to determine the cap rate. The weighted capitalisation rate for the subject portfolio stands at 5.6%, which, based on our experience, is comparable to similar transactions on the market.

5.12 Purchaser's Costs

Purchaser's costs have been considered in the Valuation as a percentage of the Market Value. These costs include legal fees for the sale, land transfer tax, deed registration as well as agent's fees.

Depending on the valuation date and the federal state, the currently valid land transfer tax was applied in the valuations. The land transfer tax ranges over all between 5.0% and 6.0%, while the weighted land transfer tax for the subject portfolio stands at 5.5%.

Agent's fees were assumed between 0.5% to 3.5% lump sum payment in the Valuation, while notary and associated court costs were assumed to be 1.0%.

6 Valuation Results

6.1 Market Value

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the client, and subject to the assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Westgrund Aktiengesellschaft (hereinafter 'client') as at the effective date of Valuation, 30 June 2014, was as follows:

€ 235,465,000

(Two hundred thirty-five million, four hundred sixty-five thousand euros)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	337,965 sqm
Average market value per sqm of lettable area:	€ 697
Current rental income (gross) per annum:	€ 18,078,789
Potential rental income (gross) per annum:	€ 19,406,062
Market rental value (gross) per annum:	€ 20,132,445
Multiplier (based on current rent):	13.0-fold
Multiplier (based on potential rent):	12.1-fold
Multiplier (based on market rent):	11.7-fold
Gross initial yield:	7.68%
Net initial yield:	5.16%
Net reversionary yield:	6.09%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the valuation report.

6.2 Market Value by Location

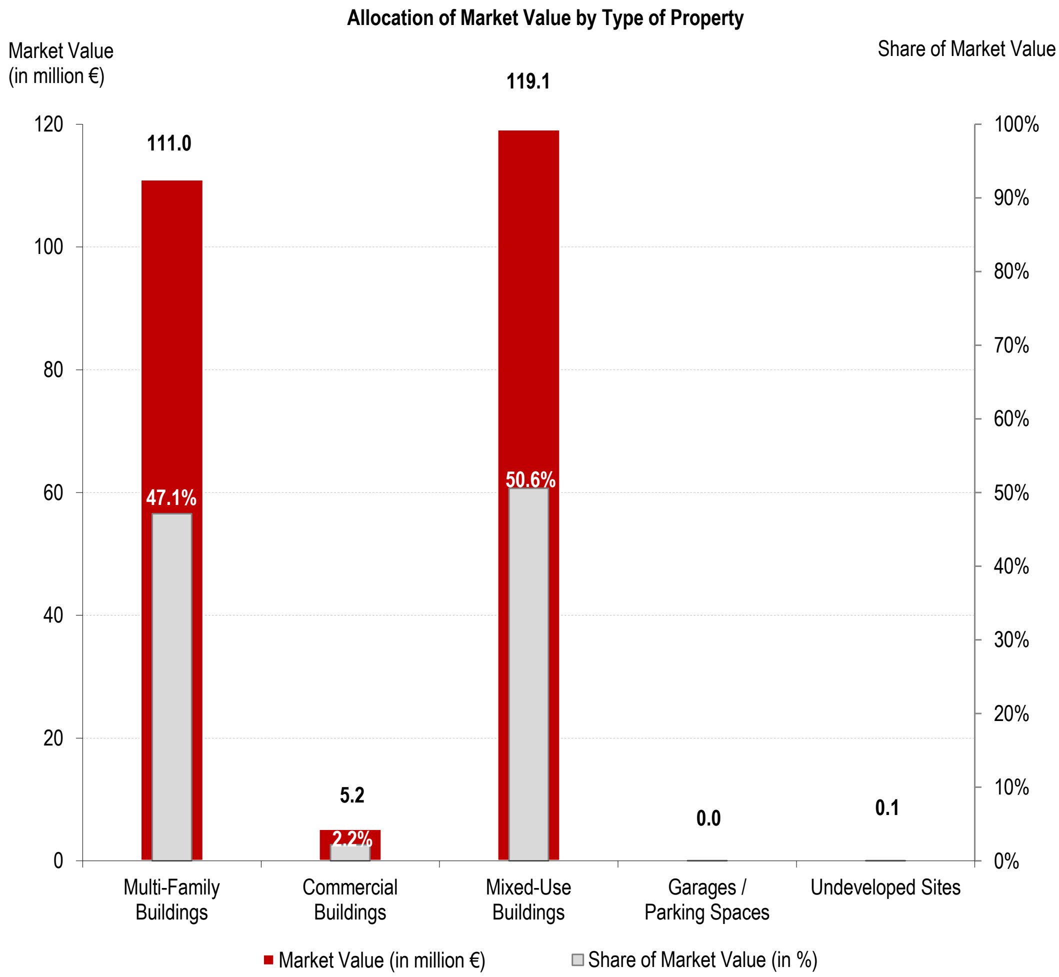
The aggregated value of the individual units by location revealed the following:

88.4% of total Market Value of the Portfolio is to be found within the top 10 locations out of the total 28 locations. The single largest concentration of value is to found in Berlin (measured by Market Value) with € 106.7 million (45.3%), followed by Ludwigshafen with € 40.1 million (17.0%), Fürstenwalde with € 22.0 million (9.3%), Halle/Saale with € 7.9 million (3.4%) and Gingst with € 7.2 million (3.1%).

Location	Market Value (in €)	Market Value (in €/m²)	Multiplier based on Potential Rent	Share in Market Value
Berlin	106,700,000	854	13.5	45.3%
Ludwigshafen	40,129,000	1,177	13.9	17.0%
Fürstenwalde	22,000,000	720	11.4	9.3%
Halle/Saale	7,940,000	465	9.9	3.4%
Gingst	7,244,000	513	9.5	3.1%
Nordenham	6,937,000	707	11.7	2.9%
Norden	4,620,000	798	12.9	2.0%
Sundern	4,202,000	687	12.1	1.8%
Wilhelmshaven	4,200,000	614	11.5	1.8%
Beckum	4,199,000	669	12.4	1.8%
Other Locations	27,294,000	331	8.7	11.6%
Total	**235,465,000**	**697**	**12.1**	**100.0%**

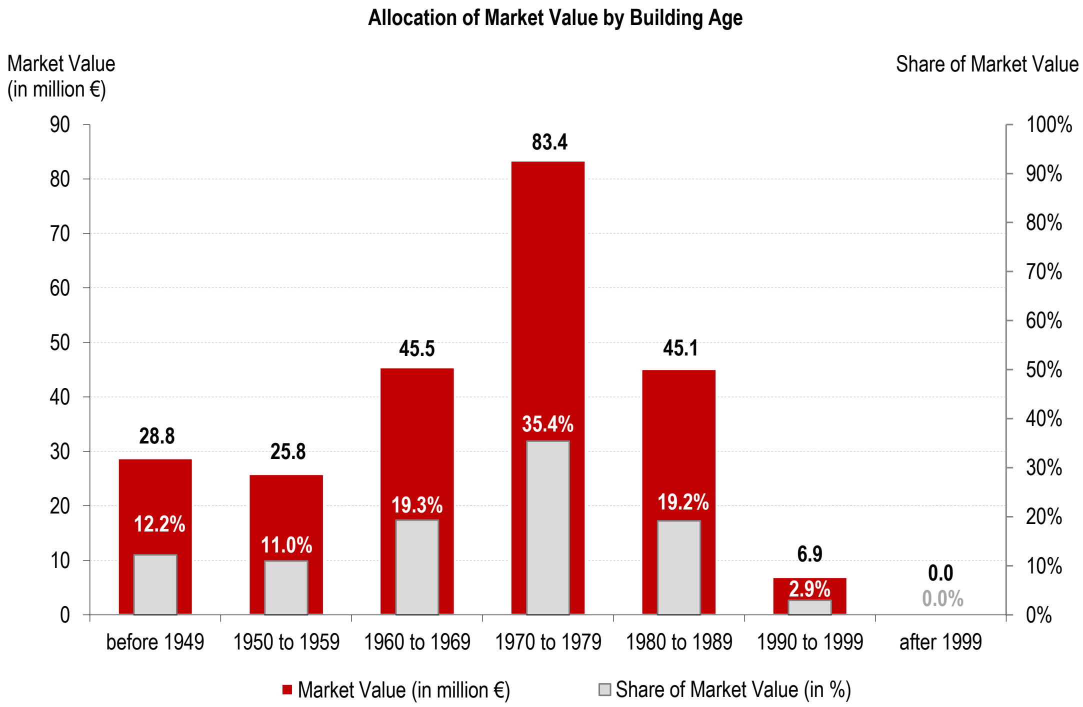
6.3 Market Value by Type Property

The value of the real estate portfolio is dominated by residential-uses. In an analysis of the Market Values according to main type of use, mixed-use buildings account for € 119.1 million (50.6%) of the portfolio value. Multi-family buildings account for € 111.0 million (47.1%). Commercial properties have a market value share of € 5.2 million (2.2%). Garages / parking spaces and the undeveloped site account for € 163,000 (0.1 %).



6.4 Market Value by Type of Building Age

The analysis of the Market Value based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 35.4% of the Market Value originates from properties built between 1970 and 1979, followed by 19.3% of the properties built between 1960 and 1969. 19.2% of the Market Value is generated from properties constructed between 1980 and 1989 and 12.2% before 1949. 11.0% of the Market Value of the lettable areas originates from properties built between 1950 and 1959, followed by 2.9% of the properties built between 1990 and 1999. There are no properties built after 1999.


Allocation of Market Value by Building Age
Market Value
(in million €)
Share of Market Value
90
80
70
60
50
40
30
20
10
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
28.8
12.2%
25.8
11.0%
45.5
19.3%
83.4
35.4%
45.1
19.2%
6.9
2.9%
0.0
0.0%
before 1949
1950 to 1959
1960 to 1969
1970 to 1979
1980 to 1989
1990 to 1999
after 1999
Market Value (in million €)
Share of Market Value (in %)

7 Valuation Definitions

Potential Rental Income

The potential rental income is the annual income generated by a property assuming full occupancy.

It is determined by assuming the letting of vacant spaces at market rents and adding this figure to the net rents generated by a property. The rental income is calculated by using the respective valuation date as a reference point and multiplying this figure by 12 months.

Current Rental Income

The current rental income is the income a property effectively generates as at the valuation date, taking into account the existing vacancies.

Market Rent (MR)

The Market Rent is the rent for a lettable unit, without service costs such as heating, electricity or gas. The Market Rent is derived from a comparison with other properties of the same construction, real estate and fit-out category. The economic principle applies that the rent price formation is based upon the interplay between supply and demand in the housing market.

The estimated rental value indicates Jones Lang LaSalle's opinion of the Market Rent, which could be reasonably expected to be achieved on a new letting or rent review at a property at the time of valuation.

Gross Market Value

The sum of the discounted cash flows for Years 1 to 10 as well as the discounted final value as at the date of valuation (please refer to section 5.11).

Net Market Value

The net market value results from the gross capital value less the purchaser´s costs, which equal the Market Value.

Net Operating Income

The net operating income is calculated by subtracting all non-transferable operating costs from the annual gross profit (current rental income).

Net Initial Yield

The net initial yield is defined as the ratio of the net operating income divided by the gross capital value:

Net Initial Yield =	Net Operating Income / Gross Capital Value

$$\text{Net Initial Yield} = \frac{\text{Net Operating Income}}{\text{Gross Capital Value}}$$

Net Reversionary Yield

The net reversionary yield is defined as the ratio of the net operating income (based on MR) at full occupancy minus the on-going expenditures (maintenance, management, loss of rental income, agent's fees, vacancy and ground rent costs) to the gross capital value. This yield relates the future growth in net operating income in comparison to the current acquisition costs or value of the property (incl. purchase costs).

$$\text{Net Reversionary Yield} = \frac{\text{Net Operating Income (based on MR)}}{\text{Gross Capital Value}}$$

Multiplier (with regard to Current Rent)

The multiplier is defined as the ratio of the current rental income to the Market Value.

$$\text{Multiplier (based on Current Rent)} = \frac{\text{Net Market Value}}{\text{Current Rent p.a.}}$$

Multiplier (with regard to Potential Rent)

The multiplier is defined as the ratio of the potential rent to the Market Value.

$$\text{Multiplier (based on Potential Rent)} = \frac{\text{Net Market Value}}{\text{Potential Rent p.a.}}$$

8 Conclusion

This Portfolio Summary Report was prepared by Jones Lang LaSalle, Berlin, dated 23 July 2014 and has been authorised for use by Westgrund Aktiengesellschaft, Germany as well as the addressees listed under Section 1.2 of this report.

Berlin, 23 July 2014
Jones Lang LaSalle GmbH
Germany

ppa. Andrew M. Groom MRICS
International Director
Head of Valuation & Transaction Advisory

ppa. Roman Heidrich MRICS
National Director
Team Leader Residential Valuation Berlin

Portfolio Summary Report (signing 2014 acquisition portfolio)

This Portfolio Summary Report has been prepared by Jones Lang LaSalle GmbH in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes ('International Valuation Standards'), the Valuation Standards of the Royal Institution of Chartered Surveyors ('Red Book') and the International Financial Reporting Standards (IFRS) following the completion of our assessment of Market Value, as at valuation date 30 June 2014 of the portfolio of IAS 40 properties (the 'properties') of Westgrund Aktiengesellschaft (hereinafter 'client').

The Westgrund Aktiengesellschaft portfolio consists of 1,068 residential units, 247 garages/car parking spaces and 15 miscellaneous rental units (e.g. including cellars, antennae, advertisements and vending machines) with a total lettable area of around 60,843 sqm, located in 10 locations within Saxony and Mecklenburg-Western Pomerania.

Client

Westgrund Aktiengesellschaft
Joachimstaler Straße 34
10719 Berlin
Germany

Valuer

Jones Lang LaSalle GmbH
Berliner Freiheit 2
10785 Berlin
Germany

Dates of Valuation:

30 June 2014

Date of Portfolio Summary Report:

23 July 2014

Summary of Valuation Results

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the client, and subject to the assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Westgrund Aktiengesellschaft (hereinafter 'client') as at the effective date of Valuation, 30 June 2014, was as follows:

€ 43,939,000

(Forty-three million, nine hundred thirty-nine thousand euros)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	60,843 sqm
Average market value per sqm of lettable area:	€ 722
Current rental income (gross) per annum:	€ 3,650,594
Potential rental income (gross) per annum:	€ 3,816,769
Market rental value (gross) per annum:	€ 3,844,454
Multiplier (based on current rent):	12.0-fold
Multiplier (based on potential rent):	11.5-fold
Multiplier (based on market rent):	11.4-fold
Gross initial yield:	8.31%
Net initial yield:	6.04%
Net reversionary yield:	6.45%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the summary report.

Table of Contents

1 Brief and Scope of Instruction

1.1 Instruction & Purpose of Valuation Report

As instructed by Westgrund Aktiengesellschaft (the 'Client'), Jones Lang LaSalle GmbH (hereinafter 'Jones Lang LaSalle'), has examined the properties of the client and carried out a valuation (the 'Valuation') to determine the Market Value, as at 30 June 2014, of the freehold and leasehold interests (as appropriate) in each of the properties.

We understand that this Valuation Report is required firstly, to confirm the Market Value of the real estate assets as at 30 June 2014, respectively, for the Board of Westgrund Aktiengesellschaft. Furthermore this Valuation Report will be included in a prospectus (the 'Prospectus') for (i) public offering of new shares of Westgrund Aktiengesellschaft to be issued by way of a capital increase with indirect subscription rights for the existing shareholders ("New Shares") and (ii) the admission of the entire share capital of Westgrund Aktiengesellschaft and of the New Shares to trading on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) to be approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht "BaFin") in accordance with the Law of 22 June 2005 on prospectuses for securities, as amended, and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 as recently amended and notified to the Commission de Surveillance du Secteur Financier ("CSSF"). Investors and the Client's shareholders will rely on the Prospectus in making their decision to acquire the New Shares and to invest in the company.

1.2 Addressees

The Valuation Report is addressed to and may be relied upon only by:

- Westgrund Aktiengesellschaft, Joachimstaler Straße 34, 10719 Berlin, Germany;
- further banks, Westgrund Aktiengesellschaft's existing shareholders, investors and their respective affiliates

  The valuation report is intended solely for the addressees and may be used only for the purpose specified here.

1.3 Publication

Jones Lang LaSalle acknowledges and agrees that the Valuation Report will appear in unchanged format in the Prospectus and - if applicable - in the Offering Circular. Before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents (other than as contemplated in this Prospectus), or any part thereof, are otherwise disclosed verbally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must be first obtained. For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle is referred to by name and whether or not the contents of our Valuation Report are combined with others. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in the Valuation Report may be cited and summarised elsewhere in the Prospectus and - if applicable - the Offering Circular.

1.4 Assignment of Rights to Third Parties

The addressees of the Valuation Report are not entitled to assign their rights – either in whole or in part – to third parties.

1.5 Status of Valuer and Conflicts of Interest

We confirm that Jones Lang LaSalle has undertaken the Valuation acting as External Valuers, as defined by the RICS Red Book, qualified for the purpose of the Valuation.

Furthermore we confirm that Jones Lang LaSalle has acted as an Independent Valuer according to the definition of ESMA guidelines (ESMA (European Securities and Markets Authority) update of the CESR recommendations - The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, dated March 20, 2013).

Finally we confirm that Jones Lang LaSalle is not aware of any actual or potential conflict of interest that may have influenced its status as External or Independent Valuer.

1.6 Scope of Work

The scope of work has been carried out for the Market Valuation, including the following processes:

- Analysis and evaluation of the property information (e.g. property database, rent roll, land register extracts, information to leasehold properties, etc.) provided by the client;
- Analysis, evaluation and interpretation of the properties (e.g. location, type of property etc.);
- Inspection of all individual property units, as well as the determination of a qualified sample of representative units for the internal inspection;
- Individual market and locational analysis of all properties;
- Determination of the Market Value on an individual property basis.

1.7 Subject of Valuation

The subject of the Valuation is the main part of the IAS 40 portfolio belonging to Westgrund Aktiengesellschaft (the 'Westgrund Aktiengesellschaft portfolio' or 'portfolio'). The portfolio consists of 1,330 rental units in total and is divided into 1,068 private residential units as well as 247 garages/car parking spaces and 15 miscellaneous units (e.g. cellars, antennae, advertisements and vending machines). The total lettable area amounts to 60,843 sqm of which 60,843 sqm is defined as residential space.

1.8 Valuation Definitions

Market Value

Our Valuations have been prepared in accordance with the appropriate sections of the latest Valuation Standards (VS) contained within the latest Appraisal and Valuation Standards, (2014: 9th Edition) (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuation Standards, and in accordance with IVSC International Valuation Standard 1 (IVS 1), the International Accounting Standards (IAS), International Financing Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Markets Authority (ESMA) on the basis of Market Value. This is included in the General Principles Adopted in the Preparation of Valuations and Reports of Jones Lang LaSalle. This is an internationally accepted basis of valuation. The Market Value is defined as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The above definition concurs with that the concept of 'Fair Value' defined by the currently valid International Financial Reporting Standards and the appropriate International Accounting Standard 40, paragraphs 1-86.

In undertaking our Valuations on the basis of Market Value, we have considered the comments made by the International Valuation Standards Council, which are included in the Red Book standards.

Market Rent

The Market Rent is assessed in accordance with the Red Book (2014, 9th Edition) VPS 4 1.3.1., which has been approved by the International Valuation Standards Committee. Under these provisions, the Market Rent represents

'The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

In accordance with the above, where the properties or parts thereof are vacant at the date of Valuation, the rental value reflects the Market Rent that we consider obtainable on an open market letting for vacant areas as at the date of Valuation.

1.9 Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a 'supposition taken to be true' ('assumption'). Assumptions are:

'Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process.'

In undertaking our Valuation, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, we have let the client confirm that our assumptions are correct to the best of their knowledge. In the event that any of these assumptions prove to be incorrect, then our Valuation would require to be reviewed.

Database

The client has provided Jones Lang LaSalle with the latest property-related databases at corresponding valuation dates. This included key information such as addresses, construction years, number of units, lettable areas, vacancy rates and current rental income on a single unit basis. We have assumed that the information the client have supplied to us in respect to the subject portfolio is complete, correct and up to date and that the accuracy of all such documents has been confirmed by the client.

Jones Lang LaSalle has carried out a verification of such data on the basis of qualified samples, which were then checked for accuracy and plausibility. No abnormalities were detected in the results. Furthermore, land register extracts, information regarding public easements and leasehold have been made available. These documents were sampled and checked for plausibility accordingly, whereby Jones Lang LaSalle again detected no abnormalities. We have assumed the accuracy of the documents that have been provided to us by the client and that all such documents have been verified by the client.

1.10 Timeline

Confirmation of instruction:	23 July 2014
Delivery of Portfolio Summary Report:	23 July 2014

1.11 Date of Valuation

The date of valuation is 30 June 2014.

1.12 Taxation and Costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon disposals.

1.13 Value Added Tax

The Market Values and Market Rents listed in this Valuation Report do not include the relevant Value Added Tax at the prevailing rate.

1.14 Currency

The currency referred to in the Valuation Report is Euros (€).

1.15 Roundings

Due to the calculation basis, marginal differences can occur in the roundings of the numbers (€, %, etc.).

1.16 Legal Terms

The valuation is conducted on the following legal basis:

- Rent increase: §§ 556 - 561 BGB (German Civil Code, Chapter 2, Rent)
- Non-recoverable costs: Betriebskostenverordnung 2004 (valid for rental contracts from January 2004 onwards)
- II. Berechnungsverordnung 2004
- Valuation methods: RICS Valuation - Professional Standards 2014 (the “Red Book”)
- TEGoVA European Valuation Standards
- International Financial Reporting Standards
- International Accounting Standard (IAS) 40 numbers 1 – 86

2 Portfolio Overview

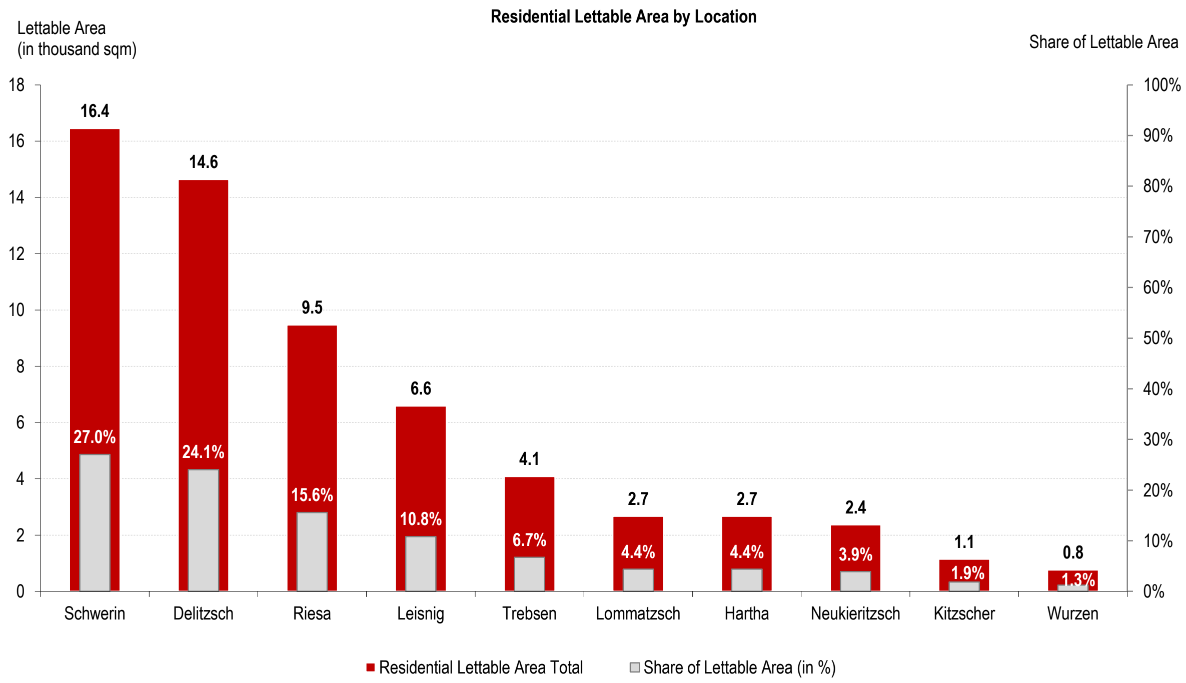
2.1 General Overview

The properties within the whole portfolio of the client are located in Saxony and Mecklenburg-Western Pomerania.

The distribution of the properties in the portfolio is depicted in the following map:

2.2 Analysis of Units and Areas by Location

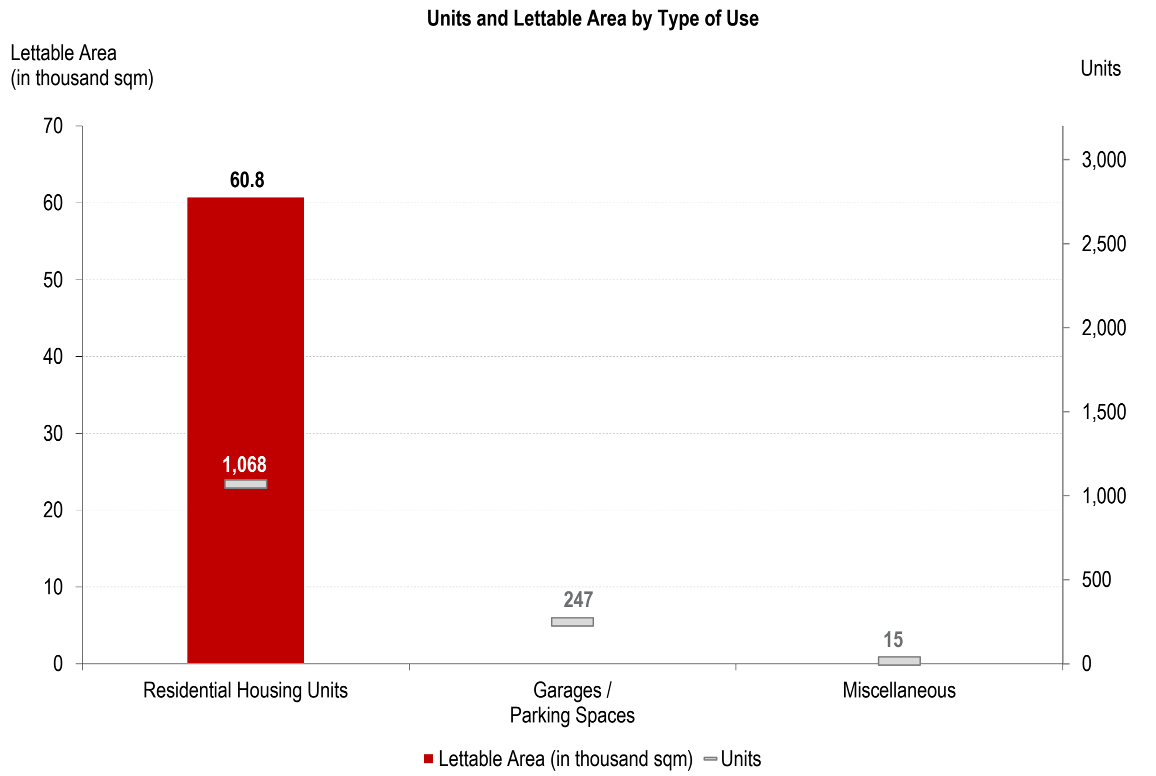
The portfolio, which for the most part comprises residential-use properties, consists of 1,068 rental units in total, as at the valuation dates. 84.2% of the total 60,843 sqm residential space (919 residential units) is situated in the following cities: namely Schwerin, Delitzsch, Riesa, Leisnig and Trebsen. The cities with the highest share of lettable residential area are Schwerin (16,449 sqm) and Delitzsch (14,637 sqm).

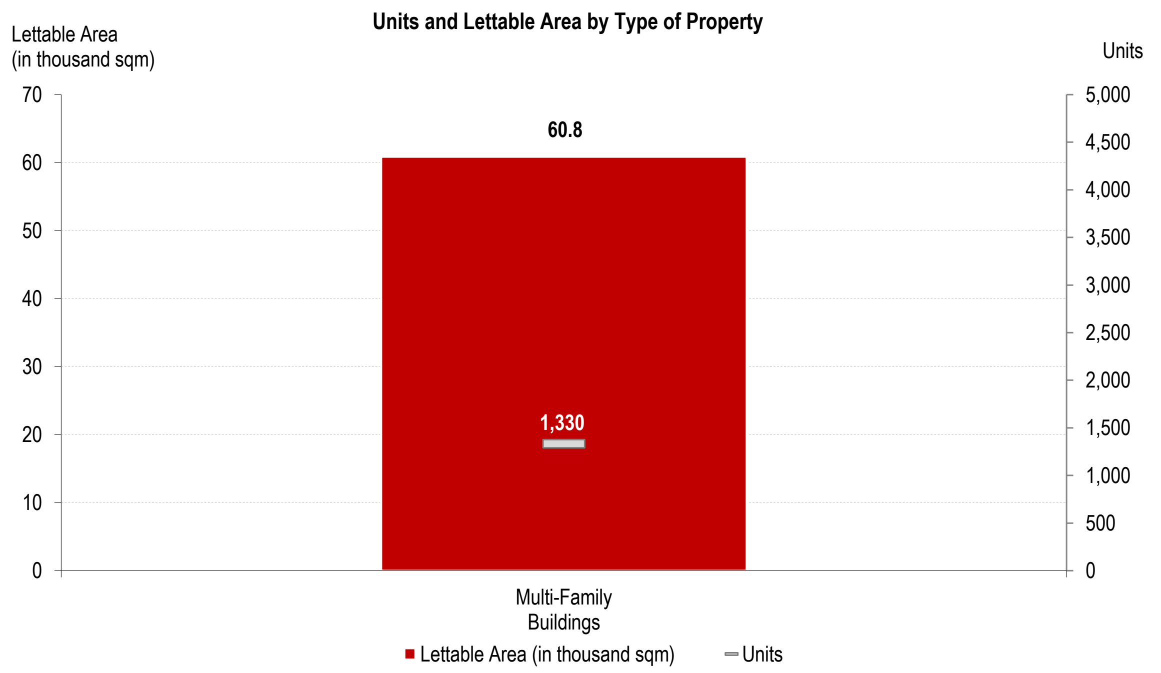


Location	Residential Housing Units	Garages / Parking Spaces	Miscellaneous	Units Total
Delitzsch	310	247	12	569
Schwerin	281	-	-	281
Riesa	158	-	2	160
Leisnig	106	-	1	107
Trebsen	64	-	-	64
Lommatzsch	42	-	-	42
Hartha	42	-	-	42
Neukieritzsch	35	-	-	35
Kitzscher	18	-	-	18
Wurzen	12	-	-	12
Other Locations	-	-	-	-
Total	**1,068**	**247**	**15**	**1,330**

2.3 Analysis of Units and Areas by Type of Use and Property

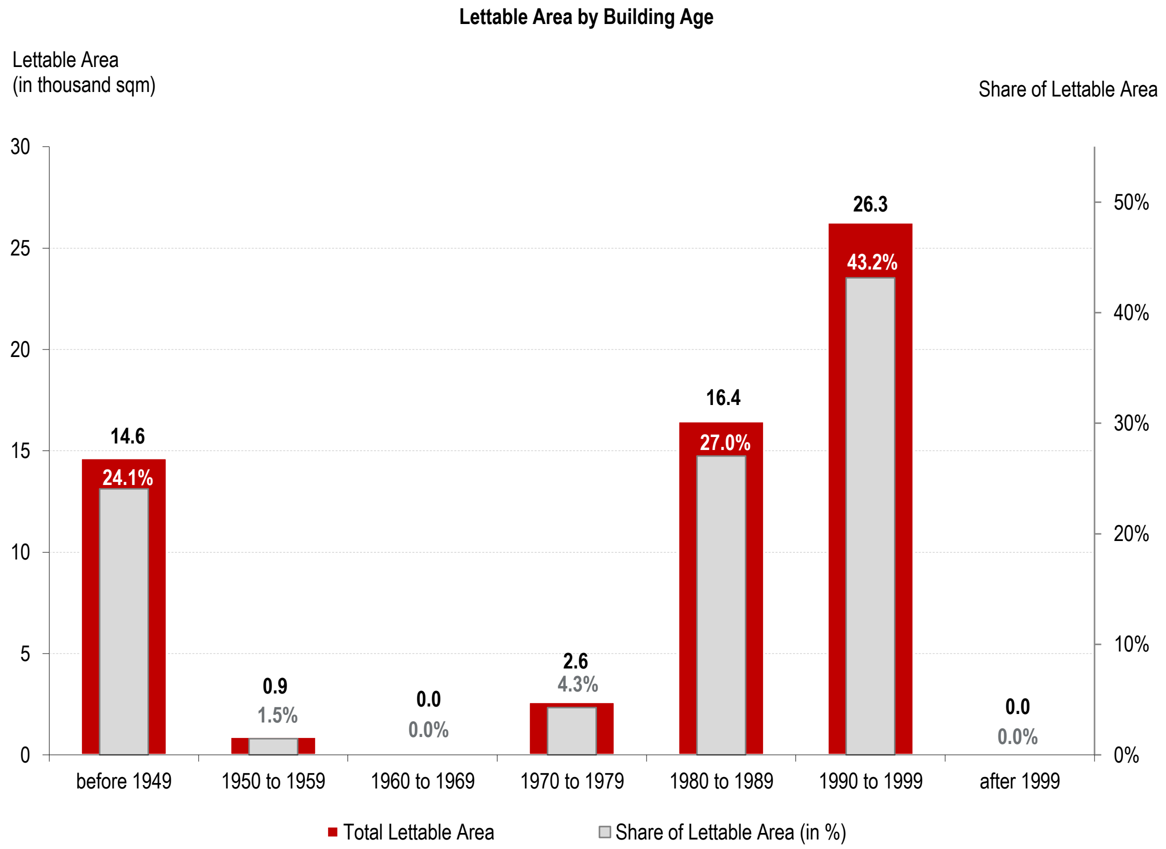
The portfolio includes 1,068 residential housing units, of which all are private housing units. Furthermore the portfolio includes 247 garages and/or parking spaces and a further 15 miscellaneous units (such as cellars, antennae, advertisements and vending machines).


Units and Lettable Area by Type of Use
Lettable Area
(in thousand sqm)
Units
70
60
50
40
30
20
10
0
3,000
2,500
2,000
1,500
1,000
500
0
60.8
1,068
247
15
Residential Housing Units
Garages /
Parking Spaces
Miscellaneous
Lettable Area (in thousand sqm)
Units


Units and Lettable Area by Type of Property
Lettable Area
(in thousand sqm)
Units
70
60
50
40
30
20
10
0
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
60.8
1,330
Multi-Family
Buildings
Lettable Area (in thousand sqm)
Units

2.4 Analysis of Units and Areas by Building Age

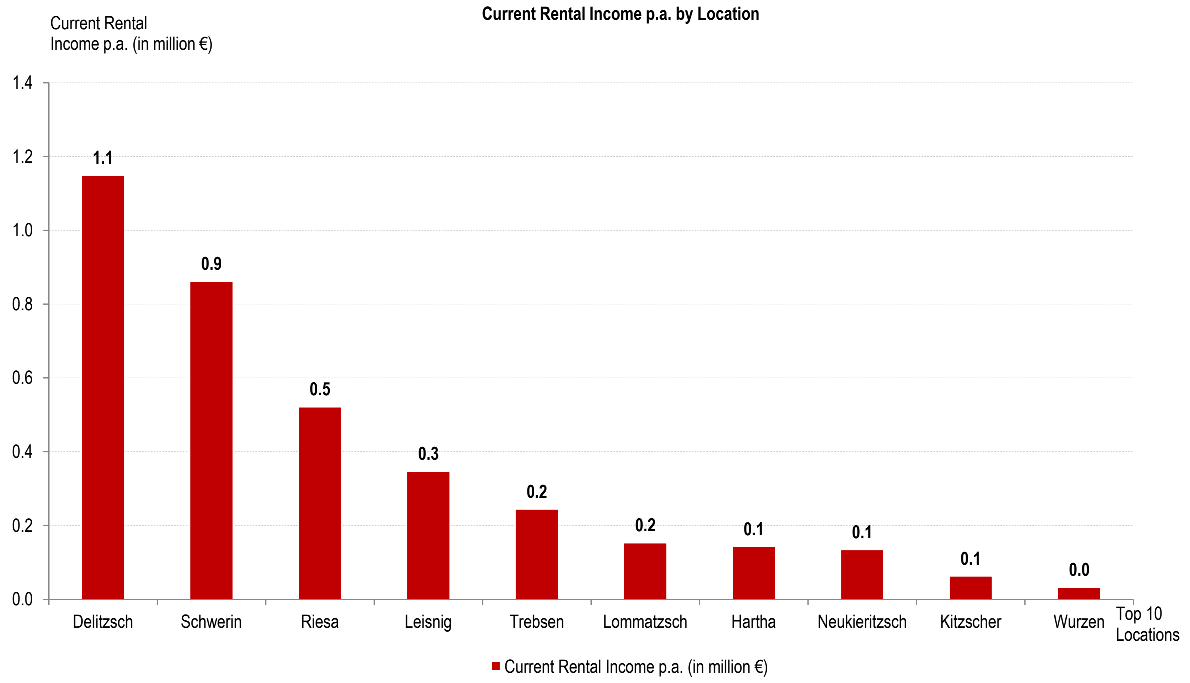
The units within the Westgrund Aktiengesellschaft portfolio have been classified in different construction year categories. The majority of residential space was built between 1990 and 1999 (43.2%), followed by properties constructed between 1980 and 1989 (27.0%) and thereafter those erected before (24.1%).



Building Age	Residential Housing Units	Garages / Parking Spaces	Miscellaneous	Units Total
before 1949	310	247	12	569
1950 to 1959	16	-	1	17
1960 to 1969	-	-	-	-
1970 to 1979	48	-	-	48
1980 to 1989	281	-	-	281
1990 to 1999	413	-	2	415
after 1999	-	-	-	-
Total	1,068	247	15	1,330

2.5 Analysis of Current Rental Income by Location

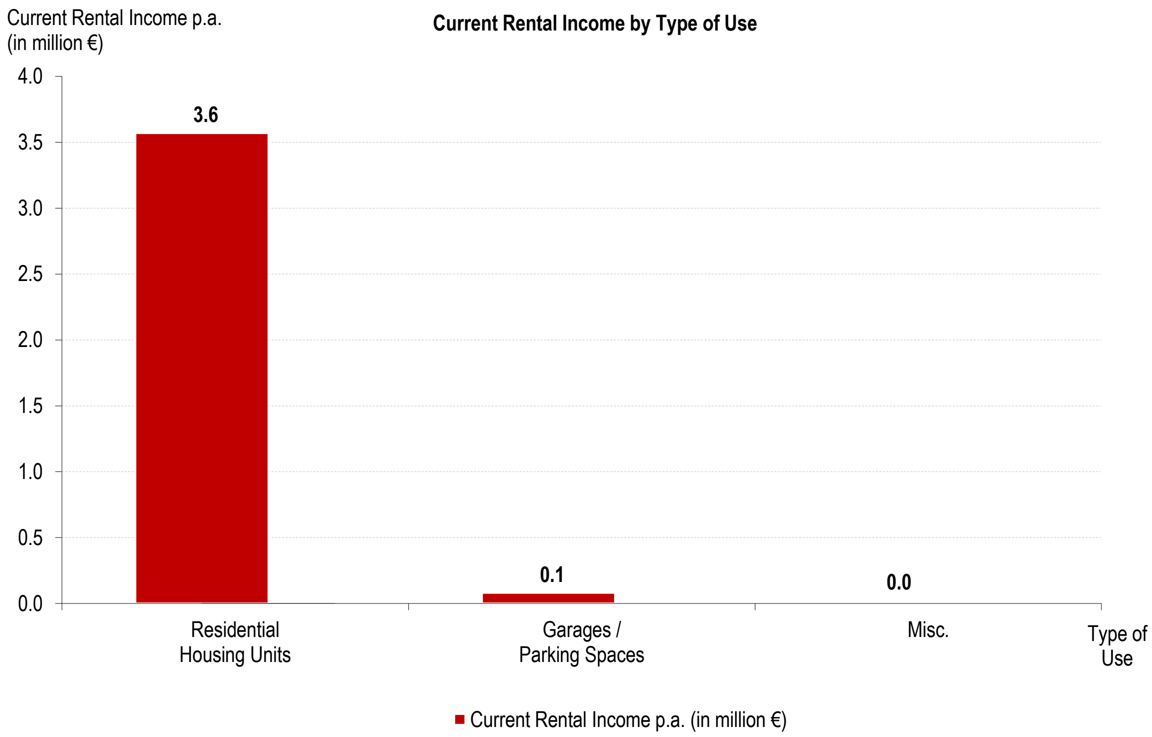
The locations namely Delitzsch, Schwerin, Riesa, Leisnig, Trebsen, Lommatzsch, Hartha, Neukieritzsch, Kitzscher and Wurzen generate approximately € 3.7 million of the total current rental income per annum for lettable space. Delitzsch produces the most rental income per annum with € 1.1 million (31.5%), followed by Schwerin with € 0.9 million (23.6%) and Riesa with € 0.5 million (14.3%).



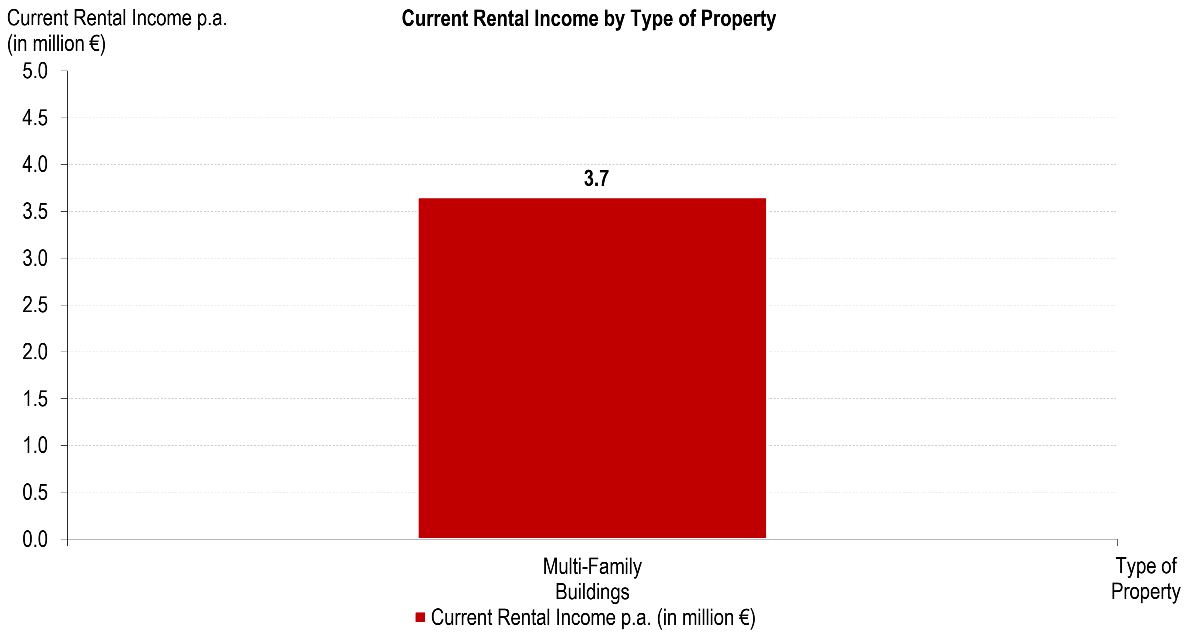
2.6 Analysis of Current Rental Income by Type of Use and Property

According to the property databases as at the respective valuation dates, the current rental income p.a. equates to € 3.7 million. Of this, € 3.6 million p.a. (97.8%) is generated through the residential units in the portfolio.

The 247 garages and/or parking spaces and the 15 miscellaneous units (such as cellars, antennae, advertisements and vending machines) generate € 0.1 million p.a. (2.2%).



From the current rental income, multi-family buildings account for € 3.7 million p.a. (100.0%).



2.7 Analysis of Current Rental Income by Building Age

The analysis of the current rental income based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 40.2% of the current rental income of the total lettable area originates from properties built between 1990 and 1999, followed by 31.5% of the current rental income generated from properties before 1949. 23.6% of the current rental income originates from properties constructed between 1980 and 1989 and 3.2% from the properties erected between 1970 and 1979. 1.5% of the current rental income originates from properties constructed between 1950 and 1959.

2.8 Assessment of the portfolio Locations

Jones Lang LaSalle developed a macro-location scoring model to assess the future prospects of the various markets in the portfolio. The relevant indicators for scoring the markets cover the demand and supply side as well as underlying economic trends:

Market demand
- population and household development (2006-2012)
- population and household forecast (2012-2025)

Economic trends
- development (2007-2012) and forecast (2012-2025) of employment
- unemployment rate and development of unemployment rate (2008-2013)
- gross domestic product per inhabitant (2012)
- purchasing power per inhabitant (2014)

Market supply
- vacancy rate (2011)
- development of vacancy rate (2006-2011)
- rent level and development (2005-2013)
- purchase prices and development (2005-2013)

The demand in the respective property markets is mainly reflected by the population and household trends. Positive population development indicates increased demand and even in the case of declining population, household growth may remain positive, due to smaller household size.
The local economic situation largely influences the ability to pay rent and determines the demand for commercial units. Positive economic indicators support rental value growth. The most important indicators are employment trends and resulting wealth, reflected by the purchasing power.
A reliable measurement of supply metrics in a local market is the vacancy rate. Oversupply results in high vacancy rates, while demand markets register low levels of vacancy. Changes in the vacancy rate indicate the market trend in recent years. The market trend is also reflected by the development of rents and prices. The absolute level of rents and prices identify the market character as mature and expensive or inexpensive and more risky.

The markets in the portfolio are segmented into three different types: A-Markets, with an above-average future prospect compared to Germany as a whole, B-Markets, with an average outlook, and C-Markets, with a below-average outlook.

Macro-location scoring of portfolio locations

2.8.1 A-Markets

A-Markets are characterised by an above-average future prospect. The population and household growth is positive and reflects increasing demand. The economy develops at a higher pace than the German economy. Residential vacancy rates are below the German average of 3.4% and commercial vacancy levels are low. The residential markets are undersupplied, which causes rents and prices to increase. Commercial rents and prices are also on a growth path.

2.8.2 B-Markets

The outlook for B-Markets is comparable to the prospect for properties in Germany as a whole. The population in most regions has been stagnating or only experienced modest growth in recent years. The forecast for population growth is negative but households and demand in these markets will likely increase until 2025. The outlook for the economy in B-Markets is at the German average. Vacancy rates are usually at or slightly above the German average of 3.4% for residential properties. For modern commercial units, the vacancy risk is moderate. Rents and prices have marginally appreciated in recent years and are forecasted to continue on this trajectory in the medium-term.

2.8.3 C-Markets

C-Markets are likely to perform below the German market average. They have already lost population and households, thus experiencing declining demand for housing and commercial units. Economic development is weak and the prospects for economic growth are weaker than for Germany as a whole. The vacancy level is above the German average. Rents and prices are below other regions of Germany and show little momentum. Rents and prices can be at risk to marginally decline in the medium-term (5-10 years) but this depends largely on the individual property.

3 Valuation Approach

3.1 Valuation units

The valued portfolio of Westgrund Aktiengesellschaft comprises 20 individual property units (client ID's). The Valuation has been carried out on an individual property unit basis in order to adequately and correctly reflect property-specific information, such as the current rental income, the vacancy rate, the existing public subsidies or the leaseholds or entries in Section II of the land register.

3.2 Site Inspections

Property and site inspections were carried on the following dates:

2014 – 18-19 February

All valuation-relevant property units were fully inspected. For internal inspections at least the staircase, basement, attic (if applicable and accessible), all other common areas as well as a vacant or in the case of fully let properties, a let apartment (in some cases not possible) were inspected with a property manager of the client.

3.3 DCF Calculation

The calculation of the Market Value has been based on the Discounted Cash Flow (DCF) method. This is an internationally recognised method, based on transparent, dynamic and explicit valuation parameters to determine the Market Value. Initially all future cash flows (both revenues and costs) for residential properties are explicitly determined for a ten-year detailed planning period. At the end of this period, a terminal value is calculated, by effectively capitalising all future projected net cash flows generated by the property. The assumptions made for the model reflect comparable analysis and decisions that would have been made by investors active in the market as at the effective date of valuation.

The cash flows for the relevant year of the detailed planning period are calculated as follows:

The potential rental income at full occupancy is reduced by the loss of rent due to vacancy and/or rent collection loss. The resulting amount reflects the current rental income. For non-subsidised housing and/or following the end of public funding for subsidised housing, rents have been adjusted with due regard to the relevant legislation (§ 558 of German Building Code, Sec. 3). This legislation states that the rent may not be increased by more than 20% (cap limit) within a three-year period and may not exceed local comparable rents. Berlin, Hamburg, Munich as well as more than 90 cities and municipalities in Bavaria and almost 60 cities and municipalities in North Rhine-Westphalia now have a cap limit of 15%. After deduction of the non-transferable costs (maintenance costs, management costs, other costs, ground rents and non-recoverable operating costs), the net cash flow is determined before taxes and debt service. The respective cash flows of the individual periods are then discounted to the date of valuation by the pre-determined discount rate (see Determination of Discount Rate, Sec. 5.11).

The calculation of the terminal value after Year 10 is carried out as follows:

In general, a stabilised cash flow (stabilised rental income less stabilised expenses) can normally be achieved by the end of Year 10. As no period-overlapping changes are expected in the cash flow after this point, the net operating income at Year 10 serves as the basis for the forecasted future cash flows.

By means of the property-specific capitalisation rate (see Determination of Capitalisation Rate, Sec. 5.11), the net operating income (NOI) is capitalised into perpetuity. The capitalised terminal value, like the cash flows of the detailed planning period, is likewise discounted to the date of valuation.

The result of the DCF method mirrors the economic view that would be taken by the majority of active market participants as at the effective date of valuation and reflects the Market Value.

4 Assumptions

4.1 Title / Legal Restrictions / Building and Other Encumbrances

The available information regarding title, legal restrictions, building and other encumbrances has been mainly made available to Jones Lang LaSalle by the client. A random sampling of the information based on the documents provided by the client was carried out. No discrepancies or points of concern were identified. Title entries registered in Section II of the sampled land registers were considered to have either no or only a minimal influence on value, if at all. Furthermore, any potential encumbrances and restrictions from Section II of the valued properties are duly registered in the land registers.

We have made the assumption that the provided copies of the available documents for the properties have been made available to us, that they are complete, correct and up to date and that such documents have been verified by the client.

Moreover based on the above and a random sampling of the available information we identified no points of concern and have made the assumption that the properties have good and marketable freehold or leasehold title in each case and that the properties are free from any depreciating rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings.

As is normal valuation practise, we have also assumed that the properties are free from mortgages, charges or other financially relevant encumbrances. Furthermore, no account has been taken in our Valuation of any goodwill that may arise from the present occupation of the properties.

4.2 Contamination and Soil Conditions

Information with regard to the suspicion of soil or other contamination for the properties has been made available to us, however, according to the client, no environmental issues for the properties as at the date of Valuation were known which are sufficient to affect value. We have not undertaken nor been instructed to conduct a formal environmental assessment, and have not carried out any investigation into past uses, either of the properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites.

We have assumed that there are no abnormal ground conditions or contamination, which are sufficient to affect value or adversely affect the present or future occupation or development of the properties. Should suspicion regarding contamination arise in the future, environmental assessment reports need to be acquired and in case contamination is detected, the Valuation would have to be appropriately adjusted.

We have also made the assumption that there are no archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

4.3 Condition and Structural Inspections, Deleterious Materials

Information regarding condition and structural reports as well as deleterious materials has been made available to us by the client, where applicable. We have not undertaken nor been instructed to conduct a formal condition or structural survey, although where building deficiencies were identified during the internal or external inspections, they were subsequently reflected in the Valuation.

The results of the inspections are based on exclusively purely visual examinations, with no guarantee as to the completeness of the information presented. Unless otherwise informed by the client, we have made the assumption that the properties are free from any mildew, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not investigated whether high alumina cement, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of any of the properties. For the purposes of this Valuation, unless otherwise informed by the client, we have made the assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the foundations of the properties are free from any defect. Unless otherwise informed by the client, we have made the assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed thereon.

4.4 Building Law

We have made the assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications are existent and that there are no outstanding statutory notices as to their construction, use or occupation. We have made a further assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply.

4.5 Town and Traffic Planning

We have made the assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply. According to the client there is no information regarding value-relevant impact of public planning projects (town or traffic planning) available.

4.6 Protection of Historic Structures

Based on the provided information by the client, no property of the portfolio is listed as historical monument.

4.7 Technical Equipment, Plant & Machinery

During our inspections, no tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services, nor have the drains been tested. Unless otherwise informed by the client, we have made the assumption that all services to the properties are functioning satisfactorily.

No allowance has been made in these Valuations for any items of plant or machinery not forming part of the service installations of the properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses.

The technical equipment in the subject properties such as passenger and goods lifts and other means of transportation, heating systems and further technical installations have been considered as integral components of the property. We have excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

4.8 Areas

We have not measured the properties, but have applied floor areas provided by the client. We have assumed that these areas have been measured and calculated in accordance with the current market practice where the properties are located. A qualified sampling of the information was verified and checked for plausibility, whereby we could not find any discrepancies.

4.9 Leases and Tenancy Information

Information regarding rental units, contractual rents, lease terms, rental terms and, where applicable, publicly subsidised units was made available to Jones Lang LaSalle by the client. A random sampling of the information was verified based on documents provided by the client. No abnormalities were detected.

We have made the assumption that copies of all relevant documents for the properties have been made available to us, that they are complete, correct and up to date and that such documents have been verified by the client.

For the purpose of the Valuation, we have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge or we have been specifically advised to the contrary, we have made the assumption that the tenants are financially in a position to meet their current obligations. Unless otherwise advised, we have also made the assumption that there are no material arrears of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

However, our Valuation reflects the type of tenants currently leasing the properties or responsible for meeting lease commitments or likely to lease vacant spaces, and the market's general perception of their creditworthiness, if appropriate.

We have also made an assumption that wherever rent reviews or lease renewals are pending or impending, all notices have been served legally within the appropriate time limits.

4.10 Taxes, Fees and Charges

No information has been made available to Jones Lang LaSalle. We have made the assumption that all public taxes, fees, charges, etc. which could have an influence on the value, have been levied and if applicable, had been paid at the time of this Valuation.

4.11 Insurance Policies

At the date of the Valuation, Jones Lang LaSalle was not aware of whether or to what extend insurance policies existed to limit the risks resulting from business activities (e.g. property insurance, liability insurance and construction insurance). As neither supporting nor contrary information was made available by the client nor known by Jones Lang LaSalle, we have made the assumption that potential claims are covered with regard to the insurance level and type by valid insurance policies.

5 Valuation Parameters

5.1 Market Rents

Jones Lang LaSalle has used the following sources for obtaining information on market rents:

- Westgrund Aktiengesellschaft Assessment (basis – rent roll)
- Rent index (Mietspiegel) for respective cities/municipalities (if available)
- Internal Jones Lang LaSalle database (leasings, transactions)
- Offered rents from the online real estate portal IDN Immodaten on street level.

Market Rent Residential

The market rents were determined in 3-steps by Jones Lang LaSalle. In the first step, the current rental income per sqm, a list of new private housing lettings from the past two years (as provided by the client) as well as the researched, quality-differentiated market rents per sqm were assigned and compared. In the second step, with consideration to the current vacancy rate and depending on the three respective rental levels per sqm (current rent, new lettings rents and the researched market rent per sqm), the preliminary market rent per sqm is determined. In the third and last step as part of the individual evaluation, the preliminary market rent per sqm undergoes on an individual assessment basis a more precise review with regard to the existing micro-location quality and the property condition and if necessary, is adjusted according to expert knowledge.

5.2 Rent Adjustment

Non-Rent Controlled Properties

The rental growth forecast applied in the Valuation was developed separately for the various types of use within the real estate market (residential, commercial, garage, parking spaces and miscellaneous) by means of a detailed analysis of the current rental situation, the regional markets and the location of the property in this market.

For non-rent controlled residential properties, a growth rate of 0.50% to 1.00% p.a. was assumed, depending on the location rating and beginning in the second year. The weighted average for non-rent controlled residential units is 0.73% p.a.

The valuation assumptions relating to the macroeconomic parameters (e.g. purchasing power) were considered on an administrative district or independent municipality level.

Commercial Buildings

The rent escalation analysis is based on the individual clauses agreed within the leases, whereby the rental income is most commonly linked to growth in the Consumer Price Index [CPI].

5.3 Rent Loss (Vacancy)

Rental loss reflects the share of the gross rental income that could have potentially been generated, if vacant units within any property had been rented out. Jones Lang LaSalle has calculated with a stabilised vacancy for each property, ranging from 2.00% to 5.00% of the gross rent p.a., depending on the local market situation, property condition, level of rent adjustment (net rent to market rent) and current vacancy rate. The stabilised weighted average rental loss for the Westgrund Aktiengesellschaft portfolio has been calculated at 2.77% of the potential rental income.

5.4 Maintenance Costs

On-going Maintenance Costs

On-going maintenance costs are non-transferable costs that are incurred during the expected useful life of a property for the preservation of the defined use of the buildings and structures (with the exception of commercial tenants), in order to remove damage caused by wear & tear, age, weather and environmental influences and/or to comply with legal requirements, to maintain the quality and yield capacity of the property.

The on-going maintenance costs have been calculated as a € per sqm-figure relating to the total lettable area.

In the Valuation, the maintenance costs for residential and commercial units range from € 7.00 to € 9.00/sqm p.a., calculated depending on the age and condition of the respective property. The weighted average amounts to € 7.66/sqm p.a. For garages and parking spaces as well as miscellaneous units, maintenance costs of € 10.00 per unit p.a., were applied.

Maintenance Costs associated with Tenant Turnover

Costs for the refurbishment of units associated with tenant turnover are incurred in order to successfully re-let a vacant flat. These costs include decorative repairs as well as renovation costs, marketing costs and non-recoverable operating costs.

Jones Lang LaSalle has estimated refurbishment costs between € 40.00/sqm and € 80/sqm for each residential unit, which becomes vacant as a result of tenant turnover.

5.5 Deferred Maintenance

No in-depth technical review (Technical Due Diligence) of the properties was instructed nor carried out for this Valuation. Based on the information provided to Jones Lang LaSalle by the client as at the date of Valuation and with reference to the results from the on-site inspections, in cases there were identified no maintenance backlog.

5.6 Management Costs (Non-Transferable)

Management costs incurred in the management of residential leases, encompassing all necessary labour and equipment as well as for the legal and optional audit of annual financial statements (with exception of commercial tenants) are normally non-transferable.

Management costs for residential buildings are dependent on location, condition and tenancy. Jones Lang LaSalle has considered management costs in the Valuation depending on location and property type of € 260 to € 280 per residential unit p.a. Management cost for parking spaces as well as garages and miscellaneous units was applied at € 30 per unit p.a.

5.7 Operating Costs (Non-Transferable)

The German Regulations on Operating Costs (Betriebskostenverordnung - BetrKV) define transferable operating costs for residential properties.

For vacant rental space, certain types of costs, such as minimum heating costs, caretaker or security costs, as well as electricity and cleaning costs, which are generally transferable, cannot be transferred. Therefore, Jones Lang LaSalle has applied for each vacant sqm of residential area non-transferable operating costs € 16.62/sqm p.a. (weighted average).

Vacancy occurs within the detailed planning period as a result of tenant fluctuation. For these vacant areas, the scheduled non-transferable costs were not taken into consideration, as these costs are already considered in the maintenance costs associated with tenant turnover.

5.8 Other Costs

'Other costs' refer to and reflect the risk of a reduction in income as a result of uncollectable arrears of rent. They also serve to cover the costs of legal action to collect payments, cancel a rental contract or clear premises. Arrears of rent, due deposit payments and due property management costs must also be taken into account under this heading. The amount of such costs depends on the local market situation, type and condition of the property, tenancy situation, quality of tenants and quality of lease agreements. These costs are calculated as percentage of the current rental income. A percentage of 1.0% of the current rental income was used in the Valuation.

5.9 Inflation

Residential Buildings

All costs, calculated on a per square metre or per unit basis, have been indexed with the average rate of inflation over the last 10 years according to the German Statistical Office.

In average the inflation increased by 1.57% per annum within the last 10 years depending on the respective valuation date. The indexation of other costs such as management costs, vacancy costs and costs for ground lease is calculated by applying the above indexation figure.

Commercial Buildings

General inflation is based on the forecast of Global Insight. Inflation was added to all costs included within the cash flow. The average long-term inflation forecast is at 2.35% per annum. This applies also to the non-recoverable ancillary costs as well as to tenant improvements.

5.10 Discount Rate and Capitalisation Rate (Cap Rate)

Discount Rate

The Discount Rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consists of an interest rate for a risk-free investment as well as a premium to account for specific investment risks associated with real estate investments.

The risk-free interest rate reflects the rate that can be achieved in the investment market for a risk-free investment. Jones Lang LaSalle uses the risk-free interest rate of around 3.78% p.a. referring to the average interest rate of the past 120 months of a 10-year bond, issued by the European Central Bank. A property-specific, weighted risk premium, which is based on a rating (market, location, property and cash flow) is applied to the risk-free interest rate in order to derive a risk-adjusted discount rate, which reflects the opportunities and risks of the properties in the market. Normal discount rates for German properties generally range between 4.5% and 9.0%, depending on market conditions, the micro-location quality, property type and use, property condition and cash flow security. The weighted discount rate for the subject portfolio stands at 6.3%, which, based on our experience, is comparable to similar transactions on the market.

Capitalisation Rate

The Capitalisation Rate (the 'Cap Rate') is used to capitalise the stabilised Net Operating Income at Year 10 into perpetuity, as it is assumed that properties are kept in stock after the detailed 10-year planning period. The Cap Rate is based on each property's individual discount rate. For the determination of the terminal value, which is based on the NOI at year 10, an individual growth rate (positive or negative) of future cash flows has been calculated. According to normal practice, the growth rate of a stabilised cash flow has then been deducted from the discount rate in order to determine the cap rate. The weighted capitalisation rate for the subject portfolio stands at 5.9%, which, based on our experience, is comparable to similar transactions on the market.

5.11 Purchaser's Costs

Purchaser's costs have been considered in the Valuation as a percentage of the Market Value. These costs include legal fees for the sale, land transfer tax, deed registration as well as agent's fees.

Depending on the valuation date and the federal state, the currently valid land transfer tax was applied in the valuations. The land transfer tax ranges over all between 3.5% and 5.0%, while the weighted land transfer tax for the subject portfolio stands at 3.79%.

Agent's fees were assumed between 0.5% to 3.5% lump sum payment in the Valuation, while notary and associated court costs were assumed to be 1.0%.

6 Valuation Results

6.1 Market Value

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the client, and subject to the assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Westgrund Aktiengesellschaft (hereinafter 'client') as at the effective date of Valuation, 30 June 2014, was as follows:

€ 43,939,000

(Forty-three million, nine hundred thirty-nine thousand euros)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	60,843 sqm
Average market value per sqm of lettable area:	€ 722
Current rental income (gross) per annum:	€ 3,650,594
Potential rental income (gross) per annum:	€ 3,816,769
Market rental value (gross) per annum:	€ 3,844,454
Multiplier (based on current rent):	12.0-fold
Multiplier (based on potential rent):	11.5-fold
Multiplier (based on market rent):	11.4-fold
Gross initial yield:	8.31%
Net initial yield:	6.04%
Net reversionary yield:	6.45%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the valuation report.

6.2 Market Value by Location

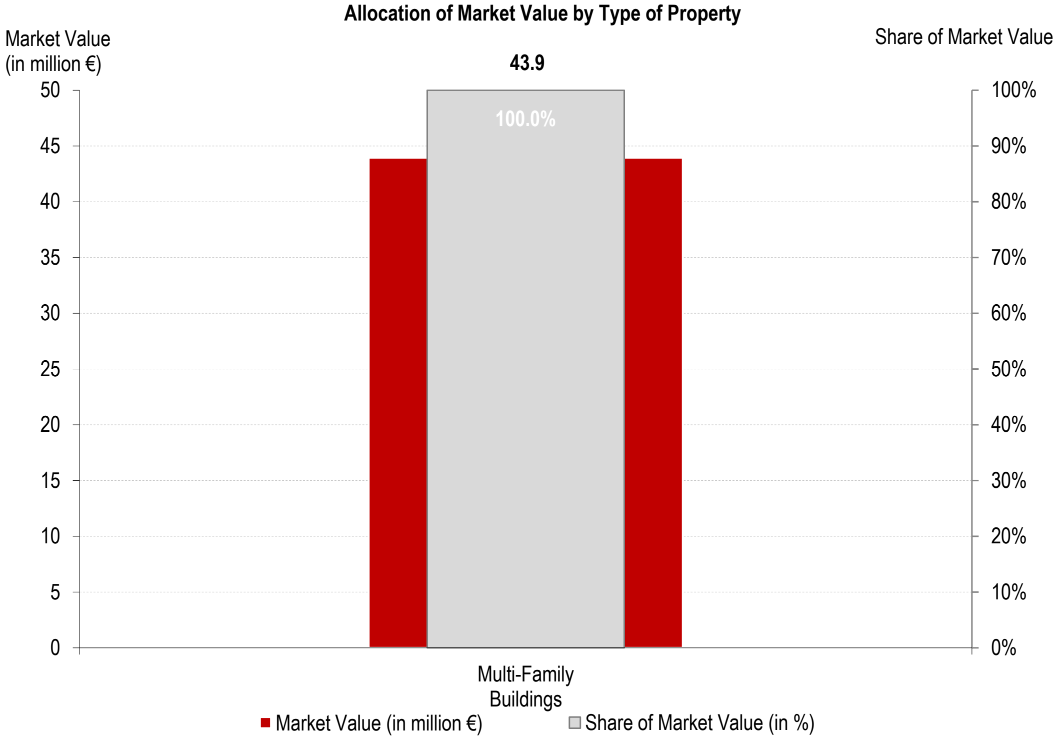
The aggregated value of the individual units by location revealed the following:

100.0% of total Market Value of the Portfolio is to be found within the top 10 locations out of the total 10 locations. The single largest concentration of value is to found in Delitzsch (measured by Market Value) with € 14.6 million (33.2%), followed by Schwerin with € 8.5 million (19.4%), Riesa with € 6.8 million (15.5%), Leisnig with € 4.4 million (10.1%) and Trebsen with € 2.9 million (6.7%).

Location	Market Value (in €)	Market Value (in €/m²)	Multiplier based on Potential Rent	Share in Market Value
Delitzsch	14,600,000	997	12.4	33.2%
Schwerin	8,520,000	518	9.5	19.4%
Riesa	6,830,000	721	12.4	15.5%
Leisnig	4,428,000	672	11.4	10.1%
Trebsen	2,940,000	720	11.8	6.7%
Lommatzsch	1,970,000	738	12.1	4.5%
Hartha	1,780,000	668	12.1	4.1%
Neukieritzsch	1,670,000	706	12.4	3.8%
Kitzscher	770,000	675	12.2	1.8%
Wurzen	431,000	563	10.4	1.0%
Total	**43,939,000**	**722**	**11.5**	**100.0%**

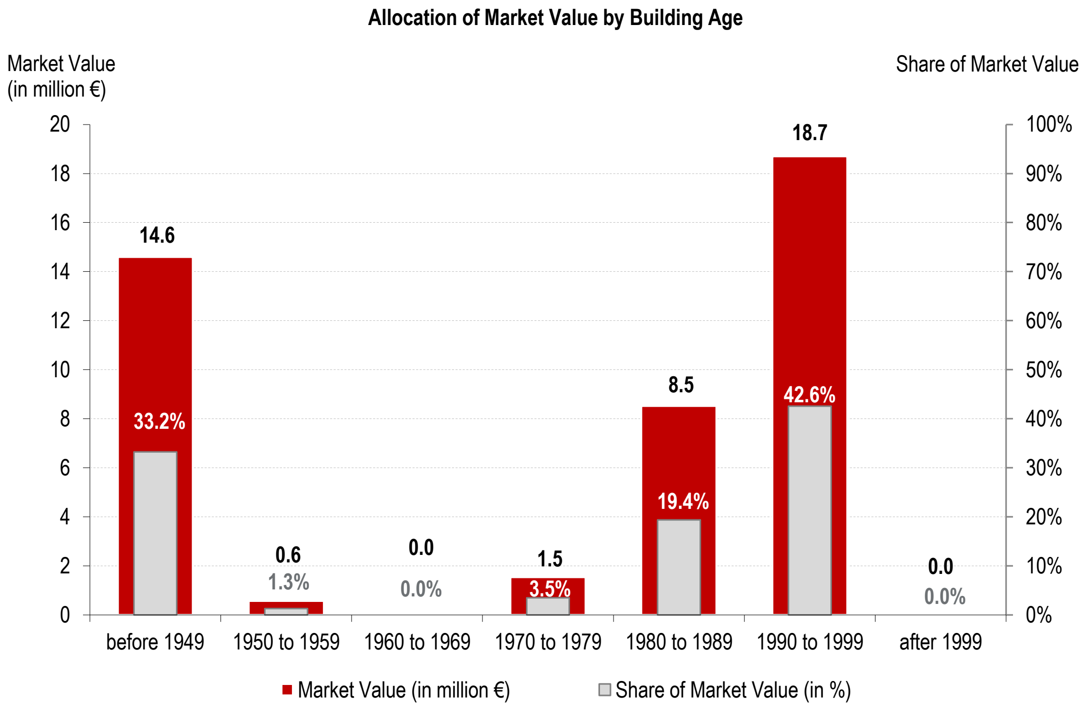
6.3 Market Value by Type Property

The value of the real estate portfolio is dominated by residential-uses. In an analysis of the Market Values according to main type of use, multi-family buildings account for € 43.9 million (100.0%) of the portfolio value.



6.4 Market Value by Type of Building Age

The analysis of the Market Value based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 42.6% of the Market Value originates from properties built between 1990 and 1999, followed by 33.2% of the properties built before 1949. 19.4% of the Market Value is generated from properties constructed between 1980 and 1989 and 3.5% between 1970 and 1979. 1.3% of the Market Value of the lettable areas originates from properties built between 1950 and 1959.


Allocation of Market Value by Building Age
Market Value
(in million €)
Share of Market Value
20
18
16
14
12
10
8
6
4
2
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
14.6
33.2%
0.6
1.3%
0.0
0.0%
1.5
3.5%
8.5
19.4%
18.7
42.6%
0.0
0.0%
before 1949
1950 to 1959
1960 to 1969
1970 to 1979
1980 to 1989
1990 to 1999
after 1999
Market Value (in million €)
Share of Market Value (in %)

7 Valuation Definitions

Potential Rental Income

The potential rental income is the annual income generated by a property assuming full occupancy.

It is determined by assuming the letting of vacant spaces at market rents and adding this figure to the net rents generated by a property. The rental income is calculated by using the respective valuation date as a reference point and multiplying this figure by 12 months.

Current Rental Income

The current rental income is the income a property effectively generates as at the valuation date, taking into account the existing vacancies.

Market Rent (MR)

The Market Rent is the rent for a lettable unit, without service costs such as heating, electricity or gas. The Market Rent is derived from a comparison with other properties of the same construction, real estate and fit-out category. The economic principle applies that the rent price formation is based upon the interplay between supply and demand in the housing market.

The estimated rental value indicates Jones Lang LaSalle's opinion of the Market Rent, which could be reasonably expected to be achieved on a new letting or rent review at a property at the time of valuation.

Gross Market Value

The sum of the discounted cash flows for Years 1 to 10 as well as the discounted final value as at the date of valuation (please refer to section 5.11).

Net Market Value

The net market value results from the gross capital value less the purchaser´s costs, which equal the Market Value.

Net Operating Income

The net operating income is calculated by subtracting all non-transferable operating costs from the annual gross profit (current rental income).

Net Initial Yield

The net initial yield is defined as the ratio of the net operating income divided by the gross capital value:

$$\text{Net Initial Yield} = \frac{\text{Net Operating Income}}{\text{Gross Capital Value}}$$

Net Reversionary Yield

The net reversionary yield is defined as the ratio of the net operating income (based on MR) at full occupancy minus the on-going expenditures (maintenance, management, loss of rental income, agent's fees, vacancy and ground rent costs) to the gross capital value. This yield relates the future growth in net operating income in comparison to the current acquisition costs or value of the property (incl. purchase costs).

$$\text{Net Reversionary Yield} = \frac{\text{Net Operating Income (based on MR)}}{\text{Gross Capital Value}}$$

Multiplier (with regard to Current Rent)

The multiplier is defined as the ratio of the current rental income to the Market Value.

$$\text{Multiplier (based on Current Rent)} = \frac{\text{Net Market Value}}{\text{Current Rent p.a.}}$$

Multiplier (with regard to Potential Rent)

The multiplier is defined as the ratio of the potential rent to the Market Value.

$$\text{Multiplier (based on Potential Rent)} = \frac{\text{Net Market Value}}{\text{Potential Rent p.a.}}$$

8 Conclusion

This Portfolio Summary Report was prepared by Jones Lang LaSalle, Berlin, dated 23 July 2014 and has been authorised for use by Westgrund Aktiengesellschaft, Germany as well as the addressees listed under Section 1.2 of this report.

Berlin, 23 July 2014
Jones Lang LaSalle GmbH
Germany

ppa. Andrew M. Groom MRICS
International Director
Head of Valuation & Transaction Advisory

ppa. Roman Heidrich MRICS
National Director
Team Leader Residential Valuation Berlin

Portfolio Summary Report (closing 2014 acquisition portfolio)

This Portfolio Summary Report has been prepared by Jones Lang LaSalle GmbH in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes ('International Valuation Standards'), the Valuation Standards of the Royal Institution of Chartered Surveyors ('Red Book') and the International Financial Reporting Standards (IFRS) following the completion of our assessment of Market Value, as at valuation date 30 June 2014 of the portfolio of IAS 40 properties (the 'properties') of Westgrund Aktiengesellschaft (hereinafter 'client').

The Westgrund Aktiengesellschaft portfolio consists of 2,069 residential units, 55 commercial units (in residential properties), 529 garages/car parking spaces and 12 miscellaneous rental units (e.g. including cellars, antennae, advertisements and vending machines) with a total lettable area of around 130,179 sqm, located in 19 locations within Saxony, Saxony-Anhalt and Thuringia.

Client

Westgrund Aktiengesellschaft
Joachimstaler Straße 34
10719 Berlin
Germany

Valuer

Jones Lang LaSalle GmbH
Berliner Freiheit 2
10785 Berlin
Germany

Dates of Valuation:

30 June 2014

Date of Portfolio Summary Report:

23 July 2014

Jones Lang LaSalle GmbH
International Real Estate Consultants
Frankfurt/Main
Local Court Frankfurt/Main, HRB no. 13139

Certified according to ISO 9001
CEO Germany: Dr. Frank Pörschke

Summary of Valuation Results

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the client, and subject to the assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Westgrund Aktiengesellschaft (hereinafter 'client') as at the effective date of Valuation, 30 June 2014, was as follows:

€ 92,597,000

(Ninety-two million, five hundred ninety-seven thousand euros)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	130,179 sqm
Average market value per sqm of lettable area:	€ 711
Current rental income (gross) per annum:	€ 7,096,893
Potential rental income (gross) per annum:	€ 7,788,542
Market rental value (gross) per annum:	€ 8,146,191
Multiplier (based on current rent):	13.0-fold
Multiplier (based on potential rent):	11.9-fold
Multiplier (based on market rent):	11.4-fold
Gross initial yield:	7.66%
Net initial yield:	5.34%
Net reversionary yield:	6.40%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the summary report.

Table of Contents

1 Brief and Scope of Instruction

1.1 Instruction & Purpose of Valuation Report

As instructed by Westgrund Aktiengesellschaft (the 'Client'), Jones Lang LaSalle GmbH (hereinafter 'Jones Lang LaSalle'), has examined the properties of the client and carried out a valuation (the 'Valuation') to determine the Market Value, as at 30 June 2014, of the freehold and leasehold interests (as appropriate) in each of the properties.

We understand that this Valuation Report is required firstly, to confirm the Market Value of the real estate assets as at 30 June 2014, respectively, for the Board of Westgrund Aktiengesellschaft. Furthermore this Valuation Report will be included in a prospectus (the 'Prospectus') for (i) public offering of new shares of Westgrund Aktiengesellschaft to be issued by way of a capital increase with indirect subscription rights for the existing shareholders ("New Shares") and (ii) the admission of the entire share capital of Westgrund Aktiengesellschaft and of the New Shares to trading on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) to be approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht "BaFin") in accordance with the Law of 22 June 2005 on prospectuses for securities, as amended, and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 as recently amended and notified to the Commission de Surveillance du Secteur Financier ("CSSF"). Investors and the Client's shareholders will rely on the Prospectus in making their decision to acquire the New Shares and to invest in the company.

1.2 Addressees

The Valuation Report is addressed to and may be relied upon only by:

- Westgrund Aktiengesellschaft, Joachimstaler Straße 34, 10719 Berlin, Germany;
- further banks, Westgrund Aktiengesellschaft's existing shareholders, investors and their respective affiliates

  The valuation report is intended solely for the addressees and may be used only for the purpose specified here.

1.3 Publication

Jones Lang LaSalle acknowledges and agrees that the Valuation Report will appear in unchanged format in the Prospectus and - if applicable - in the Offering Circular. Before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents (other than as contemplated in this Prospectus), or any part thereof, are otherwise disclosed verbally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must be first obtained. For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle is referred to by name and whether or not the contents of our Valuation Report are combined with others. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in the Valuation Report may be cited and summarised elsewhere in the Prospectus and - if applicable - the Offering Circular.

1.4 Assignment of Rights to Third Parties

The addressees of the Valuation Report are not entitled to assign their rights – either in whole or in part – to third parties.

1.5 Status of Valuer and Conflicts of Interest

We confirm that Jones Lang LaSalle has undertaken the Valuation acting as External Valuers, as defined by the RICS Red Book, qualified for the purpose of the Valuation.

Furthermore we confirm that Jones Lang LaSalle has acted as an Independent Valuer according to the definition of ESMA guidelines (ESMA (European Securities and Markets Authority) update of the CESR recommendations - The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, dated March 20, 2013).

Finally we confirm that Jones Lang LaSalle is not aware of any actual or potential conflict of interest that may have influenced its status as External or Independent Valuer.

1.6 Scope of Work

The scope of work has been carried out for the Market Valuation, including the following processes:

- Analysis and evaluation of the property information (e.g. property database, rent roll, land register extracts, information to leasehold properties, etc.) provided by the client;
- Analysis, evaluation and interpretation of the properties (e.g. location, type of property etc.);
- Inspection of all individual property units, as well as the determination of a qualified sample of representative units for the internal inspection;
- Individual market and locational analysis of all properties;
- Determination of the Market Value on an individual property basis.

1.7 Subject of Valuation

The subject of the Valuation is the main part of the IAS 40 portfolio belonging to Westgrund Aktiengesellschaft (the 'Westgrund Aktiengesellschaft portfolio' or 'portfolio'). The portfolio consists of 2,665 rental units in total and is divided into 2,069 residential units, 55 commercial units (in residential properties) as well as 529 garages/car parking spaces and 12 miscellaneous units (e.g. cellars, antennae, advertisements and vending machines). The total lettable area amounts to 130,179 sqm of which 125,232 sqm is defined as residential space and 4,947 sqm as commercial space.

1.8 Valuation Definitions

Market Value

Our Valuations have been prepared in accordance with the appropriate sections of the latest Valuation Standards (VS) contained within the latest Appraisal and Valuation Standards, (2014: 9th Edition) (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuation Standards, and in accordance with IVSC International Valuation Standard 1 (IVS 1), the International Accounting Standards (IAS), International Financing Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Markets Authority (ESMA) on the basis of Market Value. This is included in the General Principles Adopted in the Preparation of Valuations and Reports of Jones Lang LaSalle. This is an internationally accepted basis of valuation. The Market Value is defined as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The above definition concurs with that the concept of 'Fair Value' defined by the currently valid International Financial Reporting Standards and the appropriate International Accounting Standard 40, paragraphs 1-86.

In undertaking our Valuations on the basis of Market Value, we have considered the comments made by the International Valuation Standards Council, which are included in the Red Book standards.

Market Rent

The Market Rent is assessed in accordance with the Red Book (2014, 9th Edition) VPS 4 1.3.1., which has been approved by the International Valuation Standards Committee. Under these provisions, the Market Rent represents

'The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

In accordance with the above, where the properties or parts thereof are vacant at the date of Valuation, the rental value reflects the Market Rent that we consider obtainable on an open market letting for vacant areas as at the date of Valuation.

1.9 Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a 'supposition taken to be true' ('assumption'). Assumptions are:

'Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process.'

In undertaking our Valuation, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, we have let the client confirm that our assumptions are correct to the best of their knowledge. In the event that any of these assumptions prove to be incorrect, then our Valuation would require to be reviewed.

Database

The client has provided Jones Lang LaSalle with the latest property-related databases at corresponding valuation dates. This included key information such as addresses, construction years, number of units, lettable areas, vacancy rates and current rental income on a single unit basis. We have assumed that the information the client have supplied to us in respect to the subject portfolio is complete, correct and up to date and that the accuracy of all such documents has been confirmed by the client.

Jones Lang LaSalle has carried out a verification of such data on the basis of qualified samples, which were then checked for accuracy and plausibility. No abnormalities were detected in the results. Furthermore, land register extracts, information regarding public easements and leasehold have been made available. These documents were sampled and checked for plausibility accordingly, whereby Jones Lang LaSalle again detected no abnormalities. We have assumed the accuracy of the documents that have been provided to us by the client and that all such documents have been verified by the client.

1.10 Timeline

Confirmation of instruction:	23 July 2014
Delivery of Portfolio Summary Report:	23 July 2014

1.11 Date of Valuation

The date of valuation is 30 June 2014.

1.12 Taxation and Costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon disposals.

1.13 Value Added Tax

The Market Values and Market Rents listed in this Valuation Report do not include the relevant Value Added Tax at the prevailing rate.

1.14 Currency

The currency referred to in the Valuation Report is Euros (€).

1.15 Roundings

Due to the calculation basis, marginal differences can occur in the roundings of the numbers (€, %, etc.).

1.16 Legal Terms

The valuation is conducted on the following legal basis:

- Rent increase: §§ 556 - 561 BGB (German Civil Code, Chapter 2, Rent)
- Non-recoverable costs: Betriebskostenverordnung 2004 (valid for rental contracts from January 2004 onwards)
- II. Berechnungsverordnung 2004
- Valuation methods: RICS Valuation - Professional Standards 2014 (the “Red Book”)
- TEGoVA European Valuation Standards
- International Financial Reporting Standards
- International Accounting Standard (IAS) 40 numbers 1 – 86

2 Portfolio Overview

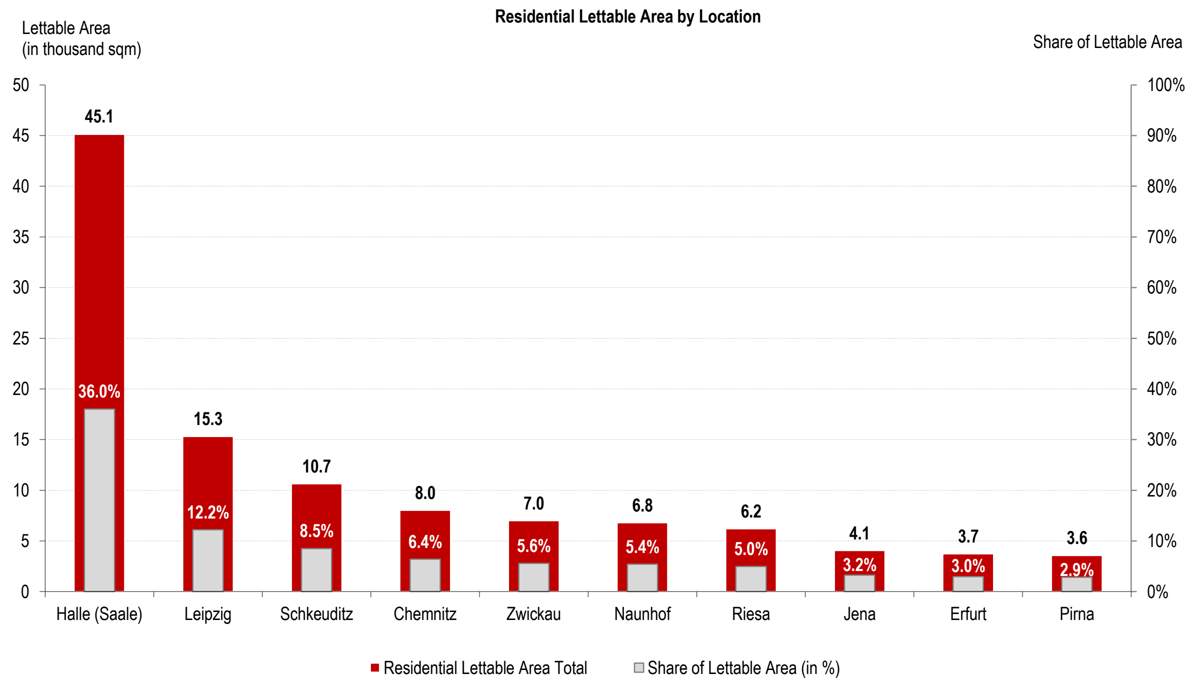
2.1 General Overview

The properties within the whole portfolio of the client are located in Saxony, Saxony-Anhalt and Thuringia.

The distribution of the properties in the portfolio is depicted in the following map:

2.2 Analysis of Units and Areas by Location

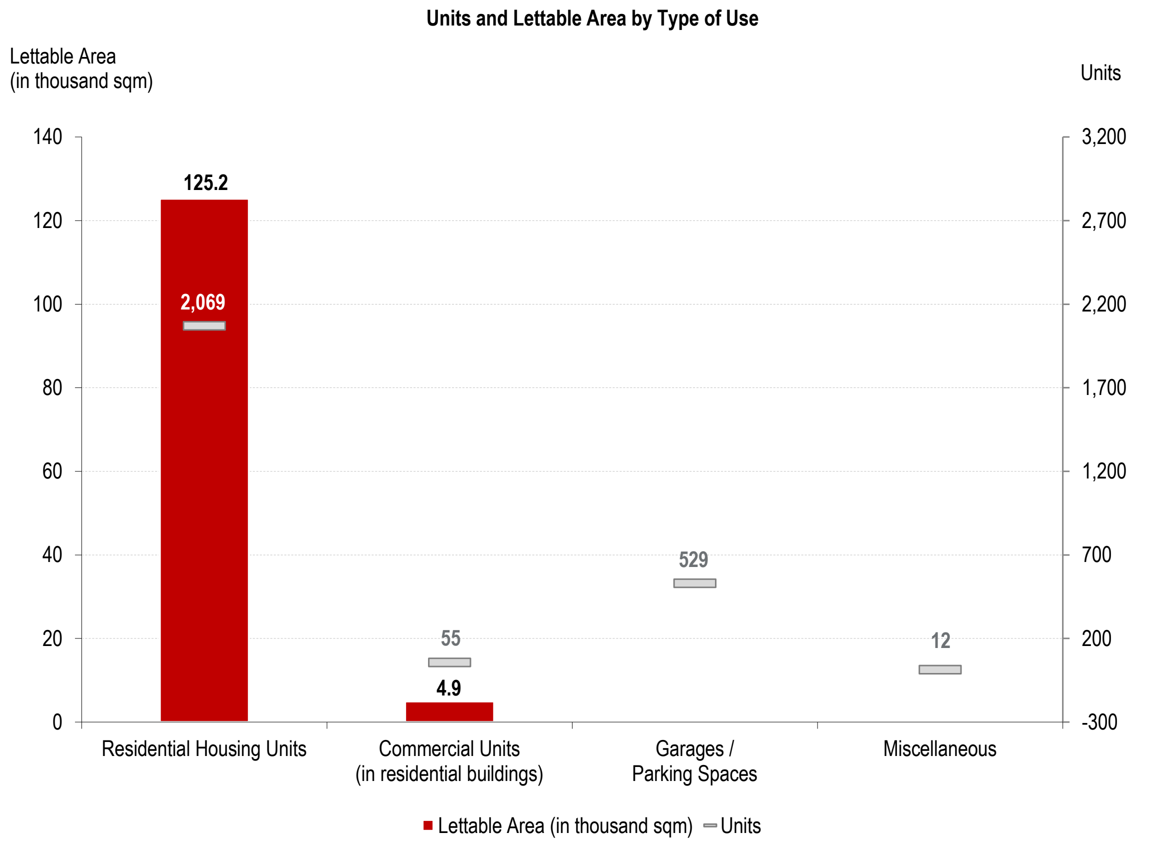
The portfolio, which for the most part comprises residential-use properties, consists of 2,665 rental units in total, as at the valuation dates. 88.2% of the total 125,232 sqm residential space (1,853 residential units) is situated in the following cities: namely Halle (Saale), Leipzig, Schkeuditz, Chemnitz, Zwickau, Naunhof, Riesa, Jena, Erfurt and Pirna. The cities with the highest share of lettable residential area are Halle (Saale) (45,131 sqm) and Leipzig (15,304 sqm).

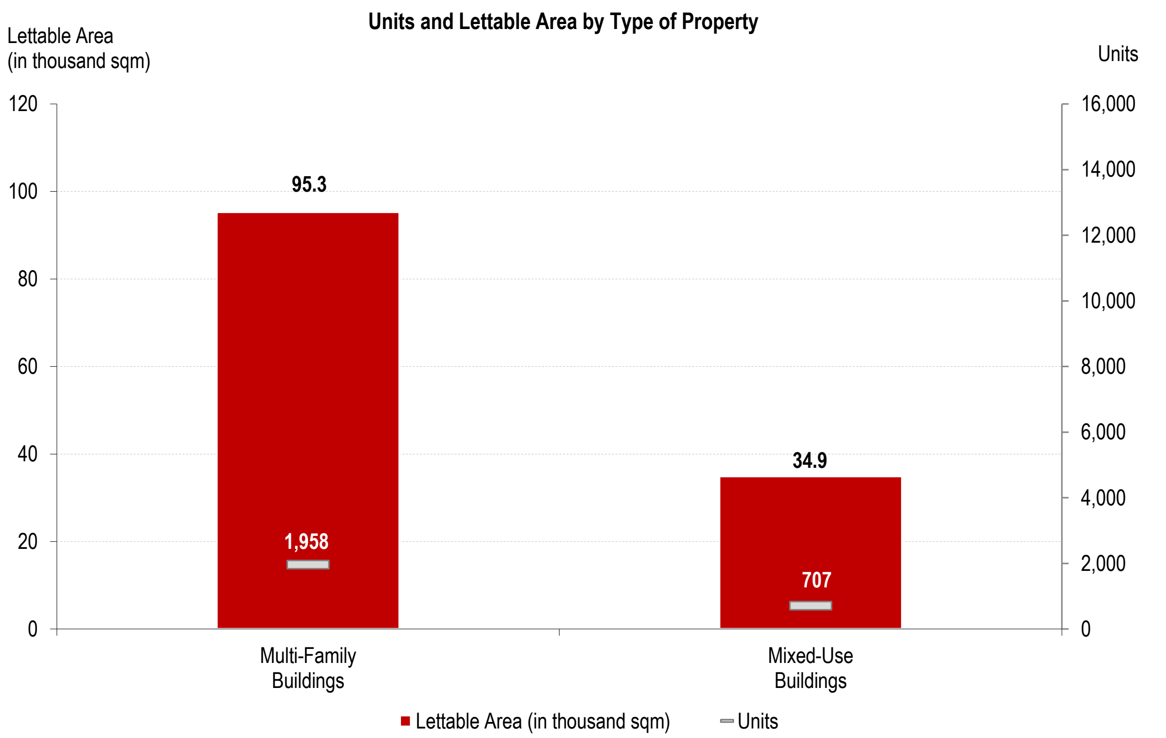


Location	Residential Housing Units	Commercial Units (in residential buildings)	Garages / Parking Spaces	Miscellaneous	Units Total
Halle (Saale)	797	9	1	-	807
Leipzig	252	6	113	2	373
Schkeuditz	191	-	25	-	216
Chemnitz	144	7	7	4	162
Zwickau	110	2	21	-	133
Riesa	89	11	76	2	178
Naunhof	85	1	119	1	206
Jena	74	6	10	1	91
Erfurt	59	-	24	-	83
Pirna	52	-	32	-	84
Other Locations	216	13	101	2	332
Total	2,069	55	529	12	2,665

2.3 Analysis of Units and Areas by Type of Use and Property

The portfolio includes 2,069 residential housing units, of which all are private housing units. Furthermore the portfolio includes 55 commercial units in residential properties, 529 garages and/or parking spaces and a further 12 miscellaneous units (such as cellars, antennae, advertisements and vending machines).

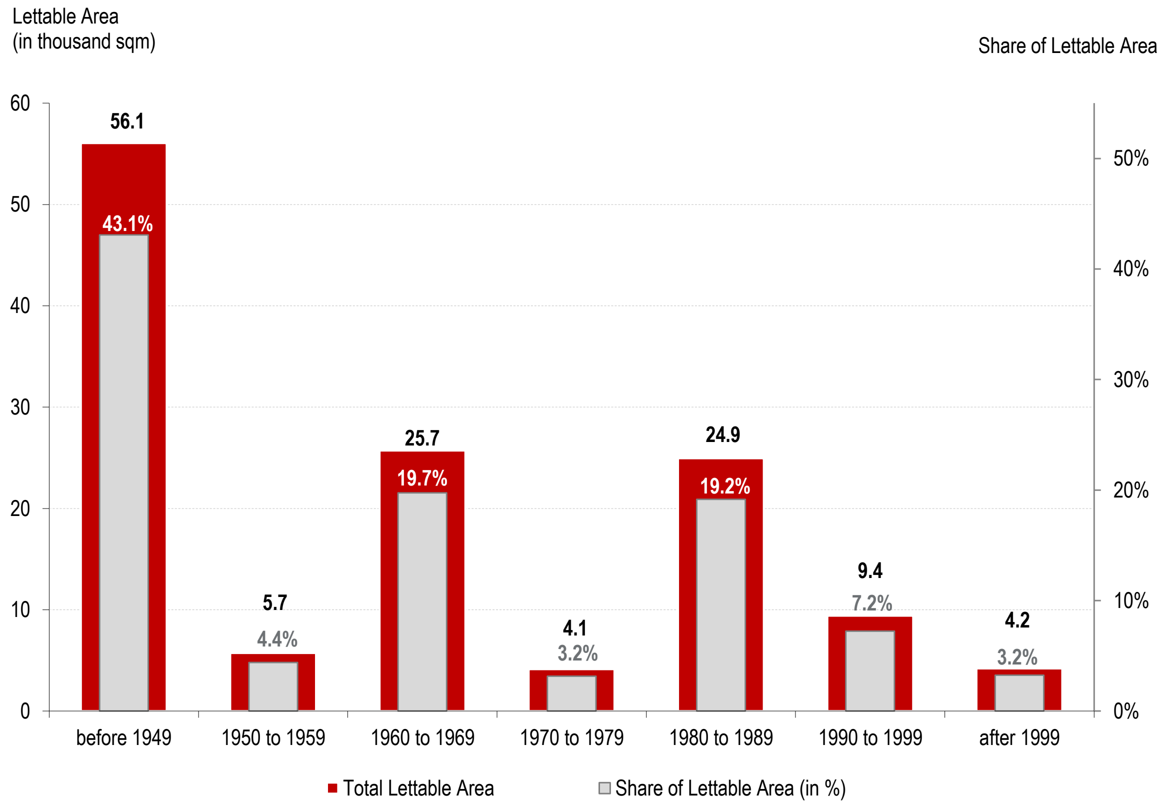

Units and Lettable Area by Type of Use
Lettable Area
(in thousand sqm)
Units
140
120
100
80
60
40
20
0
3,200
2,700
2,200
1,700
1,200
700
200
-300
125.2
2,069
55
4.9
529
12
Residential Housing Units
Commercial Units
(in residential buildings)
Garages /
Parking Spaces
Miscellaneous
Lettable Area (in thousand sqm)
Units


Units and Lettable Area by Type of Property
Lettable Area
(in thousand sqm)
Units
120
100
80
60
40
20
0
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
95.3
1,958
34.9
707
Multi-Family
Buildings
Mixed-Use
Buildings
Lettable Area (in thousand sqm)
Units

2.4 Analysis of Units and Areas by Building Age

The units within the Westgrund Aktiengesellschaft portfolio have been classified in different construction year categories. The majority of residential space was built before 1949 (43.1%), followed by properties constructed between 1960 and 1969 (19.7%) and thereafter those erected between 1980 and 1989 (19.2%).

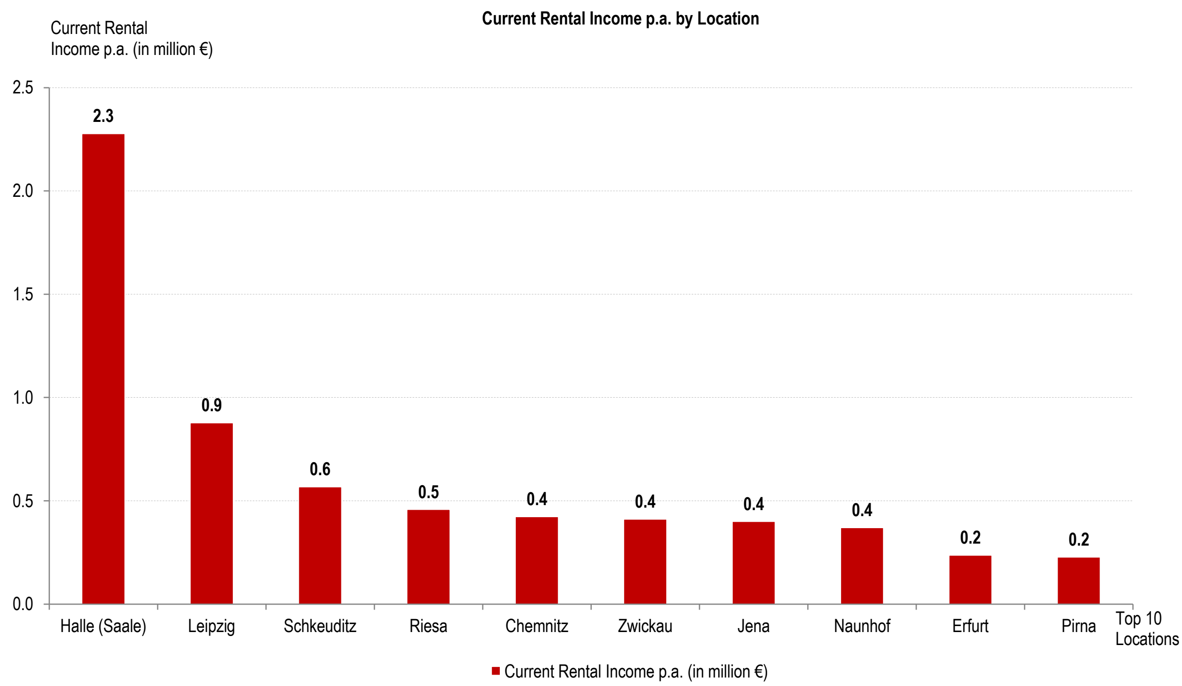
Lettable Area by Building Age



Building Age	Residential Housing Units	Commercial Units (in residential buildings)	Garages / Parking Spaces	Miscellaneous	Units Total
before 1949	824	34	278	7	1,143
1950 to 1959	91	-	20	-	111
1960 to 1969	438	11	43	2	494
1970 to 1979	69	1	19	-	89
1980 to 1989	445	-	1	-	446
1990 to 1999	137	9	136	2	284
after 1999	65	-	32	1	98
Total	2,069	55	529	12	2,665

2.5 Analysis of Current Rental Income by Location

The top 10 locations namely Halle (Saale), Leipzig, Schkeuditz, Riesa, Chemnitz, Zwickau, Jena, Naunhof, Erfurt and Pirna generate approximately € 6.3 million of the total current rental income per annum for lettable space. Thereby, the cities together generate around 88.2% of the current rental income from 87.7% of the lettable space within the entire portfolio. Halle (Saale) produces the most rental income per annum with € 2.3 million (32.1%), followed by Leipzig with € 0.9 million (12.4%) and Schkeuditz with € 0.6 million (8.0%).

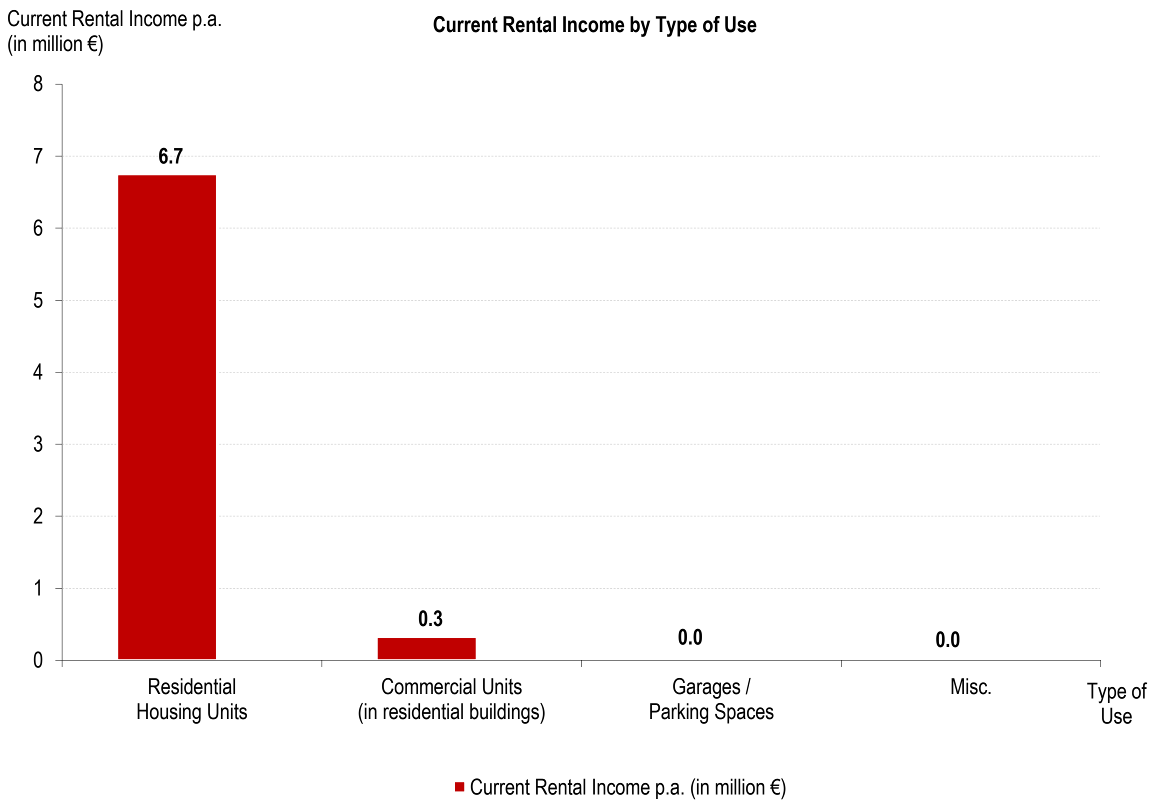


2.6 Analysis of Current Rental Income by Type of Use and Property

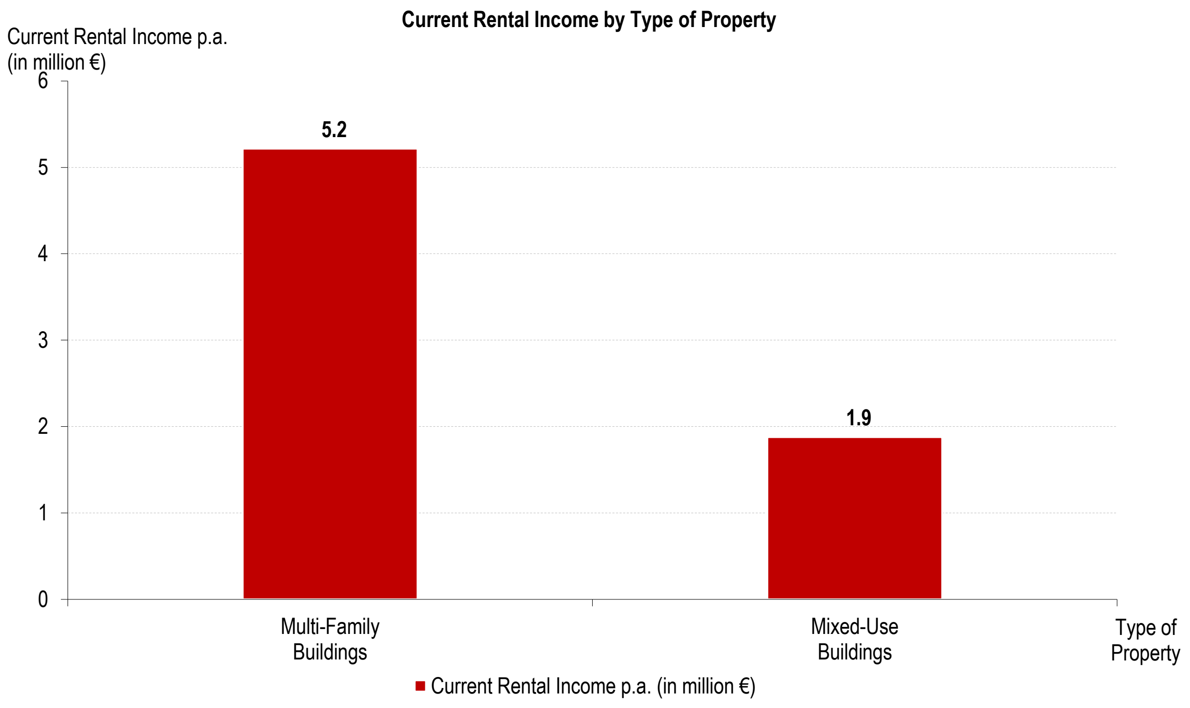
According to the property databases as at the respective valuation dates, the current rental income p.a. equates to € 7.1 million. Of this, € 6.7 million p.a. (95.1%) is generated through the residential units in the portfolio.

€ 0.3 million p.a. (4.5%) of the current rental income p.a. is generated through the commercial units in residential properties in the portfolio.

The 529 garages and/or parking spaces and the 12 miscellaneous units (such as cellars, antennae, advertisements and vending machines) generate € 0.03 million p.a. (0.4%).



From the current rental income, multi-family buildings account for € 5.2 million p.a. (73.5%) and mixed-use buildings account for € 1.9 million p.a. (26.5%).



2.7 Analysis of Current Rental Income by Building Age

The analysis of the current rental income based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 44.3% of the current rental income of the total lettable area originates from properties built before 1949, followed by 19.4% of the current rental income generated from properties constructed between 1960 and 1969. 17.0% of the current rental income originates from properties constructed between 1980 and 1989 and 8.0% from the properties erected between 1990 and 1999. 4.2% of the current rental income originates from properties constructed between 1950 and 1959 and 4.1% from the properties erected after 1999. 3.0% of the current rental income originates from properties constructed between 1970 and 1979.

2.8 Assessment of the portfolio Locations

Jones Lang LaSalle developed a macro-location scoring model to assess the future prospects of the various markets in the portfolio. The relevant indicators for scoring the markets cover the demand and supply side as well as underlying economic trends:

Market demand
- population and household development (2006-2012)
- population and household forecast (2012-2025)

Economic trends
- development (2007-2012) and forecast (2012-2025) of employment
- unemployment rate and development of unemployment rate (2008-2013)
- gross domestic product per inhabitant (2012)
- purchasing power per inhabitant (2014)

Market supply
- vacancy rate (2011)
- development of vacancy rate (2006-2011)
- rent level and development (2005-2013)
- purchase prices and development (2005-2013)

The demand in the respective property markets is mainly reflected by the population and household trends. Positive population development indicates increased demand and even in the case of declining population, household growth may remain positive, due to smaller household size.
The local economic situation largely influences the ability to pay rent and determines the demand for commercial units. Positive economic indicators support rental value growth. The most important indicators are employment trends and resulting wealth, reflected by the purchasing power.
A reliable measurement of supply metrics in a local market is the vacancy rate. Oversupply results in high vacancy rates, while demand markets register low levels of vacancy. Changes in the vacancy rate indicate the market trend in recent years. The market trend is also reflected by the development of rents and prices. The absolute level of rents and prices identify the market character as mature and expensive or inexpensive and more risky.

The markets in the portfolio are segmented into three different types: A-Markets, with an above-average future prospect compared to Germany as a whole, B-Markets, with an average outlook, and C-Markets, with a below-average outlook.

Macro-location scoring of portfolio locations

2.8.1 A-Markets

A-Markets are characterised by an above-average future prospect. The population and household growth is positive and reflects increasing demand. The economy develops at a higher pace than the German economy. Residential vacancy rates are below the German average of 3.4% and commercial vacancy levels are low. The residential markets are undersupplied, which causes rents and prices to increase. Commercial rents and prices are also on a growth path.

2.8.2 B-Markets

The outlook for B-Markets is comparable to the prospect for properties in Germany as a whole. The population in most regions has been stagnating or only experienced modest growth in recent years. The forecast for population growth is negative but households and demand in these markets will likely increase until 2025. The outlook for the economy in B-Markets is at the German average. Vacancy rates are usually at or slightly above the German average of 3.4% for residential properties. For modern commercial units, the vacancy risk is moderate. Rents and prices have marginally appreciated in recent years and are forecasted to continue on this trajectory in the medium-term.

2.8.3 C-Markets

C-Markets are likely to perform below the German market average. They have already lost population and households, thus experiencing declining demand for housing and commercial units. Economic development is weak and the prospects for economic growth are weaker than for Germany as a whole. The vacancy level is above the German average. Rents and prices are below other regions of Germany and show little momentum. Rents and prices can be at risk to marginally decline in the medium-term (5-10 years) but this depends largely on the individual property.

3 Valuation Approach

3.1 Valuation units

The valued portfolio of Westgrund Aktiengesellschaft comprises 95 individual property units (client ID's). The Valuation has been carried out on an individual property unit basis in order to adequately and correctly reflect property-specific information, such as the current rental income, the vacancy rate, the existing public subsidies or the leaseholds or entries in Section II of the land register.

3.2 Site Inspections

Property and site inspections were carried on the following dates:

2013 - 4 December; 10-13 December

All valuation-relevant property units were fully inspected. For internal inspections at least the staircase, basement, attic (if applicable and accessible), all other common areas as well as a vacant or in the case of fully let properties, a let apartment (in some cases not possible) were inspected with a property manager of the client.

3.3 DCF Calculation

The calculation of the Market Value has been based on the Discounted Cash Flow (DCF) method. This is an internationally recognised method, based on transparent, dynamic and explicit valuation parameters to determine the Market Value. Initially all future cash flows (both revenues and costs) for residential properties are explicitly determined for a ten-year detailed planning period. At the end of this period, a terminal value is calculated, by effectively capitalising all future projected net cash flows generated by the property. The assumptions made for the model reflect comparable analysis and decisions that would have been made by investors active in the market as at the effective date of valuation.

The cash flows for the relevant year of the detailed planning period are calculated as follows:

The potential rental income at full occupancy is reduced by the loss of rent due to vacancy and/or rent collection loss. The resulting amount reflects the current rental income. For non-subsidised housing and/or following the end of public funding for subsidised housing, rents have been adjusted with due regard to the relevant legislation (§ 558 of German Building Code, Sec. 3). This legislation states that the rent may not be increased by more than 20% (cap limit) within a three-year period and may not exceed local comparable rents. Berlin, Hamburg, Munich as well as more than 90 cities and municipalities in Bavaria and almost 60 cities and municipalities in North Rhine-Westphalia now have a cap limit of 15%. After deduction of the non-transferable costs (maintenance costs, management costs, other costs, ground rents and non-recoverable operating costs), the net cash flow is determined before taxes and debt service. The respective cash flows of the individual periods are then discounted to the date of valuation by the pre-determined discount rate (see Determination of Discount Rate, Sec. 5.11).

The calculation of the terminal value after Year 10 is carried out as follows:

In general, a stabilised cash flow (stabilised rental income less stabilised expenses) can normally be achieved by the end of Year 10. As no period-overlapping changes are expected in the cash flow after this point, the net operating income at Year 10 serves as the basis for the forecasted future cash flows.

By means of the property-specific capitalisation rate (see Determination of Capitalisation Rate, Sec. 5.11), the net operating income (NOI) is capitalised into perpetuity. The capitalised terminal value, like the cash flows of the detailed planning period, is likewise discounted to the date of valuation.

The result of the DCF method mirrors the economic view that would be taken by the majority of active market participants as at the effective date of valuation and reflects the Market Value.

4 Assumptions

4.1 Title / Legal Restrictions / Building and Other Encumbrances

The available information regarding title, legal restrictions, building and other encumbrances has been mainly made available to Jones Lang LaSalle by the client. A random sampling of the information based on the documents provided by the client was carried out. No discrepancies or points of concern were identified. Title entries registered in Section II of the sampled land registers were considered to have either no or only a minimal influence on value, if at all. Furthermore, any potential encumbrances and restrictions from Section II of the valued properties are duly registered in the land registers.

We have made the assumption that the provided copies of the available documents for the properties have been made available to us, that they are complete, correct and up to date and that such documents have been verified by the client.

Moreover based on the above and a random sampling of the available information we identified no points of concern and have made the assumption that the properties have good and marketable freehold or leasehold title in each case and that the properties are free from any depreciating rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings.

As is normal valuation practise, we have also assumed that the properties are free from mortgages, charges or other financially relevant encumbrances. Furthermore, no account has been taken in our Valuation of any goodwill that may arise from the present occupation of the properties.

4.2 Contamination and Soil Conditions

Information with regard to the suspicion of soil or other contamination for the properties has been made available to us, however, according to the client, no environmental issues for the properties as at the date of Valuation were known which are sufficient to affect value. We have not undertaken nor been instructed to conduct a formal environmental assessment, and have not carried out any investigation into past uses, either of the properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites.

We have assumed that there are no abnormal ground conditions or contamination, which are sufficient to affect value or adversely affect the present or future occupation or development of the properties. Should suspicion regarding contamination arise in the future, environmental assessment reports need to be acquired and in case contamination is detected, the Valuation would have to be appropriately adjusted.

We have also made the assumption that there are no archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

4.3 Condition and Structural Inspections, Deleterious Materials

Information regarding condition and structural reports as well as deleterious materials has been made available to us by the client, where applicable. We have not undertaken nor been instructed to conduct a formal condition or structural survey, although where building deficiencies were identified during the internal or external inspections, they were subsequently reflected in the Valuation.

The results of the inspections are based on exclusively purely visual examinations, with no guarantee as to the completeness of the information presented. Unless otherwise informed by the client, we have made the assumption that the properties are free from any mildew, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not investigated whether high alumina cement, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of any of the properties. For the purposes of this Valuation, unless otherwise informed by the client, we have made the assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the foundations of the properties are free from any defect. Unless otherwise informed by the client, we have made the assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed thereon.

4.4 Building Law

We have made the assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications are existent and that there are no outstanding statutory notices as to their construction, use or occupation. We have made a further assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply.

4.5 Town and Traffic Planning

We have made the assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply. According to the client there is no information regarding value-relevant impact of public planning projects (town or traffic planning) available.

4.6 Protection of Historic Structures

Based on the provided information by the client, 26 properties of the portfolio are listed as historical monument.

4.7 Technical Equipment, Plant & Machinery

During our inspections, no tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services, nor have the drains been tested. Unless otherwise informed by the client, we have made the assumption that all services to the properties are functioning satisfactorily.

No allowance has been made in these Valuations for any items of plant or machinery not forming part of the service installations of the properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses.

The technical equipment in the subject properties such as passenger and goods lifts and other means of transportation, heating systems and further technical installations have been considered as integral components of the property. We have excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

4.8 Areas

We have not measured the properties, but have applied floor areas provided by the client. We have assumed that these areas have been measured and calculated in accordance with the current market practice where the properties are located. A qualified sampling of the information was verified and checked for plausibility, whereby we could not find any discrepancies.

4.9 Leases and Tenancy Information

Information regarding rental units, contractual rents, lease terms, rental terms and, where applicable, publicly subsidised units was made available to Jones Lang LaSalle by the client. A random sampling of the information was verified based on documents provided by the client. No abnormalities were detected.

We have made the assumption that copies of all relevant documents for the properties have been made available to us, that they are complete, correct and up to date and that such documents have been verified by the client.

For the purpose of the Valuation, we have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge or we have been specifically advised to the contrary, we have made the assumption that the tenants are financially in a position to meet their current obligations. Unless otherwise advised, we have also made the assumption that there are no material arrears of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

However, our Valuation reflects the type of tenants currently leasing the properties or responsible for meeting lease commitments or likely to lease vacant spaces, and the market's general perception of their creditworthiness, if appropriate.

We have also made an assumption that wherever rent reviews or lease renewals are pending or impending, all notices have been served legally within the appropriate time limits.

4.10 Taxes, Fees and Charges

No information has been made available to Jones Lang LaSalle. We have made the assumption that all public taxes, fees, charges, etc. which could have an influence on the value, have been levied and if applicable, had been paid at the time of this Valuation.

4.11 Insurance Policies

At the date of the Valuation, Jones Lang LaSalle was not aware of whether or to what extend insurance policies existed to limit the risks resulting from business activities (e.g. property insurance, liability insurance and construction insurance). As neither supporting nor contrary information was made available by the client nor known by Jones Lang LaSalle, we have made the assumption that potential claims are covered with regard to the insurance level and type by valid insurance policies.

5 Valuation Parameters

5.1 Market Rents

Jones Lang LaSalle has used the following sources for obtaining information on market rents:

- Westgrund Aktiengesellschaft Assessment (basis – rent roll)
- Rent index (Mietspiegel) for respective cities/municipalities (if available)
- Internal Jones Lang LaSalle database (leasings, transactions)
- Offered rents from the online real estate portal IDN Immodaten on street level.

Market Rent Residential

The market rents were determined in 3-steps by Jones Lang LaSalle. In the first step, the current rental income per sqm, a list of new private housing lettings from the past two years (as provided by the client) as well as the researched, quality-differentiated market rents per sqm were assigned and compared. In the second step, with consideration to the current vacancy rate and depending on the three respective rental levels per sqm (current rent, new lettings rents and the researched market rent per sqm), the preliminary market rent per sqm is determined. In the third and last step as part of the individual evaluation, the preliminary market rent per sqm undergoes on an individual assessment basis a more precise review with regard to the existing micro-location quality and the property condition and if necessary, is adjusted according to expert knowledge.

5.2 Rent Adjustment

Non-Rent Controlled Properties

The rental growth forecast applied in the Valuation was developed separately for the various types of use within the real estate market (residential, commercial, garage, parking spaces and miscellaneous) by means of a detailed analysis of the current rental situation, the regional markets and the location of the property in this market.

For non-rent controlled residential properties, a growth rate of 0.50% to 1.75% p.a. was assumed, depending on the location rating and beginning in the second year. The weighted average for non-rent controlled residential units is 0.95% p.a.

The valuation assumptions relating to the macroeconomic parameters (e.g. purchasing power) were considered on an administrative district or independent municipality level.

Commercial Buildings

The rent escalation analysis is based on the individual clauses agreed within the leases, whereby the rental income is most commonly linked to growth in the Consumer Price Index [CPI].

5.3 Rent Loss (Vacancy)

Rental loss reflects the share of the gross rental income that could have potentially been generated, if vacant units within any property had been rented out. Jones Lang LaSalle has calculated with a stabilised vacancy for each property, ranging from 1.10% to 12.50% of the gross rent p.a., depending on the local market situation, property condition, level of rent adjustment (net rent to market rent) and current vacancy rate. The stabilised weighted average rental loss for the Westgrund Aktiengesellschaft portfolio has been calculated at 2.63% of the potential rental income.

5.4 Maintenance Costs

On-going Maintenance Costs

On-going maintenance costs are non-transferable costs that are incurred during the expected useful life of a property for the preservation of the defined use of the buildings and structures (with the exception of commercial tenants), in order to remove damage caused by wear & tear, age, weather and environmental influences and/or to comply with legal requirements, to maintain the quality and yield capacity of the property.

The on-going maintenance costs have been calculated as a € per sqm-figure relating to the total lettable area.

In the Valuation, the maintenance costs for residential and commercial units range from € 4.00 to € 11.00/sqm p.a., calculated depending on the age and condition of the respective property. The weighted average amounts to € 7.53/sqm p.a. For garages and parking spaces as well as miscellaneous units, maintenance costs of € 10.00 per unit p.a., were applied.

Maintenance Costs associated with Tenant Turnover

Costs for the refurbishment of units associated with tenant turnover are incurred in order to successfully re-let a vacant flat. These costs include decorative repairs as well as renovation costs, marketing costs and non-recoverable operating costs.

Jones Lang LaSalle has estimated refurbishment costs between € 40.00/sqm and € 100/sqm for each residential unit, which becomes vacant as a result of tenant turnover.

5.5 Deferred Maintenance

No in-depth technical review (Technical Due Diligence) of the properties was instructed nor carried out for this Valuation. Based on the information provided to Jones Lang LaSalle by the client as at the date of Valuation and with reference to the results from the on-site inspections, in cases there were identified no maintenance backlog.

5.6 Management Costs (Non-Transferable)

Management costs incurred in the management of residential leases, encompassing all necessary labour and equipment as well as for the legal and optional audit of annual financial statements (with exception of commercial tenants) are normally non-transferable.

Management costs for residential buildings are dependent on location, condition and tenancy. Jones Lang LaSalle has considered management costs in the Valuation depending on location and property type of € 240 to € 300 per residential unit p.a. For commercial units, the potential rental income was applied at 3.0% p.a., management cost for parking spaces as well as garages and miscellaneous units € 30 per unit p.a.

5.7 Operating Costs (Non-Transferable)

The German Regulations on Operating Costs (Betriebskostenverordnung - BetrKV) define transferable operating costs for residential properties.

For vacant rental space, certain types of costs, such as minimum heating costs, caretaker or security costs, as well as electricity and cleaning costs, which are generally transferable, cannot be transferred. Therefore, Jones Lang LaSalle has applied for each vacant sqm of residential area non-transferable operating costs € 16.62/sqm p.a. (weighted average).

Vacancy occurs within the detailed planning period as a result of tenant fluctuation. For these vacant areas, the scheduled non-transferable costs were not taken into consideration, as these costs are already considered in the maintenance costs associated with tenant turnover.

5.8 Other Costs

'Other costs' refer to and reflect the risk of a reduction in income as a result of uncollectable arrears of rent. They also serve to cover the costs of legal action to collect payments, cancel a rental contract or clear premises. Arrears of rent, due deposit payments and due property management costs must also be taken into account under this heading. The amount of such costs depends on the local market situation, type and condition of the property, tenancy situation, quality of tenants and quality of lease agreements. These costs are calculated as percentage of the current rental income. A percentage of 1.0% of the current rental income was used in the Valuation.

5.9 Inflation

Residential Buildings

All costs, calculated on a per square metre or per unit basis, have been indexed with the average rate of inflation over the last 10 years according to the German Statistical Office.

In average the inflation increased by 1.57% per annum within the last 10 years depending on the respective valuation date. The indexation of other costs such as management costs, vacancy costs and costs for ground lease is calculated by applying the above indexation figure.

Commercial Buildings

General inflation is based on the forecast of Global Insight. Inflation was added to all costs included within the cash flow. The average long-term inflation forecast is at 2.35% per annum. This applies also to the non-recoverable ancillary costs as well as to tenant improvements.

5.10 Discount Rate and Capitalisation Rate (Cap Rate)

Discount Rate

The Discount Rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consists of an interest rate for a risk-free investment as well as a premium to account for specific investment risks associated with real estate investments.

The risk-free interest rate reflects the rate that can be achieved in the investment market for a risk-free investment. Jones Lang LaSalle uses the risk-free interest rate of around 3.78% p.a. referring to the average interest rate of the past 120 months of a 10-year bond, issued by the European Central Bank. A property-specific, weighted risk premium, which is based on a rating (market, location, property and cash flow) is applied to the risk-free interest rate in order to derive a risk-adjusted discount rate, which reflects the opportunities and risks of the properties in the market. Normal discount rates for German properties generally range between 4.5% and 9.0%, depending on market conditions, the micro-location quality, property type and use, property condition and cash flow security. The weighted discount rate for the subject portfolio stands at 6.5%, which, based on our experience, is comparable to similar transactions on the market.

Capitalisation Rate

The Capitalisation Rate (the 'Cap Rate') is used to capitalise the stabilised Net Operating Income at Year 10 into perpetuity, as it is assumed that properties are kept in stock after the detailed 10-year planning period. The Cap Rate is based on each property's individual discount rate. For the determination of the terminal value, which is based on the NOI at year 10, an individual growth rate (positive or negative) of future cash flows has been calculated. According to normal practice, the growth rate of a stabilised cash flow has then been deducted from the discount rate in order to determine the cap rate. The weighted capitalisation rate for the subject portfolio stands at 6.0%, which, based on our experience, is comparable to similar transactions on the market.

5.11 Purchaser's Costs

Purchaser's costs have been considered in the Valuation as a percentage of the Market Value. These costs include legal fees for the sale, land transfer tax, deed registration as well as agent's fees.

Depending on the valuation date and the federal state, the currently valid land transfer tax was applied in the valuations. The land transfer tax ranges over all between 3.5% and 5.0%, while the weighted land transfer tax for the subject portfolio stands at 4.18%.

Agent's fees were assumed between 1.0% to 3.5% lump sum payment in the Valuation, while notary and associated court costs were assumed to be 1.0%.

6 Valuation Results

6.1 Market Value

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the client, and subject to the assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Westgrund Aktiengesellschaft (hereinafter 'client') as at the effective date of Valuation, 30 June 2014, was as follows:

€ 92,597,000

(Ninety-two million, five hundred ninety-seven thousand euros)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	130,179 sqm
Average market value per sqm of lettable area:	€ 711
Current rental income (gross) per annum:	€ 7,096,893
Potential rental income (gross) per annum:	€ 7,788,542
Market rental value (gross) per annum:	€ 8,146,191
Multiplier (based on current rent):	13.0-fold
Multiplier (based on potential rent):	11.9-fold
Multiplier (based on market rent):	11.4-fold
Gross initial yield:	7.66%
Net initial yield:	5.34%
Net reversionary yield:	6.40%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the valuation report.

6.2 Market Value by Location

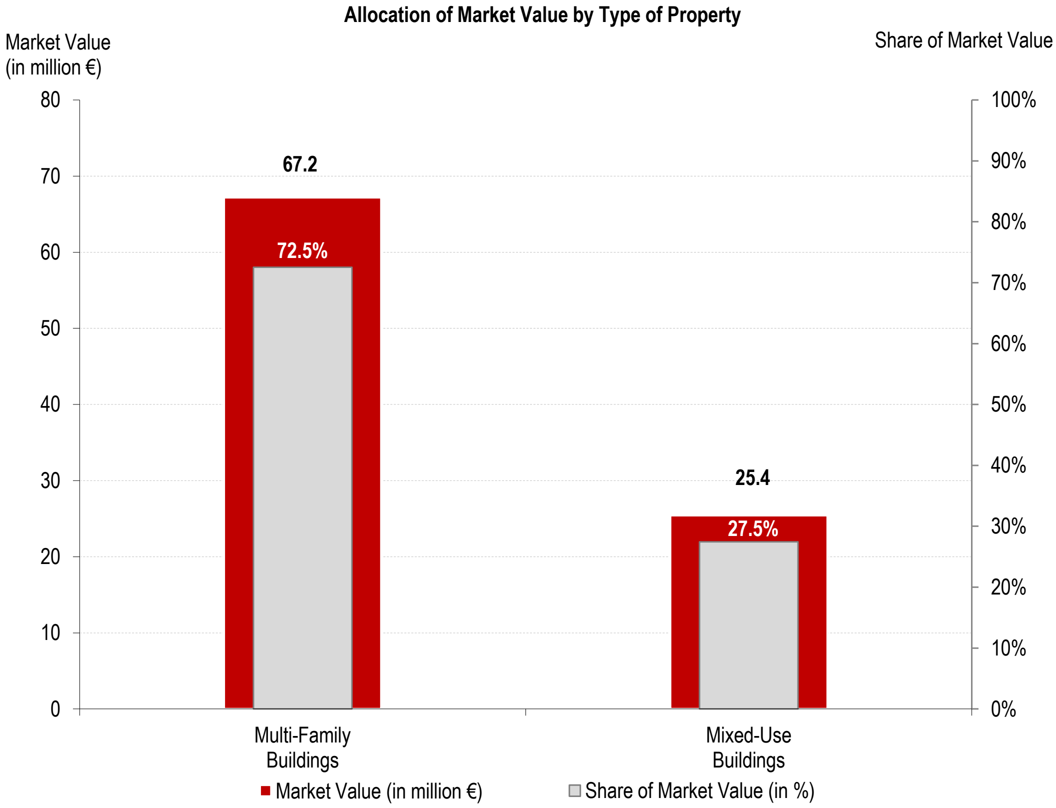
The aggregated value of the individual units by location revealed the following:

89.3% of total Market Value of the Portfolio is to be found within the top 10 locations out of the total 19 locations. The single largest concentration of value is to found in Halle (Saale) (measured by Market Value) with € 29.4 million (31.8%), followed by Leipzig with € 13.4 million (14.5%), Jena with € 6.4 million (6.9%), Schkeuditz with € 6.4 million (6.9%) and Chemnitz with € 5.7 million (6.2%).

Location	Market Value (in €)	Market Value (in €/m²)	Multiplier based on Potential Rent	Share in Market Value
Halle (Saale)	29,420,000	645	11.6	31.8%
Leipzig	13,417,000	847	13.9	14.5%
Jena	6,411,000	1,338	15.0	6.9%
Schkeuditz	6,387,000	600	10.4	6.9%
Chemnitz	5,714,000	670	11.8	6.2%
Riesa	5,336,000	713	10.3	5.8%
Naunhof	5,210,000	759	13.3	5.6%
Zwickau	4,490,000	632	10.5	4.8%
Erfurt	3,686,000	988	15.1	4.0%
Pirna	2,620,000	732	11.1	2.8%
Other Locations	9,906,000	620	10.4	10.7%
Total	**92,597,000**	**711**	**11.9**	**100.0%**

6.3 Market Value by Type Property

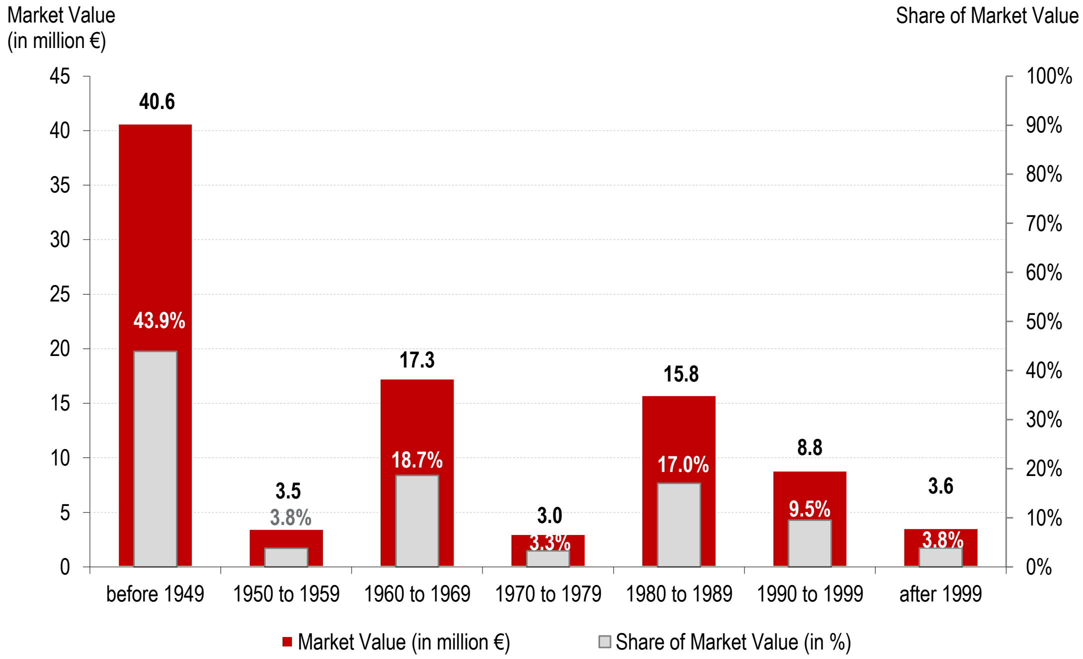
The value of the real estate portfolio is dominated by residential-uses. In an analysis of the Market Values according to main type of use, multi-family buildings account for € 67.2 million (72.5%) of the portfolio value. Mixed-use buildings have a market value share of € 25.4 million (27.5%).



6.4 Market Value by Type of Building Age

The analysis of the Market Value based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 43.9% of the Market Value originates from properties built before 1949, followed by 18.7% of the properties built between 1960 and 1969. 17.0% of the Market Value is generated from properties constructed between 1980 and 1989 and 9.5% between 1990 and 1999. 3.8% of the Market Value of the lettable areas originates from properties built after 1999, followed by 3.8% of the properties built between 1950 and 1959. 3.3% of the Market Value of the lettable areas originates from properties built between 1970 and 1979.

Allocation of Market Value by Building Age



7 Valuation Definitions

Potential Rental Income

The potential rental income is the annual income generated by a property assuming full occupancy.

It is determined by assuming the letting of vacant spaces at market rents and adding this figure to the net rents generated by a property. The rental income is calculated by using the respective valuation date as a reference point and multiplying this figure by 12 months.

Current Rental Income

The current rental income is the income a property effectively generates as at the valuation date, taking into account the existing vacancies.

Market Rent (MR)

The Market Rent is the rent for a lettable unit, without service costs such as heating, electricity or gas. The Market Rent is derived from a comparison with other properties of the same construction, real estate and fit-out category. The economic principle applies that the rent price formation is based upon the interplay between supply and demand in the housing market.

The estimated rental value indicates Jones Lang LaSalle's opinion of the Market Rent, which could be reasonably expected to be achieved on a new letting or rent review at a property at the time of valuation.

Gross Market Value

The sum of the discounted cash flows for Years 1 to 10 as well as the discounted final value as at the date of valuation (please refer to section 5.11).

Net Market Value

The net market value results from the gross capital value less the purchaser´s costs, which equal the Market Value.

Net Operating Income

The net operating income is calculated by subtracting all non-transferable operating costs from the annual gross profit (current rental income).

Net Initial Yield

The net initial yield is defined as the ratio of the net operating income divided by the gross capital value:

$$\text{Net Initial Yield} = \frac{\text{Net Operating Income}}{\text{Gross Capital Value}}$$

Net Reversionary Yield

The net reversionary yield is defined as the ratio of the net operating income (based on MR) at full occupancy minus the on-going expenditures (maintenance, management, loss of rental income, agent's fees, vacancy and ground rent costs) to the gross capital value. This yield relates the future growth in net operating income in comparison to the current acquisition costs or value of the property (incl. purchase costs).

$$\text{Net Reversionary Yield} = \frac{\text{Net Operating Income (based on MR)}}{\text{Gross Capital Value}}$$

Multiplier (with regard to Current Rent)

The multiplier is defined as the ratio of the current rental income to the Market Value.

$$\text{Multiplier (based on Current Rent)} = \frac{\text{Net Market Value}}{\text{Current Rent p.a.}}$$

Multiplier (with regard to Potential Rent)

The multiplier is defined as the ratio of the potential rent to the Market Value.

$$\text{Multiplier (based on Potential Rent)} = \frac{\text{Net Market Value}}{\text{Potential Rent p.a.}}$$

8 Conclusion

This Portfolio Summary Report was prepared by Jones Lang LaSalle, Berlin, dated 23 July 2014 and has been authorised for use by Westgrund Aktiengesellschaft, Germany as well as the addressees listed under Section 1.2 of this report.

Berlin, 23 July 2014
Jones Lang LaSalle GmbH
Germany

ppa. Andrew M. Groom MRICS
International Director
Head of Valuation & Transaction Advisory

ppa. Roman Heidrich MRICS
National Director
Team Leader Residential Valuation Berlin

Portfolio Summary Report (Berlinovo portfolio)

This Portfolio Summary Report has been prepared by Jones Lang LaSalle GmbH in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes (‘International Valuation Standards’), the Valuation Standards of the Royal Institution of Chartered Surveyors (‘Red Book’) and the International Financial Reporting Standards (IFRS) following the completion of our assessment of Market Value, as at valuation date 30 June 2014 of the portfolio of IAS 40 properties (the ‘properties’) of Westgrund Aktiengesellschaft (hereinafter ‘client’).

The Westgrund Aktiengesellschaft portfolio consists of 13,244 residential units, 49 commercial units (in residential properties), 1 commercial building (shopping-centre) with 24 commercial units, 1,403 car parking spaces and 88 miscellaneous rental units (e.g. including cellars, storages, antennae) with a total lettable area of around 812,233 sqm, located in 21 locations within Lower-Saxony, Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia.

Client

Westgrund Aktiengesellschaft
Joachimstaler Straße 34
10719 Berlin
Germany

Valuer

Jones Lang LaSalle GmbH
Berliner Freiheit 2
10785 Berlin
Germany

Dates of Valuation:

30 June 2014

Date of Portfolio Summary Report:

23 July 2014

Summary of Valuation Results

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the client, and subject to the assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Westgrund Aktiengesellschaft (hereinafter 'client') as at the effective date of Valuation, 30 June 2014, was as follows:

€ 510,077,263

(Five hundred ten million, seventy-seven thousand, two hundred sixty-three euros)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	812,233 sqm
Average market value per sqm of lettable area:	€ 628
Current rental income (gross) per annum:	€ 40,319,207
Potential rental income (gross) per annum:	€ 44,570,382
Market rental value (gross) per annum:	€ 48,732,825
Multiplier (based on current rent):	12.7-fold
Multiplier (based on potential rent):	11.4-fold
Multiplier (based on market rent):	10.5-fold
Gross initial yield:	7.90%
Net initial yield:	5.57%
Net reversionary yield:	7.09%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the summary report.

Table of Contents

1 Brief and Scope of Instruction

1.1 Instruction & Purpose of Valuation Report

As instructed by Westgrund Aktiengesellschaft (the 'Client'), Jones Lang LaSalle GmbH (hereinafter 'Jones Lang LaSalle'), has examined the properties of the client and carried out a valuation (the 'Valuation') to determine the Market Value, as at 30 June 2014, of the freehold and leasehold interests (as appropriate) in each of the properties.

We understand that this Valuation Report is required firstly, to confirm the Market Value of the real estate assets as at 30 June 2014, respectively, for the Board of Westgrund Aktiengesellschaft. Furthermore this Valuation Report will be included in a prospectus (the 'Prospectus') for (i) public offering of new shares of Westgrund Aktiengesellschaft to be issued by way of a capital increase with indirect subscription rights for the existing shareholders ("New Shares") and (ii) the admission of the entire share capital of Westgrund Aktiengesellschaft and of the New Shares to trading on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) to be approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht "BaFin") in accordance with the Law of 22 June 2005 on prospectuses for securities, as amended, and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 as recently amended and notified to the Commission de Surveillance du Secteur Financier ("CSSF"). Investors and the Client's shareholders will rely on the Prospectus in making their decision to acquire the New Shares and to invest in the company.

1.2 Addressees

The Valuation Report is addressed to and may be relied upon only by:

- Westgrund Aktiengesellschaft, Joachimstaler Straße 34, 10719 Berlin, Germany;
- further banks, Westgrund Aktiengesellschaft's existing shareholders, investors and their respective affiliates

  The valuation report is intended solely for the addressees and may be used only for the purpose specified here.

1.3 Publication

Jones Lang LaSalle acknowledges and agrees that the Valuation Report will appear in unchanged format in the Prospectus and - if applicable - in the Offering Circular. Before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents (other than as contemplated in this Prospectus), or any part thereof, are otherwise disclosed verbally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must be first obtained. For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle is referred to by name and whether or not the contents of our Valuation Report are combined with others. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in the Valuation Report may be cited and summarised elsewhere in the Prospectus and - if applicable - the Offering Circular.

1.4 Assignment of Rights to Third Parties

The addressees of the Valuation Report are not entitled to assign their rights – either in whole or in part – to third parties.

1.5 Status of Valuer and Conflicts of Interest

We confirm that Jones Lang LaSalle has undertaken the Valuation acting as External Valuers, as defined by the RICS Red Book, qualified for the purpose of the Valuation.

Furthermore we confirm that Jones Lang LaSalle has acted as an Independent Valuer according to the definition of ESMA guidelines (ESMA (European Securities and Markets Authority) update of the CESR recommendations - The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, dated March 20, 2013).

Finally we confirm that Jones Lang LaSalle is not aware of any actual or potential conflict of interest that may have influenced its status as External or Independent Valuer.

1.6 Scope of Work

The scope of work has been carried out for the Market Valuation, including the following processes:

- Analysis and evaluation of the property information (e.g. property database, rent roll, land register extracts, information to leasehold properties, etc.) provided by the client;
- Analysis, evaluation and interpretation of the properties (e.g. location, type of property etc.);
- Inspection of all individual property units, as well as the determination of a qualified sample of representative units for the internal inspection;
- Individual market and locational analysis of all properties;
- Determination of the Market Value on an individual property basis.

1.7 Subject of Valuation

The subject of the Valuation is the main part of the IAS 40 portfolio belonging to Westgrund Aktiengesellschaft (the 'Westgrund Aktiengesellschaft portfolio' or 'portfolio'). The portfolio consists of 14,808 rental units in total (3,804 units as residual partial ownerships) and is divided into 13,244 residential units, of which 13,022 are private residential units, 222 are publicly subsidised residential units, 49 commercial units (in residential properties) as well as 1,403 car parking spaces and 88 miscellaneous units (e.g. cellars, storages, antennae). Furthermore, there is 1 commercial building in the portfolio (shopping-centre with 24 commercial units). The total lettable area amounts to 812,233 sqm of which 803,173 sqm is defined as residential space (thereof 14,221 sqm being publicly subsidised) and 9,060 sqm as commercial space. Within the portfolio there are 11 ground leasehold properties with a total lettable area of 279,030 sqm (34.4% of the portfolios total lettable area).

1.8 Valuation Definitions

Market Value

Our Valuations have been prepared in accordance with the appropriate sections of the latest Valuation Standards (VS) contained within the latest Appraisal and Valuation Standards, (2014: 9th Edition) (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA

European Valuation Standards, and in accordance with IVSC International Valuation Standard 1 (IVS 1), the International Accounting Standards (IAS), International Financing Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Markets Authority (ESMA) on the basis of Market Value. This is included in the General Principles Adopted in the Preparation of Valuations and Reports of Jones Lang LaSalle. This is an internationally accepted basis of valuation. The Market Value is defined as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The above definition concurs with that the concept of 'Fair Value' defined by the currently valid International Financial Reporting Standards and the appropriate International Accounting Standard 40, paragraphs 1-86.

In undertaking our Valuations on the basis of Market Value, we have considered the comments made by the International Valuation Standards Council, which are included in the Red Book standards.

Market Rent

The Market Rent is assessed in accordance with the Red Book (2014, 9th Edition) VPS 4 1.3.1., which has been approved by the International Valuation Standards Committee. Under these provisions, the Market Rent represents

'The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

In accordance with the above, where the properties or parts thereof are vacant at the date of Valuation, the rental value reflects the Market Rent that we consider obtainable on an open market letting for vacant areas as at the date of Valuation.

1.9 Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a 'supposition taken to be true' ('assumption'). Assumptions are:

'Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process.'

In undertaking our Valuation, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, we have let the client confirm that our assumptions are correct to the best of their knowledge. In the event that any of these assumptions prove to be incorrect, then our Valuation would require to be reviewed.

Database

The client has provided Jones Lang LaSalle with the latest property-related databases at corresponding valuation dates. This included key information such as addresses, construction years, number of units, lettable areas, vacancy rates and current rental income on a single unit basis. We have assumed that the information the client have supplied to us in respect to the subject portfolio is complete, correct and up to date and that the accuracy of all such documents has been confirmed by the client.

Jones Lang LaSalle has carried out a verification of such data on the basis of qualified samples, which were then checked for accuracy and plausibility. No abnormalities were detected in the results. Furthermore, land register extracts, information regarding public easements and leasehold have been made available. These documents were sampled and checked for plausibility accordingly, whereby Jones Lang LaSalle again detected no abnormalities. We have assumed the accuracy of the documents that have been provided to us by the client and that all such documents have been verified by the client.

1.10 Timeline

Confirmation of instruction:	23 July 2014
Delivery of Portfolio Summary Report:	23 July 2014

1.11 Date of Valuation

The date of valuation is 30 June 2014.

1.12 Taxation and Costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon disposals.

1.13 Value Added Tax

The Market Values and Market Rents listed in this Valuation Report do not include the relevant Value Added Tax at the prevailing rate.

1.14 Currency

The currency referred to in the Valuation Report is Euros (€).

1.15 Roundings

Due to the calculation basis, marginal differences can occur in the roundings of the numbers (€, %, etc.).

1.16 Legal Terms

The valuation is conducted on the following legal basis:

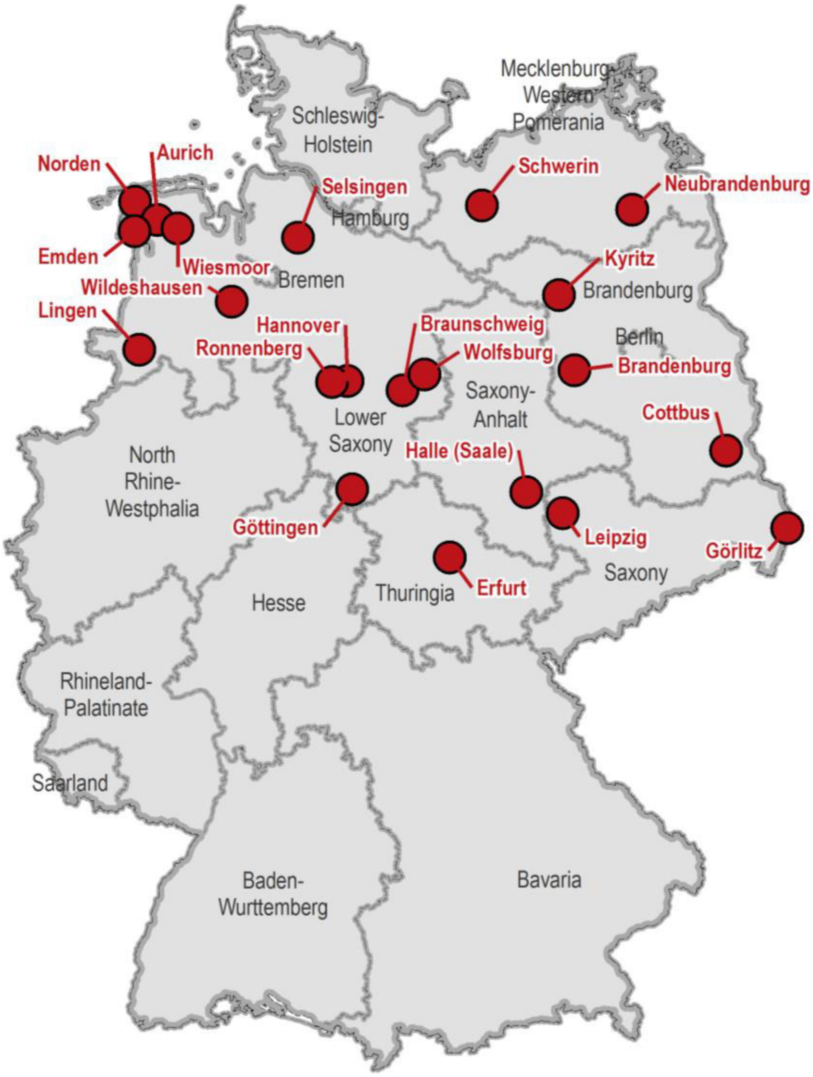
- Rent increase: §§ 556 - 561 BGB (German Civil Code, Chapter 2, Rent)
- Non-recoverable costs: Betriebskostenverordnung 2004 (valid for rental contracts from January 2004 onwards)
- II. Berechnungsverordnung 2004
- Valuation methods: RICS Valuation - Professional Standards 2014 (the “Red Book”)
- TEGoVA European Valuation Standards
- International Financial Reporting Standards
- International Accounting Standard (IAS) 40 numbers 1 – 86

2 Portfolio Overview

2.1 General Overview

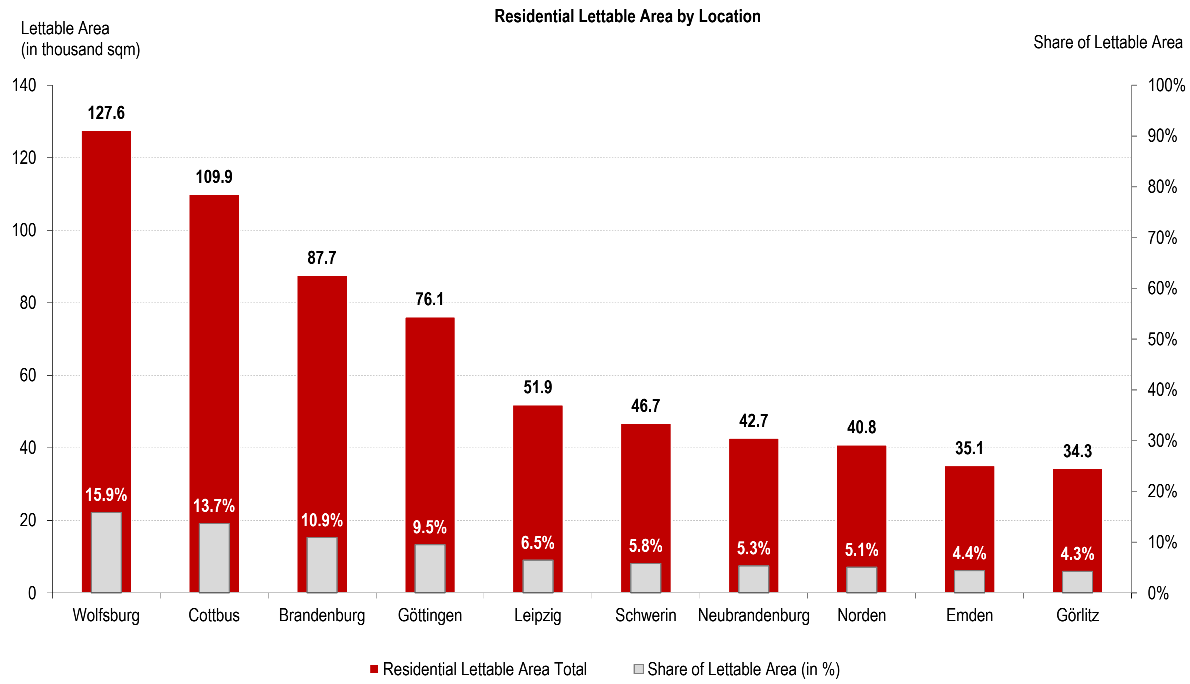
The properties within the whole portfolio of the client are located in Lower-Saxony, Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia.

The distribution of the properties in the portfolio is depicted in the following map:



2.2 Analysis of Units and Areas by Location

The portfolio, which for the most part comprises residential-use properties, consists of 14,808 rental units in total, as at the valuation dates. 81.3% of the total 803,173 sqm residential space (10,792 residential units) is situated in the following cities: namely Wolfsburg, Cottbus, Brandenburg, Göttingen, Leipzig, Schwerin, Neubrandenburg, Norden, Emden and Görlitz. The cities with the highest share of lettable residential area are Wolfsburg (127,570 sqm) and Cottbus (109,889 sqm).



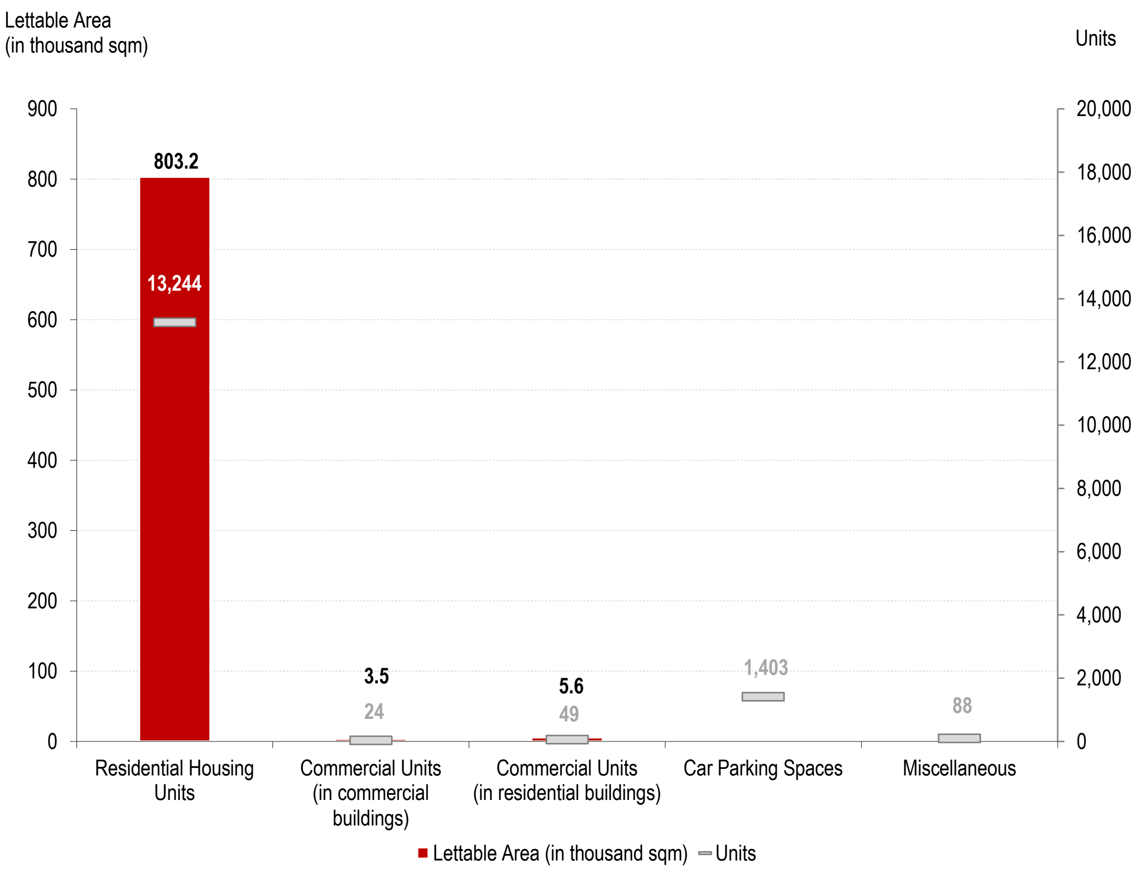
Location	Residential Housing Units	Commercial Units (in residential buildings)	Commercial Units (in commercial buildings)	Car Parking Spaces	Miscellaneous	Units Total
Wolfsburg	1,896	-	24	321	11	2,252
Cottbus	1,866	2	-	96	13	1,977
Brandenburg	1,714	-	-	-	6	1,720
Göttingen	1,140	-	-	258	4	1,402
Leipzig	865	-	-	-	11	876
Schwerin	796	-	-	21	9	826
Neubrandenburg	724	10	-	155	-	889
Norden	656	1	-	26	-	683
Emden	599	2	-	5	-	606
Görlitz	536	-	-	-	15	551
Other Locations	2,452	34	-	521	19	3,026
Total	**13,244**	**49**	**24**	**1,403**	**88**	**14,808**

2.3 Analysis of Units and Areas by Type of Use and Property

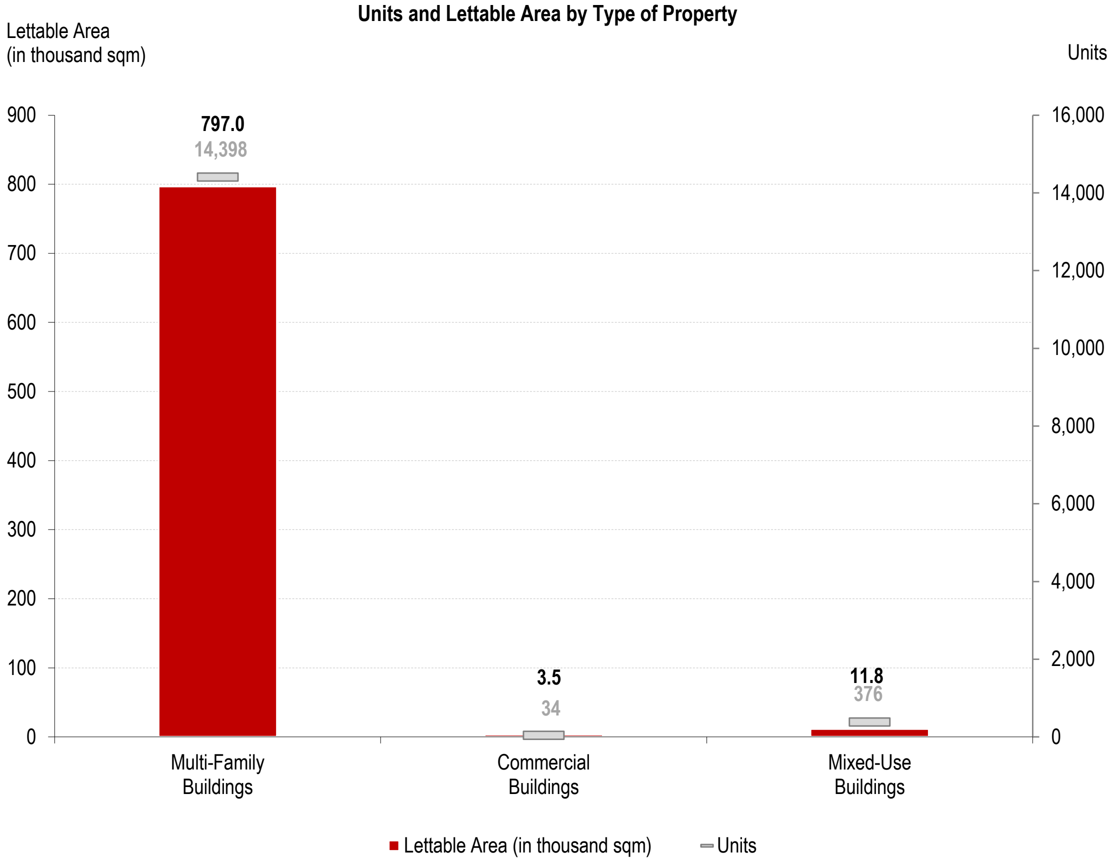
The portfolio includes 13,244 residential housing units, of which 13,022 are private housing units and 222 are publicly subsidised housing units. Furthermore the portfolio includes 49 commercial units in residential properties, 1,403 car parking spaces and a further 88 miscellaneous units (e.g. such as cellars, storages, antennae).

In addition there is 1 commercial building (shopping-centre), including retail areas (24 commercial units).

Units and Lettable Area by Type of Use

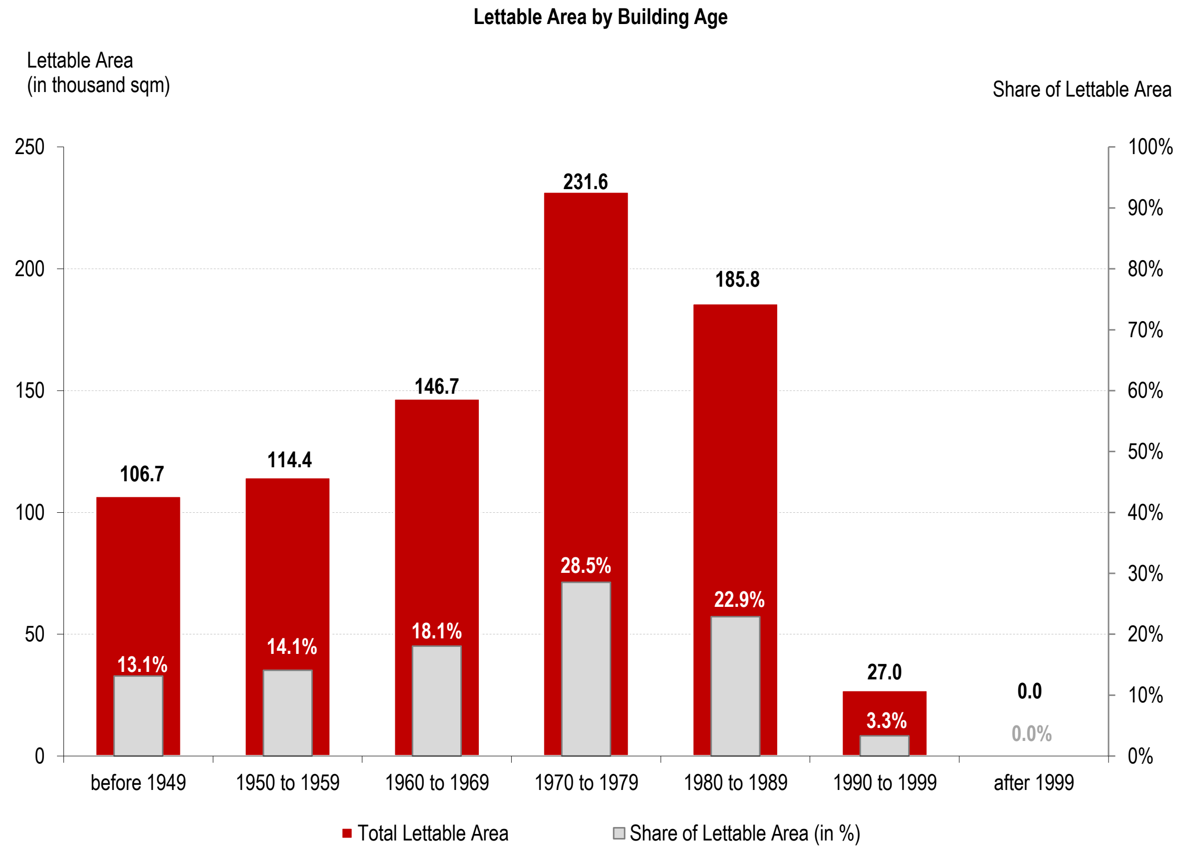


Units and Lettable Area by Type of Property



2.4 Analysis of Units and Areas by Building Age

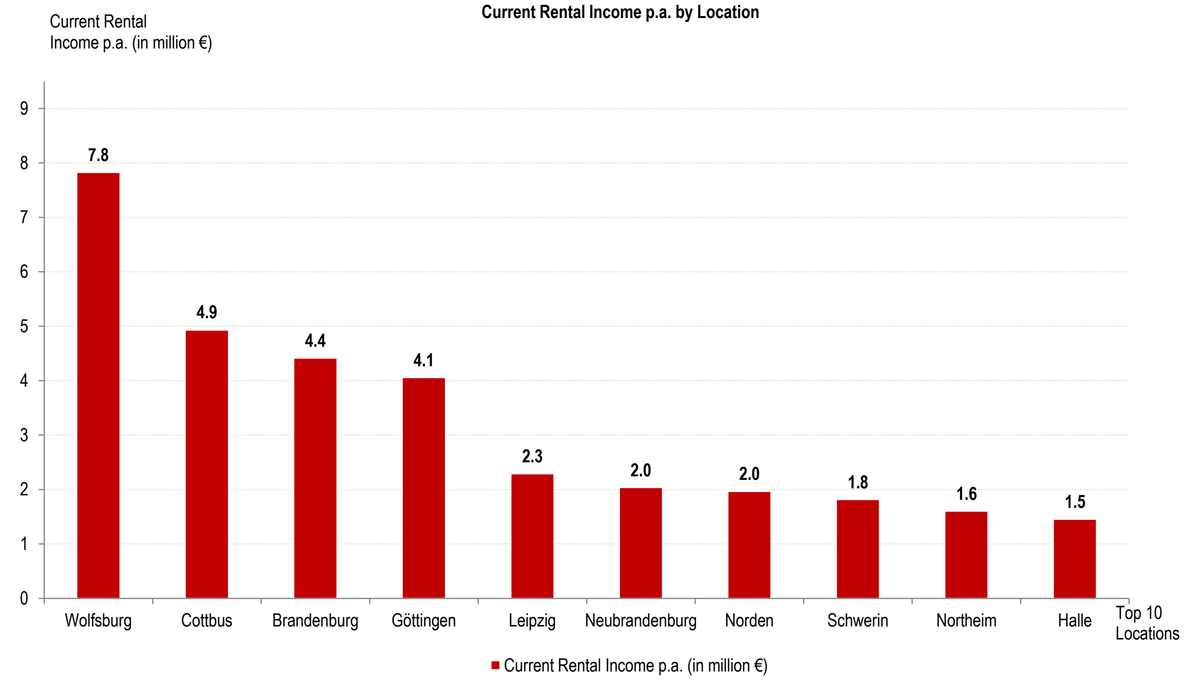
The units within the Westgrund Aktiengesellschaft portfolio have been classified in different construction year categories. The majority of residential space was built between 1970 and 1979 (28.5%), followed by properties constructed between 1980 and 1989 (22.9%) and thereafter those erected between 1960 and 1969 (18.1%).



Building Age	Residential Housing Units	Commercial Units (in residential buildings)	Commercial Units (in commercial buildings)	Car Parking Spaces	Miscellaneous	Units Total
before 1949	2,047	1	-	5	4	2,057
1950 to 1959	1,734	1	-	26	1	1,762
1960 to 1969	2,220	-	-	451	6	2,677
1970 to 1979	3,642	20	24	799	39	4,524
1980 to 1989	3,170	27	-	21	32	3,250
1990 to 1999	431	-	-	101	6	538
after 1999	-	-	-	-	-	-
Total	13,244	49	24	1,403	88	14,808

2.5 Analysis of Current Rental Income by Location

The top 10 locations namely Wolfsburg, Cottbus, Brandenburg, Göttingen, Leipzig, Neubrandenburg, Norden, Schwerin, Halle and Görlitz generate approximately € 32.2 million of the total current rental income per annum. Thereby, the cities together generate around 79.9% of the current rental income from 80.4% of the lettable space within the entire portfolio. Wolfsburg produces the most rental income per annum with € 7.8 million (16.1%), followed by Cottbus with € 4.9 million (13.5%) and Brandenburg with € 4.4 million (10.8%).

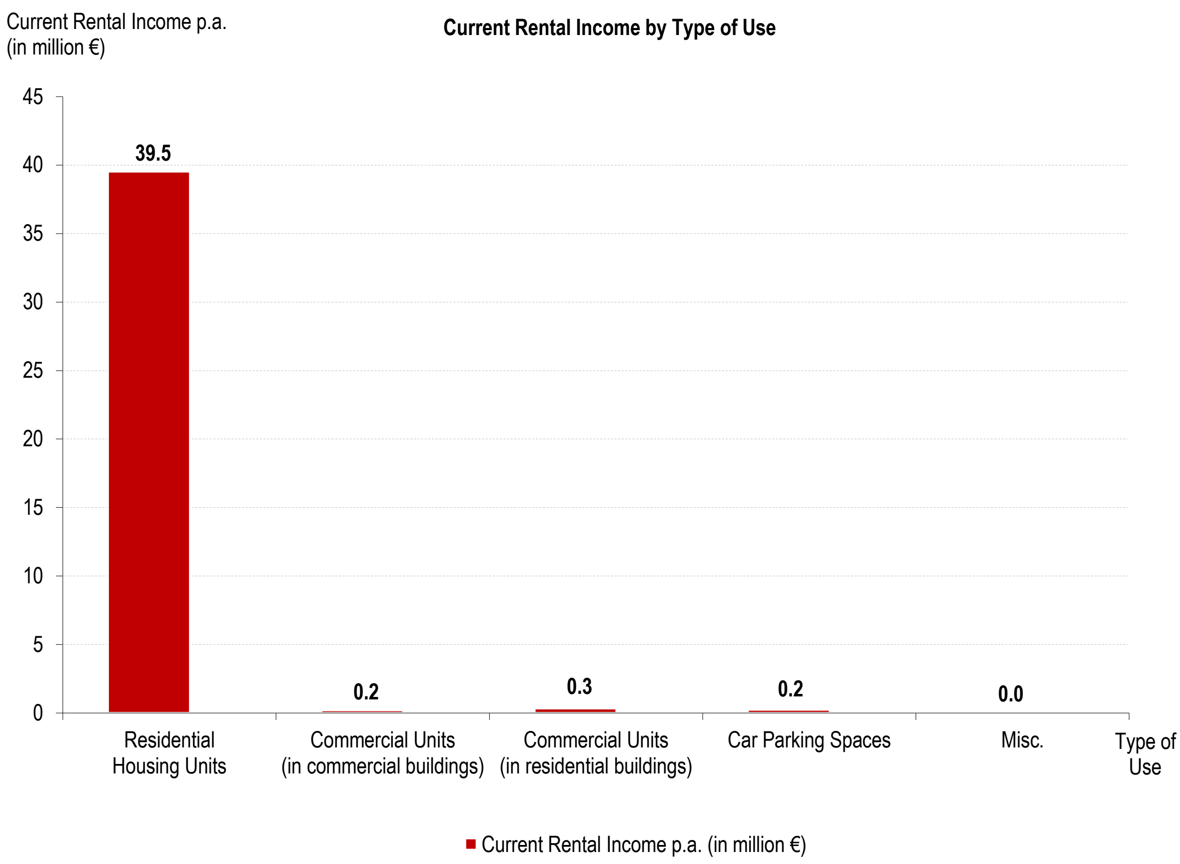


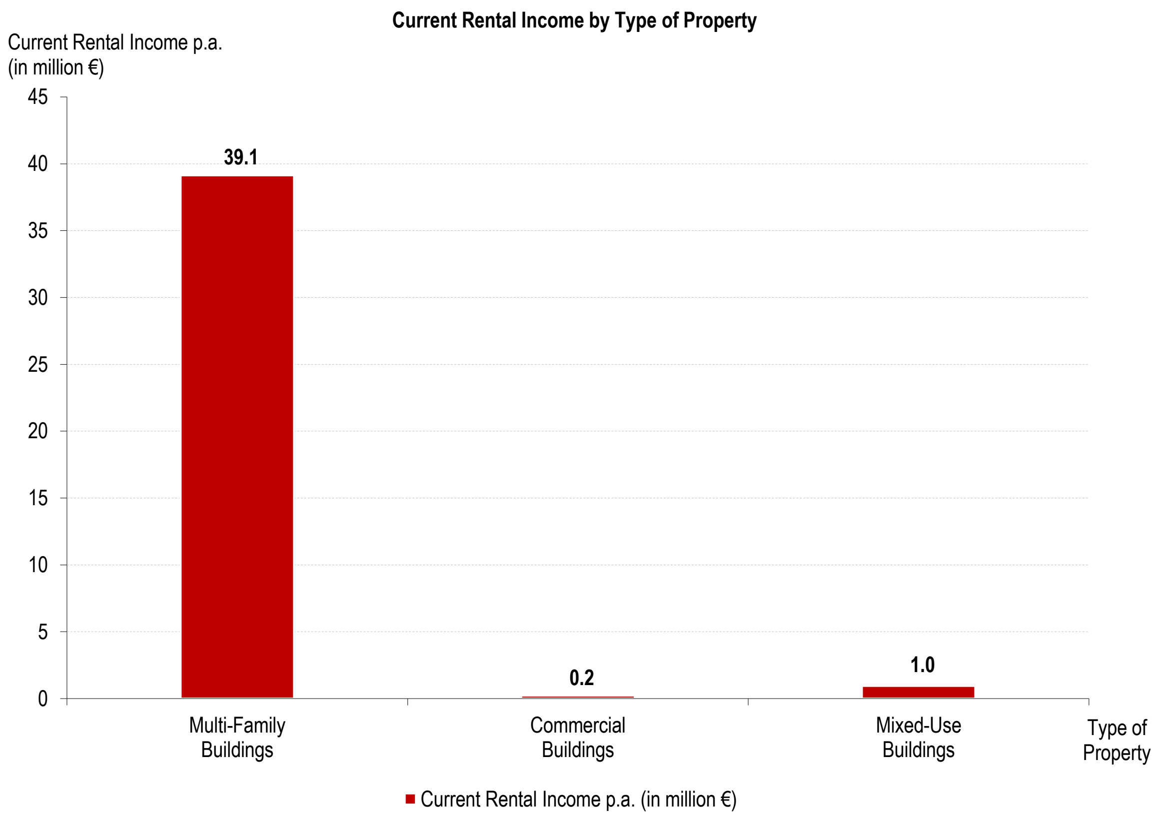
2.6 Analysis of Current Rental Income by Type of Use and Property

According to the property databases as at the respective valuation dates, the current rental income p.a. equates to € 40.3 million. Of this, € 39.5 million p.a. (98.1%) is generated through the residential units in the portfolio; publicly subsidised residential units account for € 0.9 million p.a. (2.1%).

€ 0.3 million p.a. (0.8%) of the current rental income p.a. is generated through the commercial units in residential properties in the portfolio. The commercial buildings amount to € 0.2 million p.a. (0.5%) of the current rental income p.a.

The 1,403 car parking spaces and the 88 miscellaneous units (such as cellars, storages, antennae) generate € 0.3 million p.a. (0.6%).


Current Rental Income p.a.
(in million €)
Current Rental Income by Type of Use
45
40
35
30
25
20
15
10
5
0
39.5
0.2
0.3
0.2
0.0
Residential Housing Units
Commercial Units (in commercial buildings)
Commercial Units (in residential buildings)
Car Parking Spaces
Misc.
Type of Use
Current Rental Income p.a. (in million €)


Current Rental Income by Type of Property
Current Rental Income p.a.
(in million €)
45
40
35
30
25
20
15
10
5
0
39.1
0.2
1.0
Multi-Family Buildings
Commercial Buildings
Mixed-Use Buildings
Type of Property
Current Rental Income p.a. (in million €)

From the current rental income, multi-family buildings account for € 39.1 million p.a. (97.1%), mixed-use buildings account for € 1.0 million p.a. (2.4%) and commercial buildings account for € 0.2 million p.a. (0.5%).

2.7 Analysis of Current Rental Income by Building Age

The analysis of the current rental income based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 30.4% of the current rental income of the total lettable area originates from properties built between 1970 and 1979, followed by 19.2% of the current rental income generated from properties constructed between 1980 and 1989. 18.6% of the current rental income originates from properties constructed between 1960 and 1969 and 16.0% from the properties erected between 1950 and 1959. 12.6% of the current rental income originates from properties constructed before 1949 and 3.3% from the properties erected between 1990 and 1999.

2.8 Ground Leasehold Properties

There are 11 properties listed in the client's portfolio, which have been leased long term under ground lease contracts from third parties. The total lettable area for the ground lease properties amounts to 279,030 sqm (34.4% of the portfolios total lettable area). Leasehold-related rental costs amount to € 157,200 and the weighted remaining lease term of the leasehold agreements stands at around 62 years.

2.9 Assessment of the portfolio Locations

Jones Lang LaSalle developed a macro-location scoring model to assess the future prospects of the various markets in the portfolio. The relevant indicators for scoring the markets cover the demand and supply side as well as underlying economic trends:

Market demand

- population and household development (2006-2012)
- population and household forecast (2012-2025)

Economic trends

- development (2007-2012) and forecast (2012-2025) of employment
- unemployment rate and development of unemployment rate (2008-2013)
- gross domestic product per inhabitant (2012)
- purchasing power per inhabitant (2014)

Market supply

- vacancy rate (2011)
- development of vacancy rate (2006-2011)
- rent level and development (2005-2013)
- purchase prices and development (2005-2013)

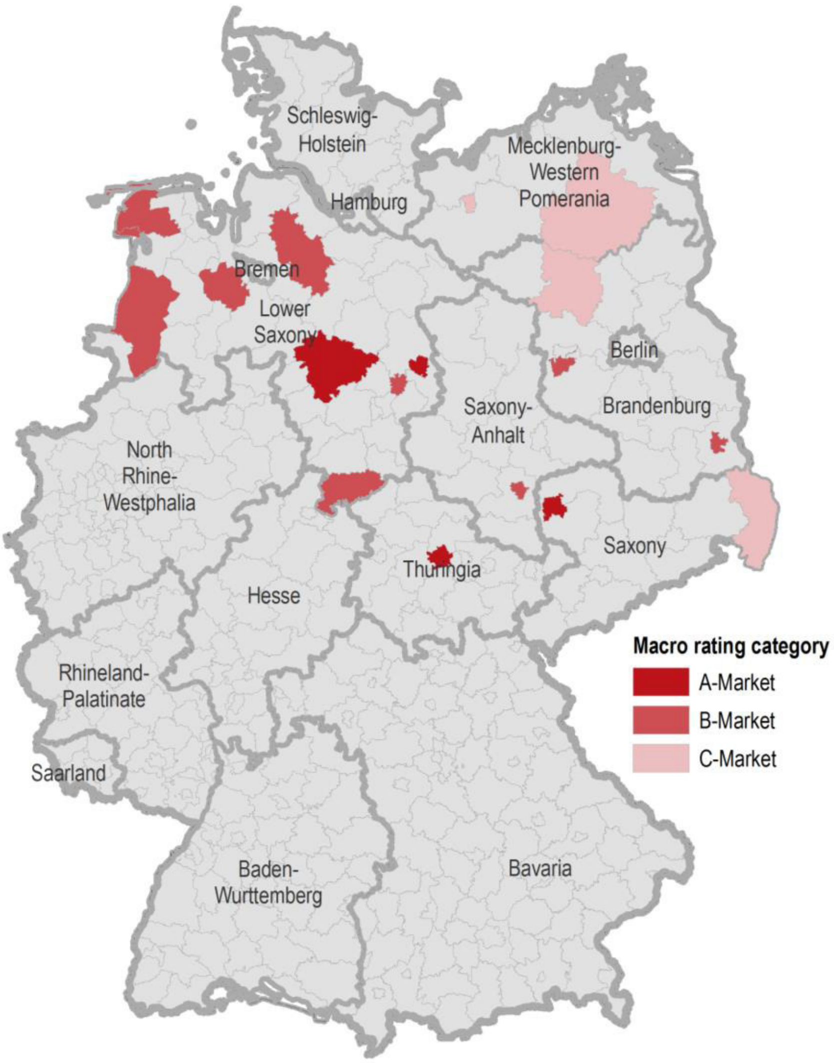
The demand in the respective property markets is mainly reflected by the population and household trends. Positive population development indicates increased demand and even in the case of declining population, household growth may remain positive, due to smaller household size.

The local economic situation largely influences the ability to pay rent and determines the demand for commercial units. Positive economic indicators support rental value growth. The most important indicators are employment trends and resulting wealth, reflected by the purchasing power.

A reliable measurement of supply metrics in a local market is the vacancy rate. Oversupply results in high vacancy rates, while demand markets register low levels of vacancy. Changes in the vacancy rate indicate the market trend in recent years. The market trend is also reflected by the development of rents and prices. The absolute level of rents and prices identify the market character as mature and expensive or inexpensive and more risky.

The markets in the portfolio are segmented into three different types: A-Markets, with an above-average future prospect compared to Germany as a whole, B-Markets, with an average outlook, and C-Markets, with a below-average outlook.

Macro-location scoring of portfolio locations



2.9.1 A-Markets

A-Markets are characterised by an above-average future prospect. The population and household growth is positive and reflects increasing demand. The economy develops at a higher pace than the German economy. Residential vacancy rates are below the German average of 3.4% and commercial vacancy levels are low. The residential markets are undersupplied, which causes rents and prices to increase. Commercial rents and prices are also on a growth path.

2.9.2 B-Markets

The outlook for B-Markets is comparable to the prospect for properties in Germany as a whole. The population in most regions has been stagnating or only experienced modest growth in recent years. The forecast for population growth is negative but households and demand in these markets will likely increase until 2025. The outlook for the economy in B-Markets is at the German average. Vacancy rates are usually at or slightly above the German average of 3.4% for residential properties. For modern commercial units, the vacancy risk is moderate. Rents and prices have marginally appreciated in recent years and are forecasted to continue on this trajectory in the medium-term.

2.9.3 C-Markets

C-Markets are likely to perform below the German market average. They have already lost population and households, thus experiencing declining demand for housing and commercial units. Economic development is weak and the prospects for economic growth are weaker than for Germany as a whole. The vacancy level is above the German average. Rents and prices are below other regions of Germany and show little momentum. Rents and prices can be at risk to marginally decline in the medium-term (5-10 years) but this depends largely on the individual property.

3 Valuation Approach

3.1 Valuation units

The valued portfolio of Westgrund Aktiengesellschaft comprises 51 individual property units (client ID's). The Valuation has been carried out on an individual property unit basis in order to adequately and correctly reflect property-specific information, such as the current rental income, the vacancy rate, the existing public subsidies or the leaseholds or entries in Section II of the land register.

3.2 Site Inspections

Property and site inspections were carried on the following dates:

2013 – 17-21 June,
2014 – 24 February – 3 March (Wolfsburg, Hannover, Ronnenberg, Brandenburg)

All valuation-relevant property units were fully inspected. For internal inspections at least the staircase, basement, attic (if applicable and accessible), all other common areas as well as a vacant or in the case of fully let properties, a let apartment (in some cases not possible) were inspected with a property manager of the client.

3.3 DCF Calculation

The calculation of the Market Value has been based on the Discounted Cash Flow (DCF) method. This is an internationally recognised method, based on transparent, dynamic and explicit valuation parameters to determine the Market Value. Initially all future cash flows (both revenues and costs) for residential properties are explicitly determined for a ten-year detailed planning period. At the end of this period, a terminal value is calculated, by effectively capitalising all future projected net cash flows generated by the property. The assumptions made for the model reflect comparable analysis and decisions that would have been made by investors active in the market as at the effective date of valuation.

The cash flows for the relevant year of the detailed planning period are calculated as follows:

The potential rental income at full occupancy is reduced by the loss of rent due to vacancy and/or rent collection loss. The resulting amount reflects the current rental income. For non-subsidised housing and/or following the end of public funding for subsidised housing, rents have been adjusted with due regard to the relevant legislation (§ 558 of German Building Code, Sec. 3). This legislation states that the rent may not be increased by more than 20% (cap limit) within a three-year period and may not exceed local comparable rents. Berlin, Hamburg, Munich as well as more than 90 cities and municipalities in Bavaria and almost 60 cities and municipalities in North Rhine-Westphalia now have a cap limit of 15%. After deduction of the non-transferable costs (maintenance costs, management costs, other costs, ground rents and non-recoverable operating costs), the net cash flow is determined before taxes and debt service. The respective cash flows of the individual periods are then discounted to the date of valuation by the pre-determined discount rate (see Determination of Discount Rate, Sec. 5.11).

The calculation of the terminal value after Year 10 is carried out as follows:

In general, a stabilised cash flow (stabilised rental income less stabilised expenses) can normally be achieved by the end of Year 10. As no period-overlapping changes are expected in the cash flow after this point, the net operating income at Year 10 serves as the basis for the forecasted future cash flows.

By means of the property-specific capitalisation rate (see Determination of Capitalisation Rate, Sec. 5.11), the net operating income (NOI) is capitalised into perpetuity. The capitalised terminal value, like the cash flows of the detailed planning period, is likewise discounted to the date of valuation.

The result of the DCF method mirrors the economic view that would be taken by the majority of active market participants as at the effective date of valuation and reflects the Market Value.

4 Assumptions

4.1 Title / Legal Restrictions / Building and Other Encumbrances

The available information regarding title, legal restrictions, building and other encumbrances has been mainly made available to Jones Lang LaSalle by the client. A random sampling of the information based on the documents provided by the client was carried out. No discrepancies or points of concern were identified. Title entries registered in Section II of the sampled land registers were considered to have either no or only a minimal influence on value, if at all. Furthermore, any potential encumbrances and restrictions from Section II of the valued properties are duly registered in the land registers.

We have made the assumption that the provided copies of the available documents for the properties have been made available to us that they are complete, correct and up to date and that such documents have been verified by the client.

Moreover based on the above and a random sampling of the available information we identified no points of concern and have made the assumption that the properties have good and marketable freehold or leasehold title in each case and that the properties are free from any depreciating rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings.

As is normal valuation practise, we have also assumed that the properties are free from mortgages, charges or other financially relevant encumbrances. Furthermore, no account has been taken in our Valuation of any goodwill that may arise from the present occupation of the properties.

4.2 Contamination and Soil Conditions

Information with regard to the suspicion of soil or other contamination for the properties has been made available to us, however, according to the client, no environmental issues for the properties as at the date of Valuation were known which are sufficient to affect value. We have not undertaken nor been instructed to conduct a formal environmental assessment, and have not carried out any investigation into past uses, either of the properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites.

We have assumed that there are no abnormal ground conditions or contamination, which are sufficient to affect value or adversely affect the present or future occupation or development of the properties. Should suspicion regarding contamination arise in the future, environmental assessment reports need to be acquired and in case contamination is detected, the Valuation would have to be appropriately adjusted.

We have also made the assumption that there are no archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

4.3 Condition and Structural Inspections, Deleterious Materials

Information regarding condition and structural reports as well as deleterious materials has been made available to us by the client, where applicable. We have not undertaken nor been instructed to conduct a formal condition or structural survey, although where building deficiencies were identified during the internal or external inspections, they were subsequently reflected in the Valuation.

The results of the inspections are based on exclusively purely visual examinations, with no guarantee as to the completeness of the information presented. Unless otherwise informed by the client, we have made the assumption that the properties are free from any mildew, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not investigated whether high alumina cement, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of any of the properties. For the purposes of this Valuation, unless otherwise informed by the client, we have made the assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the foundations of the properties are free from any defect. Unless otherwise informed by the client, we have made the assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed thereon.

4.4 Building Law

We have made the assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications are existent and that there are no outstanding statutory notices as to their construction, use or occupation. We have made a further assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply.

4.5 Town and Traffic Planning

We have made the assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply. According to the client there is no information regarding value-relevant impact of public planning projects (town or traffic planning) available.

4.6 Protection of Historic Structures

Based on the provided information by the client, two multi-family buildings in Brandenburg (Neustädtische Heidestr. 38 etc. and Kreyssigstr. 6a / Kreyssigstr. 6b) are listed as historical monument.

4.7 Technical Equipment, Plant & Machinery

During our inspections, no tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services, nor have the drains been tested. Unless otherwise informed by the client, we have made the assumption that all services to the properties are functioning satisfactorily.

No allowance has been made in these Valuations for any items of plant or machinery not forming part of the service installations of the properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses.

The technical equipment in the subject properties such as passenger and goods lifts and other means of transportation, heating systems and further technical installations have been considered as integral components of the property. We have excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

4.8 Areas

We have not measured the properties, but have applied floor areas provided by the client. We have assumed that these areas have been measured and calculated in accordance with the current market practice where the properties are located. A qualified sampling of the information was verified and checked for plausibility, whereby we could not find any discrepancies.

4.9 Leases and Tenancy Information

Information regarding rental units, contractual rents, lease terms, rental terms and, where applicable, publicly subsidised units was made available to Jones Lang LaSalle by the client. A random sampling of the information was verified based on documents provided by the client. No abnormalities were detected.

We have made the assumption that copies of all relevant documents for the properties have been made available to us that they are complete, correct and up to date and that such documents have been verified by the client.

For the purpose of the Valuation, we have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge or we have been specifically advised to the contrary, we have made the assumption that the tenants are financially in a position to meet their current obligations. Unless otherwise advised, we have also made the assumption that there are no material arrears of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

However, our Valuation reflects the type of tenants currently leasing the properties or responsible for meeting lease commitments or likely to lease vacant spaces, and the market's general perception of their creditworthiness, if appropriate.

We have also made an assumption that wherever rent reviews or lease renewals are pending or impending, all notices have been served legally within the appropriate time limits.

4.10 Taxes, Fees and Charges

No information has been made available to Jones Lang LaSalle. We have made the assumption that all public taxes, fees, charges, etc. which could have an influence on the value, have been levied and if applicable, had been paid at the time of this Valuation.

4.11 Insurance Policies

At the date of the Valuation, Jones Lang LaSalle was not aware of whether or to what extend insurance policies existed to limit the risks resulting from business activities (e.g. property insurance, liability insurance and construction insurance). As neither supporting nor contrary information was made available by the client nor known by Jones Lang LaSalle, we have made the assumption that potential claims are covered with regard to the insurance level and type by valid insurance policies.

5 Valuation Parameters

5.1 Market Rents

Jones Lang LaSalle has used the following sources for obtaining information on market rents:

- Westgrund Aktiengesellschaft Assessment (basis – rent roll)
- Rent index (Mietspiegel) for respective cities/municipalities (if available)
- Internal Jones Lang LaSalle database (leasings, transactions)
- Offered rents from the online real estate portal IDN Immodaten on street level.

Market Rent Residential

The market rents were determined in 3-steps by Jones Lang LaSalle. In the first step, the current rental income per sqm, a list of new private housing lettings from the past two years (as provided by the client) as well as the researched, quality-differentiated market rents per sqm were assigned and compared. In the second step, with consideration to the current vacancy rate and depending on the three respective rental levels per sqm (current rent, new lettings rents and the researched market rent per sqm), the preliminary market rent per sqm is determined. In the third and last step as part of the individual evaluation, the preliminary market rent per sqm undergoes on an individual assessment basis a more precise review with regard to the existing micro-location quality and the property condition and if necessary, is adjusted according to expert knowledge.

5.2 Rent Adjustment

Non-Rent Controlled Properties

The rental growth forecast applied in the Valuation was developed separately for the various types of use within the real estate market (residential, commercial, garage, parking spaces and miscellaneous) by means of a detailed analysis of the current rental situation, the regional markets and the location of the property in this market.

For non-rent controlled residential properties, a growth rate between 0.50% and 2.00% p.a. was assumed.

The valuation assumptions relating to the macroeconomic parameters (e.g. purchasing power) were considered on an administrative district or independent municipality level.

Rent Controlled Properties

The growth of rental costs (up to 31 December 2001) or the rents for subsidised social housing (after 1 January 2002) generally progresses more moderately than the development of rents for non-rent controlled housing, as the increase in rental costs usually requires proof from the landlord regarding a change in the cost situation with regard to the property (calculation of profitability) or because a rent increase for subsidised social housing effective from 1 January 2002 may not exceed the maximum permissible rent determined by the subsidy regulation (‘Förderzusage’). A growth rate of 0.25% p.a. starting in the second year for rent-controlled properties was assumed.

Commercial Buildings

The rent escalation analysis is based on the individual clauses agreed within the leases, whereby the rental income is most commonly linked to growth in the Consumer Price Index [CPI].

5.3 Publicly Subsidised Units

According to the information provided by the client 2.1% of the current rental income of the portfolio or respectively, 222 residential rental units are publicly subsidised and subject to rent controls. The restrictions related to rent controls were taken into consideration in our Valuation. The benefits resulting from the granting of cheaper loans are generally not considered in property valuations. These benefits are assessed by the client according to IAS 39.

5.4 Rent Loss (Vacancy)

Rental loss reflects the share of the gross rental income that could have potentially been generated, if vacant units within any property had been rented out. Jones Lang LaSalle has calculated with a stabilised vacancy for each property, ranging from 1.00% to 10.00% of the gross rent p.a., depending on the local market situation, property condition, level of rent adjustment (net rent to market rent) and current vacancy rate. The stabilised weighted average rental loss for the Westgrund Aktiengesellschaft portfolio has been calculated at 3.61% of the potential rental income.

5.5 Maintenance Costs

On-going Maintenance Costs

On-going maintenance costs are non-transferable costs that are incurred during the expected useful life of a property for the preservation of the defined use of the buildings and structures (with the exception of commercial tenants), in order to remove damage caused by wear & tear, age, weather and environmental influences and/or to comply with legal requirements, to maintain the quality and yield capacity of the property.

An in-depth technical review (Technical Due Diligence) of the properties was instructed for this Valuation. Based on the information provided to Jones Lang LaSalle by the client as at the date of Valuation, Jones Lang LaSalle considered these on-going maintenance costs. The costs have been calculated as a € per sqm-figure relating to the total lettable area.

In the Valuation, the maintenance costs for residential and commercial units range from € 3.36 to € 11.93/sqm p.a., calculated depending on the age and condition of the respective property. The weighted average amounts to € 4.95/sqm p.a.

Maintenance Costs associated with Tenant Turnover

Costs for the refurbishment of units associated with tenant turnover are incurred in order to successfully re-let a vacant flat. These costs include decorative repairs as well as renovation costs, marketing costs and non-recoverable operating costs.

An in-depth technical review (Technical Due Diligence) of the properties was instructed for this Valuation. Based on the information provided to Jones Lang LaSalle by the client as at the date of Valuation, Jones Lang LaSalle considered these tenant turnover costs with the noticed amount of € 46.4 million over a 10-years period (€ 5.71/sqm p.a.).

5.6 Deferred Maintenance

An in-depth technical review (Technical Due Diligence) of the properties was instructed for this Valuation. Based on the information provided to Jones Lang LaSalle by the client as at the date of Valuation, Jones Lang LaSalle considered these turnover costs with the noticed amount of € 35.9 million over a 10-years period (€ 4.42/sqm p.a.).

5.7 Management Costs (Non-Transferable)

Management costs incurred in the management of residential leases, encompassing all necessary labour and equipment as well as for the legal and optional audit of annual financial statements (with exception of commercial tenants) are normally non-transferable.

Management costs for residential buildings are dependent on location, condition and tenancy. Jones Lang LaSalle has considered management costs in the Valuation depending on location and property type of € 250 - 275 per residential unit p.a. For commercial units, the potential rental income was applied at 2.0% p.a., management cost for car parking spaces as well as miscellaneous units was applied at € 31 - 37 per unit p.a.

5.8 Operating Costs (Non-Transferable)

The German Regulations on Operating Costs (Betriebskostenverordnung - BetrKV) define transferable operating costs for residential properties.

For vacant rental space, certain types of costs, such as minimum heating costs, caretaker or security costs, as well as electricity and cleaning costs, which are generally transferable, cannot be transferred. Therefore, Jones Lang LaSalle has applied for each vacant sqm of residential area non-transferable operating costs of € 15.50/sqm p.a. (weighted average).

Vacancy occurs within the detailed planning period as a result of tenant fluctuation. For these vacant areas, the scheduled non-transferable costs were not taken into consideration, as these costs are already considered in the maintenance costs associated with tenant turnover.

5.9 Other Costs

'Other costs' refer to and reflect the risk of a reduction in income as a result of uncollectable arrears of rent. They also serve to cover the costs of legal action to collect payments, cancel a rental contract or clear premises. Arrears of rent, due deposit payments and due property management costs must also be taken into account under this heading. The amount of such costs depends on the local market situation, type and condition of the property, tenancy situation, quality of tenants and quality of lease agreements. These costs are calculated as percentage of the current rental income. A percentage between 0.60% and 1.20% of the current rental income was used in the Valuation. The weighted average is 1.00% of the current rental income per annum.

5.10 Inflation

Residential Buildings

All costs, calculated on a per square metre or per unit basis, have been indexed with the average rate of inflation over the last 10 years according to the German Statistical Office.

In average the inflation increased by 1.57% per annum within the last 10 years depending on the respective valuation date. The indexation of other costs such as management costs, vacancy costs and costs for ground lease is calculated by applying the above indexation figure.

Commercial Buildings

General inflation is based on the forecast of Global Insight. Inflation was added to all costs included within the cash flow. The average long-term inflation forecast is at 2.35% per annum. This applies also to the non-recoverable ancillary costs as well as to tenant improvements, capex an on-going maintenance costs.

5.11 Discount Rate and Capitalisation Rate (Cap Rate)

Discount Rate

The Discount Rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consists of an interest rate for a risk-free investment as well as a premium to account for specific investment risks associated with real estate investments.

The risk-free interest rate reflects the rate that can be achieved in the investment market for a risk-free investment. Jones Lang LaSalle uses the risk-free interest rate of around 3.78% p.a. referring to the average interest rate of the past 120 months of a 10-year bond, issued by the European Central Bank. A property-specific, weighted risk premium, which is based on a rating (market, location, property and cash flow) is applied to the risk-free interest rate in order to derive a risk-adjusted discount rate, which reflects the opportunities and risks of the properties in the market. Normal discount rates for German properties generally range between 4.5% and 9.0%, depending on market conditions, the micro-location quality, property type and use, property condition and cash flow security. The weighted discount rate for the subject portfolio stands at 5.8%, which, based on our experience, is comparable to similar transactions on the market.

Capitalisation Rate

The Capitalisation Rate (the 'Cap Rate') is used to capitalise the stabilised Net Operating Income at Year 10 into perpetuity, as it is assumed that properties are kept in stock after the detailed 10-year planning period. The Cap Rate is based on each property's individual discount rate. For the determination of the terminal value, which is based on the NOI at year 10, an individual growth rate (positive or negative) of future cash flows has been calculated. According to normal practice, the growth rate of a stabilised cash flow has then been deducted from the discount rate in order to determine the cap rate. The weighted capitalisation rate for the subject portfolio stands at 5.3%, which, based on our experience, is comparable to similar transactions on the market.

5.12 Purchaser's Costs

Purchaser's costs have been considered in the Valuation as a percentage of the Market Value. These costs include legal fees for the sale, land transfer tax, deed registration as well as agent's fees.

Depending on the valuation date and the federal state, the currently valid land transfer tax was applied in the valuations. The land transfer tax ranges over all between 3.5% and 5.0%, while the weighted land transfer tax for the subject portfolio stands at 4.9%.

Agent's fees were assumed between 2.5% to 3.0% lump sum payment in the Valuation, while notary and associated court costs were assumed to be 1.0%.

6 Valuation Results

6.1 Market Value

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the client, and subject to the assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Westgrund Aktiengesellschaft (hereinafter 'client') as at the effective date of Valuation, 30 June 2014, was as follows:

€ 510,077,263

(Five hundred ten million, seventy-seven thousand, two hundred sixty-three euros)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	812,233 sqm
Average market value per sqm of lettable area:	€ 628
Current rental income (gross) per annum:	€ 40,319,207
Potential rental income (gross) per annum:	€ 44,570,382
Market rental value (gross) per annum:	€ 48,732,825
Multiplier (based on current rent):	12.7-fold
Multiplier (based on potential rent):	11.4-fold
Multiplier (based on market rent):	10.5-fold
Gross initial yield:	7.90%
Net initial yield:	5.57%
Net reversionary yield:	7.09%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the valuation report.

6.2 Market Value by Location

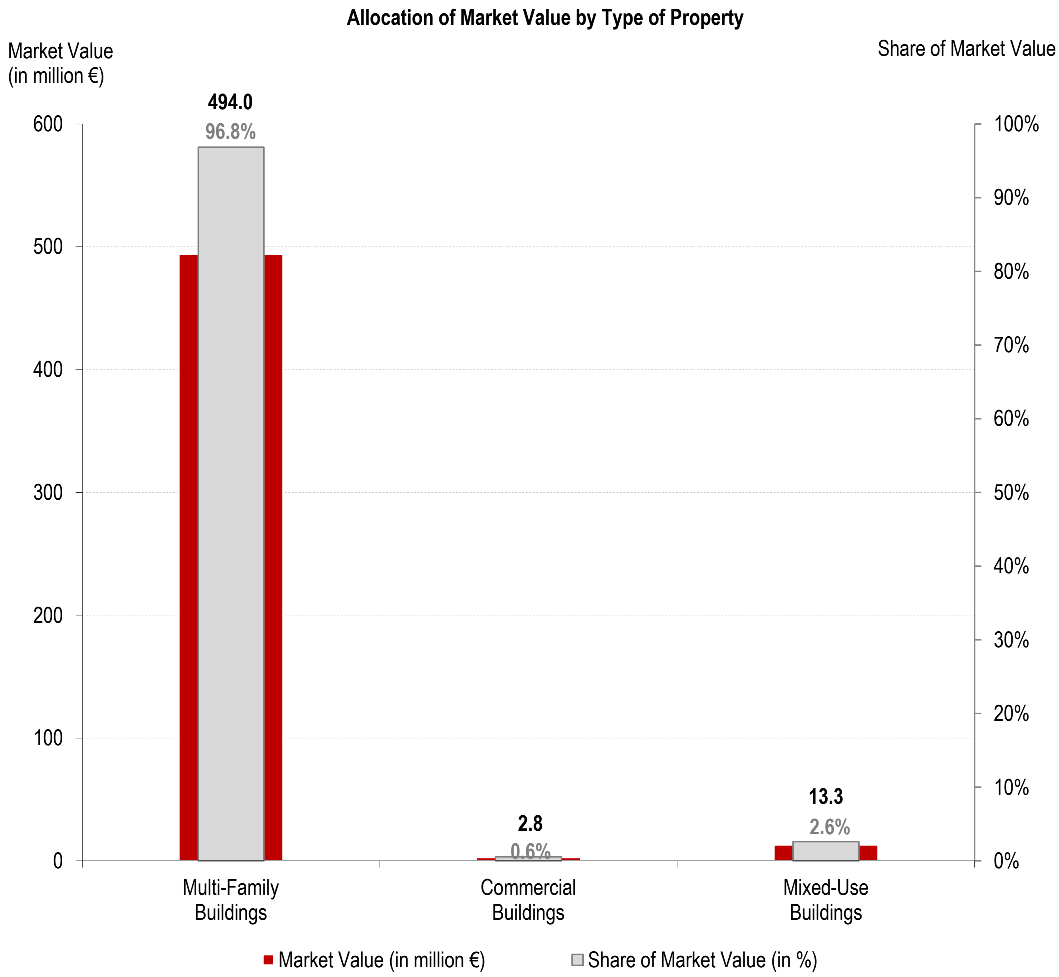
The aggregated value of the individual units by location revealed the following:

80.1% of total Market Value of the Portfolio is to be found within the top 10 locations out of the total 21 locations. The single largest concentration of value is to found in Wolfsburg (measured by Market Value) with € 116.2 million (22.8%), followed by Cottbus with € 58.6 million (11.5%), Brandenburg with € 53.2 million (10.4%), Göttingen with € 52.9 million (10.4%) and Leipzig with € 26.0 million (5.1%).

Location	Market Value (in €)	Market Value (in €/m²)	Multiplier based on Potential Rent	Share in Market Value
Wolfsburg	116,225,992	887	14.0	22.8%
Cottbus	58,623,968	533	10.0	11.5%
Brandenburg	53,157,032	606	12.0	10.4%
Göttingen	52,881,788	695	11.9	10.4%
Leipzig	26,008,145	501	10.3	5.1%
Norden	25,809,104	631	12.6	5.1%
Neubrandenburg	22,641,601	519	10.0	4.4%
Schwerin	19,262,107	412	8.4	3.8%
Halle	17,118,925	563	10.6	3.4%
Emden	17,001,427	483	9.7	3.3%
Other Locations	101,347,173	639	11.2	19.9%
Total	**510,077,263**	**628**	**11.4**	**100.0%**

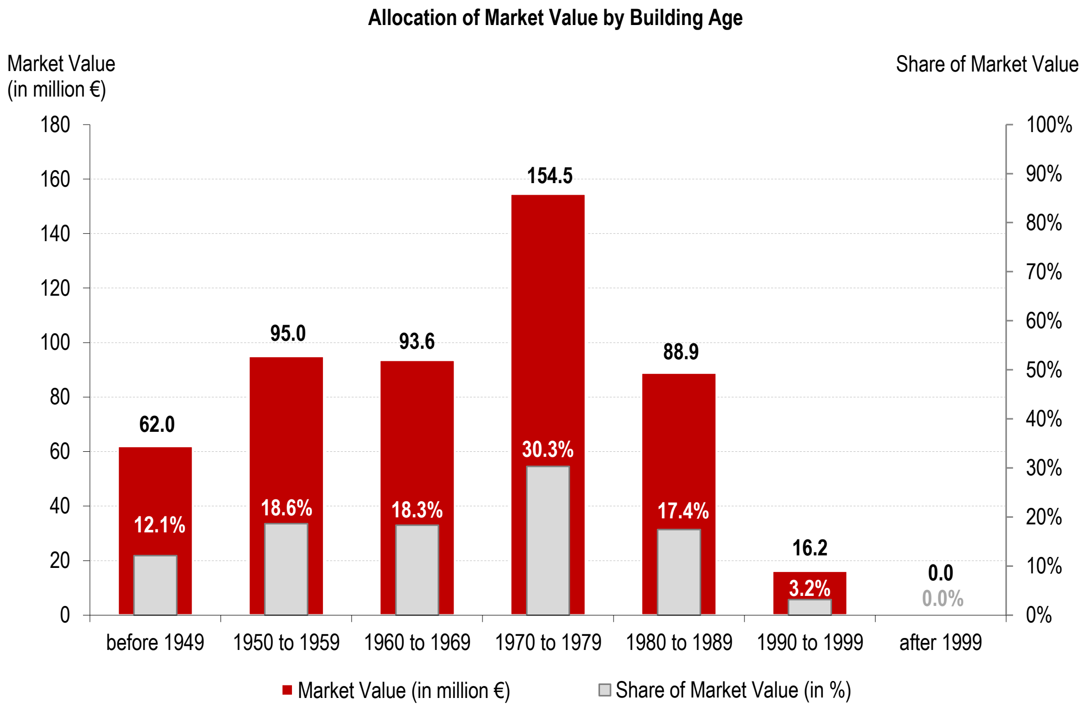
6.3 Market Value by Type Property

The value of the real estate portfolio is dominated by residential-uses. In an analysis of the Market Values according to main type of use, multi-family buildings account for € 494.0 million (96.8%) of the portfolio value. Mixed-use buildings account for € 13.3 million (2.6%). Commercial properties have a market value share of € 2.8 million (0.6%).



6.4 Market Value by Type of Building Age

The analysis of the Market Value based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 30.3% of the Market Value originates from properties built between 1970 and 1979, followed by 18.6% of the properties built between 1950 and 1959. 18.3% of the Market Value is generated from properties constructed between 1960 and 1969 and 17.4% between 1980 and 1989. 12.1% of the Market Value of the lettable areas originates from properties built before 1949, followed by 3.2% of the properties built between 1990 and 1999. There are no properties built after 1999.


Allocation of Market Value by Building Age
Market Value
(in million €)
Share of Market Value
180
160
140
120
100
80
60
40
20
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
62.0
95.0
93.6
154.5
88.9
16.2
0.0
12.1%
18.6%
18.3%
30.3%
17.4%
3.2%
0.0%
before 1949
1950 to 1959
1960 to 1969
1970 to 1979
1980 to 1989
1990 to 1999
after 1999
Market Value (in million €)
Share of Market Value (in %)

7 Valuation Definitions

Potential Rental Income

The potential rental income is the annual income generated by a property assuming full occupancy.

It is determined by assuming the letting of vacant spaces at market rents and adding this figure to the net rents generated by a property. The rental income is calculated by using the respective valuation date as a reference point and multiplying this figure by 12 months.

Current Rental Income

The current rental income is the income a property effectively generates as at the valuation date, taking into account the existing vacancies.

Market Rent (MR)

The Market Rent is the rent for a lettable unit, without service costs such as heating, electricity or gas. The Market Rent is derived from a comparison with other properties of the same construction, real estate and fit-out category. The economic principle applies that the rent price formation is based upon the interplay between supply and demand in the housing market.

The estimated rental value indicates Jones Lang LaSalle's opinion of the Market Rent, which could be reasonably expected to be achieved on a new letting or rent review at a property at the time of valuation.

Gross Market Value

The sum of the discounted cash flows for Years 1 to 10 as well as the discounted final value as at the date of valuation (please refer to section 5.11).

Net Market Value

The net market value results from the gross capital value less the purchaser´s costs, which equal the Market Value.

Net Operating Income

The net operating income is calculated by subtracting all non-transferable operating costs from the annual gross profit (current rental income).

Net Initial Yield

The net initial yield is defined as the ratio of the net operating income divided by the gross capital value:

$$\text{Net Initial Yield} = \frac{\text{Net Operating Income}}{\text{Gross Capital Value}}$$

Net Reversionary Yield

The net reversionary yield is defined as the ratio of the net operating income (based on MR) at full occupancy minus the on-going expenditures (maintenance, management, loss of rental income, agent's fees, vacancy and ground rent costs) to the gross capital value. This yield relates the future growth in net operating income in comparison to the current acquisition costs or value of the property (incl. purchase costs).

$$\text{Net Reversionary Yield} = \frac{\text{Net Operating Income (based on MR)}}{\text{Gross Capital Value}}$$

Multiplier (with regard to Current Rent)

The multiplier is defined as the ratio of the current rental income to the Market Value.

$$\text{Multiplier (based on Current Rent)} = \frac{\text{Net Market Value}}{\text{Current Rent p.a.}}$$

Multiplier (with regard to Potential Rent)

The multiplier is defined as the ratio of the potential rent to the Market Value.

$$\text{Multiplier (based on Potential Rent)} = \frac{\text{Net Market Value}}{\text{Potential Rent p.a.}}$$

8 Conclusion

This Portfolio Summary Report was prepared by Jones Lang LaSalle, Berlin, dated 23 July 2014 and has been authorised for use by Westgrund Aktiengesellschaft, Germany as well as the addressees listed under Section 1.2 of this report.

Berlin, 23 July 2014
Jones Lang LaSalle GmbH
Germany

ppa. Andrew M. Groom MRICS
International Director
Head of Valuation & Transaction Advisory

ppa. Roman Heidrich MRICS
National Director
Team Leader Residential Valuation Berlin

RECENT DEVELOPMENTS AND OUTLOOK

The WESTGRUND Group describes itself a specialist in the acquisition, management, optimization and administration of German residential real estate. Due to the increase of investor interest in this section of the market, WESTGRUND believes that this area continues to provide good investment opportunities.

The Residential Real Estate Investment Market in 2014 registered the highest quarterly performance since the breakout of the Lehman crisis, with a transaction volume of around EUR 5.6 billion. (*Source: CBRE Markt für Wohnimmobilienportfolios. MarketView Q1 2014*). In comparison to the average volume per (registered) sale of EUR 58 million, the signing of the Berlinovo Portfolio transaction of WESTGRUND of net EUR 416.5 million belongs the biggest transactions in the residential transaction market in the recent past. The Berlinovo-Portfolio Acquisition Agreement with an aggregate purchase price of EUR 416,500,000.00 was executed on July 4/5, 2014 by subsidiaries of WESTGRUND and other parties.

The management of WESTGRUND Group expects that demand for German residential properties will remain unchanged in 2014. Large listed companies striving for a strategic expansion of their portfolios, equity-strong core-investors who often indirectly invest in special-purpose funds, and private investors should continue to be active market participants. An increase in number of large portfolio deals is less probable and it is more probable that the market will see more restructuring and optimization of real estate portfolios.

Based on this existing structure and business platform, WESTGRUND intends to further increase its real estate holdings to up to 30,000 to 40,000 units over the next few years. As set by the Management Board, preconditions for the targeted growth plan are (i) an existing, flexible and lean corporate platform, (ii) a strong network and track record for the sourcing of assets, (iii) access to funding via the capital markets and close relationships to lending banks, and (iv) an experienced management team.

One milestone to reach the growth targets was the signing of the Berlinovo Acquisition Agreement where the WESTGRUND Group has successfully taken part in a structured bidding process for the first time. In the future the WESTGRUND Group intends to take part in bidding processes selectively on an opportunistic basis. The WESTGRUND Group does not intend to change its successful internal structure as a consequence of the purchase of larger portfolios but intends to retain a lean organization with minimal overhead. However, the internal and external capacity to manage the portfolio has to be adapted to the new size of the portfolio. With and for the integration of the Berlinovo Portfolio, the Company expects to hire four to five new staff members.

The future total holdings of WESTGRUND are expected to be distributed over four to five selected target regions, including in particular Berlin and its surrounding areas (especially Brandenburg), North Rhine-Westphalia, Rhineland-Palatinate, Lower Saxony and Saxony/Saxony-Anhalt/Thuringia/Mecklenburg-Western Pomerania.

For the first half year 2014 the operating business of WESTGRUND Group was developing positive, showing an improvement of the gross profit from operating activities from EUR 4.0 Mio. in the first six months of 2013 to EUR 6.4 in the first six months of 2014. The real estate Portfolio of WESTGRUND Group was extended from EUR 135 Mio. at the end of 2012 to EUR 326 Mio. as of June 30, 2014. After the integration of the Berlinovo Portfolio it is expected that market value of the real estate portfolio of WESTGRUND Group will exceed EUR 800 Mio.

For the near future the main focus will be on the integration of the Berlinovo Portfolio and on continued growth of the portfolio of approximately 20,000 residential units which will be managed by the WESTGRUND Group by the end of 2014. Additionally, a special focus is expected to be on holdings with untapped potential, particularly in terms of sustainable property management analysis.

It is intended to use the net proceeds of the Offering as the equity part for the payment of the purchase price of the Berlinovo Portfolio.

In the medium term, WESTGRUND strives for a working inventory of 30,000 to 40,000 units and a net annual rental income of approximately EUR 100 to EUR 133 million. Due to the Berlinovo Portfolio acquisition, WESTGRUND Group's residential portfolio, including commercial units, will grow 2.7 times (to approximately 20,000 units), and its annual net rental income is expected to increase from around EUR 25 million to over EUR 61 million. WESTGRUND will then hold approximately 1.3 million square meters in properties and thus become a much bigger player in the market.

Besides the integration of the Berlinovo Portfolio the WESTGRUND Group is currently verifying further opportunities to further expand the existing portfolio according to the outlined investment criteria as part of the growth strategy.

Furthermore, since June 30, 2014, the WESTGRUND Group has entered into the following agreements having a significant influence on the financial condition and operating results of the WESTGRUND Group: Binding mandate and commitment letter with Barclays Bank PLC on the granting of a EUR 331,000,000.00 senior secured credit facility, dated July 9, 2014, for payment of a part of the acquisition price of the Berlinovo-Portfolio as well as the Volume Underwriting Agreement (dated July 9, 2014) with regard to the Offering obliging the Company to pay fix commissions in the amount of together approximately EUR 1.7 million to the Joint Global Coordinators, to Wecken & Cie. and to further persons that have committed themselves parallely to acquire New Shares for a certain amount.

Since the effective date of the latest audited annual financial statement, there have been no material adverse changes in the business prospects of WESTGRUND beyond the facts and circumstances described in this section "Recent Developments and Outlook". From 31 December 2013 to the date of this Prospectus, there have been no significant changes to the financial condition or the trade position of WESTGRUND Group beyond the facts and circumstances described in this section “Recent Developments and Outlook“.

We are not aware of any other trends, uncertainties, obligations or events that might be expected to have a material effect on WESTGRUND’s prospects, at least during the current financial year, beyond the facts and circumstances described in this section “Recent Developments and Outlook“.

GLOSSARY

Admission Shares	The New Shares and the Existing Share that will be applied for admission to trading on the regulated market segment.
AIF	Alternative investment funds.
AIFM-Directive	European Directive 2011/61/EU on Alternative Investment Fund Managers.
AktG	German Stock Corporation Act.
Appraisals	Valuation summaries prepared by Jones Lang LaSalle contained in this Prospectus.
Associated Company	All companies WESTGRUND cooperates with.
Baader Bank	Baader Bank Aktiengesellschaft, Weihenstephaner Str. 4, 85716 Unterschleissheim, Germany.
BaFin	Federal Financial Supervisory Agency in Bonn/Frankfurt.
BauGB	German Building Code.
BBSR	Geman Federal Institut for Research on Building, Urban Affairs and Spartial Development.
BBodSchG	German Federal Soil Protection Law.
Berenberg	Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany.
Berlinovo-Portfolio	Real estate portfolio to be acquired from berlinovo Immobilien Gesellschaft mbH, consisting of about 13,300 residential and 73 commercial units predominately located in Lower Saxony, Brandenburg, Mecklenburg-Western Pomerania and Saxony.
Cash Flow	Indicator that shows the net inflow of cash from sales activities and other current activities during a given period.

CEO	Chief Executive Officer.
CEST	Central European Summer Time.
CFO	Chief Financial Officer.
Clearstream Banking AG	Clearstream Banking AG, safekeeping and Clearing company. Its functions are the safekeeping of securities, the settlement of security transactions, the management of deposited securities and the intervention of securities lending.
Code	German Corporate Governance Code.
Company	WESTGRUND Aktiengesellschaft, Berlin.
DCF	Discounted-Cash-Flow. Method for the evaluation of companies, projects or particular projects.
DHPG	DHPG Audit GmbH, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Niederlassung Köln, Brückenstrasse 5-11, 50667 Cologne, Germany.
Direct-Subscription-Shares	The shares concerning the exercise of Wecken & Cie.'s subscription rights directly vis-à-vis the Company.
ECB	European Central Bank.
EBIT	Earnings before interest and taxes.
EBITDA	Earnings before interest and taxes and depreciation and amortization.
EEA	European Economic Area.
ESMA Recommendations	The ESMA update of the CESR recommendations of March 23, 2011, ESMA/2011/81.
EStG	German IncomeTax Act.

EURIBOR	Euro Interbank Offered Rate, a daily refererence rate based on the averaged interest rates at which banks offer to lend unsecured funds to other banks in the euro wholesale money market.
Existing New Shares	The shares of the existing share capital of WESTGRUND.
Fair Value	Valuation according to International Accounting Standard 40, which is the amount for which a property could be exchanged between knowledgeable, willing parties in an arm's length transaction.
FSMA	Financial Services and Markets Act 2000.
GDR	former German Democratic Republic.
GewStG	German Trade Tax Act.
HGB	German Commercial Code.
IAS	International Accounting Standards.
Ifo	Ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München e. V.
IFRS	International Financial Reporting Standards.
ISIN	International Securities Identification Number.
Issuer	WESTGRUND Aktiengesellschaft, Joachimstaler Straße 34, 10719 Berlin.
Joint Global Coodinators	Joh. Berenberg Gossler & Co. KG, Hamburg, Germany together with Baader Bank, Germany.
Joint Bookrunners	Joh. Berenberg Gossler & Co. KG, Hamburg, Germany together with Baader Bank, Germany.
JonesLang LaSalle	Jones Lang LaSalle GmbH, Berliner Freiheit 2, 10785 Berlin, Germany.
KAGB	German Investment Code.

KStG	German Corporate Income Tax Act.
m	Million.
LTV	Loan to value (ratio of a loan to the value of an asset purchased)
Market Value	Fair value which competent, contract seeking and independent parties would be willing to trade under usual market conditions for a property value or rather to honor depts.
Net annual rent	Contractually agreed monthly rent as of the relevant reporting date, net of value added tax and (advance payments of) services charges, multiplied by twelve.
Net Cold Rent	Annual net cold rent divided by the purchase price (without acquisition costs as such as notarial charges, broker's fee and tax on real estate transfer tax).
New Shares	46,666,666 new ordinary bearer shares with no par value (Stückaktien), each such share representing a notional value of EUR 1.00 and carrying full dividend entitlement from January 1, 2014, originating from the Capital Increase.
NWT	Net wealth tax.
Organized Market	An organized market in terms of the WpHG is a market, which is regulated and supervised by a body recognized by a government, which is operated regularly and is accessible by the public directly or indirectly.
Pre-Placement Shares	The New Shares resulting from the transfer of subscription rights of Wecken & Cie., Basel, Switzerland, and further shareholders constituting a placement volume of at least EUR 60,000,000.00 to Baader Bank acting on behalf of the Joint Global Coordinators for the purpose of a pre-placement and a bookbuilding-procedure.
Prime Standard	Prime Standard is a sub-segment of the regulated market of the Frankfurter Stock Exchange (*Frankfurter Wertpapierbörse*) with additional post-admission obligations.

Property Portfolio	Composition of investment out of different objects which are located on different positions.
Prospectus Directive	Directive 2003/71/EC as amended of the European Economic Area.
Refurbishment	Reactivation of inefficient properties.
Regulated Market	Segment of the stock exchange in which listing obligations and post-listing obligations are governed by law.
Regulation S	Regulation S under the U.S. Securities Act.
Residential Properties	Residential properties are properties which mainly provide residential purposes, provided they were built before January 1, 2007.
RETT	Real Estate Transfer Tax.
RETT Act	Real Estate Transfer Tax Act.
RICS	Royal Institution of Chartered Surveyors.
secondary cities	A total of 76 cities with more than 100,000 inhabitants.
Top 7 Cities	Berlin, Cologne, Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart.
U.S. Securities Act	Regulation S to the U.S. Securities Act from 1933 in its currently available version.
USA	United States of America.
WESTGRUND	WESTGRUND Aktiengesellschaft, Berlin.
WESTGRUND Group	WESTGRUND Aktiengesellschaft, Berlin together with its subsidiaries.
WKN	Securities Identification Number.
WpHG	German Securities Trade Act.

WpPG	German Securities Prospectus Act.
WpÜG	German Securities Acquisition and Takeover Act
yield value	Property value defines the net rental yield as this is the ratio of net rental yield to purchase price (acquisition yield) and later market value (net rental yield).

Berlin, den 9. September 2014

WESTGRUND Aktiengesellschaft

Arndt Krienen	Sascha Giest
(Vorstand)	(Vorstand)

Hamburg, den 9. September 2014

Joh. Berenberg, Gossler & Co. KG

Marc Gei (Director)	Mirco Relling (Vice President)

Unterschleißheim, den 9. September 2014

Baader Bank Aktiengesellschaft

Nico Baader (Vorstand)	Christian Bacherl (Co-Head Corporates & Markets)