GWB Immobilien AG

Planning. Development. Building. Management.

Interim Report 1/2011

Letter to shareholders

Dear Shareholders,

dear ladies and gentlemen,

The 1st quarter was dominated by assignments associated with the implementation of our major Postgalerie Speyer project. We succeeded in securing the funding in partnership with HSH Nordbank AG and Caposition S.a.r.L. (Natixis). In the meantime, we have been able to announce the start of construction work. The ongoing development of the projects in Völklingen, Wolfsburg and Heppenheim was a further priority in these first three months. Activities to sell portfolio properties were intensified. Thanks to the market recovery, we will be making progress in this area as well.

We are continuing to economise wherever this is possible. Compared with the previous year, personnel expenses were reduced by 22.8%, operating expenses by 20.3% and financial expenses by 18.7%. The loss before taxes of €125,000 in the 1st quarter is satisfactory. The operating result improved by 14.9% to +665,000.

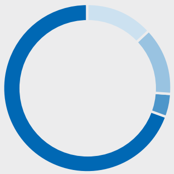
The purpose of the small capital increase in January 2011(700,000 shares) was to stabilise the liquidity position. We cannot sit back and relax yet and do not intend to do so; there would definitely be no justification for this, but it is apparent that we are on the right track.

Kind regards,

Dr Norbert Herrmann, Chief Executive Officer

Share

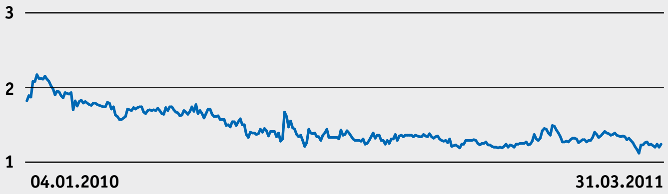
Shareholder structure as of May 2011
in %



- **13.08% Dr Norbert Herrmann**
- **13.08% Wolfgang Mertens-Nordmann**
- **4.65% HR-MN Vermögensverwaltungs-gesellschaft mbH**
- **69.19% Free float***

** Incl. Deutsche Land plc (9.78%) and Cologne Property Administration GmbH (7.62%)*

GWB-Share price development
in €



Share price development

The GWB share started the 2011 financial year at a price of €1.38 on 03.01.2011. The share price at the end of the first quarter was €1.25 on 31.03.2011.

In the first 3 months of 2011, the price of the GWB Immobilien AG share ranged between €1.50 (high reached on 14.01.2011) and €1.13 (low reached on 16.03.2011).

In January 2011, GWB made a capital increase based on a resolution passed by the Management Board of GWB Immobilien AG on 25.01.2011 and approved by the Supervisory Board. The capital increase was fully subscribed.

The share capital of GWB Immobilien AG increased from €7,175,000 to €7,875,000 as a result. The new shares were issued for a price of €1.25 per share. The company received total gross proceeds of €875,000 from this capital increase.

On the basis of the new share capital, the net asset value was €2.91 on 31.03.2011.

Interim management report

General economic conditions

In the first quarter of 2011, economic output in Germany increased more over the same period the previous year than ever before since reunification.[1] According to the German statistical authorities, GDP from January to March 2011 was 5.2% higher in real terms than in the first quarter of 2010.

Alongside exports, the expanding domestic economy made a particularly large contribution to the positive growth, a trend that already started to become apparent in the previous year too. A larger proportion of the GDP was attributable to domestic sources than to the export economy in the first quarter of 2011.

There were substantial increases in consumption as well as in equipment and construction investments. All in all, the German statistical authorities report that the level reached before the crisis began in early 2008 was already exceeded again in the first quarter of 2011.

There were further positive developments in the commercial property sector too.

According to CB Richard Ellis, commercial transaction volume in the first quarter of 2011 was about €5.5 billion or 18 per cent higher than in the same period the previous year.[2] The experts from CB Richard Ellis point out that these investment figures reflect what has been apparent for months in polls of international investors, i.e. that Germany is continuing to strengthen its position as one of the most important investment markets in the world.

The sound economic situation in Germany combined with decreasing unemployment and rising purchasing power is helping to make Germany an increasingly attractive property location. Richard Ellis reports that about 50 per cent of business in the first quarter of 2011 was attributable to foreign investors.

Retail property accounted for a good two thirds of the transaction volume, followed by office property (15 per cent), logistic and industrial property (6 per cent) and hotel investments (about 4.4 per cent).

Business development

After months of hard work, a start was made on our biggest property, Post-galerie Speyer, with an investment of €44.3 million. We succeeded in securing the funding on the back of an impressive rental performance (80% of the retail space was rented before construction began).

We also focussed on the ongoing development of the City Center Völklingen project this quarter. This project represents another major investment (about €34 million) for GWB. We are currently holding negotiations to secure the funding and are confident that we will be able to announce a positive outcome soon.

GWB’s new segment (“health centres”) is continuing to develop dynamically. Now that the Bremerhaven project is in the construction phase, we are working intensively on implementation of the projects in Wolfsburg and Heppenheim. There are further retail locations we are working on, but we cannot and do not want to reveal them yet.

[1] German statistical authorities, press release published on 13.05.2011
[2] CB Richard Ellis, press release published on 06.04.2011

We have managed to turn the business around by operating economically and by making improvements in many functional areas. An almost break-even result in the first quarter of a year must be considered a positive performance for a property company. Earnings were improved considerably over the previous year. Although the net loss was €132,000 (previous year: loss of €476,000), EBIT increased from +€578,000 (2010) to +€665,000 (2011).

Expenses (personnel, operating and financial expenses) were cut by about 15.4%.

Further extensive information about the business model and strategy of GWB Immobilien AG can be found in the GWB Immobilien AG 2010 Annual Report, which can be downloaded from www.gwb-immobilien.de.

Operating results

The loss made after tax and before non-controlling interests amounted to €127,000 for the period from 1 January to 31 March 2011 (previous year: loss of €470,000). Undiluted earnings per share were -€0.02. Diluted earnings per share were -€0.01. EBIT increased by €86,000 over the same period the previous year and amounted to €665,000.

The sales generated by the Group amounted to €1.823 million in the first three months of the financial year and were therefore €534,000 lower than in the same period the previous year. This was attributable to lower rental income due to the sale of several properties in the second half of 2010. Rental income in the first quarter of 2011 amounted to about €1.4 million (previous year: about €2.1 million).

The inventory movements amounted to €602,000 compared with €1.080 million in the same period the previous year. The main items here are the investments in the properties in Speyer (€259,000), Wolfsburg (€131,000) and Völklingen (€127,000). These expenses are recognised in the cost of materials and personnel expenses items too.

The cost of materials item also includes the expenses incurred in connection with the maintenance and ancillary costs of the properties managed (€691,000; particularly Lübeck, Nauen, Nuremberg and Spaldinghof).

Personnel expenses amounted to €480,000 in the period under review. They were therefore 23% lower than in the same period the previous year (€622,000 million).

The other operating expenses decreased by about €129,000 over the same period the previous year and therefore amounted to €505,000 in the first three months of the financial year (previous year: €633,000). This represents a reduction of 20%.

The financial result improved to −€790,000 from −€1.221 million in the previous year. This improvement was due to the reduction in the property portfolio because of the property sales and decreasing financing costs because of this as well as to income of €203,000 from the adjustment in the value of an interest hedging transaction/swap.

An adjustment of €30,000 was made to the fair value of investment property in the first quarter of 2011.

Financial situation and asset position

The GWB Immobilien AG balance sheet total at Group level amounted to €124.3 million on 31 March 2011, which was about €0.6 million higher than in the 2010 financial year.

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

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

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

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

The profit participation certificate capital increased by €8.5 million to €9.1 million in the period under review due to the subscription of a further profit participation certificate by an investor to fund the Speyer project.

The profit participation certificate relationship between Projektgesellschaft market 12 GmbH & Co. KG, which belongs to the Group, and the investor ends three months after the sale of the Speyer property and on 31 March 2013 at the latest.

A payout will be made with respect to the profit participation certificate for the Speyer property provided that withdrawals are made from Projektgesellschaft market 12 GmbH & Co. KG. The payout amounts to 1.5 times the withdrawals made. The profit participation certificate holder also receives a 67% share of the proceeds of the sale of the Speyer property (at least €5.5 million).

An amount of €88,000 was recognised as per 31 March 2011 as a commitment arising from the profit participation certificate capital profit-sharing arrangement.

The current liabilities of the company exceed the current assets by about €37.8 million. Most of this difference is attributable to the fact that the Lübeck property is included as investment property in the non-current assets, whereas the funding is shown in the current liabilities due to ongoing negotiations about extension of the existing contract for the loan of about €29.8 million.

The subscribed capital increased by €700,000 to € 7.875 million due to the capital increase that was made.

All in all, the company has assets of €124.3 million and liabilities of €101.1 million, so that shareholders' equity amounted to €23.1 million at the end of the quarter. This is an increase of about €0.7 million over 31 December 2010.

The equity ratio was 18.6% on 31 March 2011, while it was 18.1% at the end of the 2010 financial year.

The cash flow from business activities amounted to -€5.357 million in the first three months. The substantial reduction over the same period the previous year (€407,000) was due essentially to the decrease in trade payables (-€5.512 million), which led accordingly to an outflow of funds.

Corresponding to this, the cash flow from financing activities increased from -€978,000 in the previous year to €5.243 million. These cash flow figures were attributable to the fact that further profit participation certificates amounting to €8.500 million were issued.

The cash flow from investment activities only changed slightly and totalled €17,000.

In total, the cash and cash equivalents available to the company decreased by about €97,000 and amounted to €225,000 at the end of the quarter.

Opportunities and risks

We refer to the 2010 Annual Report of GWB Immobilien AG with respect to the opportunities and risks of the business operations of GWB Immobilien AG. The detailed statements made there continue to apply unchanged.

The Annual Report can be downloaded from www.gwb-immobilien.de.

Events after the end of the quarter

In May 2011, we succeeded in selling the City Center Völklingen project to a major investor. GWB will be implementing, renting and then managing this shopping centre on the basis of a project realisation contract. The funding is guaranteed by this contract and we are aiming to start construction work in 2012.

Prospects

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

Refocussing on GWB’s original business model – project development, construction and rental as well as profitable disposal – is the approach we are adopting to an increasing extent. The revitalisation business and the service sector are being expanded. One of the effects of the provision of service in the context of business management contracts is that the equity requirements are reduced substantially.

Revitalisation

The properties held in the company portfolio (IAS 40) continue to be developed and – if necessary – revitalised. Profitability is to be increased by changing the tenant structure and by taking further action. The need for revitalisation of shopping centres in Germany is undisputed and other companies also acknowledge in the meantime that it is an interesting field. Current estimates indicate that there are about 200 shopping centres in Germany which belong in this category. The investment volume is estimated to total €5-6 billion. There is in addition tremendous potential for the conversion of existing large self-service department stores into specialty retail and shopping centres.

Project development retail

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

Residential property

GWB is planning to take over an existing company from this segment in 2011 that has been operating in the field successfully for more than 30 years. This company is based in the Cologne area, a region that still has great growth potential. This corporate unit is to continue operating as such, while all the possible synergy benefits are, of course, to be exploited. The activities will be extended to include North Germany, with the emphasis on the Hamburg region. A new study indicates that there are 90,000 too few flats in Hamburg alone. Rents are increasing steadily and have in the meantime reached an average level of €10.45. 80% of the population of Hamburg and the surrounding area lives in rented flats.

Health/rehabilitation centres

GWB has been commissioned to carry out several projects following the successful developments the company has completed starting with the Lübeck-Travemünde project in 2004. The property in Bremerhaven is in the process of construction, while the Wolfsburg and Heppenheim projects are being implemented too. The investment in these properties ranges between €10 and 15 million per property. We have strengthened our acquisition operations and assume that we will be able to secure at least two more properties in 2011.

Assurance by the legal representatives

We confirm to the best of our knowledge that the consolidated interim financial statements comply with the principles of proper consolidated interim reporting applied and communicate a true and fair picture of the asset position, financial situation and operating results of the Group, that the consolidated interim management report presents the development of the business, including the business results and the situation of the Group, in such a way that a true and fair picture is communicated and that the main opportunities and risks of the probable development of the Group in the rest of the financial year are outlined.

Consolidated income statement (IFRS)

in € '000	Q1 2011	Q1 2010
Sales	1,823	2,357
Inventory movements	602	1,080
Other own work capitalised	0	0
Other operating income	98	60
Cost of materials	−898	−1,656
Personnel expenses	−480	−622
Depreciation of intangible and tangible assets	−6	−7
Other operating expenses	−505	−633
Financial expenses	−993	−1,221[1]
Financial income	203[1]	0
Loss on ordinary operations	**−155**	**−642**
Changes due to the adjustment of the fair value of investment property	30	0
Changes due to the adjustment of the fair value of the non-current assets available for sale	0	0
Proceeds of the sale of investment property	0	0
Further costs in connection with the sale of investment property	0	0
Carrying amount of the investment property sold	0	0
Loss before taxes	**−125**	**−642**
Taxes on income and earnings	−2	172
Net loss for the period	**−127**	**−470**
Non-controlling interests in the net loss	−6	−6
Earnings attributable to the parent company	**−132**	**−476**
Undiluted earnings per share *(in €)*	−0,02	−0,07
Diluted earnings per share *(in €)*	−0,01	−0,07
Operating result (EBIT)	**665**	**579**

[1] *The financial income includes adjustments in the value of an interest hedging transaction (swap) amounting to €203,000 (previous year: financial expenses of €138,000).*

Statement of reconciliation from quarterly earnings to comprehensive income

in € '000	Q1 2011	Q1 2010
Net loss for the period	**−127**	**−470**
Transaction costs stated in shareholders' equity	**0**	**0**
Losses from the market valuation of securities that are stated directly in shareholders' equity		
Market valuation of AFS securities	−18	24
Taxes on miscellaneous comprehensive income	**0**	**0**
Compehensive income	**−145**	**−446**
Non-controlling interests in the interim loss	−5	−6
Attributable to Group shareholders	**−150**	**−452**

Consolidated balance sheet (IFRS)

in € '000	31.03.2011	31.12.2010
Assets		
Current assets		
Cash and cash equivalents	225	322
Inventories	30,614	29,937
Trade receivables	407	546
Income tax assets	38	38
Other current assets	306	125
Total current assets	**31,590**	**30,968**
Non-current assets		
Intangible assets	1	1
Goodwill	272	272
Tangible assets	119	124
Investment property	91,682	91,652
Non-current assets available for sale	0	0
Financial assets	623	641
Deferred taxes	0	0
Total non-current assets	**92,697**	**92,690**
Total assets	**124,288**	**123,658**

Consolidated balance sheet (IFRS)

in € '000	**31.03.2011**	**31.12.2010**
Liabilities and shareholders' equity		
Current liabilities		
Current financial liabilities	60,899	60,830
Trade payables	4,298	8,982
Tax liabilities	20	20
Liabilities for non-current assets available for sale	0	0
Other current liabilities	2,648	2,827
Current borrowed capital component / convertible bond issue	1,500	1,500
Total current liabilities	**69,365**	**74,159**
Non-current liabilities		
Non-current financial debt	21,527	25,138
Derivative financial instruments	296	499
Deferred taxes	0	0
Profit participation certificate capital	9,139	639
Borrowed capital component / convertible bond issue	811	804
Total non-current liabilities	**31,773**	**27,080**
Shareholders' equity		
Subscribed capital	7,875	7,175
Capital reserves	16,720	16,545
Revenue reserves	249	249
Revaluation reserves	-39	-21
Retained losses	-1,897	-1,765
Non-controlling interests	242	236
Total shareholders' equity	**23,149**	**22,419**
Total liabilities and shareholders' equity	**124,288**	**123,658**

Consolidated statement of cash flows (IFRS)

in € '000	Q1 2011	Q1 2010
Cash flow from business activities		
Loss before taxes	−125	−642
Adjustments to reconcile the loss before taxes to net cash flows		
Depreciation of non-current assets	6	6
Increase in the fair value of investment property	30	0
Other income/expenses that have no impact on payment	−80	148
Profit/loss on asset disposals	0	0
Investment income through profit or loss	0	0
Financing expenses through profit or loss	1,043	1,853
Decrease/increase in inventories	−677	−1,080
Decrease in property held in accordance with IAS 40	0	0
Decrease/increase in trade receivables	139	5
Decrease/increase in other receivables and other assets (where they are not investment or financing activities)	−181	−62
Decrease/increase in other liabilities (where they are not investment or financing activities)	−5,512	189
Taxes paid on income and earnings	0	−10
Cash flow from business activities	**−5,357**	**407**
Cash flow from investment activities		
Cash outflows for investments in tangible assets	−1	0
Cash outflows for investments in property held in accordance with IAS 40	0	0
Cash outflows for investments in intangible assets	0	0
Cash outflows for investments in financial assets	0	0
Cash inflows from disposals of financial assets	0	0
Changes in financial assets due to consolidation	0	0
Decrease/increase in the fair value of available-for-sale securities	18	−24
Cash outflows for the acquisition of subsidiaries	0	0
Cash flow from investment activities	**17**	**−24**

Consolidated statement of cash flows (IFRS)

in € '000	**Q1 2011**	**Q1 2010**
Cash flow from financing activities		
Cash inflows from the obtainment of loans	10,410	729
Cash outflows from the repayment of loans	−13,952	−1,393
Cash inflows from the capital increase	875	922
Cash inflows from the issue of profit participation certificates	8,500	0
Cash outflows from the buying back of profit participation certificates	0	0
Income/losses from profit sharing/profit participation certificates	0	0
Expenses in connection with the buying back of profit participation certificates	0	0
Other cash inflows	0	0
Interest paid	−590	−1,236
Interest received	0	0
Cash flow from financing activities	**5,243**	**−978**
Changes in cash and cash equivalents that have an impact on payment	**−97**	**−595**
Cash and cash equivalents at the beginning of the period	322	1,818
Cash and cash equivalents at the end of the period	225	1,223
Breakdown of the cash and cash equivalents		
Cash in hand and at banks	225	1,223

Consolidated statement of equity movements (IFRS)

Q1 2011 and Q1 2010

in € '000	Share capital	Capital reserves	Revenue reserves	Revaluation reserves	Retained earnings	Non-controlling interests	Total shareholders' equity
Balance on 01.01.2011	**7,175**	**16,545**	**249**	**−21**	**−1,765**	**236**	**22,419**
Capital increase	700	175	0	0	0	0	875
Convertible bond issue	0	0	0	0	0	0	0
Put options written over non-controlling interests	0	0	0	0	0	0	0
Earnings in the period							
a) Costs of the capital increase	0	0	0	0	0	0	0
b) Market valuation of available-for-sale securities	0	0	0	−18	0	0	−18
c) Net loss for the year	0	0	0	0	−132	6	−127
Earnings in the period	0	0	0	−18	−132	6	−145
Balance on 31.03.2011	**7,875**	**16,720**	**249**	**−39**	**−1,897**	**242**	**23,149**
Balance on 01.01.2010	**6,525**	**16,250**	**249**	**−60**	**1,249**	**213**	**24,426**
Capital movements	650	358	0	0	0	0	1,008
Convertible bond issue	0	0	0	0	0	0	0
Put options written over non-controlling interests	0	0	0	0	0	0	0
Earnings in the period							
a) Costs of the capital increase	0	−63	0	0	0	0	−63
b) Market valuation of available-for-sale securities	0	0	0	24	0	0	24
c) Net loss for the year	0	0	0	0	−476	6	−470
Earnings in the period	0	−63	0	24	−476	6	−509
Balance on 31.03.2010	**7,175**	**16,545**	**249**	**−36**	**773**	**219**	**24,925**

Consolidated segment report

Q1 2011

in € '000	Sale/rental	Management	Others	Elimination	Total
Sales					
External sales	1,654	165	4		1,823
Sales between the segments	26,487	193	50	−26,730	0
Total sales	28,141	358	54	−26,730	1,823
Earnings					
Segment earnings	−151	−136	−40	−1	−328
Interest income					203
Taxes on income and earnings					−2
Other consolidated income					0
Non-controlling interests					−5
Earnings attributable to the parent company					**−132**

Notes

Accounting and valuation principles

The consolidated interim report, which has not been audited, has been prepared in accordance with the rules specified in the International Financial Reporting Standards (IFRS). The quarterly financial statements of the companies included in the consolidated financial statements are based on consistent accounting and valuation principles. The consolidation, accounting and valuation principles correspond to those applied in the consolidated financial statements as per 31 December 2010. The rules about interim reporting specified in IAS 34 have been applied.

Convertible bond issue

GWB Immobilien AG did not issue any new bonds in the first three months of the financial year. A total amount of €924,570 had been subscribed on 31.03.2011. This corresponds to 369,828 bonds with a nominal amount of €2.50 each.

Changes in membership of the Management and Supervisory Boards

There were no changes in the Management and Supervisory Boards of GWB Immobilien AG in the first quarter of the financial year.

Employees

GWB Immobilien AG (including GWB OBJEKT) had 21 permanent employees at the end of the 1st quarter of 2011. GWB OBJEKT has a further 12 permanent employees deployed in centre management at the properties in Lübeck, Bamberg and Nauen. GWB Immobilien AG is only burdened with these costs to a limited extent, because most of them are charged to the tenants as part of the ancillary costs.

Dr Norbert Herrmann Wolfgang Mertens-Nordmann Jörg Utermark

Imprint

Publisher
GWB Immobilien AG
Hauptstraße 1a
22962 Siek/Hamburg
Germany

Telephone: +49 (0)4107/90 80 0
Fax: +49 (0)4107/90 80 72

IR@gwb-immobilien.de
www.gwb-immobilien.de

Concept, Design and Realisation
Kirchhoff Consult AG, Hamburg

Photography
Bildarchiv GWB Immobilien AG

Financial calendar

14.07.2011
Annual General Meeting

08/2011
Publication 2nd quarterly report

11/2011
Publication 3rd quarterly report

07/08.12.2011
Analysts' Conference MKK –
Münchner Kapitalmarkt Konferenz

GWB Immobilien AG
Hauptstraße 1a
22962 Siek/Hamburg
Germany

Telephone: +49 (0)4107/90 80 0
Fax: +49 (0)4107/90 80 72

IR@gwb-immobilien.de
www.gwb-immobilien.de