GWB Immobilien AG

Planning. Development. Building. Management.

Interim Report 2/2011

Letter to shareholders

Dear Shareholders,

dear ladies and gentlemen,

As already announced in the report on the 1st quarter, construction of our major POSTGALERIE project in Speyer has begun in the meantime. This means that we are right in line with our schedule to be able to open the POSTGALERIE at the end of 2012.

It is still difficult to obtain funding for major projects, which can only be guaranteed if a large proportion of equity is contributed. This is what prompted us to sell the Völklingen City Center project. This sale was made in the 2nd quarter and guarantees the funds needed for the project. We are working on the assumption that we will be able to start construction work before the end of 2011. GWB will be continuing to build this property as planned on the basis of a project implementation contract.

We are delighted to be able to report that profits were generated again in the 1st half of 2011. We operated successfully in the initial six months, with earnings of €161,000 and EBIT of €2.1 million. This performance was attributable not only to the sale of the Völklingen project but also to our systematic cost policy. Personnel expenses were, for example, reduced by 15.7%, while operating expenses were down 10% and financial expenses were 13.1% lower.

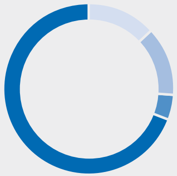
We will be working systematically to make sure this positive trend continues in the 2nd half of 2011 too.

Kind regards,

Dr. Norbert Herrmann, Chief Executive Officer

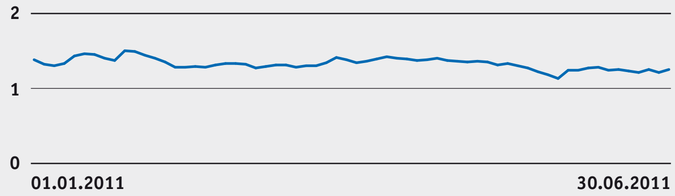
Share

Shareholder structure as of July 2011
in %



*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. The share price at the beginning of the second quarter was €1.18; at the end of the first half of the year on 30.06.11, it was €1.15.

In the first 6 months of 2011, the price of the GWB Immobilien AG share ranged between €1.50 (high reached on 14.01.2011) and €1.10 (low reached on 31.05.2011).

The net asset value was €2.95 on 30.06.2011.

Interim management report

General economic conditions

The German economy is continuing to expand soundly. This was announced by the German Ministry of Economics in a press release about the economic situation in Germany in July 2011.[1]

Although growth slowed down somewhat in the months following the exceptionally strong first quarter of 2011 – as had been expected – most economic observers consider that the prospects remain positive. Both companies and consumers are in an optimistic to very optimistic mood, while increasing numbers of employees and strong demand for staff are still major features of the development on the employment market. Private consumption increased somewhat slower in the second quarter, but should support growth as the year goes on even so. This growth is even more attributable to dynamic domestic demand than in the previous months.

The EU debt crisis, inflation risks and unclear economic development trends in the USA nevertheless represent uncertain factors and downside risks at the present time.

In line with the sound economic situation, the commercial property market in Germany is attractive too.

Transaction volume in the German commercial property field amounted to €5.6 billion in the period between April and June 2011 following €5.5 billion in the first quarter.[2] This means that it was one of the strongest second quarters since 2007. The increase over the same period the previous year was 36%.[3] Retail property accounted for the largest proportion (44%) of the German market volume.

Transaction volume in the commercial property sector increased in the first half of 2011 over the same period the previous year in Europe as a whole (EMEA region) too. Volume was up about 17% over 2010 at about €51.4 billion.

According to Fabian Klein, Head of Investment at CB Richard Ellis, Germany continues to be one of the top property investment markets in the world.[4]

Germany is considered to be a ‘safe investment haven’ because of its strong employment market and consumer spending, rising real wages and ongoing high demand for good commercial space with the prospect of increasing rental prices in the medium term.

Foreign investors continue to show keen interest in German commercial property. In the first six months of the year, foreign investments accounted for 38% of the total transaction volume.

CBRE is expecting market players to continue giving safety top priority in their investment decisions during the rest of the year, when it also anticipates that investment activity will remain dynamic. A good economic environment could, however, have the effect that investments which represent better opportunities will be made to an increasing extent in properties that are not considered to be in the top category too.

Business development

A start was made on building the Postgalerie Speyer project. Development of the new Wolfsburg and Heppenheim projects continues and we are working on new locations.

[1] German Ministry of Economics, press release published on 18.07.2011
[2] CB Richard Ellis, press release published on 19.07.2011
[3] Jones Lang Lasalle, press release published on 15.07.2011
[4] CB Richard Ellis, press release published on 04.07.2011

The Völklingen City Center project was sold to a large fund company, with which we will co-operating on other projects in future too. GWB will be implementing this project, so that the property will be remaining a GWB project in its external impact. At the present time, we are working on the assumption that we will be starting construction before the end of 2011. GWB will be generating income with this project from the sale, from business management and from a proportion of the profit made when the property is sold after completion.

The new segment (“health centres”) is continuing to develop well. We have participated in tender procedures for two more properties and assume that we will be able to report successful completion of them soon.

The improvement in economic performance that was already apparent in the 1st quarter of 2011 has continued to stabilise. We succeeded, for example, in increasing earnings emphatically over the previous year. While we had to report a loss of €541,000 in 2010, we are able to disclose a profit of €161,000 in 2011. We managed to increase the operating result by 36.6%. The operating result was €1.5 million in 2010, while it amounted to €2.1 million in 2011.

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 profit made after tax and before non-controlling interests amounted to €174,000 for the period from 1 January to 30 June 2011 (previous year: loss of €528,000). Undiluted earnings per share were €0.02. EBIT increased by €551,000 over the same period the previous year and amounted to €2.06 million.

The sales generated by the Group amounted to €5.54 million in the first six months of the financial year and were therefore €828,000 higher than in the same period the previous year. This was attributable to the sale of the Völklingen project, which led to proceeds of €1.32 million. Rental income, on the other hand, decreased – due in particular to the sale of several properties in the second half of 2010. Rental income in the first half of 2011 amounted to about €2.8 million (previous year: about €4.2 million).

The inventory movements amounted to €6.13 million compared with €2.38 million in the same period the previous year. The main items here are the investments in the properties in Speyer, Wolfsburg and Heppenheim. 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 (€1.41 million; particularly Lübeck, Nauen, Nuremberg and Spaldinghof).

Personnel expenses amounted to €980,000 in the period under review. They were therefore 16% lower than in the same period the previous year (€1.16 million).

The other operating expenses decreased by about €126,000 over the same period the previous year and therefore amounted to €1.14 million in the first six months of the financial year (previous year: €1.27 million). This represents a reduction of 10%.

The financial result improved to –€1.88 million from –€2.41 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 €224,000 from the adjustment in the value of an interest hedging transaction/swap.

Adjustment of the fair value of investment property in the first half of 2011 led to income of €339,000.

Financial situation and asset position

The GWB Immobilien AG balance sheet total at Group level amounted to €131.5 million on 30 June 2011, which was about €7.8 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 Wolfsburg.

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 compared with the previous year due to the subscription of further profit participation certificates by an investor.

The current liabilities of the company exceed the current assets by about €21.9 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 €30.0 million.

The subscribed capital increased by €700,000 to €7.88 million due to the capital increase that was made.

All in all, the company has assets of €131.5 million and liabilities of €108 million, so that shareholders’ equity amounted to €23.5 million at the end of the quarter. This is an increase of about €1 million over 31 December 2010.

The equity ratio was 17.8% on 30 June 2011, while it was 18.1% at the end of the 2010 financial year.

The cash flow from business activities amounted to –€8.89 million in the first six months. The substantial reduction over the same period the previous year (€217,000) was due essentially to the increase in inventories (€7.02 million) and the decrease in trade payables (–€1.69 million), which led accordingly to an outflow of funds.

Corresponding to this, the cash flow from financing activities increased from –€681,000 in the previous year to €8.790 million. These cash flow figures were attributable to the fact that further profit participation certificates amounting to €8.50 million were issued and a capital increase was made.

The cash flow from investment activities only changed slightly and amounted to €5,000.

In total, the cash and cash equivalents available to the company decreased by about €93,000 and amounted to €229,000 on 30 June 2011.

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

Mr Jürgen Mertens and Mr Michael Müller resigned from their positions as members of the Supervisory Board with effect from the end of the 2011 annual shareholders' meeting of GWB Immobilien AG that was held on 14.07.2011. Mr Volker Heinen and Mr Jens Hecht were elected as new members of the Supervisory Board at the same shareholders' meeting.

Prospects

As announced, we are systematically implementing the strategy of property development, rental and sale. In view of the situation on the financial markets, we are required to co-operate with partners to an increased extent, particularly where larger projects are concerned. The Speyer project and now Völklingen too have demonstrated that we have succeeded in developing a good network here in the past.

We are now in the process of entering into commitments with partners who have strong financial reserves – particularly for the retail property revitalisation operations – with the objective of taking a major step forward here. Good progress is being made with the negotiations.

Another plan is to adopt new approaches in project funding too. The intention is, for example, to issue a mortgage bond, with the aim of enabling us to fund projects independently of banks.

The service operations (property management) will also be growing. We have been commissioned to manage about 20 retail properties, starting in the 3rd quarter of 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 T€	H1 2011	H1 2010	Q2 2011	Q2 2010
Sales	5,537	4,708	3,714	2,351
Inventory movements	6,126	2,383	5,524	1,303
Other own work capitalised	0	0	0	0
Other operating income	57	140	–41	80
Cost of materials	–7,870	–3,284	–6,972	–1,628
Personnel expenses	–980	–1,162	–500	–540
Depreciation of intangible and tangible assets	–11	–13	–6	–6
Other operating expenses	–1,139	–1,266	–634	–633
Financial expenses	–2,102	–2,417[1]	–1,109	–1,196[2]
Financial income	224[1]	9	21[2]	9
Loss on ordinary operations	**–158**	**–902**	**–3**	**–260**
Changes due to the adjustment of the fair value of investment property	338	0	308	0
Changes due to the adjustment of the fair value of the non-current assets available for sale	0	0	0	0
Proceeds of the sale of investment property	0	0	0	0
Sale of the investment property	0	0	0	0
Carrying amount of the investment property sold	0	0	0	0
Earnings before taxes	**180**	**–902**	**305**	**–260**
Taxes on income and earnings	–6	374	–4	202
Net earnings for the period	**174**	**–528**	**301**	**–58**
Non-controlling interests in the net earnings	–13	–13	–8	–7
Earnings attributable to the parent company	**161**	**–541**	**293**	**–65**
Undiluted earnings per share (in €)	0.02	–0.08	0.04	–0.01
Diluted earnings per share (in €)	0.03	–0.07	0.04	0
Operating result (EBIT)	**2,058**	**1,506**	**1,393**	**927**

[1] *The financial income includes adjustments in the value of an interest hedging transaction (swap) amounting to €224,000 (previous year: financial expenses of €299,000).*
[2] *The financial income includes adjustments in the value of an interest hedging transaction (swap) amounting to €21,000 (previous year: financial expenses of €161,000).*

Statement of reconciliation from quarterly earnings to comprehensive income

in T€	H1 2011	H1 2010
Net earnings for the period	**174**	**–528**
Transaction costs stated in shareholders' equity	**0**	**–85**
Losses from the market valuation of securities that are stated directly in shareholders' equity		
Market valuation of AFS securities	–5	47
Taxes on miscellaneous comprehensive income	**0**	**–23**
Comprehensive income	**169**	**–589**
Non-controlling interests in the interim earnings	–13	–13
Attributable to Group shareholders	**156**	**–602**

Consolidated balance sheet (IFRS)

in T€	30.06.2011	31.12.2010
Assets		
Current assets		
Cash and cash equivalents	229	322
Inventories	36,953	29,937
Trade receivables	484	546
Income tax assets	38	38
Other current assets	735	125
Total current assets	**38,439**	**30,968**
Non-current assets		
Intangible assets	1	1
Goodwill	272	272
Tangible assets	114	124
Investment property	91,990	91,652
Non-current assets available for sale	0	0
Financial assets	635	641
Deferred taxes	0	0
Total non-current assets	**93,012**	**92,690**
Total assets	**131,451**	**123,658**

Consolidated balance sheet (IFRS)

in T€	30.06.2011	31.12.2010
Liabilities and shareholders‘ equity		
Current liabilities		
Current financial debt	48,526	60,830
Trade payables	7,295	8,982
Tax liabilities	20	20
Liabilities for non-current assets available for sale	0	0
Other current liabilities	2,960	2,827
Current borrowed capital component / convertible bond issue	1,500	1,500
Total current liabilities	**60,301**	**74,159**
Non-current liabilities		
Non-current financial debt	37,455	25,138
Derivative financial instruments	276	499
Deferred taxes	0	0
Profit participation certificate capital	9,139	639
Borrowed capital component / convertible bond issue	817	804
Total non-current liabilities	**47,687**	**27,080**
Shareholders' equity		
Subscribed capital	7,875	7,175
Capital reserves	16,720	16,545
Revenue reserves	249	249
Revaluation reserves	–27	–21
Retained losses	–1,603	–1,765
Non-controlling interests	249	236
Total shareholders' equity	**23,463**	**22,419**
Total liabilities and shareholders' equity	**131,451**	**123,658**

Consolidated statement of cash flows (IFRS)

in T€	**H1 2011**	**H1 2010**
Cash flow from business activities		
Earnings before taxes	180	–902
Adjustments to reconcile the earnings before taxes to net cash flows		
Depreciation of non-current assets	11	13
Increase in the fair value of investment property	–338	0
Other income/expenses that have no impact on payment	–6	304
Profit/loss on asset disposals	0	0
Financial investment income through profit or loss	–1	–9
Financing expenses through profit or loss	1,613	2,930
Decrease/increase in inventories	–7,016	–2,383
Decrease in property held in accordance with IAS 40	0	0
Decrease/increase in trade receivables	62	–84
Decrease/increase in other receivables and other assets (where they are not investment or financing activities)	–610	113
Decrease/increase in other liabilities (where they are not investment or financing activities)	–2,778	240
Taxes paid on income and earnings	–5	–5
Cash flow from business activities	**–8,888**	**217**
Cash flow from investment activities		
Cash outflows for investments in tangible assets	–1	–1
Cash outflows for investments in property held in accordance with IAS 40	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	6	–47
Cash outflows for the acquisition of subsidiaries	0	0
Cash flow from investment activities	**5**	**–48**

Consolidated statement of cash flows (IFRS)

in T€	01.01.2011-30.06.2011	01.01.2010-30.06.2010
Cash flow from financing activities		
Cash inflows from the obtainment of loans	14,856	3,604
Cash outflows from the repayment of loans	–14,843	–2,792
Cash inflows from the capital increase	875	925
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	–599	–2,422
Interest received	1	4
Cash flow from financing activities	**8,790**	**–681**
Changes in cash and cash equivalents that have an impact on payment	**–93**	**–512**
Cash and cash equivalents at the beginning of the period	322	1,818
Cash and cash equivalents at the end of the period	229	1,306
Breakdown of the cash and cash equivalents		
Cash in hand and at banks	229	1,306

Consolidated statement of equity movements (IFRS)

1st half year 2011 and 2010

in T€	Share capital	Capital reserves	Revenue reserves	Revaluation reserves	Retained earnings	Non-controlling interests	Total shareholders' equity
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	3	0	0	0	0	3
Put option 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	47	0	0	47
c) Net loss for the period	0	0	0	0	–541	13	–528
Earnings in the period	0	–63	0	47	–541	13	–544
Balance on 30.06.2010	**7,175**	**16,548**	**249**	**–13**	**708**	**226**	**24,893**
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 option 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	–6	0	0	–6
c) Net profit for the period	0	0	0	0	162	13	175
Earnings in the period	0	0	0	–6	162	13	169
Balance on 30.06.2011	**7,875**	**16,720**	**249**	**–27**	**–1,603**	**249**	**23,463**

Consolidated segment report

1st half year 2011

in T€	**Sale/rental**	**Management**	**Other**	**Elimination**	**Total**
Sales					
External sales	5,139	376	22		5,537
Sales between the segments	26,541	383	129	–27,053	0
Total sales	31,680	759	151	–27,053	5,537
Earnings					
Segment earnings	269	–232	–80	–1	–44
Interest income					224
Taxes on income and earnings					–6
Other consolidated income					0
Non-controlling interests					–13
Earnings attributable to the parent company					**161**

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 six months of the financial year. A total amount of €924,570 had been subscribed on 30.06.2011. 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 second quarter of the financial year.

Employees

GWB Immobilien AG (including GWB OBJEKT) had 21 permanent employees at the end of the 2nd 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

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