Planning. Development. Building. Management.

Interim Report 3/2011

Letter to shareholders

Dear Shareholders,
dear ladies and gentlemen,

Following the sale by GWB of the City Center Völklingen project in the 2nd quarter of 2011, we can report that two more sales were made in the 3rd quarter. The Nauen property and a site in Bamberg were sold. Since the rights and obligations have not been transferred yet, these sales still have to be included in the balance sheet. The negative earnings generated in the 3rd quarter are further evidence of the fact that GWB cannot cover its costs with its rental income alone, even though the personnel costs and operating expenses were reduced again in the 3rd quarter over the same period the previous year. Further sales are to be made for this reason.

The Speyer and Völklingen projects are progressing according to plan. The Speyer property is being constructed on schedule. We will probably be starting to build the Völklingen property in the 1st quarter of 2012.

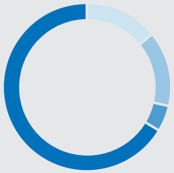
Project implementation contracts like in Völklingen or co-operation agreements with partners will in future continue to be a way for GWB to reduce the equity it needs to contribute to major projects at times when funding is difficult to obtain.

Kind regards,

Dr Norbert Herrmann, Chief Executive Officer

Share

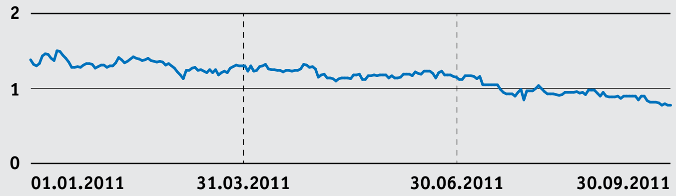
Shareholder structure as of October 2011
in %



- 13,10% Dr. Norbert Herrmann
- 13,10% Wolfgang Mertens-Nordmann
- 4,65% HR-MN Vermögensverwaltungs-gesellschaft mbH
- 69,14% 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. The share price at the beginning of the 3rd quarter was €1.18; on 30 September 2011, it was €0.78.

In the first 9 months of 2011, the price of the GWB Immobilien AG share ranged between €1.50 (high reached on 14 January 2011) and €0.78 (low reached on 29 September 2011).

The net asset value was €2.76 on 30 September 2011.

Interim management report

General economic conditions

In its October 2011 monthly report, the German Ministry of Finance concludes that the economic upswing in Germany became more dynamic again in the 3rd quarter of 2011, following somewhat lower growth in the 2nd quarter.[1]

There were in particular further improvements over the previous quarter in the data about private consumption, the situation on the employment market and orders on hand in industrial production. Indicators show that the development on the employment market continues to be favourable and a survey carried out by ifo-Institut in September reveals that companies intend to make further increases in staff.

All in all, more moderate economic growth is nevertheless expected in the 2nd half of 2011 in view of the current uncertainty caused by the EU debt crisis.

In its autumn 2011 forecast, the German government says that it is expecting domestic demand to become increasingly important and to be responsible for practically all growth in this and next year. The forecast is for a real increase in the Gross Domestic Product of 2.9% in 2011 and of 1% in 2012.[2]

According to calculations made by Jones Lang LaSalle, retail property transaction volume in Europe amounted to about €20.4 billion at the end of the 3rd quarter of 2011.[3] This represents about 30% of total European investments in commercial property.

This performance also means that the total retail property volume achieved in the whole of 2010 had already been reached after three quarters. The volume in the 3rd quarter of 2011 amounted to about €6.7 billion. Both the previous quarter (€4.9 billion) and the same quarter the previous year (€3.8 billion) were therefore exceeded considerably.

The retail property asset class in Germany was even more important in the first three quarters: retail property accounted for €8.4 billion or about 50% of the total investments in commercial property in the first three quarters.[4] This is a clear reflection of the particularly high confidence investors have in the German retail trade.

The development in the first half of the year was confirmed in the 3rd quarter of 2011 as well. Germany continues to be considered one of the most important and attractive investment markets. Foreign investments accounted for 39% of the total transaction volume, which was another small increase over the figure after the first six months (38%).

Business development

The Nauen property and a site in Bamberg were sold in the 3rd quarter of 2011. Since the rights and obligations have not been transferred yet, these sales still have to be included in the balance sheet. Detailed talks were held with potential partners and investors in the third quarter too. The emphasis in them was on the maintenance of liquidity and the question of what forms of co-operation are suitable ways to reach this goal.

[1] *German Ministry of Finance, October 2011 monthly report*
[2] *German Ministry of Economics and Technology, 2011 autumn forecast*
[3] *Jones Lang LaSalle, press release published on 02.11.2011*
[4] *CB Richard Ellis, press release published on 04.10.2011*

The Speyer and Völklingen projects are progressing according to plan, as is the ongoing planning work for the Wolfsburg and Heppenheim properties.

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

After tax and before non-controlling interests, a loss of €1.352 million was made in the period from 1 January to 30 September 2011 (previous year: loss of €715,000). Undiluted earnings per share were –€0.18. EBIT decreased by €707,000 over the same period the previous year and amounted to €1.682 million.

The sales generated by the Group amounted to €7.168 million in the first nine months of the financial year and were therefore €11.703 million lower than in the same period the previous year. The substantial reduction over the previous year is attributable essentially to the sale of a property in the 3rd quarter of 2010, which led to proceeds of €12.350 million. In the current financial year, on the other hand, the sale of the Völklingen project only increased sales by €1.320 million. Rental income decreased – due partly to the sale of two properties in the fourth quarter of 2010. Rental income in the first nine months of 2011 amounted to about €4.1 million (previous year: about €5.8 million).

The inventory movements amounted to €8.187 million compared with –€11.295 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 (€2.132 million; particularly Lübeck, Nauen, Nuremberg and Spaldinghof).

Personnel expenses amounted to €1.468 million in the period under review. They were therefore 10% lower than in the same period the previous year (€1.646 million).

The other operating expenses decreased by about €140,000 over the same period the previous year up to 30 September 2011 and therefore amounted to €1.835 million (previous year: €1.975 million). This represents a reduction of 7%.

The financial result improved to –€2.984 million from –€3.288 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 €155,000 from the adjustment in the value of an interest hedging transaction/swap. Increased interest expenses for the Lübeck property had a negative impact, on the other hand.

Adjustment of the fair value of investment property in the first nine months of the financial year led to income of €441,000. Adjustment of the fair value of the Nauen property, which was available for sale, led to expenses of €591,000, so that the net effect was a reduction in value of €150,000.

Financial situation and asset position

The GWB Immobilien AG balance sheet total at Group level amounted to €133.4 million on 30 September 2011, which was about €9.8 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, Nuremberg and Spaldinghof (Hamburg) properties are shown in the "investment property" item. The Nauen property was reclassified to the "non-current assets available for sale" item.

The current liabilities include the liabilities arising from the current business operations, maintenance costs, building costs and short-term property funding. They decreased by about €10 million.

The non-current financial debt includes property funding in accordance with the agreed term of more than one year. The increase over the same period the previous year is attributable essentially to the progress made with the Speyer property and the funds required in this context as well as to the change in the profit participation capital.

The profit participation certificate capital increased by €8.5 million to €9.1 million compared with the previous year. The funding of the Speyer property is the background to this. Projektgesellschaft market 12 GmbH & Co. KG obtained the necessary equity by issuing a profit participation certificate for €8.5 million.

The current liabilities of the company exceed the current assets by about €23.4 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 €30.3 million.

The non-current assets exceed the non-current liabilities by about €45 million, on the other hand.

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 €133.4 million and liabilities of €111.4 million, so that shareholders' equity amounted to €22.0 million at the end of the quarter. This is a decrease of about €0.4 million over 31 December 2010.

The equity ratio was 16.5% on 30 September 2011, while it was 18.1% at the end of the 2010 financial year.

The cash flow from business activities amounted to –€14.482 million in the first nine months. The substantial reduction over the same period the previous year (€13.373 million) was due essentially to the increase in inventories (€9.857 million) and the decrease in trade payables (–€5.222 million), which led accordingly to an outflow of funds.

Corresponding to this, the cash flow from financing activities increased from –€13.930 million in the previous year to €14.421 million. These cash flow figures were attributable to the fact that further profit participation certificates amounting to €8.500 million were issued and loans were obtained in connection with the Speyer property that is in the process of being constructed.

The cash flow from investment activities only changed slightly and amounted to –€60,000.

In total, the cash and cash equivalents available to the company decreased by about €121,000 and amounted to €201,000 on 30 September 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

No events of special significance have occurred since the end of the 3rd quarter.

Prospects

In the interim management report about the 2nd quarter of 2011, we announced that we will be continuing to focus on project development.

The development of rehabilitation and health centres is one of our areas of operation. Now that the Bremerhaven property is in the process of being built, we are preparing to implement the Wolfsburg and Heppenheim properties. In the meantime, we have participated successfully in another competition, obtaining the commission for two more properties in Hesse.

These operations will be growing fast in future as well. We are already negotiating with a prominent partner in order to guarantee the exit strategy for these properties at an early stage.

Our objective must be to stabilise the company on a sustained basis, with the aim of eliminating the accumulated losses. The proceeds generated by the large Postgalerie Speyer project (investment of €44.3 million), the business management contracts for existing properties, sale of the rehabilitation and health centres and disposal of revitalised portfolio properties will contribute to this.

We also think in the meantime that we are making good progress in our negotiations to obtain a major partner. Our aim is to guarantee the outcome before the end of this year. By doing this, we intend to create a sound basis for further growth and an improvement in business performance.

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€	01.01.2011–30.09.2011	01.01.2010–30.09.2010	Q3 2011	Q3 2010
Sales	7,168	18,871	1,631	14,163
Inventory movements	8,187	–11,295	2,061	–13,678
Other own work capitalised	0	0	0	0
Other operating income	77	436	20	296
Cost of materials	–10,262	–5,162	–2,392	–1,878
Personnel expenses	–1,486	–1,646	–506	–484
Depreciation of intangible and tangible assets	–17	–18	–6	–5
Other operating expenses	–1,835	–1,975	–696	–709
Financial expenses	–3,140	–3,297[1]	–1,038	–880[2]
Financial income	156[1]	9	–68[2]	0
Loss on ordinary operations	**–1,152**	**–4,077**	**–994**	**–3,175**
Changes due to the adjustment of the fair value of investment property	441	685	103	685
Changes due to the adjustment of the fair value of the non-current assets available for sale	–591	2,493	–591	2,493
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	**–1,302**	**–899**	**–1,482**	**3**
Taxes on income and earnings	–50	184	–44	–190
Net earnings for the period	**–1,352**	**–715**	**–1,526**	**–187**
Non-controlling interests in the net earnings	–18	–20	–5	–7
Earnings attributable to the parent company	**–1,370**	**–735**	**–1,531**	**–194**
Undiluted earnings per share (in €)	–0.18	–0.10	–0.20	–0.03
Diluted earnings per share (in €)	–0.13	–0.09	–0.15	–0.02
Operating result (EBIT)	**1,681**	**2,389**	**–376**	**883**

[1] The financial income includes adjustments in the value of an interest hedging transaction (swap) amounting to €155,000 (previous year: financial expenses €182,000)
[2] The financial income includes adjustments in the value of an interest hedging transaction (swap) amounting to €–68,000 (previous year: financial expenses €–117,000)

Statement of reconciliation from quarterly earnings to comprehensive income

in T€	01.01.2011–30.09.2011	01.01.2010–30.09.2010
Net earnings for the period	**–1,352**	**–715**
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	41	66
Taxes on miscellaneous comprehensive income	**0**	**–23**
Comprehensive income	**–1,311**	**–757**
Non-controlling interests in the interim earnings	–18	–20
Attributable to Group shareholders	**–1,329**	**–777**

Consolidated balance sheet (IFRS)

in T€	30.09.2011	31.12.2010
Assets		
Current assets		
Cash and cash equivalents	201	322
Inventories	39,794	29,937
Trade receivables	549	546
Income tax assets	1	38
Other current assets	299	125
Total current assets	**40,844**	**30,968**
Non-current assets		
Intangible assets	1	1
Goodwill	272	272
Tangible assets	127	124
Investment property	83,602	91,652
Non-current assets available for sale	7,900	0
Financial assets	681	641
Deferred taxes	0	0
Total non-current assets	**92,583**	**92,690**
Total assets	**133,427**	**123,658**

Consolidated balance sheet (IFRS)

in T€	30.09.2011	31.12.2010
Liabilities and shareholders' equity		
Current liabilities		
Current financial debt	50,365	60,830
Trade payables	3,760	8,982
Tax liabilities	20	20
Liabilities for non-current assets available for sale	5,058	0
Other current liabilities	3,519	2,827
Current borrowed capital component/convertible bond issue	1,500	1,500
Total current liabilities	**64,222**	**74,159**
Non-current liabilities		
Non-current financial debt	36,916	25,138
Derivative financial instruments	344	499
Deferred taxes	0	0
Profit participation certificate capital	9,139	639
Borrowed capital component/convertible bond issue	823	804
Total non-current liabilities	**47,222**	**27,080**
Shareholders' equity		
Subscribed capital	7,875	7,175
Capital reserves	16,720	16,545
Revenue reserves	249	249
Revaluation reserves	20	–21
Retained losses	–3,135	–1,765
Non-controlling interests	254	236
Total shareholders' equity	**21,983**	**22,419**
Total liabilities and shareholders' equity	**133,427**	**123,658**

Consolidated statement of cash flows (IFRS)

in T€	**01.01.2011–30.09.2011**	**01.01.2010–30.09.2010**
Cash flow from business activities		
Earnings before taxes	–1,302	–899
Adjustments to reconcile the earnings before taxes to net cash flows		
Depreciation of non-current assets	17	18
Increase in the fair value of investment property	150	–685
Other income/expenses that have no impact on payment	41	423
Profit/loss on asset disposals	0	0
Financial investment income through profit or loss	–1	–9
Financing expenses through profit or loss	2,649	4,079
Decrease/increase in inventories	–9,857	11,295
Decrease in property held in accordance with IAS 40	0	0
Decrease/increase in trade receivables	–3	7
Decrease/increase in other receivables and other assets (where they are not investment or financing activities)	–174	–2,319
Decrease/increase in other liabilities (where they are not investment or financing activities)	–5,989	1,470
Taxes paid on income and earnings	–13	–7
Cash flow from business activities	**–14,482**	**13,373**
Cash flow from investment activities		
Cash outflows for investments in tangible assets	–20	–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	–40	–66
Cash outflows for the acquisition of subsidiaries	0	0
Cash flow from investment activities	**–60**	**–67**

Consolidated statement of cash flows (IFRS)

in T€	01.01.2011–30.09.2011	01.01.2010–30.09.2010
Cash flow from financing activities		
Cash inflows from the obtainment of loans	21,850	4,378
Cash outflows from the repayment of loans	–15,479	–16,044
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	–1,326	–3,194
Interest received	1	5
Cash flow from financing activities	**14,421**	**–13,930**
Changes in cash and cash equivalents that have an impact on payment	**–121**	**–624**
Cash and cash equivalents at the beginning of the period	322	1,818
Cash and cash equivalents at the end of the period	201	1,194
Breakdown of the cash and cash equivalents		
Cash in hand and at banks	201	1,194

Consolidated statement of equity movements (IFRS)

1st nine months 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	66	0	0	66
c) Net loss for the period	0	0	0	0	–735	20	–715
Earnings in the period	0	–63	0	66	–735	20	–712
Balance on 30.09.2010	**7,175**	**16,548**	**249**	**6**	**514**	**233**	**24,725**
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	41	0	0	41
c) Net loss for the period	0	0	0	0	–1,370	18	–1,352
Earnings in the period	0	0	0	41	–1,370	18	–1,311
Balance on 30.09.2011	**7,875**	**16,720**	**249**	**20**	**–3,135**	**254**	**21,983**

Consolidated segment report

1st nine months 2011

in T€	Sale/rental	Management	Other	Elimination	Total
Sales					
External sales	6,588	552	28		7,168
Sales between the segments	26,747	578	161	–27,486	0
Total sales	33,335	1,130	189	–27,486	7,168
Earnings					
Segment earnings	–968	–368	–122	0	–1,458
Interest income					156
Taxes on income and earnings					–50
Other consolidated income					0
Non-controlling interests					–18
Earnings attributable to the parent company					**–1,370**

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 nine months of the financial year. A total amount of €924,570 had been subscribed on 30 September 2011. This corresponds to 369,828 bonds with a nominal amount of €2.50 each.

Changes in membership of the Management and Supervisory Boards

Mr Jürgen Mertens and Mr Michael Müller left the Supervisory Board of GWB Immobilien AG on 14 July 2011. Mr Volker Heinen and Mr Jens Hecht were elected as new members of the Supervisory Board at the annual shareholders' meeting that was held on 14 July 2011.

Employees

GWB Immobilien AG (including GWB OBJEKT) had 22 permanent employees at the end of the 3rd 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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