GSW IMMOBILIEN AG
INTERIM REPORT H1-2012

MY BERLIN. MY HOME.

HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

	30.06.2012	30.06.2011
Vacancy rate (residential)	3.2 %	3.8 %
In-place rent (residential)	5.14 EUR / sqm	4.94 EUR / sqm

INCOME STATEMENT HIGHLIGHTS

EUR mn	01.01.-30.06.2012	01.01.-30.06.2011
Net rental income	78.9	69.6
Result on disposal of investment property	4.8	2.6
EBITDA	66.7	69.1
Adjusted EBITDA	66.0	59.1
Net operating profit (EBIT)	66.3	68.6
Consolidated net income for the year	25.0	28.8
FFO I (excl. sales result)	32.6	29.0
AFFO [1]	24.6	25.4
FFO II (incl. sales result)	37.4	31.6

[1] FFO I less capitalised expenses for modernisation and maintenance work

BALANCE SHEET HIGHLIGHTS

EUR mn	30.06.2012	31.12.2011
Investment property	2,915.1	2,930.2
Cash and cash equivalents	234.1	62.6
Shareholders' equity	1,322.4	1,166.4
Financial liabilities	1,743.3	1,770.9
Total assets	3,196.0	3,039.7
EPRA NAV	1,394.3	1,219.9
Loan-to-Value	51.5 %	58.0 %
Equity ratio	41.4 %	38.4 %

KEY FINANCIALS PER SHARE

EUR	01.01.-30.06.2012	01.01.-30.06.2011
FFO I per share[2]	0.73	0.77
AFFO per share[2]	0.55	0.67

EUR	30.06.2012	31.12.2011
Number of shares outstanding	50,526,314	41,052,630
EPRA NAV per share	27.59	29.72

[2] Based on the average of 44,436,089 shares outstanding in H1 2012 (H1 2011: 37,574,876) in accordance with IAS 33.19; in the previous year, FFO I per share was reported on the basis of the number of shares outstanding at the reporting date and amounted to EUR 0.71 per share.

MY BERLIN. MY HOME.

The listed company GSW has been letting, administering and managing one of the largest property portfolios in Berlin for more than 85 years. Its name is synonymous with experience, stability and economic soundness.

In order to maintain and expand our market position, we permanently strive to take new paths that bridge the gap between innovation and tradition.

We continue to develop without abandoning the tried and trusted. Our strategy focuses on the long-term management of rental property using a systematic approach aimed at enhancing both customer satisfaction and operational efficiency.

We manage a real estate portfolio of around 52,300 residential units that was valued at EUR 2.9 billion as of 31 December 2011. In addition, a subsidiary of GSW manages approximately 17,700 residential and commercial units for third parties.

With a firm customer focus, we use all of our experience and industry expertise to conserve and increase the value of our properties.

At the same time, we are aware of our social responsibility for Berlin and are involved in social cultural and sports projects and for the people who live here – our tenants and employees.

As a capital market-oriented housing company, we are bound to the interests and needs of all our stakeholders. Our duty is to identify and target shared objectives and find an appropriate and fair balance in the event of conflicting interests.

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LETTER FROM THE MANAGEMENT BOARD

Andreas Segal	Thomas Zinnöcker	Jörg Schwagenscheidt
Chief Financial Officer	**Chief Executive Officer**	**Member of the Management Board**

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN,

The first six months of this year were another eventful period for us.

Firstly, we successfully completed our capital increase in May 2012. More than 90% of the new shares offered were subscribed by existing shareholders at a subscription price of EUR 21.30 per share, meaning that we generated total net proceeds of EUR 191.2 million. We see this as a sign that the capital markets are rewarding the stability and continuity of GSW's business model, which combines sustainable growth with an attractive dividend policy. The additional equity will enable us to continue to press ahead with this strategy.

At our first General Shareholders' Meeting as a listed company on 28 June 2012, all of the agenda items were approved by a majority of the votes cast. Of the shareholders present at the General Shareholders' Meeting, 99.99% voted to approve the distribution of a dividend for the 2011 financial year of EUR 0.90 per eligible share, or a total distribution of around EUR 45.5 million. Compared with the volume-weighted average share price for 2011 of EUR 21.80, this represents a dividend yield of 4.1%. The General Shareholders' Meeting also resolved to reduce the number of Supervisory Board members from nine to six. Gisela von der Aue, former Senator of Justice of the State of Berlin, was elected as the sixth member of the GSW Supervisory Board after the four Supervisory Board members appointed by the former shareholders Cerberus and Whitehall stepped down from their positions. GSW's General Shareholders' Meeting also resolved the creation of new authorised and contingent capital with a large majority of the votes cast, thereby ensuring the future growth path and financial flexibility of the Company.

The first half of the year was also successful for GSW in terms of operational development. Compared with the first half of the previous year, adjusted EBITDA increased by 11.6% to EUR 66.0 million, thereby meeting our expectations. This development was primarily due to improved net rental income as a result of higher rents and a lower vacancy rate. All in all, net rental income increased by around 13.3% year-on-year to EUR 78.9 million. The vacancy rate declined from 3.8% to 3.2%, while the monthly in-place rent rose by 4.0% to total EUR 5.14/sqm. FFO I increased by 12.4% to EUR 32.6 million year-on-year as a result of the operating performance and the larger portfolio.

Net asset value (EPRA NAV), which represents the Group's economic equity, increased to EUR 1,394.3 million as of the end of the first half of 2012. The loan-to-value ratio fell to 51.5%. This was due in particular to the cash inflow from the capital increase. Net asset value (EPRA NAV) per share declined from EUR 29.72 as of 31 December 2011 to EUR 27.59 as a result of the larger number of shares following the capital increase plus dividends payment of EUR 0.90 per share.

The successful capital increase, the favourable general conditions on the Berlin residential market and a positive development in operating activities have prompted us to increase the forecast for FFO I, projecting EUR 61 to EUR 64 million for the 2012 financial year.

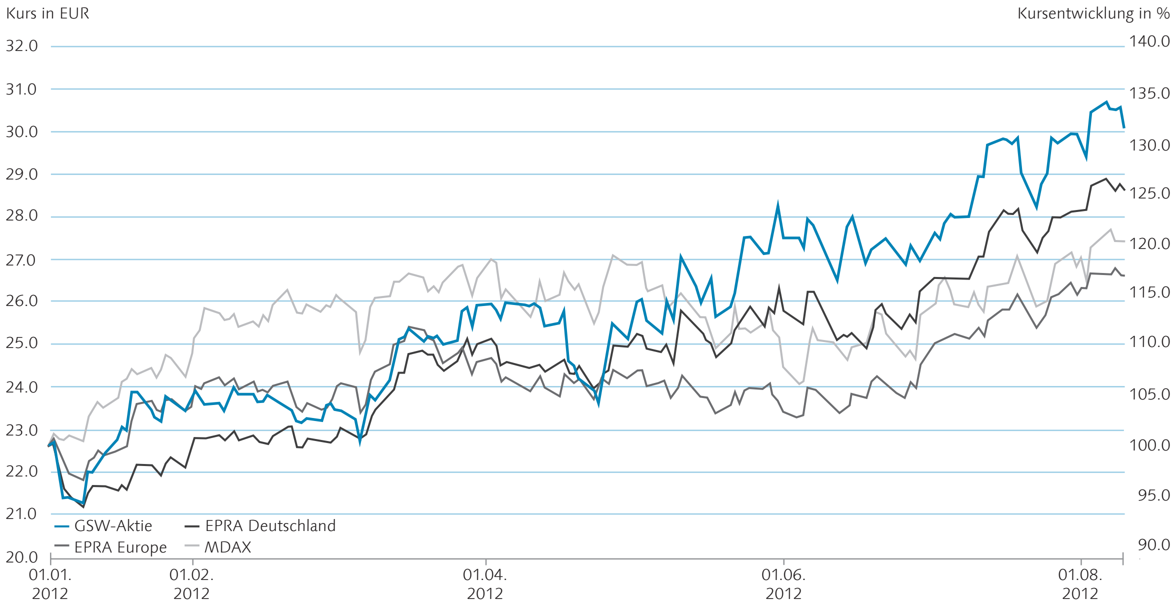
Berlin, August 2012

THOMAS ZINNÖCKER	**JÖRG SCHWAGENSCHEIDT**	**ANDREAS SEGAL**
(CEO)	(COO)	(CFO)
GSW Immobilien AG	GSW Immobilien AG	GSW Immobilien AG

SHARE

OVERVIEW

SHARE PRICE PERFORMANCE



KEY DATA PER SHARE

Sector	**Real estate**
German securities identification number/ ISIN	**GSW111/DE000GSW1111**
Stock exchange abbreviation	**GIB**
Bloomberg	**GIB:GR**
Reuters	**GIBG.DE**
Share capital	**EUR 50,526,314**
No. of shares	**50,526,314 no-par-value individual shares**
Initial listing	**15 April 2011**
Market capitalisation (as of: 10 August 2012)	**EUR 1,518.3 million**
Market segment	**Prime Standard**
Trading centres	**Frankfurt Stock Exchange, XETRA, Regulated Market (Regulierter Markt) of the Berlin Stock Exchange**
Designated sponsors	**Deutsche Bank, Goldman Sachs International and DZ Bank**
Indices	**MDAX, FTSE EPRA/NAREIT Global Real Estate Index Serie, GPR 250, STOXX Europe 600**

SHARE PRICE PERFORMANCE

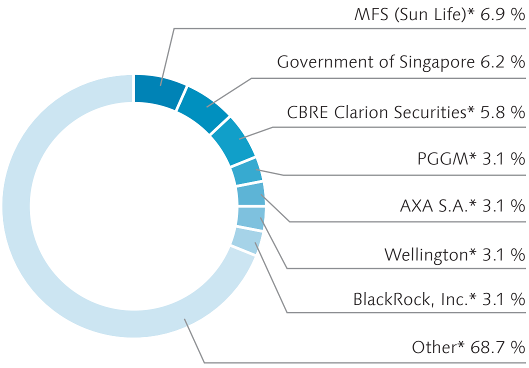
In the first half of 2012, GSW's shares performed considerably better than the market as a whole, closing at EUR 30.05 on 10 August – around 32.9% higher than their opening price at the start of the year (EUR 22.14). By contrast, the MDAX and the DAX were up only 21.3% and 14.3% on their opening levels.

In January 2012, Cerberus and Whitehall – formerly the largest shareholders – each successfully placed around 4 million GSW shares on the capital market. As a result, GSW's free float increased from 74% to 94%, with the shares' weighting in the relevant indices increasing accordingly. GSW's shares had a weighting of 1.77% within the MDAX as of 31 July and around 18% within the EPRA Germany index as of 31 July.

With effect from 18 June 2012, GSW's shares were included in the GPR 250 and the STOXX Europe 600.

SHAREHOLDER STRUCTURE

SHAREHOLDERS WITH SIGNIFICANT HOLDINGS



As of July 31, 2012
(on the basis of voting right notifications pursuant to WpHG of which we are aware)

* The free float as defined by Deutsche Börse AG accounts to roughly 94%.

CAPITAL INCREASE

With effect from 27 April 2012, GSW performed a capital increase with subscription rights for shareholders. The Company's share capital was increased by EUR 9,473,684 to EUR 50,526,314 using part of the authorised capital by issuing new shares.

The new shares were offered to the existing shareholders at a subscription ratio of 13:3 and a subscription price of EUR 21.30 per new share. All in all, 99.72% of the new shares were subscribed by exercising subscription rights, with only around 9% of the subscription rights being traded. All new shares for which subscription rights were not exercised were sold on the stock exchange. At EUR 26.05, the share price on 3 May 2012 – the date of initial listing of the new shares – was already substantially higher than the issue price of the capital increase. This demonstrates the high level of interest in GSW's business model and the confidence that many investors have in the Company after only one year on the capital markets.

GSW generated net proceeds of EUR 191.2 million from the capital increase. These funds will be used in particular for future acquisitions and to optimise the Company's strategic and financial flexibility.

GENERAL SHAREHOLDERS' MEETING AND DIVIDENDS

The first General Shareholders' Meeting since the Company's IPO in April 2011 was held in Berlin on 28 June 2012. All of the agenda items were approved by a majority of the votes cast. 99.99% of the shareholders in attendance voted to approve the distribution of a dividend for the 2011 financial year of EUR 0.90 per eligible share. This corresponds to a total distribution of around EUR 45.5 million and is equivalent to 65% of the FFO I generated in 2011. Compared with the volume-weighted average share price for 2011 of EUR 21.80, this represents a dividend yield of 4.1%.

With a majority of 92.38% of the votes cast, the General Shareholders' Meeting also resolved the creation of new Authorised Capital 2012 in the amount of EUR 17 million (with a term until 27 June 2017). In addition, the General Shareholders' Meeting approved the creation of Contingent Capital 2012 of up to EUR 7.5 million through the issue of up to 7.5 million no-par value bearer shares (with a term until 27 June 2017) by a majority of 89.78%. From GSW's perspective, this will give the Management Board the scope it needs to flexibly and quickly press ahead with the Company's further development.

The General Shareholders' Meeting also resolved to reduce the number of Supervisory Board members from nine to six. Gisela von der Aue, former Senator of Justice of the State of Berlin, was elected as the sixth member of the Supervisory Board after the four Supervisory Board members appointed by the former shareholders stepped down from their positions.

FINANCIAL CALENDAR

22 / 23 August 2012	**Roadshow (London)**
24 August 2012	**Roadshow (Paris)**
5 September 2012	**„Initiative Immobilienaktie“ (IIA) (Berlin)**
12 / 13 September 2012	**Bank of America Global Real Estate Conference (New York)**
25 September 2012	**German Corporate Conference (Munich)**
26 / 27 September 2012	**German Investment Conference (Munich)**
15 November 2012	**Interim Report 9M-2012**

INTERIM CONSOLIDATED MANAGEMENT REPORT

ECONOMIC REPORT

MARKET AND OVERALL ECONOMIC ENVIRONMENT

Overall economic situation in Europe and Germany

The European economy is still under the influence of the debt crisis in 2012. Growth is disrupted in particular by the uncertainty concerning the future of the monetary union and cost-cutting measures affecting public budgets. While the Kiel Institute for the World Economy (IfW) is currently forecasting global GDP growth of 3.4% for 2012, the economy in the European Union is set to contract by 0.1%.[1] According to the IfW, economic output in Germany will again see slightly above-average growth, just as it did in 2011. In the first quarter of 2012, German GDP again increased by 0.5% (adjusted for inflation) compared with the same period of the previous year.[2] However, German economic output declined by 0.2% in the last three months of 2011[3] and, in June 2012, the ifo business climate index reached its lowest level since early 2010. According to the ifo study, the German economy is concerned about the growing impact of the euro zone crisis in the current year.[4]

On account of the European debt crisis, the interest rate in the euro zone is understandably low: having returned the headline rate to its record low of 1.0% in December 2011,[5] the ECB resolved to implement a further reduction to a historical low of 0.75% on 5 July 2012. Since this date, the interest rate for the deposit facility in which banks can invest their excess short-term liquidity with the ECB[6] has been 0.0%.

Overall economic situation in Berlin

All in all, the economic environment in Berlin has improved over recent years. Although growth momentum slowed somewhat in 2011 compared with Germany as a whole, the Berlin economy still grew by 2.1% after adjustment for inflation. In contrast to many other states, however, Berlin had already exceeded the GDP level from the pre-crisis year of 2008 in 2010.[7] At 12.2%, the unemployment rate in May 2012 was down significantly on the prior-year figure of 13.6%.[8] This positive economic development is also reflected in rising real income for employees in Berlin: in 2011, the average gross monthly household income including benefits increased by 3.2% year-on-year. With consumer prices in the German capital rising by 2.4% in the same period, this represents real income growth of 0.8%.[9]

Unlike many other locations in Germany, Berlin has seen continuous population growth since 2005. In December 2011, the city had 3,501,900 inhabitants – the highest figure since reunification, and 1.2% more than at the end of the previous year. This also represents easily the largest annual rise in the population since 1990,[10] a trend that is leading to favourable conditions on the Berlin housing market. Demand for housing is also being stimulated by the growth in the number of households: In 2011, the average household size in Berlin was 1.7 people, a

[1] Kiel Institute for the World Economy, "Weltkonjunktur im Sommer 2012", 13 June 2012 | [2] German Federal Statistical Office, press release no. 166 dated 15 May 2012 | [3] German Federal Statistical Office, press release no. 53 dated 15 February 2012 | [4] Ifo Institut Munich, ifo Business Climate Germany: Results of the ifo Economic Test, June 2012 | [5] ECB website, accessed on 5 July 2012 | [6] ECB website, accessed on 5 July 2012 | [7] Berlin-Brandenburg Statistical Office, press release no. 92 dated 29 March 2012 | [8] German Federal Employment Agency, unemployment rate over time, May 2012 | [9] Berlin-Brandenburg Statistical Office, press release no. 120 dated 24 April 2012 | [10] Berlin-Brandenburg Statistical Office, press release no. 202 dated 5 July 2012

figure that was largely consistent with the level for the past ten years. In the same period, however, the proportion of single-person households increased by 3.4% percentage points to 54.1%.[11]

This growth in demand has not yet been accompanied by a corresponding rise in the housing supply. Although the number of apartments completed through new construction or other construction measures was 3.9% higher in 2011 than in 2010, the number of newly constructed buildings fell by 3.6% year-on-year.[12] Both figures are substantially lower than the levels for Germany as a whole, with 14.6% more apartments being completed and 15.1% more residential buildings being newly constructed in 2011 than in the previous year.[13] At year-end 2011, the total housing stock in Berlin was just 0.2% larger than one year previously. This represented a continuation of the trend for the past ten years, during which period the housing stock in Berlin has increased by a mere 1.8%.[14]

In recent years, this discrepancy between supply and demand has led to a continuous reduction in the vacancy rate to 5.0% (as of year-end 2010). According to the IBB Housing Market Report for 2011, experts are forecasting a further reduction in the housing supply in Berlin over the coming years. This means that a trend towards higher rents is likely.[15]

The Berlin rent index for 2011 shows average annual rental growth of around 4.0% compared with 2009. Compared with other major German cities, however, average monthly rents in Berlin remain low at EUR 5.21/sqm (excluding heating). By contrast, households in Hamburg paid EUR 7.15/sqm according to the 2011 rental index, while Munich had an average of EUR 9.79/sqm per month – almost 88% more than in Berlin. Berlin therefore remains the cheapest major city in Germany for tenants.

The positive development of the Berlin rental market has helped to significantly improve the attractiveness of the city's residential property investment market. In a survey conducted by the audit company Ernst & Young in January 2012, a majority of 69% of the investors surveyed considered German residential property to be considerably more interesting than retail (51%) and office buildings (14%). In terms of their location preference for residential property, 42% of those surveyed named Berlin, putting it well ahead of all other major German cities; its nearest rival, Hamburg, attracted 24% of the responses.[16] The experts surveyed for the IBB Housing Market Barometer 2011 also forecast a fundamentally positive investment climate for Berlin over the coming years.[17]

DEVELOPMENT OF THE HOUSING PORTFOLIO

Overview

GSW's business model is focused on managing residential property in Berlin so as to generate stable cash surpluses that grow steadily over time. As one of Germany's most attractive residential real estate markets, Greater Berlin offers excellent background conditions. In contrast to the national average, the city has been characterised by positive demographic trends for a number of years.

One key strategic component is active, value-oriented portfolio management with the objective of generating and increasing sustainable yields in order to ensure the value retention of the portfolio and GSW's competitiveness in the long term. Among other things, this includes the continuous development of the Company's own housing stock by means of maintenance and modernisation measures and efficiency improvements that add value while maintaining a clear customer focus in property management.

[11] Berlin-Brandenburg Statistical Office, press release no. 157 dated 30 May 2012 | [12] Berlin-Brandenburg Statistical Office, press release no. 134 dated 11 May 2012 | [13] German Federal Statistical Office, press release no. 208 dated 15 June 2012 | [14] Berlin-Brandenburg Statistical Office, press release no. 187 dated 26 June 2012 | [15] IBB Housing Market Report 2011 | [16] „Berlin ist der Liebling der Immobilieninvestoren", at: WELT Online, 11 January 2012 | [17] IBB Wohnungsmarktbarometer 2011

With 52,313 Company-owned residential units, 913 commercial units, 8,763 garage/parking spaces and around 17,700 residential and commercial units for third parties, GSW manages and leases one of the largest property portfolios in the German capital.

In the first half of 2012, GSW focused on continuing to optimise the management of its real estate portfolio. The economic data of the portfolio is developing in line with expectations, particularly in terms of the continuous development in rents and the optimisation of the vacancy rate.

The vacancy rate for the residential units in GSW's portfolio amounted to 3.2% at the reporting date (30 June 2011: 3.8%) and declined by 0.2 percentage points in the first half of 2012. The average residential in-place rent in the portfolio was EUR 5.14/sqm on 30 June 2012, up EUR 0.06/sqm as against the end of 2011.

The latest Berlin rent index was published in May 2011. At the time (30 June 2011), around 25% of the portfolio was at the level of the rent index or above. This has increased further over recent months, amounting to around 44% of the portfolio as of 30 June 2012. Among other things, this development was driven by around 4,500 rent increases in the first six months of the year, as well as the higher rent levels achieved when concluding new tenancies.

In the portfolio that GSW acquired from a subsidiary of GAGFAH S. A. in November 2011, the projections made were implemented as planned. Since the acquisition date, the in-place rent of the residential units has increased from EUR 5.61/sqm to EUR 5.73/sqm (as of 30 June 2012). The current vacancy rate is 2.7%, 0.8 percentage points lower than on 31 December 2011 (3.5%).

In addition to optimising its current portfolio, GSW is still planning to conduct targeted and appropriately priced acquisitions of new housing stock with good development and yield prospects, providing that these involve only a slight increase in administrative expenses. Potential offers for around 39,000 units were examined in the first half of 2012.

The options available to the Company are rounded off by selective opportunistic sales of residential units and portfolios. Such sales are made in particular from the portfolio of owner-occupied apartments. This also serves to generate additional cash flows for the Company.

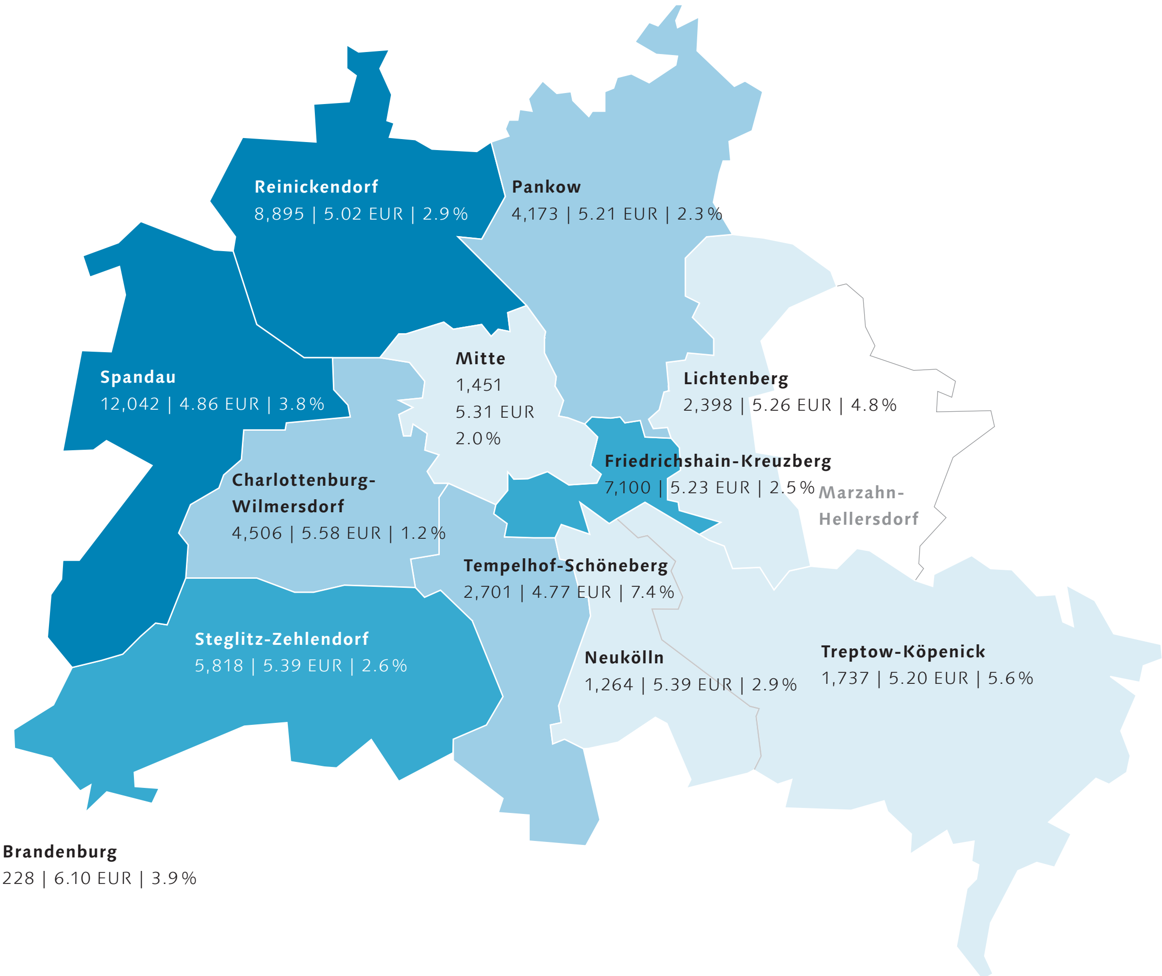
Through continuous investments in the structure of its buildings and the standard of its residential units, GSW ensures the basis for the long-term lettability of its housing stock and the appeal of its residential units. For instance, individual residential units are modernised before being re-let in order to bring them into a contemporary condition and hence allow an adjustment to reflect current market rents.

Alongside general maintenance and individual value enhancement measures, GSW will also undertake modernisation projects involving comprehensive packages of measures in future. This will help to further strengthen and expand the overall solid positioning of the GSW portfolio on the Berlin market.

HOUSING PORTFOLIO 30.06.2012

District
No. of residential units | In-place rent in EUR/sqm | Vacancy rate[1] in %

No. of GSW residential units
□ 0 □ < 2,500 □ < 5,000 □ < 7,500 □ > 7,500



[1] The vacancy rate corresponds to the number of residential units that are not let divided by the number of residential units available for letting.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net rental income (EUR mn)	01.01.-30.06.2012	01.01.-30.06.2011
Income from rents	101.0	89.9
Income from management activities and other income	5.3	5.2
Gross rental income	**106.2**	**95.1**
Income from direct government grants	4.1	5.3
Total rental income	**110.3**	**100.4**
Cost of materials	(18.8)	(19.9)
Personnel expenses	(9.4)	(9.1)
Other property operating expenses/income	(3.2)	(1.8)
Net rental income	**78.9**	**69.6**

Net rental income increased by EUR 9.3 million as against the same period of the previous year. This was primarily attributable to the acquisition of the Pegasus real estate portfolio in the fourth quarter of 2011.

Current rent increases and a further reduction in the vacancy rate also contributed to the improvement in earnings. Compared with the previous year, the average rent for leased residential units increased by 4.0% to EUR 5.14/sqm as of 30 June 2012 (previous year: EUR 4.94/sqm), while the vacancy rate fell by 0.6 percentage points to 3.2% (previous year: 3.8%). By contrast, income from government grants decreased in line with expectations to EUR 4.1 million (H1 2011: EUR 5.3 million).

Although total modernisation and maintenance expenses have been increased, total costs of material dropped slightly in comparison to H1 2011. This effect was due to higher capitalisation rates as a result of focusing on more value-enhancing measures.

Result on disposals (EUR mn)	01.01.-30.06.2012	01.01.-30.06.2011
Investment property disposal proceeds	35.7	21.5
Carrying value of investment property disposals	(26.2)	(15.3)
Operating expenses for investment property disposed	(4.7)	(3.6)
Result on disposal of investment property	**4.8**	**2.6**

Thanks to the favourable demand situation on the Berlin real estate market at present, GSW was able to sell 477 residential and commercial units with the transfer of the corresponding benefits and burdens in the first half of 2012 (H1 2011: 298 units). The resulting gain on disposal in the amount of EUR 4.8 million was up significantly on the same period of the previous year.

Administrative expenses (adjusted) (EUR mn)	01.01.-30.06.2012	01.01.-30.06.2011
General administrative expenses	(17.4)	(29.1)
Expenses for capital measure	0.0	6.7
Long Term Incentive Plan (LTIP)	1.6	8.2
Project expenses	0.7	1.9
Acquisition expenses	1.4	0.0
Administrative expenses (adjusted)	**(13.7)**	**(12.3)**

In the first six months of 2012, administrative expenses declined by EUR 11.7 million compared with the same period of the previous year to total EUR 17.4 million. Among other things, the decrease in administrative expenses is due to the non-recurring expenses incurred in the previous year for the IPO and the successful refinancing of the CMBS loan. This effect was reinforced by the lower level of additions to the Long Term Incentive Plan (LTIP) compared with the previous year. These developments were offset to a certain extent by the impact of non-recurring expenses for acquisition projects on net administrative expenses since the fourth quarter of 2011.

Adjusted for non-recurring effects, administrative expenses amounted to EUR 13.7 million, an increase as against the same period of the previous year (H1 2011: EUR 12.3 million). This was primarily due to consultancy fees amongst others for the first AGM and a slight increase in staff costs.

Interest result (EUR mn)	01.01.-30.06.2012	01.01.-30.06.2011
Interest income from valuation of derivatives and loan amortisation	5.6	7.9
Interest income from derivatives	5.9	4.4
Other interest income	0.6	0.5
Interest income	**12.1**	**12.8**
Expenses from valuation of derivatives and loan amortisation	(12.2)	(17.3)
Interest expenses from derivatives	(15.3)	(12.3)
Interest expenses from financing of investment property	(25.5)	(21.5)
Other interest expenses/finance lease	(0.4)	(1.2)
Prepayment fees	(0.1)	0.0
Interest expenses	**(53.6)**	**(52.3)**
Interest result	**(41.5)**	**(39.5)**

Interest income fell by EUR 0.7 million year-on-year to EUR 12.1 million. This was due to lower income from the valuation of financial instruments, which was only partially offset by higher interest income from interest rate hedges.

Higher cash position after the capital increase in April/May 2012 has not lead to significant interest income in H1 2012 because of the currently low interest level.

Total interest expenses increased by EUR 1.3 million to EUR 53.6 million, which was attributable to the higher balance of real estate loans and derivatives, as a result of acquisition financing. This was partially offset by the reduction in expenses from the valuation of financial instruments.

All in all, this resulted in a EUR 2.0 million decrease in net interest income to EUR 41.5 million.

Income statement (EUR mn)	01.01.-30.06.2012	01.01.-30.06.2011
Net rental income	78.9	69.6
Result on disposal of investment property	4.8	2.6
Net valuation gains on investment property	- *)	- *)
Administrative expenses	(17.4)	(29.1)
Other income, net	0.0	25.4
Net operating profit (EBIT)	**66.3**	**68.6**
Net result of investments	1.2	0.1
Interest result	(41.5)	(39.5)
Profit before income taxes (EBT)	**26.0**	**29.2**
Income taxes	(1.0)	(0.4)
Consolidated net income for the period	**25.0**	**28.8**

*External valuation of property generally once a year, as of 31 December.

In the first half of 2012, GSW generated consolidated net income of EUR 25.0 million. Although this is EUR 3.8 million lower than the prior-year figure, consolidated net income in the previous year was influenced to a significant extent by the gain on the disposal of BMH Berlin Mediahaus GmbH in January 2011 (EUR 25.4 million) and the expenses in connection with the IPO. Adjusting EBIT for these non-recurring effects and taking into account adjusted administrative expenses, consolidated net income increased by an impressive EUR 10.0 million, largely as a result of the higher net rental income and result on disposal of investment property.

Earnings before taxes increased in the first half of 2012 as a result of non-recurring income from financial investments. This related to the outstanding dividend payment by a former subsidiary in the amount of EUR 1.1 million. Interest of EUR 0.2 million on this outstanding receivable is reported in net interest income.

Income taxes include current tax expense in the amount of EUR 0.3 million and deferred taxes in the amount of EUR 0.7 million.

FFO I is a key performance indicator for GSW. It is calculated by adjusting EBIT for depreciation and amortisation, the remeasurement result, capital measures, LTIP, restructuring, project and acquisition expenses, the sales result, and net interest and tax payments as follows:

Adjusted EBITDA/FFO (EUR mn)	01.01.-30.06.2012	01.01.-30.06.2011
EBIT	**66.3**	**68.6**
Depreciation and amortisation	0.4	0.5
Fair value adjustment of investment property	0.0	0.0
EBITDA	**66.7**	**69.1**
Costs for the IPO/capital increase	0.0	6.7
Restructuring expenses	0.1	0.2
Project expenses	1.0	2.9
Acquisition expenses	1.4	0.0
Long Term Incentive Plan (LTIP)	1.6	8.2
Gains/losses on disposal of property, plant and equipment and financial investments	0.0	(25.4)
Result on disposal of investment property	(4.8)	(2.6)
Adjusted EBITDA	**66.0**	**59.1**
Cash flow net interest	(34.5)	(30.0)
Results of other investments	1.2	0.1
Cash flow net taxes	(0.1)	(0.2)
FFO I (excl. sales result)	**32.6**	**29.0**
Capitalised expenses for modernisation and maintenance work	(8.0)	(3.7)
AFFO (FFO I less capitalised expenses for modernisation and maintenance)	**24.6**	**25.4**
FFO II (FFO I incl. sales result)	**37.4**	**31.6**

Like EBIT, EBITDA decreased slightly compared with the first half of the previous year. By contrast, EBITDA adjusted for non-recurring factors increased significantly, by EUR 6.9 million or 11.6% to EUR 66.0 million.

In line with planning, net interest paid and received increased to EUR 34.5 million (H1 2011: EUR 30.0 million) as a result of the acquisition financing in the fourth quarter of 2011 and the CMBS refinancing.

All in all, FFO I amounted to EUR 32.6 million in the first half of 2012 (2011: EUR 29.0 million). After adjustment for capitalised modernisation and maintenance expenses, this results in AFFO (adjusted FFO) of EUR 24.6 million. Despite the increase in FFO I, AFFO fell slightly due to the higher level of capitalised modernisation and maintenance expenses (2011: EUR 25.4 million).

NET ASSETS

Balance sheet (EUR mn)	30.06.2012	31.12.2011
Non-current assets	**2,932.0**	**2,947.6**
Investment property	2,915.1	2,930.2
Other non-current assets	16.9	17.3
Current assets	**263.9**	**92.1**
Assets held for sale	15.0	17.1
Cash and cash equivalents	234.1	62.6
Receivables and other current assets	14.9	12.4
Total assets	**3,196.0**	**3,039.7**
Shareholders' equity	**1,322.7**	**1,166.4**
Financial liabilities	1,743.3	1,770.9
Other liabilities	130.0	102.4
Total equity and liabilities	**3,196.0**	**3,039.7**

Shareholders' equity increased by EUR 156.3 million to EUR 1,322.7 million at the reporting date and was primarily influenced by the current consolidated net income and the capital increase in April 2012. This was offset by negative remeasurement effects in relation to derivative financial instruments, which are reported in other comprehensive income. The dividend payment for the 2011 financial year in the amount of EUR 45.5 million also served to reduce shareholders' equity.

Adjusted for the fair value of financial instruments and deferred taxes reported in other comprehensive income, EPRA NAV (net asset value) increased by EUR 174.4 million as against 31 December 2011:

NAV (EUR mn)	30.06.2012	31.12.2011
Equity	1,322.7	1,166.4
Effect of exercise of options, convertibles and other equity interests	0.0	0.0
NAV	**1,322.7**	**1,166.4**
Fair value of financial instruments (net)*	71.6	53.6
Deferred tax**	(0.0)	(0.0)
EPRA NAV	**1,394.3**	**1,219.9**
Number of shares (mn)	**50.53**	**41.05**
EPRA NAV per share (EUR)	**27.59**	**29.72**

* Netting financial assets and liabilites.
** Deferred taxes (related to losses from the valuation of financial instruments) of EUR 3.5 million (31 December 2011: EUR 2.7 million) accounted for in other comprehensive income, have not been included.

LTV (EUR mn)	30.06.2012	31.12.2011
Financial liabilities	1,743.3	1,770.9
Cash and cash equivalents	(234.1)	(62.6)
Net debt	**1,509.2**	**1,708.3**
Investment property	2,915.1	2,930.2
Assets held for sale	15.0	17.1
Loan-to-Value Ratio	**51.5 %**	**58.0 %**

The higher level of cash and cash equivalents and the reduction in financial liabilities served to reduce the Company's net debt to EUR 1,509.2 million as of 30 June 2012. This resulted in an LTV (loan-to-value) of 51.5 %. The significant improvement compared with 31 December 2011 confirms the Company's solid financing structure.

FINANCIAL POSITION

Cash flow statement (EUR mn)	01.01.-30.06.2012	01.01.-30.06.2011
Cash flow from operating activities	23.9	(0.9)*
Cash flow from investing activities	28.7	38.9
Cash flow from financing activities	118.8	78.0*
Changes in cash and cash equivalents	**171.4**	**116.0**
Cash and cash equivalents at the beginning of the period	62.6	70.8
Cash and cash equivalents at the end of the period	**234.1**	**186.8**

* In comparison to the published report, there was a retroactive offsetting in cash flow from operating activities (EUR +0.5 million) and in cash flow from financing activities (EUR -0.5 million) in the first half of 2011. This relates to the shares issued to employees as part of the IPO.

Cash flow from operating activities increased by EUR 24.8 million year-on-year to EUR 23.9 million. This was primarily attributable to the higher level of net rental income in 2012. In the previous year, the operating cash flow was also impacted by disbursements for the preparation and implementation of refinancing and the IPO.

Cash flow from investing activities decreased from EUR 38.9 million to EUR 28.7 million. Despite a higher cash inflow from the increased sales volume (EUR +14.1 million), this development was attributable to the disposal of BMH Berlin Mediahaus GmbH in the first quarter of 2011 (EUR 20.0 million) and higher expenditure for modernisation projects in the first half of 2012 (EUR 4.3 million).

Cash flow from financing activities increased year-on-year to EUR 118.8 million (H1 2011: EUR 78.0 million). This development was due to the capital increase that was implemented in April 2012, resulting in a net cash inflow of EUR 193.6 million (previous year: net cash inflow of EUR 109.2 million from the IPO).

A cash outflow of EUR 2.4 million is expected in conjunction with the capital increase in the period after 30 June 2012; however, corresponding provisions have already been recognised. The payment of a dividend for the 2011 financial year (EUR 45.5 million), which was resolved for the first time by the General Shareholders' Meeting on 28 June 2012, reduced the cash flow from financing activities respectively.

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no events requiring reporting after 30 June 2012.

RISKS AND OPPORTUNITIES

GSW Immobilien AG is subject to various risks in its day-to-day business activities. In addition to general economic risk, the most significant risk types are vacancy risk, rental default risk, and interest rate and liquidity risk. These risks may arise even if not caused or precipitated by the Company's actions. For example, rental defaults could increase as a result of amendments to laws and regulations, or interest rate and liquidity risks could be exacerbated by changes in key interest rates.

The potential risks and the corresponding valuation processes for these risks are described in detail on pages 79 to 83 of the 2011 Annual Report of GSW Immobilien AG. No additional risks have arisen for the Company since the reporting date.

For the current 2012 financial year, the Management Board does not expect any risks to arise that could jeopardise the existence of GSW Immobilien AG and its subsidiaries.

OUTLOOK

The following factors significantly determine the trends in Berlin's residential property market, and hence underpin GSW's success: Construction activity is generally low, while demand for housing space is rising on the back of the growing numbers of residents in the city. At the same time, the number of households is increasing as a result of the trend towards single-occupant apartments. Accordingly, the Company expects rents to grow further and vacancy rates to fall in the German capital. Given these circumstances, the Company can look forward to the future with optimism and in the assumption that rental income will enjoy a growth trend that will positively impact its revenue and earnings. The Management Board of GSW is therefore increasing the forecast for the 2012 financial year, namely FFO I of between EUR 61 million and EUR 64 million.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET – ASSETS

EUR thousand	Note	30.06.2012	31.12.2011
Non-current assets		**2,932,047**	**2,947,551**
Investment property	(8)	2,915,104	2,930,249
Property, plant and equipment		2,159	2,365
Goodwill		1,125	1,125
Other intangible assets		259	396
Other investments		6,171	6,171
Receivables and other non-current assets		7,187	7,203
Trade receivables		498	502
Receivables from rental, leasing and asset management		160	163
Receivables from sales		338	339
Derivatives		0	1
Other financial assets		6,689	6,700
Deferred tax assets		42	42
Current assets		**263,939**	**92,124**
Development of properties and inventories		2	2
Receivables and other current assets		14,859	12,444
Trade receivables		4,521	4,825
Receivables from property management		2,862	1,218
Receivables from sales		1,362	2,404
Other trade receivables		297	1,203
Receivables due from related parties		2	1
Income tax receivables		3,234	3,043
Other current assets		7,101	4,575
Other financial assets		5,384	1,508
Other miscellaneous assets		1,717	3,067
Cash and cash equivalents		234,059	62,618
Assets held for sale		15,019	17,060
Investment property held for sale	(8)	13,989	15,592
Other assets held for sale		1,030	1,468
Total assets		**3,195,986**	**3,039,675**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR thousand	Note	30.06.2012	31.12.2011
Equity	(8)	**1,322,726**	**1,166,417**
Total shareholders' equity		1,322,480	1,166,160
Subscribed capital		50,526	41,053
Additional paid-in capital		312,425	128,800
Consolidated retained earnings		1,021,966	1,042,428
Accumulated other comprehensive income		(62,437)	(46,121)
Non controlling interest		246	257
Non-current liabilities		**1,767,187**	**1,797,277**
Financial liabilities	(8)	1,682,756	1,733,821
Liabilities from financing investment property		1,681,205	1,732,172
Liabilities from finance leases		1,551	1,649
Employee benefits		1,817	1,893
Provisions		4,001	4,148
Trade payables		522	662
Other non-current liabilities		78,091	56,753
Derivatives		71,501	52,373
Other financial liabilities		505	505
Other miscellaneous liabilities		6,085	3,875
Current liabilities		**106,073**	**75,981**
Financial liabilities	(8)	60,547	37,069
Liabilities from financing investment property		60,340	36,849
Liabilities from finance leases		207	220
Provisions		2,299	1,492
Trade payables		32,274	24,307
Property management liabilities		29,268	19,844
Other trade payables		3,006	4,463
Payables due to related parties		20	20
Income taxes payable		445	376
Other current liabilities		9,975	12,053
Deferred grants		194	110
Derivatives		67	1,195
Other financial liabilities		3,302	3,719
Other miscellaneous liabilities		6,412	7,029
Liabilities associated with assets held for sale		513	664
Total equity and liabilities		**3,195,986**	**3,039,675**

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	01.01.-30.06.2012	01.01.-30.6.2011	01.04.-30.06.12	01.04.-30.06.11
Net rental income	(7)	**78,918**	**69,626**	**39,233**	**34,842**
Gross rental income		106,233	95,125	53,122	47,454
Government grants		4,112	5,291	2,037	2,576
Property operating expenses		(31,428)	(30,789)	(15,925)	(15,188)
Result on disposal of investment property		**4,776**	**2,617**	**2,686**	**1,326**
Investment property disposal proceeds		35,680	21,532	19,681	11,746
Carrying value of investment property disposals		(26,197)	(15,316)	(14,369)	(8,720)
Operating expenses for investment property disposed		(4,707)	(3,599)	(2,626)	(1,700)
Net valuation gains on investment property		**0**	**0**	**0**	**0**
Valuation gains on investment property		0	0	0	0
Valuation losses on investment property		0	0	0	0
Administrative expenses	(7)	(17,358)	(29,085)	(7,288)	(15,845)
Other income and expenses		0	25,446	0	5
Net operating profit		**66,335**	**68,605**	**34,631**	**20,329**
Net result of investments		1,229	71	1,130	0
Interest income	(7)	12,074	12,821	4,733	4,727
Interest expenses	(7)	(53,590)	(52,301)	(24,495)	(27,513)
Profit before income taxes		**26,049**	**29,197**	**15,999**	**(2,458)**
Income taxes		(1,030)	(437)	294	(1,938)
Consolidated net income for the period		**25,019**	**28,760**	**16,293**	**(4,396)**
Thereof attributable to:					
Shareholders of GSW Immobilien AG		25,011	28,760	16,293	(4,396)
Non controlling interest		8	0	0	0
Earnings per share (basic and diluted in EUR)		**0.56**	**0.77**	**0.34**	**(0.11)**

Calculation of earnings per share (EPS) has been conducted in accordance with IAS 33.19 on the basis of a weighted average number of shares within every reporting period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	01.01. - 30.06.2012	01.01. - 30.06.2011	01.04. - 30.06.2012	01.04. - 30.06.2011
Consolidated net income for the period	25,019	28,760	16,293	(4,396)
Accumulative other comprehensive income				
Revaluation surplus resulting from the fair market valuation of AfS securities and other investments	0	(11)	0	(5)
Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges				
Fair value adjustment of derivatives in cash flow hedges	(17,605)	896	(9,557)	(9,051)
Reclassification of interest derivatives affecting income	555	(1,212)	456	84
Deferred taxes	716	414	228	1,920
Total comprehensive income for the period	**8,684**	**28,847**	**7,421**	**(11,447)**
Profit attributable to:				
Equity holders of the parent	8,695	28,847	7,426	(11,447)
Non-controlling interest	(11)	0	(6)	0

CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

				Accumulative other comprehensive income						
EUR thousand	Subscribed capital	Additional paid-in capital	Consolidated retained earnings	Revaluation surplus resulting from the fair market valuation of afs securities and other investments	Revaluation surplus resulting from the fair market valuation of owner-occupied property	Cumulative fair value changes of derivative interest rate contract constituting in cash flow hedges	Total	Total shareholders' equity	Minority Interest	Consolidated equity
31 December 2010	**35,000**	**15,136**	**937,301**	**7**	**205**	**(11,280)**	**(11,068)**	**976,369**	**0**	**976,369**
Total result for the period	0	0	28,760	(8)	0	95	87	28,847	0	28,847
Issuance of equity instruments	6,053	108,947	0	0	0	0	0	115,000	0	115,000
Transaction costs for issuing equity instruments	0	(5,355)	0	0	0	0	0	(5,355)	0	(5,355)
Additional paid-in capital regarding to board compensations	0	8,184	0	0	0	0	0	8,184	0	8,184
30 June 2011	**41,053**	**126,913**	**966,061**	**(1)**	**205**	**(11,185)**	**(10,981)**	**1,123,045**	**0**	**1,123,045**
31 December 2011	**41,053**	**128,800**	**1,042,429**	**0**	**252**	**(46,374)**	**(46,121)**	**1,166,160**	**257**	**1,166,417**
Total result for the period	0	0	25,011	0	0	(16,316)	(16,316)	8,695	(11)	8,684
Issuance of equity instruments	9,474	192,439	0	0	0	0	0	201,913	0	201,913
Transaction costs for issuing equity instruments	0	(10,737)	0	0	0	0	0	(10,737)	0	(10,737)
Dividend distribution	0	0	(45,474)	0	0	0	0	(45,474)	0	(45,474)
Additional paid-in capital regarding to board compensations	0	1,924	0	0	0	0	0	1,924	0	1,924
30 June 2012	**50,526**	**312,425**	**1,021,966**	**0**	**252**	**(62,689)**	**(62,437)**	**1,322,481**	**246**	**1,322,726**

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	01.01.-30.06.2012	01.01.-30.06.2011
Consolidated net income for the period		**25,019**	**28,760**
Depreciation, amortisation and impairment / write-ups of non-current assets		411	503
Gains (-) / losses (+) of fair value measurement of investment property		0	0
Gains (-) / losses (+) from the disposal of intangible assets and property, plant and equipment		(1)	0
Gains (-) / losses (+) from the disposal of consolidated companies		0	(25,440)
Gains (-) / losses (+) from the disposal of asset held for sale and investment property		(9,483)	(6,216)
Decrease (-) / increase (+) in pension provisions and other long-term provisions		(224)	460
Changes in deferred taxes		716	414
Elimination of current income taxes		314	23
Elimination of financial results		40,287	39,408
Other significant non-cash expenses and income	(9c)	1,924	8,184
Increase / decrease in working capital			
Increase (-) / decrease (+) in inventories		0	0
Increase (-) / decrease (+) in receivables from property management		(1,515)	(2,989)
Increase (-) / decrease (+) in other assets		(3,114)	(5,060)
Increase (+) / decrease (-) in current provisions		(435)	68
Increase (+) / decrease (-) in trade payables		7,401	(983)
Changes in receivables due from related parties and payables due to related parties		(1)	(1)
Increase (+) / decrease (-) in other liabilities		(563)	(800)
Other changes in operating activities		46	969
Income tax paid		(1,481)	(239)
Income tax received		0	0
Interest paid net of interest received		(34,535)	(29,958)
Disbursements for breakage costs from financing activities		(755)	0
Distributions received		1,229	71
Disbursements for processing fees from financing activities		(1,385)	(8,034)
Cash flows from operating activities		**23,855**	**(860)**

CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	Note	01.01.-30.06.2012	01.01.-30.06.2011
Cash flows from operating activities		**23,855**	**(860)**
Proceeds on disposals of intangible assets and property, plant and equipment		2	0
Proceeds on disposals of assets held for sale and investment property		36,723	22,640
Proceeds from disposals of previously consolidated companies net of cash acquired		0	19,989
Proceeds from the disposal of other investments		0	0
Disbursements for investments in investment property		(7,966)	(3,662)
Disbursements for investments in intangibles assets and in property, plant and equipment		(12)	(85)
Cash flows from investing activities		**28,747**	**38,882**
Proceeds from the issuance of equity instruments[1]	(8)	201,913	114,440
Transaction costs of issuing new shares		(8,288)	(5,220)
Dividends paid	(8)	(45,482)	0
Repayments (-) from liabilities from financing investment property and other loans		(62,751)	(908,479)
Proceeds (+) from liabilities from financing investment property and other loans		33,648	877,455
Repayments of liabilities from financing leases		(201)	(210)
Cash flows from financing activities		**118,839**	**77,986**
Changes in cash and cash equivalents		**171,441**	**116,008**
Cash and cash equivalents at the beginning of the period		62,618	70,781
Cash and cash equivalents at the end of the period		**234,059**	**186,789**

[1] IPO 2011: After deduction of employee's shares in the amount of 560 EUR thousand

CONSOLIDATED NOTES

SELECTED NOTES

TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2012

GENERAL INFORMATION

1) Business activities

GSW Immobilien AG, Berlin (hereinafter "GSW") and its subsidiaries (hereinafter jointly referred to as "GSW Group") is one of the biggest housing companies in the state of Berlin. As of 30 June 2012, the portfolio consisted of 53,226 units, of which 52,313 were own residential units and 913 own commercial units. In addition, around 17,700 residential and commercial units are managed for third parties.

GSW was founded in 1924 and has its offices at Charlottenstrasse 4, 10969 Berlin. GSW is registered with the commercial register of the Charlottenburg Local Court under HRB 125788 B.

GSW is a capital market-oriented company and has been listed in the MDAX since September 2011.

2) Principles of the interim consolidated financial statements

As a listed enterprise, GSW has prepared its condensed interim consolidated financial statements for the period from 1 January 2012 to 30 June 2012 in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the supplementary provisions of commercial law applicable in accordance with section 315a (1) of the German Commercial Code (HGB). IAS 34 (Interim Financial Reporting) was complied with. In accordance with the accounting option provided by IAS 34.10, the notes to the interim consolidated financial statements are published in condensed form.

The currency for the consolidated financial statements is the euro (EUR). Unless indicated otherwise, all figures are rounded to the nearest thousand EUR (EUR thousand) or million EUR (EUR million). Since rounded figures are used in the calculations for presentation reasons, discrepancies between rounded and mathematically precise figures May occur in tables or references in the text.

The rental business of the GSW Group is generally not affected by seasonal and business cycle fluctuations. However, economic effects do exert an influence on sales of residential units.

3) Accounting polices

The accounting policies used in the preparation of the interim consolidated financial statements of the GSW Group are identical to those used in the same period of the previous year and in the IFRS consolidated financial statements of GSW Immobilien AG as of 31 December 2011. The interim consolidated financial statements as of 30 June 2012 should therefore be read in conjunction with the consolidated financial statements as of 31 December 2011.

In accordance with IAS 8.42, adjustments to the interim report as of 30 June 2011 would arise in relation to share-based payment. In this context, please refer to the information under note 36 (b) to the consolidated financial statements as of 31 December 2011.

For the interim consolidated financial statements as of 30 June 2012, the GSW Group has fully applied the newly introduced standards and interpretations which are obligatory for financial years starting after 1 January 2012. This has not led to any significant changes to the Group's net assets, financial position and results of operations.

4) Changes in the scope of consolidation

As of 30 June 2012, the scope of consolidation of the GSW Group including GSW as the parent company comprised 16 fully consolidated companies.

Following the exit resolution of its limited partner, GSW Grundbesitz GmbH & Co. KG, Berlin, was merged with GSW Immobilien AG, Berlin, effective 1 January 2012. Furthermore, following the exit resolution of its limited partner, GSW Verwaltungs- und Betriebsgesellschaft mbH & Co. Erste Beteiligungs KG, Berlin, together with all its assets and liabilities was merged with GSW Immobilien AG, Berlin, as of the end of 30 April 2012.

By way of a share purchase and transfer agreement dated 25 June 2012, GSW sold 100% of the shares of GSW Betreuungsgesellschaft für Wohnungs- und Gewerbebau Berlin GmbH. The contract was concluded subject to several conditions precedent and will only become effective when these conditions are met. The assets and liabilities were classified in accordance with IFRS 5 as of 31 December 2011. In this context, please refer to the information under note 25 to the consolidated financial statements as of 31 December 2011.

No companies were acquired during the period under review.

The Weinmeisterhornweg fund, in which GSW held a 44.40% interest as of 30 June 2012 (31 December 2011: 42.73%), was not accounted for at equity due to its immateriality.

5) Significant discretionary decicions and estimates

It is necessary to make assumptions and estimates when preparing IFRS consolidated financial statements. These influence the reporting of assets and liabilities, the recognition of contingent liabilities as of the balance sheet date, as well as income and expenses. In particular, significant estimates and assumptions have been made in relation to the fair value of properties, the likelihood of certain provisions being utilised, the determination of market interest rates at the time the non-interest-bearing or low-interest loans are granted, and whether deferred tax assets can be realised.

The actual figures may diverge from the estimated figures and the amounts resulting from assumptions.

6) Segment reporting

There have been no changes in management reporting since the presentation in the consolidated financial statements as of 31 December 2011.

Accordingly, there is still one reportable segment in accordance with IFRS 8 containing all of the Group's operating activities (rental of residential units in the Berlin area) and about which reports are regularly submitted to the Management Board as the chief operating decision-maker.

7) Selected notes to the consolidated income statement

Net rental income is composed as follows:

EUR thousand	01.01.-30.06.2012	01.01.-30.06.2011
Income from rents	100,952	89,883
Income from management activities	2,275	2,075
Other income	3,006	3,166
Gross rental income	**106,233**	**95,125**
Income from government grants	4,112	5,291
Total rental income	**110,345**	**100,415**
Cost of materials	(18,773)	(19,895)
Personnel expenses	(9,423)	(9,090)
Depreciation and amortisation	(157)	(173)
Other operating expenses	(6,355)	(6,604)
Other cost of sales	**(34,708)**	**(35,762)**
Other operating income	3,280	4,973
Cost of property rental	**(31,428)**	**(30,789)**
Net rental income	**78,918**	**69,626**

General administrative expenses are composed as follows:

EUR thousand	01.01.–30.06.2012	01.01.–30.06.2011
Personnel expenses	(6,196)	(6,039)
Long Term Incentive Plan (LTIP)	(1,604)	(8,184)
Depreciation and amortisation	(255)	(343)
Legal and consulting expenses	(1,494)	(1,440)
Costs for annual financial statements, bookkeeping and audit	(454)	(351)
Expenses for postage, telecommunications and IT	(2,352)	(2,439)
Rent and leasing costs	(1,828)	(1,744)
Costs for the IPO / capital increase	(7)	(6,738)
Other expenses	(4,130)	(2,440)
Other operating income	962	634
General administrative expenses	**(17,358)**	**(29,084)**

General administrative expenses include expenses for the capital increase in the amount of EUR 7 thousand. Transaction costs relating to the capital increase were recognised as liabilities in the amount of EUR 10,737 thousand.

In the same period of the previous year, costs for ensuring the Company's capital market viability were incurred in the amount of EUR 6,738 thousand.

Non-recurring project costs totalling EUR 974 thousand (previous year: EUR 2,895 thousand) were also incurred in the period under review. This item comprises expenses for third parties primarily relating to reorganisation projects and refinancing projects. Project costs amounting to EUR 667 thousand (previous year: EUR 1,876 thousand) relate to general administrative expenses. In addition to project costs, costs for acquisitions in the amount of EUR 1,376 thousand (previous year: EUR 0 thousand) were incurred.

Net interest income is composed as follows:

EUR thousand	01.01.-30.06.2012	01.01.-30.06.2011
Interest income from valuation of interest derivates	19	3,546
Interest income from interest derivates	5,850	4,425
Interest income from bank deposit	431	411
Interest income from receivables	180	6
Interest income from amortisation of loan*	5,579	4,399
Other interest income	14	35
Interest income	**12,074**	**12,821**
Interest expenses from financing of investment properties	(25,536)	(21,476)
Interest expenses from amortisation of loan*	(10,705)	(16,275)
Prepayment fees	(115)	0
Expenses from valuation of interest derivates	(1,499)	(1,027)
Interest expenses from interest derivates	(15,292)	(12,289)
Interest expenses from finance leases	(90)	(97)
Interest expenses from accumulation of provisions and liabilities	(138)	(1,094)
Interest expenses for other financial liabilities	(151)	(17)
Other interest expenses	(64)	(26)
Interest expenses	**(53,590)**	**(52,300)**
Interest result	**(41,516)**	**(39,479)**

* In addition to the amortisation effects arising from the effective interest rate method in accordance with IAS 39.9, this income statement item includes changes in present value and gains and losses on disposal recognised in income in accordance with IAS 39 AG 62 due to new contractual conditions, and changes in present value recognised in income in accordance with IAS 39 AG 8 due to modified estimates of cash inflows or outflows.

Earnings per share are calculated in accordance with IAS 33.19 by dividing consolidated net income by the weighted number of shares in circulation in the financial year.

The weighted average number of shares in circulation in the 2012 financial year is calculated as follows:

	01.01.– 30.06.2012	01.04.– 30.06.2012
Number of shares outstanding at the beginning of the period	41,052,630	41,052,630
Additional shares issued on 27 April 2012	9,473,684	9,473,684
Number of shares outstanding at the end of the period	50,526,314	50,526,314
Weighted average number of shares (diluted and undiluted)	**44,436,089**	**47,819,547**

The weighted average number of shares in circulation in the 2011 financial year is calculated as follows:

	01.01.– 30.06.2011	01.04.– 30.06.2011
Number of shares outstanding at the beginning of the period	35,000,000	35,000,000
Additional shares issued on 15 April 2011	6,052,630	6,052,630
Number of shares outstanding at the end of the period	41,052,630	41,052,630
Weighted average number of shares (diluted and undiluted)	**37,574,876**	**40,121,456**

Information on the amount of earnings per share can be found in the income statement.

8) Selected notes to the consolidated balance sheet

As of the reporting date for the interim consolidated financial statements, **investment property** in accordance with IAS 40 including **properties held for sale** in accordance with IFRS 5 was composed as follows:

	30.06.2012		31.12.2011	
	Residential property	Commercial property	Residential property	Commercial property
Units	52,313	912	52,790	913
Area (in sqm)	3,214,230	101,515	3,244,039	101,672

The GSW Group's portfolio also includes 8,763 (31 December 2011: 8,943) garages and parking spaces, while one commercial unit used by the GSW Group is recognised in accordance with IAS 16.

The fair values of investment property and property held for sale accounted for in accordance with IFRS 5 can be broken down as follows:

EUR thousand	30.06.2012		31.12.2011	
	Investment property	Property held for sale	Investment property	Property held for sale
Built plots	2,892,996	13,831	2,907,699	15,518
Unbuilt plots	22,108	158	22,550	74
Total	**2,915,104**	**13,989**	**2,930,249**	**15,592**

The decrease in property assets by a total of EUR 16,748 thousand compared with 31 December 2011 is due to current sales; this is offset by capitalised maintenance expenses in the amount of EUR 7,966 (previous year: EUR 3,663 thousand) thousand and capitalised property tax in the amount of EUR 1,374 thousand (previous year: EUR 0 thousand).

The GSW Group employs **derivative financial instruments** to hedge against interest rate risk arising from property financing. Derivative financial instruments are recognised at fair value.

The existing swap agreements for two interest rate swaps were terminated early. The term for one further interest rate swap agreement ended as of 30 March 2012.

As of 30 June 2012, the following derivative financial instruments were held:

Number	Par value in EUR thousand	Swap rate	Fair value as of 31.03.2012 in EUR thousand
12 interest rate swaps	**988,442**	**1.7 % bis 4.8 %**	**(71,568)**

Two of the interest rate swaps held do not meet the IAS 39 criteria for recognition as a hedging instrument. Changes in the fair value of the interest rate swaps that do not meet the IAS 39 criteria for recognition as a hedging instrument irrespective of their financial hedging effect are recognised through profit or loss.

In the interim consolidated financial statements, losses from changes in the fair value of derivatives totalling EUR 17,605 thousand (previous year: gains of EUR 895 thousand) were recognised directly in equity in the reporting period, while a further EUR 925 thousand (previous year: gains of EUR 1,307 thousand) was recognised through profit or loss. In addition, a release from equity totalling EUR 555 thousand (previous year: EUR 1,212 thousand) was recognised through profit or loss.

In the reporting period, there were no instances of ineffectiveness that were reported in the income statement as part of hedge accounting.

The change in the components of **shareholders' equity** is shown in the consolidate statement of changes in shareholders' equity.

As of 30 June 2012, GSW's issued capital amounted to EUR 50,526 thousand (previous year: EUR 41,052 thousand). The number of ordinary shares issued amounted to 50,526,314 shares each with a nominal interest in the share capital of EUR 1.00. The shares are fully issued and fully paid-in.

Effective 17 April 2012, the Management Board of GSW resolved – with the approval of the Supervisory Board – to implement a capital increase in exchange for cash contributions with indirect subscription rights for the shareholders. Using the existing authorised capital, the Company's share capital of EUR 41.1 million was increased by EUR 9.5 million to EUR 50.5 million in exchange for cash contributions by issuing 9,473,684 new no-par value bearer shares.

Cash contributions of EUR 21.30 per share (totalling EUR 201.9 million) were made for the newly issued shares. The capital increase was entered in the commercial register on 27 April 2012.

Premiums paid in connection with the capital increase meant that **capital reserves** increased by EUR 192.4 million. The premiums paid were offset against the transaction costs incurred for the capital increase in the period under review. GSW's capital reserves also increased during the period under review as a result of the share-based remuneration for Management Board members (EUR 1,645 thousand) and Dr Scharpe (EUR 279 thousand). Capital reserves totalled EUR 312,425 thousand as of 30 June 2012.

Revenue reserves include the earnings of the companies included in the consolidated financial statements in prior periods and in the current period insofar as they were not distributed.

Other comprehensive income includes the adjustments in fair value for owner-occupied properties measured using the revaluation method and adjustments in fair value for derivatives in cash flow hedges and for securities classified as available for sale and other financial investments. The change in other comprehensive income is shown in the consolidated statement of changes in shareholders' equity.

The share of other comprehensive income attributable to other shareholders amounted to EUR 10.9 thousand as of 30 June 2012.

By resolution of the General Shareholders' Meeting, new authorised capital (Authorised Capital 2012) was created including the option to disapply shareholders' subscription rights. Under this resolution, the Management Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions by a total of up to EUR 17,000,000.00 up to and including 27 June 2017 by issuing up to 17,000,000 new no-par value bearer shares in exchange for cash and/or non-cash contributions.

The General Shareholders' Meeting also authorised the Management Board to issue bearer and/or registered convertible bonds and/or bonds with warrants and/or profit participation rights and/or participating bonds with or without conversion rights or options or conversion obligations or a combination of these instruments, with or without a restriction on their term, with a total nominal amount of up to EUR 250,000,000.00 on one or more occasions up to and including 27 June 2017, and to grant the holders or bearers of such instruments conversion rights or options for the subscription of up to 7,500,000 new no-par value bearer shares of GSW Immobilien AG with a total nominal interest in the share capital of up to EUR 7,500,000.00 (Contingent Capital 2012).

In accordance with the resolution by the General Shareholders' Meeting on 28 June 2012, a dividend of EUR 0.90 per share (totalling EUR 45.5 million) was distributed for the 2011 financial year.

Financial liabilities are composed as follows:

EUR thousand	30.06.2012	31.12.2011
Liabilities due to banks from financing investment properties	1,741,544	1,769,020
Liabilities from finance leases	1,758	1,869
Financial liabilities	**1,743,302**	**1,770,889**

The liabilities due to banks are primarily attributable to financing for investment properties. This item decreased as against 31 December 2011 due in particular to scheduled and non-scheduled repayments. In addition, loans were refinanced in the period under review. No new loans were taken on.

These developments were offset by amortisation effects from the effective interest method in accordance with IAS 39.9 and by present value changes in accordance with IAS 39 AG 62 due to new contractual conditions.

9) Related party disclosures

For the GSW Group, related parties within the meaning of IAS 24 are defined as those parties that control the Group or exercise a significant influence and, conversely, parties that are controlled or significantly influenced by the Group.

Accordingly, the members of the Management Board and Supervisory Board of GSW and the subsidiaries, associates and joint ventures of the GSW Group are defined as related parties.

a) Relations with associates, joint ventures and non-consolidated affiliates
With respect to the exchange of goods and services, the Group had no material relations with associates, joint ventures or non-consolidated affiliates.

b) Relations with consolidated affiliates
A control and profit and loss transfer agreement was concluded with GSW Acquisition 3 GmbH, Essen, with effect from 1 January 2012. The General Shareholders' Meeting approved this agreement on 28 June 2012.

A control and profit and loss transfer agreement between GSW Acquisition 3 GmbH, Essen and GSW Pegasus GmbH, Berlin was concluded on the same date.

c) Relations with related persons
The former shareholders W2001 Capitol B.V. and Lekkum Holding B.V. shall bear the costs for a supplementary payment component offering a long-term incentive (Long Term Incentive Plan, LTIP) within the framework of bilateral agreements with the Management Board members. For details, please refer to the information as of 31 December 2011 under note 36 (b) to the consolidated financial statements. In the first half of 2012, the Company reported expenses and a contribution to the capital reserves of EUR 1,325 thousand in accordance with IFRS 2. In subsequent years, further expenses are anticipated that are to be paid by the former shareholders in shares and that are linked to the precondition of Management Board members remaining with GSW. These agreements do not give rise to any charge on GSW's liquidity or (re)payment obligations with respect to the former shareholders.

In the first quarter of 2011, Dr Scharpe reached an agreement in principle with the original shareholders that, in the event of a successful IPO, he would receive 10,000 shares in the Company from the original shareholders as consideration for his role as Chairman of the Supervisory Board in the period from 2004 to 2010. The contractual implementation of this agreement and the allocation of the shares in the Company took place in the second quarter of 2012. Accordingly, the Company reported administrative expenses and a contribution to the capital reserves of EUR 279 thousand in accordance with IFRS 2.

The Long Term Incentive (LTI) which is part of the Management Board employment contracts has been amended with effect from Jan 1, 2012. According to the regulations of IFRS 2 the amendmend led to an increase of expenses and capital reserves at the amount of EUR 320 thousand.

10) Management and supervisory board

No changes have occurred in the composition of the management since 31 December 2011.

The composition of the Supervisory Board of GSW Immobilien AG has changed since 31 December 2011 as follows:

Gisela von der Aue	Former Senator of Justice of the State of Berlin, Berlin (since June 2012)
Thomas Wiegand	Managing Director at Cerberus Global Investments B.V., Baarn, NL (until March 2012)
Geert-Jan Schipper	Managing Director at Cerberus Global Investments B.V., Baarn, NL (until March 2012)

11) Events after the balance sheet date

There were no significant events after the balance sheet date.

Berlin, 15 August 2012

THOMAS ZINNÖCKER
(CEO)
GSW Immobilien AG

JÖRG SCHWAGENSCHEIDT
(COO)
GSW Immobilien AG

ANDREAS SEGAL
(CFO)
GSW Immobilien AG

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements of GSW Immobilien AG for the first half year of 2012 give a true and fair view of the Group's net assets, financial position and results of operations, and the interim consolidated management report includes a fair view of the business development including the results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year.

Berlin, 15 August 2012

GSW Immobilien AG
Management Board

Thomas Zinnöcker
Chief Executive Officer

Jörg Schwagenscheidt
Member of the Management Board

Andreas Segal
Chief Financial Officer

DISCLAIMER

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees of future performance, but rather involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in the Risks and Opportunities Report on page 17. We do not assume any obligation to update the forward-looking statements contained in this report. This report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor shall there be any sale, issuance or transfer of the securities referred to in this report in any jurisdiction in contravention of applicable law.

EDITOR'S NOTE

Rounding differences may occur in the tables.

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