

# Semi-Annual report 2009



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*Cover page: Buechsenstraße 26 within »Quartier Buechsenstraße«, Stuttgart*

Contents	> <b>01</b> __ Key Financial Data	> <b>12</b> __ Notes
	> <b>02</b> __ Letter from the Board of Management	> <b>16</b> __ Responsibility statement by management
	> <b>03</b> __ Interim Management Report	> <b>17</b> __ Financial calendar/Contact
	> <b>07</b> __ Interim consolidated financial statements	

Current charts and portfolio overview available on [www.polis.de](http://www.polis.de)

# Key Financial Data

Results € thousand	1 <sup>st</sup> half		2 <sup>nd</sup> quarter	
	01 Jan.– 30 Jun. 2009	01 Jan.– 30 Jun. 2008	01 Apr.– 30 Jun. 2009	01 Apr.– 30 Jun. 2008
Rental revenues	7,401	7,139	3,645	3,651
Current income from property management	6,317	5,992	3,038	3,101
EBIT	4,342	6,778	2,072	3,553
EBT	1,177	4,486	1,400	2,715
Consolidated net income	1,042	3,974	1,179	2,396
Cash flow from operating activities	5,434	4,301		
Funds from operations (FFO) <sup>1</sup>	2,255	1,677		

Structure of assets and capital € thousand	30 Jun. 2009	31 Dec. 2008
Non-current assets	283,782	278,589
Current assets	16,700	32,808
Equity	154,130	153,085
Total equity and liabilities	300,482	311,397
Equity ratio in %	51.29%	49.16%
Loan to value in % <sup>2</sup>	47.56%	52.39%

Net asset value (NAV) of POLIS (€ thousand) <sup>3</sup>	154,667	153,459
Number of shares	11,051,000	11,051,000
NAV per share (€) <sup>3</sup>	14.00	13.89

## Share

ISIN	DE0006913304
WKN	691330
Share price highest in 1 <sup>st</sup> half of 2009 (Xetra)	€ 9.50
Share price low 1 <sup>st</sup> half of 2009 (Xetra)	€ 8.09
Closing price on 30 June 2009 (Xetra)	€ 8.68

<sup>1</sup> Funds from operations (FFO): EBIT less income from revaluation less income from the sale of properties less financial results (excluding changes in valuation of derivative financial instruments) less taxes paid

<sup>2</sup> Loan to value: Ratio of loan liabilities to investment properties (investment properties and non-current assets held for sale)

<sup>3</sup> Net Asset Value: Equity plus deferred tax liabilities less deferred tax assets

# Letter from the Board of Management

Dear Shareholders, Ladies and Gentlemen,

Given the developments on international property markets, our business operations in the 1<sup>st</sup> half of the year were satisfactory. Over the course of the 1<sup>st</sup> half of 2009, we were able to increase rental revenues by 4% relative to the same period in the previous year, to approximately € 7,401 thousand. Overall, we concluded lease agreements for around 3,100 m<sup>2</sup> of office space in the 1<sup>st</sup> half of the year (same period in the previous year: 5,530 m<sup>2</sup>). Net rental income increased by approximately 5%, from € 5,992 thousand to € 6,317 thousand. Our cash flow from operating activities grew by 26%, to € 5,434 thousand (same period in the previous year: € 4,301 thousand), and funds from operations (FFO) rose by 34%, to € 2,255 thousand (same period in the previous year: € 1,677 thousand), after adjusting for all extraordinary items. The group result for the 1<sup>st</sup> half of this year was € 1,180 thousand, lower than during the same period of the previous year (€ 3,974 thousand); however, when adjusted for non-recurring effects relating to valuations and sales, the group result has increased significantly. The NAV per share increased from € 13.89 to € 14.00. In the reporting period, the POLIS share performance has been stable; however, our shares are currently trading at a discount of around 38% compared to the NAV.

The focus of our work during the 1<sup>st</sup> half of the year was on the revitalization of properties. In particular, we continued developing our projects at »Konrad-Adenauer-Ufer« in Cologne, »Quartier Buechsenstrasse« in Stuttgart, and »Kasernenstrasse« in Dusseldorf. As a result of the planned revitalization work, our rental revenues will be slightly lower than in the past year. However, we should be able to realize increasing rental revenues during the next financial year in line with our letting activities.

In the General Meeting on 19 June 2009, POLIS shareholders supported our approach and approved all draft resolutions, almost all of them unanimously, including an amendment to the articles of association permitting the Company to assume asset management functions in order for us to make our know-how available also to third parties. We may have a unique competitive opportunity by being able to offer equity stakes in the properties we manage.

Our activities will continue to focus on letting vacant areas and performing modernization work. Our high equity ratio of around 50%, our sound financial footing, and our stable cash flow give us sufficient flexibility and scope for carrying out further investments that we intend to use if and when attractive opportunities arise.

Berlin, July 2009

POLIS Immobilien AG  
The Board of Management



**Dr. Alan Cadmus**

**Dr. Matthias von Bodecker**

# Interim Management Report

for POLIS Immobilien AG for the period from 1 January to 30 June 2009

## Business and economic environment

### Development of the overall economic environment and the property markets

Over the 1<sup>st</sup> half of the year, economic forecasts have been continuously adjusted downward, with many experts now expecting GDP to drop by 6%. However, the Kiel Institute for the World Economy believes there are indications suggesting that the economy is stabilizing from mid-2009 on.

### Industry-specific developments in the 1<sup>st</sup> half of the year

- New lease agreements for office space in key German business centers drop by 32%, to 1.05 million m<sup>2</sup>.
- Completion of new space up by 74%
- Vacancies up by 6%
- Peak rents stable for the time being

The overall economic development is reflected in the considerable drop in the number of new lease agreements for office space in key German business centers. While the number of completions of new construction projects has increased strongly, the vacancy rate has only grown moderately by 6% due to the fact that many lease agreements were concluded in advance and properties are often used for own purposes. Consequently, peak rents present a mixed picture, falling slightly at some locations while (so far) remaining stable in others.

Overall, rent incentives are increasingly being offered, and for the foreseeable future the market for office buildings is becoming a tenants' market.

The transaction volume in the investment market has dropped markedly. Prices in attractive locations have so far reacted only slightly, if at all.

## Business operations

### Portfolio unchanged in the 1<sup>st</sup> half of 2009

In the 1<sup>st</sup> half of 2009, our property portfolio remained unchanged. While we do not anticipate new acquisitions in the near term, we do believe that opportunities for acquiring further properties might arise in the course of the current financial year. At the same time, we strive to optimize our portfolio by selling individual properties at non-core locations. As a result of our sound capital resources, we are in a position to expand our portfolio; however, we have made the experience that sellers are not yet prepared to accept prices that reflect current market conditions.

### Slight drop in occupancy rates

In the 1<sup>st</sup> half of the year, we concluded new lease agreements for 3,069 m<sup>2</sup> of rental space, representing rental income of around € 1,680 thousand contractually secured over the terms of these agreements, which run for 4.7 years on average. The effective rent as a result of concluding these agreements including all incentives (such as provisions stipulating rent-free periods) was € 10.76 per m<sup>2</sup>. As of 30 June 2009, the portfolio occupancy rate is 77%, slightly less than as of 31 December 2008. Vacancies are in large part attributable to the modernization properties at »Konrad-Adenauer-Ufer« in Cologne (around 6,200 m<sup>2</sup> in total) and at »Domstrasse« in Hamburg (around 4,500 m<sup>2</sup> in total). The average remaining term of the lease agreements is 2.5 years. Considering all rented spaces and all types of use, the current average rent is approximately € 12.25 per m<sup>2</sup>.

**Cologne, project »Konrad-Adenauer-Ufer«:  
Preliminary award of silver DGNB certificate**

The building has been awarded a preliminary silver certificate (Vorzertifikat) by the DGNB (German Sustainable Building Council) for the sustainable revitalization of office buildings. This is the first time that such certification has been carried out. This means that the key preparations for the final certification of the building upon completion (expected in the 4<sup>th</sup> quarter) have now been concluded. Therefore, we believe that upon completion of the modernization work the marketability of the comprehensively refurbished, efficient and high-quality building situated on the Rhine will be good despite current market conditions.

**Stuttgart, project »Quartier Buechsenstrasse«:  
Commencement of revitalization work**

Comprehensive revitalization work on the property at »Buechsenstrasse 26/26b« has commenced after the tenants vacated the premises as planned. As part of this project, we intend to significantly upgrade the ground floor area by incorporating catering services, to add one floor, and to provide a new façade in order to achieve a high-quality office building. Completion is expected in the 2<sup>nd</sup> quarter of 2010. And the standard of the adjacent building at »Buechsenstrasse 28« will also be upgraded substantially; the property is expected to become available to tenants in early 2010. The other buildings that form part of the Quartier will also be modernized, but to a somewhat lesser extent, so that the Quartier will offer a range of different rental spaces and qualities.

**Hamburg, project »Domstrasse«:  
Application for building permit filed**

A building permit application for the building at »Domstrasse 10« in Hamburg was filed in the 2<sup>nd</sup> quarter.

## Results of operations, financial position and net assets

### Results of operations

The results of operations of POLIS Immobilien AG are positive. Rental revenues grew by approximately 4% compared to the same quarter of the previous year, from € 7,139 thousand to € 7,401 thousand. After deducting modernization, maintenance and property management expenses, net rental income grew by 5%, from € 5,992 thousand to € 6,317 thousand. Earnings before financing activities and taxes (EBIT) fell by 36% and amounted to € 4,342 thousand (same period in the previous year: € 6,778 thousand). The key reason for the decline was the change in the income from the revaluation of properties by € 1,247 thousand relative to the same period in the previous year. For some investment properties, we applied the values as determined by Feri EuroRating Services AG in their appraisal as of 31 December 2008 despite having carried out a number of smaller investments; for this reason, modernization investments of € 289 thousand are incorporated as valuation losses in the results of the 1<sup>st</sup> half of 2009. In contrast, the report for the previous year showed gains from revaluation (€ 958 thousand) and a net profit from the sale of the property at »Torstrasse 15« in Stuttgart.

The **group result** was € 1,042 thousand, significantly less than during the previous year (same period in the previous year: € 3,974 thousand). In addition to the above mentioned reasons, the decrease is the result of valuation losses not affecting liquidity related to hedging instruments valued at € 761 thousand (same period in the previous year: valuation gains valued at € 783 thousand) resulting from considerably lower interest rates at the end of the quarter.

Compared to the same period in the previous year, **cash flow from current business operations** increased by approximately 26%, to € 5,434 thousand (same period in the previous year: € 4,301 thousand). Funds from operations (which reflect the income from current business operations after adjusting for sales and changes in valuation) increased by 34%.

Based on the existing lease agreements, the annualized actual rent of POLIS is € 15,120 thousand as of 30 June 2009. Therefore, based on the current volume of our portfolio, our rental yield

is 5.4% despite current vacancies. Given the current weighted average cost of debt of 3.7%, current business operations generate a positive spread to funding costs. In view of this margin and the prospects of increased rental revenues, reduced vacancy rates and the potential for realizing further gains in the value of our property portfolio, we have a high earnings potential.

### Financial position

With an equity ratio of 51.2% (loan-to-value ratio: 47.6%) as of 30 June 2009, POLIS has a sound financial footing.

Cash in banks increased as a result of the sale of the property at »Steinstrasse 20« at the end of the period, to € 7,025 thousand, compared to € 2,056 thousand as of 31 December 2008. The funds will be invested in the modernization properties. Currently, we have access to available credit lines of around € 26 million.

### Net assets

During the 1<sup>st</sup> half of the year, the balance sheet total of POLIS decreased to € 300,482 thousand (compared to € 311,397 thousand as of 31 December 2008). The reduction is largely the result of the receipt of the proceeds from the sale of the property at »Steinstrasse 20« in Dusseldorf. The overall structure of the balance sheet is characterized by the investment properties, which are reported together with the properties classified as non-current assets held for sale and represent a volume of approximately € 283 million, or approximately 94% of the balance sheet total. The development of the properties is explained in detail in the notes to the consolidated financial statements in the synopsis entitled »Development of investment properties«. Our valuations are transparent and verifiable. Detailed information on the appraisal methodology used by Feri EuroRating Services AG is presented on pages 65–66 of the notes to the consolidated financial statements of the 2008 annual report of POLIS. Current information on the portfolio is available on our website ([www.polis.de](http://www.polis.de)).

## Supplementary report

In July, a forward interest rate swap transaction with a nominal volume of € 10,000 thousand commencing on 1 September 2010 and ending on 31 December 2015 was carried out in order to eliminate the interest rate risk associated with variable-rate loans. The swap rate is 3.48%.

## Risk report

As a result of its business operations, POLIS is exposed to various operational and market risks. These primarily include the risk associated with letting, the risk of rent default, interest rate risks and liquidity risks. The principles embodied in the Company's risk and opportunity management system have not changed since the beginning of the year; in this context, we refer to the detailed discussion in the 2008 annual report of POLIS (pages 44–47 and 78–80 of the group management report).

### Business-related risks

In the 1<sup>st</sup> half of 2009, the occupancy and valuation risks for the company's portfolio have increased due to the recession in Germany.

The central default risk monitoring system is currently showing an elevated risk for bad debts resulting in an increased need for provisions totalling € 263 thousand for the 1<sup>st</sup> half of the year.

Due to the scheduled expiration of the lease agreement with Hypo Real Estate Bank AG on 30 June 2009 regarding space in the property at »Buechsenstrasse« in Stuttgart and the revitalization work that has now commenced, the occupancy rate will fall significantly in the 3<sup>rd</sup> quarter of 2009. Considerable efforts are required in order to compensate this reduction by concluding lease agreements despite the economic risks so that a level of around 80% can be achieved by the end of the year.

### Financial risks

In the 2<sup>nd</sup> half of the year, follow-on financing of around € 7.4 million needs to be secured, corresponding to approximately 6% of the overall volume of loans as of 30 June 2009. In 2010, around 8% of the current volume of loans will require follow-on financing. The means required for both financing measures and the planned modernization investments has already been secured by the existing liquid funds and the available credit lines.

For details on the structure of maturities of the liabilities to banks and the interest rate hedges we refer to the notes to the consolidated financial statements.

## Report on anticipated developments

### Development of the overall economy and the market for office buildings

We believe that the economy will stabilize over the remainder of the current year and will begin to recover in 2010. Until that time, we expect virtually no inflation; interest rates will remain low, and the situation on the labor markets will continue to deteriorate. This will affect rental markets considerably, creating downward pressures on rents and prices for office buildings at a time of increasing supply.

### Major opportunities for POLIS Group

POLIS with its high-quality portfolio and sound capital base is also well equipped to cope with such a market environment and can take advantage of opportunities for acquisitions for expanding the portfolio as they arise. We continue to aim for a portfolio volume of around € 300 million. Our experienced asset management team and our financial flexibility mean that we can develop our portfolio independently and respond appropriately to challenges arising in the office rental market.

### Assessment of future business prospects

Forecasts regarding valuations are hardly possible in the current environment. Our assessments and objectives set forth in the management report of the 2008 annual financial statements (prepared in February 2009) remain valid. Rental revenues will decline in the short term, but will increase strongly upon successful conclusion of the modernization work on the buildings mentioned above.

## Report on transactions with related persons

Affiliated persons are the members of the Supervisory Board, the members of the Board of Management and close family members of such persons. In addition, Bouwfonds Asset Management Deutschland GmbH, Berlin, and its related companies are also included in the group of affiliated companies. Under a lease agreement with Bouwfonds Asset Management Group, services were provided in the 1<sup>st</sup> half of the year that were settled at prevailing market conditions.

Regarding the associations of members of the Board of Management and of the Supervisory Board, we refer to page 75 et seq. of the notes to the consolidated financial statements of the 2008 annual report of POLIS. During the 1<sup>st</sup> half of 2009, no transactions were concluded with members of the Supervisory Board, members of the Board of Management or their close relatives.

# Consolidated balance sheet

as of 30 June 2009

according to International Financial Reporting Standards (IFRS)

POLIS Immobilien AG, Berlin

## ASSETS

€ thousand	30 Jun. 2009	31 Dec. 2008
<b>Non-current assets</b>		
Investment properties	280,416	275,060
Intangible assets	54	54
Equipment	2,300	2,316
Financial assets	243	243
Deferred tax assets	647	711
Receivables and other financial assets	122	205
<b>Total non-current assets</b>	<b>283,782</b>	<b>278,589</b>
<b>Current assets</b>		
Receivables and other financial assets	6,553	27,757
Current tax receivables	18	202
Cash in banks	7,025	2,056
Other assets	494	183
Non-current assets held for sale	2,610	2,610
<b>Total current assets</b>	<b>16,700</b>	<b>32,808</b>
<b>Total assets</b>	<b>300,482</b>	<b>311,397</b>

## EQUITY AND LIABILITIES

€ thousand	30 Jun. 2009	31 Dec. 2008
<b>Equity</b>		
Subscribed capital	110,510	110,510
Capital reserves	26,473	26,732
Retained earnings	16,105	14,699
Consolidated net profit for the period	1,042	1,144
Share in equity allocable to the equity holder of the parent	154,130	153,085
Minority interests	0	0
<b>Total equity</b>	<b>154,130</b>	<b>153,085</b>
<b>Non-current liabilities</b>		
Liabilities to banks	120,809	135,275
Deferred tax liabilities	1,184	1,085
<b>Total non-current liabilities</b>	<b>121,993</b>	<b>136,360</b>
<b>Current liabilities</b>		
Liabilities to banks	13,788	10,206
Payments received on account	4,663	3,423
Trade accounts payable	2,037	2,111
Income tax liabilities	146	155
Other provisions	3,725	6,057
<b>Total current liabilities</b>	<b>24,359</b>	<b>21,952</b>
<b>Total equity and liabilities</b>	<b>300,482</b>	<b>311,397</b>

# Consolidated income statement

for the period from 1 January to 30 June 2009  
according to International Financial Reporting Standards (IFRS)  
POLIS Immobilien AG, Berlin

€ thousand	1 <sup>st</sup> half		2 <sup>nd</sup> quarter	
	01 Jan.– 30 Jun. 2009	01 Jan.– 30 Jun. 2008	01 Apr.– 30 Jun. 2009	01 Apr.– 30 Jun. 2008
Rental revenues	7,401	7,139	3,645	3,651
Renovation and maintenance expense	-443	-515	-269	-326
Property management expense	-641	-632	-338	-224
	-1,084	-1,147	-607	-550
<b>Net rental income</b>	<b>6,317</b>	<b>5,992</b>	<b>3,038</b>	<b>3,101</b>
Unrealized gains from the revaluation of properties held for sale	0	2,088	0	2,088
Unrealized losses from the revaluation of investment properties	-289	-1,130	-153	-892
Income from the revaluation of investment properties	-289	958	-153	1,196
Income from the sale of investment properties	0	16,314	0	16,314
Carrying amount of the investment properties sold	0	-15,350	0	-16,310
Result from the sale of investment properties	0	964	0	4
Other income	273	214	273	26
Other expense	-629	-57	-350	-21
Administrative expense	-1,330	-1,293	-736	-753
<b>Income before financing activities and taxes</b>	<b>4,342</b>	<b>6,778</b>	<b>2,072</b>	<b>3,553</b>
Financial income	128	979	571	947
Financial expenses	-3,293	-3,271	-1,243	-1,785
<b>Result before taxes</b>	<b>1,177</b>	<b>4,486</b>	<b>1,400</b>	<b>2,715</b>
Deferred taxes	-163	-408	-197	-215
Income taxes	28	-104	-24	-104
<b>Consolidated net income for the period</b>	<b>1,042</b>	<b>3,974</b>	<b>1,179</b>	<b>2,396</b>
Gains/losses recognized directly in equity	0	0	0	0
<b>Comprehensive income</b>	<b>1,042</b>	<b>3,974</b>	<b>1,179</b>	<b>2,396</b>
of which: allocable to minority interests	0	0	0	0
of which: allocable to equity holder of the parent	1,042	3,974	1,179	2,396
Earnings per share, undiluted	0.09	0.36		
Earnings per share, diluted	0.09	0.36		

# Consolidated cash flow statement

for the period from 1 January to 30 June 2009  
according to International Financial Reporting Standards (IFRS)  
POLIS Immobilien AG, Berlin

€ thousand	1 <sup>st</sup> half	
	01 Jan.– 30 Jun. 2009	01 Jan.– 30 Jun. 2008
Consolidated net income	1,042	3,974
Adjusted for:		
Financial result	3,165	2,292
Income from revaluation of investment properties	289	-958
Income from sale of investment properties	0	-964
Depreciation/change on intangible assets and equipment	40	26
Increase in trade receivables and other assets which cannot be allocated to the investment and financing activity	1,380	-956
Increase in the trade payables and other liabilities which cannot be allocated to the investment and financing activity	-485	887
Payments for Equity options	3	0
<b>Net cash (used by) from operating activities</b>	<b>5,434</b>	<b>4,301</b>
Payments for the acquisition of software, fixtures and equipment	-24	-5
Proceeds from the sale of investment properties	17,929	16,230
Payments for the acquisition of investment properties and investments in modernization	-5,082	-54,110
<b>Net cash (used by) from investment activities</b>	<b>12,823</b>	<b>-37,885</b>
Payments for redemption of loans	-12,084	-12,173
Proceeds from debt fundings	1,200	47,528
Interest received	-372	116
Interest paid	-2,032	-3,206
Dividends received	0	0
<b>Net cash (used by) from financing activities</b>	<b>-13,288</b>	<b>32,265</b>
<b>Net change in cash and cash equivalents</b>	<b>4,969</b>	<b>-1,319</b>
<b>Cash in banks at the beginning of the period</b>	<b>2,056</b>	<b>1,821</b>
<b>Cash in banks at the end of the period</b>	<b>7,025</b>	<b>502</b>

# Consolidated statement of changes in equity

for the period from 1 January to 30 June 2009  
according to International Financial Reporting Standards (IFRS)  
POLIS Immobilien AG, Berlin

€ thousand	Subscribed capital	Capital reserves	Retained earnings	Consolidated net income	Share in equity allocable to the equity holders of the parent	Minority interest	Total equity
<b>Balance as of 31 Dec. 2007</b>	<b>110,510</b>	<b>26,730</b>	<b>5,656</b>	<b>9,043</b>	<b>151,939</b>	<b>0</b>	<b>151,939</b>
Consolidated net profit	0	0	0	3,974	3,974	0	3,974
Withdrawal/addition	0	0	9,043	-9,043	0	0	0
<b>Balance as of 30 Jun. 2008</b>	<b>110,510</b>	<b>26,730</b>	<b>14,699</b>	<b>3,974</b>	<b>155,913</b>	<b>0</b>	<b>155,913</b>
<b>Balance as of 31 Dec. 2008</b>	<b>110,510</b>	<b>26,732</b>	<b>14,699</b>	<b>1,144</b>	<b>153,085</b>	<b>0</b>	<b>153,085</b>
Consolidated net profit	0	0	0	1,042	1,042	0	1,042
Expense stock option plan	0	3	0	0	3	0	3
Capital increase	0	-262	262	0			
Withdrawal/addition	0	0	1,144	-1,144	0	0	0
<b>Balance as of 30 Jun. 2009</b>	<b>110,510</b>	<b>26,473</b>	<b>16,105</b>	<b>1,042</b>	<b>154,130</b>	<b>0</b>	<b>154,130</b>

# Notes to the consolidated financial statements

for the period from 1 January to 30 June 2009

## Reporting principles

The Interim Report for POLIS Immobilien AG as of 30 June 2009 has been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU as well as in accordance with their interpretation by the International Financial Reporting Interpretation Committee (IFRIC).

In preparing the consolidated interim financial statements as of 30 June 2009 (hereinafter referred to as »Interim Financial Statements«) based on International Accounting Standard (IAS) 34 – »Interim Financial Reporting«, the same accounting and valuation methods were applied as during the preparation of the consolidated financial statements for the complete previous year 2008. A detailed description of the applied methods was published in the annual report for the year 2008 (available at [www.polis.de](http://www.polis.de)).

Under Section 48 of the Exchange Rules (Börsenordnung) of the Frankfurt Stock Exchange (Prime Standard), the company is obliged to prepare interim reports.

We expressly declare that the Interim Report fully complies with IFRS without any qualifications, and that the Report thus conveys a true and fair representation of the group's assets, liabilities, financial position and profit or loss. The group auditor has neither audited nor reviewed the Interim Financial Statements in an audit-like manner.

## Notes to the income statement

### Rental revenues

Rental revenues increased in the 1<sup>st</sup> half of the year to € 7,401 thousand, about 4% higher than during the same period in the previous year (€ 7,139 thousand). On a like-for-like basis, rental income for the 1<sup>st</sup> half of 2009 from properties held in

the portfolio since 1 January 2008 remained almost constant, at € 6,323 thousand, compared to € 6,345 thousand for same period of the previous year.

### Other expenses

The other expenses item (€ 629 thousand, previous year: € 57 thousand) largely includes expenses relating to obligations to perform construction work assumed under the purchase and

sale agreement for the property at »Torstrasse 15« in Stuttgart that was sold during the previous year as well as to value adjustments on claims.

### Financial results

In the first six months of 2009, the financial results amounted to € -3,165 thousand, compared to € -2,292 thousand for the same period in the previous year. The increase is the result of valuation losses from derivative financial instruments

(€ 761 thousand) due to low interest levels, which have continued to fall since the beginning of the year, and valuation gains from derivative financial instruments (€ 783 thousand).

## Earnings per share

The earnings per share are as follows:

	01 Jan.– 30 Jun. 09	01 Jan.– 30 Jun. 08
Group net profit/loss for the year after income allocable to minority interest (in € thousand)	1,042	3,974
Average number of ordinary shares in circulation	11,051,000	11,051,000
Earnings per share (diluted and undiluted) (in €)	<b>0.09</b>	<b>0.36</b>

## Notes to the balance sheet

### Investment properties

The following overview illustrates the development of the investment properties during the first six months of 2009:

Investment properties		01 Jan. 2009			30 Jun. 2009		
€ thousand							
Property	Location	Fair value	Additions re Acquisition	Modern- ization investments	Change in market value	Fair value	
Luisenstrasse 46	Berlin	10,770	0	0	0	10,770	
Potsdamer Strasse 58	Berlin	15,150	0	0	0	15,150	
Rankestrasse 5–6	Berlin	14,900	0	78	0	14,978	
Kleppingstrasse 20	Dortmund	5,170	0	0	0	5,170	
Berliner Allee 42	Dusseldorf	6,050	0	84	-84	6,050	
Berliner Allee 44	Dusseldorf	7,790	0	304	0	8,094	
Berliner Allee 48	Dusseldorf	5,330	0	9	0	5,339	
Immermannstrasse 11	Dusseldorf	3,060	0	0	0	3,060	
Kasernenstrasse 1	Dusseldorf	11,740	0	225	0	11,965	
Steinstrasse 11	Dusseldorf	8,460	0	55	0	8,515	
Steinstrasse 27	Dusseldorf	8,330	0	0	0	8,330	
Gutleutstrasse 26	Frankfurt am Main	11,110	0	27	-27	11,110	
Bugenhagenstrasse 5	Hamburg	5,070	0	74	-74	5,070	
Ludwig-Erhard-Strasse 14	Hamburg	12,060	0	15	-15	12,060	
Domstrasse 10	Hamburg	13,080	0	169	0	13,249	

(continued...)

(...continued)

		01 Jan. 2009				30 Jun. 2009
€ thousand						
Property	Location	Fair value	Additions re Acquisition	Modernization investments	Change in market value	Fair value
Steinstrasse 12-14	Hamburg	5,770	0	0	0	5,770
Landschaftstrasse 2	Hanover	4,070	0	10	-10	4,070
Landschaftstrasse 8	Hanover	3,940	0	0	0	3,940
Koenigsplatz 57	Kassel	2,850	0	0	0	2,850
Ebertplatz 1	Cologne	7,290	0	0	0	7,290
Gustav-Heinemann-Ufer 54	Cologne	14,210	0	147	-79	14,278
Hansaring 20	Cologne	4,030	0	107	0	4,137
Konrad-Adenauer-Ufer 51-54	Cologne	9,300	0	3,449	0	12,749
Neumarkt 49	Cologne	7,370	0	0	0	7,370
Weyerstrasse 79-83	Cologne	15,120	0	150	0	15,270
Rheinstrasse 43-45	Mainz	2,650	0	106	0	2,756
Rheinstrasse 105-107	Mainz	4,400	0	0	0	4,400
Friedrichsring 46/ Collinistrasse 2	Mannheim	2,960	0	73	0	3,033
Lessingstrasse 14	Munich	9,760	0	249	0	10,009
Boeblinge Strasse 8/ Arminstrasse 15	Stuttgart	3,790	0	0	0	3,790
Quartier Buechsenstrasse	Stuttgart	29,730	0	314	0	30,044
Tuebinger Strasse 31 & 33	Stuttgart	9,750	0	0	0	9,750
		<b>275,060</b>	<b>0</b>	<b>5,645</b>	<b>-289</b>	<b>280,416</b>

For some investment properties, we applied the values as determined by Feri EuroRating Services AG in their appraisal as of 31 December 2008 despite having carried out a number of smaller investments. For this reason, modernization investments

of € 289 thousand are incorporated as valuation losses in the results of the 1<sup>st</sup> half of 2009. A revaluation of the portfolio is regularly carried out by independent experts at the end of the financial year.

### Liabilities to banks

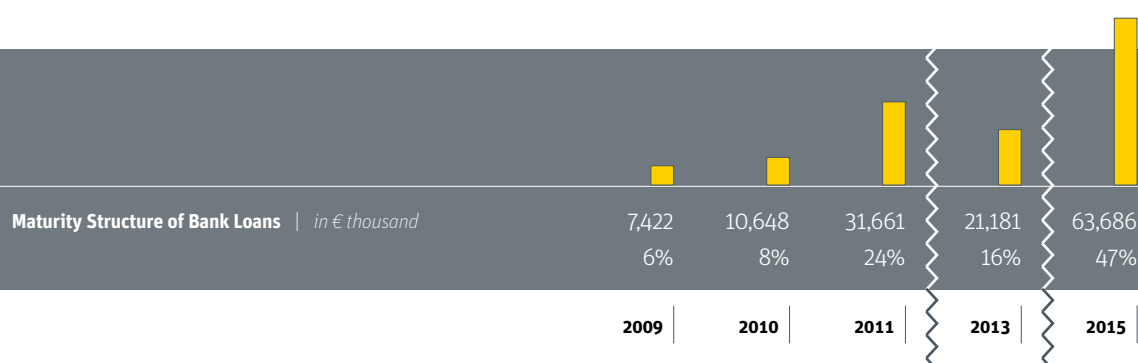
The reduction in long-term liabilities to banks relative to 31 December 2008 is largely the result of the repayment of a loan. A swap transaction valued at € 8,100 thousand was concluded in the first six months of 2009. Among others, the **other liabilities** item includes derivative financial instruments with a negative

market value. These are the interest rate caps, interest rate floors and interest rate swaps set forth below that were implemented in order to limit the interest rate risk associated with variable-rate loans.

Hedging instruments	Volume € thousand	Term until	Rate in%	31 Dec. 2008	30 Jun. 2009	Difference
				Market valuation	Market valuation	
Swap	10,000	31 Dec. 2010	3.82%	-262	-366	-104
Swap	5,000	30 Dec. 2011	4.00%	-181	-262	-81
Swap	2,675	31 Dec. 2011	3.12%	-18	-81	-63
Swap	10,000	31 Dec. 2012	4.33%	-554	-700	-147
Swap	5,000	31 Dec. 2012	3.93%	-189	-281	-91
Swap	5,000	31 Dec. 2012	4.15%	-232	-319	-87
Swap	10,000	30 Jun. 2015	4.80%	-923	-1,046	-123
Swap	8,100	31 Dec. 2015	3.04%	0	-4	-4
Forward Swap	10,000	30 Dec. 2016	3.58%	0	10	10
Cap	5,000	28 Jun. 2013	6.00%	8	12	4
Floor	-5,000	29 Jun. 2013	3.37%	-162	-237	-75
				<b>-2,514</b>	<b>-3,275</b>	<b>-761</b>

The interest rate swaps do not comply with the requirements of IAS 39 with respect to hedge accounting and are measured at fair value. Fair value changes are therefore recognized in income. The weighted average interest rate of all bank loans including derivative financial instruments was 3.7% as of 30 June 2009. The share of variable-rate, unsecured liabilities

to banks was 37% as of 30 June 2009. The available credit line was € 25,928 thousand. The valuation of the derivative financial instruments as of 30 June 2009 led to financial expenses for the first six months of 2009 of € 761 thousand.



## Events after the reporting date

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After the reporting date, a forward interest rate swap transaction with a nominal volume of € 10,000 thousand commencing on 1 September 2010 and ending on 31 December 2015 was carried out in order to eliminate the interest rate risk associated with variable-rate loans. The swap rate is 3.48%.

## Oath by the Board of Management

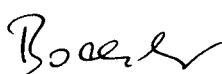
### Responsibility statement by management

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting for groups, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

### The Board of Management



Dr. Alan Cadmus



Dr. Matthias von Bodecker

## Financial calendar

22.-24.09.2009	UniCredit German Corporate Conference	Munich
20.-21.10.2009	IIA Conference (Real Estate Share Initiative)	Frankfurt am Main
05.11.2009	Interim Report 1 <sup>st</sup> to 3 <sup>rd</sup> Quarter 2009	
09.-11.11.2009	German Equity Forum Autumn 2009	Frankfurt am Main

### Visualization cover page:

*Ohlf Schoch Architekten, Stuttgart*

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