



Semi-Annual report 2010



Semi-Annual report **2010**

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Key financial data of POLIS Immobilien AG

Results in € thousand	1 st half		2 nd quarter	
	2010	2009	2010	2009
Rental revenues	6,475	7,401	3,264	3,645
Current income from property management	4,751	6,317	2,257	3,038
EBIT	3,232	4,342	1,360	2,072
EBT	-1,608	1,177	-957	1,400
Group net income	-1,327	1,042	-806	1,179
Cash flow from operating activities	4,261	5,434		
Funds from operations (FFO) ¹	1,446	2,255		

Balance sheet in € thousand	30 Jun 2010	31 Dec 2009
Non-current assets	292,769	285,529
Current assets	6,196	8,078
Equity	145,113	146,436
Total assets	298,965	293,607
Equity ratio in %	49%	50%
Loan to value ²	48%	48%

Net asset value of POLIS (€ thousand) ³	145,108	146,685
Shares (no.)	11,051,000	11,051,000
Net asset value per share (€) ³	13.13	13.27

Share

Security identification code/ISIN	691330/DE0006913304
1 st half high (Xetra)	€ 10.60
1 st half low (Xetra)	€ 8.49
Closing price on 30 June 2010 (Xetra)	€ 9.54

¹ Funds from operations = EBIT +/- Income from the revaluation of properties +/- Income from the sale of properties
+/- Financial results + Income from minority interests - Paid taxes

² Loan to value: ratio of loan liabilities to the value of the properties

³ Net asset value (NAV): Equity plus deferred tax liabilities less deferred tax assets

Letter from the Board of Management

Dear Shareholders, Ladies and Gentlemen,

As reported earlier, our relevant key figures will only begin to reflect the effect of our strategy of increasing value by way of modernization over the course of the upcoming quarters. The 1st half of the year is thus temporarily characterized by falling results. Due to modernization-related vacancies, rental revenues fell by about 13% compared to the same period in the previous year, to around € 6,475 thousand. For that reason and as a result of slightly higher renovation and maintenance costs, net rental income fell from € 6,317 thousand to € 4,751 thousand. The improvement in the interest expense, which fell to € 2,207 thousand, was not able to compensate for the net valuation losses of the interest rate hedges, so that total comprehensive income has fallen to € -1,327 thousand.

The focus of our work in this year is to complete the revitalization measures as planned and to conclude lease agreements for the new space in the near term. The solid successes in letting rental space achieved in the 1st half of the year validate our strategy. This includes letting around 4,620 m² to the property register (Liegenschaftsamt) in Stuttgart, first lease agreements in the modernization project at »Büchsenstrasse 26« in Stuttgart, and the upcoming completion of the »Kasernenstrasse« in Dusseldorf, in which all rental spaces have already been let.

All in all, we have already concluded lease agreements for 10,900 m² office space in the current financial year and have thus completed a major step towards achieving our objectives for 2010. The occupancy rate increased slightly in the 1st half of the year, to 71%. However, one should bear in mind that the predominant part of the newly let spaces will only be delivered to tenants in the upcoming quarters or next year, and will only then lead to a corresponding increase in the occupancy rate.

In order to optimize the structure of our portfolio, we sold three properties in the 1st half of the year, which allows us to »close« the affected locations and thereby reduce costs. During the further course of the year we intend to continue to optimize our portfolio by selling individual properties.

In the reporting period, the POLIS share performance has been stable; relative to the NAV, our shares are currently trading at a discount of around 25%.

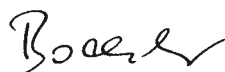
We are confident that we will be able to increase our key figures over the coming months upon the completion and letting of the revitalization projects. Furthermore, the recovering market for property transactions will provide opportunities for the acquisition of new investment properties that we can take advantage of due to our sound financial footing and our current equity ratio of 49%.

Berlin, July 2010

POLIS Immobilien AG
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 2010

Business and economic environment

Development of the overall economic environment and the property markets

The economic recovery in Germany has accelerated noticeably in the course of the 1st half of 2010, a trend that continues to build largely on exports, while private household demand remains weak. Compared to the 1st half of the year, the economic recovery is expected to slow down somewhat in the 2nd half. For the total year, gross domestic product is expected to grow by 2.1%. The weak euro is leading to increased consumer prices, and the rate of inflation is expected to be 1.3% in 2010. With the exception of short-term Euribor rates, interest rates have continued to drop in the 2nd quarter.

Industry-specific developments in the first six months of 2010

- New lease agreements for office space in key German business centers have increased slightly by 6%, to 1.17 million m²
- Completion of new space has dropped significantly
- Peak rents and vacancies have remained virtually unchanged
- Volume of property transactions has doubled

The effect of the economic recovery on office markets remained moderate in the 1st half of 2010. However, the demand for office space is slowly stabilizing. The high volume of lease agreements concluded in advance has reduced supply and thus helped to keep vacancy rates stable at 10%. Peak rents have not changed since the end of 2009. The growth of the investment market transaction volume to € 8.8 billion in the 1st half of 2010 confirms the expectations of late 2009 that the economy is recovering.

Sources: Kiel Institute for the World Economy: *Deutsche Konjunktur im Sommer 2010*; Jones Lang Lasalle: *Büromarktüberblick Q2 2010*; DTZ: *Investment Market Update Q2*

Business operations

Portfolio optimization has started

As previously announced, we are striving to optimize our portfolio by selling individual properties at non-core locations. In the context of this optimization, we concluded contracts for the sale of three properties in the 2nd quarter: We sold the two investment properties at »Königsplatz 57« in Kassel and at »Friedrichsring 46« in Mannheim for a total sum of € 5,125 thousand. While the prices were € 125 thousand below current market values, they exceeded their historical cost by € 319 thousand. We also sold the property at »Viehoferstr. 31« in Essen for € 830 thousand; we acquired the property in 2007 in the context of a smaller-scale portfolio transaction and had recorded it since that time as part of our current assets as a property held for sale. The sales will be reflected in the balance sheet upon delivery of the properties in the 3rd quarter. With respect to these sales, we adjusted the current market values as of 30 June 2010 and have stated the corresponding valuation results. Since we no longer hold any further investment properties in the cities concerned, the three locations can be »closed«, thus reducing costs.

We intend to continue the portfolio optimization process throughout the remainder of the year, thereby expanding the scope for new acquisitions. As a result of our sound capital resources, we already are in a position to enlarge our portfolio and take advantage of opportunities as they arise. Continued growth of the number of investment market transactions indicates an increased likelihood for such opportunities.

Occupancy rate has improved slightly

The occupancy rate across the portfolio is 71% as of 30 June 2010, slightly above the occupancy rate as of 31 December 2009. The increase in the occupancy rate is the result of the successful conclusion of new lease agreements in the 2nd quarter. When spaces currently being revitalized are excluded, the »adjusted« occupancy rate is 84%. The spaces that are to be revitalized are largely located in the modernization properties at »Büchsenstrasse 26« and »Büchsenstrasse 28« within the »Quartier Büchsenstrasse« in Stuttgart (around 9,000 m²), at »Domstrasse 10« in Hamburg (total of approx. 6,600 m²) and at »Konrad-Adenauer-Ufer 41–45« in Cologne (6,100 m²). In the 1st half of 2010, we let space totaling 10,860 m², 9,970 m² of which as a result of concluding new lease agreements. The largest lease agreement concluded concerned space in the »Quartier Büchsenstrasse« in Stuttgart, where the property register (Liegenschaftsamt) of the City of Stuttgart has rented approx. 4,620 m². The rental income represents approx. € 14,500 thousand and is contractually secured over an average weighted term of 8.9 years. The effective rent as a result of concluding these agreements including all incentives (such as provisions stipulating rent-free periods) is € 11.82 per m². The average remaining term of all lease agreements is 2.7 years. Considering all rented spaces and all types of use, the current average rent is approximately € 11.40 per m².

Modernization

Cologne, Konrad–Adenauer–Ufer: Intensive letting activities

We intensified our letting activities after completing the standard fit-out in January. We are in advanced discussions with potential tenants and expect to conclude the first lease agreements in the 3rd quarter.

Stuttgart, Quartier Büchsenstrasse: Work on the building shell has been completed

Work on the building shell was completed in the 1st half of 2010, which represents a major step towards completion of the modernization project at »Quartier Büchsenstrasse«. The topping-out ceremony took place on 13 April 2010, attracting much public attention. The well-known Renitentheater Stuttgart and a caterer have signed on as tenants for the ground floor of »Büchsenstrasse 26«.

Dusseldorf, Kasernenstrasse 1: Refurbishment of façade completed

The active phase of the refurbishment work that began in spring will be completed upon conclusion of the renovation of the façade, which is scheduled for the 3rd quarter. With its new appearance and the enlarged retail area, the building is set to become a new center of attraction in »Kasernenstrasse«. All rental spaces have been let.

Results of operations, financial position and net assets

Results of operations

The results of the business operations of POLIS Immobilien AG remain positive. However, the modernization projects will have a temporary negative impact during the 1st half of 2010 when compared to the figures for the same period in the previous year. In relation to the previous year's period, rental revenues fell by 13%, from € 7,401 thousand to € 6,475 thousand. After deducting modernization, maintenance and property management expenses, net rental income fell by 25%, from € 6,317 thousand to € 4,751 thousand. The temporary reduction in the EBIT (€ 3,232 thousand; previous year: € 4,342 thousand) is partially compensated by the reduced interest expense (€ 2,207 thousand; previous year: € 2,532 thousand). After adjusting for all extraordinary items, funds from operations (FFO) fell to € 1,446 thousand, compared to € 2,255 thousand for the same period in the previous year.

Comprehensive income was € -1,327 thousand, lower than during the previous year (€ 1,042 thousand). The reduction is mainly attributable to valuation losses of € 2,648 thousand not affecting liquidity pertaining to hedging instruments (previous year: € -761 thousand) as a result of interest rates, which were lower at the end of the 1st half of 2010.

Compared to the same period in the previous year, **cash flow from operating activities** fell to € 4,261 thousand (same period in the previous year: € 5,434 thousand).

Based on the existing lease agreements, the annualized actual rent of POLIS is € 13,900 thousand as of 30 June 2010. Therefore, despite current vacancies, our rental yield based on the current volume of our portfolio is 4.8%. Given the current weighted average cost of debt of 3.2%, 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, our potential earnings are high.

Financial position

With an equity ratio of 49% (loan-to-value ratio: 48%) as of 30 June 2010, POLIS has a sound financial footing. Currently, we have access to available credit lines of around € 13 million. Cash in banks as of 30 June 2010 amounted to € 53 thousand, less than as of 31 December 2009 (€ 1,944 thousand). Due to the availability of the credit lines, which can be drawn upon any time at short notice, we optimize the cash held in banks within the scope of our group-wide cash management system.

Net assets

In the 1st half of 2010, the balance sheet total of POLIS increased to € 298,965 thousand (compared to € 293,607 thousand as of 31 December 2009). The increase is largely the result of investments in investment properties, which are reported together with the properties classified as »non-current assets held for sale« and represent a volume of approximately € 290 million, or approximately 98% 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 57–58 of the notes to the consolidated financial statements of the 2009 annual report of POLIS. Current information on the portfolio is available on our website (www.polis.de).

Risk report

As a result of its business operations, POLIS is exposed to various operational and market risks. Primarily, these include the risks associated with letting and 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 2009 annual report of POLIS (see pages 36–40 and pages 69–70 of the group management report).

Business-related risks

In the 1st half of 2010, the assessment of risks concerning occupancy rates and the valuation of the Company's portfolio have not changed. In this regard, we refer to the detailed presentation contained in the 2009 annual report.

The company's central default risk monitoring procedures currently gives no indications of any bad debts. Therefore, there was no need for provisions in the 1st half of 2010.

Financial risks

In the 2nd half of 2010, loans totaling approximately € 10 million will come due, which will be extended and increased by around € 5 million in view of the low loan-to-value ratio of these loans of 39%. The corresponding loan has been approved. The investments totaling around € 10 million that are planned for the 2nd half of the year will be financed by drawing on existing loans. Offers have been obtained for the required supplementary financing, and we expect to conclude the financing deal in the near term.

The loans are subject to the typical covenants: Debt service coverage ratios of 110% and 120%, and loan-to-value ratios of between 65% and 70% at the level of individual properties and between 70% and 80% at the portfolio level.

For details on the structure of maturities of the liabilities to banks and 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 economic recovery will slow down over the coming months. During this period, inflation and interest rates are expected to remain low. The positive situation on the labor market and the economic recovery will have a delayed effect on the property market, and as a result we expect the demand for well-equipped office spaces to increase in the 2nd half of the year.

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 to 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 give us the ability to develop our portfolio independently and to respond appropriately to challenges arising in the office rental market.

Assessment of future business prospects

Our main objectives for the 2nd half of 2010 will be to complete the modernization projects and reduce the vacancy rate. One major step in this direction has already been accomplished by letting rental space of more than 10,000 m² in the 1st half of the year. Because the successes in letting rental space in the 2nd half of the year will largely be reflected in the rental revenues in financial year 2011, we believe that the key figures »rental revenues«, »net rental income« and »funds from operations« will be slightly below last year's level in the current year and expect significant growth in the next financial year.

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 first six months that were settled at prevailing market conditions.

Regarding the dealings of members of the Board of Management and the Supervisory Board, we refer to page 67 of the notes to the consolidated financial statements of the 2009 annual report of POLIS. During the first six months, no transactions were concluded with members of the Supervisory Board, members of the Board of Management or their close relatives.

Consolidated Statement of financial position

As of 30 June 2010

according to International Financial Reporting Standards (IFRS)

POLIS Immobilien AG, Berlin

ASSETS

€ thousand	30 Jun 2010	31 Dec 2009
Non-current assets		
Investment properties	289,252	282,000
Intangible assets	135	95
Property, plant and equipment	2,282	2,293
Financial assets	243	243
Deferred tax assets	696	742
Receivables and other financial assets	161	156
Total non-current assets	292,769	285,529
Current assets		
Receivables and other financial assets	5,061	5,097
Current tax receivables	35	34
Cash in banks	53	1,944
Other assets	217	93
Non-current assets held for sale	830	910
Total current assets	6,196	8,078
Total assets	298,965	293,607

EQUITY AND LIABILITIES

€ thousand	30 Jun 2010	31 Dec 2009
Equity		
Subscribed capital	110,510	110,510
Capital reserves	21,386	26,476
Retained earnings	14,544	16,105
Consolidated net loss	-1,327	-6,655
Share in equity allocable to the equity holder of the parent	145,113	146,436
Minority interests	0	0
Total equity	145,113	146,436
Liabilities		
Non-current liabilities		
Liabilities to banks	123,148	120,299
Deferred tax liabilities	691	991
Total non-current liabilities	123,839	121,290
Current liabilities		
Liabilities to banks	15,924	14,643
Payments received on account	4,345	3,209
Trade accounts payable	2,956	3,299
Income tax liabilities	0	101
Other financial liabilities	6,788	4,629
Total current liabilities	30,013	25,881
Total equity and liabilities	298,965	293,607

Consolidated Income Statement

for the period from 1 January to 30 June 2010
according to International Financial Reporting Standards (IFRS)
POLIS Immobilien AG, Berlin

€ thousand	1 st half 1 Jan to 30 Jun		2 nd quarter 1 Apr to 30 Jun	
	2010	2009	2010	2009
Rental revenues	6,475	7,401	3,264	3,645
Renovation and maintenance expense	-848	-443	-497	-269
Property management expense	-876	-641	-510	-338
	-1,724	-1,084	-1,007	-607
Net rental income	4,751	6,317	2,257	3,038
Unrealised losses from the revaluation of investment properties	-299	0	-192	0
Unrealized losses from the revaluation of properties held for sale	-80	-289	-80	-153
Result from the revaluation of investment properties	-379	-289	-272	-153
Other income	206	273	103	273
Other expense	-35	-629	-20	-350
Administrative expense	-1,311	-1,330	-708	-736
Income before financing activity and taxes	3,232	4,342	1,360	2,072
Financial income	15	128	11	571
Result from the valuation of derivative financial instruments	-2,648	-761	-1,200	-500
Interest expenses	-2,207	-2,532	-1,128	-743
Result before taxes	-1,608	1,177	-957	1,400
Deferred taxes	254	-163	151	-197
Income taxes	27	28	0	-24
Consolidated net income for the period (equates to comprehensive income)	-1,327	1,042	-806	1,179
Comprehensive income	-1,327	1,042	-806	1,179
of which:				
Allocable to minority interests	0	0	0	0
Allocable to equity holder of the parent	-1,327	1,042	-806	1,179
€				
Earnings per share				
undiluted	-0.12	0.09		
diluted	-0.12	0.09		

A more detailed consolidated comprehensive income statement was not prepared since no expense or income was directly recognized in equity.

Consolidated Cash Flow Statement

for the period from 1 January to 30 June 2010
according to International Financial Reporting Standards (IFRS)
POLIS Immobilien AG, Berlin

€ thousand	1 st half 1 Jan to 30 Jun	
	2010	2009
Result before taxes	-1,608	1,177
Adjusted for:		
Financial result	4,840	3,165
Income from revaluation of investment properties	299	289
Depreciation on intangible assets and property, plant and equipment	42	40
Payments for equity options	4	3
Increase in trade receivables and other assets which cannot be allocated to the investment and financing activity	-88	1,245
Changes in the trade payables and other liabilities which cannot be allocated to the investment and financing activity	772	-485
Net cash (used by) from operating activities	4,261	5,434
Payments for the acquisition of software, fixtures and equipment	-66	-24
Proceeds from the sale of investment properties and financial assets	0	17,929
Payments for the acquisition of investment properties and investments in modernization	-8,041	-5,082
Net cash (used by) from investment activities	-8,107	12,823
Payments of repayments of loans	-1,530	-12,084
Proceeds from debt fundings	5,660	1,200
Interest received	9	-372
Interest paid	-2,184	-2,032
Net cash (used by) from financing activities	1,955	-13,288
Net change in cash and cash equivalents	-1,891	4,969
Cash in banks at the beginning of the period	1,944	2,056
Cash in banks at the end of the period	53	7,025

Consolidated Statement of Changes in Equity

for the period from 1 January to 30 June 2010
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
Balance as of 31 Dec 2008	110,510	26,732	14,699	1,144	153,085	0	153,085
Consolidated net income	0	0	0	1,042	1,042	0	1,042
Expense stock option plan	0	3	0	0	3	0	3
Settlement with capital reserves	0	-262	262	0	0	0	0
Settlement	0	0	1,144	-1,144	0	0	0
Balance as of 30 June 2009	110,510	26,473	16,105	1,042	154,130	0	154,130
Balance as of 31 Dec 2009	110,510	26,476	16,105	-6,655	146,436	0	146,436
Consolidated net income	0	0	0	-1,327	-1,327	0	-1,327
Settlement	0	0	-6,655	6,655	0	0	0
Expense stock option plan	0	4	0	0	4	0	4
Settlement with capital reserves	0	-5,094	5,094	0	0	0	0
Balance as of 30 June 2010	110,510	21,386	14,544	-1,327	145,113	0	145,113

Notes

Reporting principles

The Interim Report for POLIS Immobilien AG as of 30 June 2010 has been prepared in accordance with the 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 2010 (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 2009. A detailed description of the applied methods was published in the 2009 annual report (available at 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 thus conveys a true and fair representation of the group's net assets, financial position and results of operations. The group auditor has neither audited nor reviewed the Interim Financial Statements in an audit-like manner.

Notes to the income statement

Rental revenues

In relation to the previous year (€ 7,401 thousand), rental revenues fell by 13% during the 1st half of 2010 as a result of the revitalization work, to € 6,475 thousand.

Other income

Other income (€ 206 thousand; previous year: € 273 thousand) includes compensation payments by a tenant for the premature termination of the lease agreement.

Financial results

In the 1st half of 2010, the financial results amounted to € -4,840 thousand, compared to € -3,165 thousand for the same period in the previous year. The financial results include valuation losses not affecting liquidity from derivative financial instruments (€ 2,648 thousand; previous year: € 761 thousand) as a result of interest rates, which have continued to fall since the beginning of the year.

Earnings per share

The earnings per share are as follows:

	1 Jan– 30 Jun 2010	1 Jan– 30 Jun 2009
Group net profit/loss for the year after income allocable to minority interests (in € thousand)	-1,327	1,042
Average number of ordinary shares in circulation	11,051,000	11,051,000
Earnings per share (diluted and undiluted) (in €)	-0.12	0.09

Notes to the statement of financial position

Investment properties

The following table illustrates the development of the investment properties in the first six months of 2010:

€ thousand		01 Jan 2010			30 Jun 2010	
Property	Location	Fair value	Additions moderni- zation	Disposals	Change in market value	Fair value
Luisenstrasse 46	Berlin	10,290	10	0	0	10,300
Potsdamer Strasse 58	Berlin	14,060	27	0	0	14,087
Rankestrasse 5-6	Berlin	14,780	67	0	0	14,847
Kleppingstrasse 20	Dortmund	5,240	8	0	0	5,248
Gallenkampstrasse 20	Duisburg	1,610	0	0	0	1,610
Berliner Allee 42	Dusseldorf	6,020	20	0	0	6,040
Berliner Allee 44	Dusseldorf	7,990	87	0	0	8,077
Berliner Allee 48	Dusseldorf	5,000	45	0	0	5,045
Immermannstrasse 11	Dusseldorf	2,910	0	0	0	2,910
Kasernenstrasse 1	Dusseldorf	12,720	2,230	0	0	14,950
Steinstrasse 11	Dusseldorf	8,070	0	0	0	8,070
Steinstrasse 27	Dusseldorf	8,440	66	0	0	8,506
Gutleutstrasse 26	Frankfurt a. M.	11,100	0	0	0	11,100
Bugenhagenstrasse 5	Hamburg	5,250	18	0	0	5,268
Ludwig-Erhard-Strasse 14	Hamburg	11,870	0	0	0	11,870
Domstrasse 10	Hamburg	12,940	47	0	-47	12,940
Steinstrasse 12-14	Hamburg	5,630	0	0	0	5,630
Landschaftstrasse 2	Hanover	3,940	331	0	0	4,271
Landschaftstrasse 8	Hanover	3,870	0	0	0	3,870
Koenigsplatz 57	Kassel	2,700	0	0	-75	2,625
Ebertplatz 1	Cologne	7,330	90	0	0	7,420
Gustav-Heinemann-Ufer 54	Cologne	13,920	305	0	0	14,225
Hansaring 20	Cologne	4,010	0	0	0	4,010
Konrad-Adenauer-Ufer 41-45	Cologne	17,570	788	0	0	18,358
Neumarkt 49	Cologne	7,290	276	0	0	7,566
Weyerstrasse 79-83	Cologne	15,410	111	0	-111	15,410
Rheinstrasse 43-45	Mainz	2,770	37	0	0	2,807
Rheinstrasse 105-107	Mainz	4,460	15	0	0	4,475
Friedrichsring 46	Mannheim	2,550	16	0	-66	2,500
Lessingstrasse 14	Munich	9,330	10	0	0	9,340
Boeblingler Strasse 8/ Arminstrasse 15	Stuttgart	3,930	90	0	0	4,020
Quartier Buechsenstrasse	Stuttgart	29,710	2,857	0	0	32,567
Tuebinger Strasse 31 & 33	Stuttgart	9,290	0	0	0	9,290
		282,000	7,551	0	-299	289,252

For some investment properties, we applied the values as determined by Feri EuroRating Services AG in their appraisal as of 31 December 2009 despite having carried out a number of smaller investments. For this reason, modernization investments of € 158 thousand are incorporated in the results for the 1st half of 2010 as valuation losses. The properties at »Königsplatz 57« in Kassel and at »Friedrichsring 46« were sold at prices that were slightly below the values stated as of 31 December 2009, which is why the fair values were adjusted as of 30 June 2010. A revaluation of the portfolio is regularly carried out by independent experts at the end of the financial year.

Liabilities to banks

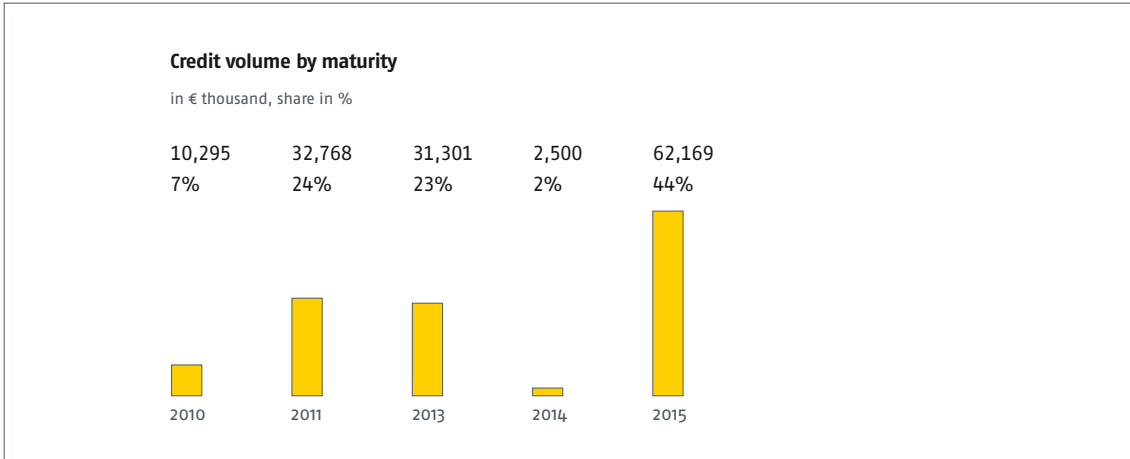
Liabilities to banks increased relative to 31 December 2009 as a result of payments from existing credit lines.

In the 1st half of 2010, three swap transactions totaling € 25,000 thousand were carried out for the purpose of eliminating the interest rate risk of variable-rate loans. Among others, **other liabilities** include derivative financial instruments with a negative market value. This refers to the interest rate caps, interest rate floors and interest rate swaps set forth below.

Derivative financial instrument	Volume € thsd.	Commence- ment	Maturity	Rate in %	Market value 31 Dec 2009 € thsd.	Market value 30 Jun 2010 € thsd.	Change € thsd.
Swap	10,000		31.12.10	3.82%	-277	-151	126
Swap	5,000		30.12.11	4.00%	-236	-223	13
Swap	2,675		31.12.11	3.12%	-80	-84	-4
Swap	10,000		31.12.12	4.33%	-679	-773	-94
Swap	5,000		31.12.12	3.93%	-280	-336	-56
Swap	5,000		31.12.12	4.15%	-313	-364	-51
Swap	10,000		31.03.15	2.41%	0	-289	-289
Swap	10,000		30.06.15	4.80%	-1,095	-1,435	-340
Forward Swap	10,000	02.01.13	30.12.15	2.81%	0	-56	-56
Forward Swap	5,000	03.01.11	30.12.15	2.23%	0	-35	-35
Swap	8,100		31.12.15	3.04%	-106	-464	-358
Forward Swap	10,000	01.09.10	31.12.15	3.48%	-203	-760	-557
Forward Swap	5,000	03.11.11	30.09.16	3.47%	0	-245	-245
Forward Swap	10,000	01.09.10	30.12.16	3.58%	-195	-821	-626
Cap	5,000		28.06.13	6.00%	11	4	-7
Floor	-5,000		29.06.13	3.37%	-246	-313	-67
					-3,699	-6,347	-2,648

The interest rate swaps do not comply with the requirements of IAS 39 with respect to hedge accounting; fair value changes are therefore recognized in income. The weighted average interest rate of all bank loans including derivative financial instruments was 3.2% as of 30 June 2010. The share of variable-rate, unsecured liabilities to banks was 36% as of 30 June 2010. The

available credit line was € 12,956 thousand. The valuation of the derivative financial instruments as of 30 June 2010 resulted in financial expenses of € 2,648 thousand for the 1st half of 2010.



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 consolidated interim financial statements give a true and fair view of the group's net assets, financial position and results of operations, 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.

Board of Management

Dr. Alan Cadmus

Dr. Matthias von Bodecker

Financial calendar

Real Estate Share Initiative, Frankfurt am Main	19 October 2010
Report on first nine months of 2010, Berlin	4 November 2010

POLIS Immobilien AG

Rankestraße 5-6
10789 Berlin
Germany

Telephone +49 (30) 225 00 250
Fax +49 (30) 225 00 299

www.polis.de
info@polis.de