

GAGFAH



Interim Report

as of June 30, 2011

Highlights

GAGFAH at a Glance

GAGFAH S.A. is a joint stock corporation organized under the laws of the Grand Duchy of Luxembourg qualifying as a securitization company under the Luxembourg Securitization Law of March 22, 2004. The core business of GAGFAH S.A.'s operating subsidiaries is the ownership and management of a geographically diversified and well-maintained residential property portfolio located throughout Germany. With a portfolio of approximately 155,000 apartments, GAGFAH is the largest German listed residential property company.

Highlights

- **FFO** for the first six months of 2011 from the core rental business of €0.25 per share. Including the €0.13 contribution from sales, the Company delivered €0.38 of FFO per share for the first six months of 2011. Second quarter 2011 FFO per share was €0.14 including €0.02 contribution from sales.
- **PROFIT FROM LEASING** was €210.3 million in the first six months of 2011 compared to €240.3 million in the first six months of 2010, on an average base of about 11,800 fewer units due to sales.
- **PROFIT MARGIN** for the first six months of 2011 was 48.3%.
- **OPERATIONS** during the first six months of 2011 on track with 1.4% annualized same-store¹⁾ rent growth, turnover at about 12% and a vacancy rate of 5.3%.
- **SALES:** We financially closed the sale of 4,249 units (incl. 914 non-core units) from the 2010 sales program for a total volume of €206.3 million. In addition, we sold or contracted to sell 395 units for a total value of €41.2 million from our 2011 sales program.
- **COST TO MANAGE PER UNIT** was €379 annualized for the first six months of 2011 compared to €392 for the prior-year period.
- **NAV** of €12.12 per share and gross asset value of €857 per square meter as of June 30, 2011.
- **DIVIDEND:** In order to retain additional flexibility and financial resources within the business and to support the Company's property investment and financing objectives, the Board has made the decision not to pay an interim dividend for the second quarter of 2011.

GAGFAH S.A. SHARES AS OF JUNE 30, 2011

ISIN	LU0269583422
Industry group	Real Estate
Shares outstanding, excl. treasury shares (million):	222.1
Closing price June 30, 2011 (€)	5.02
Equity market value (€ million)	1,114.1
Listing	Frankfurt Stock Exchange
Major indices memberships	MDAX, EPRA, GPR

¹⁾ Same store basis: Residential units GAGFAH owned at both dates: As of December 31, 2010, and as of June 30, 2011.

Key Financial Information

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ MILLION	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
Income from the leasing of investment property	435.6	458.4	226.2	237.9	209.4
Profit from the leasing of investment property	210.3	240.3	105.2	115.4	105.1
Profit from the sale of investment property and assets held for sale	11.0	8.9	3.6	3.4	7.4
Loss from the fair value measurement of investment property	- 36.2	- 10.3	- 31.7	- 8.2	- 4.5
EBITDA	156.4	216.7	59.9	101.2	96.5
EBIT	145.1	208.1	50.5	100.2	94.6
EBT	13.8	50.8	- 18.2	24.0	32.0
FFO	85.5	84.9	31.4	38.3	54.1
FFO in € per share (weighted average, undiluted)	0.38	0.38	0.14	0.17	0.24

GROUP CAPITALIZATION

	06-30-2011 € million	06-30-2011 %	12-31-2010 € million	12-31-2010 %
Total equity	2,235.8	25.5	2,302.7	24.9
Financial liabilities	5,719.2	65.2	6,011.2	64.9
Other liabilities	813.4	9.3	947.8	10.2
Total equity and liabilities	8,768.4	100.0	9,261.7	100.0

OPERATIONAL FIGURES (CORE PORTFOLIO)

	06-30-2011	06-30-2010	03-31-2011
Group residential portfolio			
Units	154,730	159,850	154,987
Sqm	9,394,051	9,687,681	9,411,570
Net cold rent / sqm (in €)	5.09	5.05	5.08
Vacancy rate (in %)	5.3	5.1	5.4
Sold units (financial closing) ¹⁾	3,645	5,763	3,382

¹⁾ In addition, the sale of 914 non-core units was also financially closed in the first six months of 2011.

The totals on this page and in other tables of this report may include rounding effects.

FFO is a non-IFRS financial measure used by our Group's management to report the funds generated from continued operations. FFO is an appropriate measure of underlying operating performance of real estate companies as it provides shareholders with information regarding the Group's ability to service debt, make capital expenditures or pay dividends. GAGFAH's calculation of FFO may be different from the calculation used by other companies and, therefore, comparability may be limited.

The following is a reconciliation of EBIT to FFO for our Group:

FUNDS FROM OPERATIONS – FFO					
€ MILLION	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
EBIT	145.1	208.1	50.5	100.2	94.6
Reorganization and restructuring expenses	8.2	6.6	7.2	0.0	1.0
Depreciation and amortization	3.1	2.0	2.2	1.0	0.9
EBITDA	156.4	216.7	59.9	101.2	96.5
Loss from the fair value measurement of investment property	36.2	10.3	31.7	8.2	4.5
Realized valuation gains through sales	22.4	2.2	2.9	1.2	19.5
Expenses for share-based remuneration	2.6	1.1	0.7	0.4	1.9
Net interest expenses	- 135.8	- 155.6	- 69.5	- 77.5	- 66.3
Current tax expenses	- 4.8	- 1.0	- 2.4	- 0.3	- 2.4
Property development business	1.0	- 2.8	0.7	- 3.0	0.3
Sales expenses (non-condo)	2.8	12.2	1.9	7.7	0.9
Other	4.7	1.8	5.5	0.4	- 0.8
FFO	85.5	84.9	31.4	38.3	54.1
FFO in € per share (weighted average, undiluted)	0.38	0.38	0.14	0.17	0.24

Residential Property Portfolio

as of June 30, 2011

Our portfolio is located throughout Germany, with significant concentrations in Berlin and Dresden. The following table illustrates, inter alia, the geographic spread of our residential portfolio:

Top 20 cities	Units	In % of total sqm	Rental area (sqm)	Average unit size (sqm)	Net cold rent annualized (€ million) ¹⁾	In % of total net cold rent	In-place rent per month and sqm (€)	Market rent per month and sqm (€) ²⁾	Vacancy rate (%) ³⁾
Dresden	37,865	21.8	2,143,617	57	121.0	19.4	4.70	5.03	5.9
Berlin	21,845	13.4	1,322,157	61	80.0	12.9	5.04	5.38	2.5
Hamburg	9,349	6.1	601,832	64	39.6	6.4	5.48	6.57	0.7
Hannover	6,068	3.9	383,971	63	25.7	4.1	5.58	5.82	5.9
Heidenheim	4,676	3.0	291,030	62	18.9	3.0	5.40	5.43	12.7
Bielefeld	4,172	2.8	276,481	66	15.0	2.4	4.53	4.71	1.7
Osnabrück	3,491	2.2	215,833	62	13.3	2.1	5.13	5.37	2.6
Braunschweig	3,212	2.0	197,533	61	12.3	2.0	5.18	5.40	1.4
Zwickau	3,087	1.8	172,787	56	8.8	1.4	4.23	4.42	17.1
Essen	2,302	1.6	152,800	66	9.7	1.6	5.32	5.75	7.6
Köln	2,066	1.7	162,882	79	12.7	2.0	6.50	6.84	2.6
Freiburg	1,772	1.2	119,615	68	8.6	1.4	6.02	6.90	1.5
Iserlohn	1,677	1.1	106,004	63	5.7	0.9	4.48	4.70	5.7
Bocholt	1,577	1.0	94,237	60	5.7	0.9	5.01	5.33	3.8
Bremen	1,545	1.0	98,133	64	5.8	0.9	4.96	5.03	9.1
Duisburg	1,431	1.0	96,336	67	5.3	0.8	4.57	4.81	20.7
Leverkusen	1,404	0.9	89,835	64	5.9	0.9	5.46	5.85	5.1
Göttingen	1,356	0.8	77,434	57	4.8	0.8	5.16	5.34	0.1
Frankfurt am Main	1,337	0.8	74,698	56	6.5	1.1	7.29	8.13	1.3
Dortmund	1,251	0.9	86,473	69	4.9	0.8	4.73	5.20	1.2
Subtotal									
Top 20 cities	111,483	68.7	6,763,686	61	410.2	65.9	5.05	5.43	4.9
Other cities	43,247	26.7	2,630,364	61	163.6	26.3	5.18	5.41	6.2
Total core residential property portfolio	154,730	95.4	9,394,051	61	573.8	92.2	5.09	5.43	5.3
Other ⁴⁾	n/m	4.6	454,396	n/m	48.5	7.8	n/m	n/m	29.2
		100.0	9,848,447		622.3	100.0			

¹⁾ Annualized rent calculated as net cold rent per square meter as of June 30, 2011, multiplied by number of square meters and multiplied by 12 (before vacancy loss and rent reductions).

²⁾ Market rents were determined by CB Richard Ellis GmbH (CBRE).

³⁾ The vacancy rate was calculated on the basis of units.

⁴⁾ Includes HB Funds, commercial properties, non-core properties, garages, senior homes and other properties.

Directors' Report

Competitive Strengths

LARGE AND DIVERSE ASSET PORTFOLIO

We believe that the combination of our size, geographic diversity across Germany and scale of operations makes us a strong player in the German residential real estate market. We currently own about 155,000 apartments totaling approximately 9.4 million square meters with significant concentrations in Dresden and Berlin alone. In addition to these residential units, we also own ca. 1,800 commercial units, which typically belong to our residential units, and ca. 33,000 parking places. Only ca. 22,000 residential units (14 %) are publicly subsidized, rent-restricted apartments. The average construction year for the real estate assets in our portfolio is 1962. Our portfolio is characterized by a stable tenant base with an average tenant tenure of almost 12 years and a fluctuation rate of about 12 %. We have signed approximately 8,700 new leases in the first six months of 2011, in line with the historic average of about 12 % per year. We estimate our stabilized occupancy level at around 95 %.

EFFICIENT OPERATING PLATFORM

Our scalable operating platform is structured to manage our portfolio in an efficient manner. Our nationwide presence and the size of our business provide us with cost efficiencies with respect to our corporate functions and purchasing goods and services. While we believe that we are among the most efficient property managers in Germany, we constantly seek ways to further optimize our general and administrative expenses (G&A expenses).

IN-DEPTH LOCAL KNOWLEDGE AND FOCUS ON GERMAN RESIDENTIAL REAL ESTATE

We have developed an in-depth local knowledge of regional residential markets which enables us to efficiently manage, evaluate, acquire and sell portfolios in all key markets throughout Germany. Our assets are directly managed through a streamlined team of dedicated property managers who are organized in 19 customer centers across Germany, located close to where our assets and tenants are. We believe that our significant nationwide market presence gives us a competitive advantage over smaller and less diversified property companies.

The facility management for our assets is carried out by our 100 % affiliate facility management companies which employ about 700 facility management specialists and provide services for our own portfolio and also for third parties. The services offered mainly include repairs and maintenance, gardening work, insurance services and administrative services.

The nationwide network of customer centers and facility management services provides us with real-time information and direct knowledge of the needs of our tenants, supporting our continuous effort to retain existing tenants and attract new ones.

Strategy

CONTINUE TO INCREASE RETURNS FROM CURRENT PORTFOLIO

We plan to continue to increase returns from our current portfolio while maintaining or improving tenant occupancy and the quality of accommodation. We intend to keep our occupancy at a high level and to increase rents to market levels to the extent permitted by German law and existing rent restrictions over time. Within the first six months of 2011, we increased rents by 1.4 % (same store basis, annualized). At the same time, the vacancy rate declined to 5.3 %, and fluctuation continued to be stable at about 12 %. On top of our ordinary property investments and re-letting activities, we initiated a €12 million investment program for 2011, targeting vacancy reduction across our portfolio.

We are also in the process of screening our portfolio for attractive investment opportunities for repositioning whole buildings that will add to the recurring cash flow from our portfolio.

INCREASE PROFITABILITY THROUGH OPERATING EFFICIENCIES

We continuously review our general & administrative and operating expenses to identify further cost efficiencies through active cost management and the continuous optimization of operations and processes. We have reduced our annualized management cost per unit (which includes general and administrative expenses and personnel costs and excludes repair and maintenance expenses) by 3.3 % to €379 for the first six months of 2011 compared to €392 in the prior-year period.

Furthermore, we have optimized our cost of re-letting vacant units while maintaining our assets in good condition. On the one hand, we are now doing almost half of all our repair and maintenance work through our cost-efficient, 100 % affiliate facility management companies. On the other hand, we are using an external service provider for the more complex refurbishment projects that require different qualifications.

REALIZE VALUE THROUGH ASSET SALES

We have sold more than €1.2 billion worth of assets over the last three years with a focus on generating liquidity for the repayment of debt as well as optimizing our portfolio by selling mature assets and assets in remote locations. In 2010, we sold a large part of our non-core properties, further streamlining our portfolio, and we expect to sell off the remaining non-core assets in the coming months. For 2011, we have set a target of selling assets for about €300 million with a stronger focus on our condo sales channel. In the first six months of 2011, we financially closed the sale of 4,249 units from the 2010 sales program and sold or contracted to sell 395 units for €41.2 million from the 2011 sales program. We continue to see strong demand from current tenants and investors.

OPTIMIZE OUR CAPITAL STRUCTURE

Our properties are financed in eleven separate, ring-fenced, non-recourse facilities with a weighted average interest rate of 4.04 %. Approximately 93 % of the Company's debt will mature in 2013 and beyond. We believe that German residential real estate is among the safest asset classes in the world, and that the combination of our low-risk profile, our strong cash generating portfolio and the increasing willingness of lenders to provide debt will enable us to extend and / or refinance our debt prior to its respective maturities.

Industry

OVERALL ECONOMIC DEVELOPMENT

Germany is the largest economy in the Euro zone, contributing 27 % of the member states' total gross domestic product (GDP) in 2010. After the strongest GDP contraction in the history of the Federal Republic of Germany in 2009, the German economy rebounded in 2010 and grew by 3.6 %. This positive development continued in 2011 with a GDP increase of 1.5 % in the first quarter of 2011, compared to the fourth quarter of 2010. Leading economic research institutes forecast a GDP increase in a range between 2.5 % and 4.0 % for 2011. The positive sentiment is also reflected in the ifo Business Climate Index, one of the country's most renowned indices for assessing the sentiment within the nation's economy, which stood at 114 points in June 2011, up from 106 points in June 2010. Similarly, the unemployment rate in Germany decreased to 7.0 % in July 2011 from 7.6 % in July 2010 (Source: Federal Statistical Office).

THE GERMAN RESIDENTIAL REAL ESTATE MARKET

With a total of approximately 40.2 million residential units, the German housing market is the largest in Europe. Only 43 % of these units are inhabited by owner-occupiers (Source: Federal Statistical Office). The remaining residential units are owned by small-scale private inves-

tors, followed by professional housing companies, municipal authorities, cooperatives, and other owners such as churches, banks, insurance companies and public authorities (Source: Jones Lang LaSalle).

In 2010, the number of newly constructed apartments grew by only 0.5 % compared to the prior year to approximately 160,000 units and is thus still at a very low level compared to five years (242,000 new units in 2005) or ten years ago (423,000 new units in 2000). Researchers expect the future residential construction volume to be at the lower end of what is the required completion volume for the next ten years (Sources: Deutsche Bank, Landesbausparkasse (subsidiary of German Savings and Loan Association)). We believe that comparatively high construction costs, the scarcity of land available for constructions, low risk-adjusted returns for developers and strict regulations are among the main reasons for the continued low level of new supply. Construction costs for residential housing in Germany increased by approximately 2.6 % between February 2010 and February 2011, largely due to increased costs mainly for steel, plumbing, carpentry and concrete work. The construction price index for residential properties in Germany increased by almost 13 % between 2000 and 2009 (Source: Federal Statistical Office).

HOUSING AND RENTAL PRICES

While other countries in Europe and around the world have seen strong value appreciations followed by severe declines of property values, real estate prices in Germany have proven to be stable even during the financial crisis, in line with their sideways movement in earlier years. Prices neither soared before 2007 nor did they plummet as a result of the crisis. The Hypoport Index, which measures, among other things, the development of prices for apartments, grew by 1.5 % between May 2010 and May 2011, which is broadly in line with expectations for the price development for the next two years (Source: Deutsche Bank).

This steadiness is reflected in rental levels as well. Rents in Western Germany have shown moderate and consistent growth through economic cycles and recessions since 1975. The only exception was in the early 1990s, when German reunification led to a significant increase in rents in Western Germany followed by a rent decrease as a result of the end of the reunification boom. The historical performance of rents underlines residential property as a stable asset class. The average rent growth in Germany for the years 2003 to 2010 was between 1.0 % and 1.3 % per year (Source: Federal Statistical Office).

DEMOGRAPHIC DEVELOPMENT

In its “medium scenario”, the German Federal Statistical Office forecasts the population in Germany to decline from 81.5 million in 2010 to between 79.9 million and 80.4 million by 2020. During the same period, however, the number of households is expected to increase by 1.3 % to then 40.5 million. According to this estimate, it is especially the one-person (+4.3 %) and two-person (+7.7 %) households that will see the strongest growth (Source: Federal Statistical Office). This would underline an ongoing trend: Today, nearly three quarters of all households comprise no more than one or two persons; in 1960, less than half of all households were home to only one or two persons (Source: Deutsche Bank). Similarly, the average household size in Germany decreased from 2.74 persons in 1970 to 2.08 persons in 2006 and is expected to further decline to 1.95 persons by 2025 (Source: Federal Statistical Office).

Given the limited new supply of housing, this development should lead to an increase in the demand of residential units. We expect these trends to have a positive impact on residential rents and prices.

Consolidated Statement of Comprehensive Income

for the period from January 1 to June 30, 2011

€ MILLION	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
Income from the leasing of investment property	435.6	458.4	226.2	237.9	209.4
Transferable leasehold land interest	- 1.0	- 1.2	- 0.5	- 0.6	- 0.5
Operating expenses for the generation of rental income (excluding share-based remuneration)	- 224.3	- 216.9	- 120.5	- 121.9	- 103.8
Profit from the leasing of investment property	210.3	240.3	105.2	115.4	105.1
Income from the sale of investment property and assets held for sale	239.4	253.0	47.5	115.8	191.9
Carrying amount of the sold investment property and assets held for sale	- 228.4	- 244.1	- 43.9	- 112.4	- 184.5
Profit from the sale of investment property and assets held for sale	11.0	8.9	3.6	3.4	7.4
Loss from the fair value measurement of investment property	- 36.2	- 10.3	- 31.7	- 8.2	- 4.5
Income from the sale of property development projects	1.4	5.7	0.1	4.0	1.3
Carrying amount of property development projects sold	- 1.1	- 1.9	0.0	- 0.6	- 1.1
Profit from the sale of property development projects	0.3	3.8	0.1	3.4	0.2
Profit from other services	1.9	1.7	1.3	0.9	0.6
Selling expenses (excluding share-based remuneration)	- 7.0	- 9.0	- 3.3	- 5.3	- 3.7
General and administrative expenses (excluding share-based remuneration)	- 18.7	- 20.0	- 9.1	- 9.3	- 9.6
Expenses for share-based remuneration	- 2.7	- 1.1	- 0.8	- 0.4	- 1.9
Other operating income	6.5	3.0	1.5	1.8	5.0
Other operating expenses	- 12.0	- 2.6	- 9.0	- 1.5	- 3.0
Profit from operations before reorganization and restructuring expenses	153.4	214.7	57.8	100.2	95.6
Reorganization and restructuring expenses	- 8.2	- 6.6	- 7.2	0.0	- 1.0
Profit from operations	145.2	208.1	50.6	100.2	94.6
Loss from other financial assets	- 0.1	0.0	- 0.1	0.0	0.0
Earnings before interest and taxes (EBIT)	145.1	208.1	50.5	100.2	94.6
Interest expenses	- 137.0	- 156.2	- 69.9	- 77.9	- 67.1
Interest income	1.1	0.6	0.3	0.4	0.8
Other financial expenses	0.0	- 0.6	0.0	- 0.1	0.0
Profit/loss from the fair value measurement of derivatives	4.6	- 0.9	0.9	1.6	3.7
Interest expenses (refinancing)	0.0	- 0.2	0.0	- 0.2	0.0
Net financing expenses	- 131.3	- 157.3	- 68.7	- 76.2	- 62.6
Earnings before taxes (EBT)	13.8	50.8	- 18.2	24.0	32.0
Income taxes	- 11.4	- 28.7	- 3.7	- 14.2	- 7.7
Net profit / loss (Total comprehensive income)	2.4	22.1	- 21.9	9.8	24.3
Net profit / loss (Total comprehensive income) attributable to:					
Non-controlling interests	- 1.1	- 6.9	- 1.4	- 7.7	0.3
Shareholders of the parent company	3.5	29.0	- 20.5	17.5	24.0
Weighted average number of shares, undiluted (in million)	223.4	225.9	223.4	225.9	224.2
Weighted average number of shares, diluted (in million)	225.9	228.6	225.9	228.6	225.8
Earnings per share (in €)	0.02	0.13	- 0.09	0.08	0.11
Diluted earnings per share (in €)	0.02	0.13	- 0.09	0.08	0.11

GAGFAH Group – Operational Performance

INCOME FROM THE LEASING OF INVESTMENT PROPERTY

The leasing of investment property is our core business and hence the primary component of our income from operations. Our strategy is to raise rents to market levels while maintaining occupancy and the quality of accom-

modation. Rents are continuously evaluated against market levels and adjusted over time.

The income from the leasing of investment property is composed of:

€ MILLION	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
Rental income, fees	297.3	317.0	148.4	157.0	148.9
Allocations charged	137.8	140.9	77.5	80.6	60.3
Other	0.5	0.5	0.3	0.3	0.2
Total	435.6	458.4	226.2	237.9	209.4

Income from the leasing of investment property mainly comprises rental income and allocations charged. In the first six months of 2011, our income from the leasing of investment property decreased by 5.0 % to €435.6 million from €458.4 million in the first six months of 2010. The decrease between the first six months of 2010 and 2011 is mainly due to an average of 7.0 % or about 11,800 fewer units during that period.

Approximately 68 %, or €297.3 million, of the income from leasing was attributable to rental income. Rental income mainly consists of net cold rent, which grew on a same store basis by 0.7 % to €5.09 per square meter since December 31, 2010, or 1.4 % on an annualized basis.

Approximately 32 %, or €137.8 million, of the income from the leasing of investment property was related to charges to tenants for recoverable operating expenses (allocations charged). On an annualized basis, allocations charged represent about one third of income from the leasing of investment property. On a quarterly basis, however, allocations charged can vary depending on the timing of recoverables billing.

Rental income is net of vacancy. Our overall vacancy rate as of June 30, 2011, was at 5.3 %. We estimate the stabilized occupancy rate for our current portfolio at around 95 %.

OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

In the first six months of 2011, our operating expenses for the generation of rental income totaled €224.3 million compared to €216.9 million for the first six months of 2010.

Operating expenses for the generation of rental income consist of the following items:

€ MILLION	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
Real estate operating expenses	126.8	128.6	70.5	73.3	56.3
Real estate tax	9.7	10.5	4.8	5.4	4.9
Operating expenses recoverable from tenants	136.5	139.1	75.3	78.7	61.2
Repair and maintenance costs	37.0	26.3	19.6	16.4	17.4
Personnel expenses	28.9	30.4	13.9	14.8	15.0
Bad debt allowances	3.2	2.7	2.2	2.7	1.0
External costs for real estate management	4.0	3.6	2.1	2.0	1.9
Administrative expenses	3.1	3.6	1.5	1.8	1.6
Real estate operating expenses	2.3	2.1	1.2	1.1	1.1
Real estate tax	0.1	0.1	0.1	0.1	0.0
Amortization and depreciation on intangible assets and property, plant and equipment	1.2	1.1	0.6	0.6	0.6
Other	8.0	7.9	4.0	3.7	4.0
Non-recoverable operating expenses	87.8	77.8	45.2	43.2	42.6
Operating expenses for the generation of rental income	224.3	216.9	120.5	121.9	103.8

Operating expenses for the generation of rental income include expenses that are mainly recoverable from our tenants such as heating, electricity, water, sewage and real estate taxes as well as non-recoverable expenses such as maintenance costs and personnel expenses.

Recoverable operating expenses were €136.5 million in the first six months of 2011 compared to €139.1 million in the first six months of 2010.

Non-recoverable operating expenses were €87.8 million in the first six months of 2011 compared to €77.8 million in the prior-year period.

Repair and maintenance costs in the first six months of 2011 were €37.0 million, or €7.71 per square meter on an annualized basis, compared to €26.3 million in the first six months of 2010. On an unconsolidated basis, the annualized repair and maintenance spend in the first six months of 2011 was approximately €9.60 per square meter. While the repair and maintenance spent during the first half of 2010 was below average, the expenses during the first six months of 2011 are more representative of an appropriate volume for our current portfolio and broadly in line with our expectations for the full year.

Personnel expenses in the first six months of 2011 were €28.9 million, down 4.9 % compared to €30.4 million in the first six months of 2010. This decline is mainly the result of a slightly lower headcount as a consequence of the smaller portfolio due to sales. We are continuing to do a large share of the repair and maintenance work in-house, as we believe that doing this type of work with our own resources enables us to respond to our tenants' needs more quickly and provide a better service.

PROFIT FROM THE LEASING OF INVESTMENT PROPERTY

The profit from the leasing of investment property was €210.3 million for the first six months of 2011 compared

to €240.3 million for the first six months of 2010, on a basis of approximately 7.0 % or about 11,800 fewer units on average. In addition to the smaller portfolio, the lower profit from leasing is largely attributable to the higher expenses for repairs and maintenance.

The profit from the leasing of investment property represents the excess of income from the leasing of investment property (rents and other charges to tenants) over land rent expenses and related operating expenses for the generation of rental income and is computed as follows:

€ MILLION	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
Rental income, fees	297.3	317.0	148.4	157.0	148.9
Allocations charged	137.8	140.9	77.5	80.6	60.3
Other	0.5	0.5	0.3	0.3	0.2
Income from the leasing of investment property	435.6	458.4	226.2	237.9	209.4
Transferable leasehold land interest	- 1.0	- 1.2	- 0.5	- 0.6	- 0.5
Operating expenses recoverable from tenants	- 136.5	- 139.1	- 75.3	- 78.7	- 61.2
Non-recoverable operating expenses	- 87.8	- 77.8	- 45.2	- 43.2	- 42.6
Profit from the leasing of investment property	210.3	240.3	105.2	115.4	105.1

SALE OF INVESTMENT PROPERTY AND ASSETS HELD FOR SALE

During the first six months of 2011, we financially closed 4,559 units for a total value of €239.4 million, of which 914 units for €21.7 million came from the sale of non-core assets. A total of €206.3 million related to our 2010 sales program and €33.1 million were associated with our 2011 sales program.

TOTAL SALES			
€ MILLION	Program 2010	Program 2011	Total
Closed in H1 2011	206.3	33.1	239.4
Notarized	13.4	8.1	21.5
Total	219.7	41.2	260.9

The net profit from the sale of investment property and assets held for sale is the excess of income from the sale of investment property and assets held for sale over the carrying amounts of the sold investment property and

assets held for sale. Recognizing disposition costs, such as external broker fees, capex (pro rata) and marketing costs, net profit from the 2010 and 2011 condo sales that financially closed in the first six months of 2011 was as follows:

CONDO SALES					
	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
Sold units	1,961	495	242	190	1,719
Sold sqm	116,896	34,282	15,356	12,449	101,540

CONDO SALES					
	H1 2011 € million	H1 2011 € per unit	H1 2011 € per sqm	Q2 2011 € million	Q1 2011 € million
Gross disposition proceeds	156.7	79,918	1,341	23.5	133.2
Book value ¹⁾	- 123.3	- 62,880	- 1,055	- 16.9	- 106.4
Disposition costs ²⁾	- 5.9	- 3,002	- 50	- 2.8	- 3.1
Net profit	27.5	14,037	235	3.7	23.8
Net profit margin	21.3 %	21.3 %	21.3 %	18.9 %	21.7 %

¹⁾ Net of revaluation gains.

²⁾ Includes sales-related costs such as external broker fees, capex (pro rata), marketing costs, personnel costs and G&A. Does not include prepayment fees.

LOSS FROM THE FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTY

The value of our investment properties including assets held for sale amounts to €8,442.6 million or a net cold rent multiplier of 13.6 as of June 30, 2011. The IAS 40 valuations for our investment properties indicated a net loss from the fair value measurement of €36.2 million or 0.4 % on the investment property value as of December 31, 2010.

As in prior quarters, the Q2 valuation was done by CB Richard Ellis GmbH, an independent appraiser. Their fair market valuation model is based on a discounted cash flow (DCF) model, which derives the present value from the properties' future cash flows. The valuation is com-

puted on a property-by-property basis. The DCF model is based on a detailed planning period of ten years, within which the relevant real estate cash flow components are forecast for each period according to the risk assessment of each individual property. For example, the rental growth is calculated in line with legal provisions and forecast to grow to market level over time. After the detailed planning period of ten years, a net present value is calculated for the remaining useful life.

EBT CONTRIBUTION OF PROPERTY DEVELOPMENT BUSINESS

Property development projects are non-core operations, and GAGFAH is in the process of winding down this part of the business by selling the remaining property devel-

opment projects. The earnings before taxes (EBT) contribution of the property development business was as follows:

€ MILLION	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
Income from the sale of property development projects	1.4	5.7	0.1	4.0	1.3
Carrying amount of property development projects sold	-1.1	-1.9	0.0	-0.6	-1.1
Profit from the sale of property development projects	0.3	3.8	0.1	3.4	0.2
Selling expenses (excluding share-based remuneration)	-0.1	0.0	-0.1	0.0	0.0
Other operating income	0.5	0.8	0.4	0.6	0.1
Other operating expenses	-1.7	-1.7	-1.1	-1.0	-0.6
Earnings before interest and taxes (EBIT)	-1.0	2.9	-0.7	3.0	-0.3
Net interest expenses	0.0	-0.1	0.0	0.0	0.0
Earnings before taxes (EBT)	-1.0	2.8	-0.7	3.0	-0.3

OTHER INCOME AND EXPENSE ITEMS

Other income and expense items for our Group totaled a net expense of €32.0 million in the first six months of 2011, as compared to a net expense of €28.0 million in the first six months of 2010.

The development of our other income and expense items is shown in the table below:

€ MILLION	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
Profit from other services	1.9	1.7	1.3	0.9	0.6
Selling expenses	-7.0	-9.0	-3.3	-5.3	-3.7
General and administrative expenses	-18.7	-20.0	-9.1	-9.3	-9.6
Expenses for share-based remuneration	-2.7	-1.1	-0.8	-0.4	-1.9
Other operating income	6.5	3.0	1.5	1.8	5.0
Other operating expenses	-12.0	-2.6	-9.0	-1.5	-3.0
Total	-32.0	-28.0	-19.4	-13.8	-12.6

Profit from other services contains revenues from activities such as caretaker services for third parties and insurance brokerage fees.

Selling expenses consist of personnel costs, costs for external brokers and marketing expenses for our sales business. In the first six months of 2011, selling expenses declined to €7.0 million from €9.0 million in the prior-year period, mainly as the result of the lower sales volume in 2011.

General and administrative expenses mainly consist of personnel costs, IT costs, consulting fees, audit fees and office costs. These expenses declined to €18.7 million in the first six months of 2011 from €20.0 million in the first six months of 2010 as a result of our ongoing efforts to optimize our cost structure.

Expenses for share-based remuneration mainly relate to stock option plans for GAGFAH Management. These expenses were €2.7 million in the first six months of 2011 compared to €1.1 million in the first six months of 2010.

All income and expenses not directly allocable to the various categories of income or expenses according to the cost of sales method are disclosed under the line items other operating income and other operating expenses, respectively. In the first six months of 2011, other operating income increased to €6.5 million from €3.0 million in the prior year. The increase is largely attributable to the sale of cable network connections.

Other operating expenses increased to €12.0 million in the first six months of 2011 from €2.6 million in the prior-year period. The increase is mostly the result of additions to provisions for litigation risks (€5.0 million) and restitution proceedings (€2.6 million).

MANAGEMENT COST PER UNIT

As a result of our reorganization activities and focus on cost efficiencies, our annualized average management cost per unit declined to €379 in the first six months of 2011 compared to €392 in the same period of 2010.

REORGANIZATION AND RESTRUCTURING EXPENSES

Reorganization and restructuring expenses relate to our Group's rationalization of costs and integration of processes as we continue to optimize our operations. In the first six months of 2011, reorganization and restructuring expenses were €8.2 million, which were mostly related to provisions for litigation risks in connection with a cancellation of an outsourcing contract with a maintenance service provider allowing GAGFAH Group to increasingly insource maintenance services.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

In the first six months of 2011, our EBIT was €145.1 million compared to €208.1 million in the first six months of 2010. Adjusted for valuation effects, the EBIT for the first six months of 2011 was €181.3 million compared to €218.4 million for the first six months of 2010.

NET FINANCING EXPENSES

Net financing expenses are the sum of interest expenses on borrowings and the cost of refinancing of our Group's indebtedness, adjusted by interest income and the profit / loss from the fair value measurement of derivatives.

Net financing expenses decreased to €131.3 million in the first six months of 2011 compared to €157.3 million in the first six months of 2010.

Total interest expenses declined to €137.0 million in the first six months of 2011 from €156.2 million during the same period the year before. Of the total interest expenses, interest expenses related to loans decreased by 5.4 % to €120.3 million during the first six months of 2011 compared to €127.1 million during the first six months of 2010. The decrease of interest expenses results from the paydown of debt mainly related to sales.

Our net financing expenses are the sum of the following items:

€ MILLION	H1 2011	H1 2010	Q2 2011	Q2 2010	Q1 2011
Interest expenses related to loans	- 120.3	- 127.1	- 60.1	- 63.6	- 60.2
Prepayment fees	1.0	- 11.3	- 0.8	- 5.3	1.8
Other	- 17.7	- 17.8	- 9.0	- 9.0	- 8.7
Total interest expenses	- 137.0	- 156.2	- 69.9	- 77.9	- 67.1
Interest income	1.1	0.6	0.3	0.4	0.8
Other financial expenses	0.0	- 0.6	0.0	- 0.1	0.0
Profit/loss from the fair value measurement of derivatives	4.6	- 0.9	0.9	1.6	3.7
Interest expenses (refinancing)	0.0	- 0.2	0.0	- 0.2	0.0
Net financing expenses	- 131.3	- 157.3	- 68.7	- 76.2	- 62.6

EARNINGS BEFORE TAXES (EBT)

In the first six months of 2011, our Group's EBT was €13.8 million, as compared to €50.8 million in the first six months of 2010. Earnings before taxes are computed as earnings before interest and taxes (EBIT) of €145.1 million reduced by net financing expenses of €131.3 million.

INCOME TAXES

Income taxes of €11.4 million (prior year: €28.7 million) comprise deferred income tax expenses of €6.6 million (prior year: €27.7 million) and current income tax expenses of €4.8 million (prior year: €1.0 million).

NET ASSET VALUE (NAV)

NAV per share slightly decreased to €12.12 as of June 30, 2011.

€ MILLION	06-30-2011	12-31-2010
Shareholders' equity	2,199.0	2,240.8
Deferred taxes on investment property and assets held for sale	492.7	498.8
NAV	2,691.7	2,739.6
NAV per share (€)	12.12	12.17

Financial Position

As of June 30, 2011, and December 31, 2010, the Group's equity and liabilities were as follows:

	06-30-2011 € million	06-30-2011 %	12-31-2010 € million	12-31-2010 %
Total equity	2,235.8	25.5	2,302.7	24.9
Financial liabilities	5,719.2	65.2	6,011.2	64.9
Other liabilities	813.4	9.3	947.8	10.2
Total equity and liabilities	8,768.4	100.0	9,261.7	100.0

As of June 30, 2011, the Group's financial liabilities primarily consisted of the following liabilities:

€ MILLION	Carrying amount as of 06-30-2011	Notional amount as of 06-30-2011	Weighted average maturity	Current interest rate	Interest rate type
Term loans	5,030.7	5,013.5	2013	4.11 %	Fixed
Term loans	314.4	304.9	2012	5.19 %	Swapped ¹⁾
Senior debt	358.0	434.1	2039	2.37 %	Fixed
Other	16.1	16.1			
Total	5,719.2	5,768.6	2015	4.04 %	

¹⁾ In order to reduce the risk of interest rate fluctuation during the lifetime of the loans, we have predominantly hedged the interest rate cost of the loans through interest rate swaps.

The difference between the notional amount and the carrying amount as shown in the Consolidated Statement of Financial Position results from the fair value measurement of senior debts, amortized transaction costs and interest accruals.

Net Assets

The Consolidated Statement of Financial Position of the GAGFAH Group breaks down as follows:

€ MILLION	06-30-2011	12-31-2010
Non-current assets	8,433.2	8,572.4
Current assets	247.3	475.9
Assets held for sale	87.9	213.4
Total assets	8,768.4	9,261.7
Equity	2,235.8	2,302.7
Non-current liabilities	5,889.7	6,216.2
Current liabilities	642.9	742.8
Total equity and liabilities	8,768.4	9,261.7

Non-current assets amount to €8,433.2 million, of which 99.1% relate to investment property of €8,354.7 million and 0.6% to property, plant and equipment of €48.6 million. Non-current assets make up 96.2% of total assets. The valuation of our investment property was done by CB Richard Ellis GmbH, an independent third-party appraiser.

Current assets amount to €247.3 million, of which 59.6% are bank balances and cash on hand (€147.5 million) and 8.9% are inventories (€21.9 million).

Non-current liabilities of €5,889.7 million make up 67.2% of total equity and liabilities and mainly comprise non-current financial liabilities of €5,316.0 million and deferred tax liabilities of €284.8 million.

Significant Events after the Interim Reporting Date

On July 31, 2011, GAGFAH S.A. published an ad-hoc notification, announcing the end of the share buyback program that had commenced on December 08, 2010. A total of 5,632,247 shares (approximately 2.5% of the issued share capital) were repurchased at an average price of €6.78 for a total consideration of €38,197,689.09. GAGFAH S.A. reserves the right to resume share buybacks in the same or in a different form.

City of Dresden Litigation

Legal responses to, as well as requests for dismissal of the Dresden claims have been filed by WOBA Holding GmbH with the Arbitration Court, and by Südost WOBA Dresden GmbH and Wohnbau Nordwest GmbH with the District Civil Court in Dresden. The three WOBA companies have also brought declaratory actions against the City of Dresden.

Through the counter actions, the magnitude of the WOBA companies' claims (arising from the lawsuit filed by the City of Dresden) will also be clarified. The amount of the WOBA companies' successful claim would be decided by the Courts, and as such is not yet finally defined. Preliminary internal estimates set the amount at up to, or in excess of €800 million.

Additionally, WOBA Dresden GmbH is also suing the Dresden Finance Mayor Hartmut Vorjohann personally in the District Civil Court. Mr. Vorjohann is being sued for breach of fiduciary in his function as a member of the WOBA Dresden GmbH Supervisory Board. This suit is also aimed at the City of Dresden, as the City placed Mr. Vorjohann on the Supervisory Board as their representative.

For more information please see our dedicated website www.woba-lawsuits.com.

Dividends

In order to retain additional flexibility and financial resources within the business and to support the Company's property investment and financing objectives, the Board has made the decision not to pay an interim dividend for the second quarter of 2011.

Outlook

GAGFAH has delivered a stable performance in the first half of 2011. The development of our rental and sales business met our expectations and our cost optimization measures are contributing to our bottom line results. We are confident that we will be able to benefit from the positive development in rental prices and believe that the demand for our assets, both in terms of rents as well as in terms of sales, will remain healthy. The extension / refinancing of our debt maturities in 2012 and 2013 will continue to be a major focus for us in the coming months.

Opportunity and Risk Report

With the exception of the City of Dresden Litigation (please refer to page 18 of this report for further details), there are no significant changes to the risks and opportunities reported in the presentation of Financial Risk Management in the 2010 Annual Report.

Forward-looking Statements

This interim report contains statements that constitute forward-looking statements. These statements are generally identifiable by use of forward-looking terminology such as "may", "will", "should", "potential", "intend", "expect", "endeavor", "seek", "anticipate", "estimate", "overestimate", "underestimate", "believe", "could", "project", "predict", "continue", "plan", "forecast" or other similar words or expressions.

Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results from operations or of financial conditions or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is limited. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecast results or stated expectations, including the risk that GAGFAH S.A. will be unable to extend existing financing at suitable terms, be unable to increase rents and occupancy, to sell further units or further reduce management costs.

Luxembourg, August 9, 2011
The Board of Directors of GAGFAH S.A.

Unaudited Interim Consolidated Financial Statements and Notes

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Consolidated Statement of Financial Position

as of June 30, 2011

ASSETS			
€ MILLION	Notes	06-30-2011	12-31-2010
Non-current assets			
Intangible assets	E.1.	25.9	26.0
Investment property	E.2.	8,354.7	8,493.3
Property, plant and equipment		48.6	49.0
Other financial assets		3.9	4.0
Receivables	E.3.	0.1	0.1
		8,433.2	8,572.4
Current assets			
Inventories	E.4.	21.9	23.1
Receivables	E.3.	29.1	25.2
Other assets		38.1	35.9
Current tax claims	E.5.	10.7	16.2
Bank balances and cash on hand	E.6.	147.5	375.5
		247.3	475.9
Assets held for sale	E.7.	87.9	213.4
Total assets		8,768.4	9,261.7

EQUITY AND LIABILITIES			
€ MILLION	Notes	06-30-2011	12-31-2010
Equity	E.8.		
Subscribed capital		281.6	282.5
Share premium		1,174.6	1,179.2
Legal reserve		28.2	28.2
Revenue reserves		714.6	750.9
Equity attributable to the shareholders of the parent company		2,199.0	2,240.8
Non-controlling interests		36.8	61.9
Total equity		2,235.8	2,302.7
Liabilities			
Non-current liabilities			
Liabilities to non-controlling shareholders		4.9	4.9
Pension provisions		103.9	103.6
Other provisions		9.1	9.5
Deferred tax liabilities	E.9.	284.8	278.2
Liabilities from income tax	E.10.	80.3	78.3
Financial liabilities	E.11.	5,316.0	5,648.4
Other liabilities	E.12.	10.4	10.5
Deferred liabilities of government-granted loans		80.3	82.8
		5,889.7	6,216.2
Current liabilities			
Pension provisions		7.0	7.0
Other provisions		55.9	51.7
Liabilities from income tax	E.10.	50.2	55.9
Financial liabilities	E.11.	403.2	362.8
Other liabilities	E.12.	122.1	260.5
Deferred liabilities of government-granted loans		4.5	4.9
		642.9	742.8
Total liabilities		6,532.6	6,959.0
Total equity and liabilities		8,768.4	9,261.7

Consolidated Statement of Comprehensive Income

for the period from January 1 to June 30, 2011

€ MILLION	Notes	H1 2011	H1 2010	Q2 2011	Q2 2010
Income from the leasing of investment property	F.1.	435.6	458.4	226.2	237.9
Transferable leasehold land interest		- 1.0	- 1.2	-0.5	- 0.6
Operating expenses for the generation of rental income (excluding share-based remuneration)	F.2.	- 224.3	- 216.9	- 120.5	- 121.9
Profit from the leasing of investment property		210.3	240.3	105.2	115.4
Income from the sale of investment property and assets held for sale		239.4	253.0	47.5	115.8
Carrying amount of the sold investment property and assets held for sale		- 228.4	- 244.1	- 43.9	- 112.4
Profit from the sale of investment property and assets held for sale		11.0	8.9	3.6	3.4
Loss from the fair value measurement of investment property		- 36.2	- 10.3	- 31.7	- 8.2
Income from the sale of property development projects		1.4	5.7	0.1	4.0
Carrying amount of property development projects sold		- 1.1	- 1.9	0.0	- 0.6
Profit from the sale of property development projects		0.3	3.8	0.1	3.4
Profit from other services	F.3.	1.9	1.7	1.3	0.9
Selling expenses (excluding share-based remuneration)	F.4.	- 7.0	- 9.0	- 3.3	- 5.3
General and administrative expenses (excluding share-based remuneration)	F.5.	- 18.7	- 20.0	- 9.1	- 9.3
Expenses for share-based remuneration		- 2.7	- 1.1	- 0.8	- 0.4
Other operating income	F.6.	6.5	3.0	1.5	1.8
Other operating expenses	F.6.	- 12.0	- 2.6	- 9.0	- 1.5
Profit from operations before reorganization and restructuring expenses		153.4	214.7	57.8	100.2
Reorganization and restructuring expenses	F.7.	- 8.2	- 6.6	- 7.2	0.0
Profit from operations		145.2	208.1	50.6	100.2
Loss from other financial assets		- 0.1	0.0	- 0.1	0.0
Earnings before interest and taxes (EBIT)		145.1	208.1	50.5	100.2
Interest expenses	F.8.	- 137.0	- 156.2	- 69.9	- 77.9
Interest income		1.1	0.6	0.3	0.4
Other financial expenses		0.0	- 0.6	0.0	- 0.1
Profit/loss from the fair value measurement of derivatives	H.1.	4.6	- 0.9	0.9	1.6
Interest expenses (refinancing)		0.0	- 0.2	0.0	- 0.2
Net financing expenses		- 131.3	- 157.3	- 68.7	- 76.2
Earnings before taxes (EBT)		13.8	50.8	- 18.2	24.0
Income taxes	F.9.	- 11.4	- 28.7	- 3.7	- 14.2
Net profit / loss (Total comprehensive income)		2.4	22.1	- 21.9	9.8
Net profit / loss (Total comprehensive income) attributable to:					
Non-controlling interests		- 1.1	- 6.9	- 1.4	- 7.7
Shareholders of the parent company		3.5	29.0	- 20.5	17.5
Weighted average number of shares, undiluted (in million)		223.4	225.9	223.4	225.9
Weighted average number of shares, diluted (in million)		225.9	228.6	225.9	228.6
Earnings per share (in €)		0.02	0.13	- 0.09	0.08
Diluted earnings per share (in €)		0.02	0.13	- 0.09	0.08

Consolidated Statement of Cash Flows¹⁾

for the period from January 1 to June 30, 2011

€ MILLION	H1 2011	H1 2010
Net profit (Total comprehensive income)	2.4	22.1
Loss from the fair value measurement of investment property	36.2	10.3
Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment	1.8	2.0
Profit from the sale of investment property and assets held for sale	- 11.0	- 8.9
Other non-cash income (-)/expenses (+)	7.8	18.9
Change in provisions, pension provisions and deferred liabilities of government-granted loans	- 1.5	- 10.6
Change in deferred taxes	6.6	27.7
Change in working capital	- 1.8	24.8
Cash flows from operating activities²⁾	40.5	86.3
Cash received from the sale of investment property and assets held for sale	96.9	257.8
Cash paid for investment property – acquisition and modernization	- 0.2	- 1.3
Cash paid for investments in intangible assets and property, plant and equipment	- 1.2	- 0.6
Cash received from disposals of property, plant and equipment	0.1	0.0
Cash flows from investing activities	95.6	255.9
Cash received from equity contributions	4.8	0.0
Cash paid to stockholders of GAGFAH S.A.	- 22.3	- 90.4
Cash paid for share buyback	- 30.4	0.0
Cash paid to non-controlling shareholders / interests	- 24.2	- 2.5
Cash repayments of financial liabilities	- 291.9	- 345.3
Interest and cost paid for refinancing	- 0.1	- 0.2
Cash flows from financing activities	- 364.1	- 438.4
Change in cash and cash equivalents	- 228.0	- 96.2
Bank balances and cash on hand at the beginning of the year	375.5	236.2
Bank balances and cash on hand as of the interim reporting date	147.5	140.0

¹⁾ For further information, please refer to section G. "Notes to the Consolidated Statement of Cash Flows".

²⁾ Operating cash flow includes taxes paid of €7.7 million (prior year: €1.8 million), interest paid of €127.4 million (prior year: €138.5 million) and interest received of €1.0 million (prior year: €0.3 million).

Statement of Changes in Consolidated Equity¹⁾

for the period from January 1 to June 30, 2011

€ MILLION	Revenue reserves					Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
	Subscribed capital	Share premium	Legal reserve	Treasury shares	Retained earnings			
January 1, 2011	282.5	1,179.2	28.2	- 5.8	756.7	2,240.8	61.9	2,302.7
Total comprehensive income for the period	0.0	0.0	0.0	0.0	3.5	3.5	-1.1	2.4
Share-based remuneration	1.5	5.9	0.0	0.0	0.0	7.4	0.0	7.4
Change in shareholdings and the Consolidated Group	0.0	0.0	0.0	0.0	- 0.2	- 0.2	0.2	0.0
Dividends	0.0	0.0	0.0	0.0	- 22.3	- 22.3	- 24.2	- 46.5
Share buyback	- 2.4	- 10.5	0.0	- 17.3	0.0	- 30.2	0.0	- 30.2
June 30, 2011	281.6	1,174.6	28.2	- 23.1	737.7	2,199.0	36.8	2,235.8

¹⁾ For further information, please refer to section E.8. "Equity".

Statement of Changes in Consolidated Equity

for the period from January 1 to June 30, 2010

€ MILLION							
	Subscribed capital	Share premium	Legal reserve	Revenue reserves	Equity attributable to the shareholders of the parent company	Non-controlling interests	Total equity
January 1, 2010	282.4	1,358.4	28.2	704.1	2,373.1	84.6	2,457.7
Total comprehensive income for the period	0.0	0.0	0.0	29.0	29.0	- 6.9	22.1
Share-based remuneration	0.0	0.7	0.0	0.0	0.7	0.0	0.7
Change in Shareholdings and the Consolidated Group	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	- 180.7	0.0	90.3	- 90.4	- 2.5	- 92.9
Share buyback	0.0	0.0	0.0	0.0	0.0	0.0	0.0
June 30, 2010	282.4	1,178.4	28.2	823.4	2,312.4	75.2	2,387.6

Notes to the Unaudited Interim Consolidated Financial Statements

A. General Information

These unaudited Interim Consolidated Financial Statements of GAGFAH S.A., Luxembourg, have been prepared in accordance with the provisions of International Accounting Standard (IAS) 34 “Interim Financial Reporting” as adopted in the European Union.

The unaudited condensed Interim Consolidated Financial Statements do not contain all the disclosures and explanations required in Annual Financial Statements and should be read in conjunction with the Consolidated Financial Statements as of December 31, 2010.

The explanations are substantially made for the period from January 1 until June 30, 2011.

Information that is labeled “prior year” in the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Statement of Changes in Consolidated Equity and the Group Segment Report refers to the respective reporting period of the preceding financial year. In the Notes to the Consolidated Statement of Financial Position and the Other Notes, the comparative value is the value as of December 31 of the preceding financial year.

B. Consolidated Group and Consolidation Principles

CONSOLIDATED GROUP

Fortalis GmbH was founded by GAGFAH Holding GmbH on May 16, 2011. As of the interim reporting date, the entry into the commercial register is still being processed. The corporate purpose of the newly established company is to provide real estate management services.

CONSOLIDATION PRINCIPLES

The consolidation principles applied were the same as those applied in the previous set of Consolidated Financial Statements. A more detailed description can be found in the Notes to the Consolidated Financial Statements as of December 31, 2010.

C. Accounting Policies

The Interim Financial Statements of the entities included in the Interim Consolidated Financial Statements have been drawn up on the basis of uniform accounting policies. The accounting policies applied were the same as those used in the Consolidated Financial Statements as of December 31, 2010.

D. Segment Reporting

According to IFRS 8 “Operating Segments”, the Group Segment Reporting is prepared in a manner consistent with internal reports regularly used by the Group’s key decisionmakers for the internal assessment of the segments’ performance or the allocation of resources to the Group’s segments.

The implementation of the improvements to IFRS 8 “Operating Segments” as described in the Consolidated Financial Statements as of December 31, 2010, has resulted in a condensed disclosure of items in our Group Segment Reporting: GAGFAH GROUP decided not to disclose assets and liabilities in its Group Segment Reporting any longer from the fiscal year 2010 onwards. Accordingly, no assets and liabilities are reported for the prior year (June 30, 2010).

GAGFAH’s reporting format is based on its core business segments “Real estate management” and “Real estate sales”, the latter of which only includes condo sales. These segments represent strategic business functions within the Group.

All other income and expenses that do not concern the real estate management and real estate sales segments are shown in the separate column “Other” in the Group Segment Report.

“Segment revenues” and “Segment EBITDA¹⁾” are key performance indicators used by the Group for measuring segment performance. The primary differences between segment revenues and segment EBITDA on the one hand and Group revenues and Group EBITDA on the other hand are explained in footnotes (1) and (2) to the Group Segment Reports for the periods from January 1 to June 30, 2011 and 2010 on pages 30 and 31, respectively.

The segment revenues of the real estate management segment comprise the total income from the leasing of investment property as shown in the Consolidated Statement of Comprehensive Income plus revenues from third-party real estate management and other trade, reduced by non-cash income from the amortization of deferred liabilities of government-granted loans.

Income and expenses concerning the large multi-family home sales program²⁾ and the sale of HB Funds assets are allocated to the column “Other”. Income from the leasing of assets held for sale continues to be shown within the segment revenues of the real estate management segment.

Intragroup transactions between the segments are carried out at arm’s length.

¹⁾ EBITDA = Earnings before interest, taxes, depreciation and amortization.

²⁾ The large multi-family home sales program includes the sales of entire buildings to institutional or professional investors whereas the condo sales program includes the sale of individual apartments (“privatization”) or small multi-family homes to tenants or small investors.

Group Segment Report for the period from January 1 to June 30, 2011

€ MILLION	Real estate management	Real estate sales	Total segments	Other	Total Group
Segment revenues	440.1	156.7	596.8	86.9 ¹⁾	683.7
Segment EBITDA	194.1	5.9	200.0	- 43.6 ²⁾	156.4
Reorganization and restructuring expenses	- 7.6	0.0	- 7.6	- 0.6	- 8.2
Depreciation/amortization	- 1.4	0.0	- 1.4	- 1.7	- 3.1
Earnings before interest and taxes (EBIT)	185.1	5.9	191.0	- 45.9	145.1
Interest expenses	- 128.2	0.7	- 127.5	- 4.9	- 132.4
Interest income	0.3	0.0	0.3	0.8	1.1
Earnings before taxes (EBT)	57.2	6.6	63.8	- 50.0	13.8
Income taxes	0.0	0.0	0.0	- 11.4	- 11.4
Net profit/loss	57.2	6.6	63.8	- 61.4	2.4
Segment investments	0.2	0.0	0.2	1.2	1.4
Significant non-cash expenses (-) / income (+)	- 17.5 ³⁾	3.3 ⁴⁾	- 14.2	- 33.6 ⁵⁾	- 50.3

¹⁾ This item includes income from the sale of properties concerning the large multi-family home sales program (€61.1 million), income from the sale of HB Funds assets (€21.6 million), income from the sale of property development projects (€1.4 million) and income from the amortization of deferred liabilities of government-granted loans (€2.8 million).

²⁾ This item mainly includes the loss from the fair value measurement of investment property (€- 36.2 million), the EBITDA contribution of the large multi-family home sales program and the HB Funds assets sales (€- 3.0 million), adjustments in connection with HB Funds (€0.2 million), the EBT attributable to the property development business (€- 1.0 million), income from the amortization of deferred liabilities of government-granted loans (€2.8 million) and income from the reversal of provisions recorded in other operating income (€1.1 million). Further adjustments are provisions for litigation risks in connection with the WOBA lawsuit (€- 5.0 million) and additions to provisions for restitution proceedings (€- 2.6 million).

³⁾ Significant non-cash expenses of real estate management contain additions to provisions concerning real estate management (€- 14.7 million), write-offs of rent receivables (€- 3.2 million) and income from the reversal of provisions concerning real estate management (€0.4 million).

⁴⁾ Significant non-cash income of real estate sales mainly contains an IAS 39.AG8 valuation impact in connection with the prepayment fees.

⁵⁾ Other significant non-cash expenses / income mainly consist of the loss from the fair value measurement of investment property (€- 36.2 million), the profit from the fair value measurement of derivatives (€4.6 million), income from the amortization of deferred liabilities of government-granted loans (€2.8 million), the present value of loans carried at amortized cost (€- 4.4 million), income from the reversal of provisions (€1.6 million), additions to other provisions (€- 2.8 million) and a positive IAS 39.AG8 valuation impact in connection with the prepayment fees (€0.5 million).

Group Segment Report for the period from January 1 to June 30, 2010

€ MILLION	Real estate management	Real estate sales	Total segments	Other	Total Group
Segment revenues	462.1	35.3	497.4	225.9¹⁾	723.3
Segment EBITDA	216.2	4.6	220.8	- 4.1²⁾	216.7
Reorganization and restructuring expenses	- 5.9	0.0	- 5.9	- 0.7	- 6.6
Depreciation / amortization	- 1.3	0.0	- 1.3	- 0.7	- 2.0
Earnings before interest and taxes (EBIT)	209.0	4.6	213.6	- 5.5	208.1
Interest expenses	- 136.2	- 4.3	- 140.5	- 17.4	- 157.9
Interest income	0.2	0.0	0.2	0.4	0.6
Earnings before taxes (EBT)	73.0	0.3	73.3	- 22.5	50.8
Income taxes	0.0	0.0	0.0	- 28.7	- 28.7
Net profit / loss	73.0	0.3	73.3	- 51.2	22.1
Segment investments	1.3	0.0	1.3	0.6	1.9
Significant non-cash segment expenses (-) / income (+)	- 6.0 ³⁾	- 2.0	- 8.0	- 15.3 ⁴⁾	- 23.3

¹⁾ This item includes income from the sale of properties concerning the large multi-family home sales program (€217.7 million), income from the sale of property development projects (€5.7 million) and income from the amortization of deferred liabilities of government-granted loans (€2.5 million).

²⁾ This item mainly includes the loss from the fair value measurement of investment property (€-10.3 million), the EBITDA contribution of the large multi-family home sales program (€- 3.2 million), the EBT attributable to the property development business (€2.8 million), income from the amortization of deferred liabilities of government-granted loans (€2.5 million) and income from the reversal of provisions (€0.2 million). Other adjustments amount to €3.9 million.

³⁾ Significant non-cash expenses of real estate management contain additions to provisions concerning real estate management (€- 4.0 million), write-offs of rent receivables (€- 2.7 million) and other receivables concerning real estate management (€-0.1 million) and income from the reversal of provisions concerning real estate management (€0.8 million).

⁴⁾ Other significant non-cash expenses / income mainly consist of the loss from the fair value measurement of investment property (€- 10.3 million), the loss from the fair value measurement of derivatives (€- 0.9 million), income from the amortization of deferred liabilities of government-granted loans (€2.5 million), the present value of loans carried at amortized cost (€- 3.4 million), income from the reversal of provisions (€1.3 million), additions to other provisions (€- 3.2 million), expenses for compensation payments for the early redemption of financial liabilities in connection with the large multi-family home sales program (€- 0.7 million) and additions to liabilities from commissions concerning the large multi-family home sales program (€- 0.6 million).

E. Notes to the Consolidated Statement of Financial Position

1. INTANGIBLE ASSETS

Intangible assets with a finite lifespan mainly comprise software licenses for user programs amounting to €2.3 million (prior year: €2.4 million).

The intangible assets include the goodwill from the acquisitions of GAGFAH Pegasus GmbH of €21.5 million (prior year: €21.5 million) and the NILEG subgroup of €2.1 million (prior year: €2.1 million).

2. INVESTMENT PROPERTY

The following overview shows the development of the real estate portfolio since January 1, 2011:

€ MILLION	06-30-2011	12-31-2010
As of January 1	8,493.3	9,014.9
Change of accounting policies	0.0	4.1
As of January 1 (adjusted)	8,493.3	9,019.0
Additions	0.2	5.1
Disposals and reclassifications to assets held for sale	- 102.8	- 455.8
Reclassifications to / from property, plant and equipment and inventories	0.2	- 5.5
Changes in value	- 36.2	- 69.5
As of the interim reporting date	8,354.7	8,493.3

Of the additions, €0.2 million (prior year: €3.9 million) relate to modernization programs.

Regarding the reclassifications to assets held for sale we refer to section E.7. "Assets held for sale".

The following tables show an overview of the net cold rent multiples and the valuation cluster:

OVERVIEW NET COLD RENT (NCR) MULTIPLES

GAGFAH Top 20 locations	Q2 2011 GAGFAH (average) ¹⁾	Market (average) ²⁾
Dresden	13.5	14.3
Berlin	13.9	16.1
Hamburg	15.9	19.6
Hannover	13.9	14.9
Heidenheim	13.0	n.a.
Bielefeld	12.6	15.9
Osnabrück	13.8	16.7
Braunschweig	12.9	15.4
Zwickau	10.5	n.a.
Essen	12.6	17.2
Köln	15.8	17.9
Freiburg	15.7	18.2
Iserlohn	12.5	n.a.
Bocholt	14.2	n.a.
Bremen	11.8	14.3
Frankfurt	15.2	19.6
Duisburg	10.2	15.4
Leverkusen	14.3	n.a.
Göttingen	12.3	16.1
Dortmund	13.5	15.2
Germany	13.6	16.5

¹⁾ Multiples based on total rental income (includes HB Funds, non-core units).

²⁾ Source: Feri Research (2011 estimates).

VALUATION CLUSTER AS OF JUNE 30, 2011

Range NCR multiple	Fair value total in € million	Fair value in %	Average NCR multiple
< 10	344.0	4.1	8.5x
< 11	347.1	4.1	10.6x
< 12	759.2	9.1	11.5x
< 13	1,218.9	14.6	12.5x
< 14	1,620.6	19.4	13.5x
< 15	1,545.3	18.5	14.5x
< 16	1,009.7	12.1	15.5x
< 17	642.5	7.7	16.5x
< 18	400.3	4.8	17.4x
< 19	199.2	2.4	18.4x
< 20	119.9	1.4	19.4x
≥ 20	168.2	2.0	21.7x
Subtotal	8,374.9	100.0	13.6x
Disposals Q2	- 19.8		
Assets held for sale	87.9		
Other	- 0.4		
Total assets¹⁾	8,442.6		

¹⁾ The total assets in the Consolidated Statement of Financial Position comprise of €8,354.7 million investment property and €87.9 million assets held for sale.

Sections F.1. and F.2. of this report contain notes relating to income of €435.6 million (prior year: €458.4 million) from the leasing of investment property and operating expenses of €224.3 million (prior year: €216.9 million) for the generation of rental income.

3. RECEIVABLES

Since December 31, 2010, total receivables increased by €3.9 million, mainly resulting from land sales completed in the first half of 2011.

4. INVENTORIES

The decrease in inventories compared to December 31, 2010, mainly results from the sale of land without buildings.

5. CURRENT TAX CLAIMS

As of June 30, 2011, GAGFAH GROUP discloses current tax claims of €10.7 million (prior year: €16.2 million). These are mainly related to claims from trade tax and capital yields tax.

6. BANK BALANCES AND CASH ON HAND

This item includes cash and cash equivalents in the form of cash on hand, checks and bank balances totaling €147.5 million (prior year: €375.5 million).

The time deposits of GAGFAH S.A. have terms between one and three months and accrue interest between 0.15 % and 1.30 % (weighted average: 0.96 %).

The weighted average of the interest rates from the Group's main banks amounted to 0.56 % for the second quarter of 2011. Bank deposits at all other banks have an average interest rate of 0.09 % for the second quarter of 2011.

Of €147.5 million (prior year: €375.5 million) total cash, €61.1 million (prior year: €288.7 million) are restricted and €86.4 million (prior year: €86.8 million) are unrestricted.

As of June 30, 2011, restricted cash includes an amount of € 27.4 million (prior year: €199.7 million) relating to asset sales which can be either used for the repayment of term loans or for the reinvestment in the acquisition of new properties. Thereof, €16.3 million (prior year: €149.6 million) will be used to pay down related debt. For further information on restrictions on cash, please refer to section G. "Notes to the Consolidated Statement of Cash Flows".

7. ASSETS HELD FOR SALE

Assets held for sale amounting to €87.9 million (prior year: €213.4 million) contain the carrying amounts of real estate for which the sale is highly probable and management has declared its intention to sell.

The decrease since December 31, 2010, is mainly due to the sale of condos and large multi-family homes which financially closed in the first half of 2011.

Of the total proceeds concerning assets held for sale, €58.4 million will be used to repay debt. Accordingly, the corresponding term loans were reclassified from non-current to current financial liabilities. Please refer to section E.II. "Financial Liabilities" of this report.

8. EQUITY

The development of equity of GAGFAH S.A. is presented in the Statement of Changes in Consolidated Equity.

Up to the interim reporting date, 5,171,713 shares were bought at an average price of €6.97. The acquisition costs amounting to €36,031,289.51 (including incidental acquisition costs in the amount of €30,198.96) were deducted in full from revenue reserves. After the interim reporting date up to July 31, 2011, an additional number of 460,534 shares was repurchased at an average price of €4.77. On July 31, 2011, the Board of Directors of GAGFAH S.A. resolved to end the share buyback program, which had commenced on December 8, 2010.

1,912,395 of the repurchased shares were cancelled in the first half of 2011. As a consequence, an amount of €2,390,493.75 was reclassified from treasury shares into subscribed capital leading to a reduction of the subscribed capital, while an amount of €10,542,136.60 was reclassified from treasury shares into the share premium leading to a reduction of the share premium.

As of June 30, 2011, the total number of treasury shares held by the Company was 3,259,318. This equals 1.45 % of the subscribed capital.

The following table shows the development of the issued and fully-paid share capital from January 1 to June 30, 2011:

	Number of shares	Amount in €
January 1, 2011	225,972,693	282,465,866.25
Bonus shares issued	1,247,386	1,559,232.50
Remuneration of independent directors	15,000	18,750.00
Cancellation of shares	- 1,912,395	- 2,390,493.75
June 30, 2011	225,322,684	281,653,355.00

9. DEFERRED TAX LIABILITIES

Deferred tax liabilities of €284.8 million (prior year: €278.2 million) result from temporary differences mainly in connection with differences from measurement of investment property and assets held for sale.

10. LIABILITIES FROM INCOME TAX

The increase of non-current liabilities from income tax since December 31, 2010, is caused by the addition of accrued interest concerning liabilities from corporate income tax on EK 02 of €2.0 million.

The decrease of current liabilities from corporate income tax of €5.7 million since December 31, 2010, is mainly due to the payment of income tax and trade tax.

11. FINANCIAL LIABILITIES

The financial liabilities of €5,719.2 million (prior year: €6,011.2 million) break down as follows as of June 30, 2011:

Liabilities to banks amount to €5,673.2 million (prior year: €5,964.9 million) and liabilities to other lenders to €46.0 million (prior year: €46.3 million).

The value of the investment property portfolio (including assets held for sale) of €8,442.6 million (prior year: €8,706.7 million) is predominantly encumbered by charges on property for providing security for the current and non-current financial liabilities to banks and other lenders. The financial liabilities which are secured by charges on property amount to €5,693.8 million (prior year: €5,878.2 million). No collateral has been provided for the remaining €25.4 million (prior year: €133.0 million).

The decrease in unsecured financial liabilities results from the full redemption of the credit facility. We also refer to the text below.

For presentation purposes, the remaining term of a financial liability is based on the earlier date of the end of the interest lock-in period and the last principal repayment.

Of the total financial liabilities, €5,469.1 million (prior year: €5,755.4 million) relates to unsubsidized loans.

Overall, loans amounting to €291.9 million were repaid in the first half of 2011, as compared to €345.3 million in the first half of 2010. Thereof, loans amounting to €0.1 million (prior year: €0.0 million) were fully repaid in the first half of 2011.

As of September 1, 2010, GAGFAH S.A. changed the former €300.0 million credit agreement into a new €180.0 million credit agreement. The interest rate currently charged on this revolving credit facility is EURIBOR plus 5.0%. It has to be partially amortized at fixed repayment dates during the credit period, whereas the ultimate maturity date of this credit agreement is December 31, 2011. The total outstanding amount (€100.0 million at year-end 2010) was already fully repaid as of June 30, 2011, and therefore ahead of the ultimate maturity. A potential loan amount of €25.0 million from this revolving credit facility exists until the end of 2011.

In the first half of 2011, several reclassifications of term loans from non-current to current financial liabilities were made in connection with assets held for sale and sold assets because the proceeds of the sale of large multi-family homes, condos and HB Funds assets will have to be partly used to repay debt.

As of June 30, 2011, a total amount of €39.5 million (prior year: €178.3 million) was reclassified from non-current to current financial liabilities (term loans) due to the repayment expected to be prior to the contractual maturity of these liabilities, thereof €20.3 million (prior year: €80.9 million) in connection with the large multi-family home sales program and €19.2 million (prior year: €97.4 million) related to condo sales. The aforementioned reclassified term loans contain financial liabilities related to assets held for sale as shown in the Consolidated Statement of Financial Position as of June 30, 2011, as well as financial liabilities related to asset sales that were already recognized during the first half of 2011.

Further €18.9 million (prior year: €8.9 million) in connection with HB Funds assets sales were reclassified from non-current to current financial liabilities (senior debts).

Of the total reclassifications, loans amounting to €42.1 million (prior year: €136.1 million) are directly related to assets held for sale of €87.9 million (prior year: €213.4 million) as shown in the Consolidated Statement of Financial Position. These loans are allocated to the Group's assets held for sale as follows:

	06-30-2011		12-31-2010	
	Assets held for sale	Directly related financial liabilities	Assets held for sale	Directly related financial liabilities
Large multi-family home sales	22.5	18.8	59.4	42.2
Condo sales	6.5	4.4	119.7	85.0
HB Funds assets sales (non-core)	58.9	18.9	34.3	8.9
Total	87.9	42.1	213.4	136.1

The total reclassified liabilities have been revalued according to IAS 39.AG8. The current financial liabilities decreased by an amount of €6.5 million (prior year: increase of €7.8 million) due to potential prepayment fees. For further information about the effect on the Consolidated Statement of Comprehensive Income please refer to section F.8 "Interest Expenses".

For more information on the respective sales programs, we refer to section E.7. "Assets Held for Sale".

The Group is financed long term, but monitors credit terms very closely and intends to refinance at an early stage. As of June 30, 2011, the Group's financial liabilities primarily comprise the following liabilities:

DEBT MATURITY PROFILE AS OF JUNE 30, 2011						6 months ending December 2011	
€ MILLION	Carrying loan amount as of 06-30-2011	Notional loan amount as of 06-30-2011	Weighted average maturity	Current interest rate	Interest rate type	Scheduled repay- ments ⁴⁾	Scheduled maturity ⁵⁾
Term loans ¹⁾	5,030.7	5,013.5	2013	4.11 %	Fixed	39.0	0.0
Term loans ¹⁾	314.4	304.9	2012	5.19 %	Swapped ²⁾	0.5	0.0
Senior debt ³⁾	358.0	434.1	2039	2.37 %	Fixed	24.9	9.1
Revolving credit facility	0.0	0.0	2011	0.00 %	Floating	0.0	0.0
Other	16.1	16.1					
Total	5,719.2	5,768.6	2015	4.04 %		64.4	9.1

¹⁾ The term loans attributable to assets held for sale and sold assets are €39.5 million (€23.2 million thereof relate to assets held for sale and €16.3 million relate to sold assets).

²⁾ In order to reduce the risk of interest rate fluctuation during the lifetime of the loans, we have predominantly hedged the interest rate cost of the loans through interest rate swaps.

³⁾ The repayments in 2011 include an amount of €18.9 million from assets held for sale.

⁴⁾ Regular repayments and releases from sales.

⁵⁾ Loans that are due for repayment or loans for which a new interest rate needs to be fixed and which the Company intends to extend or refinance.

INTEREST PAYMENT (FIX)¹⁾

€ MILLION	Carrying loan amount as of 06-30-2011	Notional loan amount as of 06-30-2011	6 months ending December 2011	2012	2013	2014	2015
Term loans	5,030.7	5,013.5	104.5	211.4	162.3	47.0	0.0
Term loans	314.4	304.9	8.0	6.0	1.9	1.9	1.3
Senior debt	358.0	434.1	5.1	8.8	7.6	6.7	6.3
Revolving credit facility	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	16.1	16.1					
Total	5,719.2	5,768.6	117.6	226.2	171.8	55.6	7.6

¹⁾ Calculated on the assumption that no ending contract will be renewed or extended.

2012		2013		2014		2015		2016		≥ 2017	
Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾
0.0	0.0	0.0	3,382.5	0.0	1,592.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	268.4	0.0	0.0	0.0	0.0	0.0	36.0	0.0	0.0	0.0	0.0
11.8	9.9	11.5	12.3	11.2	14.3	11.1	12.6	11.2	0.0	294.2	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.8	278.3	11.5	3,394.8	11.2	1,606.3	11.1	48.6	11.2	0.0	294.2	0.0

2016	≥ 2017
0.0	0.0
0.0	0.0
5.6	69.5
0.0	0.0
5.6	69.5

DEBT MATURITY PROFILE AS OF DECEMBER 31, 2010

€ MILLION	Carrying loan amount as of 12-31-2010	Notional loan amount as of 12-31-2010	Weighted average maturity	Current interest rate	Fixed or floating rate	2011	
						Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾
Term loans ¹⁾	5,206.0	5,189.2	2013	4.10 %	Fixed	177.5	0.0
Term loans ¹⁾	320.3	306.4	2012	5.19 %	Swapped ²⁾	0.8	0.0
Senior debt ³⁾	368.4	449.5	2039	2.37 %	Fixed	20.3	10.1
Revolving credit facility	100.2	100.0	2011	5.94 %	Floating	100.0	0.0
Other	16.3	16.3					
Total	6,011.2	6,061.4	2015	4.05 %		298.6	10.1

¹⁾ The term loans attributable to assets held for sale and sold assets are €178.3 million (€127.2 million thereof relate to assets held for sale and €51.1 million relate to sold assets).

²⁾ In order to reduce the risk of interest rate fluctuation during the lifetime of the loans, we have predominantly hedged the interest rate cost of the loans through interest rate swaps.

³⁾ The repayments in 2011 include an amount of €8.9 million from assets held for sale.

⁴⁾ Regular repayments and releases from sales.

⁵⁾ Loans that are due for repayment or loans for which a new interest rate needs to be fixed and which the Company intends to extend or refinance.

INTEREST PAYMENT (FIX) ¹⁾

€ MILLION	Carrying loan amount as of 12-31-2010	Notional loan amount as of 12-31-2010	2011	2012	2013	2014	2015
Term loans	5,206.0	5,189.2	215.5	217.3	163.5	47.0	0.0
Term loans	320.3	306.4	16.1	6.0	1.9	1.9	1.3
Senior debt	368.4	449.5	10.4	9.6	8.4	7.5	6.9
Revolving credit facility	100.2	100.0	3.9	0.0	0.0	0.0	0.0
Other	16.3	16.3					
Total	6,011.2	6,061.4	245.9	232.9	173.8	56.4	8.2

¹⁾ Calculated on the assumption that no ending contract will be renewed or extended.

2012		2013		2014		2015		2016		≥ 2017	
Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾	Scheduled repayments ⁴⁾	Scheduled maturity ⁵⁾
0.0	0.0	0.0	3,418.1	0.0	1,593.6	0.0	0.0	0.0	0.0	0.0	0.0
0.0	269.6	0.0	0.0	0.0	0.0	0.0	36.0	0.0	0.0	0.0	0.0
11.8	11.3	11.5	13.6	11.2	15.6	11.1	13.6	11.2	1.0	307.2	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.8	280.9	11.5	3,431.7	11.2	1,609.2	11.1	49.6	11.2	1.0	307.2	0.0

2016	≥ 2017
0.0	0.0
0.0	0.0
6.3	78.5
0.0	0.0
6.3	78.5

The difference between the notional amount and the carrying amount as shown in the Consolidated Statement of Financial Position mainly results from debt discount, amortized transaction costs and interest accruals.

12. OTHER LIABILITIES

The decrease of current other liabilities compared to year-end 2010 mainly relates to a reduction of received prepayments from property sales resulting from the closing of the underlying transactions.

F. Notes to the Consolidated Statement of Comprehensive Income

1. INCOME FROM THE LEASING OF INVESTMENT PROPERTY

Income from the leasing of investment property breaks down as follows:

€ MILLION	H1 2011	H1 2010
Rental income, fees	297.3	317.0
Allocations charged	137.8	140.9
Other	0.5	0.5
Total	435.6	458.4

Income from the leasing of investment property is mainly attributable to the leasing of land with residential buildings. The decrease compared to the prior year is a result of a comparatively smaller portfolio.

Rental income includes non-cash income from the amortization of deferred liabilities of government-granted loans in the amount of €2.8 million (prior year: €2.5 million).

Other income includes, inter alia, rent, interest and expense subsidies, which primarily relate to government allowances to allow lower rent to be charged for subsidized housing.

2. OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

Operating expenses for the generation of rental income break down as follows:

€ MILLION	H1 2011	H1 2010
Real estate operating expenses	129.1	130.8
Repair and maintenance costs	37.0	26.3
Personnel expenses	28.9	30.4
Real estate tax	9.8	10.5
External costs for real estate management	4.0	3.6
Bad debt allowances	3.2	2.7
Administrative expenses	3.1	3.6
Amortization and depreciation on intangible assets and property, plant and equipment	1.2	1.1
Other expenses for real estate management	8.0	7.9
Total	224.3	216.9

Repair and maintenance costs in the first half of 2011 were €37.0 million compared to €26.3 million in the first half of 2010. While the repair and maintenance spent during the first half of 2010 was below average, the expenses during the first half of 2011 are more representative of an appropriate volume for our current portfolio and in line with our expectations for the full year.

3. PROFIT FROM OTHER SERVICES

The profit from other services breaks down as follows:

€ MILLION	H1 2011	H1 2010
Revenues from third-party real estate management	2.5	2.6
External costs for third-party real estate management	- 0.2	- 0.4
Personnel expenses for third-party real estate management	- 1.6	- 1.5
Subtotal third-party real estate management	0.7	0.7
Revenues from other trade	4.8	3.6
External costs for other trade	- 2.2	- 1.5
Personnel expenses for other trade	- 1.4	- 1.1
Subtotal results from other trade	1.2	1.0
Total	1.9	1.7

4. SELLING EXPENSES

Selling expenses break down as follows:

€ MILLION	H1 2011	H1 2010
Personnel expenses	1.9	1.9
General and administrative expenses	1.8	1.3
External brokers	1.6	3.9
Marketing and selling prearrangements	0.4	0.5
Clearing from encumbrances	0.4	0.4
Maintenance on vacant flats and sample flats	0.1	0.4
Notarial charges	0.0	0.5
Other	0.7	0.1
Subtotal	6.9	9.0
Selling expenses due to property development business	0.1	0.0
Total	7.0	9.0

Prior-year expenses for external brokers of €3.9 million were in large part a result of additions to provisions in connection with the sale of large multi-family homes and HB Funds properties.

The general and administrative expenses of €1.8 million (prior year: €1.3 million) mainly result from consulting costs in connection with the sale of investment property related to HB Funds.

5. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses break down as follows:

€ MILLION	H1 2011	H1 2010
Personnel expenses for administrative staff	8.1	9.4
IT costs	3.2	3.4
Consulting costs	1.4	1.1
Audit fees	1.1	1.5
Insurances	0.7	0.7
Costs of office equipment, postage and telephone	0.7	0.7
Occupancy costs	0.4	0.4
Personnel-related costs	0.4	0.3
Amortization and depreciation on intangible assets and fixed assets	0.3	0.7
Travel expenses, expenses for cars	0.3	0.3
Court and lawyers' fees	0.3	0.3
Other	1.8	1.2
Total	18.7	20.0

The decrease in total general and administrative expenses is mainly the result of our ongoing efforts to optimize our cost structure.

6. OTHER OPERATING INCOME AND EXPENSES

All income and expenses not directly allocable to the various categories of income or expenses according to the cost of sales method are disclosed under the items other operating income and other operating expenses, respectively.

Other operating income breaks down as follows:

€ MILLION	H1 2011	H1 2010
Sale of cable network connections	3.5	0.3
Reversal of provisions	1.1	0.2
Transferable leasehold land interest	0.1	0.1
Other	1.3	1.6
Subtotal	6.0	2.2
Other operating income due to property development business	0.5	0.8
Total	6.5	3.0

Other operating expenses break down as follows:

€ MILLION	H1 2011	H1 2010
Additions to provisions for litigation risks	5.0	0.0
Additions to provisions for restitution proceedings	2.6	0.0
Depreciation of the right to the name of Heidenheim soccer stadium	1.3	0.0
Other	1.4	0.9
Subtotal	10.3	0.9
Other operating expenses due to property development business	1.7	1.7
Total	12.0	2.6

The additions to provisions for litigation risks of €5.0 million (prior year: €0.0 million) result from the WOBA lawsuits. For further information we refer to section H.2. “Contingent Liabilities and Other Financial Obligations and Receivables”.

The depreciation of the right to the name of the Heidenheim soccer stadium was recognized in the course of the sale of the right in the second quarter of 2011.

7. REORGANIZATION AND RESTRUCTURING EXPENSES

Reorganization and restructuring expenses relate to our Group’s rationalization of costs and integration of processes as we continue to combine and optimize the operations of the acquired companies and portfolios.

In the first half of 2011, reorganization and restructuring expenses were €8.2 million (prior year: €6.6 million). They split up into reorganization expenses of €8.1 million (prior year: €5.7 million) and restructuring expenses of €0.1 million (prior year: €0.9 million). Of the reorganization expenses in the first half of 2011, €6.3 million are additions to provisions in connection with a cancellation of an outsourcing contract with a maintenance provider allowing GAGFAH GROUP to increasingly insource maintenance services.

8. INTEREST EXPENSES

Interest expenses break down as follows:

€ MILLION	H1 2011	H1 2010
Interest expenses related to loans	120.3	127.1
Present value of loans carried at amortized cost	4.4	3.4
Interest share of pension obligations	2.7	2.6
Amortization of EK02 liability	2.0	2.2
Amortization of transaction costs	1.9	1.9
Prepayment fees	- 1.0	11.3
Other interest expenses	6.7	7.6
Subtotal	137.0	156.1
Interest due to property development business	0.0	0.1
Total	137.0	156.2

The income in connection with prepayment fees of €1.0 million (prior year: expenses of €11.3 million) results from the derecognition of residual liabilities.

9. INCOME TAXES

Income taxes of €11.4 million (prior year: €28.7 million) comprise deferred income tax expenses of €6.6 million (prior year: €27.7 million) and current income tax expenses of €4.8 million (prior year: €1.0 million).

G. Notes to the Consolidated Statement of Cash Flows

Bank balances and cash on hand comprise all cash and cash equivalents disclosed in the Consolidated Statement of Financial Position and break down as follows:

€ MILLION	06-30-2011	12-31-2010	06-30-2010
Cash on hand	0.1	0.1	0.1
Bank balances	73.2	64.8	22.4
Restricted cash	61.1	288.7	101.3
HB Funds balances	13.1	21.9	16.2
Bank balances and cash on hand	147.5	375.5	140.0

The comparative figures referred to as “prior year” in the text below are the amounts as of June 30, 2010.

Restricted cash is mainly composed of the following:

An amount of €29.7 million (prior year: €30.1 million) corresponds to the interest on term loans due but not yet payable until the end of the reporting period.

A further amount of €2.7 million (prior year: €3.5 million) is pledged for guarantee facilities.

As of June 30, 2011, restricted cash also includes an amount of €27.4 million (prior year: €66.0 million) relating to asset sales which can be either used for the repayment of term loans or for the reinvestment in the acquisition of new properties. Thereof, €16.3 million (prior year: €53.7 million) will be used to pay down related debt.

As of the interim reporting date, there were undrawn credit facilities in the amount of €25.0 million (prior year: €151.0 million).

H. Other Notes

1. FINANCIAL RISK MANAGEMENT

The methods of financial risk management have not changed since the last Consolidated Financial Statements. A detailed description of the interest rate, liquidity and credit risks as well as the financial risk management of GAGFAH S.A. is provided in the Notes to the Consolidated Financial Statements for the fiscal year 2010.

On June 30, 2011, the derivative financial instruments used by the Group were option agreements and interest rate swaps and caps to hedge future cash flows from variable-rate loans. Up to now, the remaining amounts have not been designated as being hedging instruments.

Interest rate swaps and caps are accounted for at fair value and disclosed on the assets side under the items “Other financial assets” or on the liabilities side under the item “Financial liabilities”.

Changes of relevant valuation parameters of interest rate swaps and caps

Due to the valuation of the derivatives, interest rate swaps with a negative amount of €7.2 million (prior year: €11.8 million) are disclosed in the balance sheet item “Financial liabilities”.

The following interest rate swaps existed as of the interim reporting date:

€ MILLION	06-30-2011	12-31-2010
Nominal value of interest rate swaps	316.6	316.6
Fair value of interest rate swaps	- 7.2	- 11.8

To control the interest risk of the floating credit agreement concluded in September 2010, which is fully repaid at present, GAGFAH S.A. has also negotiated a cap, the amount and maturity date of which is equal to the aforementioned credit agreement.

The following interest rate caps existed as of the interim reporting date:

€ MILLION	06-30-2011	12-31-2010
Nominal value of interest rate caps	50.0	100.0
Fair value of interest rate caps	0.0	0.0

As of June 30, 2011, the valuation was based on the following term structure:

	06-30-2011	12-31-2010
Interest rate for six months	1.788 %	1.227 %
Interest rate for one year	2.162 %	1.507 %
Interest rate for two years	2.125 %	1.555 %
Interest rate for five years	2.775 %	2.485 %

The residual term of all interest rate derivatives except one interest rate swap is less than 1 year – the same as the residual terms of mirrored global loans.

In the first half of 2011, a total profit of €4.6 million (prior year: a total loss of €0.9 million) from changes in the fair value of the interest rate swaps was recognized through profit or loss under the item “Profit / loss from the fair value measurement of derivatives”.

2. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS AND RECEIVABLES

On March 31, 2011, the City of Dresden has, as announced, filed substantially identical actions against WOBA HOLDING GMBH and certain subsidiaries of WOBA HOLDING GMBH based on alleged breaches of certain obligations under the privatization agreement entered into with the City of Dresden in 2006. The underlying claims amount to €1.08 billion. However, after reviewing the statements of claim, GAGFAH GROUP is convinced that the claims are unfounded and accordingly will defend against the claims.

Legal responses to, as well as requests for dismissal of the Dresden claims have been filed by WOBA Holding GmbH with the Arbitration Court, and by Südost WOBA Dresden GmbH and Wohnbau Nordwest GmbH with the District Civil Court in Dresden. The three WOBA companies have also brought declaratory actions against the City of Dresden.

Through the counter actions, the magnitude of the WOBA companies' claims (arising from the lawsuit filed by the City of Dresden) will also be clarified. The amount of the WOBA companies' successful claim would be decided by the Courts, and as such is not yet finally defined. Preliminary internal estimates set the amount at up to, or in excess of €800 million.

Additionally, WOBA Dresden GmbH is also suing the Dresden Finance Mayor Hartmut Vorjohann personally in the District Civil Court. Mr. Vorjohann is being sued for breach of fiduciary in his function as a member of the WOBA Dresden GmbH Supervisory Board. This suit is also aimed at the City of Dresden, as the City placed Mr. Vorjohann on the Supervisory Board as their representative.

The further remaining obligations and receivables have not changed significantly since year-end 2010. A detailed description on the contingent liabilities and other financial obligations can be found in the Notes to the Consolidated Financial Statements as of December 31, 2010.

3. EMPLOYEES

The average number of employees is presented below, broken down according to GAGFAH's business segments:

	H1 2011		H1 2010	
	Heads	FTEs	Heads	FTEs
Real estate management	1,186	1,133	1,222	1,166
thereof facility management service	672	652	689	663
Real estate sales	28	28	34	33
Other	186	178	214	205
Total	1,400	1,339	1,470	1,404

Including 311 part-time employees (prior year: 331) and 102 trainees (prior year: 105), the total headcount was 1,813 (prior year: 1,906).

4. RELATED PARTY TRANSACTIONS

Major transactions with related parties have been commented on in the Notes to the Consolidated Financial Statements for the last fiscal year. There were no related party transactions within the first half of 2011.

5. MANAGEMENT

On January 25, 2011, Stephen Charlton was appointed as a member of the Senior Management of the Company's subsidiaries as Chief Financial Officer (CFO).

6. CASH DIVIDEND

The dividend for the fourth quarter of 2010 amounting to €22.3 million was paid on April 12, 2011.

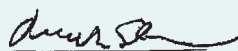
In order to retain additional flexibility and financial resources within the business and to support the Company's property investment and financing objectives, the Board has made the decision not to pay an interim dividend for the second quarter of 2011.

7. SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING DATE

On July 31, 2011, GAGFAH S.A. published an ad-hoc notification, announcing the end of the share buyback program that had commenced on December 08, 2010. A total of 5,632,247 shares (approximately 2.5 % of the issued share capital) were repurchased at an average price of €6.78 for a total consideration of €38,197,689.09 (excluding incidental acquisition costs). GAGFAH S.A. reserves the right to resume share buybacks in the same or in a different form.

Financial Statement Certification

To the best of our knowledge, we hereby confirm that, in accordance with the applicable generally accepted reporting standards, the Interim Consolidated Financial Statements reflect the true asset, financial, and earnings situation of the Group and that the Directors' Report is a true and fair representation of the business development including the income and general situation of the Group and that the material risks and opportunities regarding the expected development of the Group for the remainder of the fiscal year have been described therein.



Wesley R. Edens



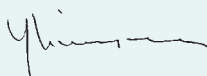
Robert I. Kauffman




Randal A. Nardone



William J. Brennan



Yves Wagner, PhD



Dieter H. Ristau



Dr. Jürgen Allerkamp

Luxembourg, August 9, 2011

Glossary

CAPEX

Work on a building or an apartment that leads to value enhancements. Capex can be capitalized and does not impact the statement of comprehensive income.

CBRE

CB Richard Ellis GmbH (CBRE) is an independent appraiser that we use for the external valuation of our portfolio.

CONDO SALES PROGRAM

Sale of individual apartments (“privatization”) or small multi-family homes to tenants or small investors.

FUNDS FROM OPERATIONS (FFO) PER SHARE

FFO per share is calculated as total FFO divided by the undiluted weighted average number of shares for the respective period.

HB FUNDS

The HB Funds are comprised of 20 closed-end real estate funds. All units held in these funds are non-core and therefore not part of GAGFAH’s core residential portfolio. The sale of the HB Funds assets was initiated in 2010, and out of a total of initially 7,130 units, 4,991 have already been sold as of June 30, 2011. The remaining 2,139 units are held in 13 different HB Funds. The HB Funds are structured in a legal form of “economic fractional ownership” in which GAGFAH holds the majority of shares. GAGFAH M, one of GAGFAH S.A.’s operating subsidiaries, acts as trustee and manager of the funds.

LARGE MULTI-FAMILY HOME SALES PROGRAM

Sale of entire buildings or clusters of buildings to institutional / professional investors.

MANAGEMENT COST PER UNIT / COST TO MANAGE

The annualized average cost for managing one unit for one year. This number includes the costs directly associated with the management of our units, but does not include any repairs and maintenance costs.

NET ASSET VALUE (NAV) PER SHARE

NAV per share is calculated as shareholders’ equity plus deferred taxes on investment properties and assets held for sale divided by the number of shares outstanding (excluding treasury shares) as of the interim reporting date.

NET COLD RENT

Also called “in-place rent”. Net cold rent represents the amount of rent that could be produced assuming no vacancies or collection losses occur.

RECOVERABLE OPERATING EXPENSES

Recoverable operating expenses are expenses incurred in connection with managing our properties and can be charged back to our tenants. These expenses include public charges on the property, such as

- real estate tax
- water supply / sewage
- drainage
- heating
- warm water
- maintenance of escalators
- street cleaning and garbage removal
- snow removal
- building cleaning
- gardening
- lighting
- chimney cleaning
- insurances
- caretakers

REPAIRS AND MAINTENANCE (R & M)

The work that is done for fixing or upkeeping an apartment. R&M expenses are not capitalized.

SAME STORE BASIS

Residential units GAGFAH owned at both dates: As of December 31, 2010, and June 30, 2011.

VACANCY

A unit is considered vacant if there is no valid lease agreement in place as of the respective date. Not included are non-core units.



IMPRINT:

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CONCEPT / DESIGN:

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