

GAGFAH



Interim Report

as of March 31, 2010

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 more than 162,000 apartments, GAGFAH is the largest German listed residential property company.

Highlights

- **PROFIT FROM THE LEASING OF INVESTMENT PROPERTY** of €124.9 million in the first quarter of 2010, from €127.2 million in the first quarter of 2009 on a weighted average of approximately 8,200 fewer units. On an average per unit basis, the profit from the leasing of investment property increased by 3.1%.
- **NAV** of €12.52 per share and gross asset value of €844 per square meter as of March 31, 2010.
- **FFO** of €0.21 per share or €46.6 million in the first quarter of 2010.
- **QUARTERLY DIVIDEND** for the first quarter of 2010 of €0.20 per share will be paid on June 11, 2010.

RENTS

- Our rental growth rate was 1.0% annualized for the first quarter of 2010 on a same store basis¹⁾.

GAGFAH S.A. SHARES AS OF MARCH 31, 2010

ISIN	LU0269583422
Total market cap. (€ million)	1,498.3
Industry group	Real Estate
Number of shares (million)	225.9
Listing	Frankfurt Stock Exchange
Major indices memberships	MDAX, EPRA, GPR

PROPERTY SALES

- In the first quarter of 2010, we sold incrementally through our condo sales²⁾ channel 305 units at a margin of 23% for a total value of €21.2 million and a net cold rent multiple of 17.5.
- In addition, we closed the sale of 2,770 units for a total value of €116.0 million in Q1 2010 that were previously contracted for sale as at year end 2009.

VACANCY

- Our vacancy rate increased to 5.4% at the end of Q1, in part due to severe weather conditions. We anticipate being at our target vacancy rate of approximately 5.0% by mid year.
- Excluding units held for condo sales, our vacancy rate was at 5.3%.

COST

- Management cost per unit broadly stable at €393 on a basis of approximately 8,200 fewer units.
- We intend to continue to focus on optimizing our cost per unit and overall SG&A expenses.

¹⁾ Same store basis: Residential units GAGFAH owned at both dates: As of December 31, 2009, and as of March 31, 2010.

²⁾ Privatization / small multi-family homes.

Key Financial Information

Financial Figures

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ MILLION	Q1 2010	Q1 2009	Q4 2009
Income from the leasing of investment property	220.5	244.3	227.1
Profit from the leasing of investment property	124.9	127.2	114.4
Profit from the sale of investment property	5.5	5.1	9.4
Loss from fair value measurement	- 2.1	- 19.2	- 51.2
EBITDA	115.5	91.8	73.5
EBIT	107.9	89.7	55.8
EBT	26.8	4.8	- 20.7
FFO	46.6	48.7	55.5
FFO in € per share	0.21	0.22	0.25

GROUP CAPITALIZATION

	03-31-2010 € million	03-31-2010 %	12-31-2009 € million	12-31-2009 %
Total equity	2,424.1	25.3	2,457.7	25.2
Financial liabilities	6,323.9	66.0	6,525.3	66.7
Other liabilities	830.5	8.7	794.3	8.1
Total equity and liabilities	9,578.5	100.0	9,777.3	100.0

OPERATIONAL FIGURES

	Q1 2010	Q1 2009	Q4 2009
Group residential portfolio			
Units	162,528	171,926	165,789
Sqm	9,821,193	10,371,528	10,008,818
Net cold rent / sqm (in €)	5.03	4.97	5.02
Vacancy rate (in %)	5.4	4.5	4.9
Sold units	3,075	217	3,983

FFO is a non-IFRS financial measure used by our Group's management to report the funds generated from continuing 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.

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

FUNDS FROM OPERATIONS – FFO			
€ MILLION	Q1 2010	Q1 2009	Q4 2009
EBIT	107.9	89.7	55.8
Reorganization and restructuring expenses	6.6	1.0	16.6
Depreciation and amortization	1.0	1.1	1.1
EBITDA	115.5	91.8	73.5
Loss from fair value measurement	2.1	19.2	51.2
Realized valuation gains through sales	1.0	1.9	12.8
Income/expenses for share-based remuneration	0.7	0.6	-0.6
Net interest expenses (periodical)	-75.3	-72.8	-79.3
Current tax expenses	-0.7	-0.4	-7.7
Property development projects	0.2	2.1	-1.5
Elimination large multi-family home sales program	1.7	n / a	2.3
Other	1.4	6.3	4.8
FFO	46.6	48.7	55.5
FFO in € per share	0.21	0.22	0.25

Residential Property Portfolio ¹⁾

Our portfolio is located in over 350 towns and cities 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 per sqm	Average unit size per sqm	Fully-let rent annualized in € million	In % of total	In-place rent per month and sqm (€)	Market rent per month and sqm (€) ²⁾	Vacant %
Dresden	40,283	20.9 %	2,267,716	56	127.4	19.1 %	4.68	4.98	6.4 %
Berlin	24,126	13.4 %	1,449,642	60	85.6	12.8 %	4.92	5.37	3.0 %
Hamburg	9,422	5.6 %	606,430	64	39.0	5.8 %	5.36	6.38	0.6 %
Hannover	6,074	3.5 %	384,222	63	25.2	3.8 %	5.47	5.79	6.2 %
Heidenheim	4,721	2.7 %	294,521	62	18.9	2.8 %	5.34	5.76	11.8 %
Bielefeld	4,171	2.6 %	276,404	66	14.5	2.2 %	4.37	4.70	2.1 %
Osnabrück	3,503	2.0 %	216,806	62	13.2	2.0 %	5.06	5.46	3.4 %
Braunschweig	3,229	1.8 %	198,615	62	12.2	1.8 %	5.11	5.52	2.5 %
Zwickau	3,087	1.6 %	172,790	56	8.6	1.3 %	4.16	4.28	17.3 %
Essen	2,353	1.4 %	155,189	66	9.8	1.5 %	5.28	5.82	6.8 %
Köln	2,303	1.6 %	175,680	76	13.4	2.0 %	6.34	6.99	2.7 %
Freiburg	1,857	1.2 %	124,626	67	8.8	1.3 %	5.89	6.51	1.9 %
Düsseldorf	1,681	0.9 %	97,652	58	8.0	1.2 %	6.79	6.91	1.7 %
Iserlohn	1,678	1.0 %	106,085	63	5.6	0.8 %	4.43	4.79	4.5 %
Bocholt	1,590	0.9 %	95,178	60	5.5	0.8 %	4.84	5.46	3.4 %
Bremen	1,558	0.9 %	98,879	63	5.8	0.9 %	4.91	5.38	7.4 %
Frankfurt am Main	1,542	0.8 %	84,471	55	7.4	1.1 %	7.25	8.03	1.0 %
Duisburg	1,408	0.9 %	95,354	68	5.1	0.8 %	4.42	4.89	18.1 %
Leverkusen	1,404	0.8 %	89,835	64	5.8	0.9 %	5.40	5.82	2.8 %
Göttingen	1,356	0.7 %	77,434	57	4.8	0.7 %	5.13	5.16	0.4 %
Subtotal									
Top 20 cities	117,346	65.3 %	7,067,527	60	424.6	63.6 %	5.01	5.50	5.1 %
Other cities	45,182	25.4 %	2,753,666	61	168.8	25.4 %	5.11	5.54	6.2 %
Total core residential property portfolio	162,528	90.7 %	9,821,193	60	593.4	89.0 %	5.03	5.52	5.4 %
Other ³⁾	n/m	9.3 %	1,008,866	n/m	73.7	11.0 %	n/m	n/m	29.3
		100.0 %	10,830,059		667.1	100.0 %			

¹⁾ GAGFAH property information as of March 31, 2010.

²⁾ Market rents were determined by CBRE.

³⁾ Includes HB-Funds, commercial properties, garages and senior homes.

Consolidated Statement of Comprehensive Income

€ MILLION	Q1 2010	Q1 2009	Q4 2009
Income from the leasing of investment property	220.5	244.3	227.1
Transferable leasehold land interest	- 0.6	- 0.5	- 0.6
Operating expenses for the generation of rental income (excluding share-based remuneration)	- 95.0	- 116.6	- 112.1
Profit from the leasing of investment property	124.9	127.2	114.4
Income from the sale of investment property	137.2	18.9	192.9
Carrying amount of the investment property sold	- 131.7	- 13.8	- 183.5
Profit from the sale of investment property	5.5	5.1	9.4
Loss from fair value measurement	- 2.1	- 19.2	- 51.2
Income from the sale of property development projects	1.7	1.5	0.5
Carrying amount of the property development projects sold	- 1.3	- 0.7	- 0.4
Profit from the sale of property development projects	0.4	0.8	0.1
Profit from other services	0.8	0.2	1.8
Selling expenses (excluding share-based remuneration)	- 3.7	- 2.9	- 4.9
General and administrative expenses (excluding share-based remuneration)	- 10.7	- 11.5	- 10.4
Expenses / income for share-based remuneration	- 0.7	- 0.6	0.6
Other operating income	1.2	1.6	18.3
Other operating expenses	- 1.1	- 9.9	- 5.7
Profit from operations before reorganization and restructuring expenses	114.5	90.8	72.4
Reorganization and restructuring expenses	- 6.6	- 1.0	- 16.6
Profit from operations	107.9	89.8	55.8
Loss from other financial assets	0.0	- 0.1	0.0
Earnings before interest and taxes (EBIT)	107.9	89.7	55.8
Interest expenses (periodical)	- 78.3	- 73.4	- 78.1
Interest expenses (refinancing)	0.0	- 0.2	- 0.4
Interest income (periodical)	0.2	0.6	0.1
Other financial expenses	- 0.5	- 0.1	- 0.4
Loss / profit from the fair value measurement of derivatives	- 2.5	- 11.8	2.3
Net financing expenses	- 81.1	- 84.9	- 76.5
Earnings before taxes (EBT)	26.8	4.8	- 20.7
Income taxes	- 14.5	- 13.0	13.2
Net profit / loss (Total comprehensive income)	12.3	- 8.2	- 7.5
Net profit / loss (Total comprehensive income) attributable to:			
Minority interests	0.8	- 3.7	- 3.0
Shareholders of the parent company	11.5	- 4.5	- 4.5
Weighted average number of shares (undiluted) in million	225.9	225.7	225.8
Weighted average number of shares (diluted) in million	228.6	226.3	228.0
Earnings per share (in €)	0.05	- 0.02	- 0.02
Diluted earnings per share (in €)	0.05	- 0.02	- 0.02

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

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

€ MILLION	Q1 2010	Q1 2009	Q4 2009
Rental income, fees	160.0	168.3	166.2
Allocations charged	60.3	75.5	59.7
Other	0.2	0.5	1.2
Total	220.5	244.3	227.1

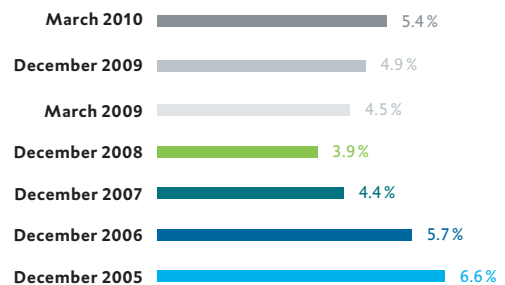
Income from the leasing of investment property includes rental income, allocations charged and rents from subsidized apartments. In the first quarter of 2010, our income from the leasing of investment property decreased slightly by 2.9 % to €220.5 million from €227.1 million in the fourth quarter of 2009 and by 9.7 % from €244.3 million in the first quarter of 2009.

Approximately 73 % of such income was attributable to rental income. The decrease in rental income between the first quarters of 2009 and 2010 is mainly due to an average of 4.8 % or 8,200 fewer units during that period. Rental income mainly consists of net cold rent, which grew on a same store basis by 0.2 % to €5.03 per square meter since December 31, 2009, or 1.0 % on an annualized basis.

Approximately 27 %, or €60.3 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 to tenants. The decline compared to Q1 2009 is mainly due to lower expenses for utility bills and 8,200 fewer units on average.

Rental income is net of vacancy. Our overall vacancy rate for the first quarter of 2010 was at 5.4 %, higher than at the end of Q4 2009, in part due to severe weather conditions in January and February 2010. We anticipate being at our target vacancy rate of ca. 5 % by mid year.

VACANCY



OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

In the first quarter of 2010, our operating expenses for the generation of rental income totaled €95.0 million, a decrease of 18.5 % as compared to €116.6 million for the first quarter of 2009.

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

€ MILLION	Q1 2010	Q1 2009	Q4 2009
Real estate operating expenses	55.3	66.7	60.4
Real estate tax	5.1	5.7	5.0
Operating expenses recoverable from tenants	60.4	72.4	65.4
Maintenance costs	9.9	15.7	16.9
Personnel expenses	15.6	15.4	15.4
Bad debt allowances	0.0	2.5	4.4
External costs for real estate management	1.6	2.8	1.8
Administrative expenses	1.8	1.9	2.2
Real estate operating expenses	1.0	1.2	1.8
Real estate tax	0.0	0.0	0.1
Amortization and depreciation on intangible assets and property, plant and equipment	0.5	0.5	0.5
Other	4.2	4.2	3.6
Non-recoverable operating expenses	34.6	44.2	46.7
Operating expenses for the generation of rental income	95.0	116.6	112.1

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

Operating expenses recoverable from our tenants decreased to €60.4 million in the first quarter of 2010, from €72.4 million in Q1 2009. The decrease is primarily attributable to lower utility bills and to a lower extent a smaller portfolio overall. Non-recoverable operating expenses decreased to €34.6 million in the first quarter of 2010 from €44.2 million in the first quarter of 2009.

Maintenance costs in Q1 2010 were at €9.9 million compared to €15.7 million in Q1 2009, as a result of a smaller portfolio, a more focused spending approach including the optimization of our cost of reletting vacant units, as well as the continued trend of doing more work in-house. Q1 2010 was comparatively low on average, and for the full year 2010 we expect maintenance costs to be in line with previous year's levels. In the course of 2009, we were able to cut our reletting costs from about €2,000 to about €1,000 per turn. Furthermore, we continue to benefit from the modernizations and refurbishments in previous years.

Personnel expenses in the first quarter of 2010 were broadly stable at €15.6 million, compared to Q1 2009 and Q4 2009 (€15.4 million), even though we have increased our internal staff for maintenance and gardening work to be able to respond to our tenants' needs more quickly and to keep a higher share of that type of work in-house.

External costs for real estate management include marketing expenses in connection with GAGFAH's leasing of rental units and totaled €1.6 million in Q1 2010, after €2.8 million in Q1 2009.

Other operating expenses for the generation of rental income were at €4.2 million in Q1 2010 and thus in line with Q1 2009.

PROFIT FROM THE LEASING OF INVESTMENT PROPERTY

The profit from the leasing of investment property was €124.9 million in Q1 2010, up 9.2 % from €114.4 million in Q4 2009 and only slightly down by 1.8 % from €127.2 million in Q1 2009 in spite of an average of approximately 8,200 fewer units year on year. The decline is largely the result of lower operating expenses for the generation of rental income. Per average unit, profit from the leasing of investment property increased by 3.1 % for the first quarter of 2010 as compared to the first quarter of 2009.

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	Q1 2010	Q1 2009	Q4 2009
Rental income, fees	160.0	168.3	166.2
Allocations charged	60.3	75.5	59.7
Other	0.2	0.5	1.2
Income from the leasing of investment property	220.5	244.3	227.1
Transferable leasehold land interest	- 0.6	- 0.5	- 0.6
Operating expenses for the generation of rental income	- 95.0	- 116.6	- 112.1
Profit from the leasing of investment property	124.9	127.2	114.4

SALE OF INVESTMENT PROPERTY

In the first quarter of 2010, we sold a total of 3,075 units for €137.2 million.

Through our condo sales channel, which excludes units of our large multi-family home sales program, we sold 305 units for a total of €21.2 million or €69,509 per unit at a net cold rent multiplier of 17.5 and a margin of 23 %.

The net profit from the sale of investment property is the excess of income from the sale of investment property over the carrying amounts of the investment property sold. Recognizing disposition costs, such as external broker fees, capex (pro rata) and marketing costs, net profit from the condo sales program was as follows:

	Q1 2010	Q1 2009	Q4 2009
Sold units	305	217	1,143
Sold sqm	21,833	13,848	70,426

	Q1 2010 € million	Q1 2010 € per unit	Q1 2010 € per sqm
Gross disposition proceeds	21.2	69,509	971
Book value ¹⁾	- 14.7	- 48,033	- 671
Disposition costs ²⁾	- 2.5	- 8,264	- 115
Net profit	4.0	13,212	185
Net profit margin	23 %	23 %	23 %

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.

Of the total of 5,977 units for €257.4 million contracted for sale in our large multi-family home sales program as of Q4 2009, we closed the sale of 2,770 units in Q1 2010. The closing of the remaining 3,207 units will be completed during the course of this year.

LOSS FROM FAIR VALUE MEASUREMENT

The value of our investment properties including assets held for sale amounts to €9,155.6 million or a net cold rent multiplier of 13.7 as of March 31, 2010. Our IAS 40 valuations for the investment properties indicated a net loss from fair value measurement of €2.1 million.

Our 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 computed 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.

The cash flows for the detailed planning period are discounted with a weighted average discount rate of 5.54 % (5.45 % in Q1 2009), which is determined on the basis of discount rates for each property. The present values of the individual property cash flows are then aggregated and the net present value is added, resulting in the total value. Given the large and diverse nature of our portfolio, our aim is to verify the value of each of our investment properties by an independent third-party appraiser on a rolling basis over a period of four years. In 2009, CB Richard Ellis GmbH confirmed the values of 45 % of GAGFAH'S portfolio.

LOSS / PROFIT FROM PROPERTY DEVELOPMENT PROJECTS

Property development projects are discontinued operations, and GAGFAH is in the process of winding down this part of the business by selling the remaining property development projects. The earnings before taxes (EBT) contribution of the property development projects was as follows:

€ MILLION	Q1 2010	Q1 2009	Q4 2009
Income from the sale of property development projects	1.7	1.5	0.5
Carrying amount of property development projects sold	- 1.3	- 0.7	- 0.4
Profit from the sale of property development projects	0.4	0.8	0.1
Other operating income	0.2	0.1	4.5
Other operating expenses	- 0.7	- 2.7	- 2.6
Earnings before interest and taxes (EBIT)	- 0.1	- 1.8	2.0
Net interest expenses	- 0.1	- 0.3	- 0.5
Net loss / profit	- 0.2	- 2.1	1.5

OTHER INCOME AND EXPENSE ITEMS

Other income and expense items for our Group totaled a net expense of €14.2 million in the first quarter of 2010, as compared to a net expense of €23.1 million in the first quarter of 2009.

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

€ MILLION	Q1 2010	Q1 2009	Q4 2009
Profit from other services	0.8	0.2	1.8
Selling expenses	- 3.7	- 2.9	- 4.9
General and administrative expenses	- 10.7	- 11.5	- 10.4
Expenses /income for share-based remuneration	- 0.7	- 0.6	0.6
Other operating income	1.2	1.6	18.3
Other operating expenses	- 1.1	- 9.9	- 5.7
Total	- 14.2	- 23.1	- 0.3

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 quarter of 2010, selling expenses increased to €3.7 million, from €2.9 million in the first quarter of 2009, which is largely attributable to the increased sales activities in connection with the multi-family home sales program.

General and administrative expenses mainly consist of personnel costs, IT costs, consulting fees, depreciation and office costs. These expenses were at €10.7 million in

Q1 2010 and thus in line with Q4 2009 (€10.4 million) and down by 7.0 % from Q1 2009 (€11.5 million).

Expenses and income for share-based remuneration mainly relate to option programs for GAGFAH Management. At €0.7 million, the expenses for share-based remuneration were basically on the same level as in Q1 2009.

All income not directly allocable to the various functional areas is disclosed under other operating income. In the first quarter of 2010, other operating income decreased slightly to €1.2 million from €1.6 million in the prior year.

Other operating expenses declined significantly to €1.1 million in Q1 2010 from €9.9 million in the prior year, which included a one-off effect of €6.1 million relating to the deconsolidation of a disposal group.

MANAGEMENT COST PER UNIT

As a result of our reorganization activities and focus on cost efficiencies, our average management cost per unit was broadly stable at €393 in the first quarter of 2010, compared to €391 in 2009, in spite of approximately 8,200 fewer units on average. Management cost include all costs associated with the management of our units, but they do not include any repairs and maintenance costs.

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 quarter of 2010, reorganization and restructuring expenses were €6.6 million (prior year: €1.0 million), which are mainly one-off compensation payments relating to an amendment of an outsourcing contract.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

In the first quarter of 2010, our EBIT was €107.9 million, up 20.3 % from €89.7 million in the first quarter of 2009.

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 loss / profit from the fair value measurement of derivatives.

The increase of interest expenses (periodical) to €78.3 million in Q1 2010 from €73.4 million in Q1 2009 is primarily attributable to prepayment fees and non-cash expenses related to asset sales. Net of these effects, interest expenses mainly related to term loans decreased from €64.8 million in Q1 2009 to €63.5 million in Q1 2010. The decrease of cash interest expense results from the paydown of €342.2 million of debt mainly related to sales, partly compensated by a scheduled interest rate step-up in one of the debt facilities.

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

€ MILLION	Q1 2010	Q1 2009	Q4 2009
Interest expenses (periodical)	- 78.3	- 73.4	- 78.1
Interest expenses (refinancing)	0.0	- 0.2	- 0.4
Total interest expenses	- 78.3	- 73.6	- 78.5
Interest income (periodical)	0.2	0.6	0.1
Other financial expenses	- 0.5	- 0.1	- 0.4
Loss / profit from the fair value measurement of derivatives	- 2.5	- 11.8	2.3
Net financing expenses	- 81.1	- 84.9	- 76.5

EARNINGS BEFORE TAXES (EBT)

In the first quarter of 2010, our Group's EBT was €26.8 million, as compared to €4.8 million in the first quarter of 2009. Earnings before taxes are computed as earnings before interest and taxes (EBIT) of €107.9 million reduced by net financing expenses of €81.1 million.

INCOME TAXES

Income taxes for the first quarter of 2010 were at €14.5 million (first quarter of 2009: €13.0 million) and included deferred tax expenses of €13.8 million (first quarter of 2009: €12.6 million) and effective income tax expenses of €0.7 million (first quarter of 2009: €0.4 million).

NET ASSET VALUE (NAV)

NAV per share decreased to €12.52 as of March 31, 2010. The loss from the fair value measurement of investment properties was €2.1 million, or 0.02 % on a total value of €9,289.3 million as of December 31, 2009. The remaining decline results from lower shareholders' equity.

€ MILLION	03-31-2010	12-31-2009
Shareholders' equity	2,339.9	2,373.1
Deferred taxes on investment properties and assets held for sale	487.5	473.2
NAV	2,827.4	2,846.3
NAV per share (€)	12.52	12.60

Financial Position

As of March 31, 2010, and December 31, 2009, the Group's equity and liabilities were as follows:

	03-31-2010 € million	03-31-2010 %	12-31-2009 € million	12-31-2009 %
Total equity	2,424.1	25.3	2,457.7	25.2
Financial liabilities	6,323.9	66.0	6,525.3	66.7
Other liabilities	830.5	8.7	794.3	8.1
Total equity and liabilities	9,578.5	100.0	9,777.3	100.0

As of March 31, 2010, the Group's financial liabilities primarily consisted of the following liabilities:

€ MILLION	Carrying amount as of 03-31-2010	Notional amount as of 03-31-2010	Weighted average maturity	Current interest rate	Fixed or floating rate
Term loans	5,384.9	5,379.0	2013	4.08 %	Fixed
Term loans	331.5	311.3	2012	1.76 %	Floating ¹⁾
Senior debt	409.0	485.5	2037	2.40 %	Fixed
Revolving credit facility	165.2	165.0	2010	2.85 %	Floating
NILEG other ²⁾	16.4	16.4	2011	2.17 %	Floating
Other	16.9	16.9			
Total	6,323.9	6,374.1	2015	3.79 %	

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

²⁾ Relates mainly to land developments pre-sold to local municipalities.

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

Net Assets

The balance sheet of the GAGFAH Group breaks down as follows:

€ MILLION	03-31-2010	12-31-2009
Non-current assets	9,054.4	9,089.2
Current assets	349.6	413.7
Assets held for sale	174.5	274.4
Total assets	9,578.5	9,777.3
Equity	2,424.1	2,457.7
Non-current liabilities	6,441.6	6,442.2
Current liabilities	712.8	877.4
Total equity and liabilities	9,578.5	9,777.3

Non-current assets amount to €9,054.4 million, of which 99.2 % relate to investment property. In 2009, independent third-party appraisers from CB Richard Ellis GmbH confirmed the values of 45 % of GAGFAH's portfolio.

Current assets amount to €349.6 million, of which 60.2 % are bank balances and cash on hand (€210.3 million) and 13.3 % are inventories (€46.4 million).

Non-current liabilities of €6,441.6 million make up 90.0 % of total liabilities and mainly comprise financial liabilities of €5,888.5 million and deferred tax liabilities of €244.8 million.

Significant Events after the Interim Reporting Date

Stefan de Greiff was appointed as Chief Investment and Sales Officer and Member of the Senior Management of the Company's major operational subsidiaries with effect from April 1, 2010.

Dividends

GAGFAH has declared a dividend for the first quarter of 2010 of €0.20 per share, payable on June 11, 2010, to holders of record of GAGFAH S.A. shares on May 28, 2010. The shares of GAGFAH S.A. will be ex-dividend for the first quarter 2010 dividend on May 31, 2010.

Outlook

GAGFAH has had a solid start into the new year. Our core rental business continues to perform well and our efforts of further optimizing our cost structures are paying off. Furthermore, the demand in the private market for residential assets remains strong, and buyers are able to finance home purchases at attractive conditions. Our financial structure is stable with more than 90 % of GAGFAH's debt contractually maturing in 2013 and beyond.

Opportunity and Risk Report

There are no significant changes to the risks and opportunities reported in the presentation of Financial Risk Management in the 2009 Annual Report.

Forward-looking Statements

This interim report contains statements that constitute forward-looking statements. Such forward-looking statements relate to, among other things, future commitments to acquire real estate and achievement of acquisition targets, timing of completion of acquisitions and the operating performance of our investments. Forward-looking 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, May 11, 2010
The Board of Directors of GAGFAH S.A.

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Consolidated Balance Sheet

as of March 31, 2010

ASSETS			
€ MILLION	Notes	03-31-2010	12-31-2009
Non-current assets			
Intangible assets	E.1.	26.8	27.1
Investment property	E.2.	8,981.1	9,014.9
Property, plant and equipment	E.3.	41.0	41.5
Other financial assets	E.4.	3.9	3.9
Receivables	E.5.	0.9	0.9
Other assets		0.7	0.9
		9,054.4	9,089.2
Current assets			
Inventories	E.6.	46.4	47.5
Receivables	E.5.	36.2	76.7
Other assets		47.2	44.7
Current tax claims	E.7.	9.5	8.6
Bank balances and cash on hand	E.8.	210.3	236.2
		349.6	413.7
Assets held for sale	E.9.	174.5	274.4
Total assets		9,578.5	9,777.3

EQUITY AND LIABILITIES			
€ MILLION	Notes	03-31-2010	12-31-2009
Equity	E.10.		
Subscribed capital		282.4	282.4
Share premium		1,358.9	1,358.4
Legal reserve		28.2	28.2
Revenue reserves		670.4	704.1
Equity attributable to the shareholders of the parent company		2,339.9	2,373.1
Minority interests		84.2	84.6
Total equity		2,424.1	2,457.7
Liabilities			
Non-current liabilities			
Liabilities to minority shareholders		4.8	4.3
Pension provisions		108.6	108.5
Other provisions	E.11.	9.2	9.0
Liabilities from income tax	E.12.	90.8	89.7
Deferred tax liabilities	E.13.	244.8	231.1
Financial liabilities	E.14.	5,888.5	5,906.2
Other liabilities	E.15.	6.6	4.0
Deferred liabilities of government-granted loans		88.3	89.4
		6,441.6	6,442.2
Current liabilities			
Pension provisions		6.5	6.5
Other provisions	E.11.	54.8	57.9
Liabilities from income tax	E.12.	46.4	47.3
Financial liabilities	E.14.	435.4	619.1
Other liabilities	E.15.	165.5	142.3
Deferred liabilities of government-granted loans		4.2	4.3
		712.8	877.4
Total liabilities		7,154.4	7,319.6
Total equity and liabilities		9,578.5	9,777.3

Consolidated Statement of Comprehensive Income

for the period from January 1 to March 31, 2010

€ MILLION	Notes	Q1 2010	Q1 2009
Income from the leasing of investment property	F.1.	220.5	244.3
Transferable leasehold land interest		- 0.6	- 0.5
Operating expenses for the generation of rental income (excluding share-based remuneration)	F.2.	- 95.0	- 116.6
Profit from the leasing of investment property		124.9	127.2
Income from the sale of investment property		137.2	18.9
Carrying amount of the investment property sold		- 131.7	- 13.8
Profit from the sale of investment property		5.5	5.1
Loss from fair value measurement		- 2.1	- 19.2
Income from the sale of property development projects		1.7	1.5
Carrying amount of the property development projects sold		- 1.3	- 0.7
Profit from the sale of property development projects		0.4	0.8
Profit from other services	F.3.	0.8	0.2
Selling expenses (excluding share-based remuneration)	F.4.	- 3.7	- 2.9
General and administrative expenses (excluding share-based remuneration)	F.5.	- 10.7	- 11.5
Expenses for share-based remuneration		- 0.7	- 0.6
Other operating income	F.6.	1.2	1.6
Other operating expenses	F.6.	- 1.1	- 9.9
Profit from operations before reorganization and restructuring expenses		114.5	90.8
Reorganization and restructuring expenses	F.7.	- 6.6	- 1.0
Profit from operations		107.9	89.8
Loss from other financial assets		0.0	- 0.1
Earnings before interest and taxes (EBIT)		107.9	89.7
Interest expenses (periodical)	F.8.	- 78.3	- 73.4
Interest expenses (refinancing)		0.0	- 0.2
Interest income (periodical)		0.2	0.6
Other financial expenses		- 0.5	- 0.1
Loss from the fair value measurement of derivatives	F.8.	- 2.5	- 11.8
Net financing expenses		- 81.1	- 84.9
Earnings before taxes (EBT)		26.8	4.8
Income taxes	F.9.	- 14.5	- 13.0
Net profit / loss (Total comprehensive income)		12.3	- 8.2
Net profit / loss (Total comprehensive income) attributable to:			
Minority interests		0.8	- 3.7
Shareholders of the parent company		11.5	- 4.5
Weighted average number of shares (undiluted)		225.9	225.7
Weighted average number of shares (diluted)		228.6	226.3
Earnings per share (in €)		0.05	- 0.02
Diluted earnings per share (in €)		0.05	- 0.02

Consolidated Cash Flow Statement ¹⁾

for the period from January 1 to March 31, 2010

€ MILLION	Q1 2010	Q1 2009
Net profit / loss	12.3	- 8.2
Change in the value of investment property	2.1	19.2
Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment	1.0	1.0
Gains on the disposal of investment property	- 5.5	- 5.1
Other non-cash income / expenses	13.1	25.5
Change in provisions, pension provisions and deferred liabilities of government-granted loans	- 4.9	- 1.7
Change in deferred taxes	13.8	12.6
Change in working capital	13.4	- 11.1
Cash flows from operating activities²⁾	45.3	32.2
Cash received from the sale of investment property and assets held for sale	141.9	86.2
Cash paid for investment property – reinvestment	0.0	0.0
	187.2	118.4
Cash paid for investment property – acquisition and modernization	- 0.1	- 6.9
Cash paid for investments in intangible assets and property, plant and equipment	- 0.3	- 0.8
Cash flows from investing activities	141.5	78.5
Cash paid to minority interests	- 1.2	- 1.5
Cash repayments of financial liabilities	- 211.4	- 91.8
Interest and cost paid for refinancing	- 0.1	- 0.6
Cash flows from financing activities	- 212.7	- 93.9
Change in cash and cash equivalents	- 25.9	16.8
Bank balances, cash on hand and securities at the beginning of the year	236.2	176.4
Bank balances and cash on hand at the interim reporting date	210.3	193.2

¹⁾ For further information, please refer to section G.

²⁾ Operating cash flow includes taxes paid of €1.3 million (prior year: taxes paid €0.5 million), interest paid of €68.2 million (prior year: €67.5 million) and interest received of €0.2 million (prior year: €1.2 million).

Statement of Changes in Consolidated Equity

for the period from January 1 to March 31, 2010

€ MILLION							
	Subscribed capital	Share premium	Legal reserve	Revenue reserves	Equity attributable to the shareholders of the parent company	Minority 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	11.5	11.5	0.8	12.3
Share-based remuneration	0.0	0.5	0.0	0.0	0.5	0.0	0.5
Dividends	0.0	0.0	0.0	-45.2	-45.2	-1.2	-46.4
March 31, 2010	282.4	1,358.9	28.2	670.4	2,339.9	84.2	2,424.1

Statement of Changes in Consolidated Equity

for the period from January 1 to March 31, 2009

€ MILLION							
	Subscribed capital	Share premium	Legal reserve	Revenue reserves	Equity attributable to the shareholders of the parent company	Minority interests	Total equity
January 1, 2009	282.1	1,540.7	28.2	777.2	2,628.2	105.4	2,733.6
Total comprehensive income for the period	0.0	0.0	0.0	- 4.5	- 4.5	- 3.7	- 8.2
Share-based remuneration	0.0	0.5	0.0	0.0	0.5	0.0	0.5
Dividends	0.0	0.0	0.0	- 45.3	- 45.3	- 1.5	- 46.8
March 31, 2009	282.1	1,541.2	28.2	727.4	2,578.9	100.2	2,679.1

Notes to the Interim Consolidated Financial Statements

A. General Information

These 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 condensed 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, 2009.

The explanations are substantially made for the period from January 1 until March 31, 2010.

Information that is labeled “prior year” in the Consolidated Statement of Comprehensive Income, the Statement of Consolidated Equity, the Consolidated Cash Flow Statement and the Group Segment Report refers to the respective reporting period of the preceding financial year. In the Notes to the Consolidated Balance Sheet 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

WOHNBAU NORDWEST Dienstleistungen GmbH was founded by GAGFAH Holding GmbH on January 14, 2010, and entered into the commercial register on February 5, 2010.

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, 2009.

C. Accounting Policies

The Interim Financial Statements of the entities included in the 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, 2009.

D. Segment Reporting

GAGFAH's reporting format is based on its core business segments "Real estate management" and "Real estate 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 displayed in the separate column "Other" in the Group Segment Report.

"Segment revenues" and "Segment EBITDA" are key performance indicators used by the Group for measuring segment performance. The primary differences between segment revenues and EBITDA on the one hand and Group revenues and EBITDA on the other hand are explained in footnotes (1) and (2) to the Group Segment Reports for the periods from January 1 to March 31, 2010, and 2009 on pages 26 and 27, respectively.

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

The segment assets of the real estate management are mainly comprised of investment properties. The segment assets of the real estate sales segment primarily contain assets held for sale (condo sales) and receivables from sales of land (non-current assets).

The segment liabilities of the real estate management segment mainly consist of term loans, senior debt and the revolving credit facility. Short-term financial liabilities in connection with condo sales and prepayments are allocated to the real estate sales segment.

Assets held for sale, the respective short-term financial liabilities and all relating income and expenses concerning the large multi-family home sales program are allocated to the column "Other".

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

Group Segment Report for the period from January 1 to March 31, 2010

€ MILLION	Real estate management	Real estate sales	Total segments	Other	Total Group
Segment revenues	222.3	21.2	243.5	118.9¹⁾	362.4
Segment EBITDA	110.1	3.4	113.5	2.0²⁾	115.5
Reorganization and restructuring expenses	- 5.8	0.0	- 5.8	- 0.8	- 6.6
Depreciation/amortization	- 0.6	0.0	- 0.6	- 0.4	- 1.0
Earnings before interest and taxes (EBIT)	103.7	3.4	107.1	0.8	107.9
Interest expenses	- 67.9	- 5.3	- 73.2	- 8.1	- 81.3
Interest income	0.1	0.0	0.1	0.1	0.2
Earnings before taxes (EBT)	35.9	- 1.9	34.0	- 7.2	26.8
Income taxes	0.0	0.0	0.0	- 14.5	- 14.5
Net profit/loss	35.9	- 1.9	34.0	- 21.7	12.3
Segment assets	9,026.0	28.4	9,054.4	524.1³⁾	9,578.5
Segment liabilities	6,279.1	41.4	6,320.5	833.9⁴⁾	7,154.4
Segment investments	0.1	0.0	0.1	0.3	0.4
Significant non-cash expenses (-) / income (+)	- 1.8 ⁵⁾	- 0.9	- 2.7	- 6.8 ⁶⁾	- 9.5

¹⁾ The income includes income from the sale of properties concerning the large multi-family home sales program (€116.0 million), income from the sale of property development projects (€1.7 million) and income from the amortization of deferred liabilities of government-granted loans (€1.2 million).

²⁾ This item includes the loss from fair value measurement of investment property (€- 2.1 million), the EBITDA contribution of the large multi-family home sales program (€- 1.7 million), the EBIT attributable to property development projects (€- 0.2 million), income from the amortization of deferred liabilities of government-granted loans (€1.2 million) and income from the reversal of provisions (€0.1 million). Other adjustments amount to €4.7 million.

³⁾ This item basically includes properties concerning the large multi-family home sales program, cash, intangible assets, property, plant and equipment, inventories, other receivables and other assets, current tax claims and other financial assets.

⁴⁾ This item basically includes financial liabilities concerning the large multi-family home sales program, deferred tax liabilities, liabilities from income taxes, pension provisions, financial liabilities due to unfinished developments on a trust basis, other liabilities and other provisions and liabilities from the distributable dividend.

⁵⁾ Significant non-cash expenses of real estate management contain additions to provisions concerning real estate management (€- 1.8 million).

⁶⁾ Other significant non-cash expenses / income consist of the loss from the fair value measurement of investment property (€- 2.1 million), the loss from the fair value measurement of derivatives (€- 2.5 million), income from the amortization of deferred liabilities of government-granted loans (€1.2 million), the present value of loans carried at amortized cost (€- 1.7 million), income from the reversal of provisions (€0.1 million) and additions to other provisions (€- 1.8 million).

Group Segment Report for the period from January 1 to March 31, 2009

€ MILLION	Real estate management	Real estate sales	Total segments	Other	Total Group
Segment revenues	243.1	18.9	262.0	5.2¹⁾	267.2
Segment EBITDA	112.2	- 0.7	111.5	- 19.7²⁾	91.8
Reorganization and restructuring expenses	- 0.5	0.0	- 0.5	- 0.5	- 1.0
Depreciation / amortization	- 0.5	0.0	- 0.5	- 0.6	- 1.1
Earnings before interest and taxes (EBIT)	111.2	- 0.7	110.5	- 20.8	89.7
Interest expenses	- 68.8	0.0	- 68.8	- 16.7	- 85.5
Interest income	0.4	0.1	0.5	0.1	0.6
Earnings before taxes (EBT)	42.8	- 0.6	42.2	- 37.4	4.8
Income taxes	0.0	0.0	0.0	- 13.0	- 13.0
Net loss / profit	42.8	- 0.6	42.2	- 50.4	- 8.2
Segment assets	9,716.3	93.4	9,809.7	438.0³⁾	10,247.7
Segment liabilities	6,745.7	4.0	6,749.7	818.9⁴⁾	7,568.6
Segment investments	6.9 ⁵⁾	0.0	6.9	0.8	7.7
Significant non-cash segment expenses (-) / income (+)	- 5.5 ⁶⁾	- 0.3	- 5.8	- 36.5 ⁷⁾	- 42.3

¹⁾ The income includes income from the sale of property development projects (€1.5 million), income from the amortization of deferred liabilities of government-granted loans (€1.3 million) and income from the leasing of investment property and revenues from other services of the disposal group Baugesellschaft Frankenthal (Pfalz) GmbH ("BGF") (€2.4 million).

²⁾ The expenses include the loss from fair value measurement of investment property (€- 19.2 million), income from the amortization of deferred liabilities of government-granted loans (€1.3 million), income from the reversal of provisions (€0.4 million), the EBIT attributable to property development projects (€- 1.8 million) and the impairment losses of components of the disposal group (€- 6.1 million). Other adjustments amount to €5.7 million.

³⁾ This item basically includes cash, intangible assets, property, plant and equipment, inventories, other receivables and other assets, current tax claims, other financial assets and assets of the disposal group (BGF).

⁴⁾ This item basically includes deferred tax liabilities, liabilities from income taxes, pension provisions and liabilities of the disposal group (BGF).

⁵⁾ Segment investments of real estate management are additions to investment property.

⁶⁾ Significant non-cash expenses of real estate management contain additions to provisions concerning real estate management (€- 4.5 million) and write-offs of rent receivables (€- 1.0 million).

⁷⁾ Other significant non-cash expenses / income consist of the loss from the fair value measurement of investment property (€- 19.2 million), the loss from the fair value measurement of derivatives (€- 11.8 million), income from the amortization of deferred liabilities of government-granted loans (€1.3 million), the present value of loans carried at amortized cost (€- 1.7 million), income from the reversal of provisions (€0.4 million) and additions to other provisions (€- 5.5 million).

E. Notes to the Consolidated Balance Sheet

1. INTANGIBLE ASSETS

Intangible assets with a finite lifespan mainly comprise software licenses for user programs amounting to €3.2 million (prior year: €3.5 million).

The intangible assets include the goodwill from the acquisitions of GAGFAH Pegasus GmbH (previously: Apellas Property Holding GmbH, "APH") of €21.5 million (prior year: €21.5 million) and 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, 2010:

€ MILLION	03-31-2010	12-31-2009
As of January 1	9,014.9	9,774.1
Changes in the consolidated Group	0.0	- 77.6
Additions	0.1	23.1
Disposals and reclassifications to assets held for sale	- 31.8	- 508.8
Reclassifications from property, plant and equipment and inventories	0.0	1.1
Changes in value	- 2.1	- 197.0
As of March 31	8,981.1	9,014.9

The changes in the consolidated Group in the prior year relate to investment property of Baugesellschaft Frankenthal (Pfalz) GmbH ("BGF") of €77.6 million, which was disclosed as part of the disposal group as of March 31, 2009, and was deconsolidated as of April 1, 2009.

The additions of €0.1 million (prior year: €23.1 million) mainly relate to modernization programs. There were no acquisitions of investment properties during the first quarter of 2010.

Regarding the reclassifications to assets held for sale, we refer to section E.9. "Assets held for sale".

Sections F.1. and F.2. of this report contain notes relating to income of €220.5 million (prior year: €244.3 million) from the leasing of investment property and operating expenses of €95.0 million (prior year: €116.6 million) for the generation of rental income.

3. PROPERTY, PLANT AND EQUIPMENT

There were no material changes within property, plant and equipment during the three months ended March 31, 2010.

4. OTHER FINANCIAL ASSETS

There were no material changes within other financial assets during the three months ended March 31, 2010.

5. RECEIVABLES

Since December 31, 2009, the total receivables decreased by €40.5 million, mainly resulting from the closing of land sales.

6. INVENTORIES

The slight decrease in inventories compared to December 31, 2009, mainly results from the sale of land.

7. CURRENT TAX CLAIMS

As of March 31, 2010, GAGFAH S.A. discloses current tax claims of €9.5 million (prior year: €8.6 million). These are mainly related to claims from capital yield tax and VAT.

8. 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 €210.3 million (prior year: €236.2 million).

The time deposits of GAGFAH S.A. have terms between one and three months and accrue interest between 0.08 % and 0.60 % (weighted average: 0.27 %).

The weighted average of the interest rates from the Group's main banks amounted to 0.46 % for the first quarter of 2010. Bank deposits at all other banks have an average interest rate of 0.09 % for the first quarter of 2010.

Of €210.3 million (prior year: €236.2 million) total cash, €170.3 million (prior year: €182.6 million) are restricted and €40.0 million (prior year: €53.6 million) unrestricted. Of restricted cash, €96.2 million (prior year: €107.4 million) relate to asset sales and will be used to pay down related debt. For further information on restrictions on cash, please refer to section G. "Notes to the Consolidated Cash Flow Statement".

9. ASSETS HELD FOR SALE

Assets held for sale amounting to €174.5 million (prior year: €274.4 million) contain the carrying amounts of real estate for which the sale is highly probable and management has declared its intention to sell. Of the total amount, €167.7 million (prior year: €264.5 million) relate to the large multi-family home sales program and €6.8 million (prior year: €9.9 million) relate to the condo sales program. The decrease since December 31, 2009, is a result of the closing of asset sales.

The assets held for sale concerning the large multi-family home sales program are displayed in the column "Other" within the segment reporting. Please refer to section D. "Segment Reporting".

Loans associated with assets that have been contracted for sale from the sale of large multi-family homes of €140.9 million (prior year: €219.4 million) as well as loans in connection with the condo sales of €4.8 million (prior year: €8.4 million) were reclassified from non-current to current financial liabilities. Please refer to section E.14. "Financial Liabilities" of this report.

10. EQUITY

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

11. OTHER PROVISIONS

The slight decrease in other provisions compared to December 31, 2009, mainly results from the utilization of provisions for latent risks and other provisions.

12. LIABILITIES FROM INCOME TAX

The slight decrease of current liabilities from income tax since December 31, 2009, is caused by a reduction of liabilities from corporate income tax and trade tax due to payments. The decrease is contrasted by the addition of accrued interest concerning non-current liabilities from corporate income tax on EKO2 totaling €1.1 million.

13. DEFERRED TAX LIABILITIES

Deferred tax liabilities of €244.8 million (prior year: €231.1 million) result from temporary differences.

14. FINANCIAL LIABILITIES

The financial liabilities of €6,323.9 million (prior year: €6,525.3 million) break down as follows as of March 31, 2010:

Liabilities to banks amount to €6,272.0 million (prior year: €6,472.3 million) and liabilities to other lenders to €51.9 million (prior year: €53.0 million).

The value of the investment property portfolio (including assets held for sale) of €9,155.6 million (prior year: €9,289.3 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 €6,101.6 million (prior year: €6,204.9 million). No collateral has been provided for the remaining €222.3 million (prior year: €320.4 million).

Overall, loans amounting to €211.4 million (prior year: €91.8 million) were repaid in the first quarter of 2010.

As of March 31, 2010, the Group had a credit facility of €300.0 million, of which €165.0 million had been drawn at the end of the reporting period. The interest rate charged on the revolving credit facility is currently EURIBOR plus 2.5 %.

The Group is long-term financed. As of March 31, 2010, the Group's financial liabilities primarily comprise the following liabilities:

€ MILLION	Carrying amount as of 03-31-2010	Notional amount as of 03-31-2010	Weighted avg. maturity	Current interest rate	Fixed or floating rate	9 months ended December 2010	
						Required repayments	Interest payments
Term loans ¹⁾	5,384.9	5,379.0	2013	4.08 %	Fixed	181.3	164.5
Term loans	331.5	311.3	2012	1.76 %	Floating ²⁾	0.0	4.2
Senior debt	409.0	485.5	2037	2.40 %	Fixed	11.9	10.9
Revolving credit facility	165.2	165.0	2010	2.85 %	Floating	165.0	2.4
NILEG other ³⁾	16.4	16.4	2011	2.17 %	Floating	0.0	0.3
Other	16.9	16.9					
Total	6,323.9	6,374.1	2015	3.79 %		358.2	182.3

¹⁾ The fixed-rate term loans attributable to assets held for sale are €145.7 million. Of this amount, €140.9 million relate to the large multi-family home sales program and €4.8 million relate to the condo sales program. Consistent with the plan to sell such assets, the term loans will be repaid by such amount in 2010, resulting in reduced interest payments on the fixed-rate term loans in fiscal years 2010 through 2013. Another amount of €35.6 million, mainly relating to other prepayments in connection with condo sales expected to be prior to the contractual maturity, was reclassified from non-current to current liabilities.

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⁾ Relates mainly to land developments pre-sold to local municipalities.

€ MILLION	Carrying amount as of 12-31-2009	Notional amount as of 12-31-2009	Weighted avg. maturity	Current interest rate	Fixed or floating rate	2010	
						Required repayments	Interest payments
Term loans ¹⁾	5,487.9	5,486.4	2013	4.07 %	Fixed	282.5	221.2
Term loans	329.4	311.8	2012	1.82 %	Floating ²⁾	0.0	5.8
Senior debt	408.9	499.3	2037	2.40 %	Fixed	15.8	14.5
Revolving credit facility	265.3	265.0	2010	2.94 %	Floating	265.0	5.9
NILEG other ³⁾	16.4	16.7	2011	1.46 %	Floating	0.0	0.2
Other	17.4	17.4					
Total	6,525.3	6,596.6	2015	3.78 %		563.3	247.6

¹⁾ The fixed-rate term loans attributable to assets held for sale are €227.8 million. Of this amount, €219.4 million relate to the large multi-family home sales program and €8.4 million relate to the condo sales program. Another amount of €54.7 million, mainly relating to other prepayments in connection with condo sales expected to be prior to the contractual maturity, was reclassified from non-current to current liabilities.

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⁾ Relates mainly to land developments pre-sold to local municipalities.

The difference between the notional amount and the carrying amount as shown in the balance sheet mainly results from debt discount, amortized transaction costs and interest accruals.

2011		2012		2013		2014		2015		≥ 2016	
Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments
0.0	216.1	0.0	221.3	3,601.8	165.6	1,595.9	35.7	0.0	0.0	0.0	0.0
0.0	5.6	275.3	2.0	0.0	0.6	0.0	0.6	36.0	0.4	0.0	0.0
15.6	14.2	15.2	13.9	14.6	13.4	14.4	13.5	13.8	13.0	400.0	262.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32.0	236.0	290.5	237.2	3,616.4	179.6	1,610.3	49.8	49.8	13.4	400.0	262.6

2011		2012		2013		2014		2015		≥ 2016	
Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments
0.0	216.0	0.0	224.1	3,605.1	168.3	1,598.8	35.7	0.0	0.0	0.0	0.0
0.0	5.8	275.8	2.1	0.0	0.6	0.0	0.6	36.0	0.4	0.0	0.0
15.6	14.2	15.2	13.9	14.6	13.4	14.4	13.5	13.8	13.0	409.9	249.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32.3	236.1	291.0	240.1	3,619.7	182.3	1,613.2	49.8	49.8	13.4	409.9	249.7

15. OTHER LIABILITIES

The increase of other short-term liabilities compared to year-end 2009 mainly relates to the recognition of liabilities from distributable dividends of €45.2 million, paid in April 2010.

Furthermore, liabilities of €5.7 million due to compensation payments were recognized as of March 31, 2010. Please refer to section F.7. "Reorganization and Restructuring Expenses".

This increase is partly compensated by a reduction of liabilities from sales of land of €32.2 million resulting from the closing of land sales.

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	Q1 2010	Q1 2009
Rental income, fees	160.0	168.3
Allocations charged	60.3	75.5
Rent, interest and expense subsidies	0.2	0.5
Total	220.5	244.3

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 of government-granted loans in the amount of €1.2 million (prior year: €1.3 million).

The rent, interest and expense subsidies 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	Q1 2010	Q1 2009
Operating expenses	56.3	67.9
Personnel expenses	15.6	15.4
Maintenance costs	9.9	15.7
Real estate tax	5.1	5.7
Administrative expenses	1.8	1.9
External costs for real estate management	1.6	2.8
Amortization and depreciation on intangible assets and property, plant and equipment	0.5	0.5
Bad debt allowances	0.0	2.5
Other expenses for real estate management	4.2	4.2
Total	95.0	116.6

Maintenance costs in the first quarter of 2010 were €9.9 million, as compared to €15.7 million in the first quarter of 2009 as a result of a smaller portfolio and a more focused spending approach.

3. PROFIT FROM OTHER SERVICES

The profit from other services breaks down as follows:

€ MILLION	Q1 2010	Q1 2009
Revenues from other trade	1.7	1.1
Revenues from third-party real estate management	1.3	1.4
Personnel expenses	- 1.3	- 1.2
Expenses from other trade	- 0.6	- 0.9
Expenses from third-party real estate management	- 0.3	- 0.2
Total	0.8	0.2

4. SELLING EXPENSES

Selling expenses break down as follows:

€ MILLION	Q1 2010	Q1 2009
External selling partners	1.4	0.9
Personnel expenses	1.1	1.0
Notarial charges	0.4	0.0
Marketing and selling prearrangements	0.2	0.3
Clearing from encumbrances	0.2	0.2
Maintenance on vacant flats and sample flats	0.1	0.2
General and administrative expenses	0.1	0.2
Other	0.2	0.1
Total	3.7	2.9

5. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses break down as follows:

€ MILLION	Q1 2010	Q1 2009
Personnel expenses for administrative staff	4.8	5.0
Costs of office equipment, postage, telephone and IT	2.1	2.2
Consulting costs	0.9	1.2
Audit fees	0.7	0.8
Insurances	0.5	0.3
Amortization and depreciation on intangible assets and fixed assets	0.4	0.3
Occupancy costs	0.2	0.2
Court and lawyer's fees	0.1	0.3
Other	1.0	1.2
Total	10.7	11.5

6. OTHER OPERATING INCOME AND EXPENSES

All income and expenses not directly allocable to the various functional areas are disclosed under the items other operating income and other operating expenses respectively.

Other operating income amounts to €1.2 million (prior year: €1.6 million). Of that amount, €0.3 million (prior year: €0.0 million) relate to the sale of cable network connections. Further €0.1 million (prior year: €0.4 million) relate to the reversal of provisions and €0.1 million (prior year: €0.1 million) to transferable leasehold land interest. An amount of €0.2 million (prior year: €0.1 million) relates to property development projects.

Of other operating expenses totaling €1.1 million (prior year: €9.9 million), €0.7 million (prior year: €2.7 million) relate to costs in connection with property development projects.

The prior-year amount included expenses of €6.1 million due to the impairment of components of the disposal group and €0.7 million due to additions to provisions.

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 optimize our existing operations.

In the first quarter of 2010, reorganization and restructuring expenses were €6.6 million (prior year: €1.0 million), which are mainly one-off compensation payments relating to an amendment of an outsourcing contract.

**8. INTEREST EXPENSES (PERIODICAL) AND LOSS
FROM THE FAIR VALUE MEASUREMENT OF DERIVATIVES**

These expenses break down as follows:

€ MILLION	Q1 2010	Q1 2009
Interest expenses	63.5	64.8
Compensation payments	6.0	0.0
Amortization of transaction costs	3.2	3.1
Present value of loans carried at amortized cost	1.7	1.7
Interest share of pension obligations	1.3	1.4
Amortization of EK02 liability	1.1	1.2
Other interest expenses	1.4	0.9
Subtotal	78.2	73.1
Interest due to property development projects	0.1	0.3
Subtotal interest expenses (periodical)	78.3	73.4
Loss from the fair value measurement of derivatives	2.5	11.8
Total	80.8	85.2

The compensation payments of €6.0 million in the first quarter of 2010 (prior year: €0.0 million) include an amount of €4.6 million (prior year: €0.0 million) that was paid for the early repayment of loans related to asset sales. Further non-cash expenses of €1.4 million (prior year: €0.0 million) relate to expected prepayment fees for the early repayment of loans also related to asset sales.

9. INCOME TAXES

Income taxes comprise deferred tax expenses of €13.8 million (prior year: €12.6 million) and effective income tax expenses of €0.7 million (prior year: €0.4 million).

G. Notes to the Consolidated Cash Flow Statement

Cash and cash equivalents comprise all cash and cash equivalents disclosed in the balance sheet and break down as follows:

€ MILLION	03-31-2010	12-31-2009	03-31-2009
Cash on hand	0.1	0.1	0.1
Bank balances	21.5	38.3	34.6
Restricted cash	170.3	182.6	129.3
"HB-Fonds" balances	18.4	15.2	15.7
Bank balances and cash on hand as displayed in the Consolidated Balance Sheet	210.3	236.2	179.7
Bank balances and cash on hand of the disposal group	0.0	0.0	13.5
Bank balances and cash on hand as displayed in the Consolidated Balance Sheet	210.3	236.2	193.2

The comparative figures referred to as "prior year" in the text below are the amounts as of March 31, 2009.

Restricted cash is mainly composed of the following items: An amount of €29.3 million (prior year: €29.7 million) corresponds to the interests on term loans due but not yet payable until the end of the reporting period. A further amount of €2.6 million (prior year: €5.1 million) is pledged for guarantee facilities. Restricted cash also includes an amount of €136.1 million (prior year: €92.0 million) which can be either used for the repayment of term loans or the reinvestment for the acquisition of new properties.

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 fiscal year 2009.

Changes of relevant valuation parameters of interest rate swaps

Due to the valuation of the derivatives, interest rate swaps with a negative amount of €18.4 million (prior year: €15.9 million) are disclosed in the item "Financial Liabilities".

As of March 31, 2010, the valuation was based on the following term structure:

Interest rate for six months	0.944 %
Interest rate for one year	1.212 %
Interest rate for five years	2.385 %
Interest rate for ten years	3.275 %

The residual terms of the interest rate swaps are between three and six years - the same as the residual terms of related term loans.

As of March 31, 2010, a total loss of €2.5 million (prior year: €11.8 million) from changes in the fair value of the interest rate swaps was recognized through profit or loss in the item "Loss from the Fair Value Measurement of Derivatives".

2. CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS

In the first quarter of 2010, an outsourcing contract with a maintenance provider was amended inter alia to the effect that the contract volume was reduced, which allows the GAGFAH Group to increasingly insource maintenance services.

3. EMPLOYEES

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

	Q1 2010		Q1 2009	
	Heads	FTEs	Heads	FTEs
Real estate management	1,242	1,183	1,184	1,145
thereof facility management service	684	658	603	585
Real estate sales	36	34	56	53
Other	219	211	245	238
Total	1,497	1,428	1,485	1,436

Including 325 part-time employees (prior year: 374) and 105 trainees (prior year: 84), the total headcount was 1,927 (prior year: 1,943).

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 three months of 2010.

5. MANAGEMENT

With effect as of March 31, 2010, Worna Zohari resigned from his position as a Member of the Senior Management of the Company's subsidiaries.

6. CASH DIVIDEND

In the first quarter of 2010, no cash dividend was paid. The dividend for the fourth quarter of 2009 amounting to €45.2 million was paid in April 2010 and is recognized as a current liability within the Consolidated Balance Sheet as of March 31, 2010.

7. SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING DATE

Stefan de Greiff was appointed as Chief Investment and Sales Officer and Member of the Senior Management of the Company's major operational subsidiaries with effect from April 1, 2010.

Glossary

CAPEX

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

CBRE

CB Richard Ellis (CBRE) is the independent external company 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.

LARGE MULTI-FAMILY HOME (LMFH) SALES PROGRAM

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

MANAGEMENT COST PER UNIT / COST TO MANAGE

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

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.

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

The work that is done for fixing and / or upkeeping an apartment. Repairs and maintenance expenses cannot be capitalized and impact the profit and loss statement.

SAME STORE BASIS

Residential units GAGFAH owned at both dates: As of December 31, 2009, and March 31, 2010.

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:

GAGFAH S.A.

2-4, RUE BECK

L-1222 LUXEMBOURG

GRAND DUCHY OF LUXEMBOURG

RCS LUXEMBOURG B109526

CONCEPT / DESIGN:

3ST KOMMUNIKATION

MAINZ

GERMANY

