GAGFAH

Q2

Interim Report

as of June 30, 2009

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 170,000 apartments, GAGFAH is the largest German listed residential property company.

GAGFAH S.A. SHARES AS OF JUNE 30, 2009

ISIN	LU0269583422
Total Market Cap. (€ million)	1,334.1
Industry Group	Real Estate
Number of Shares (million)	225.7
Listing	Frankfurt Stock Exchange
Major Indices Memberships	MDAX, EPRA, GPR

Highlights

- **PROFIT FROM THE LEASING OF INVESTMENT PROPERTY** increased to €246.1 million in the first six months of 2009 from €242.5 million for the first six months of 2008, on a weighted average of approximately 4,800 fewer units. On an average per unit basis, the profit from the leasing of investment property increased by 4.4 %.

- **NAV** of €13.17 per share and gross asset value of €855 per square meter as of June 30, 2009.

- **FFO** of €0.18 per share or €39.6 million in the second quarter of 2009 and €88.3 million or €0.39 per share in the first six months of 2009.

- **QUARTERLY DIVIDEND** for the second quarter of 2009 of €0.20 per share will be paid on September 8, 2009.

RENTS

- Our rental growth rate was 1.3 % annualized or 0.7 % for the first six months of 2009 on a same store basis[1].
- Our target is to increase rents between 1.5 - 2.0 % on a full-year basis in 2009.

PROPERTY SALES

- 1,116 units sold in the privatization program at a margin of 19 % in the first six months of 2009, for a total value of €54.0 million at an average net cold rent multiplier of 16 x.
- In our multi-family home sales program, we have thus far contracted to sell approximately €130 million of property and we are well on track to hit our target of €500 million sold this year.

VACANCY

- Overall vacancy is at 4.6 %; our overall vacancy rate target is approximately 4.5 % for 2009.
- Excluding units held for privatization, our vacancy rate is at 4.4 % on a same store basis[1].

COST

- Our average management cost per unit declined to €401 in the first six months of 2009 from €404 in Q1 2009 and from €424 in the first six months of 2008.
- We intend to make further progress on cost reductions in 2009.

[1] Same store basis: Residential units GAGFAH owned at both dates: As of December 31, 2008, and as of June 30, 2009.

All per share data is based on the number of shares outstanding as of the respective dates.

Key Financial Information

FINANCIAL FIGURES

INCOME STATEMENT (€ MILLION)	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
Income from the leasing of investment property	495.9	489.0	251.6	247.8	244.3
Profit from the leasing of investment property	246.1	242.5	118.9	115.4	127.2
Profit from the sale of investment property	10.5	24.9	5.4	18.5	5.1
Loss from fair value measurement	– 92.3	– 3.0	– 73.1	– 3.2	– 19.2
EBITDA	130.4	235.9	38.6	116.4	91.8
EBIT	124.7	219.1	35.0	103.7	89.7
EBT	– 33.7	84.3	– 38.5	56.8	4.8
FFO [1)]	88.3	103.3	39.6	51.4	48.7
FFO in € per share [1)]	0.39	0.46	0.18	0.23	0.22

BALANCE SHEET (€ MILLION)	06-30-2009	12-31-2008	06-30-2008
Investment property	9,066.3	9,774.1	10,075.7 [2)]
Assets held for sale	514.3	5.3	1.1
Financial liabilities	6,608.8	6,732.5	6,723.6

OPERATIONAL FIGURES	H1 2009	H1 2008	Q1 2009
Group residential portfolio			
Units	169,534	175,370	171,926
Sqm	10,224,414	10,573,099	10,371,528
Net cold rent / sqm (in €)	4.99	4.90	4.97
Vacancy (in %)	4.6	4.6	4.5
Privatized units	1,116	1,274	217

1) FFO recognizes income taxes as accrued.
2) Including prepayments.

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.

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

FUNDS FROM OPERATIONS – FFO (€ MILLION)	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
EBIT	124.7	219.1	35.0	103.7	89.7
Reorganization and restructuring expenses	3.9	13.5	2.9	11.1	1.0
Depreciation and amortization	1.8	3.3	0.7	1.6	1.1
EBITDA	130.4	235.9	38.6	116.4	91.8
Results from fair value measurement	92.3	3.0	73.1	3.2	19.2
Realized valuation gains through sales	6.0	2.9	4.1	0.0	1.9
Income / expenses for share-based remuneration	– 1.5	1.1	– 2.1	0.7	0.6
Net interest expenses (periodical)	– 148.2	– 146.7	– 75.4	– 71.2	– 72.8
Current tax expenses	– 2.1	– 4.0	– 1.7	– 1.9	– 0.4
Commercial real estate / property development	4.9	7.0	2.8	3.1	2.1
Other	6.5	4.1	0.2	1.1	6.3
FFO [1]	88.3	103.3	39.6	51.4	48.7
FFO in € per share [1]	0.39	0.46	0.18	0.23	0.22

[1] FFO recognizes income taxes as accrued.

Residential Property Portfolio[1)]

As of June 30, 2009

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	% of Total sqm	Rental Area sqm	Average Unit Size sqm	Fully-let Rent Annualized in € million	% of total	In-place Rent per Month per sqm (€)	Market Rent per Month per sqm (€)[2)]	Vacancy %
Dresden	40,602	20.5	2,296,248	57	128.8	18.7	4.68	4.98	5.4
Berlin	28,993	15.3	1,719,032	59	98.9	14.3	4.79	5.52	2.7
Hamburg	9,836	5.6	626,379	64	40.1	5.8	5.34	6.34	0.7
Hannover	6,178	3.5	389,516	63	25.5	3.7	5.46	5.88	4.6
Heidenheim	4,790	2.7	298,581	62	18.7	2.7	5.23	5.76	11.8
Bielefeld	4,171	2.5	276,404	66	14.4	2.1	4.35	4.75	1.8
Osnabrück	3,529	1.9	217,862	62	13.1	1.9	5.02	5.46	2.4
Braunschweig	3,234	1.8	198,916	62	12.2	1.8	5.10	5.58	3.1
Zwickau	3,087	1.5	172,790	56	8.5	1.2	4.12	4.13	18.3
Essen	2,358	1.4	155,439	66	9.8	1.4	5.25	5.72	8.4
Köln	2,330	1.6	177,654	76	13.5	2.0	6.31	7.14	2.7
Freiburg	1,875	1.1	125,892	67	8.8	1.3	5.80	6.08	1.0
Bocholt	1,802	1.0	111,111	62	6.3	0.9	4.74	5.49	3.7
Düsseldorf	1,689	0.9	98,219	58	7.9	1.1	6.69	6.95	2.4
Frankfurt am Main	1,681	0.8	93,773	56	8.0	1.2	7.14	7.97	0.5
Iserlohn	1,678	1.0	106,085	63	5.6	0.8	4.43	4.89	3.5
Bremen	1,566	0.9	99,344	63	5.8	0.8	4.89	5.42	6.8
Duisburg	1,431	0.9	96,333	67	5.0	0.7	4.36	4.84	18.7
Leverkusen	1,404	0.8	89,835	64	5.8	0.8	5.39	5.97	2.1
Göttingen	1,356	0.7	77,434	57	4.7	0.7	5.10	5.11	0.2
Subtotal Top 20 Cities	**123,590**	**66.3**	**7,426,847**	**60**	**441.6**	**64.0**	**4.96**	**5.47**	**4.5**
Other Cities	45,944	25.0	2,797,567	61	170.5	24.7	5.08	5.49	4.9
Total Core Residential Property Portfolio	**169,534**	**91.3**	**10,224,414**	**60**	**612.2**	**88.8**	**4.99**	**5.48**	**4.6**
Other[3)]	n/m	8.7	978,545	n/m	77.3	11.2	n/m	n/m	24.7
		100.0	11,202,959		689.5	100.0			

[1)] GAGFAH property information as of June 30, 2009.
[2)] Market rents were determined by CBRE.
[3)] Includes HB-Funds, commercial properties, garages, senior homes.

Directors' Report

Strategy

CONTINUE TO GROW 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. Over time, we plan to continue to increase rents to market levels to the extent permitted by German law and existing rent restrictions. For the first six months of 2009, we increased rents by 1.3 % annualized on a same store basis. The vacancy rate remained stable at 4.6 % in the first six months of 2009, compared to the first six months of 2008. The profit from the leasing of investment property per average unit increased by 4.4 % for the first six months of 2009 as compared to the first six months of 2008.

INCREASE PROFITABILITY THROUGH OPERATING EFFICIENCIES

We have continued to reduce general and administrative expenses and operating expenses through active cost management and review and the optimization of operations and processes. Our management costs per unit has steadily declined in the last year, to €401 in the first six months of 2009 from €424 in the first six months of 2008.

REALIZE VALUE THROUGH ASSET SALES

In the first six months of 2009, we sold 1,116 units at a margin of 19 % and we are well on track to achieve our target to sell over 2,000 units in our condominium unit-by-unit sales program. We also intend to sell up to €500 million in our whole building multi-family sales program this year. We continue to see strong demand from current tenants and investors for multi-family homes. Our shares are currently trading at a substantial discount to their NAV, thus we have shifted our focus from acquiring portfolios to incrementally realizing the value embedded in our assets. Net proceeds from sales can be used to optimize our capital structure, for example by repaying or repurchasing debt, paying dividends or repurchasing shares.

Industry

OVERALL ECONOMIC DEVELOPMENT

Economic indicators show a decline of the German economy in 2009. According to the federal statistical office, the German gross domestic product (GDP) decreased by 3.8 % in the first quarter of 2009 over the last quarter of 2008. Leading economic research institutes forecast a GDP decrease in a range between 4.5 % and 6.4 % for 2009. The unemployment rate increased in Germany to 8.1 % in June 2009 from 7.5 % in June 2008 and the recently released July 2009 unemployment rate increased further to 8.2 %, on a seasonally adjusted basis, with the total number of unemployed people decreasing slightly by 6,000 to 3.48 million. First turnaround signals came from the purchasing manager index and the business barometer, which showed increasing levels for the last four consecutive months.

THE GERMAN RESIDENTIAL REAL ESTATE MARKET

New construction of residential housing continues to decrease. The construction of apartments in buildings with three or more units decreased by 8.8 % from 59,859 units in 2007 and by 81 % from 284,309 units in 1994 to 54,615 in 2008. The decline in the construction of new residential housing units is largely attributable to high construction costs. Construction costs for residential housing in Germany increased by approximately 3 % in 2008 compared to 2007, largely due to increased material costs. In May 2009, construction costs were up 1.0 % compared to May 2008. As an example, building permits for the housing construction in Germany decreased by 11.3 % in the first three months of 2009, compared to the first three months of 2008.

Our residential property portfolio has proven to show a stable performance with a vacancy rate of 4.6 % and a rent increase of 1.3 % annualized throughout the economic downturn in the first half of 2009.

Consolidated Income Statement

€ MILLION	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
Income from the leasing of investment property	495.9	489.0	251.6	247.8	244.3
Transferable leasehold land interest	– 1.1	– 1.2	– 0.6	– 0.7	– 0.5
Operating expenses for the generation of rental income (excluding share-based remuneration)	– 248.7	– 245.3	– 132.1	– 131.7	– 116.6
Profit from the leasing of investment property	**246.1**	**242.5**	**118.9**	**115.4**	**127.2**
Income from the sale of investment property	54.0	74.0	35.1	36.6	18.9
Carrying amount of investment property sold	– 43.5	– 49.1	– 29.7	– 18.1	– 13.8
Profit from the sale of investment property	**10.5**	**24.9**	**5.4**	**18.5**	**5.1**
Loss from fair value measurement	**– 92.3**	**– 3.0**	**– 73.1**	**– 3.2**	**– 19.2**
Income from the sale of commercial real estate and property development	3.4	9.4	1.9	7.2	1.5
Carrying amount of commercial real estate and property development sold	– 1.2	– 11.0	– 0.5	– 8.2	– 0.7
Profit / loss from the sale of commercial real estate and property development	**2.2**	**– 1.6**	**1.4**	**– 1.0**	**0.8**
Profit from other services	1.2	1.7	1.0	0.8	0.2
Selling expenses (excluding share-based remuneration)	– 6.8	– 7.7	– 3.9	– 4.0	– 2.9
General and administrative expenses (excluding share-based remuneration)	– 22.1	– 22.6	– 10.6	– 11.6	– 11.5
Income / expenses for share-based remuneration	1.5	– 1.1	2.1	– 0.7	– 0.6
Other operating income	3.8	10.5	2.2	5.2	1.6
Other operating expenses	– 15.5	– 10.9	– 5.6	– 4.6	– 9.9
Profit from operations before reorganization and restructuring expenses	**128.6**	**232.7**	**37.8**	**114.8**	**90.8**
Reorganization and restructuring expenses	– 3.9	– 13.5	– 2.9	– 11.1	– 1.0
Profit from operations	**124.7**	**219.2**	**34.9**	**103.7**	**89.8**
Loss / profit from other financial assets	0.0	– 0.1	0.1	0.0	– 0.1
Earnings before interest and taxes (EBIT)	**124.7**	**219.1**	**35.0**	**103.7**	**89.7**
Interest expenses (periodical)	– 149.2	– 152.5	– 75.8	– 74.1	– 73.4
Other financial income / expenses	0.2	– 0.3	0.3	0.2	– 0.1
Interest income (periodical)	1.0	5.8	0.4	2.9	0.6
Loss / profit from the fair value measurement of derivatives	– 10.0	14.1	1.8	25.0	– 11.8
Interest expenses (refinancing)	– 0.4	– 1.9	– 0.2	– 0.9	– 0.2
Net financing expenses	**– 158.4**	**– 134.8**	**– 73.5**	**– 46.9**	**– 84.9**
Earnings before taxes (EBT)	**– 33.7**	**84.3**	**– 38.5**	**56.8**	**4.8**
Income taxes	– 9.2	– 41.8	3.8	– 18.7	– 13.0
Net loss / profit	**– 42.9**	**42.5**	**– 34.7**	**38.1**	**– 8.2**
Other comprehensive income:					
Loss from measurement of swaps	0.0	– 1.1	0.0	0.0	0.0
Total comprehensive income for the period	**– 42.9**	**41.4**	**– 34.7**	**38.1**	**– 8.2**
Net loss / profit attributable to:					
Minority interests	– 2.6	8.4	1.1	6.6	– 3.7
Shareholders of the parent company	– 40.3	34.1	– 35.8	31.5	– 4.5
Total comprehensive income attributable to:					
Minority interests	– 2.6	8.4	1.1	6.6	– 3.7
Shareholders of the parent company	– 40.3	33.0	– 35.8	31.5	– 4.5
Weighted average number of shares (undiluted) in million	225.7	225.6	225.7	225.6	225.7
Weighted average number of shares (diluted) in million	226.3	226.2	226.3	226.2	226.3
Earnings per share (in €)	– 0.18	0.15	– 0.16	0.14	– 0.02
Diluted earnings per share (in €)	– 0.18	0.15	– 0.16	0.14	– 0.02

GAGFAH Group – Operational Performance

INCOME FROM THE LEASING OF INVESTMENT PROPERTY

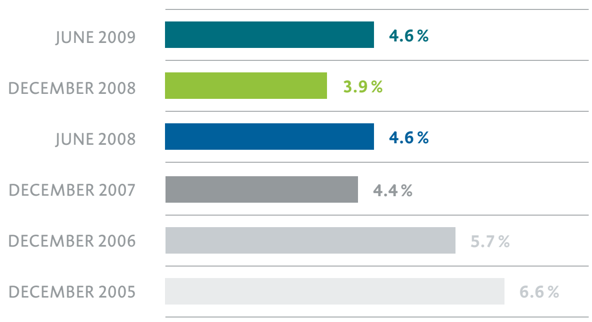
The leasing of investment property is our core business and hence the primary component of our income from operations. Our strategy is to raise rents to market levels while maintaining and increasing occupancy and the quality of accommodation. Rents are continuously evaluated against market levels and adjusted over time.

Income from the leasing of investment property includes rental income, allocations charged and rents from subsidized apartments. In the first six months of 2009, our income from the leasing of investment property was €495.9 million, compared to €489.0 million in the first six months of 2008. Approximately 67 % of such income was attributable to rental income. Rental income mainly consists of net cold rent, which grew on a same store basis by 0.7 % to €4.99 per square meter since December 31, 2008, or 1.3 % on an annualized basis. Our aim is to increase rents by 1.5 - 2.0 % for this year. Charges to tenants for recoverable expenses represented approximately 33 % of the income from the leasing of investment property in the first six months of 2009.

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

€ MILLION	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
Rental income, fees	333.4	336.8	165.1	165.3	168.3
Charges to tenants for recoverable expenses	161.3	150.7	85.8	81.4	75.5
Rent, interest and expense subsidies and other	1.2	1.5	0.7	1.1	0.5
Total	**495.9**	**489.0**	**251.6**	**247.8**	**244.3**

VACANCY



Our overall vacancy rate for the first six months of 2009 remained stable at 4.6 % compared to the first six months of 2008. Excluding units held for privatization, our vacancy rate is at 4.4 % (on a same store basis). GAGFAH's target vacancy rate is approximately 4.5 % for 2009.

OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

In the first six months of 2009, our operating expenses for the generation of rental income totaled €248.7 million, an increase of 1.4 % as compared to the first six months of 2008.

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

€ MILLION	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
Real estate operating expenses	148.3	137.2	80.4	75.3	67.9
Maintenance costs	34.9	41.2	19.2	21.3	15.7
Personnel expenses	31.6	30.1	16.2	15.1	15.4
Real estate tax	11.2	11.9	5.5	5.8	5.7
External costs for real estate management	5.2	6.7	2.4	3.6	2.8
Bad debt allowances	4.6	3.5	2.1	2.4	2.5
Administrative expenses	3.6	4.5	1.7	2.2	1.9
Amortization and depreciation on intangible assets and property, plant and equipment	1.1	1.8	0.6	0.9	0.5
Other	8.2	8.4	4.0	5.1	4.2
Operating expenses for the generation of rental income	**248.7**	**245.3**	**132.1**	**131.7**	**116.6**

Real estate operating expenses increased to €148.3 million in the first six months of 2009 from €137.2 million in the first six months of 2008, mainly due to higher energy costs. Real estate operating expenses can vary from quarter to quarter as the billings of utilities and insurance fluctuate during the year. The majority of these expenses is recoverable from tenants and include expenses such as heating, electricity, water and sewage.

Approximately 64.9 % or €161.3 million of the operating expenses for the generation of rental income of €248.7 million were charged back to our tenants in the form of recoverables in the first six months of 2009.

Maintenance costs decreased to €34.9 million in the first six months of 2009 as compared to €41.2 million in the first six months of 2008 as a result of a smaller portfolio and a more focused spending approach.

External costs for real estate management include marketing expenses in connection with GAGFAH's lease-up activities. These costs decreased to €5.2 million from €6.7 million in the first six months of 2009 and 2008, respectively.

PROFIT FROM THE LEASING OF INVESTMENT PROPERTY

The profit from the leasing of investment property rose by 1.5 % in the first six months of 2009, compared to the first six months of 2008, mainly as a result of higher income from the leasing of investment property. On a quarterly comparison, profit from the leasing of investment property increased to €118.9 million in Q2 2009 from €115.4 million in Q2 2008. Per average unit, profit from the leasing of investment property increased by 4.4 % for the first six months of 2009 as compared to the first six months of 2008.

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 the related operating expenses for the generation of rental income. The profit from the leasing of investment property is computed as follows:

€ MILLION	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
Income from the leasing of investment property	495.9	489.0	251.6	247.8	244.3
Transferable leasehold land interest (land rent expense)	– 1.1	– 1.2	– 0.6	– 0.7	– 0.5
Operating expenses for the generation of rental income	– 248.7	– 245.3	– 132.1	– 131.7	– 116.6
Profit from the leasing of investment property	**246.1**	**242.5**	**118.9**	**115.4**	**127.2**

SALE OF INVESTMENT PROPERTY AT A MARGIN OF 19 %

In the first six months of 2009, we sold 1,116 units in our privatization program for a total of €54.0 million or €48,387 per unit at a margin of 19 % and a net cold rent multiple of 16.0.

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. In the first six months of 2009, profit from the sale of investment property was €10.5 million, as compared to €24.9 million for the first six months of 2008. After recognizing disposition costs, such as external broker fees, capex (pro rata) and marketing costs, net profit from sales is computed as follows:

	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
Sold units	1,116	1,274	899	745	217
Sold sqm	58,016	72,902	44,168	40,400	13,848

	H1 2009 € Million	H1 2009 € per unit	H1 2009 € per sqm	Q2 2009 € Million	Q1 2009 € Million
Gross disposition proceeds	54.0	48,387	931	35.1	18.9
Book value [1]	– 37.5	– 33,602	– 646	– 25.6	– 11.9
Disposition costs [2]	– 7.7	– 6,900	– 133	– 4.4	– 3.3
Net profit	**8.8**	**7,885**	**152**	**5.1**	**3.7**
Net profit margin	**19 %**			**17 %**	**24 %**

[1] Excluding revaluation gains.
[2] Includes sales-related costs (pro rata, such as marketing and external broker fees), capex (pro rata) and personnel costs / G&A.

LOSS FROM FAIR VALUE MEASUREMENT

As of June 30, 2009, our IAS 40 valuation for the investment properties indicated a net loss from fair value measurement of €92.3 million as compared to the values of our investment properties as of December 31, 2008.

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 and residual values. 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. At the end of the detailed planning period of ten years, an exit value is calculated.

The cash flows for the detailed planning period are discounted with a weighted average discount rate of 5.45 %, 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 discounted residual 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.

LOSS FROM COMMERCIAL REAL ESTATE AND PROPERTY DEVELOPMENT BUSINESS

The earnings before taxes (EBT) contribution of the commercial real estate and property development business is as follows:

€ MILLION	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
Income from the sale of commercial real estate and property development	3.4	9.4	1.9	7.2	1.5
Carrying amount of commercial real estate and property development sold	– 1.2	– 11.0	– 0.5	– 8.2	– 0.7
Profit / loss from the sale of commercial real estate and property development	**2.2**	**– 1.6**	**1.4**	**– 1.0**	**0.8**
Loss from other services	0.0	– 0.1	0.0	– 0.1	0.0
Selling expenses (excluding share-based remuneration)	– 0.1	– 0.3	– 0.1	– 0.1	0.0
Other operating income	0.6	0.8	0.5	0.3	0.1
Other operating expenses	– 7.1	– 4.5	– 4.4	– 1.9	– 2.7
Earnings before interest and taxes (EBIT)	**– 4.4**	**– 5.7**	**– 2.6**	**– 2.8**	**– 1.8**
Net interest expenses	– 0.5	– 1.3	– 0.2	– 0.3	– 0.3
Earnings before taxes (EBT)	**– 4.9**	**– 7.0**	**– 2.8**	**– 3.1**	**– 2.1**

OTHER INCOME AND EXPENSE ITEMS

Other income and expense items for our Group totaled a net expense of €37.9 million in the first six months of 2009, as compared to a net expense of €30.1 million in the first six months of 2008.

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

€ MILLION	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
Profit from other services	1.2	1.7	1.0	0.8	0.2
Selling expenses	– 6.8	– 7.7	– 3.9	– 4.0	– 2.9
General and administrative expenses	– 22.1	– 22.6	– 10.6	– 11.6	– 11.5
Income / expenses for share-based remuneration	1.5	–1.1	2.1	– 0.7	– 0.6
Other operating income	3.8	10.5	2.2	5.2	1.6
Other operating expenses	– 15.5	– 10.9	– 5.6	– 4.6	– 9.9
Total	**– 37.9**	**– 30.1**	**– 14.8**	**– 14.9**	**– 23.1**

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

Selling expenses consist of personnel costs, marketing expenses and costs for external brokers, mainly for our sales business. In the first six months of 2009, selling expenses decreased by 11.7 % to €6.8 million, from €7.7 million in the first six months of 2008, mainly due to the lower number of units sold.

General and administrative expenses mainly consist of personnel costs, IT costs, consulting fees, depreciation and office costs.

Income and expenses for share-based remuneration mainly relate to option programs for GAGFAH management. The income from the forfeiture of options in the first six months of 2009 and in Q2 2009 as a result of terminations has been partially offset by expenses for share based remunerations related to new commitments.

All income not directly allocable to the various functional areas is disclosed under other operating income. In the first six months of 2009, other operating income decreased to €3.8 million (thereof €1.0 due to the reversal of provisions) from €10.5 million (thereof €4.0 due to the reversal of provisions).

Other operating expenses are at €15.5 million; €7.1 million thereof relate to costs of commercial real estate and property development. The increase compared to the first six months of 2008 is primarily due to a €6.1 million reduction in the value of the disposal group.

MANAGEMENT COST PER UNIT

We reduced our average management cost per unit to €401 in the first six months of 2009 down from €424 in the first six months of 2008.

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 2009, reorganization and restructuring expenses were €3.9 million, as compared to €13.5 million in the first six months of 2008. The main part of the reorganization and restructuring expenses consists of severance payments, related provisions and consulting fees.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

In the first six months of 2009, our EBIT was €124.7 million, compared to €219.1 million in the first six months of 2008. Excluding revaluation gains and losses, EBIT increased slightly to €223.1 million in the first six months of 2009 compared to €222.1 million in the first six months of 2008.

€ MILLION	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
EBIT	124.7	219.1	35.0	103.7	89.7
Loss from fair value measurement	92.3	3.0	73.1	3.2	19.2
Impairment loss on disposal group	6.1	0.0	0.0	0.0	6.1
EBIT before revaluation losses	**223.1**	**222.1**	**108.1**	**106.9**	**115.0**

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.

Net financing expenses increased to €158.4 million in the first six months of 2009 from €134.8 million in the first six months of 2008. Comparing the first six months of 2009 and 2008, the result from the fair value measurement of derivatives was a loss of €10.0 million as compared to a profit of €14.1 million, which is mainly due to the effect of lower interest rates on the fair value measurement of interest rate swaps. Our net financing expenses are the sum of the following items:

€ MILLION	H1 2009	H1 2008	Q2 2009	Q2 2008	Q1 2009
Interest expenses (periodical)	– 149.2	– 152.5	– 75.8	– 74.1	– 73.4
Interest expenses (refinancing)	– 0.4	– 1.9	– 0.2	– 0.9	– 0.2
Total interest expenses	**– 149.6**	**– 154.4**	**– 76.0**	**– 75.0**	**– 73.6**
Interest income (periodical)	1.0	5.8	0.4	2.9	0.6
Other financial expenses	0.2	– 0.3	0.3	0.2	– 0.1
Loss / profit from the fair value measurement of derivatives	– 10.0	14.1	1.8	25.0	– 11.8
Net financing expenses	**– 158.4**	**– 134.8**	**– 73.5**	**– 46.9**	**– 84.9**

EARNINGS BEFORE TAXES (EBT)

In the first six months of 2009, our Group's EBT was €– 33.7 million, as compared to €84.3 million in the first six months of 2008. The earnings before taxes is computed as EBIT of €124.7 million reduced by net financing expenses of €158.4 million.

INCOME TAXES

Income taxes comprise deferred taxes of €7.1 million (first six months of 2008: €37.8 million) and effective income taxes of €2.1 million (first six months of 2008: €4.0 million).

NET ASSET VALUE

NAV per share decreased to €13.17 on June 30, 2009.

€ MILLION	06-30-2009	12-31-2008
Shareholders' equity	2,495.0	2,628.2
Deferred taxes on investment properties and assets held for sale	476.8	469.5
NAV	**2,971.8**	**3,097.7**
NAV per share (€)	**13.17**	**13.72**

Financial Position

As of June 30, 2009, and December 31, 2008, the Group's equity and liabilities were as follows:

	06-30-2009 € Million	06-30-2009 %	12-31-2008 € Million	12-31-2008 %
Total equity	2,580.7	25.8	2,733.6	26.4
Financial liabilities	6,608.8	66.1	6,732.5	65.2
Other liabilities	810.8	8.1	865.4	8.4
Total equity and liabilities	**10,000.3**	**100.0**	**10,331.5**	**100.0**

As of June 30, 2009, the Group's financial liabilities primarily consist of the following liabilities:

	Carrying amount as of 06-30-2009	Notional amount as of 06-30-2009	Weighted average maturity [1]	Effective interest rate	Fixed or floating rate
Term loans	5,538.3	5,559.7	2013	3.9686 %	Fixed
Term loans	339.2	320.5	2012	2.5999 %	Floating [2]
Senior debt	423.8	508.6	2036	2.3900 %	Fixed
Revolving credit facility	270.1	270.0	2010	3.2780 %	Floating
NILEG other	16.6	19.3	2010	1.7779 %	Floating
Other	20.8				
Total	**6,608.8**	**6,678.1**			

[1] For detailed debt maturities, please refer to pages 34 and 35 of this report.
[2] 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. The carrying amount includes the fair value of the swaps (€17.3 million), as well as financial liabilities from interests on swaps (€1.6 million).

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, debt discount and capital surplus, transaction costs and interest accruals.

There is no material scheduled amortization of the loans prior to maturity. The earliest maturity is the revolving credit facility due in late September 2010. The revolving credit facility is in the amount of €300.0 million of which €270.1 million was drawn as of June 30, 2009.

Net Assets

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

€ MILLION	06-30-2009	12-31-2008
Non-current assets	9,149.5	9,863.9
Current assets	336.5	462.3
Assets held for sale	514.3	5.3
Total assets	**10,000.3**	**10,331.5**
Equity	2,580.7	2,733.6
Non-current liabilities	6,844.9	7,254.9
Current liabilities	574.7	343.0
Total equity and liabilities	**10,000.3**	**10,331.5**

Non-current assets amount to €9,149.5 million, of which 99.1 % relate to investment property. In 2008, independent third-party appraisers from CB Richard Ellis GmbH confirmed the values of 31 % of GAGFAH's portfolio.

Current assets amount to €336.5 million, of which 42.0 % are bank balances and cash on hand. Non-current liabilities of €6,844.9 million represent 92.3 % of total liabilities.

Significant Events after the Interim Reporting Period

There were no significant events after the interim reporting period.

Dividends

GAGFAH has declared a dividend for the second quarter of 2009 of €0.20 per share, payable on September 8, 2009, to holders of record of GAGFAH S.A. shares on August 28, 2009. The shares of GAGFAH S.A. will be ex-dividend for the second quarter of 2009 dividend on August 31, 2009.

Outlook

We believe that our financial prospects remain stable and growing, despite the difficulties generally present in the German economy. Our financial structure is also stable, as 91 % of the Company's debt contractually matures in 2013 and beyond and approximately 4 % of GAGFAH debt will mature in late September 2010. Our aim is to grow rents on a same store basis between 1.5 % and 2.0 % p.a., maintain a vacancy rate of approximately 4.5 % at year-end 2009, further reduce costs, and increase the scale of our sales program in part due to the strong demand we have observed for our individual assets. We currently have over €500 million of property in the pipeline for sale.

Opportunity and Risk Report

There are no significant changes to the risks and opportunities reported in the presentation of Financial Risk Management in the 2008 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, August 7, 2009
The Board of Directors of GAGFAH S.A.

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Consolidated Balance Sheet

June 30, 2009

ASSETS

€ MILLION	Notes	06-30-2009	12-31-2008
Non-current assets			
Intangible assets	E.1.	27.5	27.9
Investment property	E.2.	9,066.3	9,774.1
Property, plant and equipment	E.3.	42.2	43.0
Other financial assets	E.4.	3.7	3.7
Receivables	E.6.	0.3	0.0
Other assets	E.6.	6.1	5.3
Deferred tax assets	E.8.	3.4	9.9
		9,149.5	**9,863.9**
Current assets			
Inventories	E.5.	46.2	58.8
Financial receivables and other financial assets	E.4.	0.0	1.8
Receivables	E.6.	96.9	182.6
Other assets	E.6.	40.4	26.0
Current tax claims	E.7.	11.6	16.7
Bank balances and cash on hand	E.9.	141.4	176.4
		336.5	**462.3**
Assets held for sale		**514.3**	**5.3**
Total assets		**10,000.3**	**10,331.5**

EQUITY AND LIABILITIES

€ MILLION	Notes	06-30-2009	12-31-2008
Equity	**E.10.**		
Subscribed capital		282.1	282.1
Share premium		1,358.6	1,540.7
Legal reserve		28.2	28.2
Revenue reserves		826.1	777.2
Equity attributable to the shareholders of the parent company		**2,495.0**	**2,628.2**
Minority interests		85.7	105.4
Total equity		**2,580.7**	**2,733.6**
Liabilities			
Non-current liabilities			
Liabilities to minority shareholders		3.9	4.1
Pension provisions		107.2	106.9
Other provisions	E.11.	22.5	22.9
Liabilities from income tax	E.12.	103.0	101.9
Deferred tax liabilities	E.8.	273.7	273.6
Financial liabilities	E.13.	6,235.9	6,644.1
Other liabilities	E.14.	4.0	4.4
Deferred liabilities of government-granted loans		94.7	97.0
		6,844.9	**7,254.9**
Current liabilities			
Pension provisions		6.6	6.5
Other provisions	E.11.	53.5	50.7
Liabilities from income tax	E.12.	35.2	39.6
Financial liabilities	E.13.	372.9	88.4
Other liabilities	E.14.	102.0	152.8
Deferred liabilities of government-granted loans		4.5	5.0
		574.7	**343.0**
Total liabilities		**7,419.6**	**7,597.9**
Total equity and liabilities		**10,000.3**	**10,331.5**

Consolidated Income Statement

for the period from January 1 to June 30, 2009

€ MILLION	Notes	H1 2009	H1 2008	Q2 2009	Q2 2008
Income from the leasing of investment property	F.1.	495.9	489.0	251.6	247.8
Transferable leasehold land interest		– 1.1	– 1.2	– 0.6	– 0.7
Operating expenses for the generation of rental income (excluding share-based remuneration)	F.2.	– 248.7	– 245.3	– 132.1	– 131.7
Profit from the leasing of investment property		**246.1**	**242.5**	**118.9**	**115.4**
Income from the sale of investment property		54.0	74.0	35.1	36.6
Carrying amount of the investment property sold		– 43.5	– 49.1	– 29.7	– 18.1
Profit from the sale of investment property		**10.5**	**24.9**	**5.4**	**18.5**
Loss from fair value measurement	**F.3.**	**– 92.3**	**– 3.0**	**– 73.1**	**– 3.2**
Income from the sale of commercial real estate and property development		3.4	9.4	1.9	7.2
Carrying amount of the commercial real estate and property development sold		– 1.2	–11.0	– 0.5	– 8.2
Profit / loss from the sale of commercial real estate and property development		**2.2**	**– 1.6**	**1.4**	**– 1.0**
Profit from other services	F.4.	1.2	1.7	1.0	0.8
Selling expenses (excluding share-based remuneration)	F.5.	– 6.8	– 7.7	– 3.9	– 4.0
General and administrative expenses (excluding share-based remuneration)		– 22.1	– 22.6	– 10.6	– 11.6
Income / expenses for share-based remuneration		1.5	– 1.1	2.1	– 0.7
Other operating income	F.6.	3.8	10.5	2.2	5.2
Other operating expenses	F.6.	– 15.5	– 10.9	– 5.6	– 4.6
Profit from operations before reorganization and restructuring expenses		**128.6**	**232.7**	**37.8**	**114.8**
Reorganization and restructuring expenses	F.7.	– 3.9	– 13.5	– 2.9	– 11.1
Profit from operations		**124.7**	**219.2**	**34.9**	**103.7**
Loss / profit from other financial assets		0.0	– 0.1	0.1	0.0
Earnings before interest and taxes (EBIT)		**124.7**	**219.1**	**35.0**	**103.7**
Interest expenses (periodical)	F.8.	– 149.2	– 152.5	– 75.8	– 74.1
Other financial income / expenses		0.2	– 0.3	0.3	0.2
Interest income (periodical)		1.0	5.8	0.4	2.9
Loss / profit from the fair value measurement of derivatives	F.8.	– 10.0	14.1	1.8	25.0
Interest expenses (refinancing)		– 0.4	– 1.9	– 0.2	– 0.9
Net financing expenses		**– 158.4**	**– 134.8**	**– 73.5**	**– 46.9**
Earnings before taxes (EBT)		**– 33.7**	**84.3**	**– 38.5**	**56.8**
Income taxes	F.9.	– 9.2	– 41.8	3.8	– 18.7
Net loss / profit		**– 42.9**	**42.5**	**– 34.7**	**38.1**
Other comprehensive income:					
Loss from measurement of swaps		0.0	– 1.1	0.0	0.0
Total comprehensive income for the period		**– 42.9**	**41.4**	**– 34.7**	**38.1**
Net loss / profit attributable to:					
Minority interests		– 2.6	8.4	1.1	6.6
Shareholders of the parent company		– 40.3	34.1	– 35.8	31.5
Total comprehensive income attributable to:					
Minority interests		– 2.6	8.4	1.1	6.6
Shareholders of the parent company		– 40.3	33.0	– 35.8	31.5
Weighted average number of shares (undiluted) in million		225.7	225.6	225.7	225.6
Weighted average number of shares (diluted) in million		226.3	226.2	226.3	226.2
Earnings per share (in €)		– 0.18	0.15	– 0.16	0.14
Diluted earnings per share (in €)		– 0.18	0.15	– 0.16	0.14

Consolidated Cash Flow Statement [1)]

for the period from January 1 to June 30, 2009

€ MILLION	H1 2009	H1 2008
Net loss / profit	– 42.9	42.5
Change in the value of investment property	92.3	3.0
Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment	1.8	3.1
Gains on the disposal of property, plant and equipment	0.0	– 0.1
Gains on the disposal of investment property	– 10.5	– 24.9
Other non-cash expenses	23.1	3.9
Change in provisions, pension provisions and deferred liabilities of government-granted loans	– 3.9	– 9.8
Change in deferred taxes	7.0	37.7
Change in working capital	– 2.3	– 18.3
Cash flows from operating activities [2)]	**64.6**	**37.1**
Cash received from the sale of investment property	135.5	96.0
Cash paid for investment property – reinvestment	0.0	– 4.4
	200.1	**128.7**
Cash paid for investment property – acquisition and modernization	– 15.0	– 127.1
Cash paid for investments in intangible assets and property, plant and equipment	– 1.8	– 3.0
Cash received from disposals of property, plant and equipment	0.1	0.0
Cash received from the sale of other financial assets	0.0	0.4
Cash paid for the acquisition of subsidiaries and minority shares in subsidiaries	0.0	– 19.5
Cash flows from investing activities	**118.8**	**– 57.6**
Cash paid to stockholders of GAGFAH S.A.	– 90.4	– 90.3
Cash paid to minority interests	– 3.1	– 0.9
Cash paid for liabilities to minority shareholders	0.0	– 1.5
Cash received from raising financial liabilities	0.0	95.5
Cash repayments of financial liabilities	– 110.6	– 20.9
Interest and cost paid for refinancing	– 0.8	– 3.5
Cash flows from financing activities	**– 204.9**	**– 21.6**
Change in cash and cash equivalents	**– 21.5**	**– 42.1**
Bank balances, cash on hand and securities at the beginning of the year	176.4	206.1
Change in cash and cash equivalents due to changes in the consolidated group	– 13.5	0.0
Bank balances and cash on hand	**141.4**	**164.0**

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

2) Operating cash flow includes taxes paid of €0.2 million (prior year period: taxes paid of €17.7 million), interest paid of €134.5 million (prior year period: €140.6 million) and interest received of €2.8 million (prior year period: €4.1 million).

Statement of Changes in Consolidated Equity

for the period from January 1 to June 30, 2009

€ MILLION	Subscribed capital	Share premium	Legal reserve	REVENUE RESERVES Unrealized gains/losses from derivative financial instruments	Retained earnings	Equity attributable to the share-holders of the parent company	Minority interests	Total equity
January 1, 2009	**282.1**	**1,540.7**	**28.2**	**0.0**	**777.2**	**2,628.2**	**105.4**	**2,733.6**
Total comprehensive income for the period	0.0	0.0	0.0	0.0	– 40.3	– 40.3	– 2.6	– 42.9
Share-based remuneration	0.0	– 1.6	0.0	0.0	0.0	– 1.6	0.0	– 1.6
Change in shareholdings and the consolidated Group	0.0	0.0	0.0	0.0	– 0.9	– 0.9	– 14.0	– 14.9
Dividends	0.0	– 180.5	0.0	0.0	90.1	– 90.4	– 3.1	– 93.5
June 30, 2009	**282.1**	**1,358.6**	**28.2**	**0.0**	**826.1**	**2,495.0**	**85.7**	**2,580.7**
January 1, 2008	**281.9**	**1,537.5**	**28.2**	**1.1**	**916.5**	**2,765.2**	**102.0**	**2,867.2**
Total comprehensive income for the period	0.0	0.0	0.0	– 1.1	34.1	33.0	8.4	41.4
Share-based remuneration	0.1	1.0	0.0	0.0	0.0	1.1	0.0	1.1
Change in shareholdings and the consolidated Group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	– 90.3	– 90.3	– 0.9	– 91.2
June 30, 2008	**282.0**	**1,538.5**	**28.2**	**0.0**	**860.3**	**2,709.0**	**109.5**	**2,818.5**

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 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, 2008.

The explanations are substantially made for the period from January 1 until June 30, 2009.

Information that is labeled "prior year period" on the Notes to the Consolidated Income Statement, the Statement of Changes in Consolidated Equity, the Consolidated Cash Flow Statement and the Group Segment Report refers to the respective reporting period of the preceding financial year. Information that is labeled "prior year" on the Notes to the Consolidated Balance Sheet and other financial information based on the balance sheet date refers to December 31 of the preceding financial year.

B. Consolidated Group and Consolidation Principles

CONSOLIDATED GROUP

Upstream mergers in the reporting period

In the second quarter of 2009, GAGFAH First Property Holding GP GmbH transferred its net assets as a whole to GAGFAH Acquisition 3 GmbH by upstream merger. The same was resolved to GAGFAH Pegasus Verwaltungs GmbH. This merger will become effective by entry into the commercial register.

Deconsolidation in the reporting period

In line with the Group's continuous portfolio optimization, the senior management of GAGFAH Group resolved to exercise the put option for Baugesellschaft Frankenthal (Pfalz) GmbH ("BGF") on January 7, 2009. The corporate purposes of BGF are the management of residential and other buildings in the region of Frankenthal (Pfalz), Germany, as well as construction and development activities.

In the course of the classification of BGF as a disposal group, an impairment loss was allocated to investment property (€5.9 million) and property, plant and equipment (€0.2 million) in the first quarter of 2009.

Upon the exercise of the put option, the company was deconsolidated on April 1, 2009. The net assets of BGF as of April 1, 2009, break down as follows:

€ MILLION	04-01-2009
ASSETS	
Non-current assets	
Investment property	71.7
	71.7
Current assets	
Inventories	0.2
Receivables	2.2
Other assets	0.1
Current tax claims	0.1
Bank balances and cash on hand	13.5
	16.1
Assets of disposal group	**87.8**
LIABILITIES	
Non-current liabilities	
Minority interests	13.9
Liabilities from income tax	1.3
Financial liabilities	17.3
Other liabilities	0.3
Deferred liabilities of government-granted loans	0.7
	33.5
Current liabilities	
Other provisions	0.2
Liabilities from income tax	1.7
Financial liabilities	3.5
Other liabilities	1.1
	6.5
Liabilities of disposal group	**40.0**
Net assets	47.8
Deferral of purchase price	– 47.8
Effect from the deconsolidation	**0.0**
Cash inflow due to sale	
Sales price	0.0
Cash and cash equivalents disposed	– 13.5
Net cash inflow	**– 13.5**

In connection with the deconsolidation of BGF, the deferral of the purchase price in an amount of €47.8 million was also part of the deconsolidation and therefore closed out.

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, 2008.

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. Except for the amendments described below, the accounting policies applied were the same as those used in the Consolidated Financial Statements as of December 31, 2008.

Assets are classified as “held for sale” if the sale is highly probable and management has declared its intention to sell. At GAGFAH S.A., this presently applies to investment properties according to IAS 40 for which management has designated the property for sale and the sale is expected to be made within one year.

The assets are measured at the lower of carrying amount and fair value less costs to sell.

D. Segment Reporting

GAGFAH Group applies IFRS 8 Operating Segments for its segment reporting for the reporting period beginning on January 1, 2009. According to this, the segment reporting must be prepared in a manner consistent with internal reports regularly used by the Group’s key decision makers for the internal assessment of the segments’ performance or the allocation of resources to the Group’s segments.

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 June 30, 2009 and 2008 on pages 28 and 29, respectively.

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

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

Group Segment Report for the period from January 1 to June 30, 2009

€ MILLION	Real estate management	Real estate sales	Total segments	Other	Total Group
Segment revenues	**496.7**	**54.0**	**550.7**	**8.4** [1]	**559.1**
Segment results (EBITDA)	**222.1**	**0.0**	**222.1**	**– 91.7** [2]	**130.4**
Reorganization and restructuring expenses	– 1.2	0.0	– 1.2	– 2.7	– 3.9
Depreciation / amortization	– 1.1	0.0	– 1.1	– 0.7	– 1.8
Loss from other financial assets	0.0	0.0	0.0	0.0	0.0
Interest expenses	– 140.3	0.0	– 140.3	– 19.1	– 159.4
Interest income	0.6	0.2	0.8	0.2	1.0
Earnings before taxes (EBT)	**80.1**	**0.2**	**80.3**	**– 114.0**	**– 33.7**
Income taxes	0.0	0.0	0.0	– 9.2	– 9.2
Net profit / loss	**80.1**	**0.2**	**80.3**	**– 123.2**	**– 42.9**
Segment assets	**9,498.1**	**202.4**	**9,700.5**	**299.8** [3]	**10,000.3**
Segment liabilities	**6,726.0**	**3.8**	**6,729.8**	**689.8** [4]	**7,419.6**
Segment investments (in investment property, property, plant and equipment or intangible assets)	15.0 [5]	0.0	15.0	1.8	16.8
Significant non-cash segment expenses	– 32.2 [6]	– 0.5 [7]	– 32.7	– 88.8 [8]	– 121.5

1) The income includes income from the sale of commercial real estate / property development (€3.4 million), income from the reversal of deferred liabilities of government-granted loans (€2.6 million) and income from the leasing of investment property and revenues from other services of BGF (€2.4 million).

2) The expenses include loss from fair value measurement of investment property (€– 92.3 million), income from the reversal of deferred liabilities of government-granted loans (€2.6 million), income from the reversal of provisions (€1.0 million) and the loss from the commercial real estate / property development business (€– 4.4 million). Other adjustments amount to €1.4 million.

3) This item includes cash, intangible assets, property, plant and equipment, inventories, other receivables and other assets, current tax claims, other financial assets and deferred tax assets.

4) This item includes deferred tax liabilities, liabilities from income taxes, pension provisions, financial liabilities due to unfinished development on a trust basis, other liabilities and other provisions.

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

6) Significant non-cash expenses of real estate management contain the loss from the fair value measurement of derivatives (€–10.0 million), additions to provisions concerning real estate management (€–17.6 million) and write-offs of rents receivable (€– 4.6 million).

7) Significant non-cash expenses of real estate sales are mainly accrued disposition costs.

8) Other significant non-cash income / expenses mainly consist of the loss from the fair value measurement of investment property (€– 92.3 million). income from the reversal of deferred liabilities of government-granted loans (€2.6 million) and income from the reversal of provisions (€1.0 million).

Group Segment Report for the period from January 1 to June 30, 2008

€ MILLION	Real estate management	Real estate sales	Total segments	Other	Total Group
Segment revenues	**487.5**	**74.0**	**561.5**	**18.1** [1]	**579.6**
Segment results (EBITDA)	**215.4**	**16.0**	**231.4**	**4.5** [2]	**235.9**
Reorganization and restructuring expenses	– 3.3	0.0	– 3.3	– 10.2	– 13.5
Depreciation / amortization	– 1.8	0.0	– 1.8	– 1.4	– 3.2
Loss from other financial assets	0.0	0.0	0.0	– 0.1	– 0.1
Interest expenses	– 143.4	0.0	– 143.4	2.8	– 140.6
Interest income	3.8	1.6	5.4	0.4	5.8
Earnings before taxes (EBT)	**70.7**	**17.6**	**88.3**	**– 4.0**	**84.3**
Income taxes	0.0	0.0	0.0	– 41.8	– 41.8
Net profit / loss	**70.7**	**17.6**	**88.3**	**– 45.8**	**42.5**
Segment assets	**10,017.2**	**138.8**	**10,156.0**	**479.8** [3]	**10,635.8**
Segment liabilities	**6,842.3**	**5.1**	**6,847.4**	**969.9** [4]	**7,817.3**
Segment investments (in investment property, property, plant and equipment or intangible assets)	131.5 [5]	0.0	131.5	3.0	134.5
Significant non-cash segment income (+) / expenses (-)	– 11.8 [6]	– 0.2 [7]	– 12.0	10.6 [8]	– 1.4

[1] The income includes income from the sale of commercial real estate / property development (€9.4 million), income from the reversal deferred liabilities of government-granted loans (€4.0 million) and income from the leasing of investment property and revenues from other services of BGF (€4.7 million).

[2] The income includes loss from fair value measurement of investment property (€– 3.0 million), income from the reversal of deferred liabilities of government-granted loans (€4.0 million), income from the reversal of provisions (€4.0 million) and the loss from the commercial real estate / property development business (€– 5.7 million). Other income amounts to €5.2 million.

[3] This item includes cash, intangible assets, property, plant and equipment, inventories, other receivables and other assets, current tax claims, other financial assets, deferred tax assets and assets of the Group's subsidiary BGF.

[4] This item includes deferred tax liabilities, liabilities from income taxes, pension provisions, financial liabilities due to unfinished development on a trust basis, other liabilities from the deferral of the BGF purchase price and liabilities of the Group's subsidiary BGF.

[5] Segment investments of real estate management are mainly additions to investment property.

[6] Significant non-cash income / expenses of real estate management contain the profit from fair value measurement of derivatives (€14.1 million), additions to provisions concerning real estate management (€– 22.4 million) and write-offs of rents receivable (€– 3.5 million).

[7] Significant non-cash expenses of real estate sales are €– 0.2 million accrued disposition costs.

[8] Other significant non-cash income / expenses mainly consist of the profit from fair value measurement of investment property (€3.0 million), income from the reversal of deferred liabilities of government-granted loans (€4.0 million) and income from the reversal of provisions (€4.0 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 €3.9 million (prior year: €4.3 million).

The intangible assets include the goodwill from the acquisitions of 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, 2009 and for the year ended December 31, 2008:

€ MILLION	06-30-2009	12-31-2008
As of January 1	9,774.1	9,795.2
Changes to the consolidated group	– 77.6	0.0
Additions	13.6	356.2
Disposals and reclassifications according to IFRS 5	– 571.0	– 144.7
Reclassifications from property, plant and equipment and inventories	1.1	0.4
Changes in value	– 73.9	– 233.0
As of balance sheet date	**9,066.3**	**9,774.1**

The changes to the consolidated group relate to investment property of 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. In the course of the classification of BGF as a disposal group, the investment property of BGF was reduced to €71.7 million by an impairment loss of €5.9 million. For further information we refer to section B. “Consolidated Group and Consolidation Principles”.

The disposals and reclassifications according to IFRS 5 include reclassifications from investment property into assets held for sale of €529.2 million (prior year: €5.3 million) and disposals of €41.8 million (prior year: €139.4 million).

The difference between the changes in value shown in the development of the real estate portfolio (€–73.9 million) and the disposals as per consolidated income statement (€–92.3 million) results from the loss from fair value measurement of assets held for sale (€–18.4 million).

Sections F.1. and F.2. of this report contain notes relating to income of €495.9 million (prior year period: €489.0 million) from the leasing of investment property and operating expenses of €248.7 million (prior year period: €245.3 million) for the generation of rental income.

3. PROPERTY, PLANT AND EQUIPMENT

There were no material changes within property, plant and equipment during the six months ended June 30, 2009.

4. FINANCIAL RECEIVABLES AND OTHER FINANCIAL ASSETS

The decrease compared to December 31, 2008, results from the repayment of margin amounts (€1.8 million) due to the settlement of interest rate swaps in the first half of 2009.

5. INVENTORIES

The decrease in inventories compared to December 31, 2008, mainly results from the close-out of a development project on behalf of a third party in the second quarter of 2009. The carrying amount of the related land (without buildings) amounted to €10.7 million.

6. RECEIVABLES AND OTHER ASSETS

Since December 31, 2008, the receivables decreased by €85.4 million. This effect is caused by a decrease of the current receivables from sales of land of €87.2 million, mainly due to incoming payments.

The increase in other assets compared to December 31, 2008, is mainly due to payments on account for maintenance costs in connection with outsourcing contracts with external maintenance providers.

7. CURRENT TAX CLAIMS

As of June 30, 2009, GAGFAH S.A. discloses current tax claims of €11.6 million (prior year: €16.7 million). These are mainly related to claims from capital yield tax and sales tax.

8. DEFERRED TAXES

Deferred tax assets of €3.4 million (prior year: €9.9 million) and deferred tax liabilities of €273.7 million (prior year: €273.6 million) result from temporary differences.

9. 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 €141.4 million (prior year: €176.4 million).

The time deposits of GAGFAH S.A. have terms between one and three months and accrue interest between 0.27 % and 1.45 % (weighted average: 0.68 %).

The balances in current accounts mainly accrue interest between 0.04 % and 0.75 %. The weighted average of the interest rates from the Group's main banks amounted to 0.40 % for the second quarter of 2009. Bank deposits at all other banks have an average interest rate of 0.50 % for the second quarter of 2009.

10. EQUITY

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

On April 21, 2009, the shareholders approved at the Annual General Meeting of shareholders the interim dividends paid for 2008. Since the shareholders approved payment of the dividends out of the share premium, the corresponding amount of €180.5 million was reclassified from retained earnings.

The interim dividends paid for 2009 continue to be shown in retained earnings.

11. OTHER PROVISIONS

There were no material changes within other provisions since December 31, 2008.

12. LIABILITIES FROM INCOME TAX

There were no material changes within the liabilities from income tax since December 31, 2008.

13. FINANCIAL LIABILITIES

The financial liabilities of €6,608.8 million (prior year: €6,732.5 million) break down as follows as of June 30, 2009:

Liabilities to banks amount to €6,554.5 million (prior year: €6,677.8 million) and liabilities to other lenders to €54.3 million (prior year: €54.7 million).

The value of the investment property portfolio including assets held for sale of €9,580.6 million (prior year: €9,779.4 million) is predominantly encumbered by charges on property for providing security of the current and non-current financial liabilities to banks and other lenders. The financial liabilities which are secured by charges on property amount to €6,285.0 million (prior year: €6,360.9 million). No collateral has been provided for the remaining €323.8 million (prior year: €371.6 million).

The decrease in unsecured financial liabilities results from the lower amount of the outstanding balance of the credit facility as well as the decrease in liabilities relating to unfinished development on behalf of cities and municipalities. Of the total financial liabilities, €6,348.2 million (prior year: €6,466.8 million) relate to privately financed loans.

Overall, loans amounting to €68.4 million (prior year: €20.9 million) were repaid in the first half of 2009. Thereof, 23 (prior year: 48) loans totaling €0.7 million (prior year: €0.4 million) were fully repaid in the fiscal year.

The Group is primarily financed on a long-term basis. As of June 30, 2009, the Group's financial liabilities primarily comprise the following liabilities.

€ MILLION	Carrying amount as of 06-30-2009	Notional amount as of 06-30-2009	Weighted avg. maturity	Effective interest rate	Fixed or floating rate	6 months ended December 2009 Required repay-ments	6 months ended December 2009 Interest payments
Term loans	5,538.3	5,559.7	2013	3.9686 %	Fixed	0.0	111.9
Term loans	339.2	320.5	2012	2.5999 %	Floating[2]	0.0	4.2
Senior debt	423.8	508.6	2036	2.3900 %	Fixed	8.3	7.2
Revolving credit facility	270.1	270.0	2010	3.2780 %	Floating	0.0	4.5
NILEG other	16.6	19.3	2010	1.7779 %	Floating	0.0	0.2
Other	20.8						
Total	**6,608.8**	**6,678.1**				**8.3**	**128.0**

[1] €305.9 million are fixed rate term loans which are contractually scheduled to mature in 2013 and are attributable to assets held for sale. Consistent with the plan to sell such assets, the term loans will be repaid upon disposal by such amount in 2010, resulting in reduced interest payments on the fixed rate term loans in fiscal years 2010 to 2013.

[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. The carrying amount includes the fair value of the swaps in an amount of €17.3 million as well as financial liabilities from interests on swaps in an amount of €1.6 million.

€ MILLION	Carrying amount as of 12-31-2008	Notional amount as of 12-31-2008	Weighted avg. maturity	Effective interest rate	Fixed or floating rate	2009 Required repay-ments	2009 Interest payments
Term loans	5,588.9	5,614.9	2013	3.9628 %	Fixed	0.0	225.6
Term loans	337.3	322.5	2012	6.1393 %	Floating[1]	0.0	20.1
Senior debt	450.7	538.9	2034	2.4200 %	Fixed	17.0	15.3
Revolving credit facility	309.8	289.0	2010	5.2622 %	Floating[1]	0.0	15.4
NILEG other	26.6	29.2	2010	4.0773 %	Floating	9.0	0.9
Other	19.2						
Total	**6,732.5**	**6,794.5**				**26.0**	**277.3**

[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. The carrying amount includes the fair value of the swaps of €33.5 million (thereof €13.0 million related to term loans and €20.5 million related to the revolving credit facility).

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

As of June 30, 2009, the Group had a credit facility of €300.0 million, of which €270.1 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 %.

2010		2011		2012		2013		2014		≥ 2015	
Required repay-ments	Interest payments	Required repay-ments	Interest payments	Required repay-ments	Interest payments	Required repay-ments	Interest payments	Required repay-ments	Interest payments	Required repay-ments	Interest payments
305.9 1)	212.7	0.0	212.7	0.0	212.7	3,653.4	163.8	1,600.4	34.3	0.0	0.0
0.0	8.4	0.0	8.4	277.0	3.1	0.0	1.0	0.0	1.0	43.5	0.6
16.0	14.2	15.8	13.9	15.5	13.6	14.8	13.0	14.7	13.1	423.5	251.0
270.0	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4	0.3	16.9	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
594.3	**242.3**	**32.7**	**235.1**	**292.5**	**229.4**	**3,668.2**	**177.8**	**1,615.1**	**48.4**	**467.0**	**251.6**

2010		2011		2012		2013		2014		≥ 2015	
Required repay-ments	Interest payments	Required repay-ments	Interest payments	Required repay-ments	Interest payments	Required repay-ments	Interest payments	Required repay-ments	Interest payments	Required repay-ments	Interest payments
0.0	225.6	0.0	225.6	0.0	225.6	4,012.3	172.7	1,602.6	34.3	0.0	0.0
0.0	20.1	0.0	20.1	278.0	7.3	0.0	2.2	0.0	2.2	44.5	1.3
16.3	14.9	16.1	14.5	15.9	14.2	15.2	13.6	15.0	13.6	443.4	261.9
289.0	11.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.6	0.7	16.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
308.9	**272.8**	**32.7**	**260.4**	**293.9**	**247.1**	**4,027.5**	**188.5**	**1,617.6**	**50.1**	**487.9**	**263.2**

14. OTHER LIABILITIES

The decrease of other current liabilities compared to year-end 2008 mainly relates to the close-out of the deferral of the purchase price in connection with BGF (€47.8 million).

15. DISPOSAL GROUP

Upon the exercise of the put option, the disposal group BGF was deconsolidated on April 1, 2009. For further information we refer to section B. “Consolidated Group and Consolidation Principles”.

In the course of the deconsolidation , the assets and liabilities of the disposal group as displayed in the Consolidated Balance Sheet as of March 31, 2009, have been removed from the Consolidated Balance Sheet.

F. Notes to the Consolidated Income Statement

1. INCOME FROM THE LEASING OF INVESTMENT PROPERTY

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

€ MILLION	H1 2009	H1 2008
Rental income, fees	333.4	336.8
Allocations charged	161.3	150.7
Rent, interest and expense subsidies	1.1	1.3
Risk of default on allocations	0.1	0.2
Total	**495.9**	**489.0**

Income from the leasing of investment property is mainly attributable to the leasing of land with residential buildings.

The rent, interest and expense subsidies primarily relate to government allowances to allow lower rent to be charged for subsidized housing.

Rental income includes non-cash income related to government-granted loans in an amount of €2.6 million (prior year period: €4.0 million).

2. OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

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

€ MILLION	H1 2009	H1 2008
Operating expenses	148.3	137.2
Maintenance costs	34.9	41.2
Personnel expenses	31.6	30.1
Real estate tax	11.2	11.9
External costs for real estate management	5.2	6.7
Bad debt allowances	4.6	3.5
Administrative expenses	3.6	4.5
Amortization and depreciation on intangible assets and property, plant and equipment	1.1	1.8
Other expenses for real estate management	8.2	8.4
Total	**248.7**	**245.3**

3. LOSS FROM FAIR VALUE MEASUREMENT

The loss from fair value measurement of €92.3 million (prior year period: €3.0 million) includes an amount of €18.4 million (prior year period: €0.0 million) from recognized impairment losses regarding assets held for sale. Please refer to section E.2. “Investment Property”.

4. PROFIT FROM OTHER SERVICES

The profit from other services of €1.2 million (prior year period: €1.7 million) consists of revenues from third-party real estate management of €2.8 million (prior year period: €2.9 million) and revenues from other services of €3.0 million (prior year period: €4.3 million). The overall income is set off by expenses totaling €4.6 million (prior year period: €5.5 million) from third-party real estate management, other services and commercial real estate, €2.6 million (prior year period: €2.6 million) of which relate to personnel expenses.

5. SELLING EXPENSES

Selling expenses break down as follows:

€ MILLION	H1 2009	H1 2008
Personnel expenses	2.5	2.2
External selling partners	1.7	1.5
Marketing and selling prearrangements	0.6	1.2
General and administrative expenses	0.4	0.4
Maintenance on vacant flats and sample flats	0.3	1.2
Clearing from encumbrances	0.3	0.1
Other	0.9	0.8
Subtotal	**6.7**	**7.4**
Selling expenses due to commercial real estate and property development	0.1	0.3
Total	**6.8**	**7.7**

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 breaks down as follows:

€ MILLION	H1 2009	H1 2008
Income from the reversal of provisions	1.0	4.0
Transfer of consulting costs in connection with the deconsolidation of a former subsidiary	0.4	0.0
Transferable leasehold land interest	0.1	0.1
Write-off of liabilities	0.0	1.0
Income from the sale of financial assets	0.0	0.3
Other	1.7	4.3
Subtotal	**3.2**	**9.7**
Other operating income due to commercial real estate and property development	0.6	0.8
Total	**3.8**	**10.5**

Other operating expenses break down as follows:

€ MILLION	H1 2009	H1 2008
Impairment of components of the disposal group (BGF)	6.1	0.0
Additions to provisions	1.1	0.5
Real estate transfer taxes	0.0	4.0
Other	1.2	1.9
Subtotal	**8.4**	**6.4**
Other operating expenses due to commercial real estate and property development	7.1	4.5
Total	**15.5**	**10.9**

For more information about the disposal group please refer to section B. “Consolidated Group and Consolidation Principles” and E.15. “Disposal Group”.

7. REORGANIZATION AND RESTRUCTURING EXPENSES

These expenses break down as follows:

	H1 2009			H1 2008		
€ MILLION	Restructuring	Reorganization	Total	Restructuring	Reorganization	Total
Personnel-related expenses	1.9	0.2	2.1	8.2	0.3	8.5
Consulting fees	1.0	0.4	1.4	2.7	1.2	3.9
Non-personnel administrative costs	0.3	0.1	0.4	0.6	0.5	1.1
Total	**3.2**	**0.7**	**3.9**	**11.5**	**2.0**	**13.5**

Reorganization and restructuring expenses mainly consist of severance payments, consulting fees as well as of the costs for IT projects.

In the first six months of 2009 reorganization and restructuring expenses amount to €3.9 million. The decrease compared to the prior year period amount of €13.5 million is mainly due to the declining development of personnel-related expenses and arises from the fact that the restructuring provisions allocated in 2008 were partly used in 2009.

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

The majority of the interest expenses of €149.2 million (prior year period: €152.5 million) relates to interest payments on bank loans.

Furthermore, there are interest expenses of €3.3 million (prior year period: €3.8 million) from the amortization of the present value of the government-granted loans.

Measurement of derivatives at fair value results in a loss of €10.0 million (prior year period: profit of €14.1 million).

9. INCOME TAXES

Income taxes comprise deferred taxes of €7.1 million (prior year period: €37.8 million) and effective income taxes of €2.1 million (prior year period: €4.0 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	06-30-2009	12-31-2008	06-30-2008
Cash on hand	0.1	0.1	0.1
Bank balances			
Time deposits	7.6	10.7	20.1
In current accounts	29.5	53.4	27.0
Restricted cash	92.5	98.3	104.0
HB-funds balances	11.7	13.9	12.8
Bank balances and cash on hand as displayed in the Consolidated Balance Sheet	**141.4**	**176.4**	**164.0**

The comparative figures referred to as "prior year" in the text below are the amounts as of June 30, 2008.

We have €141.4 million (prior year: €164.0 million) in cash, of which €92.5 million (prior year: €104.0 million) is restricted and €48.9 million (prior year: €60.0 million) is unrestricted.

Restricted cash contains an amount of €31.3 million (prior year: €32.8 million) which corresponds to the interests on term loans due but not yet payable until the end of the reporting period and an amount of €7.6 million (prior year: €19.1 million) which is pledged for guarantee facilities. Restricted cash also includes an amount of €53.6 million (prior year: €52.1 million) which can be either used for the repayment of term loans or reinvestment for the acquisition of new properties.

In February 2009, the GAGFAH Group closed out interest rate swaps. For the close-out, an amount of €24.3 million was paid in February 2009. The payment is included in the line "Cash repayments of financial liabilities" within the Consolidated Cash Flow Statement.

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 2008.

Changes of relevant valuation parameters of interest rate swaps

Due to the close-out of interest rate swaps, mainly related to the revolving credit facility, the nominal amount of the swaps in total has changed from €600.4 million as of December 31, 2008, to €316.6 million as of June 30, 2009. The fair value of the swaps amounts to €– 17.3 million (prior year: €– 33.5 million).

As of June 30, 2009, the valuation was based on the following term structure:

Interest rate for six months	1.313 %
Interest rate for one year	1.504 %
Interest rate for five years	2.865 %
Interest rate for ten years	3.615 %

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 June 30, 2009, a total loss of €10.0 million (prior year period: profit of €14.1 million) from changes in the fair value of the interest rate swaps was recognized through profit or loss in the item "Loss / Profit from the fair value measurement of derivatives".

2. Contingent Liabilities and Financial Obligations

There were no material changes since December 31, 2008.

3. Employees

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

	H1 2009		H1 2008	
	Heads	FTEs	Heads	FTEs
Real estate management	1,265	1,221	1,136	1,094
Real estate sales	38	38	50	50
Other	247	238	264	256
Total	**1,550**	**1,497**	**1,450**	**1,400**

Including 364 part-time employees (prior year period: 377) and 83 trainees (prior year period: 59), the total headcount was 1,997 (prior year period: 1,886).

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 2009.

5. MANAGEMENT

Board of Directors

On April 21, 2009, Mr William Joseph Brennan was appointed member of the Board of Directors of the Company with effect as of August 1, 2009.

Senior Management

The senior management of the Company's respective subsidiaries is composed of the following members as of June 30, 2009:

MEMBERS	
Mr William Joseph Brennan	Chief Executive Officer (CEO) (since May 12, 2009)
Mr Rolf Glessing	Chief Financial Officer (CFO)
Mr Nicolai Kuß	Chief Operating Officer (COO) (since April 30, 2009)
Mr Worna Zohari	Chief Sales Officer (CSO)

On April 6, 2009, Mr Burkhard Ulrich Drescher resigned from his position as member of the Senior management of the Company's Subsidiaries.

On April 30, 2009, Mr Rainer Seifert resigned from his position as member of the Senior Management of the Company's subsidiaries.

6. CASH DIVIDEND

The cash dividend paid on April 6, 2009, for the fourth quarter of 2008 amounted to €45.3 million. The cash dividend paid on June 9, 2009, for the first quarter of 2009 amounted to €45.1 million.

7. SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING PERIOD

There were no significant events after the interim reporting period.

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 Joseph Brennan

Yves Wagner, PhD

Dieter H. Ristau

Dr. Jürgen Allerkamp

Luxembourg, August 7, 2009

IMPRINT:
GAGFAH S.A.
2-4, RUE BECK
L-1222 LUXEMBOURG
GRAND DUCHY OF LUXEMBOURG

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MAINZ
GERMANY

GAGFAH S.A.
2-4, RUE BECK
L-1222 LUXEMBOURG
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