



## Interim Report

as of June 30, 2008

# 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, management and acquisition of a geographically diversified and well-maintained residential property portfolio located throughout Germany. With a portfolio of approximately 175,000 apartments, GAGFAH is the largest German listed residential property company.

## GAGFAH S.A. SHARES AS OF JUNE 30, 2008

ISIN	LU0269583422
Total Market Cap. (€ million)	2,035
Industry Group	Real Estate
Number of Shares (million)	225.6
Listing	Frankfurt Stock Exchange
Major Indices Memberships	MDAX, EPRA, GPR

## Highlights

- **FFO** of €0.22 per share or €49.2 million in Q2 2008 and €98.0 million in H1 2008.
- **NAV** of €14.15 per share and gross asset value of €867 per square meter as of June 30, 2008.
- **EBIT** before revaluation gains / losses up 15 % from €192.4 million in H1 2007 to €222.1 million in H1 2008.
- **PRE-TAX EARNINGS** before revaluation gains / losses up 29 % from €67.9 million in H1 2007 to €87.3 million in H1 2008.
- **QUARTERLY DIVIDEND** for Q2 2008 of €0.20 per share will be paid on September 5, 2008.

### RENTS

- Our rental growth rate was 2.6 % annualized or 1.3 % for H1 2008 (same store<sup>1)</sup>), well on track to exceed our target of 2.0 % this year.

### SALE OF INVESTMENT PROPERTY

- Sales volume up 140 % to 1,274 units at a margin of 36 % for H1 2008, compared to 528 units at a margin of 23 % in H1 2007. Our goal is to sell over 2,500 units this year.

### VACANCY

- Overall vacancy is at 4.6 % and our aim is to reduce our vacancy to below 4.5 % by year-end.
- On a same store basis<sup>1)</sup>, vacancy rate in H1 2008 is at 4.3 %.
- Excluding units held for privatization, our vacancy rate is 3.8 % (same store<sup>1)</sup>).

### COSTS

- Our average management costs per unit declined from €434 in the first quarter of 2008 to €424 in the first six months of 2008. We are targeting to reduce costs to €400 / unit by year-end.

All per-share data is based on the 225.6 million shares outstanding.

<sup>1)</sup> Same store basis: Residential units GAGFAH owned at both dates: As of December 31, 2007, and as of June 30, 2008.

# Key Financial Information

## FINANCIAL FIGURES

	H1 2008	H1 2007 (restated) <sup>2</sup>	Q2 2008	Q2 2007 (restated) <sup>2</sup>	Q1 2008
<b>INCOME STATEMENT (€ MILLION)</b>					
Income from the leasing of investment property	489.0	459.7	247.8	236.4	241.2
Profit from the leasing of investment property	242.5	227.6	115.4	115.1	127.1
Profit from the sale of investment property	24.9	27.1	18.5	21.0	6.4
Profit/Loss from fair value measurement	-3.0	644.2	-3.2	622.0	0.2
EBITDA	235.9	853.7	116.4	735.5	119.5
EBIT	219.1	836.6	103.7	722.1	115.4
EBT	84.3	712.1	56.8	665.5	27.5
FFO	98.0	94.0	49.2	52.1	48.8
FFO per share (225.6 million shares outstanding / in €)	0.43	0.42	0.22	0.23	0.22

	06-30-2008	12-31-2007	06-30-2007
<b>BALANCE SHEET (€ MILLION)</b>			
Investment property <sup>1</sup>	10,075.7	9,997.8	9,183.5
Financial liabilities	6,723.6	6,649.1	6,291.0

## OPERATIONAL FIGURES

	H1 2008	H1 2007	Q1 2008
<b>OPERATIONAL FIGURES</b>			
Group residential portfolio			
units	175,370	166,956	176,277
sqm	10,573,099	10,027,937	10,622,506
Net cold rent / sqm (in €)	4.90	4.81	4.87
Vacancy (in %)	4.6	6.0	5.0
Privatized / sold units	1,274	528	529

Funds from Operations (FFO) is a non-IFRS financial measure used by our Group's management to report the funds generated from continued operations. FFO is used as a measure of our Group's generation of funds for investment and the payment of dividends to shareholders. The following is a reconciliation of EBIT to FFO for our Group:

## FUNDS FROM OPERATIONS – FFO (€ MILLION)

	H1 2008	H1 2007 (restated) <sup>2</sup>	Q2 2008	Q2 2007 (restated) <sup>2</sup>	Q1 2008
<b>FUNDS FROM OPERATIONS – FFO (€ MILLION)</b>					
EBIT	219.1	836.6	103.7	722.1	115.4
Reorganization and restructuring expenses	13.5	13.8	11.1	11.7	2.4
Depreciation and amortization	3.3	3.3	1.6	1.7	1.7
EBITDA	235.9	853.7	116.4	735.5	119.5
Profit/Loss from fair value measurement	3.0	-644.2	3.2	-622.0	-0.2
Realized valuation gains through sales	2.9	0.6	0.0	0.3	2.9
Net interest expenses	-146.7	-128.2	-71.2	-65.4	-75.5
Taxes paid	-9.3	-0.4	-4.1	-0.4	-5.2
Commercial real estate/property development	7.0	11.1	3.1	3.3	3.9
Other financing expenses	4.1	0.0	1.1	0.0	3.0
Expenses for share-based remuneration	1.1	1.4	0.7	0.8	0.4
FFO	98.0	94.0	49.2	52.1	48.8
FFO per share (225.6 million shares outstanding / in €)	0.43	0.42	0.22	0.23	0.22

<sup>1</sup> Including prepayments. <sup>2</sup> For more information, please refer to page 10 of this report.

# Residential Property Portfolio

As of June 30, 2008

Top 20 Cities	Units	In % of Total	Rental Area sqm	Avg. Unit Size sqm	In-place Rent Annualized in € million	In % of Total	In-place Rent mo / sqm (€)	Market Rent mo / sqm (€) <sup>1</sup>	Vacant %
<b>Core Residential Property Portfolio</b>									
Dresden	42,100	18.9	2,385,064	57	130.2	18.6	4.55	4.81	6.7
Berlin	30,326	13.6	1,793,928	59	100.7	14.4	4.68	5.29	2.8
Hamburg	9,869	4.4	628,384	64	39.6	5.7	5.26	6.34	0.7
Hanover	6,211	2.8	391,962	63	25.4	3.6	5.40	5.88	3.9
Heidenheim	4,813	2.2	300,661	62	18.7	2.7	5.18	5.76	11.9
Bielefeld	4,173	1.9	276,574	66	14.2	2.0	4.27	4.75	1.5
Osnabrück	3,584	1.6	220,842	62	13.0	1.9	4.92	5.46	1.5
Braunschweig	3,243	1.5	199,490	62	11.9	1.7	4.99	5.58	2.4
Zwickau	3,092	1.4	173,069	56	8.4	1.2	4.06	4.13	19.7
Essen	2,376	1.1	156,339	66	9.8	1.4	5.24	5.72	7.7
Cologne	2,349	1.1	179,063	76	13.4	1.9	6.26	7.14	2.0
Frankenthal	2,114	1.0	131,092	62	7.7	1.1	4.92	5.14	7.8
Freiburg	1,922	0.9	128,365	67	8.7	1.2	5.63	6.08	0.8
Bocholt	1,812	0.8	111,854	62	6.2	0.9	4.61	5.49	1.0
Frankfurt am Main	1,723	0.8	96,147	56	8.1	1.2	7.04	7.97	0.8
Düsseldorf	1,707	0.8	99,244	58	7.8	1.1	6.59	6.95	1.8
Iserlohn	1,678	0.8	106,085	63	5.6	0.8	4.41	4.89	2.0
Bremen	1,555	0.7	98,443	63	5.8	0.8	4.88	5.42	6.3
Duisburg	1,431	0.6	96,333	67	5.1	0.7	4.42	4.84	15.0
Leverkusen	1,404	0.6	89,835	64	5.8	0.8	5.35	5.97	0.5
<b>Subtotal</b>									
<b>Top 20 Cities</b>	<b>127,482</b>	<b>57.4</b>	<b>7,662,773</b>	<b>60</b>	<b>446.3</b>	<b>63.8</b>	<b>4.85</b>	<b>5.40</b>	<b>4.8</b>
Other Cities	47,888	21.5	2,910,325	61	176.0	25.1	5.04	5.46	4.0
<b>Total</b>									
<b>Core Residential</b>	<b>175,370</b>	<b>78.9</b>	<b>10,573,099</b>	<b>60</b>	<b>622.3</b>	<b>88.9</b>	<b>4.90</b>	<b>5.42</b>	<b>4.6</b>
Other <sup>2</sup>	–	21.1	1,050,631	–	77.7	11.1			23.4
		100.0%			700.0	100.0%			

<sup>1</sup> The market rents were determined by CBRE as at December 31, 2007, for the subgroups GAGFAH and WOBA (approximately 70 % of total portfolio).

The market rent for the remaining subgroups were determined by CBRE in the course of 2007 and the market rent for Zwickau was updated in the first quarter of 2008.

<sup>2</sup> Includes HB Funds, commercial properties, garages and other.

# Directors' Report

## Overview

### STRATEGY

Our principal objective is to increase our earnings and FFO per share through organic and accretive growth and we are focused on consistently delivering our shareholders a stable and growing dividend per share. We intend to pay out a substantial portion of our FFO as quarterly dividends.

The key elements of our strategy to achieve these objectives include:

### CONTINUE TO GROW RETURNS FROM CURRENT PORTFOLIO

We continue to adjust rents to market levels and to lease-up vacant units, while maintaining or improving tenant stability and the quality of their accommodation. We believe that our portfolio is currently under-rented by approximately 10 % based on external appraisals. In Q2 2008, we reduced our vacancy rate to 4.6 % from 5.0 % in Q1 2008. On a same store basis, excluding acquisitions, current vacancy rate is at 4.3 % as of June 30, 2008. The same store rental growth rate for the first six months of 2008 was 2.6 % annualized.

### INCREASE PROFITABILITY THROUGH OPERATING EFFICIENCIES

We are constantly seeking to increase our Group's profitability and operating efficiency. We intend to continue to reduce general and administrative expenses and reduce operating expenses by streamlining our corporate overhead and optimizing our operations as well as by taking advantage of the purchasing power resulting from our size and centralized purchasing function, and through continuous active cost management and review. Our management costs per unit declined from €434 in the first quarter of 2008 to €424 in the first six months of 2008.

### PRIVATIZATIONS / SALE OF INVESTMENT PROPERTY

We will selectively sell residential units and reinvest the proceeds in new apartments to maintain or increase

our earnings base. However, our business plan is not predicated on selling apartment units. We are targeting to sell approximately 1.5 % to 2.0 % of our stock per year. In the first six months of 2008, we sold 1,274 units at a margin of 36 % and we are well on track to achieve our target to sell over 2,500 units this year.

### ACCRETIVELY GROW OUR RESIDENTIAL REAL ESTATE PORTFOLIO IN GERMANY

We will pursue acquisitions which will be earnings accretive, and our acquisition strategy will continue to focus on reasonably priced residential portfolios where we can improve cash flow and earnings through the integration and realization of synergies. At a minimum, we are aiming to replace units sold in our sale program.

## Industry

### ECONOMY GROWS, OUTLOOK REMAINS POSITIVE

According to the federal statistical office, the German economy continued to grow in the first quarter of 2008. The gross domestic product (GDP) rose by 1.8 % in the first quarter of 2008 over the first quarter of 2007. Leading economic research institutes forecast a GDP growth in a range between 2.0 % and 2.4 % for 2008 and 1.0 % and 1.6 % for 2009. The unemployment rate continued to decrease in Germany from 8.8 % in June 2007 to 7.5 % in June 2008.

### RESIDENTIAL PROPERTY MARKET ENVIRONMENT

The construction of apartments in buildings with three or more units decreased by 14 % from 69,616 units in 2006 and by 80 % from 284,309 units in 1994 to 59,859 in 2007. 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 7 % in 2007 compared to 2006, largely due to increased material costs. Additionally, building permits for the housing construction in Germany significantly decreased by 26 % from 247,541 building permits in 2006 to 182,315 building permits in 2007.

# Consolidated Income Statement

€ MILLION	H1 2008	H1 2007 (restated) <sup>1</sup>	Q2 2008	Q2 2007 (restated) <sup>1</sup>	Q1 2008
Income from the leasing of investment property	489.0	459.7	247.8	236.4	241.2
Transferable leasehold land interest	- 1.2	- 1.1	- 0.7	- 0.6	- 0.5
Operating expenses for the generation of rental income (excluding share-based remuneration)	- 245.3	- 231.0	- 131.7	- 120.7	- 113.6
<b>Profit from the leasing of investment property</b>	<b>242.5</b>	<b>227.6</b>	<b>115.4</b>	<b>115.1</b>	<b>127.1</b>
Income from the sale of investment property	74.0	71.1	36.6	49.7	37.4
Carrying amount of investment property sold	- 49.1	- 44.0	- 18.1	- 28.7	- 31.0
<b>Profit from the sale of investment property</b>	<b>24.9</b>	<b>27.1</b>	<b>18.5</b>	<b>21.0</b>	<b>6.4</b>
<b>Profit / Loss from fair value measurement</b>	<b>- 3.0</b>	<b>644.2</b>	<b>- 3.2</b>	<b>622.0</b>	<b>0.2</b>
Income from the sale of commercial real estate and property development	9.4	17.5	7.2	7.9	2.2
Carrying amount of commercial real estate and property development sold	- 11.0	- 17.3	- 8.2	- 8.2	- 2.8
<b>Profit / Loss from the sale of commercial real estate and property development</b>	<b>- 1.6</b>	<b>0.2</b>	<b>- 1.0</b>	<b>- 0.3</b>	<b>- 0.6</b>
Profit from other services	1.7	2.2	0.8	2.1	0.9
Selling expenses (excluding share-based remuneration)	- 7.7	- 10.0	- 4.0	- 5.2	- 3.7
General and administrative expenses (excluding share-based remuneration)	- 22.6	- 28.4	- 11.6	- 14.7	- 11.0
Expenses for share-based remuneration	- 1.1	- 1.4	- 0.7	- 0.8	- 0.4
Other operating income	10.5	8.0	5.2	1.8	5.3
Other operating expenses	- 10.9	- 19.4	- 4.6	- 7.5	- 6.3
<b>Profit from operations before reorganization and restructuring expenses</b>	<b>232.7</b>	<b>850.1</b>	<b>114.8</b>	<b>733.5</b>	<b>117.9</b>
Reorganization and restructuring expenses	- 13.5	- 13.8	- 11.1	- 11.7	- 2.4
<b>Profit from operations</b>	<b>219.2</b>	<b>836.3</b>	<b>103.7</b>	<b>721.8</b>	<b>115.5</b>
Profit / Loss from other financial assets	- 0.1	0.3	0.0	0.3	- 0.1
<b>Earnings before interest and taxes (EBIT)</b>	<b>219.1</b>	<b>836.6</b>	<b>103.7</b>	<b>722.1</b>	<b>115.4</b>
Interest expenses (periodical)	- 152.5	- 136.7	- 74.1	- 70.0	- 78.4
Other financial expenses	- 0.3	- 1.3	0.2	- 0.7	- 0.5
Interest income (periodical)	5.8	8.5	2.9	4.6	2.9
Profit / Loss from the fair value measurement of derivatives	14.1	16.0	25.0	11.0	- 10.9
Interest expenses (refinancing)	- 1.9	- 11.0	- 0.9	- 1.5	- 1.0
<b>Profit before taxes</b>	<b>84.3</b>	<b>712.1</b>	<b>56.8</b>	<b>665.5</b>	<b>27.5</b>
Income taxes (excluding EK 02)	- 41.8	- 98.7	- 18.7	- 87.0	- 23.1
<b>Net profit</b>	<b>42.5</b>	<b>613.4</b>	<b>38.1</b>	<b>578.5</b>	<b>4.4</b>
Thereof attributable to:					
Minority interests	8.4	20.3	6.6	18.8	1.8
Shareholders of the parent company	34.1	593.1	31.5	559.7	2.6
Weighted average number of shares (undiluted)	225,583,682	225,515,377	225,583,682	225,515,377	225,565,918
Weighted average number of shares (diluted)	226,152,455	226,170,032	226,152,455	226,170,032	226,091,635
Earnings per share (in €)	0.15	2.63	0.14	2.48	0.01
Diluted earnings per share (in €)	0.15	2.62	0.14	2.47	0.01

<sup>1</sup>) For more information, please refer to page 10 of this report.

# 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 2008, our income from the leasing of investment property was €489.0 million, compared to €459.7 million in the first six months of 2007. Approximately 69 % of such income was attributable to rental income in the first six

months of 2008. Rental income mainly consists of net cold rent, which grew on a same store basis by 1.3 % to €4.92 per square meter since December 31, 2007 or 2.6 % on an annualized basis. We are well on track to exceed our target of 2.0 % for this year. Charges to tenants for recoverable expenses represented approximately 31 % of the income from the leasing of investment property in the first six months of 2008. Growth of income from the leasing of investment property was mainly driven by raising rents closer to market levels and by the inclusion of acquisitions. Since H1 2007 we have consolidated approximately 8,000 new residential units net of privatizations.

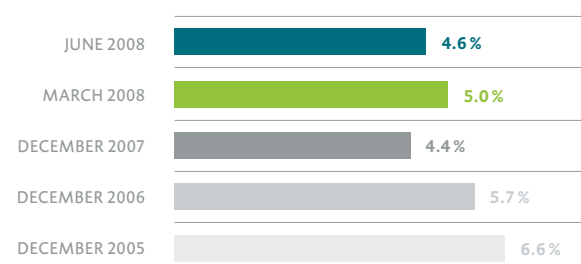
The income from the leasing of investment property is composed of:

€ MILLION	H1 2008	H1 2007	Q2 2008	Q2 2007	Q1 2008
Rental income, fees	336.8	309.5	165.3	151.9	171.5
Allocations charged	150.7	147.1	81.4	82.4	69.3
Other	1.5	3.1	1.1	2.1	0.4
<b>Total</b>	<b>489.0</b>	<b>459.7</b>	<b>247.8</b>	<b>236.4</b>	<b>241.2</b>

Rental income decreased by 3.6 % from €171.5 million in Q1 2008 to €165.3 million in Q2 2008 as a result of the accounting of rents of subsidized apartments. This is non-cash and earnings neutral as it is reversed through a corresponding position in interest expense. IFRS requires to account for rent and interest expense for subsidized apartments at market, hence subsidized rents and interest expense have to be increased to market level for accounting purposes.

Our overall vacancy rate has decreased from 5.0 % in Q1 2008 to 4.6 % in Q2 2008. On a same store basis our vacancy was at 4.3 % in Q2 2008. Excluding units held for privatization, our vacancy rate is at 3.8 % (on a same store basis). GAGFAH's strategy is to reduce the vacancy of the existing and acquired portfolios through active management and to achieve an overall vacancy rate below 4.5 % by the end of 2008.

## GROUP OVERALL VACANCIES



**OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME**

In the first six months of 2008, our operating expenses for the generation of rental income totaled €245.3 million, an increase of 6.2 % as compared to the first six months of 2007, mainly a result of our increased property portfolio.

On a per square meter basis, operating expenses decreased slightly from €21.33 psqm in H1 2007 to €21.10 psqm in H1 2008.

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

€ MILLION	H1 2008	H1 2007	Q2 2008	Q2 2007	Q1 2008
Real estate operating expenses	137.2	132.8	75.3	71.2	61.9
Maintenance costs	41.2	39.3	21.3	19.3	19.9
Personnel expenses	30.1	26.7	15.1	12.0	15.0
Real estate tax	11.9	12.7	5.8	7.7	6.1
External costs for real estate management	6.7	3.9	3.6	2.0	3.1
Bad debt allowances	3.5	3.8	2.4	1.5	1.1
Administrative expenses	4.5	4.3	2.2	2.1	2.3
Amortization and depreciation on intangible assets and property, plant and equipment	1.8	1.7	0.9	1.2	0.9
Other	8.4	5.8	5.1	3.7	3.3
<b>Total</b>	<b>245.3</b>	<b>231.0</b>	<b>131.7</b>	<b>120.7</b>	<b>113.6</b>

Real estate operating expenses remained fairly stable in the first six months of 2008 at €137.2 million as compared to €132.8 million in the first six months of 2007. Real estate operating expenses can vary from quarter to quarter as the billing of utilities and insurances is not linear during the year. However, the majority of these expenses are recoverable from tenants.

Approximately 61 % of the operating expenses for the generation of rental income were charged back to our tenants in the form of recoverables in the first six months of 2008. This includes expenses such as heating, electricity, water and sewage.

Maintenance expenses amounted to €41.2 million in the first half of 2008, as compared to €39.3 million in the first half of 2007.

External costs for real estate management consist for example of marketing expenses in connection with GAGFAH's lease-up management.

**PROFIT FROM THE LEASING OF INVESTMENT PROPERTY**

The profit from the leasing of investment property rose by 6.5 % in the first six months of 2008, as compared to the first six months of 2007. The profit from the leasing of investment property decreased from the first to the second quarter of 2008 mainly due to declined rental income. Rental income declined as a result of the accounting of rents of subsidized apartments. This is earnings neutral as the decline in rental income is reversed through a corresponding position in interest expense (see page 7 of this report for more information).

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

€ MILLION	H1 2008	H1 2007	Q2 2008	Q2 2007	Q1 2008
Income from the leasing of investment property	489.0	459.7	247.8	236.4	241.2
Transferable leasehold land interest	-1.2	-1.1	-0.7	-0.6	-0.5
Operating expenses for the generation of rental income	-245.3	-231.0	-131.7	-120.7	-113.6
<b>Profit from the leasing of investment property</b>	<b>242.5</b>	<b>227.6</b>	<b>115.4</b>	<b>115.1</b>	<b>127.1</b>

#### SALE OF INVESTMENT PROPERTY AT A MARGIN OF 36 %

In the second quarter of 2008, we sold 745 units at a margin of 62 % compared to 351 sold units at a margin of 27 % in the second quarter of 2007. The profit margin of 62 % in Q2 2008 was higher than usual and we expect the margin at a more normalized level in the remainder of 2008. In the first six months of 2008, we sold 1,274 units at a margin of 36 %. Our goal is to sell over 2,500 units this year.

The result 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 2008, profit from the sale of investment property was €24.9 million, as compared to €27.1 million for the first six months of 2007.

#### OVERVIEW OF SALES RESULTS

	H1 2008	H1 2007	Q2 2008	Q2 2007	Q1 2008
Sold units	1,274	528	745	351	529
Sold sqm	72,902	37,741	40,400	24,798	32,502

	H1 2008 € MILLION	H1 2008 € per unit	H1 2008 € per sqm	Q2 2008 € MILLION	Q1 2008 € MILLION
Gross disposition proceeds	74.0	58,046	1,014	36.6	37.4
Book value <sup>1</sup>	-46.2	-36,225	-633	-18.1	-28.1
Disposition costs <sup>2</sup>	-8.2	-6,472	-113	-4.5	-3.7
<b>Net profit</b>	<b>19.6</b>	<b>15,349</b>	<b>268</b>	<b>14.0</b>	<b>5.6</b>
<b>Net profit margin</b>		<b>36 %</b>		<b>62 %</b>	<b>17 %</b>

<sup>1)</sup> Recognizing realized revaluations.

<sup>2)</sup> Includes sales costs such as external broker fees, CapEx (pro rata) and marketing costs.

**PROFIT / LOSS FROM FAIR VALUE MEASUREMENT**

The profit from fair value measurement is the net increase / decrease in the quarterly valuation of our investment properties. As of June 30, 2008, our IAS 40 valuation for the investment properties has not significantly changed compared to the values of our investment properties as of December 31, 2007.

Our fair market valuation model is based on a discounted cash flow valuation of each investment property using an average discount rate of 5.3 %. The valuation of our investment properties is carried out in-house and is verified by an independent third-party valuer from time to time.

**PROFIT / LOSS FROM THE SALE OF COMMERCIAL REAL ESTATE AND PROPERTY DEVELOPMENT**

In 2005, it was decided to discontinue and sell the commercial real estate and property development businesses. In accordance with IFRS 5 the results from both operations have been presented as "Profit / Loss from discontinued operations before taxes" in one condensed line in the income statement in 2005 and 2006. In 2007, it became evident that the liquidation of these businesses will take longer than originally expected.

IFRS 5 does not permit an extension of the original time frame scheduled to present both businesses as discontinued operations. Accordingly, the amounts for the commercial real estate and the property development businesses are presented now under continued operations for the fiscal year 2007 and the first six months of 2008. The comparative figures in the income statement have been revised to reflect the reclassification of the operations.

The result from the sale of commercial real estate and property development for the first six months of 2008 amounts to a loss of €1.6 million, as compared to a profit of €0.2 million in the first six months of 2007. However, the net profit of the commercial real estate and property development businesses was €-7.0 million in the first six months of 2008 compared to €-11.2 million in the first six months of 2007. All commercial properties have been sold in 2007. Please see table below.

## NET PROFIT CONTRIBUTION OF THE COMMERCIAL REAL ESTATE AND PROPERTY DEVELOPMENT BUSINESS

€ MILLION	H1 2008	H1 2007	Q2 2008	Q2 2007	Q1 2008
Income from the sale of commercial real estate and property development	9.4	17.5	7.2	7.9	2.2
Carrying amount of the commercial real estate and property development sold	-11.0	-17.3	-8.2	-8.2	-2.8
<b>Profit / Loss from the sale of commercial real estate and property development</b>	<b>-1.6</b>	<b>0.2</b>	<b>-1.0</b>	<b>-0.3</b>	<b>-0.6</b>
Profit from other services	-0.1	0.5	-0.1	0.3	0.0
Selling expenses (excluding share-based remuneration)	-0.3	-1.6	-0.1	-0.3	-0.2
Other operating income	0.8	2.6	0.3	1.7	0.5
Other operating expenses	-4.5	-8.7	-1.9	-1.8	-2.6
<b>Loss from operations before interest</b>	<b>-5.7</b>	<b>-7.0</b>	<b>-2.8</b>	<b>-0.4</b>	<b>-2.9</b>
Net interest expense	-1.3	-4.2	-0.3	-3.0	-1.0
<b>Net Loss</b>	<b>-7.0</b>	<b>-11.2</b>	<b>-3.1</b>	<b>-3.4</b>	<b>-3.9</b>

## OTHER INCOME AND EXPENSE ITEMS

Other income and expense items for our Group was a net expense of €30.1 million in the first six months of 2008, as compared to a net expense of €49.0 million in the first six months of 2007.

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

€ MILLION	H1 2008	H1 2007 (restated) <sup>1)</sup>	Q2 2008	Q2 2007 (restated) <sup>1)</sup>	Q1 2008
Profit from other services	1.7	2.2	0.8	2.1	0.9
Selling expenses	-7.7	-10.0	-4.0	-5.2	-3.7
General and administrative expenses	-22.6	-28.4	-11.6	-14.7	-11.0
Expenses for share-based remuneration	-1.1	-1.4	-0.7	-0.8	-0.4
Other operating income	10.5	8.0	5.2	1.8	5.3
Other operating expenses	-10.9	-19.4	-4.6	-7.5	-6.3
<b>Total</b>	<b>-30.1</b>	<b>-49.0</b>	<b>-14.9</b>	<b>-24.3</b>	<b>-15.2</b>

Profit from other services contains revenues from activities, such as caretaker services for third parties, brokerage of insurance policies and the leasing of broadband

to third parties. Selling expenses consist of personnel costs, marketing expenses and costs for external brokers, mainly for our privatization business.

<sup>1)</sup> For more information, please refer to page 10 of this report.

All income not directly allocable to the various functional areas is disclosed under other operating income of €10.5 million (H1 2007: €8.0 million). €4.0 million (H1 2007: €1.6 million) of that amount relate to the reversal of provisions, €1.0 million (H1 2007: €0.6 million) to the write-off of liabilities, and €0.3 million (H1 2007: €1.8 million) to income from the sale of financial assets.

#### MANAGEMENT COSTS PER UNIT



We achieved a reduction of our management costs per unit to €424 in H1 2008, down from €434 per unit in the first quarter of 2008. Our costs to manage a unit are fully-loaded, including all costs associated with the management of units. We are targeting to reduce costs to €400 / unit by year-end.

#### REORGANIZATION AND RESTRUCTURING EXPENSES

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

In the first six months of 2008, reorganization and restructuring expenses were €13.5 million, as compared to €13.8 million in the first six months of 2007. Reorganization and restructuring expenses mainly consist of severance payments, consulting fees for the tax restructuring of the Group as well as of the costs for an IT project.

#### EARNINGS BEFORE INTEREST AND TAXES (EBIT)

In the first six months of 2008, our EBIT was €219.1 million, compared to €336.6 million in the first six months of 2007. Excluding revaluation gains, EBIT was €222.1 million compared to €192.4 million in the first six months of 2007.

#### NET FINANCING EXPENSES

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

Net financing expenses increased from €124.5 million in the first six months of 2007 to €134.8 million in the first six months of 2008. The increase of net financing expenses is mainly a result of the financing of new acquisitions in 2007 and in the first six months of 2008. Our net financing expenses are the sum of the following items:

€ MILLION	H1 2008	H1 2007 (restated) <sup>1)</sup>	Q2 2008	Q2 2007 (restated) <sup>1)</sup>	Q1 2008
Interest expenses (periodical)	-152.5	-136.7	-74.1	-70.0	-78.4
Interest expenses (refinancing)	-1.9	-11.0	-0.9	-1.5	-1.0
<b>Total interest expenses</b>	<b>-154.4</b>	<b>-147.7</b>	<b>-75.0</b>	<b>-71.5</b>	<b>-79.4</b>
Interest income (periodical)	5.8	8.5	2.9	4.6	2.9
Other financial expenses	-0.3	-1.3	0.2	-0.7	-0.5
Profit / Loss from the fair value measurement of derivatives	14.1	16.0	25.0	11.0	-10.9
<b>Net financing expenses</b>	<b>-134.8</b>	<b>-124.5</b>	<b>-46.9</b>	<b>-56.6</b>	<b>-87.9</b>

<sup>1)</sup> For more information, please refer to page 10 of this report.

### PROFIT BEFORE TAXES

In the first six months of 2008, our Group's profit before taxes was €84.3 million, as compared to €712.1 million in the first half of 2007. The profit before taxes is computed as EBIT of €219.1 million, reduced by net financing expenses of €134.8 million.

### INCOME TAXES

Income taxes comprise deferred income taxes of €37.8 million (H1 2007: €80.7 million) and effective income taxes of €4.0 million (H1 2007: €18.0 million) for the first six months of 2008.

€ MILLION	H1 2008	H1 2007	Q2 2008	Q2 2007	Q1 2008
Current income tax expenses	- 4.0	- 18.0	- 1.9	- 14.3	- 2.1
Deferred income tax expenses	- 37.8	- 80.7	- 16.8	- 72.7	- 21.0
<b>Income tax expenses</b>	<b>- 41.8</b>	<b>- 98.7</b>	<b>- 18.7</b>	<b>- 87.0</b>	<b>- 23.1</b>

In the first half of 2007, a one-off item of €12.4 million impacted current income tax expenses of €18.0 million. The €12.4 million was the result of a gain in the tax balance sheet from the disposition of a swap. The step-up of the value of the investment properties of €644.2 million (net) has, after offsetting against allowances of deferred tax assets, resulted in a net change of €51.3 million of deferred taxes in the first half of 2007.

Deferred and effective income taxes were calculated with a tax rate of 32 % (H1 2007: 40 %). The decrease of the tax rate is based on the reduction of the corporate income tax from 25 % to 15 % and changes in trade tax law within the German Business Tax Reform Act 2008 (Unternehmenssteuerreform 2008).

The actual tax rate for the first six months of 2008 was 5.9 % on profit adjusted for unrealized gains and losses.

Our tax expenses were as follows:

### NET ASSET VALUE

NAV per share remained unchanged at €14.15 in Q2 2008 compared to Q1 2008. The fair value of our investment property has not materially changed in the first six months of 2008 compared to year-end 2007.

€ MILLION	06-30-2008	12-31-2007
Shareholders' equity	2,709.0	2,765.2
Deferred taxes on investment properties	483.0	448.6
NAV	3,192.0	3,213.8
<b>NAV per share (€)</b>	<b>14.15<sup>1)</sup></b>	<b>14.25<sup>1)</sup></b>

<sup>1)</sup> Based on 225.6 million shares.

## Financial Position

As of June 30, 2008, and December 31, 2007, the Group's equity and liabilities were as follows:

	<b>06-30-2008</b> € MILLION	<b>06-30-2008</b> %	<b>12-31-2007</b> € MILLION	<b>12-31-2007</b> %
Total Equity	2,818.5	26.5	2,867.2	27.0
Financial liabilities	6,723.6	63.2	6,649.1	62.6
Other liabilities	1,093.7	10.3	1,105.3	10.4
<b>Total equity and liabilities</b>	<b>10,635.8</b>	<b>100.0</b>	<b>10,621.6</b>	<b>100.0</b>

As of June 30, 2008, the Group's financial liabilities primarily comprised of the following long-term debt liabilities:

€ MILLION	<b>Notional amount as of 06-30-2008</b>	<b>Weighted average maturity</b>	<b>Effective interest rate</b>	<b>Fixed or floating rate</b>
Term loans	5,628.3	2013	3.96 %	Fixed
Term loans	339.4	2015	5.97 %	Floating <sup>1)</sup>
Senior debt	547.8	2035	2.46 %	Fixed
Revolving credit facility	273.6	2010	6.47 %	Floating <sup>1)</sup>
NILEG Other	37.7	2010	4.80 %	Floating <sup>1)</sup>
	<b>6,826.8</b>	<b>2015</b>	<b>4.00 %</b>	

<sup>1)</sup> In order to reduce the risk of interest rate fluctuations during the life-time of the loans, we have predominantly hedged the interest rate cost of the loans through interest rate swaps.

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

## Net Assets

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

€ MILLION	06-30-2008	12-31-2007
Non-current assets	10,190.4	10,103.5
Current assets	444.3	510.0
Assets held for sale	1.1	8.1
<b>Total assets</b>	<b>10,635.8</b>	<b>10,621.6</b>
Equity	2,818.5	2,867.2
Non-current liabilities	7,474.5	7,374.5
Current liabilities	342.8	379.9
<b>Total equity and liabilities</b>	<b>10,635.8</b>	<b>10,621.6</b>

Non-current assets amount to €10,190.4 million of which 99 % relate to investment property. Independent third-party appraisers from CB Richard Ellis GmbH and inno-va AG / Deloitte&Touche GmbH have confirmed our values in their valuation reports in 2007.

Current assets amount to €444.3 million, of which 37 % are bank balances and cash on hand. Non-current liabilities of €7,474.5 million represent 96 % of total liabilities.

## Significant Events after the Interim Reporting Period

As to our knowledge, no significant events with material impact on our business took place after the interim reporting period.

## Dividends

GAGFAH intends to pay the dividend for the second quarter of 2008 of €0.20 per share on September 5, 2008, to holders of record of GAGFAH S.A. shares on August 29, 2008. The shares of GAGFAH S.A. will be ex-dividend for the second quarter of 2008 dividend on September 1, 2008.

## Outlook

We believe that our financial and trading prospects remain favorable based on a strong underlying residential property market and German economy and continued improvements to the performance of the existing business.

## Opportunity and Risk Report

There were no significant changes to the risk situation compared with the presentation of Financial Risk Management in the 2007 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”, “endeavour”, “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 forecasted results or stated expectations, including the risk that GAGFAH S.A. will be unable to extent existing financing at suitable terms, be unable to increase rents and occupancy, to privatize further units or further reduce management costs.

# Financial Statements and Notes

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# A. Consolidated Balance Sheet

June 30, 2008

<b>ASSETS</b>			
€ MILLION	Note	06-30-2008	12-31-2007
<b>Non-current assets</b>			
Intangible assets	1.	33.0	32.3
Investment property	2.	10,074.3	9,795.2
Prepayments for investment properties	2.	1.4	202.6
Property, plant and equipment	3.	54.0	55.0
Other financial assets	4.	19.0	9.8
Other assets	6.	4.8	4.8
Deferred tax assets	8.	3.9	3.8
		<b>10,190.4</b>	<b>10,103.5</b>
<b>Current assets</b>			
Inventories	5.	77.9	84.5
Financial receivables and other financial assets	4.	0.9	1.2
Receivables		162.6	183.2
Other assets	6.	27.4	22.7
Securities		0.0	0.5
Current tax claims	7.	11.5	12.3
Bank balances and cash on hand	9.	164.0	205.6
		<b>444.3</b>	<b>510.0</b>
<b>Assets held for sale</b>		<b>1.1</b>	<b>8.1</b>
<b>Total assets</b>		<b>10,635.8</b>	<b>10,621.6</b>

**EQUITY AND LIABILITIES**

€ MILLION	Note	06-30-2008	12-31-2007
<b>Equity</b>	<b>10.</b>		
Subscribed capital		282.0	281.9
Share premium		1,538.5	1,537.5
Legal reserve		28.2	28.2
Revenue reserves		860.3	917.6
<b>Equity attributable to the shareholders of the parent company</b>		<b>2,709.0</b>	<b>2,765.2</b>
Minority interests		109.5	102.0
<b>Total equity</b>		<b>2,818.5</b>	<b>2,867.2</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Liabilities to minority shareholders		2.1	13.1
Pension provisions		106.9	106.5
Other provisions	11.	26.6	26.7
Liabilities from income tax	12.	115.6	112.9
Deferred tax liabilities	8.	485.4	448.6
Financial liabilities	13.	6,631.7	6,557.3
Other liabilities	14.	5.7	5.9
Deferred liabilities of government-granted loans		100.5	103.5
		<b>7,474.5</b>	<b>7,374.5</b>
<b>Current liabilities</b>			
Pension provisions		6.4	6.4
Other provisions	11.	55.5	60.1
Liabilities from income tax	12.	29.2	43.1
Financial liabilities	13.	91.9	91.8
Other liabilities	14.	155.0	172.7
Deferred liabilities of government-granted loans		4.8	5.8
		<b>342.8</b>	<b>379.9</b>
<b>Total liabilities</b>		<b>7,817.3</b>	<b>7,754.4</b>
<b>Total equity and liabilities</b>		<b>10,635.8</b>	<b>10,621.6</b>

# B. Consolidated Income Statement

for the period from January 1 to June 30, 2008

€ MILLION	Note	H1 2008	H1 2007 (restated) <sup>1</sup>	Q2 2008	Q2 2007 (restated) <sup>1</sup>
Income from the leasing of investment property	15.	489.0	459.7	247.8	236.4
Transferable leasehold land interest		-1.2	-1.1	-0.7	-0.6
Operating expenses for the generation of rental income (excluding share-based remuneration)	16.	-245.3	-231.0	-131.7	-120.7
<b>Profit from the leasing of investment property</b>		<b>242.5</b>	<b>227.6</b>	<b>115.4</b>	<b>115.1</b>
Income from the sale of investment property		74.0	71.1	36.6	49.7
Carrying amount of investment property sold		-49.1	-44.0	-18.1	-28.7
<b>Profit from the sale of investment property</b>		<b>24.9</b>	<b>27.1</b>	<b>18.5</b>	<b>21.0</b>
<b>Profit / Loss from fair value measurement</b>		<b>-3.0</b>	<b>644.2</b>	<b>-3.2</b>	<b>622.0</b>
Income from the sale of commercial real estate and property development		9.4	17.5	7.2	7.9
Carrying amount of commercial real estate and property development sold		-11.0	-17.3	-8.2	-8.2
<b>Profit / Loss from the sale of commercial real estate and property development</b>		<b>-1.6</b>	<b>0.2</b>	<b>-1.0</b>	<b>-0.3</b>
Profit from other services	17.	1.7	2.2	0.8	2.1
Selling expenses (excluding share-based remuneration)	18.	-7.7	-10.0	-4.0	-5.2
General and administrative expenses (excluding share-based remuneration)		-22.6	-28.4	-11.6	-14.7
Expenses for share-based remuneration		-1.1	-1.4	-0.7	-0.8
Other operating income	19.	10.5	8.0	5.2	1.8
Other operating expenses	19.	-10.9	-19.4	-4.6	-7.5
<b>Profit from operations before reorganization and restructuring expenses</b>		<b>232.7</b>	<b>850.1</b>	<b>114.8</b>	<b>733.5</b>
Reorganization and restructuring expenses	20.	-13.5	-13.8	-11.1	-11.7
<b>Profit from operations</b>		<b>219.2</b>	<b>836.3</b>	<b>103.7</b>	<b>721.8</b>
Profit / Loss from other financial assets		-0.1	0.3	0.0	0.3
<b>Earnings before interest and taxes (EBIT)</b>		<b>219.1</b>	<b>836.6</b>	<b>103.7</b>	<b>722.1</b>
Interest expense (periodical)	21.	-152.5	-136.7	-74.1	-70.0
Other financial expenses		-0.3	-1.3	0.2	-0.7
Interest income (periodical)		5.8	8.5	2.9	4.6
Profit from the fair value measurement of derivatives	21.	14.1	16.0	25.0	11.0
Interest (refinancing)		-1.9	-11.0	-0.9	-1.5
<b>Profit before taxes</b>		<b>84.3</b>	<b>712.1</b>	<b>56.8</b>	<b>665.5</b>
Income taxes (excluding EK 02)	22.	-41.8	-98.7	-18.7	-87.0
<b>Net profit</b>		<b>42.5</b>	<b>613.4</b>	<b>38.1</b>	<b>578.5</b>
Thereof attributable to:					
Minority interests		8.4	20.3	6.6	18.8
Shareholders of the parent company		34.1	593.1	31.5	559.7
Weighted average number of shares (undiluted)		225,583,682	225,515,377	225,583,682	225,515,377
Weighted average number of shares (diluted)		226,152,455	226,170,032	226,152,455	226,170,032
Earnings per share (in €)		0.15	2.63	0.14	2.48
Diluted earnings per share (in €)		0.15	2.62	0.14	2.47

<sup>1</sup> For more information, please refer to page 25 of this report.

# C. Consolidated Cash Flow Statement

for the period from January 1 to June 30, 2008

€ MILLION	H1 2008	H1 2007 (restated) <sup>1)</sup>
Net profit	42.5	613.4
Change in the value of investment property	3.0	- 644.2
Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment	3.1	3.3
Gains on the disposal of property, plant and equipment	- 0.1	- 0.4
Gains on the disposal of investment property	- 24.9	- 27.1
Other non-cash income / expenses	3.9	16.8
Change in provisions, pension provisions and deferred liabilities of government-granted loans	- 9.8	- 0.7
Change in deferred taxes	37.7	80.8
Change in working capital	- 18.3	14.3
<b>Cash flows from operating activities</b>	<b>37.1</b>	<b>56.2</b>
Cash received from the sale of investment property	96.0	70.7
Cash paid for investment property – reinvestment	- 4.4	- 1.9
	<b>128.7</b>	<b>125.0</b>
Cash paid for investment property – acquisition and modernization	- 127.1	- 200.9
Cash paid for investments in intangible assets and property, plant and equipment	- 3.0	- 2.1
Cash received from disposals of property, plant and equipment	0.0	0.7
Cash received from the sale of other financial assets	0.4	76.2
Cash paid for the acquisition of subsidiaries and minority shares in subsidiaries	- 19.5	- 307.3
<b>Cash flows from investing activities</b>	<b>- 57.6</b>	<b>- 364.6</b>
Cash paid to stockholders of GAGFAH S.A.	- 90.3	- 76.7
Cash paid to minority interests	- 0.9	- 0.8
Cash paid for liabilities to minority shareholders	- 1.5	0.0
Cash received from raising financial liabilities	95.5	2,044.9
Cash repayments of financial liabilities	- 20.9	- 1,718.0
Interest and cost paid for refinancing	- 3.5	- 9.2
<b>Cash flows from financing activities</b>	<b>- 21.6</b>	<b>240.2</b>
<b>Change in cash and cash equivalents</b>	<b>- 42.1</b>	<b>- 68.2</b>
Bank balances, cash on hand and securities at the beginning of the year	206.1	370.5
<b>Bank balances, cash on hand and securities</b>	<b>164.0</b>	<b>302.3</b>

<sup>1)</sup> For more information, please refer to page 25 of this report.

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

€ MILLION	06-30-2008	12-31-2007	06-30-2007
Cash on hand	0.1	0.1	0.1
Bank balances			
Time deposits	20.1	18.4	53.4
In current accounts	27.0	84.4	93.6
Restricted cash	104.0	89.0	141.1
Fund balances	12.8	13.7	10.6
<b>Bank balances and cash on hand</b>	<b>164.0</b>	<b>205.6</b>	<b>298.8</b>
Securities	0.0	0.5	3.5
<b>Bank balances, cash on hand and securities</b>	<b>164.0</b>	<b>206.1</b>	<b>302.3</b>

Cash and cash equivalents as of the balance sheet date included restricted cash of €104.0 million (prior year: €89.0 million) to which GAGFAH S.A. has direct access. These funds result from the sale of investment and development properties. GAGFAH S.A. is committed to using these account balances for reinvestments in investment property.

## D. Statement of Changes in Consolidated Equity

€ MILLION	REVENUE RESERVES					Equity attributable to the shareholders of the parent company	Minority interests	Total equity
	Subscribed capital	Share premium	Legal reserve	Unrealized gains/losses from derivative financial instruments	Retained earnings			
<b>January 1, 2008</b>	<b>281.9</b>	<b>1,537.5</b>	<b>28.2</b>	<b>1.1</b>	<b>916.5</b>	<b>2,765.2</b>	<b>102.0</b>	<b>2,867.2</b>
Result from measurement of swaps	0.0	0.0	0.0	-1.1	0.0	-1.1	0.0	-1.1
<b>Total income and expenses for the period recognized directly in equity</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.1</b>	<b>0.0</b>	<b>-1.1</b>	<b>0.0</b>	<b>-1.1</b>
Net profit	0.0	0.0	0.0	0.0	34.1	34.1	8.4	42.5
<b>Total income and expenses for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.1</b>	<b>34.1</b>	<b>33.0</b>	<b>8.4</b>	<b>41.4</b>
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
<b>June 30, 2008</b>	<b>282.0</b>	<b>1,538.5</b>	<b>28.2</b>	<b>0.0</b>	<b>860.3</b>	<b>2,709.0</b>	<b>109.5</b>	<b>2,818.5</b>
<b>January 1, 2007</b>	<b>281.9</b>	<b>1,572.1</b>	<b>27.6</b>	<b>-0.6</b>	<b>449.0</b>	<b>2,330.0</b>	<b>66.5</b>	<b>2,396.5</b>
Result from measurement of swaps	0.0	0.0	0.0	1.8	0.0	1.8	0.0	1.8
<b>Total income and expenses for the period recognized directly in equity</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.8</b>	<b>0.0</b>	<b>1.8</b>	<b>0.0</b>	<b>1.8</b>
Net profit	0.0	0.0	0.0	0.0	593.1	593.1	20.3	613.4
<b>Total income and expenses for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.8</b>	<b>593.1</b>	<b>594.9</b>	<b>20.3</b>	<b>615.2</b>
Share-based remuneration	0.0	5.0	0.0	0.0	0.0	5.0	0.0	5.0
Change in shareholdings and the consolidated Group	0.0	0.0	0.0	0.0	0.0	0.0	20.1	20.1
Dividends	0.0	0.0	0.0	0.0	-83.4	-83.4	-0.8	-84.2
<b>June 30, 2007</b>	<b>281.9</b>	<b>1,577.1</b>	<b>27.6</b>	<b>1.2</b>	<b>958.7</b>	<b>2,846.5</b>	<b>106.1</b>	<b>2,952.6</b>

# E. Notes to the Interim Consolidated Financial Statements

## 1. 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, 2007.

The explanations are substantially made for the period from April 1 until June 30, 2008.

Information that is labeled “prior year” in 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. 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.

## 2. Consolidated Group and Consolidation Principles

### **CONSOLIDATED GROUP**

#### **Upstream merger of five entities from GBH-subgroup to GBH Acquisition GmbH**

Grundstücks- u. Baugesellschaft AG, Wohnungsverein Ulm GmbH, Bocholter Wohnungsbaugesellschaft mbH, GBH Beteiligung GmbH and HWG Heidenheimer Wohnungsgesellschaft Gesellschaft mit beschränkter Haftung transferred their net assets as a whole to GBH Acquisition GmbH by upstream mergers.

#### **Sale of IDB Königsdamm GmbH & Co. KG**

NILEG Norddeutsche Immobiliengesellschaft mbH sold all of its shares in IDB Königsdamm GmbH & Co. KG in the first half of 2008.

#### **Change of name**

Blitz Fo7-einhundert-neunzig GmbH was renamed into GAGFAH Holding GmbH and Scholz Hofheim GmbH & Co. KG was renamed into NILEG Hofheim GmbH & Co. KG in the first half of 2008.

#### **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, 2007.

### **3. 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, 2007.

#### **RESTATEMENT OF PRIOR-YEAR FIGURES**

Since the acquisition of the respective Group companies by GAGFAH S.A. in 2005, Group activities were focused on the core business of management and sale of residential property. Consequently, a management resolution was approved in 2005 to abandon the property development business. Furthermore, it was decided to discontinue the commercial real estate business and a plan for its sale was prepared. According to **IFRS 5 Non-current Assets held for Sale and Discontinued Operations**, the results from both operations have been presented as "Profit/loss from discontinued operations before taxes" in a separate and condensed line in the income statement from 2005 onwards. The assets of the commercial real estate business have been presented as "assets from discontinued operations". In 2007, it became evident that the original time schedule for the liquidation of the remaining assets of the property development business and the sale of the assets for commercial real estate cannot be kept since these activities take longer time than originally expected. Since the requirements of IFRS 5 do not permit an extension of the period required to complete the sale under the existing circumstances, the amounts for the commercial real estate and the property development businesses are presented under continued operations for the first two quarters of 2008 and accordingly for the first two quarters of 2007; the comparative figures in the income statement have been revised to reflect the reclassification of the operations.

In fiscal year 2007, the Group changed the starting point for the cash flow statement from "earnings before interest and taxes (adjusted for the loss from discontinued operations)" to "net profit". In accordance with IAS 7, the Group adjusted the prior year's cash flow statement as well.

## 4. Segment Reporting

Information on the segments is presented below:

### GAGFAH S.A. for the period from January 1 to June 30, 2008

€ MILLION	Real estate management	Real estate sales	Commercial real estate / property development	Group function / consolidation	Group H1 2008
Segment revenues	489.0	74.0	9.4	0.0	572.4
<b>Segment results (EBITDA)</b>	<b>244.0</b>	<b>17.6</b>	<b>- 5.6</b>	<b>-17.3</b>	<b>238.7<sup>1</sup></b>

### GAGFAH S.A. for the period from January 1 to June 30, 2007

€ MILLION	Real estate management	Real estate sales	Commercial real estate / property development	Group function / consolidation	Group H1 2007 (restated) <sup>2</sup>
Segment revenues	459.7	71.1	18.7	0.0	549.5
<b>Segment results (EBITDA)</b>	<b>228.8</b>	<b>18.5</b>	<b>- 7.0</b>	<b>- 30.8</b>	<b>209.5<sup>1</sup></b>

<sup>1</sup> Excluding profits from fair value measurement.

<sup>2</sup> For more information, please refer to page 25 of this report.

## 5. Notes to the Consolidated Balance Sheet

### 1. INTANGIBLE ASSETS

Intangible assets with a finite lifespan mainly comprise software licenses for user programs amounting to €6.4 million (prior year: €5.7 million).

The intangible assets include the goodwill from the acquisitions of APH of €24.5 million (prior year: €24.5 million) and NILEG subgroup of €2.1 million (prior year: €2.1 million).

### 2. INVESTMENT PROPERTY AND PREPAYMENTS FOR INVESTMENT PROPERTIES

The following overview shows the development of the real estate portfolio:

€ MILLION	06-30-2008	12-31-2007
As of January 1, 2008 (2007)	9,795.2	7,659.8
Changes to the consolidated Group	0.0	743.1
Additions	351.8	555.1
Disposals	- 69.0	- 143.7
Reclassifications	- 0.7	- 3.3
Changes in value	- 3.0	984.2
<b>As of balance sheet date</b>	<b>10,074.3</b>	<b>9,795.2</b>

Sections 6.15 and 6.16 of this report contain comments on income of €489.0 million (prior year: €459.7 million) from the leasing of investment property and operating expenses of €245.3 million (prior year: €231.0 million) for the generation of rental income.

Prepayments for investment properties amount to €1.4 million (prior year: €202.6 million).

### **3. PROPERTY, PLANT AND EQUIPMENT**

There were no material changes within property, plant and equipment since March 31, 2008.

### **4. FINANCIAL RECEIVABLES AND OTHER FINANCIAL ASSETS**

The increase compared to March 31, 2008, is the result of changes in the fair value of swaps. Further information is provided in section 6.21 of this report.

### **5. INVENTORIES**

The decrease in inventories compared to March 31, 2008, is mainly due to the sale of land without buildings and land with finished buildings.

### **6. OTHER ASSETS**

There were no material changes within the other assets since March 31, 2008.

### **7. CURRENT TAX CLAIMS**

As of June 30, 2008, GAGFAH S.A. discloses current tax claims of €11.5 million (prior year: €12.3 million).

These are mainly related to claims for sales taxes and refunds for withholding taxes and solidarity surcharge.

### **8. DEFERRED TAXES**

Deferred tax assets of €3.9 million (prior year: €3.8 million) and deferred tax liabilities of €485.4 million (prior year: €448.6 million) result from temporary differences.

The increase of the deferred tax liabilities mainly relates from the valuation of swaps. Further information is provided in section 6.21 of this report.

### **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 €164.0 million (prior year: €205.6 million).

The time deposits of GAGFAH S.A. have terms between one day and three months and generate interest income between 2.10 % and 4.60 % (weighted average: 3.94 %).

The balances in current accounts mainly accrue interest between 3.27 % and 3.55 %.

**10. EQUITY**

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

**11. OTHER PROVISIONS**

The increase within the second quarter of 2008 is mainly due to additions to provisions for restructuring (€7.5 million).

**12. LIABILITIES FROM INCOME TAX**

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

**13. FINANCIAL LIABILITIES**

The financial liabilities of €6,723.6 million (prior year: €6,649.1 million) break down as follows for the fiscal year:

Liabilities to banks amount to €6,668.7 million (prior year: €6,590.2 million) and liabilities to other lenders to €54.9 million (prior year: €58.9 million).

Of the current and non-current liabilities to banks and other lenders, a total of €6,134.1 million (prior year: €5,997.5 million) is secured by charges on property. €261.6 million (prior year: €264.4 million) are secured by pledging of shares. No collateral has been provided for the remaining €327.9 million (prior year: €387.2 million).

Of the total financial liabilities, €6,456.5 million (prior year: €6,376.9 million) relate to privately financed loans.

As of June 30, 2008, the Group's financial liabilities primarily comprise the following debt liabilities.

€ MILLION	Notional amount as of 06-30-2008	Weighted avg. maturity	Effective interest rate	Fixed or floating rate	2008	
					Required repay- ments	Interest payments
Term loans	5,628.3	2013	3.9620 %	Fixed	0.0	114.9
Term loans	339.4	2015	5.9690 %	Floating <sup>1</sup>	0.0	10.3
Senior debt	547.8	2035	2.4600 %	Fixed	8.9	6.8
Revolving credit facility	273.6	2010	6.4660 %	Floating <sup>1</sup>	0.0	9.0
NILEG other	37.7	2010	4.7950 %	Floating <sup>1</sup>	0.0	0.9
	<b>6,826.8</b>				<b>8.9</b>	<b>141.9</b>

€ MILLION	Notional amount as of 12-31-2007	Weighted avg. maturity	Effective interest rate	Fixed or floating rate	2008	
					Required repay- ments	Interest payments
Term loans	5,628.3	2013	3.9620 %	Fixed	0.0	226.1
Term loans	279.4	2012	5.8060 %	Floating <sup>1</sup>	0.0	16.4
Senior debt	563.9	2035	2.5000 %	Fixed	18.1	14.0
Revolving credit facility	238.6	2010	6.6500 %	Floating <sup>1</sup>	0.0	16.1
NILEG other	40.6	2009	5.1898 %	Floating <sup>1</sup>	0.0	2.1
	<b>6,750.8</b>				<b>18.1</b>	<b>274.7</b>

<sup>1</sup> In order to reduce the risk of interest rate fluctuations during the life-time of the loans, we have predominantly hedged the interest rate cost of the loans through interest rate swaps.

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

As of the end of the second quarter of 2008, €273.6 million of the revolving credit facility of €300.0 million had been drawn.

#### 14. OTHER LIABILITIES

The decrease of the other liabilities has been caused mainly by compensation payments to minority shareholders of GBH AG in April 2008 as a result of the squeeze-out (€9.5 million). Further €5.3 million relate to changes in liabilities from operating expenses and €2.4 million to other tax liabilities.

2009		2010		2011		2012		2013		≥ 2014	
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	226.1	0.0	226.1	0.0	226.1	0.0	226.1	4,017.0	173.0	1,611.3	34.4
0.0	20.5	0.0	20.5	0.0	20.5	279.4	8.4	0.0	3.4	60.0	42.5
17.8	13.1	17.0	12.7	16.9	12.4	16.6	12.0	15.9	11.4	454.7	216.2
0.0	17.9	273.6	13.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14.6	1.4	6.7	0.9	16.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0
<b>32.4</b>	<b>279.0</b>	<b>297.3</b>	<b>273.5</b>	<b>33.3</b>	<b>259.2</b>	<b>296.0</b>	<b>246.5</b>	<b>4,032.9</b>	<b>187.8</b>	<b>2,126.0</b>	<b>293.1</b>

2009		2010		2011		2012		2013		≥ 2014	
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	226.1	0.0	226.1	0.0	226.1	0.0	226.1	4,017.0	173.0	1,611.3	34.4
0.0	16.4	0.0	16.4	0.0	16.4	279.4	4.7	0.0	0.0	0.0	0.0
18.1	13.4	17.3	12.9	17.1	12.6	16.7	12.2	16.1	11.6	460.5	216.2
0.0	16.1	238.6	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14.6	1.6	9.6	1.0	16.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0
<b>32.7</b>	<b>273.6</b>	<b>265.5</b>	<b>268.5</b>	<b>33.5</b>	<b>255.3</b>	<b>296.1</b>	<b>243.0</b>	<b>4,033.1</b>	<b>184.6</b>	<b>2,071.8</b>	<b>250.6</b>

## 6. Notes to the Consolidated Income Statement

### 15. INCOME FROM THE LEASING OF INVESTMENT PROPERTY

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

€ MILLION	H1 2008	H1 2007
Rental income, fees	336.8	309.5
Allocations charged	150.7	147.1
Rent, interest and expense subsidies	1.3	3.0
Risk of default on allocations	0.2	0.1
<b>Total</b>	<b>489.0</b>	<b>459.7</b>

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

The rent, interest and expense subsidies primarily relate to government allowances to allow lower rent to be charged for subsidized housing. The amount of €3.0 million (H1 2007) contains non-recurring subsidies.

Rental income includes an amount of €4.0 million (prior year: €4.1 million) from the reversal of deferred liabilities of government-granted loans.

### 16. OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

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

€ MILLION	H1 2008	H1 2007
Operating expenses	137.2	132.8
Maintenance costs	41.2	39.3
Personnel expenses	30.1	26.7
Real estate tax	11.9	12.7
External costs for real estate management	6.7	3.9
Bad debt allowances	3.5	3.8
Administrative expenses	4.5	4.3
Amortization and depreciation on intangible assets and property, plant and equipment	1.8	1.7
Other	8.4	5.8
<b>Total</b>	<b>245.3</b>	<b>231.0</b>

#### **17. PROFIT FROM OTHER SERVICES**

The profit from other services of €1.7 million (prior year: €2.2 million) consists of revenues from third-party real estate management of €2.9 million (prior year: €2.7 million) and revenues from other services of €4.3 million (prior year: €3.1 million). The prior-year income also includes revenues from the leasing of commercial real estate of €1.2 million. The overall income is set off by expenses totaling €5.5 million (prior year: €4.8 million) from third-party real estate management, other services and commercial real estate, €2.6 million (prior year: €1.9 million) of which relate to personnel expenses.

#### **18. SELLING EXPENSES**

Selling expenses of €7.7 million (prior year: €10.0 million) predominantly comprise expenses for sales, advertising and marketing. Of these expenses, €1.2 million (prior year: €1.5 million) relate to marketing expenses and expenses for the preparation of privatization units and €2.2 million (prior year: €2.3 million) to personnel.

Further expenses amounting to €1.5 million (prior year: 2.9 million) are due to brokers, and €0.3 million (prior year: €1.6 million) relate to expenses for the sale of commercial real estate and property development.

#### **19. OTHER OPERATING INCOME AND EXPENSES**

All income not directly allocable to the various functional areas is disclosed under other operating income of €10.5 million (prior year: €8.0 million). €4.0 million (prior year: €1.6 million) of that amount relate to the reversal of provisions and €1.0 million (prior year: €0.6 million) to the write-off of liabilities. Further €0.3 million (prior year: €1.8 million) relate to income from the sale of financial assets.

Of other operating expenses of €10.9 million (prior year: €19.4 million), €4.5 million (prior year: €8.7 million) relate to costs of commercial real estate and property development.

## 20. REORGANIZATION AND RESTRUCTURING EXPENSES

The expenses break down as follows:

€ MILLION	H1 2008			H1 2007		
	Restructuring	Reorganization	Total	Restructuring	Reorganization	Total
Personnel-related expenses	8.2	0.3	8.5	10.7	0.0	10.7
Consulting fees	2.7	1.2	3.9	1.1	0.4	1.5
Non personnel administrative cost	0.6	0.5	1.1	1.2	0.4	1.6
<b>Total</b>	<b>11.5</b>	<b>2.0</b>	<b>13.5</b>	<b>13.0</b>	<b>0.8</b>	<b>13.8</b>

## 21. INTEREST EXPENSE (PERIODICAL) AND PROFIT FROM THE FAIR VALUE MEASUREMENT OF DERIVATIVES

The majority of the interest expense of €152.5 million (prior year: €136.7 million), relates to interest payments on bank loans.

Furthermore, there are interest expenses of €3.8 million (prior year: €2.1 million) from the amortization of the present value of the government-granted loans.

The profit from the fair value measurement of derivatives amounts to €14.1 million (prior year: €16.0 million) and results from the fair value measurement of swaps. The fair value measurement was effected by higher mid-term interest rates.

## 22. INCOME TAXES

Income taxes comprise deferred taxes of €37.8 million (prior year: €80.7 million) and effective income taxes of €4.0 million (prior year: €18.0 million).

## 7. Other Notes

### 7.1 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 2007.

### 7.2 CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS

#### Contingent Liabilities

GAGFAH S.A. has issued guarantees (up to the maximum amount of €66.7 million) for GAGFAH GmbH and GAGFAH Dritte Grundbesitz GmbH & Co. KG in favor of external banks regarding a guarantee facility agreement respectively a term loan (prior year: €36.4 million relating only to GAGFAH GmbH).

#### Other Financial Obligations

There were no material changes within the first two quarters of 2008.

#### 7.3 EMPLOYEES

The average number of employees is presented below, broken down by business area and function:

	H1 2008		H1 2007	
	Heads	FTEs	Heads	FTEs
Authorized signatories / authorized agents	53	52	62	62
Salaried employees	916	883	908	875
Wage earners	481	465	421	406
<b>Total</b>	<b>1,450</b>	<b>1,400</b>	<b>1,391</b>	<b>1,343</b>

The total head count including temporary personnel was 1,886 (prior year: 1,790), thereof 59 (prior year: 39) trainees.

#### 7.4 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 material changes within the first two quarters of 2008.

#### 7.5 MANAGEMENT

There were no changes within the composition of Board of Directors and senior management since March 31, 2008, except from the retirement of Dr. Ulrich Weber as a member of the senior management of the Company's subsidiaries.

#### 7.6 CASH DIVIDEND

The cash dividend paid in June 2008 (for the first quarter of 2008) amounted to €45.1 million.

#### 7.7 SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING PERIOD

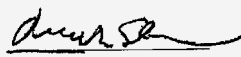
##### New Acquisitions

Since July 1, 2008, no further acquisitions have been signed.

On July 2, 2008, GSW Wohnbau GmbH sold all of its shares in HaBeGe Bau- und Projektentwicklungsgesellschaft mbH to KALIRA Grundstücksgesellschaft mbH & Co. KG.

# Financial Statement Certification

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



Wesley R. Edens



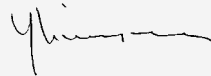
Robert I. Kauffman



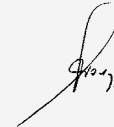
Randal A. Nardone



Burkhard U. Drescher



Yves Wagner, Ph.D.



Dieter H. Ristau



Dr. Jürgen Allerkamp

Luxembourg, August 6, 2008

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GAGFAH S.A.

2-4 RUE BECK

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