Interim Report

as of September 30, 2007

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 law of March 22, 2004 on Securitization. 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 169,000 apartments, GAGFAH is the largest German listed residential property company.

GAGFAH S.A. SHARES AS OF SEPTEMBER 30, 2007

ISIN	LU0269583422
Total Market Cap. (€ million)	3,112
Industry Group	Real Estate
Number of Shares (million)	225.5
Listing	Frankfurt Stock Exchange
Major Indices Memberships	MDAX, EPRA, GPR
Freefloat	20 %

Highlights

- **NET PROFIT** of €683.8 million or €3.03 per share in the first nine months of 2007, compared to €147.2 million or €0.65 per share in the first nine months of 2006.

- **FFO** up 20 % to €140.7 million or €0.62 per share in the first nine months of 2007, from €117.2 million or €0.52 per share for the first nine months of 2006.

- **NAV** of €14.30 per share and gross asset value of €854 per square meter in Q3 2007.

- **PRE-TAX EARNINGS** of €763.1 million in the first nine months of 2007 as compared to €182.1 million in the first nine months of 2006.

- **QUARTERLY DIVIDEND** for Q3 2007 of €0.20 per share will be paid on November 19, 2007.

VACANCY

- Overall reduction to a rate of 5.0 % (including new portfolios), down from 6.0 % in Q2 2007, already exceeding our year-end vacancy target of 5.2 %.
- On a same-store basis, our vacancy rate decreased in Q3 2007 to 4.7 % from 5.6 % as of Q2 2007.
- Excluding units held for privatization, our vacancy rate is 4.3 % (on a same-store basis).

PRIVATIZATIONS

- Strong privatization volume; up 143 % to 1,157 units at a margin of 16.8 % for the first nine months of 2007, compared to 476 units in the first nine months of 2006 and 1,073 units in the full year 2006.
- Privatization business tends to be seasonal with the majority being privatized towards the end of the year. Our target is to privatize 2,000 – 2,500 units this year.

RENTS

- Our rental growth rate was 1.1 % (residential rents on a same-store basis) for the first nine months of 2007, well on track to achieve our target of 1.5% for the full year 2007.
- Portfolio currently underrented by approximately 10 % based on external appraisals.

COSTS

- Our average management costs declined from €463/unit in H1 2007 to €457/unit in the first nine months of 2007. We are on track to meet our target of €450/unit by year-end.

ACQUISITIONS

- We have consolidated an additional 2,354 units in Q3 2007 as part of our acquisition program.This, plus previously announced acquisitions brings our total number of units owned and managed to approximately 199,000.

All per-share data is based on the 225.5 million shares outstanding.

Key Financial Information

FINANCIAL FIGURES

INCOME STATEMENT (€ MILLION)	9M 2007	9M 2006 pro forma[1]	Q3 2007	Q3 2006
Income from the leasing of investment property	698.7	606.9	239.0	204.4
Profit from the leasing of investment property	340.2	311.8	112.6	107.1
Profit from the sale of investment property	40.5	12.3	13.4	5.4
Profit from fair value measurement	653.7	52.8	9.5	19.7
EBITDA	980.2	332.1	119.5	110.8
EBIT	958.8	310.3	115.2	102.4
EBT	763.1	182.1	39.8	15.5
EPS (225.5m shares outstanding/in €)	2.94	0.63	0.31	0.06
FFO	140.7	117.2	46.7	38.5
FFO per share (225.5m shares outstanding/in €)	0.62	0.52	0.21	0.17

BALANCE SHEET (€ MILLION)	09-30-2007	12-31-2006
Investment property	9,372.4	7,659.8
Financial liabilities	6,456.5	5,617.5

OPERATIONAL FIGURES

	9M 2007	H1 2007
Group residential portfolio		
Units	168,604	166,956
Square meters	10,154,530	10,027,973
Net cold rent/sqm (in €)	4.83	4.81
Vacancy (in %)	5.0	6.0
Privatized units	1,157	528

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)

	9M 2007	9M 2006 pro forma[1]	Q3 2007	Q3 2006
EBIT	958.8	310.3	115.2	102.4
Reorganization and restructuring expenses	16.6	17.0	2.8	6.8
Depreciation and amortization	4.8	4.8	1.5	1.6
EBITDA	980.2	332.1	119.5	110.8
Profit from fair value measurement	– 653.7	– 52.8	– 9.5	– 19.7
Realized valuation gains through sales	0.7	0.0	0.1	0.0
Net interest expenses	– 187.7	– 169.9	– 63.6	– 60.6
Taxes paid	– 1.5	1.5	– 1.1	1.7
IPO costs	0.4	6.3	0.4	6.3
Expenses for share-based remuneration	2.3	0.0	0.9	0.0
FFO	140.7	117.2	46.7	38.5
FFO per share (225.5m shares outstanding/in €)	0.62	0.52	0.21	0.17

1) Since our Group is the result of acquisitions and corporate combinations occurring at various times since September 2004, with significant acquisitions in 2005 and 2006, comparisons of the first nine months of 2007 with historical accounting results of the first nine months of 2006 partly omit the acquisition of WOBA GmbH. Consequently, we use pro forma financial figures to provide comparable results from continuing operations, as if the Group had included WOBA GmbH in its present form beginning in 2006.

Residential Property Portfolio[1]

as of September 30, 2007

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[2] Rent mo/sqm (€)	Vacancy %
Dresden	43,033	25.5	2,433,526	57	129.5	22.0	4.43	4.74	9.3
Berlin	28,617	17.0	1,686,681	59	91.6	15.5	4.52	5.11	2.6
Hamburg	9,922	5.9	631,736	64	39.3	6.7	5.18	6.17	0.8
Hanover	5,969	3.5	374,055	63	23.9	4.1	5.32	5.79	4.1
Heidenheim	4,845	2.9	302,700	62	18.6	3.2	5.11	5.76	12.6
Bielefeld	4,173	2.5	276,574	66	14.0	2.4	4.22	4.65	1.3
Osnabrück	3,587	2.1	223,224	62	12.9	2.2	4.82	5.46	1.4
Braunschweig	2,803	1.7	167,440	60	9.9	1.7	4.93	5.44	2.1
Cologne	2,389	1.4	181,767	76	13.3	2.3	6.11	6.70	2.6
Essen	2,365	1.4	155,676	66	9.7	1.6	5.18	5.63	8.0
Frankenthal	2,111	1.3	130,987	62	7.6	1.3	4.82	5.45	9.9
Freiburg	1,949	1.2	129,754	67	8.5	1.4	5.47	6.26	0.8
Bocholt	1,814	1.1	112,058	62	6.0	1.0	4.45	5.66	1.9
Frankfurt am Main	1,800	1.1	99,657	55	8.4	1.4	6.99	7.62	0.6
Düsseldorf	1,713	1.0	99,601	58	7.8	1.3	6.50	6.61	1.6
Iserlohn	1,669	1.0	105,675	63	5.5	0.9	4.38	4.51	1.8
Bremen	1,503	0.9	95,192	63	5.5	0.9	4.78	5.19	5.9
Bonn	1,428	0.8	97,755	68	6.5	1.1	5.57	6.10	3.2
Duisburg	1,422	0.8	95,894	67	5.0	0.8	4.32	4.64	16.0
Leverkusen	1,404	0.8	89,835	64	5.7	1.0	5.32	5.55	0.1
Subtotal Top 20 Cities	**124,516**	**73.9**	**7,489,786**	**60**	**429.0**	**72.9**	**4.77**	**5.28**	**5.5**
Other Cities	44,088	26.1	2,664,744	60	159.9	27.1	5.00	5.34	3.8
Grand Total	**168,604**	**100**	**10,154,530**	**60**	**588.9**	**100**	**4.83**	**5.30**	**5.0**

1) Core units; rental area for total portfolio amounts to 10,971,722 square meters as of September 30, 2007, and to 9,861,409 square meters as of the end of 2006
2) Market rent calculated by CBRE as of June 30, 2007

GAGFAH Group – Operational Performance

Pro Forma

This Report is based upon the pro forma consolidated income statement of the GAGFAH S.A. Group for the period ended September 30, 2006 and upon the consolidated income statement for the period ended September 30, 2007. Since our Group is the result of acquisitions and corporate combinations occurring at various times since September 2004, with significant acquisitions in 2005 and 2006, comparisons of the first nine months of 2007 with historical accounting results of the first nine months of 2006 partly omit the acquisition of WOBA GmbH. Consequently, we use pro forma financial figures to provide comparable results from continuing operations, as if the Group had included WOBA GmbH in its present form during the first nine months of 2006.

As such, the pro forma financial figures are based upon a comparably sized and capitalized consolidated company for both years.

The comparison with pro forma financial figures is therefore more indicative of the operational results of the continuing operations achieved during the periods.

Consolidated Income Statement

€ MILLION	9M 2007	9M 2006 pro forma	Q3 2007	Q3 2006
Income from the leasing of investment property	698.7	606.9	239.0	204.4
Transferable leasehold land interest	– 1.6	– 1.5	– 0.5	– 0.7
Operating expenses for the generation of rental income (excluding share-based remuneration)	– 356.9	– 293.6	– 125.9	– 96.6
Profit from the leasing of investment property	**340.2**	**311.8**	**112.6**	**107.1**
Income from the sale of investment property	134.9	91.1	63.8	34.1
Carrying amount of the investment property sold	– 94.4	– 78.8	– 50.4	– 28.7
Profit from the sale of investment property	**40.5**	**12.3**	**13.4**	**5.4**
Unrealized gains from fair value measurement	940.2	258.3	9.5	67.9
Unrealized losses from fair value measurement	– 286.5	– 205.5	0.0	– 48.2
Profit from fair value measurement	**653.7**	**52.8**	**9.5**	**19.7**
Profit from other services	2.2	3.1	0.5	– 3.3
Selling expenses (excluding share-based remuneration)	– 12.4	– 6.4	– 4.0	– 3.9
General and administrative expenses (excluding share-based remuneration)	– 40.6	– 63.3	– 12.2	– 21.2
Expenses for share-based remuneration	– 2.3	0.0	– 0.9	0.0
Other operating income	7.2	25.5	1.8	8.0
Other operating expenses	– 13.6	– 9.2	– 2.9	– 3.0
Profit from operations before reorganization and restructuring expenses	**974.9**	**326.6**	**117.8**	**108.8**
Reorganization and restructuring expenses	– 16.6	– 17.0	– 2.8	– 6.8
Profit from operations	**958.3**	**309.6**	**115.0**	**102.0**
Result from other financial assets	0.5	0.7	0.2	0.4
Earnings before interest and taxes (EBIT)	**958.8**	**310.3**	**115.2**	**102.4**
Interest expense (periodical)	– 199.4	– 174.9	– 66.9	– 60.8
Other financial expenses	– 1.5	0.0	– 0.2	0.0
Interest income (periodical)	11.7	5.1	3.3	0.2
Profit from the fair value measurement of derivatives	9.0	54.6	– 7.0	– 26.3
Interest (refinancing)	– 15.5	– 13.0	– 4.6	0.0
Profit from continued operations before taxes	**763.1**	**182.1**	**39.8**	**15.5**
Income taxes on continued operations	– 73.8	– 27.2	24.9	4.1
Profit from continued operations	**689.3**	**154.9**	**64.7**	**19.6**
Result from discontinued operations	**– 5.5**	**– 7.7**	**5.7**	**– 1.8**
Net profit	**683.8**	**147.2**	**70.4**	**17.8**
Thereof attributable to:				
Minority interests	21.9	5.2	1.6	4.6
Shareholders of the parent company	661.9	142.0	68.8	13.2
Weighted average number of shares	225,515,377	225,515,377	225,515,377	225,515,377
Basic and diluted earnings per share (in €)	**2.94**	**0.63**	**0.31**	**0.06**
Basic and diluted earnings per share (in €) from continued operations	**2.96**	**0.66**	**0.28**	**0.07**

PROFIT FROM THE LEASING OF INVESTMENT PROPERTY

The profit from the leasing of investment property rose by 9 % in the first nine months of 2007 (5 % Q3 2007 compared to Q3 2006) compared to the first nine months of 2006. 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. Our income from the leasing of investment property is the primary component of our result from sales and leasing. Profit from the leasing of investment property is calculated as follows for the first nine months and the third quarter of 2007 and 2006 respectively:

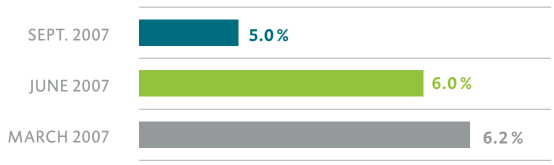
€ MILLION	9M 2007	9M 2006 pro forma	Q3 2007	Q3 2006
Income from the leasing of investment property	698.7	606.9	239.0	204.4
Transferable leasehold land interest	– 1.6	– 1.5	– 0.5	– 0.7
Operating expenses for the generation of rental income	– 356.9	– 293.6	– 125.9	– 96.6
Profit from the leasing of investment property	**340.2**	**311.8**	**112.6**	**107.1**

INCOME FROM THE LEASING OF INVESTMENT PROPERTY UP BY 15 %

Our strategy is to raise rents to market levels while increasing the occupancy of our portfolio. Rents are continuously evaluated against market levels and adjusted over time.

Income from the leasing of investment property mainly includes net cold rent, income from recoverable expenses from tenants and rent from subsidized apartments. In the first nine months of 2007, our income from the leasing of investment property was €698.7 million, up 15 % compared to the first nine months of 2006. Approximately 68 % of such income was mainly attributable to net cold rent. Net cold rent grew on a same-store basis by 1.1 % since December 31, 2006. Charges to tenants for recoverable expenses represented approximately 32 % of the income from the leasing of investment property. Growth of income from the leasing of investment property was mainly driven by raising rents closer to market levels, reduction of vacancies and by the inclusion of acquisitions.

GROUP VACANCIES



We have reduced our overall vacancy rate from 6.0 % in Q2 2007 to 5.0 % in Q3 2007 (including acquisitions) and have already exeeded our year-end vacancy target of 5.2 %. On a same store basis, our vacancy rate decreased in Q3 2007 to 4.7 %, down from 5.6 % in Q2 2007. Excluding units held for privatization, our vacancy rate was 4.3 % on a same-store basis, down from 5.3 % at the end of Q2 2007.

OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

In the first nine months of 2007, our operating expenses for the generation of rental income totaled €356.9 million, an increase of 22 % as compared to the first nine months of 2006, mainly as a result of the growth of our portfolio.

Operating expenses for the generation of rental income are composed of real estate operating expenses, maintenance costs, personnel expenses for operational staff (e.g. total staff of Property Management in customer centers), real estate taxes, real estate management expenses, tenant receivables write-offs, administrative expenses, as well as amortization and depreciation of intangible and tangible operating assets.

Real estate operating expenses are primarily costs for water, sewage, real estate taxes and heating. In the first nine months of 2007, these costs represented approximately 62 % of operating expenses for the generation of rental income. Maintenance costs represented approximately 17 % of operating expenses for the generation of rental income. They included small repairs and improvements to maintain the value of our portfolio.

Personnel costs and other real estate management expenses represented approximately 21 % of operating expenses for the generation of rental income in the first nine months of 2007.

63 % of the expenses for the generation of rental income were charged back to our tenants in the form of recoverables in the first nine months of 2007.

SALE OF INVESTMENT PROPERTY AT A MARGIN OF 16.8%

We sell apartments primarily by dividing a rental building into residential units for sale. In the first nine months of 2007, we sold 1,157 units in our privatization program, compared to 476 sold units in the first nine months of 2006 and 1,073 units in the full year of 2006. We achieved a profit margin on IFRS book value plus sales and marketing costs and capital expenditure of 16.8 % for the first nine months of 2007. As expected, our privatization margin in Q3 2007 was at a more normalized level of 10.9 %. The privatization of apartments is typically a seasonal business with the majority of sales taking place in the last quarter of the year. We are well on track to achieve our target of 2,000 – 2,500 units this year.

The 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 nine months of 2007, profit from the sale of investment property was €40.5 million, as compared to €12.3 million in the first nine months of 2006.

OVERVIEW OF PRIVATIZATION RESULTS

	9M 2007	9M 2006	Q3 2007	Q3 2006
Privatized units	1,157	476	629	301
Privatized sqm	79,407	34,098	41,666	22,309

	Q3 2007 €million	9M 2007 €million	9M 2007 €per unit	9M 2007 €per sqm
Gross disposition proceeds	60.1	120.2	103,868	1,513
Book value	– 48.5	– 89.7	– 77,495	–1,129
Disposition costs[1]	– 5.6	– 13.3	– 11,461	– 167
Net profit	**5.9**	**17.3**	**14,912**	**217**
Net profit margin (pro rata)	**11 %**		**17 %**	

1) Include sales costs total (pro rata) and realized revaluations.

INCREASED PROFIT FROM FAIR VALUE MEASUREMENT

The profit from fair value measurement is the net increase in the quarterly valuation of our investment properties. As of September 30, 2007, our IAS 40 valuations for the investment properties indicated a net increase in the values of our investment properties of €9.5 million over the values of our investment properties as of June 30, 2007.

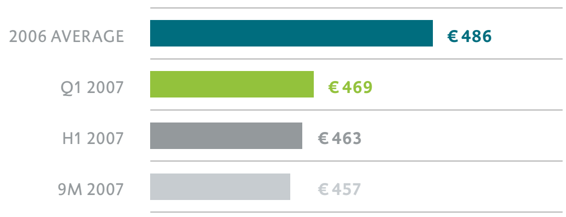
Our fair market valuation module is based on a discounted cash flow valuation of each investment property. We calculate with an average discount rate of 5.29 %. We carry out the valuations of our investment properties and they are periodically verified by an independent third-party valuation.

OTHER INCOME AND EXPENSE ITEMS

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

€ MILLION	9M 2007	9M 2006 pro forma
Profit from other services	2.2	3.1
Selling expenses	–12.4	– 6.4
General and administrative expenses	– 40.6	– 63.3
Expenses for share-based remuneration	– 2.3	0.0
Other operating income	7.2	25.5
Other operating expenses	– 13.6	– 9.2
Total	**– 59.5**	**– 50.3**

MANAGEMENT COSTS[1] PER UNIT



1) G & A and personnel costs, excluding related privatization and acquisition costs

We have reduced our average management costs per unit in the first nine months of 2007 to €457 per unit, down from €463 per unit in the first half of 2007. Our costs to manage a unit are fully-loaded, including G&A and personnel costs related to the management of our property assets, excluding privatization and acquisition costs. We are well on track to meet our 2007 target of €450 per unit.

PROFIT FROM OPERATIONS BEFORE REORGANIZATION AND RESTRUCTURING EXPENSES

Our Group's profit from operations before reorganization and restructuring expenses is the sum of the following items:

€ MILLION	9M 2007	9M 2006 pro forma
Profit from the leasing of investment property	340.2	311.8
Profit from the sale of investment property	40.5	12.3
Profit from fair value measurement	653.7	52.8
Other operating income and expenses (net expense)	– 59.5	– 50.3
Profit from operations before reorganization and restructuring expenses	**974.9**	**326.6**

REORGANIZATION AND RESTRUCTURING EXPENSES

These expenses relate to our Group's rationalization of costs and integration of processes as we continue to combine operations of the acquired companies and portfolios. In the first nine months of 2007, expenses were €16.6 million compared to €17.0 million in the first nine months of 2006 (€2.8 million in Q3 2007 compared to €6.8 million in Q3 2006). The majority of these expenses are severance expenses of €12.7 million.

PROFIT FROM CONTINUED OPERATIONS BEFORE TAXES

Our Group's profit from continued operations before taxes in the first nine months of 2007 was €763.1 million, as compared to €182.1 million in the first nine months of 2006 (€39.8 million in Q3 2007 compared to €15.5 million in Q3 2006). The profit from continued operations before taxes is calculated as EBIT of €958.8 million, reduced by the net financing expense of €195.7 million. Excluding effects from the fair value measurement of derivatives and investment properties, profit from continued operations before taxes increased by 34.4 % from €74.7 million in the first nine months of 2006 to €100.4 million in the first nine months of 2007.

INCOME TAX EXPENSE FOR CONTINUED OPERATIONS

Our income tax expense for continued operations was €73.8 million in the first nine months of 2007. Our current and deferred income tax expenses are shown in the table below. Income taxes consist of deferred taxes of €54.6 million as compared to €28.7 million in the first nine months of 2006 and of current income taxes of €19.2 million, as compared to €–1.5 million in the first nine months of 2006.

€ MILLION	9M 2007	9M 2006 pro forma	Q3 2007	Q3 2006
Current income tax expense	– 19.2	1.5	– 1.2	1.7
Thereof one-off items	– 12.4	0.0	0.0	0.0
Deferred income tax expense	– 54.6	– 28.7	26.1	2.4
Income tax expense	**– 73.8**	**–27.2**	**24.9**	**4.1**

PROFIT FROM CONTINUED OPERATIONS AFTER TAXES

Profit from continued operations after taxes amounted to €689.3 million in the first nine months of 2007 compared to €154.9 million in the first nine months of 2006. The effective tax rate (net of one-off items) amounted to 6.8 % in the first nine months of 2007.

RESULT FROM DISCONTINUED OPERATIONS

Result from discontinued operations is the net result after income taxes relating to our Group's discontinued property development and commercial business. A loss of €5.5 million from discontinued operations was recorded for the first nine months of 2007. In Q3 2007, the profit from discontinued operations amounted to €5.7 million.

NET PROFIT

Our net profit is the sum of the result from continued operations and the result from discontinued operations. Net profit in the first nine months of 2007 was €683.8 million, as compared to €147.2 million in the first nine months of 2006.

GROWTH IN NET ASSET VALUE

Total NAV of €3,225.8 million was impacted by deferred taxes from IAS 40 valuation of €306.2 million. NAV per share increased from €10.73 at the end of 2006 to €14.30 at the end of September 2007.

€ MILLION	09-30-2007	12-31-2006
Shareholders' equity	2,919.6	2,330.0
Deferred taxes – IAS 40	306.2	91.0
NAV	**3,225.8**	**2,421.0**
NAV per share (€)	**14.30[1]**	**10.73[1]**

1) based on 225.5 million shares

STRONG EBITDA GROWTH

EBITDA is Earnings Before Interest, Taxes, Depreciation and Amortization and non-recurring items, such as reorganization and restructuring expenses. The following is a reconciliation of EBIT to EBITDA for our Group:

€ MILLION	9M 2007	9M 2006 pro forma	Q3 2007	Q3 2006
EBIT	958.8	310.3	115.2	102.4
Reorganization and restructuring expenses	16.6	17.0	2.8	6.8
Depreciation and amortization	4.8	4.8	1.5	1.6
EBITDA	**980.2**	**332.1**	**119.5**	**110.8**

GROWTH IN FUNDS FROM OPERATIONS (FFO)

Funds from operations, or 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.

Our principle objectives are to increase our FFO and to pay out a substantial portion of them in the form of quarterly dividends.

FFO is calculated to be EBITDA reduced by the profit from measurement of the investment properties at fair value, current interest income and expenses and current income taxes paid and non-recurring items, such as stock grants/options and IPO costs. The following is a reconciliation of EBITDA to FFO as of September 30, 2007 and 2006 for our Group:

€ MILLION	9M 2007	9M 2006 pro forma	Q3 2007	Q3 2006
EBITDA	980.2	332.1	119.5	110.8
Profit from fair value measurement	– 653.7	– 52.8	– 9.5	– 19.7
Realized valuation gains through sales	0.7	0.0	0.1	0.0
Net interest expenses	– 187.7	– 169.9	– 63.6	– 60.6
Taxes paid	– 1.5	1.5	– 1.1	1.7
IPO costs	0.4	6.3	0.4	6.3
Expenses for share-based remuneration	2.3	0.0	0.9	0.0
FFO	**140.7**	**117.2**	**46.7**	**38.5**
FFO per share (in €)	**0.62**	**0.52**	**0.21**	**0.17**

Dividends

GAGFAH intends to pay the dividend for the third quarter of 2007 of €0.20 per share on November 19, 2007 to holders of record of GAGFAH S.A. shares on Thursday, November 15, 2007. The shares of GAGFAH S.A. will be ex-dividend for the third quarter 2007 dividend on November 16, 2007.

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 reach agreement or suitable final terms with respect to any portion of the real estate acquisition opportunities currently under commitment or consideration, or be unable to privatize further units or further reduce management costs.

Financial Statements and Notes

A. Consolidated Balance Sheet

ASSETS

€ MILLION	Note	09-30-2007	12-31-2006
Non-current assets			
Intangible assets	1.	29.2	5.1
Investment property	2.	9,372.4	7,659.8
Prepayments for investment properties		102.5	0.0
Property, plant and equipment	3.	62.5	63.0
Other financial assets	4.	16.0	43.5
Other assets	6.	11.1	11.5
Deferred tax assets	8.	81.8	96.2
		9,675.5	**7,879.1**
Current assets			
Inventories	5.	95.5	127.4
Financial receivables and other financial assets	4.	1.3	56.0
Receivables		155.5	151.7
Other assets	6.	26.9	22.5
Securities		0.5	3.5
Current tax claims	7.	14.6	10.0
Bank balances and cash on hand	9.	233.7	367.0
		528.0	**738.1**
Assets held for sale		**3.8**	**4.5**
Assets of discontinued operations		**2.6**	**15.9**
Total assets		**10,209.9**	**8,637.6**

EQUITY AND LIABILITIES

€ MILLION	Note	09-30-2007	12-31-2006
Equity	**10.**		
Subscribed capital		281.9	281.9
Share premium		1,565.9	1,599.7
Revenue reserves		1,071.8	448.4
Equity attributable to the shareholders of the parent company		**2,919.6**	**2,330.0**
Minority interests		107.4	66.5
Total equity		**3,027.0**	**2,396.5**
Liabilities			
Non-current liabilities			
Long-term liabilities received from shareholders		6.1	6.3
Pension provisions		106.4	103.0
Other provisions	11.	32.6	30.7
Deferred tax liabilities	8.	188.9	130.1
Financial liabilities	13.	6.333.4	5,508.3
Other liabilities	14.	2.4	2.0
Deferred liabilities of government granted loans		102.3	99.8
		6,772.1	**5,880.2**
Current liabilities			
Pension provisions		6.4	6.3
Other provisions	11.	73.4	68.4
Liabilities from income tax	12.	36.7	15.7
Financial liabilities	13.	123.1	109.2
Other liabilities	14.	166.1	155.3
Deferred liabilities of government granted loans		5.1	6.0
		410.8	**360.9**
Total liabilities		**7,182.9**	**6,241.1**
Total equity and liabilities		**10,209.9**	**8,637.6**

B. Consolidated Income Statement

€ MILLION	Note	9M 2007	9M 2006	Q3 2007	Q3 2006
Income from the leasing of investment property	15.	698.7	558.5	239.0	204.4
Transferable leasehold land interest		– 1.6	– 1.5	– 0.5	– 0.7
Operating expenses for the generation of rental income (excluding share-based remuneration)	16.	– 356.9	– 265.1	– 125.9	– 96.6
Profit from the leasing of investment property		**340.2**	**291.9**	**112.6**	**107.1**
Income from the sale of investment property		134.9	87.6	63.8	34.1
Carrying amount of the investment property sold		– 94.4	– 77.2	– 50.4	– 28.7
Profit from the sale of investment property		**40.5**	**10.4**	**13.4**	**5.4**
Unrealized gains from fair value measurement		940.2	226.0	9.5	67.9
Unrealized losses from fair value measurement		– 286.5	– 181.2	0.0	– 48.2
Profit from fair value measurement		**653.7**	**44.8**	**9.5**	**19.7**
Result from other services	17.	2.2	2.3	0.5	– 3.3
Selling expenses (excluding share-based remuneration)	18.	– 12.4	– 6.3	– 4.0	– 3.9
General and administrative expenses (excluding share-based remuneration)		– 40.6	– 60.9	– 12.2	– 21.2
Expenses for share-based remuneration		– 2.3	0.0	– 0.9	0.0
Other operating income	19.	7.2	18.0	1.8	8.0
Other operating expenses	19.	– 13.6	– 9.0	– 2.9	– 3.0
Profit from operations before reorganization and restructuring expenses		**974.9**	**291.2**	**117.8**	**108.8**
Reorganization and restructuring expenses	20.	– 16.6	– 17.0	– 2.8	– 6.8
Profit from operations		**958.3**	**274.2**	**115.0**	**102.0**
Result from other financial assets		0.5	0.7	0.2	0.4
Earnings before interest and taxes (EBIT)		**958.8**	**274.9**	**115.2**	**102.4**
Interest expense (periodical)	21.	– 199.4	– 162.0	– 66.9	– 60.8
Other financial expenses		– 1.5	0.0	– 0.2	0.0
Interest income (periodical)		11.7	4.7	3.3	0.2
Result from the fair value measurement of derivatives	21.	9.0	45.0	– 7.0	– 26.3
Interest (refinancing)		– 15.5	– 13.0	– 4.6	0.0
Profit from continued operations before taxes		**763.1**	**149.6**	**39.8**	**15.5**
Income taxes on continued operations	22.	– 73.8	– 11.6	24.9	4.1
Profit from continued operations		**689.3**	**138.0**	**64.7**	**19.6**
Result from discontinued operations	**23.**	**– 5.5**	**– 7.7**	**5.7**	**– 1.8**
Net profit		**683.8**	**130.3**	**70.4**	**17.8**
Thereof attributable to:					
Minority interests		21.9	5.2	1.6	4.6
Shareholders of the parent company		661.9	125.1	68.8	13.2
Weighted average number of shares		225,515,377	200,792,638	225,515,377	200,792,638
Basic and diluted earnings per share (in €)		**2.94**	**0.62**	**0.31**	**0.07**
Basic and diluted earnings per share (in €) from continued operations		**2.96**	**0.66**	**0.28**	**0.07**

C. Consolidated Cash Flow Statement

€ MILLION	9M 2007	9M 2006
Earnings before interest and taxes (adjusted for the result from discontinued operations)	953.3	267.2
Change in the value of investment property	– 653.5	– 42.4
Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment	5.0	4.6
Losses on the disposal of property, plant and equipment	0.2	0.1
Gains on the disposal of investment property	– 40.5	– 10.4
Other non-cash expenses/income	– 4.8	0.8
Income taxes paid	– 3.3	– 0.5
Income taxes received	1.8	0.0
Change in deferred liabilities of government granted loans	– 6.7	– 1.1
Interest received	9.6	4.3
Interest paid	– 168.6	– 169.3
Change in inventories	35.7	19.4
Change in receivables	– 17.5	– 17.7
Change in provisions	1.4	– 17.4
Change in liabilities	– 3.2	18.6
Cash flows from operating activities	**108.9**	**56.2**
Cash received from the sale of investment property	130.7	36.9
Cash paid for investment property	– 499.0	– 20.4
	– 259.4	72.7
Cash paid for investments in property, plant and equipment	– 3.1	– 5.4
Cash received from disposals of property, plant and equipment	0.7	0.3
Cash received from the sale of assets of discontinued operations	17.0	90.6
Cash received from the sale of other financial assets	75.9	0.3
Cash received from the sale of subsidiaries	0.0	0.2
Cash paid for the acquisition of subsidiaries	– 336.5	– 922.6
Cash flows from investing activities	**– 614.3**	**– 820.1**
Cash received from equity contributions	0.0	765.0
Cash paid to stockholders of GAGFAH S.A.	– 121.8	0.0
Cash paid to minority interests	– 0.8	– 2.2
Cash paid to liabilities received from shareholders	– 1.4	0.0
Cash received from raising financial liabilities	2,110.5	1,104.9
Cash repayments of financial liabilities	– 1,602.0	– 768.4
Interest and cost paid for refinancing	– 15.4	– 51.0
Cash flows from financing activities	**369.1**	**1,048.3**
Change in cash and cash equivalents	**– 136.3**	**284.4**
Bank balances, cash on hand and securities at the beginning of the year	370.5	217.6
Bank balances, cash on hand and securities	**234.2**	**502.0**

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

€ MILLION	09-30-2007	09-30-2006
Cash on hand	0.1	0.1
Restricted cash	124.5	35.0
Bank balances		
Time deposits	23.1	31.6
In current accounts	73.1	421.9
Fund balances	12.9	9.9
Bank balances and cash on hand	**233.7**	**498.5**
Securities	0.5	3.5
Bank balances, cash on hand and securities	**234.2**	**502.0**

Cash and cash equivalents as of the balance sheet date include restricted cash of €124.5 million (prior year: €35.0 million), to which GAGFAH S.A. has direct access. €62.9 million thereof result from the sale of investment and development properties. GAGFAH S.A. is committed to use these account balances for reinvestments in investment property or amortization of loans.

D. Statement of Changes in Consolidated Equity

€ MILLION	Subscribed capital	SHARE PREMIUM Capital reserve	Legal reserve	REVENUE RESERVES Unrealized gains/losses from derivative financial instruments	Retained earnings	Equity attributable to the shareholders of the parent company	Minority interests	Total equity
January 1, 2007	**281.9**	**1.572.1**	**27.6**	**– 0.6**	**449.0**	**2,330.0**	**66.5**	**2,396.5**
Result from measurement of swaps	0.0	0.0	0.0	5.1	0.0	5.1	0.0	5.1
Total income and expenses for the period recognized directly in equity	**0.0**	**0.0**	**0.0**	**5.1**	**0.0**	**5.1**	**0.0**	**5.1**
Net profit	0.0	0.0	0.6	0.0	661.3	661.9	21.9	683.8
Total income and expenses for the period	**0.0**	**0.0**	**0.6**	**5.1**	**661.3**	**667.0**	**21.9**	**688.9**
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based remuneration	0.0	5.8	0.0	0.0	0.0	5.8	0.0	5.8
Change in shareholdings and the consolidated Group	0.0	0.0	0.0	0.0	0.2	0.2	19.8	20.0
Dividends	0.0	– 40.2	0.0	0.0	– 43.2	– 83.4	– 0.8	– 84.2
September 30, 2007	**281.9**	**1,537.7**	**28.2**	**4.5**	**1,067.3**	**2,919.6**	**107.4**	**3,027.0**
January 1, 2006 (restated)	**224.9**	**913.7**	**22.5**	**0.0**	**351.5**	**1,512.6**	**50.1**	**1,562.7**
Result from measurement of swaps	0.0	0.0	0.0	– 6.8	0.0	– 6.8	0.0	– 6.8
Total income and expenses for the period recognized directly in equity	**0.0**	**0.0**	**0.0**	**– 6.8**	**0.0**	**– 6.8**	**0.0**	**– 6.8**
Net profit	0.0	0.0	0.0	0.0	125.1	125.1	5.2	130.3
Total income and expenses for the period	**0.0**	**0.0**	**0.0**	**– 6.8**	**125.1**	**118.3**	**5.2**	**123.5**
Effects from "transactions under common control"	0.0	0.0	0.0	0.0	5.2	5.2	0.0	5.2
Capital increase	56.3	703.5	5.1	0.0	0.0	764.9	0.0	764.9
Share-based remuneration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in shareholdings and the consolidated Group	0.0	0.0	0.0	0.0	0.0	0.0	10.9	10.9
Dividends	0.0	– 56.9	0.0	0.0	0.0	– 56.9	– 0.6	– 57.5
September 30, 2006	**281.2**	**1,560.3**	**27.6**	**– 6.8**	**481.8**	**2,344.1**	**65.6**	**2,409.7**

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, 2006.

The explanations are substantially made for the period from July 1 until September 30, 2007.

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.

The renting business of the Group is not subject to seasonal fluctuations, whereas privatization volume reaches its peak in the second half of the year.

2. Consolidated Group and Consolidation Methods

CONSOLIDATED GROUP

SALES AND LIQUIDATIONS IN THE REPORTING PERIOD

The two following companies are no longer included in the scope of consolidation as of September 30, 2007:

- GIP Heidenheim GmbH, Heidenheim, Germany, was sold on July 1, 2007.
- Kreiensen GbR, Hanover, Germany, was liquidated on July 4, 2007, and was transferred to NILEG GmbH.

COMPANY FORMATIONS AND ACQUISITIONS IN THE REPORTING PERIOD

Upstream merger of Apellas Erste Grundbesitzverwaltungsgesellschaft mbH and Apellas Dritte Grundbesitzverwaltungsgesellschaft mbH into GAGFAH Pegasus GmbH

Apellas Erste Grundbesitzverwaltungsgesellschaft mbH and Apellas Dritte Grundbesitzverwaltungsgesellschaft mbH transferred their net assets as a whole into GAGFAH Pegasus GmbH by upstream mergers.

The mergers are based on the subsidiaries' closing balance sheets as of June 30, 2007. The takeover of the net assets was effected on July 1, 2007 in the internal relationship. The upstream merger was entered into the commercial register on August 9, 2007.

Change of corporate form of GAGFAH Pegasus GmbH

At the extraordinary shareholders' meeting of GAGFAH Pegasus GmbH on July 30, 2007 the change of corporate form of GAGFAH Pegasus GmbH into GAGFAH Pegasus GmbH & Co. KG was resolved.

The change of corporate form was entered into the commercial register on August 15, 2007.

Acquisition of GBH Group and APH

The provisional purchase price allocation of APH has not changed since June 30, 2007 and is therefore final.

The provisional purchase price allocation of GBH Group is still provisional. The purchase price allocation is expected to be finalized until the end of the fiscal year. Additional information about the final purchase price allocation will be given at this later date.

CONSOLIDATION METHODS

The consolidation methods 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, 2006.

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, 2006.

A detailed description of the new provisions which are mandatory for all reporting periods beginning on or after January 1, 2007 can be found in the notes to the Consolidated Interim Financial Statements as of June 30, 2007.

4. Segment Reporting

Information on the segments for the first nine months of fiscal year 2007 is presented on the next page:

Group Segment Report

Group segment report for the period from January 1 to September 30, 2007

€ MILLION	Real estate management	Real estate sales	Group function / consolidation	Group 9M 2007	Group Q3 2007
Segment revenues	698.7	134.9	0.0	833.6	302.8
Segment results (EBITDA)	342.0	27.8	– 43.3	326.5	110.0

Group segment report for the period from January 1 to September 30, 2006

€ MILLION	Real estate management	Real estate sales	Group function / consolidation	Group 9M 2006	Group Q3 2006
Segment revenues	558.8	87.6	– 0.3	646.1	238.5
Segment results (EBITDA)	293.4	4.1	– 45.8	251.7	91.1

5. Notes to the Consolidated Balance Sheet

1. INTANGIBLE ASSETS

Intangible assets with a finite life mainly comprise software licenses for user programs amounting to €2.6 million (prior year: €3.0 million).

The intangible assets include the goodwill from the acquisitions of APH of €24.5 million (prior year: €0.0 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, 2007:

€ MILLION	09-30-2007	12-31-2006
As of January 1	7,659.8	5,790.1
Changes to the consolidated Group	749.3	1,833.8
Additions	399.8	68.8
Disposals	– 91.8	– 133.0
Reclassifications	1.6	42.6
Changes in value	653.7	57.5
As of balance sheet date	**9,372.4**	**7,659.8**

The difference between the disposals shown in the development of the real estate portfolio (€91.8 million) and the disposals as per consolidated income statement (€94.4 million) results from the disposal of assets held for sale (€2.6 million).

Sections 6.15 and 6.16 of this report contain comments on income of €698.7 million (prior year: €558.5 million) from the leasing of investment property and operating expenses of €356.9 million (prior year: €265.1 million) for the generation of rental income.

3. PROPERTY, PLANT AND EQUIPMENT

There were no material changes within property, plant and equipment since June 30, 2007.

4. FINANCIAL RECEIVABLES AND OTHER FINANCIAL ASSETS

The reduction of the derivative financial instruments compared to Q2 2007 is mainly the result of carrying the swaps as a liability (in the form of a liability write-off) in connection with the hedge of new loans (reduction in Q3 2007: €12.8m) and the repayment of security deposits (reduction in Q3 2007: €13.2m).

5. INVENTORIES

The decrease in inventories, compared to June 30, 2007 (€116.7 million), is mainly due to the sale of land with unfinished buildings (€19.4 million).

6. OTHER ASSETS

As of September 30, 2007, GAGFAH S.A. discloses other assets totaling €38.0 million (prior year: €34.0 million), of which €26.9 million (prior year: €22.5 million) are current and €11.1 million (prior year: €11.5 million) are non-current.

7. CURRENT TAX CLAIMS

As of September 30, 2007, GAGFAH S.A. discloses current tax claims of €14.6 million (prior year: €10.0 million).

These are mainly related to claims for sales tax, capital yields tax and corporate income tax.

8. DEFERRED TAXES

Deferred tax assets of €81.8 million (prior year: €96.2 million) result from temporary differences and loss carryforwards. Deferred tax liabilities of €188.9 million (prior year: €130.1 million) result exclusively 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 €233.7 million (prior year: €367.0 million).

The time deposits of GAGFAH S.A. have terms between one day and three months and generate interest income between 1.00 % and 4.20 % (weighted average: 3.60 %).

The balances in current accounts are fix deposits and generate interest income between 0.50 % and 3.58 % (weighted average: 2.61 %), mainly at EURIBOR less 0.50 % p.a.

10. EQUITY

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

According to Luxembourg law an amount of €0.6 million was allocated to the legal reserve in order to equal 10 % of the issued subscribed capital.

11. OTHER PROVISIONS

There were no material changes within the other provisions since June 30, 2007.

12. LIABILITIES FROM INCOME TAX

The Group's liabilities from income tax came to €36.7 million (prior year: €15.7 million) and relate to trade tax of €24.6 million (prior year: €10.2 million) and corporate income tax of €12.1 million (prior year: €5.0 million).

13. FINANCIAL LIABILITIES

The financial liabilities of €6,456.5 million (prior year: €5,617.5 million) break down as follows for the fiscal year:

Liabilities to banks amount to €6,374.0 million (prior year: €5,531.4 million) and liabilities to other lenders to €82.5 million (prior year: €86.1 million).

This item comprises non-current financial liabilities of €6,333.4 million (prior year: €5,508.3 million).

Of the current and non-current liabilities to banks and other lenders, a total of €6,000.5 million (prior year: €5,243.4 million) is secured by charges on property. €279.4 million (prior year: €364.0 million) are secured by pledging of shares and €3.1 million (prior year: €2.8 million) are secured by a bank guarantee. No collateral has been provided for the remaining €173.5 million (prior year: €7.3 million).

Of the total financial liabilities, €6,190.9 million (prior year: €5,365.0 million) relate to privately financed loans. These in turn comprise global loans of €5,897.4 million (prior year: €5,074.5 million).

As of September 30, 2007, the Group's financial liabilities primarily comprised of the following debt liabilities.

€ MILLION	Notional amount as of 09-30 2007	Weighted Avg. Maturity	Effective Interest Rate	Fixed or Floating Rate	Required Repayments					
					2007	2008	2009	2010	2011	> 2012
Term Loans	5,746	2013	4.0 %	Fixed	–	–	–	–	–	5,746
Senior Debt	570	2033	2.6 %	Fixed	6	19	18	17	17	493
Revolving Credit Facility	173	2010	6.4 %	Floating	–	–	–	173	–	–
NILEG Non-Core Loan	23	2010	5.4 %	Floating	–	–	–	23	–	–
	6,512				**6**	**19**	**18**	**213**	**17**	**6,239**

The difference results from debt discount, amortized transaction costs and interest accruals.

The previous revolving credit (total amount: €300.0 million) has been refinanced with a new €300.0 million credit facility with a three year maturity. As of the end of the third quarter of 2007, €173.0 million of this loan had been drawn.

14. OTHER LIABILITIES

As of September 30, 2007, GAGFAH S.A. discloses other liabilities totaling €168.5 million (prior year: €157.3 million), €166.1 million (prior year: €155.3 million) of which are current.

The decrease of the current liabilities within the third quarter of 2007 is mainly due to the payment of the dividend of GAGFAH S.A. amounting to €45.0 million for the second quarter in July 2007.

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	9M 2007	9M 2006
Rental income, fees	469.5	390.6
Allocations charged	225.2	166.0
Rent, interest and expense subsidies	3.5	1.4
Risk of default on allocations	0.4	0.3
Lease income	0.1	0.2
Total	**698.7**	**558.5**

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.

16. OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

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

€ MILLION	9M 2007	9M 2006
Operating expenses	199.0	130.5
Maintenance costs	59.6	35.2
Personnel expenses	39.3	30.8
Real estate tax	22.6	16.0
Other	36.4	52.6
Total	**356.9**	**265.1**

Other expenses include items such as bad debt allowances on rent receivables (€7.3 million) and external costs for investment properties (€7.0 million).

17. RESULT FROM OTHER SERVICES

The result from other services of €2.2 million (prior year: €2.3 million) mainly consists of revenues from third-party real estate management of €4.2 million (prior year: €3.2 million) and revenues from other services of €5.8 million (prior year: €11.8 million). This income contrasts with expenses totaling €7.8 million (prior year: €12.7 million) from third-party real estate management and other services, €3.1 million (prior year: €4.5 million) of which relate to personnel expenses.

18. SELLING EXPENSES

Selling expenses of €12.4 million (prior year: €6.3 million) predominantly comprise expenses for sales, advertising and marketing. Of these expenses, €2.7 million (prior year: €1.3 million) relate to marketing expenses and expenses for selling prearrangements and €3.3 million (prior year: €1.5 million) to personnel. Further expenses amounting to €4.0 million are due to external distributors.

19. OTHER OPERATING INCOME AND EXPENSES

All income not directly allocable to the various functional areas is disclosed under other operating income of €7.2 million (prior year: €18.0 million). €1.8 million (prior year: €2.5 million) of that amount relate to the reversal of provisions and €1.9 million relate to income from the sale of financial assets (funds and shares of a company). Further €0.7 million relate to the write-off of liabilities.

Of other operating expenses of €13.6 million (prior year: €9.0 million), €1.7 million (prior year: €1.1 million) relate to costs of finance and €0.5 million (prior year: €3.8 million) relate to write-offs on receivables. Further €0.5 million (prior year: €0.0 million) relate to due diligence costs.

20. REORGANIZATION AND RESTRUCTURING EXPENSES

The expenses break down as follows:

€ MILLION	9M 2007 Restructuring	9M 2007 Reorganization	9M 2007 Sum	9M 2006 Restructuring	9M 2006 Reorganization	9M 2006 Sum
Personnel-related expenses	12.7	0.0	12.7	2.7	0.0	2.7
Consulting fees	1.3	0.8	2.1	11.3	0.0	11.3
Non-personnel administrative costs	1.4	0.4	1.8	3.0	0.0	3.0
Total	**15.4**	**1.2**	**16.6**	**17.0**	**0.0**	**17.0**

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

Of the interest expenses with €199.4 million (prior year: €162.0 million), the majority is mainly due to periodic interest payments for bank loans to finance the real estate portfolio.

Income from the fair value measurement of derivatives amounts to €9.0 million (prior year: €45.0 million) and results from the fair value measurement of swaps.

22. INCOME TAXES ON CONTINUED OPERATIONS

Income taxes comprise deferred taxes of €54.6 million (prior year: €13.1 million) and effective income taxes of €19.2 million (prior year: €–1.5 million).

The German Business Tax Reform Act 2008 (Unternehmensteuerreform 2008) passed the legislative procedure in July 2007. The changes apply generally from 2008 onwards. The key points are:

- Reduction of corporate income tax from 25 to 15 %, and reduction of trade tax
- Non-deductibility of trade tax
- Abolition of declining-balances depreciation
- Limitation on the tax deductibility of interest expenses (Zinsschranke), and simultaneous repeal of the existing thin-capitalization rules
- Amendment of trade tax provisions for interest and equivalent expenses
- Modification of the provisions governing use of carryforward losses after company transfers
- Introduction of new rules for the taxation of private investment income and private sales transactions as well as introduction of a flat 25 % private investment income tax to take effect on January 1, 2009.

In accordance with IAS 12 the deferred tax assets and deferred tax liabilities had to be calculated with a tax rate of 32 % as of September 30, 2007 instead of a tax rate of 40 % as of June 30, 2007. This change of the tax rate led to an extraordinary deferred tax income of €26.6 million in the third quarter 2007.

23. RESULT FROM DISCONTINUED OPERATIONS

The property development business and the project and land development activities in the property construction/development segment have been abandoned. Existing projects will only be continued in exceptional cases where continuation is required to reach a stage of completion that permits their sale or disposal.

The result from discontinued operations splits up as follows:

	9M 2007		9M 2006	
€ MILLION	Property construction / development	Commercial real estate	Property construction / development	Commercial real estate
Income from the sale of properties	45.2	17.0	54.8	90.9
Carrying amount of the properties sold	– 36.5	– 12.7	– 48.5	– 92.2
Selling expenses	– 1.0	– 0.8	– 14.1	0.0
Write-downs on properties	– 5.7	– 0.8	0.0	– 2.4
Other income	4.1	1.8	0.7	9.6
Other expenses	– 14.9	– 1.2	– 4.6	– 1.9
Result from discontinued operations	**– 8.8**	**3.3**	**– 11.7**	**4.0**

The increase of income from the sale of properties and the carrying amount of the properties sold, compared to the first half-year of 2007 (€17.4 million and €–13.8 million respectively), is mainly due to the sale of commercial and development properties in August, 2007.

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 2006.

7.2 CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS

Contingent Liabilities

At the balance sheet date there was a contingent liability due to a government granted loan amounting to €4.7 million (prior year: €0.0 million) that is not recognized on the balance sheet.

In the course of the third quarter, three acquisition projects totaling 5,105 residential units have been notarized, for which the economic closing date lies in the future. The purchase price amounts to €215.1 million.

Other Financial Obligations

At the balance sheet date there were outstanding obligations due to tenancies totaling €10.7 million (prior year: €1.7 million), thereof €9.3 million (prior year: €0.0 million) non-current.

The obligations from leasing contracts of €0.3 million (prior year: €0.3 million) that are mainly concerned with automobile and IT are predominantly short-term. Neither renewal and rent adjustment clauses nor purchase options exist.

7.3 EMPLOYEES

	09-30-2007		09-30-2006	
	Heads	FTEs	Heads	FTEs
Authorized signatories/ authorized agents	64	63	58	58
Salaried employees	928	895	906	878
Wage earners	438	421	463	453
Total	**1,430**	**1,379**	**1,427**	**1,389**

The total head count including temporary personnel was 1,843 (prior year: 1,763), thereof 53 (prior year: 43) 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 transactions within the third quarter of 2007.

7.5 MANAGEMENT
There were no changes within the composition of the board of directors and senior management since December 31, 2006.

7.6 CASH DIVIDEND
The cash dividends paid in January (for the fourth quarter of 2006) and in April (for the first quarter of 2007) both amounted to €38.4 million each. The dividend paid in July 2007 (for the second quarter of 2007) amounted to €45.0 million.

7.7 SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING PERIOD
German Business Tax Reform Act

In June 2007 a draft for a German Annual Tax Act 2008 (Jahressteuergesetz 2008) was published and adopted by the German Federal Government on August 8, 2007 with a proposed legislation for final lump sum taxation of EK02:

- EK02 amounts shall be taxed with a rate of 3 % (rather than 45 % on distributions).
- Tax shall be payable in 10 equal annual instalments from 2008; immediate payment shall be possible (in which case a discount rate of 5.5 % p.a. applies).

The legislative procedure is still ongoing and it is currently unclear whether the proposal will be enacted.

Squeeze-Out GBH

As per September 30, 2007 GBH Acquisition GmbH held a total of 7,046,052 shares or about 97.86 % of the shares in GBH AG. Upon request of GBH Acquisition GmbH, the shareholders' meeting of GBH AG on October 9, 2007 resolved to squeeze out the remaining minority shareholders of GBH AG and to grant them a compensation of €58.50 per share. The squeeze out resolution and the transfer of the minority shareholders' shares to GBH Acquisition GmbH resulting therefrom shall become valid upon registration in the commercial register. The filing to the commercial register is pending.

New Acquisitions

Since October 1, 2007, no further acquisitions have been signed.

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