



Interim Report

as of March 31, 2007

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 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 over 164,000 apartments, GAGFAH is the largest German listed residential property company.

GAGFAH S.A. SHARES AS OF MARCH 31, 2007

ISIN	LU0269583422
Total Market Cap. (€ million)	4,555
Industry Group	Real Estate
Number of Shares (million)	225.5
Listing	Frankfurt Stock Exchange
Major Indices Memberships	MDAX, EPRA, GPR
Freefloat	20%

Highlights

DIVIDENDS

- We have increased our quarterly dividend per share by 17.6 % from €0.17 for Q1 2007 to €0.20 for Q2 2007.

ACQUISITIONS

- Since our IPO last October we have acquired or have agreed to acquire subject to contract approximately €1.5 billion of assets in 17 transactions totaling over 26,000 units.
- Additionally, we are currently in exclusive negotiations to acquire approximately 25,000 units in 10 different transactions for approximately €1.8 billion.
- This pipeline puts us significantly ahead of our original estimate of €1.4 to €2.0 billion through year end 2007. If all of these transactions come to fruition, this could bring our acquisition total to €3.3 billion.

PRIVATIZATIONS

- In Q1 2007 we privatized 177 units with a margin of approximately 16 %, outperforming our Q1 budget by over 42 %. We are now raising our expected privatization volume to 2,000 – 2,500 units this year vs. our earlier estimate of 1,500 – 2,000 units.

RENTS

- Our rental growth rate was 0.4 % (residential rents on a same-store basis) for the first quarter 2007 or 1.6 % on an annualized basis, slightly ahead of our estimates.

VACANCY

- On a same store basis, our vacancy rate is unchanged at 5.7 % for Q1 2007. Including additions of new portfolios the vacancy rate is 6.2 % overall.
- Excluding units held for privatization, our vacancy rate is 5.4 % (on a same-store basis).

COSTS

- Our average management costs declined from €486/unit in 2006 to €469/unit in the first quarter of 2007 – we are on track to meet our target of €450/unit.

Key Financial Information

- **EBITDA** in Q1 2007 increased by 13.4 % to €124.8 million from €110.1 million in Q1 2006.
- **EBIT** in Q1 2007 increased by 18.7 % to €121.1 million from €102.1 million in Q1 2006.
- **EPS** in Q1 2007 was €0.17 compared to €0.16 in Q1 2006 excluding one time effects from the fair value measurement of derivatives and refinancing of €–0.02 and €0.21 respectively. Reported earnings per share are €0.15 for Q1 2007, as compared to €0.37 for Q1 2006.
- **FFO** per share was €0.19 for Q1 2007, as compared to €0.17 in Q1 2006. After adjustments for one time effects of the WOBA GmbH acquisition, the FFO for Q1 2006 was €0.14 per share.
- **Dividend** of €0.17 per share for Q1 2007 which has been increased to €0.20 per share for Q2 2007.

Key Financial Information

FINANCIAL FIGURES

	Q1 2007	Q1 2006 Pro Forma ¹
INCOME STATEMENT (€ MILLION)		
Income from the leasing of investment property	223.3	201.1
Profit from the leasing of investment property	112.5	99.8
Profit from the sale of investment property	6.1	0.1
Profit from fair value measurement	22.2	21.3
EBIT	121.1	102.1
EBITDA	124.8	110.1
FFO	41.9	39.1
EPS (225.5m shares outstanding /in €)	0.15	0.37
FFO per share (225.5m shares outstanding /in €)	0.19	0.17
BALANCE SHEET (€ MILLION)		
	03-31-2007	12-31-2006
Investment property	8,403.7	7,659.8
Financial liabilities	6,192.2	5,617.5

OPERATIONAL FIGURES

	Q1 2007	Q4 2006 Pro Forma ¹
Group residential portfolio		
Units	164,987	151,366
Sqm	9,907,704	9,072,423
Net cold rent/sqm on a same-store basis (in €)	4.85	4.83
Net cold rent/sqm (in €)	4.79	4.76
Vacancy (in %)	6.2	5.7
Number of employees (FTEs)	1,323	1,387
Privatized units	177	597

FFO is a non-IFRS's 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)

	Q1 2007	Q1 2006 Pro Forma ¹
EBIT	121.1	102.1
Restructuring expenses	2.1	2.7
Depreciation and amortization	1.6	5.3
EBITDA	124.8	110.1
Profit from fair value measurement	-22.2	-21.3
Realized valuation gains through sales	0.3	0.0
Interest expenses (periodical) without pro forma adjustments	-65.4	-56.9
Interest income (periodical)	3.8	7.2
Taxes paid	0.0	0.0
Expenses for share-based remuneration	0.6	0.0
FFO	41.9	39.1
FFO per share (225.5m shares outstanding /in €)	0.19	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 quarter 2007 with historical accounting results of the first quarter 2006 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 quarter 2006.

Residential Property Portfolio¹

as of March 31, 2007

	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 (€)	Vacant %	Avg. Year Built
GAGFAH	75,586	45.8	4,608,889	61	279.8	49.1	5.06	2.6	1957
WOBA	42,885	26.0	2,422,024	56	127.3	22.3	4.38	11.5	1964
NILEG	26,227	15.9	1,606,108	61	92.7	16.3	4.81	4.2	1958
Acq. 1	6,479	3.9	419,585	65	21.3	3.7	4.23	11.0	1962
Subtotal	151,177	92	9,056,605	60	521.0	91	4.79	5.7	1960
GBH Acq	8,897	5.4	554,142	62	32.4	5.7	4.87	10.2	1957
Acq 3 - Pegasus	4,913	3.0	296,957	60	16.5	2.9	4.62	12.1	1953
Grand Total	164,987	100	9,907,704	60	569.8	100	4.79	6.2	1959

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 (€)	Vacant %
Dresden	42,885	26.0	2,422,024	56	127.3	22.3	4.38	11.5
Berlin	27,331	16.6	1,605,253	59	86.3	15.2	4.48	3.3
Hamburg	10,168	6.2	638,844	63	39.5	6.9	5.16	1.4
Hanover	5,540	3.4	347,057	63	21.8	3.8	5.24	4.5
Heidenheim	4,857	2.9	303,535	62	18.4	3.2	5.05	13.9
Bielefeld	4,175	2.5	276,718	66	14.0	2.5	4.21	1.5
Osnabrück	3,600	2.2	223,938	62	12.9	2.3	4.81	2.4
Braunschweig	2,816	1.7	168,319	60	9.9	1.7	4.90	2.9
Cologne	2,437	1.5	185,326	76	13.5	2.4	6.07	2.8
Essen	2,386	1.4	156,827	66	9.7	1.7	5.17	9.4
Freiburg	1,978	1.2	131,741	67	8.6	1.5	5.47	1.3
Frankfurt am Main	1,890	1.1	105,128	56	8.8	1.5	6.96	0.4
Düsseldorf	1,716	1.0	99,834	58	7.7	1.4	6.42	2.3
Bocholt	1,670	1.0	101,507	61	5.5	1.0	4.49	0.8
Iserlohn	1,669	1.0	105,675	63	5.5	1.0	4.37	3.6
Frankenthal (Pfalz)	1,552	0.9	98,905	64	5.5	1.0	4.67	11.1
Bonn	1,441	0.9	98,549	68	6.5	1.1	5.52	3.4
Duisburg	1,423	0.9	95,962	67	5.0	0.9	4.32	15.6
Leverkusen	1,404	0.9	89,835	64	5.7	1.0	5.31	0.1
Nuremberg	1,338	0.8	75,229	56	5.1	0.9	5.61	3.3
Subtotal Top 20 Cities	122,276	74.1	7,330,206	60	417.4	73.3	4.75	6.6
Other Cities	42,711	25.9	2,577,498	60	152.4	26.7	4.93	5.0
Grand Total	164,987	100	9,907,704	60	569.8	100	4.79	6.2

1) Core units

GAGFAH Group – Operational Performance

This Report is based upon the consolidated pro forma income statement of the GAGFAH S.A. Group for the quarter ended March 31, 2006 and upon the consolidated de facto income statement for the quarter ended March 31, 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 quarter 2007 with historical accounting results of the first quarter 2006 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 quarter 2006.

This Report reflects the comparative results for the Group, taking into account the financial figures as if the Group had included WOBA GmbH in its present form during the first quarter of 2006. As such, the pro forma financial figures are based upon a comparably sized and capitalized consolidated company for both years. The comparisons of the pro forma financial figures are therefore more indicative of the operational results of the continuing operations achieved during the periods.

Consolidated Income Statement

€ MILLION	Q1 2007	Q1 2006 <i>Pro forma</i>
Income from the leasing of investment property	223.3	201.1
Transferable leasehold land interest	– 0.5	– 0.7
Operating expenses for the generation of rental income	– 110.3	– 100.6
Profit from the leasing of investment property	112.5	99.8
Income from the sale of investment property	21.4	37.6
Carrying amount of the investment property sold	– 15.3	– 37.5
Profit from the sale of investment property	6.1	0.1
Unrealized gains from fair value measurement	63.2	148.1
Unrealized losses from fair value measurement	– 41.0	– 126.8
Profit from fair value measurement	22.2	21.3
Loss from other services	– 0.1	– 1.4
Selling expenses	– 3.5	– 1.3
General and administrative expenses	– 13.7	– 20.8
Expenses for share-based remuneration	– 0.6	0.0
Other operating income	5.3	9.1
Other operating expenses	– 5.0	– 2.0
Profit from operations before restructuring	123.2	104.8
Restructuring expenses	– 2.1	– 2.7
Earnings before interest and taxes (EBIT)	121.1	102.1
Interest expense (periodical)	– 65.4	– 56.9
Allocation to liabilities received from the shareholders	– 0.6	0.0
Interest income (periodical)	3.8	7.1
Profit from the fair value measurement of derivatives	5.0	45.8
Interest (refinancing)	– 9.5	0.0
Profit from continued operations before taxes	54.4	98.1
Income taxes on continued operations	– 11.7	– 15.9
Profit from continued operations	42.7	82.2
Loss/Profit from discontinued operations before taxes	– 7.8	1.0
Income taxes on discontinued operations	0.0	0.0
Loss/Profit from discontinued operations	– 7.8	1.0
Net profit for the period	34.9	83.2
Thereof attributable to:		
Minority interests	1.5	0.5
Shareholders of the parent company	33.4	82.7
Weighted average number of shares	225,515,377	225,515,377
Basic and diluted earnings per share (in €)	0.15	0.37
Basic and diluted earnings per share (in €) from continued operations	0.18	0.36
FFO (in € per share)	0.19	0.17

PROFIT FROM THE LEASING OF INVESTMENT PROPERTY INCREASED BY 13%

The profit from the leasing of investment property rose by 13 % in the first quarter of 2007 compared to the first quarter 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. Profit from the leasing of investment property is the primary component of our result from operations, since approximately 95 % of our profit from leasing and sales is derived from the leasing of investment property. Profit from the leasing of investment property is calculated as follows for the first quarter of 2007 and 2006 respectively:

€ MILLION	Q1 2007	Q1 2006 <i>Pro forma</i>
Income from the leasing of investment property	223.3	201.1
Less:		
Transferable leasehold land interest	- 0.5	- 0.7
Operating expenses for the generation of rental income	- 110.3	- 100.6
Profit from the leasing of investment property	112.5	99.8

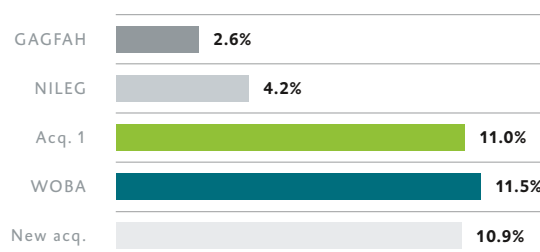
INCOME FROM THE LEASING OF INVESTMENT PROPERTY UP BY 11 %

Our strategy is to raise rents to market levels while maintaining occupancy. Rents are continuously evaluated against market levels and adjusted over time.

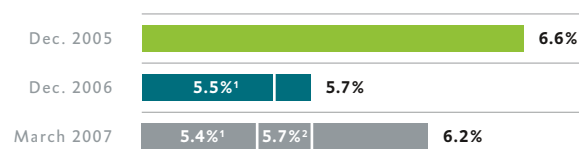
Income from the leasing of investment property includes net cold rent, income from recoverable expenses paid by tenants, and rent from subsidized apartments. In the first quarter of 2007, our income from the leasing of investment property grew by 11 % to €223.3 million as compared to the first quarter of 2006. Approximately 71 % of such income was attributable to net cold rent. Net cold rent grew on a same-store basis by 0.4 % to €4.85 per sqm

compared to December 2006. Charges to tenants for recoverable expenses represented approximately 29 % of the income from the leasing of investment property. Growth of income from the leasing of investment property was mainly driven by adjusting rents closer to market levels, and by the inclusion of acquisitions such as GBH Heidenheim and the apellas group. Lease-up activities contributed to the reduction of vacancies of all Group companies with the exception of Acquisition 1 and GAGFAH GmbH as shown in the chart below. The increase of the original GAGFAH GmbH vacancy rate from 2.3 % to 2.6 % mainly results from the addition of 139 units to the privatization program. They have been left vacant for privatization purposes.

RESIDENTIAL VACANCY RATES AS OF MARCH 31, 2007



GROUP VACANCIES



1) excluding new acquisitions and transfer of units to privatization program
2) excluding new acquisitions

On a 'same-store' basis, our vacancy rate was unchanged at 5.7%. Excluding units held vacant for privatizations, our vacancy rate was 5.4% on a same-store basis. The comparable figure for December 2006 was 5.5%. Including new acquisitions such as the apellas group and GBH Heidenheim the vacancy rate was 6.2%. As most of the acquired assets are undermanaged, their initial vacancy rates vary between 10% and 12%.

OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

In the first quarter of 2007, our operating expenses for the generation of rental income totalled €110.3 million, an increase of 9.6% compared to the first quarter of 2006. This increase is mainly a result of the approximately 9% growth of our property portfolio and higher maintenance expenses of €10 million. Operating expenses for the generation of rental income is 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 disposal and heating. In the first quarter of 2007, these costs represented approximately 56% of operating expenses for the generation of rental income. Maintenance costs represented approximately 18% of operating expenses for the generation of rental income and doubled to around €20 million compared to the first quarter of 2006 as they are now spread more evenly over the quarters. They included small repairs and improvements to enhance and maintain the value of our portfolio.

Personnel costs and other real estate management expenses in the first quarter of 2007 represented approximately 26% of operating expenses for the generation of rental income.

62% of the expenses for the generation of rental income is charged back to our tenants in the form of recoverables. This includes expenses such as heating, electricity, water, caretaker services and sewage disposal.

SALE OF INVESTMENT PROPERTY REALIZED A MARGIN OF 16%

In the first quarter of 2007, we sold 177 units in our privatization program. We sell apartments by dividing a rental building into residential units for sale. In late 2005, a dedicated internal team started work on our target to sell 1%–1.5% of our portfolio p.a. to existing tenants, new-owner occupiers and investors. The privatization of flats is typically a seasonal business with the majority of privatizations taking place towards the end of the 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. This is the primary income component of EBIT for real estate sales. In the first quarter of 2007, profit from the sale of investment property was €6.1 million (of which €5.7 million from privatization), as compared to breakeven in the first quarter of 2006. We achieved a profit margin on IFRS book value plus sales and marketing costs and capital expenditure of 16% for the first quarter of 2007. This margin was higher than usual as a result of an especially profitable project in Berlin. We intend to reinvest the proceeds from sales into new assets to increase the earnings base. The carrying amount of investment property sold is based upon fair value as a rental property.

OVERVIEW OF PRIVATIZATION RESULTS

	Q1 2007	Q1 2006
Privatized units	177	56
Privatized sqm	12,942	3,900

	First Quarter 2007		
	€ '000	€ per unit	€ per sqm
Gross disposition proceeds	20,170	113,958	1,558
Sales costs total (pro rata)	- 1,810	- 10,224	- 140
Book value	- 14,441	- 81,585	- 1,116
Personnel costs / G&A	- 933	- 5,272	- 72
Realized revaluations	343	1,937	26
Capex new units (pro rata)	- 549	- 3,104	- 42
Net profit	2,780	15,712	214
Net profit margin (pro rata)		16%	

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 March 31, 2007, our IAS 40 valuations for the investment properties indicated a net increase in the values of our investment properties of €22.2 million over the values of our investment properties as of December 31, 2006.

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 5.69%. We carry out the valuations of our investment properties and they are periodically verified by an independent third-party valuation.

RESULTS FROM OTHER OPERATING INCOME AND EXPENSES (NET EXPENSE)

Other operating income and expenses (net expense) for our Group resulted in a net expense of €17.6 million in the first quarter of 2007 compared to €16.4 million in the first quarter of 2006. Selling expenses more than doubled as a result of the increased privatization program. There was a remarkable reduction in our general and administrative expenses of 34% to €13.7 million. Other operating income includes the reversal of provisions and income from subsidies. In 2006 other operating income was increased by exceptional items such as insurance payments.

€ MILLION	Q1 2007	Q1 2006 <i>Pro forma</i>
Loss from other services	- 0.1	- 1.4
Selling expenses	- 3.5	- 1.3
General and administrative expenses	- 13.7	- 20.8
Expenses for share-based remuneration	- 0.6	0.0
Other operating income	5.3	9.1
Other operating expenses	- 5.0	- 2.0
Total	- 17.6	- 16.4

MANAGEMENT COSTS¹ PER UNIT



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

We have reduced our average management costs per unit from €486 in 2006 to €469 in the first quarter of 2007. Our costs to manage a unit are fully-loaded, including all managing costs except sales and acquisition costs.

**PROFIT FROM OPERATIONS BEFORE
RESTRUCTURING INCREASED BY 18 %**

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

€ MILLION	Q1 2007	Q1 2006 Pro forma
Profit from the leasing of investment property	112.5	99.8
Profit from the sale of investment property	6.1	0.1
Profit from fair value measurement	22.2	21.3
Other operating income and expenses (net expense)	- 17.6	- 16.4
Profit from operations before restructuring	123.2	104.8

RESTRUCTURING EXPENSES SLIGHTLY DOWN

Restructuring expenses reflect to our Group's rationalization of costs and integration of processes as we continue to combine operations of the acquired companies and portfolios. Restructuring costs comprise consulting fees, land register charges and severance and similar payments. In the first quarter of 2007, restructuring expenses were €2.1 million compared to €2.7 million in the first quarter of 2006.

**EARNINGS BEFORE INTEREST AND
TAXES (EBIT) INCREASED BY €19 MILLION**

In the first quarter of 2007, our EBIT was €121.1 million, an increase of 18.6 % compared to a pro forma EBIT of €102.1 million in the first quarter of 2006.

**NET FINANCING EXPENSE UP DUE
TO INCREASED FINANCING VOLUME**

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

profit from the fair value measurement of derivatives is the mark-to-market of a portion of our interest rate swaps that are not considered to be hedges under IFRS. Our net financing expense for the first quarter of 2007 and of 2006 is the sum of the following items:

€ MILLION	Q1 2007	Q1 2006 Pro forma
Interest expense (periodical)	- 65.4	- 56.9
Interest income (periodical)	3.8	7.1
Total interest expense	- 61.6	- 49.8
Allocation to liabilities received from shareholders	- 0.6	0.0
Net financing expense before refinancing and revaluation	- 62.2	- 49.8
Result from the fair value measurement of derivatives	5.0	45.8
Interest (refinancing)	- 9.5	0.0
Net financing expense	- 66.7	- 4.0

Interest expenses in the first quarter of 2007 increased by 15 % compared to the first quarter of 2006 predominantly due to the increased amount of debt to fund our acquisitions.

Net financing expenses before refinancing and revaluation of derivatives increased from €-49.8 million in the first quarter of 2006 to €-62.2 million in the first quarter of 2007.

PROFIT FROM CONTINUED OPERATIONS BEFORE TAXES

Profit from continued operations before taxes included various one-off effects in 2006 and 2007, especially the profit from the fair value measurement of derivatives and refinancing costs. Excluding these one-time effects profit from continued operations before taxes increased by 12.6 % from €52.3 million in the first quarter of 2006 to €58.9 million in the first quarter of 2007. Including these one-time effects, our Group's profit from continued operations before taxes in the first quarter of 2007 was

approximately €54.4 million, as compared to €98.1 million in the first quarter of 2006. The profit from continued operations before taxes is calculated to be the EBIT of €121.1 million, reduced by net interest expense of €66.7 million.

INCOME TAX EXPENSE FOR CONTINUED OPERATIONS

Our income tax expense for continued operations was €11.7 million in the first quarter of 2007. The cash tax rate amounted to 6.8%. Our current and deferred income tax expenses were as follows:

€ MILLION	Q1 2007	Q1 2006 Pro forma
Current income tax expense	- 3.7	- 0.4
Deferred income tax expense	- 8.0	- 15.5
Income tax expense	- 11.7	- 15.9

PROFIT AFTER TAXES FROM CONTINUED OPERATIONS

In the first quarter of 2007, our profit from continued operations excluding the profit from fair value measurement of derivatives and refinancing costs in 2006 and 2007 increased from €36.4 million in the first quarter of 2006 to 47.2 million in the first quarter of 2007. Including these one-time effects profit from continued operations after taxes totaled €42.7 million in the first quarter of 2007 calculated as follows: profit from continued operations before taxes of €54.4 million less income tax expense of €11.7 million. In the first quarter of 2006, our profit after taxes was €82.2 million.

LOSS FROM DISCONTINUED OPERATIONS

Loss from discontinued operations is the net result after income taxes relating to our Group's discontinued property development business. A loss of €7.8 million from discontinued operations was recorded for Q1 2007.

NET PROFIT

Our net profit is the sum of the result from continued operations and the result from discontinued operations. In the first quarter of 2007, when excluding the profit from fair value measurement of derivatives and refinancing costs in 2006 and 2007 we had a net profit of €39.4 million as compared to a net profit of €37.4 million in the first quarter of 2006. Including these one-time effects the net profit in the first quarter of 2007 was €34.9 million, as compared to €83.2 million in 2006.

GROWTH IN NET ASSET VALUE

Total NAV of €2,452.2 million was impacted by deferred taxes from IAS 40 valuation of €118.1 million. NAV per share increased from €10.73 at the end of 2006 to €10.87 at the end of March 2007.

€ MILLION	03-31-2007	12-31-2006
Shareholders equity	2,334.1	2,330.0
Deferred taxes – IAS 40	118.1	91.0
NAV	2,452.2	2,421.0
NAV per share (€)	10.87¹	10.73¹

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 restructuring expenses. The following is a reconciliation of EBIT to EBITDA for our Group:

€ MILLION	Q1 2007	Q1 2006 Pro forma
EBIT	121.1	102.1
Plus:		
Restructuring expenses	2.1	2.7
Depreciation and amortization	1.6	5.3
EBITDA	124.8	110.1

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 as EBITDA reduced by the profit from measurement of the investment properties at fair value, current interest income and expenses, current income tax expense and further non-recurring items, such as stock grants/options and IPO costs. The following is a reconciliation of EBITDA to FFO as of March 31, 2007 and 2006 for our Group:

€ MILLION	Q1 2007	Q1 2006 <i>Pro forma</i>
EBITDA	124.8	110.1
Less:		
Profit from fair value measurement	– 22.2	– 21.3
Realized valuation gain through sales	0.3	0.0
Periodical net interest expense	– 61.6	– 49.8
Taxes paid	0.0	0.0
Expenses for share-based remuneration	0.6	0.0
FFO	41.9	39.1
FFO per share (in €)	0.19	0.17

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 of operations or of financial condition 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 able to privatize further units or further reduce management costs.

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A. Consolidated Balance Sheet

ASSETS			
€ MILLION	Notes	03-31-2007	12-31-2006
Non-current assets			
Intangible assets	1.	29.6	5.1
Investment property	2.	8,403.7	7,659.8
Property, plant and equipment	3.	88.8	63.0
Other financial assets	4.	38.6	43.5
Other assets	7.	11.7	11.5
Deferred tax assets	9.	92.5	96.2
		8,664.9	7,879.1
Current assets			
Inventories	5.	123.6	127.4
Financial receivables and other financial assets	4.	18.8	56.0
Receivables	6.	141.9	151.7
Other assets	7.	32.2	22.5
Securities		19.6	3.5
Current tax claims	8.	12.0	10.0
Bank balances and cash on hand	10.	298.3	367.0
		646.4	738.1
Assets held for sale		6.5	4.5
Assets of discontinued operations		15.4	15.9
Total assets		9,333.2	8,637.6

EQUITY AND LIABILITIES

€ MILLION	Notes	03-31-2007	12-31-2006
Equity	11.		
Subscribed capital		281.9	281.9
Share premium		1,603.8	1,599.7
Revenue reserves		448.4	448.4
Equity attributable to the shareholders of the parent company		2,334.1	2,330.0
Minority interests		88.1	66.5
Total equity		2,422.2	2,396.5
Liabilities			
Non-current liabilities			
Long-term liabilities received from shareholders		5.3	6.3
Pension provisions		105.4	103.0
Other provisions	12.	27.8	30.7
Deferred tax liabilities	9.	156.5	130.1
Financial liabilities	14.	5,760.5	5,508.3
Other liabilities	15.	5.2	2.0
Deferred liabilities of government-granted loans		105.4	99.8
		6,166.1	5,880.2
Current liabilities			
Pension provisions		6.3	6.3
Other provisions	12.	79.0	68.4
Liabilities from income taxes	13.	24.4	15.7
Financial liabilities	14.	431.7	109.2
Other liabilities	15.	197.5	155.3
Deferred liabilities of government-granted loans		6.0	6.0
		744.9	360.9
Total liabilities		6,911.0	6,241.1
Total equity and liabilities		9,333.2	8,637.6

B. Consolidated Income Statement

€ MILLION	Notes	Q1 2007	Q1 2006
Income from the leasing of investment property	16.	223.3	152.8
Transferable leasehold land interest		- 0.5	- 0.7
Operating expenses for the generation of rental income (excluding share-based remuneration)	17.	- 110.3	- 72.1
Profit from the leasing of investment property		112.5	80.0
Income from the sale of investment property		21.4	34.2
Carrying amount of the investment property sold		- 15.3	- 36.0
Profit/Loss from the sale of investment property	18.	6.1	- 1.8
Unrealized gains from fair value measurement		63.2	115.7
Unrealized losses from fair value measurement		- 41.0	- 102.4
Profit from fair value measurement	19.	22.2	13.3
Loss from other services	20.	- 0.1	- 2.2
Selling expenses (excluding share-based remuneration)	21.	- 3.5	- 1.2
General and administrative expenses (excluding share-based remuneration)	21.	- 13.7	- 18.5
Expenses for share-based remuneration		- 0.6	0.0
Other operating income	22.	5.3	1.6
Other operating expenses	22.	- 5.0	- 1.8
Profit from operations before restructuring		123.2	69.4
Restructuring expenses		- 2.1	- 2.7
Earnings before interest and taxes (EBIT)		121.1	66.7
Interest expense (periodical)	23.	- 65.4	- 47.1
Allocation to liabilities received from shareholders		- 0.6	0.0
Interest income (periodical)		3.8	6.8
Profit from the fair value measurement of derivatives	23.	5.0	36.2
Interest expense (refinancing)		- 9.5	0.0
Profit from continued operations before taxes		54.4	62.6
Income taxes on continued operations	24.	- 11.7	- 0.4
Profit from continued operations		42.7	62.2
Loss/Profit from discontinued operations before taxes	25.	- 7.8	1.0
Income taxes on discontinued operations	24.	0.0	0.0
Loss/Profit from discontinued operations		- 7.8	1.0
Net profit for the period		34.9	63.2
Thereof attributable to:			
Minority interests		1.5	0.2
Shareholders of the parent company		33.4	63.0
Weighted average number of shares		225,515,377	179,946,481
Basic and diluted earnings per share (in €)		0.15	0.35
Basic and diluted earnings per share (in €) from continued operations		0.18	0.34

C. Consolidated Cash Flow Statement

€ MILLION	Q1 2007	Q1 2006
Earnings before interest and taxes (adjusted for the profit/loss from discontinued operations)	113.3	67.7
Change in the value of investment property	-21.6	-13.3
Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment	1.6	1.1
Losses on the disposal of property, plant and equipment	0.0	0.1
Gains/losses on the disposal of investment property	-6.2	1.8
Income taxes paid	-1.2	0.0
Income taxes received	1.2	0.0
Change in deferred liabilities of government-granted loans	-2.1	-1.4
Interest received	3.0	2.0
Interest paid	-56.7	-37.9
Change in inventories	4.0	9.2
Change in receivables	6.8	-2.2
Change in provisions	8.1	-11.2
Change in liabilities	-22.3	-5.1
Cash flows from operating activities	27.9	10.8
Cash received from the sale of investment property	22.9	29.7
Cash paid for investment property	-4.7	-7.3
	46.1	33.2
Cash paid for investments in property, plant and equipment	-26.4	-2.1
Cash received from disposals of property, plant and equipment	0.5	0.0
Cash received from the sale of other financial assets	54.0	0.0
Cash paid for the acquisition of subsidiaries	-318.2	0.0
Cash flows from investing activities	-271.9	20.3
Cash paid to stockholders of GAGFAH S.A.	-38.4	0.0
Cash received from raising financial liabilities	1,622.5	44.9
Cash repayments of financial liabilities	-1,403.3	-57.0
Interest and cost paid for refinancing	-5.5	0.0
Cash flows from financing activities	175.3	-12.1
Change in cash and cash equivalents	-68.7	19.0
Bank balances and cash on hand at the beginning of the year	367.0	217.6
Bank balances and cash on hand	298.3	236.6

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

€ MILLION	03-31-2007	03-31-2006
Cash on hand	0.1	0.0
Blocked accounts	87.7	57.5
Bank balances		
Time deposits	1.8	8.2
In current accounts	196.9	164.1
Fund balances	11.8	6.8
Bank balances and cash on hand	298.3	236.6

Cash and cash equivalents as of the balance sheet date include balances on blocked accounts (security retainers from the property development business) of €87.7 million (prior year: €57.5 million), to which GAGFAH S.A. does not have direct access.

The funds result from the sale of investment and development properties. GAGFAH S.A. is committed to use these account balances for reinvestments in investment property.

D. Statement of Changes in Consolidated Equity

€ MILLION	SHARE PREMIUM			REVENUE RESERVES		Equity attributable to the shareholders of the parent company	Minority interests	Total equity
	Subscribed capital	Capital reserve	Legal reserve	Unrealized gains/losses from derivative financial instruments	Retained earnings			
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	4.7	0.0	4.7	0.0	4.7
Total income and expense for the period recognized directly in equity	0.0	0.0	0.0	4.7	0.0	4.7	0.0	4.7
Net profit	0.0	0.0	0.0	0.0	33.4	33.4	1.5	34.9
Total income and expenses for the year	0.0	0.0	0.0	4.7	33.4	38.1	1.5	39.6
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based remuneration	0.0	4.1	0.0	0.0	0.0	4.1	0.0	4.1
Change in shareholdings and the consolidated group	0.0	0.0	0.0	0.0	0.3	0.3	20.1	20.4
Dividends	0.0	0.0	0.0	0.0	-38.4	-38.4	0.0	-38.4
March 31, 2007	281.9	1,576.2	27.6	4.1	444.3	2,334.1	88.1	2,422.2
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	0.0	0.0	0.0	0.0	0.0
Total income and expense for the period recognized directly in equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.0	0.0	0.0	0.0	63.0	63.0	0.2	63.2
Total income and expenses for the period	0.0	0.0	0.0	0.0	63.0	63.0	0.2	63.2
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	1.0	1.0	0.0	1.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
March 31, 2006	224.9	913.7	22.5	0.0	415.5	1,576.6	50.3	1,626.9

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.

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.

GAGFAH S.A.’s operations are not affected by seasonal effects. Effects of economic trends are immaterial in the reporting period.

2. Consolidated Group and Consolidation Methods

CONSOLIDATED GROUP

As of March 31, 2007, 76 subsidiaries were included in the Consolidated Financial Statements of GAGFAH S.A. on the basis of full consolidation since GAGFAH S.A. holds the majority of shares, either directly or indirectly. In addition, 20 fractional ownership funds (“HB-Fonds”) were included in the consolidated financial statements on the basis of full consolidation and eight joint ventures on a proportionate consolidation basis.

COMPANY FORMATIONS, ACQUISITIONS AND SALES IN THE REPORTING PERIOD

Acquisition of GBH Group and APH

The core business of GBH Group and APH is the ownership and management of residential property portfolios.

On November 9, 2006, GBH Acquisition GmbH, a wholly-owned subsidiary of GAGFAH S.A., signed five purchase agreements to acquire 6,248,902 shares of Grundstücks- und Baugesellschaft Aktiengesellschaft, Heidenheim (GBH AG), i.e. 86.8% of the shares issued by GBH AG. The purchase price amounts to €48 per share. Furthermore, for the dividends payable for fiscal year 2006, the vendors of the shares receive a compensation payment of €0.35 per share. On January 4, 2007, all the preconditions were fulfilled and the transfer of the shares in GBH Acquisition GmbH became effective. On December 15, 2006, GBH Acquisition GmbH published a tender offer for the remaining shares at a purchase price of €49.35 per share. As of March 31, 2007, GBH Acquisition GmbH's investment in GBH AG amounts to 6,658,232 shares or about 92.48% of the shares issued.

On December 22, 2006, Blitz Bo6-615 GmbH (change of name to "GAGFAH Acquisition 3 GmbH" and office relocation to Essen resolved but not yet entered in the commercial register) and GAGFAH M Immobiliengesellschaft mbH ("GAGFAH M") submitted an offer to the shareholders of Apellas Property Holding GmbH ("APH") to purchase APH's shares as well as certain shareholder loans. On January 9, 2007, the sellers accepted that offer. The purchase agreement contained several conditions precedent, which were all fulfilled on February 7, 2007. According to the purchase agreement, GAGFAH Acquisition 3 GmbH acquired 94.8% of APH's shares as well as all shareholder loans. GAGFAH M acquired the remaining 5.2% of the shares.

The acquired net assets of GBH Group and APH break down as follows:

€ MILLION	
Intangible assets	24.6
Investment property	733.4
Other property, plant and equipment	3.1
Other financial assets	18.3
Deferred tax assets	4.1
Inventories	3.4
Receivables and other assets	8.6
Bank balances and cash on hand	69.7
Assets	865.2
Minority interests	20.2
Pension provisions	2.0
Other provisions	3.0
Deferred tax liabilities	24.1
Financial liabilities	240.7
Deferred government loans	7.6
Other liabilities	117.1
Liabilities	414.7
Fair value of net assets	450.5
Cost of acquisition:	
Acquisition costs	436.9
Incidental acquisition costs	13.6
	450.5
Cash outflows due to acquisition:	
Cash outflows in the fiscal year	387.9
Cash acquired with the subsidiaries	69.7
Net cash outflow	318.2

These acquisitions had an impact on total profit or loss for the period. From January 1 to March 31, 2007, both Groups generated revenues of €14.1 million, which split up into revenues of €13.7 million from the leasing of investment property, €0.3 million from the sale of investment property, and €0.1 million from third-party real estate management. The additional disclosures required by IFRS 3.67 and IFRS 3.70 have not been made as they are impracticable. The disclosures required by IFRS 3.67 have not been made since the acquired company prepared its financial statements in accordance with the HGB¹ and the calculation of the IFRS carrying amounts would involve undue cost and effort. The additional disclosures pursuant to IFRS 3.70 have not been made since it would involve undue cost and effort to prepare interim financial statements pursuant to IFRSs for all Group companies for the period in question.

1) HGB = Handelsgesetzbuch; German Commercial Code.

Acquisition of Mertus 28

On February 9, 2007, GAGFAH Acquisition 3 GmbH acquired all shares in a shelf company with business name mertus Achtundzwanzigste GmbH from Cormoran AG and Leguan GmbH for a purchase price in the amount of €27,500. The shelf company has a fully paid up share capital in the amount of €25,000.

Acquisition of Mertus 32

On February 9, 2007, GAGFAH S.A. acquired all shares in a shelf company with business name mertus Zweiunddreißigste GmbH from Cormoran AG and Leguan GmbH for a purchase price in the amount of €27,500. The shelf company has a fully paid up share capital in the amount of €25,000.

Formation of First KG

On February 12, 2007, mertus Achtundzwanzigste GmbH as general partner and GAGFAH Acquisition 3 GmbH as limited partner with a liable contribution in the amount of €1,000 founded a limited partnership with business name GAGFAH First Property Holding GmbH & Co. KG. The object of the the business of the limited partnership is to acquire, to build, to manage, to lease and to sell real estate and apartments and to handle all transactions and trading activities connected therewith.

Formation of Second KG

On February 12, 2007, mertus Achtundzwanzigste GmbH as general partner and GAGFAH Acquisition 3 GmbH as limited partner with a liable contribution in the amount of €1,000 founded a limited partnership with business name GAGFAH Second Property Holding GmbH & Co. KG. The object of the business of the limited partnership is to acquire, to build, to manage, to lease, and to sell real estate and apartments and to handle all transactions and trading activities connected therewith.

CONSOLIDATION PRINCIPLES

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 quarterly 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, except for the following new provisions which are mandatory for all reporting periods beginning on or after January 1, 2007:

On August 18, 2005, the International Accounting Standards Board (IASB) published the standard IFRS 7 “Financial Instruments: Disclosures”. The standard replaces the disclosures currently required by IAS 30 and adds certain new disclosures about financial instruments to those currently required by IAS 32. The Amendment to IAS 1 introduces requirements for disclosures about an entity’s capital. The standard completely restructures the disclosure requirements for financial instruments. Basically, the standard requires the disclosure of details of the management’s objectives, methods, risks, guarantees and tasks. The disclosure requirements according to IFRS 7 as well as the changed disclosure requirements of IAS 1 apply to all entities, effective for annual periods beginning on or after January 1, 2007, with earlier application encouraged. The new regulations of IFRS 7 do not cause changes in valuation, however, more detailed disclosures and more extensive descriptions are required.

However, the application of these amendments has no effect on the interim consolidated financial statements.

4. Segment Reporting

In accordance with its primary reporting format, GAGFAH S.A. is divided into the business segments real estate management and real estate sales.

Commercial real estate operations of NILEG subgroup, which had previously been a segment and qualified as a separate major line of business within the meaning of IFRS 5.32, will be sold. Project development operations will also be discontinued.

In December 2005, management decided to discontinue these operations. As a result, no new projects will be taken on or commenced. Existing projects will be sold or otherwise disposed of at their 2005 stage of completion. 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 commercial real estate segment is presented separately in the balance sheet under discontinued operations.

The line of business “Construction Management, Project and Land Development” of the GAGFAH GmbH subgroup was qualified as a separate major line of business within the meaning of IFRS 5.32. As is the case with the NILEG subgroup (line business “Development”) the line of business “Construction Management, Project and Land Development” will only be reported in the Income Statement.

Information on the segments for the first three months of fiscal year 2007 is presented below:

Group Segment Report

GAGFAH S.A. for the period from January 1 to March 31, 2007

€ MILLION	Real estate management	Real estate sales	Group function / IFRS 5 / consolidation	Group
Segment revenues from third parties	223.3	21.4	0.0	244.7
Transaction with other segments	0.1	0.0	-0.1	0.0
Segment revenues	223.4	21.4	-0.1	244.7
Segment result (EBITDA)	112.9	2.5	-12.8	102.6
Result from fair value measurement	22.2	0.0	0.0	22.2
Segment write-downs	-0.5	0.0	-1.1	-1.6
EBIT (before restructuring)	134.6	2.5	-13.9	123.2
Restructuring expenses				-2.1
Investment result				0.0
EBIT	134.6	2.5	-13.9	121.1
Financial result / interest expense				-66.7
Profit from continued operations before taxes				54.4
Income taxes for continued operations				-11.7
Profit from continued operations				42.7
Loss from discontinued operations before taxes				-7.8
Income taxes for discontinued operations				0.0
Loss from discontinued operations				-7.8
Profit for the period				34.9
Segment assets	8,424.3	132.9	776.0	9,333.2*
Segment liabilities	32.4	2.8	6,875.8	6,911.0*
Segment investments (investments in property, plant and equipment or intangible assets)	4.7	0.0	26.4	31.1*
Significant non-cash segment expenses	4.5	0.0	35.9	40.4*

The items marked (*) include effects from discontinued operations.

Group Segment Report

GAGFAH S.A. for the period from January 1 to March 31, 2006

€ MILLION	Real estate management	Real estate sales	Group function / IFRS 5 / consolidation	Group
Segment revenues from third parties	152.8	34.2	0.0	187.0
Transaction with other segments	0.0	0.0	0.0	0.0
Segment revenues	152.8	34.2	0.0	187.0
Segment result (EBITDA)	80.4	-3.0	-20.2	57.2
Result from fair value measurement	13.3	0.0	0.0	13.3
Segment write-downs	-0.4	0.0	-0.7	-1.1
EBIT (before restructuring)	93.3	-3.0	-20.9	69.4
Restructuring expenses				-2.7
Investment result				0.0
EBIT	93.3	-3.0	-20.9	66.7
Finance result / interest expense				-4.1
Profit from continued operations before taxes				62.6
Income taxes for continued operations				-0.4
Profit from continued operations				62.2
Profit from discontinued operations before taxes				1.0
Income taxes for discontinued operations				0.0
Profit from discontinued operations				1.0
Profit for the period				63.2
Segment assets	5,816.9	55.6	812.0	6,684.5*
Segment liabilities	72.2	0.0	4,985.4	5,057.6*
Segment investments (investments in property, plant and equipment or intangible assets)	7.3	0.0	2.1	9.4*
Significant non-cash segment expenses	1.2	0.0	11.5	12.7*

The items marked (*) include effects from discontinued operations.

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 €3.0 million (prior year: €3.0 million).

Besides 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) there are no intangible assets with an infinite life. There were no indications on the date of preparing these interim financial statements that would have required an impairment test to be performed on the goodwill.

2. INVESTMENT PROPERTY

The following overview shows the development of the real estate portfolio since January 1, 2007:

€ MILLION	03-31-2007	12-31-2006
As of January 1	7,659.8	5,790.1
Changes to the consolidated group	733.4	1,833.8
Additions	5.1	68.8
Disposals	-12.4	-133.0
Reclassifications	-4.2	42.6
Changes in value	22.0	57.5
As of reporting date	8,403.7	7,659.8

Investment property breaks down by region as follows:

€ MILLION	03-31-2007	12-31-2006
Berlin	1,278.9	948.6
Dresden	1,856.0	1,856.1
Essen	1,494.0	1,400.9
Frankfurt am Main	1,445.6	1,148.1
Hamburg	1,147.3	1,135.0
Hanover	1,181.9	1,171.1
Total	8,403.7	7,659.8

There are no material contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or improvements.

Sections 6.16 and 6.17 of this report contain comments on income of €223.3 million (prior year: €152.8 million) from the leasing of investment property and operating expenses of €110.3 million (prior year: €72.1 million) for the generation of rental income.

3. PROPERTY, PLANT AND EQUIPMENT

As of the balance sheet date, property, plant and equipment came to €88.8 million (prior year: €63.0 million) and largely consisted of land and buildings (owner occupied) of €45.3 million (prior year: €43.1 million), payments in advance of €17.2 million (prior year: €0.0 million) and technical equipment and machines of €13.0 million (prior year: €13.4 million). The increase in property, plant and equipment compared to December 31, 2006, is primarily due to the additions in payments in advance (€17.2 million) that entirely result from the purchase price paid for 190 properties in Erlangen, as well as to additions in assets under construction (€5.9 million) that mainly result from the capitalization of constructional measures.

4. FINANCIAL RECEIVABLES AND OTHER FINANCIAL ASSETS

The financial receivables and other financial assets of €57.4 million (prior year: €99.5 million) mainly include derivative financial instruments measured at fair value of €30.3 million (prior year: €78.2 million), thereof €5.2 million (prior year: €56.0 million) current. The decrease in derivative financial instruments is due to the sale of a swap amounting to €51.7 million as of December 31, 2006.

An amount of €13.3 million relates to deposited securities due to interest rate swap transactions.

Another €7.3 million (prior year: €20.9 million) relate to investments. €15.0 million of the prior year amount were due to the investment book value held by GBH Acquisition GmbH. For further information about the acquisition of GBH Group we refer to section E.2. "Consolidated Group and Consolidation Methods" of this report.

5. INVENTORIES

Inventories of GAGFAH S.A. break down as follows:

€ MILLION	03-31-2007	12-31-2006
Land held for sale	78.2	80.5
Unfinished development	39.0	46.9
Other	6.4	0.0
Total	123.6	127.4

Land held for sale and unfinished development relate to the discontinued construction/development operations.

Impairment losses totaling €0.5 million (prior year: €0.9 million) were charged on some of the inventories following measurement at the lower net realizable value, with costs yet to be incurred being deducted from the discounted sale price.

6. RECEIVABLES

As of March 31, 2007, GAGFAH S.A. discloses current receivables totaling €141.9 million (prior year: €151.7 million).

Of this, €130.0 million (prior year: €133.1 million) are due to sales of investment property and €7.6 million (prior year: €8.5 million) from leasing activities.

Furthermore, receivables of €3.3 million (prior year: €6.5 million) arose from other trade and €1.0 million (prior year: €2.3 million) from third-party real estate management.

Overall, impairment losses of €2.5 million were recognized for doubtful debts.

There are no restrictions on ownership or disposal for the disclosed receivables.

7. OTHER ASSETS

As of March 31, 2007, GAGFAH S.A. discloses other assets totaling €43.9 million (prior year: €34.0 million), of which €32.2 million (prior year: €22.5 million) are current and €11.7 million (prior year: €11.5 million) are non-current.

An amount of €11.8 million (prior year: €11.8 million), thereof €10.5 million (prior year: €10.5 million) non-current, relates to subsidies for costs of demolitions.

Of the current other assets, €4.2 million (prior year: €4.2 million) relate to claims from liability insurance, €3.9 million (prior year: €4.3 million) to claims for construction deficiencies, €3.0 million (prior year: €6.5 million) to insurance claims, €6.9 million (prior year: €5.7 million) to prepayments and €2.0 million (prior year: €0.0 million) to capitalized costs, for the most part broker's commissions and property acquisition tax.

8. CURRENT TAX CLAIMS

As of March 31, 2007, GAGFAH S.A. discloses current tax claims of €12.0 million (prior year: €10.0 million).

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

9. DEFERRED TAXES

Deferred tax assets of €92.5 million (prior year: €96.2 million) result from temporary differences and loss carryforwards. Deferred tax liabilities of €156.5 million (prior year: €130.1 million) result exclusively from temporary differences.

10. 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 €298.3 million (prior year: €367.0 million).

The time deposits of GAGFAH S.A. have terms between one day and four months and accrue interest between 2.80 % and 3.71 % (weighted average: 3.39 %).

The balances in current accounts are demand deposits and accrue interest between 0.50 % and 3.57 % (weighted average: 2.35 %), mainly at EONIA (Euro Overnight Index Average) less 0.50 % p.a.

11. EQUITY

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

12. OTHER PROVISIONS

As of March 31, 2007, GAGFAH S.A. discloses other provisions totaling €106.8 million (prior year: €99.1 million).

Of this, €10.3 million (prior year: €5.1 million) relate to warranty obligations and latent risks, €6.2 million (prior year: €12.9 million) to distribution obligations and €5.9 million (prior year: €5.8 million) to severance payments, litigation costs and similar risks. Further €3.4 million (prior year: €0.0 million) relate to redevelopment costs.

€19.3 million (prior year: €22.4 million), that are completely current, relate to restructuring. Restructuring provisions of €3.0 million (prior year: €14.4 million) were utilized in the reporting period.

Of the remaining current provisions, €8.3 million relate to rent guarantees. Further €8.1 million (prior year: €9.4 million) relate to restitution proceedings.

There are also phased retirement obligations totaling €17.3 million (prior year: €17.6 million), of which €15.7 million (prior year: €15.7 million) are non-current.

13. LIABILITIES FROM INCOME TAXES

The Group's liabilities from income taxes came to €24.4 million (prior year: €15.7 million) in the reporting period and mainly relate to trade tax of €14.5 million (prior year: €10.2 million) and corporate income tax of €7.8 million (prior year: €5.0 million).

14. FINANCIAL LIABILITIES

The financial liabilities of €6,192.2 million (prior year: €5,617.5 million) break down as follows for the fiscal year:

Liabilities due to banks amount to €6,096.1 million (prior year: €5,531.4 million) and liabilities due to other lenders to €96.1 million (prior year: €86.1 million).

This item comprises non-current financial liabilities of €5,760.5 million (prior year: €5,508.3 million).

Of the current and non-current liabilities due to banks and other lenders, a total of €5,616.9 million (prior year: €3,525.7 million) is secured by charges on property. €274.2 million (prior year: €364.0 million) are secured by pledging of shares and €2.6 million (prior year: €2.8 million) are secured by a bank guarantee. No collateral has been provided for the remaining €298.5 million (prior year: €7.3 million).

Of the total financial liabilities, €5,917.8 million (prior year: €5,365.0 million) relate to privately financed loans. These in turn comprise global loans of €5,545.8 million (prior year: €5,074.5 million).

The fair values of the financial liabilities break down as follows:

€ MILLION	03-31-2007		12-31-2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Global loans	5,545.8	5,378.1	5,074.5	4,928.3
Government annuity loans	274.4	272.0	252.5	257.9
Privately financed annuity loans	204.6	203.4	106.7	103.8
Financial liabilities of the funds	68.9	68.9	70.2	70.2
Other financial liabilities	98.5	98.5	113.6	113.6
Total	6,192.2	6,020.9	5,617.5	5,473.8

The fair values of the loans are determined on the basis of market data using appropriate measurement methods. The shareholder loans are current loans.

15. OTHER LIABILITIES

As of March 31, 2007, GAGFAH S.A. discloses other liabilities totaling €202.7 million (prior year: €157.3 million), €197.5 million (prior year: €155.3 million) of which are current.

The current liabilities include among others liabilities from distributable dividend of €38.4 million (prior year: €38.4 million) as well as trade payables of €16.1 million (prior year: €23.3 million).

In addition, rent liabilities of €8.3 million (prior year: €10.7 million), liabilities from operating expenses not yet invoiced of €14.8 million (prior year: €10.4 million) and prepayments received of €12.4 million (prior year: €9.8 million) were disclosed under current liabilities.

Of other current liabilities, €25.2 million (prior year: €33.8 million) relate to deferred liabilities. €5.7 million (prior year: €6.2 million) of these liabilities relate to construction costs not yet accrued and €3.1 million (prior year: €5.2 million) to own development arrangements. The personnel liabilities amount to €13.4 million (prior year: €9.5 million).

6. Notes to the Consolidated Income Statement

16. INCOME FROM THE LEASING OF INVESTMENT PROPERTY

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

€ MILLION	01-01 – 03-31-2007	01-01 – 03-31-2006
Rental income, fees	157.6	99.0
Allocations charged	64.7	53.0
Rent, interest and expense subsidies	1.0	0.8
Risk of default on allocations	0.0	0.0
Lease income	0.0	0.0
Total	223.3	152.8

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.

17. OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

Operating expenses for the generation of rental income of €110.3 million (prior year: €72.1 million) mainly include operating expenses of €61.6 million (prior year: €41.2 million) and maintenance costs of €20.0 million (prior year: €7.5 million).

This item also includes personnel expenses of €14.7 million (prior year: €8.7 million) and real estate tax of €5.0 million (prior year: €2.9 million).

18. PROFIT FROM THE SALE OF INVESTMENT PROPERTY

Income from the sale of investment property of €21.4 million (prior year: €34.2 million) is attributable to the sale of investment property. After the disposal of the investment properties' carrying amount of €15.3 million, the profit is €6.1 million.

19. PROFIT FROM FAIR VALUE MEASUREMENT

Unrealized net gains of €22.2 million (prior year: €13.3 million) on changes in value arose in connection with the measurement of investment property in the reporting period. These mainly relate to properties with leased residential and commercial buildings.

20. LOSS FROM OTHER SERVICES

The result from other services of €-0.1 million (prior year: €-2.2 million) mainly consists of revenues from third-party real estate management of €1.3 million (prior year: €0.8 million) and revenues from other services of €1.0 million (prior year: €1.3 million). This income contrasts with expenses totaling €2.4 million (prior year: €4.3 million) from third-party real estate management and other services, €0.9 million (prior year: €0.7 million) of which relate to personnel expenses.

21. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses of €3.5 million (prior year: €1.2 million) predominantly comprise expenses for sales, advertising and marketing. Of these expenses, €0.8 million (prior year: €0.5 million) relate to marketing expenses and expenses for selling prearrangements and €1.0 million (prior year: €0.6 million) to personnel. Further expenses amounting to €1.0 million are due to external distributors.

General and administrative expenses of €13.7 million (prior year: €18.5 million) include salaries for administrative staff of €5.3 million (prior year: €7.8 million) and non-personnel general and administrative expenses of €8.4 million (prior year: €10.7 million), which mainly relate to consulting costs of €1.2 million, IT-costs of €1.2 million, write-offs on owner-occupied commercial buildings, software, plant and equipment of €1.0 million and court and lawyer's fees of €1.0 million.

22. OTHER OPERATING INCOME AND EXPENSES

All income not directly allocable to the various functional areas is disclosed under other operating income of €5.3 million (prior year: €1.6 million). €2.1 million (prior year: €0.1 million) of that amount relate to the reversal of provisions and €0.6 million (prior year: €0.0 million) to write-offs of liabilities. Further €0.6 million (prior year: €0.0 million) relate to income from subsidies.

Of other operating expenses of €5.0 million (prior year: €1.8 million), €0.5 million (prior year: €0.0 million) relate to due diligence costs and €0.2 million (prior year: €0.6 million) to write-offs of receivables.

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

Of the interest expenses, the majority with €65.4 million (prior year: €47.1 million) 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 €5.0 million (prior year: €36.2 million) and results from the fair value measurement of swaps.

24. INCOME TAXES

Income taxes comprise deferred taxes of €8.0 million (prior year: €0.0 million) and income taxes of €3.7 million (prior year: €0.4 million).

25. PROFIT / LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES

The property development business and the project and land development activities in the property construction/development segment are being discontinued. 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:

€ MILLION	Q1 2007		Q1 2006	
	Property construction / development	Commercial real estate	Property construction / development	Commercial real estate
Income from the sale of properties	9.6	0.0	20.8	0.0
Carrying amount of the properties sold	-16.1	0.0	-18.7	0.0
Selling expenses	-0.8	-0.1	-1.4	-0.1
Income from real estate management	0.0	1.1	0.0	1.8
Expenses from real estate management	0.0	-0.8	0.0	-1.3
Write-downs on properties	0.0	-0.5	0.0	-0.9
Other operating income	5.3	0.0	1.0	0.0
Other operating expenses	-2.1	-3.4	-0.1	-0.1
Loss/Profit from discontinued operations before taxes	-4.1	-3.7	1.6	-0.6

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 were contingent liabilities not evident from the balance sheet amounting to €2.9 million (prior year: €3.0 million). These contingent liabilities mainly contain guarantees for construction projects (detached houses) not yet realized according to the MaBV¹.

Other Financial Obligations

At the balance sheet date there were outstanding obligations due to tenancies totaling €6.5 million, thereof €2.7 million non-current.

The obligations from leasing contracts of €6.9 million are short-term. Neither renewal and rent adjustment clauses nor purchase options exist.

7.3 EMPLOYEES

	03-31-2007	03-31-2006
Authorized signatories/authorized agents	48	44
Salaried employees	842	678
Wage earners	424	368
Total	1,314	1,090

In addition, 42 (prior year: 34) trainees and 346 (prior year: 266) part-time staff were employed as of March 31, 2007, and December 31, 2006, respectively.

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.

¹) MaBV = Makler- und Bauträgerverordnung; German Brokers' and Commercial Developers' Ordinance.

7.5 MANAGEMENT

There were no changes within the composition of Board of Directors and senior management since December 31, 2006.

7.6 CASH DIVIDEND

The dividend paid in April 2007 amounted to €38.4 million.

7.7 SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING PERIOD

No significant events occurred after the interim reporting period.

Interim Report according to the regulations of the Frankfurt Stock Exchange
and at the same time according to Sec. 37x WpHG

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