



Interim Report

as of March 31, 2008

Highlights

GAGFAH at a Glance

GAGFAH S.A. is a joint stock corporation organized under the laws of the Grand Duchy of Luxembourg qualifying as a securitization company under the Luxembourg Securitization Law of March 22, 2004. The core business of GAGFAH S.A.'s operating subsidiaries is the ownership, management and acquisition of a geographically diversified and well-maintained residential property portfolio located throughout Germany. With a portfolio of approximately 176,000 apartments, GAGFAH is the largest German listed residential property company.

Highlights

- **FFO** up 16 % to €48.8 million or €0.22 per share in the first quarter of 2008, from €41.9 million or €0.19 per share in the first quarter of 2007.
- **NAV** of €14.15 per share and gross asset value of €863 per square meter in the first quarter of 2008.
- **PRE-TAX EARNINGS** of €27.5 million in the first quarter of 2008, as compared to €46.6 million in the first quarter of 2007.
- **QUARTERLY DIVIDEND** for Q1 2008 of €0.20 per share will be paid on June 6, 2008.

RENTS

- Our rental growth rate was 0.7 % (residential rents on a same store basis¹⁾) for the first quarter of 2008 or 2.8 % on an annualized basis, well on track to exceed our target of 2.0 % this year.
- Portfolio currently under-rented by approximately 10 % based on external appraisals.

GAGFAH S.A. SHARES AS OF MARCH 31, 2008

ISIN	LU0269583422
Total Market Cap. (€ million)	2,680
Industry Group	Real Estate
Number of Shares (million)	225.6
Listing	Frankfurt Stock Exchange
Major Indices Memberships	MDAX, EPRA, GPR

PRIVATIZATIONS

- Privatization volume up 200 % to 529 units at a margin of 17.4 % for the first quarter of 2008, compared to 177 units in the first quarter of 2007. Our goal is to privatize over 2,500 units this year.

VACANCY

- Overall vacancy is at 5.0 % (including new acquisitions) and our aim is to reduce our vacancy to below 4.5 % by year-end.
- On a same store basis¹⁾, vacancy rate in the first quarter of 2008 is at 4.8 %.
- Excluding units held for privatization, our vacancy rate is 4.3 % (on a same store basis¹⁾).

COSTS

- Our average management costs per unit declined from €448 at the end of 2007 to €434 in the first quarter of 2008. We are targeting to reduce costs to €400 / unit by year-end.

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

¹⁾ Same store basis: Units GAGFAH owned at both dates: As at December 31, 2007, and as at March 31, 2008.

Key Financial Information

FINANCIAL FIGURES

	Q1 2008	Q4 2007	Q1 2007 (restated) ²
INCOME STATEMENT (€ MILLION)			
Income from the leasing of investment property	241.2	229.1	223.3
Profit from the leasing of investment property	127.1	100.8	112.5
Profit from the sale of investment property	6.4	15.8	6.1
Profit from fair value measurement	0.2	330.5	22.2
EBITDA	119.5	453.9	118.2
EBIT	115.4	438.9	114.5
EBT	27.5	365.2	46.6
FFO	48.8	56.7	41.9
FFO per share (225.6m shares outstanding / in €)	0.22	0.26	0.19

	03-31-2008	12-31-2007	03-31-2007
BALANCE SHEET (€ MILLION)			
Investment property ¹	10,080.1	9,997.8	8,403.7
Financial liabilities	6,730.2	6,649.1	6,192.2

OPERATIONAL FIGURES

	Q1 2008	Q4 2007	Q1 2007
Group residential portfolio			
units	176,277	170,316	164,987
sqm	10,622,506	10,252,228	9,907,704
Net cold rent / sqm (in €)	4.87	4.85	4.79
Vacancy (in %)	5.0	4.4	6.2
Privatized units	529	1,281	177

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)

	Q1 2008	Q4 2007	Q1 2007 (restated) ²
EBIT	115.4	438.9	114.5
Reorganization and restructuring expenses	2.4	5.8	2.1
Depreciation and amortization	1.7	9.2	1.6
EBITDA	119.5	453.9	118.2
Profit from fair value measurement	-0.2	-330.5	-22.2
Realized valuation gains through sales	2.9	6.2	0.3
Net interest expenses	-75.5	-70.4	-62.8
Taxes paid	-5.2	-0.3	0.0
Commercial real estate/property development	3.9	-4.2	7.8
Other financing expenses	3.0	2.2	0.0
Expenses for share-based remuneration	0.4	-0.2	0.6
FFO	48.8	56.7	41.9
FFO per share (225.6m shares outstanding / in €)	0.22	0.26	0.19

¹⁾ Including prepayments.

²⁾ For more information, please refer to page 9 of this report.

Property Portfolio

As of March 31, 2008

	Units	In % of Total	Rental Area sqm	Avg. Unit Size sqm	In-place Rent Annualized in € million	In % of Total	In-place Rent mo / sqm (€)	Market Rent mo / sqm (€) ¹	Vacant %
Top 20 Cities									
Core Residential Property Portfolio									
Dresden	42,771	19.1	2,419,205	57	130.7	18.7	4.50	4.81	7.6
Berlin	30,413	13.6	1,799,002	59	99.8	14.3	4.62	5.29	2.7
Hamburg	9,887	4.4	629,573	64	39.4	5.7	5.22	6.34	0.8
Hanover	6,216	2.8	392,222	63	25.3	3.6	5.38	5.88	4.8
Heidenheim	4,820	2.2	301,180	62	18.6	2.7	5.15	5.76	12.7
Bielefeld	4,173	1.9	276,574	66	14.1	2.0	4.25	4.75	1.5
Osnabrück	3,584	1.6	220,842	62	12.9	1.9	4.87	5.46	1.6
Braunschweig	3,243	1.5	199,490	62	11.9	1.7	4.97	5.58	3.1
Zwickau	3,092	1.4	173,069	56	8.4	1.2	4.04	4.13	18.5
Essen	2,381	1.1	156,696	66	9.8	1.4	5.21	5.72	8.4
Cologne	2,359	1.1	179,887	76	13.4	1.9	6.19	7.14	2.2
Frankenthal	2,116	0.9	131,224	62	7.7	1.1	4.92	5.14	9.8
Freiburg	1,928	0.9	128,647	67	8.6	1.2	5.57	6.08	1.0
Bocholt	1,811	0.8	111,813	62	6.2	0.9	4.59	5.49	1.3
Frankfurt am Main	1,725	0.8	96,295	56	8.1	1.2	6.99	7.97	0.6
Düsseldorf	1,707	0.8	99,276	58	7.8	1.1	6.57	6.95	2.2
Iserlohn	1,678	0.8	106,085	63	5.6	0.8	4.38	4.89	2.0
Bremen	1,557	0.7	98,565	63	5.7	0.8	4.81	5.42	6.4
Duisburg	1,432	0.6	96,397	67	5.1	0.7	4.41	4.84	15.6
Leverkusen	1,404	0.6	89,835	64	5.7	0.8	5.32	5.97	0.4
Subtotal									
Top 20 Cities	128,297	57.4	7,705,877	60	444.9	63.8	4.81	5.40	5.3
Other Cities	47,980	21.5	2,916,629	61	175.6	25.2	5.02	5.46	4.4
Total									
Core Residential	176,277	78.9	10,622,506	60	620.5	88.9	4.87	5.42	5.0
Other ²	–	21.1	1,052,463	–	77.3	11.1	6.12	–	23.5
		100 %			697.8	100 %			

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

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

²⁾ Includes HB Funds, commercial properties, garages and other.

Consolidated Income Statement

€ MILLION	Q1 2008	Q4 2007	Q1 2007 (restated)
Income from the leasing of investment property	241.2	229.1	223.3
Transferable leasehold land interest	-0.5	-0.5	-0.5
Operating expenses for the generation of rental income (excluding share-based remuneration)	-113.6	-127.8	-110.3
Profit from the leasing of investment property	127.1	100.8	112.5
Income from the sale of investment property	37.4	67.8	21.4
Carrying amount of investment property sold	-31.0	-52.0	-15.3
Profit from the sale of investment property	6.4	15.8	6.1
Profit from fair value measurement	0.2	330.5	22.2
Income from the sale of commercial real estate and property development	2.2	14.6	9.6
Carrying amount of commercial real estate and property development sold	-2.8	-6.6	-9.1
Loss / Profit from the sale of commercial real estate and property development	-0.6	8.0	0.5
Profit from other services	0.9	1.6	0.1
Selling expenses (excluding share-based remuneration)	-3.7	-7.4	-4.8
General and administrative expenses (excluding share-based remuneration)	-11.0	-16.4	-13.7
Expenses for share-based remuneration	-0.4	0.2	-0.6
Other operating income	5.3	10.6	6.2
Other operating expenses	-6.3	1.4	-11.9
Profit from operations before reorganization and restructuring expenses	117.9	445.1	116.6
Reorganization and restructuring expenses	-2.4	-5.8	-2.1
Profit from operations	115.5	439.3	114.5
Loss / Profit from other financial assets	-0.1	-0.4	0.0
Earnings before interest and taxes (EBIT)	115.4	438.9	114.5
Interest expense (periodical)	-78.4	-73.5	-66.7
Other financial expenses / income	-0.5	0.9	-0.6
Interest income (periodical)	2.9	3.1	3.9
Loss / Profit from the fair value measurement of derivatives	-10.9	0.3	5.0
Interest (refinancing)	-1.0	-4.5	-9.5
Profit before taxes	27.5	365.2	46.6
Income taxes (excluding EK 02)	-23.1	-331.9	-11.7
Increase in corporate income tax based on the remaining EK 02	0.0	-128.2	0.0
Net profit	4.4	-94.9	34.9
Thereof attributable to:			
Minority interests	1.8	3.1	1.5
Shareholders of the parent company	2.6	-98.0	33.4
Weighted average number of shares (undiluted)	225,565,918	225,520,560	225,515,377
Weighted average number of shares (diluted)	226,091,635	226,164,589	226,170,032
Basic and diluted earnings per share (in €)	0.01	-0.43	0.15

GAGFAH Group – Operational Performance

PROFIT FROM THE LEASING OF INVESTMENT PROPERTY

The profit from the leasing of investment property rose by 13 % in the first quarter of 2008, as compared to the first quarter of 2007 and by 26 %, as compared to the fourth quarter of 2007. The profit from the leasing of investment property represents the excess of income from the leasing of investment property over the related operating expenses for the generation of rental income. The profit from the leasing of investment property is computed as follows:

€ MILLION	Q1 2008	Q4 2007	Q1 2007
Income from the leasing of investment property	241.2	229.1	223.3
Transferable leasehold land interest	- 0.5	- 0.5	- 0.5
Operating expenses for the generation of rental income	- 113.6	- 127.8	- 110.3
Profit from the leasing of investment property	127.1	100.8	112.5

INCOME FROM THE LEASING OF INVESTMENT PROPERTY UP BY 8 %

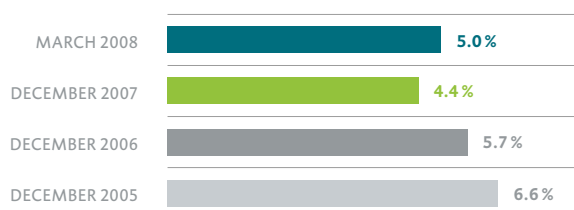
The leasing of investment property is our core business and hence the primary component of our income from operations. Our strategy is to raise rents to market levels while maintaining and increasing occupancy and the quality of accommodation. Rents are continuously evaluated against market levels and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

Income from the leasing of investment property includes rental income, allocations charged and rents from subsidized apartments. In the first quarter of 2008, our income from the leasing of investment property was €241.2 million, up 8 % compared to the first quarter and 5 % compared to the fourth quarter of 2007. Approximately 71 % of such income was attributable to net cold rent. Net cold rent grew on a same store basis by 0.7 % to €4.88 per square meter since December 31, 2007 or 2.8 % on an annualized basis. We are well on track to exceed our target of 2 % for this year. 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 raising rents closer to market levels and by the inclusion of acquisitions.

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

€ MILLION	Q1 2008	Q4 2007	Q1 2007
Rental income, fees	171.5	164.4	157.6
Allocations charged	69.3	63.7	64.7
Other	0.4	1.0	1.0
Total	241.2	229.1	223.3

GROUP OVERALL VACANCIES



Our overall vacancy rate including acquisitions has slightly increased from 4.4 % at the end of 2007 to 5.0 % in Q1 2008, mainly as a result of the acquisition of an under-managed property portfolio. On a same store basis our vacancy was 4.8 % in the first quarter of 2008. Excluding units held for privatization, our vacancy rate is at 4.3 % (on a same store basis). GAGFAH's strategy is to reduce the vacancy of the existing and acquired portfolios through active management and to achieve an overall vacancy rate below 4.5 % by the end of 2008.

OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

In the first quarter of 2008, our operating expenses for the generation of rental income totaled €113.6 million, an increase of 3 % as compared to the first quarter of 2007, and a decrease of 11 %, as compared to the fourth quarter of 2007.

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

€ MILLION	Q1 2008	Q4 2007	Q1 2007
Real estate operating expenses	61.9	57.4	61.6
Maintenance costs	19.9	28.8	20.0
Personnel expenses	15.0	15.7	14.7
Real estate tax	6.1	5.2	5.0
Bad debt allowances	1.1	5.2	2.3
External costs for real estate management	3.1	4.6	1.9
Administrative expenses	2.3	2.4	2.2
Amortization and depreciation on intangible assets and property, plant and equipment	0.9	1.8	0.5
Other	3.3	6.7	2.1
Total	113.6	127.8	110.3

Real estate operating expenses increased from €61.6 million in Q1 2007 and €57.4 million in Q4 2007 to €61.9 million in Q1 2008. Real estate operating expenses usually vary from quarter to quarter as the billing of utilities is not linear during the year.

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

Maintenance expenses in Q1 2008 amounted to €19.9 million, as compared to €20.0 million in Q1 2007 and €28.8 million in Q4 2007.

SALE OF INVESTMENT PROPERTY

AT A MARGIN OF 17.4 %

We sell apartments by dividing a rental building into residential units for sale. In the first quarter of 2008, we sold 529 units in our privatization program, compared to 177 sold units in the first quarter of 2007. We achieved a profit margin on IFRS book value¹ plus sales and marketing costs and capital expenditure of 17.4 % for the first quarter of 2008. Our goal is to privatize over 2,500 units this year.

The result from the sale of investment property is the excess of income from the sale of investment property over the carrying amounts of the investment property sold. In the first three months of 2008, profit from the sale of investment property was €6.4 million, as compared to €6.1 million for the first quarter of 2007.

OVERVIEW OF PRIVATIZATION RESULTS

	Q1 2008	Q1 2007
Privatized units	529	177
Privatized sqm	32,502	12,942

	Q1 2008			Q1 2007		
	€ million	€ per unit	€ per sqm	€ million	€ per unit	€ per sqm
Gross disposition proceeds	37.4	70,734	1,151	20.2	113,958	1,558
Book value ¹⁾	- 28.1	- 53,143	- 865	- 14.1	- 79,648	- 1,090
Disposition costs ²⁾	- 3.7	- 7,085	- 115	- 3.3	- 18,600	- 254
Net profit	5.6	10,505	171	2.8	15,712	214
Net profit margin		17 %			16 %	

¹⁾ Net of realized revaluation gains.

²⁾ Includes related G&A and personnel costs and sales costs such as external broker fees, CapEx (pro rata) and marketing costs.

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, 2008, our IAS 40 valuations for the investment properties have not significantly changed over the values of our investment properties as of December 31, 2007.

Our fair market valuation module is based on a discounted cash flow valuation of each investment property using an average discount rate of 5.29 % which remained unchanged since the second quarter of 2007. The valuation of our investment properties is carried out in-house and is verified by an independent third-party valuer from time to time.

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

In 2005, it was decided to discontinue and sell the commercial real estate and property development business. In accordance with IFRS 5 the results from both operations have been presented as "Profit/loss from discontinued operations before taxes" in one condensed line in

the income statement in 2005 and 2006. In 2007, it became evident that the liquidation of these businesses will take longer than originally expected.

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

The result from the sale of commercial real estate and property development of the first quarter of 2008 amounts to a loss of €0.6 million, as compared to a profit of €0.5 million in the first quarter of 2007. However, the net profit of the commercial real estate and property development business was €-3.9 million in the first quarter of 2008 compared to €-7.9 million in the first quarter of 2007. All commercial properties have been sold in 2007.

NET PROFIT CONTRIBUTION OF THE DISCONTINUED COMMERCIAL REAL ESTATE AND PROPERTY DEVELOPMENT BUSINESSES

€ MILLION	Q1 2008	Q4 2007	Q1 2007
Income from the sale of commercial real estate and property development	2.2	14.6	9.6
Carrying amount of the commercial real estate and property development sold	-2.8	-6.6	-9.1
Loss/profit from the sale of commercial real estate and property development	-0.6	8.0	0.5
Profit from other services	0.0	0.0	0.2
Selling expenses (excluding share-based remuneration)	-0.2	-0.7	-1.3
Other operating income	0.5	0.0	0.9
Other operating expenses	-2.6	-2.5	-6.9
Loss/profit from operations before reorganization and restructuring expenses	-2.9	4.8	-6.6
Net interest expense	-1.0	-0.6	-1.2
Net loss/profit	-3.9	4.2	-7.8

OTHER INCOME AND EXPENSE ITEMS

Other income and expense items for our Group was a net expense of €15.2 million in the first quarter of 2008, as compared to a net expense of €24.7 million in the first quarter of 2007 and €10.0 million in the fourth quarter of 2007.

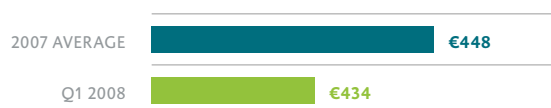
The development of our other income and expense items is shown in the table below:

€ MILLION	Q1 2008	Q4 2007	Q1 2007 (restated)
Profit from other services	0.9	1.6	0.1
Selling expenses	- 3.7	- 7.4	- 4.8
General and administrative expenses	- 11.0	- 16.4	- 13.7
Expenses for share-based remuneration	- 0.4	0.2	- 0.6
Other operating income	5.3	10.6	6.2
Other operating expenses	- 6.3	1.4	- 11.9
Total	- 15.2	- 10.0	- 24.7

Profit from other services contains revenues from non-core activities, such as caretaker services for third parties, brokerage of insurance policies and the leasing of broadband to third parties. Selling expenses consist of personnel costs, marketing expenses and costs for external brokers, mainly for our privatization business.

All income not directly allocable to the various functional areas is disclosed under other operating income of €5.3 million (Q1 2007: €6.2 million). €2.6 million (Q1 2007: €2.1 million) of that amount relate to the reversal of provisions, €0.3 million (Q1 2007: €0.0 million) relate to income from the sale of financial assets and €1.0 million (Q1 2007: €0.6 million) relate to the write-off of liabilities

MANAGEMENT COSTS PER UNIT



We achieved a reduction of our management costs per unit to €434 in the first quarter of 2008, down from €448 per unit in 2007. Our costs to manage a unit are fully-loaded, including all costs associated with the management of units. We are targeting to reduce costs to €400 / unit by year-end.

REORGANIZATION AND RESTRUCTURING EXPENSES

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

In the first quarter of 2008, reorganization and restructuring expenses were €2.4 million, as compared to €2.1 million in the first quarter of 2007. Reorganization and restructuring expenses mainly consist of consulting fees for the tax restructuring of the Group and the implementation of a new IT-system.

STABLE EARNINGS BEFORE INTEREST AND TAXES (EBIT)

In the first quarter of 2008, our EBIT was €115.4 million, compared to €114.5 million in the first quarter of 2007 and €438.9 million in the fourth quarter of 2007. Excluding revaluation gains, EBIT was €115.2 million compared to €92.3 million in Q1 2007 and €108.4 million in the fourth quarter of 2007.

NET FINANCING EXPENSES

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

Net financing expenses increased from €67.9 million in the first quarter of 2007 and €73.7 million in the fourth quarter of 2007 to €87.9 million in the first quarter of 2008. The increase of net financing expenses is mainly a result of the financing of new acquisitions in 2007 and in the first quarter of 2008. Our net financing expenses are the sum of the following items:

€ MILLION	Q1 2008	Q4 2007	Q1 2007 (restated)
Interest expenses (periodical)	- 78.4	- 73.5	- 66.7
Interest (refinancing)	- 1.0	- 4.5	- 9.5
Total interest expenses	- 79.4	- 78.0	- 76.2
Interest income (periodical)	2.9	3.1	3.9
Other financial expenses / income	- 0.5	0.9	- 0.6
Loss / Profit from the fair value measurement of derivatives	- 10.9	0.3	5.0
Net financing expenses	- 87.9	- 73.7	- 67.9

PROFIT BEFORE TAXES

In the first quarter of 2008, our Group's profit before taxes was €27.5 million, as compared to €46.6 million in the first quarter of 2007 and €365.2 million in the fourth quarter of 2007. The profit before taxes is computed as EBIT of €115.4 million, reduced by net financing expenses of €87.9 million.

INCOME TAXES

Income taxes comprise deferred taxes of €21.0 million (prior year: €8.0 million) and effective income taxes of €2.1 million (prior year: €3.7 million).

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

Our tax expenses were as follows:

€ MILLION	Q1 2008	Q4 2007	Q1 2007
Current income tax expenses / income	- 2.1	4.5	- 3.7
Increase in corporate income tax based on the remaining EK 02	0.0	- 128.2	0.0
Deferred income tax expenses	- 21.0	- 337.7	- 8.0
Tax income for prior year	0.0	1.3	0.0
Income tax expenses	- 23.1	- 460.1	- 11.7

The actual tax rate for the first quarter of 2008 was 5.6 % on profit adjusted for unrealized gains and losses.

NET PROFIT

In the first quarter of 2008, we had a net profit of €4.4 million, as compared to €34.9 million in the first quarter of 2007 and €-94.9 million in the fourth quarter of 2007.

NET ASSET VALUE

NAV per share slightly decreased from €14.25 at the end of 2007 to €14.15 at the end of March 2008. The fair value of our investment property has nearly remained unchanged in the first quarter of 2008 compared to year end 2007.

€ MILLION	03-31-2008	12-31-2007
Shareholders' equity	2,722.0	2,765.2
Deferred taxes on IAS 40	470.4	448.6
NAV	3,192.4	3,213.8
NAV per share (€)	14.15¹⁾	14.25¹⁾

¹⁾ based on 225,6 million shares

Financial Position

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

	03-31-2008	03-31-2008	12-31-2007	12-31-2007
	€ MILLION	%	€ MILLION	%
Equity	2,825.8	26.5	2,867.2	27.0
Financial liabilities	6,730.2	63.2	6,649.1	62.6
Other liabilities	1,095.7	10.3	1,105.3	10.4
Total equity and liabilities	10,651.7	100.0	10,621.6	100.0

As of March 31, 2008, the Group's financial liabilities primarily comprised of the following long-term debt liabilities:

€ MILLION	Notional amount as of 03-31-2008	Weighted average maturity	Effective interest rate	Fixed or floating rate
Term loans	5,628.3	2013	3.9620 %	Fixed
Term loans	339.4	2015	5.7670 %	Floating ¹⁾
Senior debt	555.8	2035	2.6200 %	Fixed
Revolving credit facility	253.6	2010	6.2170 %	Floating ¹⁾
Nileg Other	38.3	2010	5.1120 %	Floating ¹⁾
	6,815.4			

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

Dividends

GAGFAH intends to pay the dividend for the first quarter of 2008 of €0.20 per share on June 6, 2008, to holders of record of GAGFAH S.A. shares on May 30, 2008. The shares of GAGFAH S.A. will be ex-dividend for the first quarter of 2008 dividend on June 2, 2008.

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 extend existing financing at suitable terms, be unable to increase rents and occupancy, to privatize further units or further reduce management costs.

Financial Statements and Notes

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A. Consolidated Balance Sheet

March 31, 2008

ASSETS			
€ MILLION	Note	03-31-2008	12-31-2007
Non-current assets			
Intangible assets	1.	32.5	32.3
Investment property	2.	10,079.9	9,795.2
Prepayments for investment properties	2.	0.2	202.6
Property, plant and equipment	3.	54.8	55.0
Other financial assets	4.	4.6	9.8
Other assets	6.	4.8	4.8
Deferred tax assets	8.	4.6	3.8
		10,181.4	10,103.5
Current assets			
Inventories	5.	83.0	84.5
Financial receivables and other financial assets	4.	1.3	1.2
Receivables		175.0	183.2
Other assets	6.	25.3	22.7
Securities		0.0	0.5
Current tax claims	7.	12.7	12.3
Bank balances and cash on hand	9.	170.0	205.6
		467.3	510.0
Assets held for sale		3.0	8.1
Total assets		10,651.7	10,621.6

EQUITY AND LIABILITIES

€ MILLION	Note	03-31-2008	12-31-2007
Equity	10.		
Subscribed capital		282.0	281.9
Capital reserve		1,537.8	1,537.5
Legal reserve		28.2	28.2
Revenue reserves		874.0	917.6
Equity attributable to the shareholders of the parent company		2,722.0	2,765.2
Minority interests		103.8	102.0
Total equity		2,825.8	2,867.2
Liabilities			
Non-current liabilities			
Liabilities to minority shareholders		2.2	13.1
Pension provisions		106.7	106.5
Other provisions	11.	27.0	26.7
Liabilities from income tax	12.	114.3	112.9
Deferred tax liabilities	8.	469.4	448.6
Financial liabilities	13.	6,634.3	6,557.3
Other liabilities	14.	5.7	5.9
Deferred liabilities of government granted loans		98.7	103.5
		7,458.3	7,374.5
Current liabilities			
Pension provisions		6.4	6.4
Other provisions	11.	49.8	60.1
Liabilities from income tax	12.	32.7	43.1
Financial liabilities	13.	95.9	91.8
Other liabilities	14.	177.5	172.7
Deferred liabilities of government granted loans		5.3	5.8
		367.6	379.9
Total liabilities		7,825.9	7,754.4
Total equity and liabilities		10,651.7	10,621.6

B. Consolidated Income Statement

for the period from January 1 to March 31, 2008

€ MILLION	Note	Q1 2008	Q1 2007 (restated)
Income from the leasing of investment property	15.	241.2	223.3
Transferable leasehold land interest		- 0.5	- 0.5
Operating expenses for the generation of rental income (excluding share-based remuneration)	16.	- 113.6	- 110.3
Profit from the leasing of investment property		127.1	112.5
Income from the sale of investment property		37.4	21.4
Carrying amount of investment property sold		- 31.0	- 15.3
Profit from the sale of investment property		6.4	6.1
Profit from fair value measurement		0.2	22.2
Income from the sale of commercial real estate and property development		2.2	9.6
Carrying amount of commercial real estate and property development sold		- 2.8	- 9.1
Loss / Profit from the sale of commercial real estate and property development		- 0.6	0.5
Profit from other services	17.	0.9	0.1
Selling expenses (excluding share-based remuneration)	18.	- 3.7	- 4.8
General and administrative expenses (excluding share-based remuneration)		- 11.0	- 13.7
Expenses for share-based remuneration		- 0.4	- 0.6
Other operating income	19.	5.3	6.2
Other operating expenses	19.	- 6.3	- 11.9
Profit from operations before reorganization and restructuring expenses		117.9	116.6
Reorganization and restructuring expenses	20.	- 2.4	- 2.1
Profit from operations		115.5	114.5
Loss / Profit from other financial assets		- 0.1	0.0
Earnings before interest and taxes (EBIT)		115.4	114.5
Interest expense (periodical)	21.	- 78.4	- 66.7
Other financial expenses		- 0.5	- 0.6
Interest income (periodical)		2.9	3.9
Loss / Profit from the fair value measurement of derivatives	21.	- 10.9	5.0
Interest (refinancing)		- 1.0	- 9.5
Profit before taxes		27.5	46.6
Income taxes (excluding EK 02)	22.	- 23.1	- 11.7
Net profit		4.4	34.9
Thereof attributable to:			
Minority interests		1.8	1.5
Shareholders of the parent company		2.6	33.4
Weighted average number of shares (undiluted)		225,565,918	225,515,377
Weighted average number of shares (diluted)		226,091,635	226,170,032
Basic and diluted earnings per share (in €)		0.01	0.15

C. Consolidated Cash Flow Statement

for the period from January 1 to March 31, 2008

€ MILLION	Q1 2008	Q1 2007 (restated)
Net profit	4.4	34.9
Change in the value of investment property	- 0.2	- 22.2
Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment	1.6	1.6
Gains on the disposal of property, plant and equipment	- 0.1	0.0
Gains on the disposal of investment property	- 6.4	- 6.2
Other non-cash income / expenses	27.6	17.5
Change in provisions, pension provisions and deferred liabilities of government granted loans	- 15.8	2.0
Change in deferred taxes	21.0	8.0
Change in working capital	- 3.3	- 7.7
Cash flows from operating activities	28.8	27.9
Cash received from the sale of investment property	42.9	22.9
Cash paid for investment property – reinvestment	0.0	0.0
	71.7	50.8
Cash paid for investment property – acquisition and modernization	- 112.3	- 29.9
Cash paid for investments in property, plant and equipment	- 1.7	- 1.2
Cash received from disposals of property, plant and equipment	0.0	0.5
Cash received from the sale of other financial assets	0.4	54.0
Cash paid for the acquisition of subsidiaries and minority shares in subsidiaries	- 9.9	- 318.2
Cash flows from investing activities	- 80.6	- 271.9
Cash paid to stockholders of GAGFAH S.A.	- 45.1	- 38.4
Cash paid for liabilities to minority shareholders	- 1.5	0.0
Cash received from raising financial liabilities	75.5	1,622.5
Cash repayments of financial liabilities	- 11.5	- 1,403.3
Interest and cost paid for refinancing	- 1.7	- 5.5
Cash flows from financing activities	15.7	175.3
Change in cash and cash equivalents	- 36.1	- 68.7
Bank balances, cash on hand and securities at the beginning of the year	206.1	367.0
Bank balances and cash on hand	170.0	298.3

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

€ MILLION	03-31-2008	12-31-2007	03-31-2007
Cash on hand	0.1	0.1	0.1
Restricted cash	93.3	89.0	87.7
Bank balances			
Time deposits	34.4	18.4	1.8
In current accounts	26.0	84.4	196.9
Fund balances	16.2	13.7	11.8
Bank balances and cash on hand	170.0	205.6	298.3
Securities	0.0	0.5	19.6
Bank balances, cash on hand and securities	170.0	206.1	317.9

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, 2008	281.9	1,537.5	28.2	1.1	916.5	2,765.2	102.0	2,867.2
Result from measurement of swaps	0.0	0.0	0.0	-1.1	0.0	-1.1	0.0	-1.1
Total income and expenses for the period recognized directly in equity	0.0	0.0	0.0	-1.1	0.0	-1.1	0.0	-1.1
Net profit	0.0	0.0	0.0	0.0	2.6	2.6	1.8	4.4
Total income and expenses for the period	0.0	0.0	0.0	-1.1	2.6	1.5	1.8	3.3
Share-based remuneration	0.1	0.3	0.0	0.0	0.0	0.4	0.0	0.4
Change in shareholdings and the consolidated Group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	-45.1	-45.1	0.0	-45.1
March 31, 2008	282.0	1,537.8	28.2	0.0	874.0	2,722.0	103.8	2,825.8
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 expenses 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 period	0.0	0.0	0.0	4.7	33.4	38.1	1.5	39.6
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

E. Notes to the Interim Consolidated Financial Statements

1. General Information

These Interim Consolidated Financial Statements of GAGFAH S.A., Luxembourg, have been prepared in accordance with the provisions of International Accounting Standard (IAS) 34 “Interim Financial Reporting” as adopted in the European Union.

The condensed Interim Consolidated Financial Statements do not contain all the disclosures and explanations required in Annual Financial Statements and should be read in conjunction with the Consolidated Financial Statements as of December 31, 2007.

The explanations are substantially made for the period from January 1 until March 31, 2008.

Information that is labeled “prior year” in the Consolidated Income Statement, the Statement of Changes in Consolidated Equity, the Consolidated Cash Flow Statement and the Group Segment Report refers to the respective reporting period of the preceding financial year. In the Notes to the Consolidated Balance Sheet and the Other Notes the comparative value is the value as of December 31 of the preceding financial year.

2. Consolidated Group and Consolidation Principles

CONSOLIDATED GROUP

Squeeze-Out GBH

As per December 31, 2007, GBH Acquisition GmbH held in total 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, had resolved to squeeze out the remaining minority shareholders of GBH AG by transferring their shares to GBH Acquisition GmbH in turn of granting the minority shareholders a compensation of €58.50 per share. However, in the following, several lawsuits have been filed against such squeeze-out resolution. All lawsuits have been settled on March 17, 2008, and the compensation has been increased to €61.50 per share. Upon registration in the commercial register on March 20, 2008, the squeeze-out became valid and GBH Acquisition GmbH sole shareholder in GBH AG. Thereafter, with effect as per April 2, 2008, the listing of GBH AG at the stock exchange of Stuttgart has been terminated.

CONSOLIDATION PRINCIPLES

The consolidation principles applied were the same as those applied in the previous set of Consolidated Financial Statements. A more detailed description can be found in the notes to the Consolidated Financial Statements as of December 31, 2007.

3. Accounting Policies

The Interim Financial Statements of the entities included in the Consolidated Financial Statements have been drawn up on the basis of uniform accounting policies. The accounting policies applied were the same as those used in the Consolidated Financial Statements as of December 31, 2007.

RESTATEMENT OF PRIOR YEAR FIGURES

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

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

Group Segment Report

4. Segment Reporting

Information on the segments for the first three months of fiscal year 2008 is presented below:

GAGFAH S.A. for the period from January 1 to March 31, 2008

€ MILLION	Real estate management	Real estate sales	Commercial real estate / property development	Group function / consolidation	Group Q1 2008
Segment revenues from third parties	241.2	37.4	2.2	0.0	280.8
Transaction with other segments	0.0	0.0	0.0	0.0	0.0
Segment revenues	241.2	37.4	2.2	0.0	280.8
Segment results (EBITDA)	127.8	3.0	-2.9	-8.6	119.3¹

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

€ MILLION	Real estate management	Real estate sales	Commercial real estate / property development	Group function / consolidation	Group Q1 2007 (restated)
Segment revenues from third parties	223.3	21.4	10.1	0.0	254.8
Transactions with other segments	0.1	0.0	0.0	-0.1	0.0
Segment revenues	223.4	21.4	10.1	-0.1	254.8
Segment results (EBITDA)	112.9	2.5	-6.6	-12.8	96.0¹

¹⁾ Excluding profits from fair value measurement.

5. Notes to the Consolidated Balance Sheet

1. INTANGIBLE ASSETS

Intangible assets with a finite lifespan mainly comprise software licenses for user programs amounting to €5.9 million (prior year: €5.7 million).

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

2. INVESTMENT PROPERTY AND PREPAYMENTS FOR INVESTMENT PROPERTIES

The following overview shows the development of the real estate portfolio since January 1, 2008:

€ MILLION	03-31-2008	12-31-2007
As of January 1	9,795.2	7,659.8
Changes to the consolidated Group	0.0	743.1
Additions	310.2	555.1
Disposals	- 22.9	- 143.7
Reclassifications	- 2.8	- 3.3
Changes in value	0.2	984.2
As of balance sheet date	10,079.9	9,795.2

Sections 6.15 and 6.16 of this report contain comments on income of €241.2 million (prior year: €223.3 million) from the leasing of investment property and operating expenses of €113.6 million (prior year: €110.3 million) for the generation of rental income.

Prepayments for investment properties amount to €0.2 million (prior year: €202.6 million).

3. PROPERTY, PLANT AND EQUIPMENT

There were no material changes within property, plant and equipment since December 31, 2007.

4. FINANCIAL RECEIVABLES AND OTHER FINANCIAL ASSETS

The reduction of the derivative financial instruments compared to December 31, 2007, is mainly the result of changes in the fair value of swaps.

5. INVENTORIES

There were no material changes within the inventories since December 31, 2007.

6. OTHER ASSETS

There were no material changes within the other assets since December 31, 2007.

7. CURRENT TAX CLAIMS

As of March 31, 2008, GAGFAH S.A. discloses current tax claims of €12.7 million (prior year: €12.3 million).

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

8. DEFERRED TAXES

Deferred tax assets of €4.6 million (prior year: €3.8 million) and deferred tax liabilities of €469.4 million (prior year: €448.6 million) result from temporary differences.

9. BANK BALANCES AND CASH ON HAND

This item includes cash and cash equivalents in the form of cash on hand, checks and bank balances totaling €170.0 million (prior year: €205.6 million).

The time deposits of GAGFAH S.A. have terms between one day and three months and generate interest income between 1.00 % and 4.15 % (weighted average: 3.63 %).

The balances in current accounts mainly accrue interest between 3.36 % and 3.53 %.

10. EQUITY

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

11. OTHER PROVISIONS

The decrease within the first quarter of 2008 is mainly due to the utilization and the reversal of provisions for refinancing (€4.3 million) and the utilization of provisions for restructuring (€4.3 million).

12. LIABILITIES FROM INCOME TAX

The Group's liabilities from income tax came to €147.0 million (prior year: €156.0 million) and relate to corporate income tax on EK 02 of €129.7 million (prior year: €128.2 million), trade tax of €5.7 million (prior year: €16.0 million) and corporate income tax of €11.6 million (prior year: €11.8 million).

13. FINANCIAL LIABILITIES

The financial liabilities of €6,730.2 million (prior year: €6,649.1 million) break down as follows for the fiscal year:

Liabilities to banks amount to €6,674.2 million (prior year: €6,590.2 million) and liabilities to other lenders to €56.0 million (prior year: €58.9 million).

Of the current and non-current liabilities to banks and other lenders, a total of €6,059.2 million (prior year: €5,997.5 million) is secured by charges on property. €268.6 million (prior year: €264.4 million) are secured by pledging of shares. No collateral has been provided for the remaining €402.4 million (prior year: €387.2 million).

Of the total financial liabilities, €6,458.7 million (prior year: €6,376.9 million) relate to privately financed loans. These in turn comprise term loans of €5,947.2 million (prior year: €5,881.4 million).

As of March 31, 2008, the Group's financial liabilities primarily comprise the following long-term debt liabilities.

€ MILLION	Notional amount as of 03-31-2008	Weighted avg. maturity	Effective interest rate	Fixed or floating rate	2008	
					Required repay- ments	Interest payments
Term loans	5,628.3	2013	3.9620%	Fixed	0.0	169.6
Term loans	339.4	2015	5.7670%	Floating	0.0	14.8
Senior debt	555.8	2035	2.6200%	Fixed	14.1	14.9
Revolving credit facility	253.6	2010	6.2170%	Floating	0.0	10.7
NILEG other	38.3	2010	5.1120%	Floating	0.0	1.5
	6,815.4				14.1	211.5

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

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

As of the end of the first quarter of 2008, €253.6 million of the revolving credit facility of €300.0 million had been drawn.

2009		2010		2011		2012		2013		≥ 2014	
Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments
0.0	226.1	0.0	226.1	0.0	226.1	0.0	226.1	4,017.0	173.0	1,611.3	34.4
0.0	19.8	0.0	19.8	0.0	19.8	279.4	8.1	0.0	3.4	60.0	41.9
18.1	13.4	17.3	12.9	17.1	12.7	16.7	12.2	16.1	11.6	456.3	216.2
0.0	16.1	253.6	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14.6	1.4	7.4	0.9	16.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0
32.7	276.8	278.3	271.8	33.5	258.8	296.1	246.4	4,033.1	188.0	2,127.6	292.5

2009		2010		2011		2012		2013		≥ 2014	
Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments	Required repayments	Interest payments
0.0	226.1	0.0	226.1	0.0	226.1	0.0	226.1	4,017.0	173.0	1,611.3	34.4
0.0	16.4	0.0	16.4	0.0	16.4	279.4	4.7	0.0	0.0	0.0	0.0
18.1	13.4	17.3	12.9	17.1	12.6	16.7	12.2	16.1	11.6	460.4	216.2
0.0	16.1	238.6	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14.6	1.6	9.6	1.0	16.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0
32.7	273.6	265.5	268.5	33.5	255.3	296.1	243.0	4,033.1	184.6	2,071.7	250.6

14. OTHER LIABILITIES

There were no material changes within the other liabilities since December 31, 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	Q1 2008	Q1 2007
Rental income, fees	171.5	157.6
Allocations charged	69.3	64.7
Rent, interest and expense subsidies	0.4	1.0
Total	241.2	223.3

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.

Rental income includes an amount of €5.2 million (prior year: €2.1 million) from the reversal of deferred liabilities of government granted loans.

16. OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

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

€ MILLION	Q1 2008	Q1 2007
Operating expenses	61.9	61.6
Maintenance costs	19.9	20.0
Personnel expenses	15.0	14.7
Real estate tax	6.1	5.0
Bad debt allowances	1.1	2.3
External costs for real estate management	3.1	1.9
Administrative expenses	2.3	2.2
Amortization and depreciation on intangible assets and property, plant and equipment	0.9	0.5
Other	3.3	2.1
Total	113.6	110.3

17. PROFIT FROM OTHER SERVICES

The profit from other services of €0.9 million (prior year: €0.1 million) mainly consists of revenues from third-party real estate management of €1.4 million (prior year: €1.3 million), revenues from other services of €1.8 million (prior year: €1.0 million) and revenues from the leasing of commercial real estate of €0.0 million (prior year: €0.5 million). This income contrasts with expenses totaling €2.3 million (prior year: €2.7 million) from third-party real estate management, other services and commercial real estate, €0.9 million (prior year: €0.9 million) of which relate to personnel expenses.

18. SELLING EXPENSES

Selling expenses of €3.7 million (prior year: €4.8 million) predominantly comprise expenses for sales, advertising and marketing. Of these expenses, €0.6 million (prior year: €0.8 million) relate to marketing expenses and expenses for selling pre-arrangements and €1.0 million (prior year: €1.0 million) to personnel. Further expenses amounting to €0.6 million (prior year: €0.9 million) are due to external distributors, and €0.2 million (prior year: €1.3 million) relate to expenses for the sale of commercial real estate and property development.

19. OTHER OPERATING INCOME AND EXPENSES

All income not directly allocable to the various functional areas is disclosed under other operating income of €5.3 million (prior year: €6.2 million). €2.6 million (prior year: €2.1 million) of that amount relate to the reversal of provisions and €0.3 million (prior year: €0.0 million) to income from the sale of financial assets. Further €1.0 million (prior year: €0.6 million) relate to the write-off of liabilities.

Of other operating expenses of €6.3 million (prior year: €11.9 million), €2.5 million (prior year: €6.9 million) relate to costs of commercial real estate and property development.

20. REORGANIZATION AND RESTRUCTURING EXPENSES

The expenses break down as follows:

€ MILLION	Q1 2008			Q1 2007		
	Restructuring	Reorganization	Total	Restructuring	Reorganization	Total
Personnel-related expenses	0.3	0.2	0.5	0.3	0.0	0.3
Consulting fees	1.1	0.4	1.5	1.5	0.0	1.5
Non-personnel administrative costs	0.3	0.1	0.4	0.3	0.0	0.3
Total	1.7	0.7	2.4	2.1	0.0	2.1

21. INTEREST EXPENSE (PERIODICAL) AND LOSS / PROFIT

FROM THE FAIR VALUE MEASUREMENT OF DERIVATIVES

The majority of the interest expense of €78.4 million (prior year: €66.7 million) relates to interest payments on bank loans.

Furthermore, there are interest expenses of €5.1 million (prior year: €0.5 million) from the amortization of the present value of the government granted loans.

Loss from the fair value measurement of derivatives amounts to €10.9 million (prior year: profit of €5.0 million) and results from the fair value measurement of swaps.

22. INCOME TAXES

Income taxes comprise deferred taxes of €21.0 million (prior year: €8.0 million) and effective income taxes of €2.1 million (prior year: €3.7 million).

7. Other Notes

7.1 FINANCIAL RISK MANAGEMENT

The methods of financial risk management have not changed since the last Consolidated Financial Statements. A detailed description of the interest rate, liquidity and credit risks as well as the financial risk management of GAGFAH S.A. is provided in the Notes to the Consolidated Financial Statements for fiscal year 2007.

7.2 CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS

Contingent Liabilities

GAGFAH S.A. has issued guarantees (up to the maximum amount of €76.4 million) for GAGFAH GmbH and GAGFAH Dritte Grundbesitz GmbH & Co. KG in favor of external banks regarding a guarantee facility respectively a term loan.

Other Financial Obligations

There were no material changes within the first quarter of 2008.

7.3 EMPLOYEES

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

	03-31-2008		03-31-2007	
	Heads	FTEs	Heads	FTEs
Authorized signatories / authorized agents	64	63	53	53
Salaried employees	901	870	902	871
Wage earners	480	463	431	413
Total	1,445	1,396	1,386	1,337

The total headcount including temporary personnel was 1,901 (prior year: 1,786), thereof 61 (prior year: 45) trainees.

7.4 RELATED PARTY TRANSACTIONS

Major transactions with related parties have been commented on in the notes to the Consolidated Financial Statements for the last fiscal year. There were no material changes within the first quarter of 2008.

7.5 MANAGEMENT

There were no changes within the composition of the board of directors and senior management since December 31, 2007, except from the appointment of Rolf Glessing as a member of the senior management of the Company's subsidiaries.

7.6 CASH DIVIDEND

The cash dividend paid in March 2008 (for the fourth quarter of 2007) amounted to €45.1 million.

7.7 SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING PERIOD

New Acquisitions

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

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GAGFAH S.A.

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GRAND DUCHY OF LUXEMBOURG

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