



Interim Report

as of September 30, 2008

Highlights

GAGFAH at a Glance

GAGFAH S.A. is a joint stock corporation organized under the laws of the Grand Duchy of Luxembourg qualifying as a securitization company under the Luxembourg Securitization Law of March 22, 2004. The core business of GAGFAH S.A.'s operating subsidiaries is the ownership and management of a geographically diversified and well-maintained residential property portfolio located throughout Germany. With a portfolio of approximately 175,000 apartments, GAGFAH is the largest German listed residential property company.

Highlights

- **NAV** of €13.97 per share and gross asset value of €869 per square meter as of September 30, 2008.
- **EBIT** before revaluation gains / losses up 5.0 % to €320.4 million in the first nine months of 2008 from €305.1 million in the first nine months of 2007.
- **PRE-TAX EARNINGS** before revaluation gains / losses of €95.1 million in the first nine months of 2008 after €103.9 million in the first nine months of 2007.
- **FFO** of €0.17 per share or €38.2 million in Q3 2008 and €0.63 per share or €141.5 million in the first nine months of 2008; higher rental income was offset by slightly higher maintenance expenses for refurbishing vacant rental units; we expect maintenance expenses to revert to a more normalized level in Q4.
- **QUARTERLY DIVIDEND** for Q3 2008 of €0.20 per share will be paid on December 5, 2008.

RENTS

- Our rental growth rate was 2.3 % annualized or 1.7 % for the first nine months of 2008 (same store¹⁾, well on track to exceed our target of 2.0 % this year.

GAGFAH S.A. SHARES AS OF SEPTEMBER 30, 2008

ISIN	LU0269583422
Total Market Cap. (€ million)	2,020
Industry Group	Real Estate
Number of Shares (million)	225.7
Listing	Frankfurt Stock Exchange
Major Indices Memberships	MDAX, EPRA, GPR

SALE OF INVESTMENT PROPERTY

- Sales volume up by 72 % to 1,994 units at a margin of 37 % in the first nine months of 2008, compared to 1,157 units at a margin of 17 % in the first nine months of 2007. We are revising our sales goal from 2,500 units to 3,500 - 4,000 units this year.

VACANCY

- Overall vacancy is at 4.7 % 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 nine months of 2008 is at 4.4 %.
- Excluding units held for privatization, our vacancy rate is at 3.8 % (same store¹⁾).

COSTS

- Our average management costs per unit declined from €424 in the first six months of 2008 to €416 in the first nine months of 2008. We are targeting to reduce costs to €400 per unit by year-end.

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

Key Financial Information

FINANCIAL FIGURES

	9M 2008	9M 2007 (restated) ²	Q3 2008	Q3 2007 (restated) ²	Q2 2008
INCOME STATEMENT (€ MILLION)					
Income from the leasing of investment property	741.8	698.7	252.8	239.0	247.8
Profit from the leasing of investment property	352.9	340.2	110.4	112.6	115.4
Profit from the sale of investment property	36.0	40.5	11.1	13.4	18.5
Loss / Profit from fair value measurement	-10.0	653.7	-7.0	9.5	-3.2
EBITDA	335.1	980.2	99.2	126.5	116.4
EBIT	310.4	958.8	91.3	122.2	103.7
EBT	85.1	757.6	0.8	45.5	56.8
FFO	141.5	123.0	38.2	46.6	51.4
FFO per share	0.63	0.55	0.17	0.21	0.23

	09-30-2008	12-31-2007	09-30-2007
BALANCE SHEET (€ MILLION)			
Investment property ¹	10,060.7	9,997.8	9,474.9
Financial liabilities	6,730.2	6,649.1	6,456.5

OPERATIONAL FIGURES

	9M 2008	9M 2007	Q2 2008
Group residential portfolio			
units	174,898	168,604	175,370
sqm	10,544,867	10,154,530	10,573,099
Net cold rent / sqm (in €)	4.92	4.83	4.90
Vacancy (in %)	4.7	5.0	4.6
Privatized / sold units	1,994	1,157	745

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

FUNDS FROM OPERATIONS – FFO (€ MILLION)

	9M 2008	9M 2007 (restated) ²	Q3 2008	Q3 2007 (restated) ²	Q2 2008
EBIT	310.4	958.8	91.3	122.2	103.7
Reorganization and restructuring expenses	19.8	16.6	6.3	2.8	11.1
Depreciation and amortization	4.9	4.8	1.6	1.5	1.6
EBITDA	335.1	980.2	99.2	126.5	116.4
Loss / Profit from fair value measurement	10.0	-653.7	7.0	-9.5	3.2
Realized valuation gains through sales	4.7	0.7	1.8	0.1	0.0
Net interest expenses	-222.5	-193.1	-75.8	-64.9	-71.2
Tax expenses ³	-5.5	-19.2	-1.5	-1.2	-1.9
Commercial real estate / property development	11.1	5.4	4.1	-5.7	3.1
Other financing expenses	5.8	0.4	1.7	0.4	1.1
Expenses for share-based remuneration	2.8	2.3	1.7	0.9	0.7
FFO	141.5	123.0	38.2	46.6	51.4
FFO per share	0.63	0.55	0.17	0.21	0.23

¹⁾ Including prepayments. ²⁾ For more information, please refer to page 9 of this report. ³⁾ In order to account for taxes in accordance with realized results, we have changed the treatment of taxes in the FFO calculation and now recognize income taxes as accrued instead of taxes paid (cash). The figures for the reference periods have been changed accordingly. The FFO per share would have been as follows using the "taxes paid" method: 9M 2008: 0.60, 9M 2007 (restated): 0.62, Q3 2008: 0.17, Q3 2007 (restated): 0.21, Q2 2008: 0.22.

Residential Property Portfolio

As of September 30, 2008

Top 20 Cities	Units	In % of total sqm	Rental Area sqm	Avg. Unit Size sqm	In-place Rent Annualized in € million ¹	In % of Total	In-place Rent mo / sqm (€)	Market Rent mo / sqm (€) ²	Vacant %
Core Residential Property Portfolio									
Dresden	41,914	20.5 %	2,373,537	57	130.5	18.6 %	4.58	4.81	6.7 %
Berlin	30,149	15.4 %	1,783,512	59	100.5	14.4 %	4.70	5.29	2.6 %
Hamburg	9,851	5.4 %	627,220	64	39.8	5.7 %	5.29	6.34	0.6 %
Hanover	6,217	3.4 %	392,304	63	25.6	3.6 %	5.43	5.88	3.8 %
Heidenheim	4,808	2.6 %	300,217	62	18.6	2.7 %	5.17	5.76	12.4 %
Bielefeld	4,173	2.4 %	276,574	66	14.2	2.0 %	4.28	4.75	1.8 %
Osnabrück	3,581	1.9 %	220,726	62	13.1	1.9 %	4.95	5.46	1.4 %
Braunschweig	3,241	1.7 %	199,370	62	12.0	1.7 %	5.02	5.58	2.4 %
Zwickau	3,092	1.5 %	173,056	56	8.5	1.2 %	4.08	4.13	19.9 %
Essen	2,375	1.3 %	156,217	66	9.8	1.4 %	5.25	5.72	8.1 %
Cologne	2,342	1.5 %	178,522	76	13.5	1.9 %	6.28	7.14	2.3 %
Frankenthal	2,109	1.1 %	130,898	62	7.7	1.1 %	4.93	5.14	7.0 %
Freiburg	1,920	1.1 %	128,283	67	8.7	1.2 %	5.66	6.08	0.6 %
Bocholt	1,809	1.0 %	111,656	62	6.2	0.9 %	4.63	5.49	1.7 %
Frankfurt am Main	1,719	0.8 %	95,888	56	8.2	1.2 %	7.08	7.97	1.2 %
Düsseldorf	1,703	0.9 %	99,000	58	7.9	1.1 %	6.61	6.95	1.6 %
Iserlohn	1,678	0.9 %	106,085	63	5.6	0.8 %	4.41	4.89	2.3 %
Bremen	1,569	0.9 %	99,525	63	5.8	0.8 %	4.88	5.42	6.8 %
Duisburg	1,431	0.8 %	96,333	67	5.1	0.7 %	4.43	4.84	17.3 %
Leverkusen	1,404	0.8 %	89,835	64	5.8	0.8 %	5.36	5.97	1.0 %
Subtotal Top 20 Cities	127,085	66.0 %	7,638,759	60	447.1	63.8 %	4.88	5.40	4.9 %
Other Cities	47,813	25.1 %	2,906,108	61	176.1	25.1 %	5.05	5.46	4.1 %
Total Core Residential Property Portfolio									
	174,898	91.1 %	10,544,867	60	623.2	89.0 %	4.92	5.42	4.7 %
Other ³	n/m	8.9 %	1,030,744	n/m	77.4	11.0 %			23.6 %
		100.0 %			700.6	100.0 %			

¹ Assuming 100 % occupancy.

² 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 rents 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.

³ Includes HB Funds, commercial properties, garages, senior homes, none core portfolio and other.

Directors' Report

Consolidated Income Statement

€ MILLION	9M 2008	9M 2007 (restated) ¹⁾	Q3 2008	Q3 2007 (restated) ¹⁾	Q2 2008
Income from the leasing of investment property	741.8	698.7	252.8	239.0	247.8
Transferable leasehold land interest	-1.6	-1.6	-0.4	-0.5	-0.7
Operating expenses for the generation of rental income (excluding share-based remuneration)	-387.3	-356.9	-142.0	-125.9	-131.7
Profit from the leasing of investment property	352.9	340.2	110.4	112.6	115.4
Income from the sale of investment property	108.5	134.9	34.5	63.8	36.6
Carrying amount of investment property sold	-72.5	-94.4	-23.4	-50.4	-18.1
Profit from the sale of investment property	36.0	40.5	11.1	13.4	18.5
Loss / Profit from fair value measurement	-10.0	653.7	-7.0	9.5	-3.2
Income from the sale of commercial real estate and property development	23.2	62.3	13.8	44.8	7.2
Carrying amount of commercial real estate and property development sold	-25.1	-54.9	-14.1	-37.6	-8.2
Loss / Profit from the sale of commercial real estate and property development	-1.9	7.4	-0.3	7.2	-1.0
Profit from other services	2.9	3.0	1.2	0.8	0.8
Selling expenses (excluding share-based remuneration)	-10.5	-14.2	-2.8	-4.2	-4.0
General and administrative expenses (excluding share-based remuneration)	-31.9	-40.6	-9.3	-12.2	-11.6
Expenses for share-based remuneration	-2.8	-2.3	-1.7	-0.9	-0.7
Other operating income	12.0	10.8	1.5	2.8	5.2
Other operating expenses	-16.3	-23.6	-5.4	-4.2	-4.6
Profit from operations before reorganization and restructuring expenses	330.4	974.9	97.7	124.8	114.8
Reorganization and restructuring expenses	-19.8	-16.6	-6.3	-2.8	-11.1
Profit from operations	310.6	958.3	91.4	122.0	103.7
Loss / Profit from other financial assets	-0.2	0.5	-0.1	0.2	0.0
Earnings before interest and taxes (EBIT)	310.4	958.8	91.3	122.2	103.7
Interest expenses (periodical)	-231.1	-205.0	-78.6	-68.3	-74.1
Other financial expenses	-1.6	-1.5	-1.3	-0.2	0.2
Interest income (periodical)	8.6	11.9	2.8	3.4	2.9
Profit / Loss from the fair value measurement of derivatives	2.8	9.0	-11.3	-7.0	25.0
Interest expenses (refinancing)	-4.0	-15.6	-2.1	-4.6	-0.9
Profit / Loss before taxes	85.1	757.6	0.8	45.5	56.8
Income taxes	-58.9	-73.8	-17.1	24.9	-18.7
Net profit / loss	26.2	683.8	-16.3	70.4	38.1
Thereof attributable to:					
Minority interests	6.5	21.9	-1.9	1.6	6.6
Shareholders of the parent company	19.7	661.9	-14.4	68.8	31.5
Weighted average number of shares (undiluted)	225,606,712	225,515,377	225,606,712	225,515,377	225,583,682
Weighted average number of shares (diluted)	226,182,453	226,170,424	226,182,453	226,170,424	226,152,455
Earnings per share (in €)	0.09	2.94	-0.06	0.31	0.14
Diluted earnings per share (in €)	0.09	2.93	-0.06	0.30	0.14

¹⁾ For more information, please refer to page 9 of this report.

GAGFAH Group – Operational Performance

INCOME FROM THE LEASING OF INVESTMENT PROPERTY

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

Income from the leasing of investment property includes rental income, allocations charged and rents from subsidized apartments. In the first nine months of 2008, our income from the leasing of investment property was €741.8 million, compared to €698.7 million in the first nine months of 2007. Approximately 68 % of such income was attributable to rental income. Rental income mainly consists

of net cold rent, which grew on a same store basis by 1.7 % to €4.94 per square meter since December 31, 2007, or 2.3 % on an annualized basis. We are well on track to exceed our target of 2.0 % for this year. Charges to tenants for recoverable expenses represented approximately 31 % of the income from the leasing of investment property in the first nine months of 2008. Growth of income from the leasing of investment property was mainly driven by raising rents closer to market levels and by the inclusion of acquisitions. Our average number of properties increased since Q3 2007 by approximately 8,600 units.

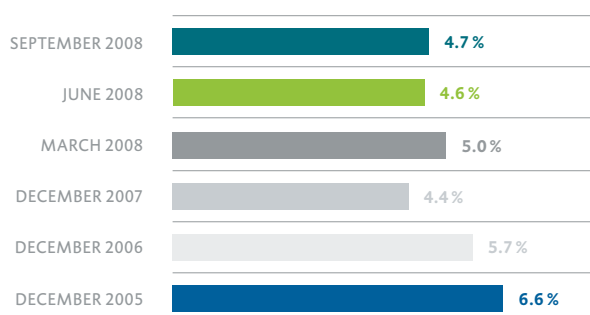
The income from the leasing of investment property is composed of:

€ MILLION	9M 2008	9M 2007	Q3 2008	Q3 2007	Q2 2008
Rental income, fees	506.0	469.5	169.2	160.0	165.3
Allocations charged	233.6	225.2	82.9	78.1	81.4
Other	2.2	4.0	0.7	0.9	1.1
Total	741.8	698.7	252.8	239.0	247.8

Rental income increased by 2.4 % to €169.2 million in Q3 2008 from €165.3 million in Q2 2008. On a nine months basis, we achieved an increase in rental income of 7.8 % to €506.0 million from €469.5 million in the first nine months of 2007.

Our overall vacancy rate has not materially changed and is at 4.7 % in Q3 2008 compared to 4.6 % in Q2 2008. On a same store basis, our vacancy rate remained unchanged at 4.4 % in Q3 2008 compared to the end of 2007. Excluding units held for privatization, our vacancy rate is at 3.8 % (on a same store basis). GAGFAH's aim is to achieve an overall vacancy rate of below 4.5 % by the end of 2008.

GROUP OVERALL VACANCIES



OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

In the first nine months of 2008, our operating expenses for the generation of rental income totaled €387.3 million, an increase of 8.5 % as compared to the first nine

months of 2007, mainly a result of our increased property portfolio.

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

€ MILLION	9M 2008	9M 2007	Q3 2008	Q3 2007	Q2 2008
Real estate operating expenses	206.6	199.0	69.4	66.2	75.3
Maintenance costs	68.4	59.6	27.2	20.3	21.3
Personnel expenses	44.2	39.3	14.1	12.6	15.1
Real estate tax	25.6	22.6	13.7	9.9	5.8
External costs for real estate management	9.9	7.7	3.2	3.8	3.6
Bad debt allowances	7.4	7.3	3.9	3.5	2.4
Administrative expenses	6.6	7.2	2.1	2.9	2.2
Amortization and depreciation on intangible assets and property, plant and equipment	2.6	2.7	0.8	1.0	0.9
Other	16.0	11.5	7.6	5.7	5.1
Total	387.3	356.9	142.0	125.9	131.7

Real estate operating expenses remained fairly stable in the first nine months of 2008 at €206.6 million as compared to €199.0 million in the first nine months of 2007. The increase is mainly due to the inclusion of acquisitions. The majority of these expenses are recoverable from tenants and include expenses such as heating, electricity, water and sewage. Real estate operating expenses can vary from quarter to quarter as the billing of utilities and insurances is not linear during the year.

Approximately 60 % or €233.6 million of the operating expenses for the generation of rental income of €387.3 million were charged back to our tenants in the form of recoverables in the first nine months of 2008.

Maintenance costs amounted to €68.4 million in the first nine months of 2008, as compared to €59.6 million in the first nine months of 2007. Higher 2008 costs relate to

both a higher number of units and the earlier finalization of maintenance projects in the first nine months of 2008 compared to 2007.

External costs for real estate management include marketing expenses in connection with GAGFAH's lease-up activities.

In the first nine months of 2008 and in Q3 2008, other operating expenses for the generation of rental income include expenses in connection with environmental regulations.

PROFIT FROM THE LEASING OF INVESTMENT PROPERTY

The profit from the leasing of investment property rose by 3.7 % in the first nine months of 2008, as compared to the first nine months of 2007, mainly as a result of rent increases and the inclusion of acquisitions.

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	9M 2008	9M 2007	Q3 2008	Q3 2007	Q2 2008
Income from the leasing of investment property	741.8	698.7	252.8	239.0	247.8
Transferable leasehold land interest	- 1.6	- 1.6	- 0.4	- 0.5	- 0.7
Operating expenses for the generation of rental income	- 387.3	- 356.9	- 142.0	- 125.9	- 131.7
Profit from the leasing of investment property	352.9	340.2	110.4	112.6	115.4

SALE OF INVESTMENT PROPERTY AT A MARGIN OF 38 %

In the third quarter of 2008, we sold 720 units at a margin of 38 % compared to 629 units sold at a margin of 11 % in the third quarter of 2007. In the first nine months of 2008, we sold 1,994 units at a margin of 37 %.

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 nine months of 2008, profit from the sale of investment property was €36.0 million, as compared to €40.5 million for the first nine months of 2007. Recognizing disposition costs, such as external broker fees, CapEx (pro rata) and marketing costs, net profit from sales is as follows:

OVERVIEW OF SALES RESULTS

	9M 2008	9M 2007	Q3 2008	Q3 2007	Q2 2008
Sold units	1,994	1,157	720	629	745
Sold sqm	119,287	79,407	46,385	41,666	40,400

	9M 2008 € MILLION	9M 2008 € PER UNIT	9M 2008 € PER SQM	Q3 2008 € MILLION	Q2 2008 € MILLION
Gross disposition proceeds	108.5	54,389	909	34.5	36.6
Book value ¹	- 67.8	- 33,982	- 568	- 21.6	- 18.1
Disposition costs ²	- 11.6	- 5,834	- 98	- 3.4	- 4.5
Net profit	29.1	14,573	244	9.5	14.0
Net profit margin	37 %			38 %	62 %

¹ Recognizing realized revaluations.

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

LOSS / PROFIT FROM FAIR VALUE MEASUREMENT

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

Our fair market valuation model is based on a discounted cash flow valuation of each investment property. The valuation of our investment properties is carried out in-house and is verified by an independent third-party valuer annually, usually at year end.

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

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

The result from the sale of commercial real estate and property development – which is calculated as the difference between the income from the sale and the carrying amount of the commercial real estate and property development – for the first nine months of 2008 amounts to a loss of €1.9 million, as compared to a profit of €7.4 million in the first nine months of 2007. The net loss of the commercial real estate and property development businesses was €11.1 million in the first nine months of 2008 compared to €5.5 million in the first nine months of 2007. All commercial properties have been sold in 2007. Please see table on next page.

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

€ MILLION	9M 2008	9M 2007	Q3 2008	Q3 2007	Q2 2008
Income from the sale of commercial real estate and property development	23.2	62.3	13.8	44.8	7.2
Carrying amount of the commercial real estate and property development sold	-25.1	-54.9	-14.1	-37.6	-8.2
Loss / Profit from the sale of commercial real estate and property development	-1.9	7.4	-0.3	7.2	-1.0
Loss / Profit from other services	-0.1	0.8	0.0	0.3	-0.1
Selling expenses (excluding share-based remuneration)	-0.4	-1.8	-0.1	-0.2	-0.1
Other operating income	1.1	3.6	0.3	1.0	0.3
Other operating expenses	-7.9	-10.0	-3.4	-1.3	-1.9
Loss / Profit from operations before interest	-9.2	0.0	-3.5	7.0	-2.8
Net interest expenses	-1.9	-5.5	-0.6	-1.3	-0.3
Net Loss / Profit	-11.1	-5.5	-4.1	5.7	-3.1

OTHER INCOME AND EXPENSE ITEMS

Other income and expense items for our Group totaled a net expense of €46.6 million in the first nine months of 2008, as compared to a net expense of €66.9 million in the first nine months of 2007.

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

€ MILLION	9M 2008	9M 2007 (restated) ¹⁾	Q3 2008	Q3 2007 (restated) ¹⁾	Q2 2008
Profit from other services	2.9	3.0	1.2	0.8	0.8
Selling expenses	-10.5	-14.2	-2.8	-4.2	-4.0
General and administrative expenses	-31.9	-40.6	-9.3	-12.2	-11.6
Expenses for share-based remuneration	-2.8	-2.3	-1.7	-0.9	-0.7
Other operating income	12.0	10.8	1.5	2.8	5.2
Other operating expenses	-16.3	-23.6	-5.4	-4.2	-4.6
Total	-46.6	-66.9	-16.5	-17.9	-14.9

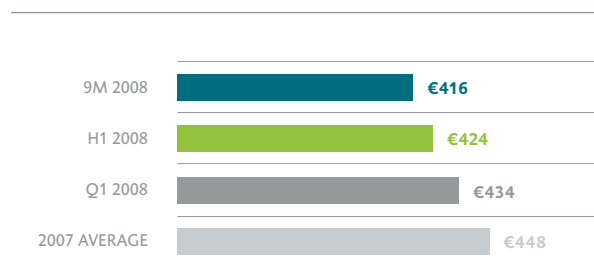
Profit from other services contains revenues from activities, such as caretaker services for third parties, brokerage of insurance policies and the leasing of broadband

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

¹⁾ For more information, please refer to page 9 of this report.

All income not directly allocable to the various functional areas is disclosed under other operating income of €12.0 million (9M 2007: €10.8 million). €4.3 million (9M 2007: €1.8 million) of that amount relate to the reversal of provisions, €1.0 million (9M 2007: €0.7 million) to the write-off of liabilities, and €0.3 million (9M 2007: €1.9 million) to income from the sale of financial assets. Other operating expenses are at €16.3 million, (9M 2007: €23.6 million), €7.9 million thereof relate to costs of commercial real estate and property development.

MANAGEMENT COSTS PER UNIT



As a result of our restructuring activities, we were able to cut G&A expenses and thus achieved a reduction of our management costs per unit to €416 in the first nine months of 2008, down from €424 per unit in the first six months of 2008. Our costs to manage a unit are fully-loaded, including all costs associated with the management of units. We are targeting to reduce costs to €400 per unit by year-end of 2008.

REORGANIZATION AND RESTRUCTURING EXPENSES

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

In the first nine months of 2008, reorganization and restructuring expenses were €19.8 million, as compared to €16.6 million in the first nine months of 2007. Reorganization and restructuring expenses mainly consist of severance payments, consulting fees for the tax restructuring of the Group as well as of the costs for an IT project.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

In the first nine months of 2008, our EBIT was €310.4 million, compared to €958.8 million in the first nine months of 2007. Excluding revaluation gains, EBIT increased by 5.0% to €320.4 million in the first nine months of 2008 from €305.1 million in the first nine months of 2007.

NET FINANCING EXPENSES

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

Net financing expenses increased to €225.3 million in the first nine months of 2008 from €201.2 million in the first nine months of 2007. The increase of net financing expenses is mainly a result of the financing of new acquisitions in 2007 and in the first nine months of 2008 and a lower profit from the fair value measurement of derivatives of €2.8 million. The profit/loss from the fair value measurement of derivatives in 2008 is mainly attributable to our swaps for which hedge accounting rules do not apply. Our net financing expenses are the sum of the following items:

€ MILLION	9M 2008	9M 2007 (restated) ¹	Q3 2008	Q3 2007 (restated) ¹	Q2 2008
Interest expenses (periodical)	- 231.1	- 205.0	- 78.6	- 68.3	- 74.1
Interest expenses (refinancing)	- 4.0	- 15.6	- 2.1	- 4.6	- 0.9
Total interest expenses	- 235.1	- 220.6	- 80.7	- 72.9	- 75.0
Interest income (periodical)	8.6	11.9	2.8	3.4	2.9
Other financial expenses	- 1.6	- 1.5	- 1.3	- 0.2	0.2
Profit/Loss from the fair value measurement of derivatives	2.8	9.0	- 11.3	- 7.0	25.0
Net financing expenses	- 225.3	- 201.2	- 90.5	- 76.7	- 46.9

¹ For more information, please refer to page 9 of this report.

PROFIT BEFORE TAXES

In the first nine months of 2008, our Group's profit before taxes (EBT) was €85.1 million, as compared to €757.6 million in the first nine months of 2007. The profit before taxes is computed as EBIT of €310.4 million reduced by net financing expenses of €225.3 million.

INCOME TAXES

Income taxes comprise deferred income taxes of €53.4 million (9M 2007: €54.6 million) and effective income taxes of €5.5 million (9M 2007: €19.2 million) for the first nine months of 2008.

€ MILLION	9M 2008	9M 2007	Q3 2008	Q3 2007	Q2 2008
Current income tax expenses	- 5.5	- 19.2	- 1.5	- 1.2	- 1.9
Deferred income tax expenses	- 53.4	- 54.6	- 15.6	26.1	- 16.8
Income tax expenses	- 58.9	- 73.8	- 17.1	24.9	- 18.7

In the first nine months of 2007, a one-off item of €12.4 million impacted current income tax expenses of €19.2 million. These €12.4 million were the result of a gain in the tax balance sheet from the disposition of a swap.

Deferred and effective income taxes were calculated with a tax rate of 32 % (9M 2007: 40 %). The decrease of the tax rate is based on the reduction of the corporate income taxes from 25 % to 15 % and changes in trade tax law within the German Business Tax Reform Act 2008 ("Unternehmenssteuerreform 2008").

The actual tax rate for the first nine months of 2008 was 6.6 % on profit adjusted for unrealized gains and losses.

Our tax expenses were as follows:

NET ASSET VALUE

NAV per share slightly decreased to €13.97 in Q3 2008. The fair value of our investment property has not materially changed in the first nine months of 2008 compared to year-end 2007.

€ MILLION	09-30-2008	12-31-2007
Shareholders' equity	2,651.2	2,765.2
Deferred taxes on investment properties	501.0	448.6
NAV	3,152.2	3,213.8
NAV per share (€)	13.97	14.25

Financial Position

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

	09-30-2008	09-30-2008	12-31-2007	12-31-2007
	€ MILLION	%	€ MILLION	%
Total Equity	2,758.4	26.1	2,867.2	27.0
Financial liabilities	6,730.2	63.6	6,649.1	62.6
Other liabilities	1,097.4	10.3	1,105.3	10.4
Total equity and liabilities	10,586.0	100.0	10,621.6	100.0

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

€ MILLION	Notional amount as of 09-30-2008	Weighted average maturity ²	Effective interest rate	Fixed or floating rate
Term loans	5,628.3	2013	3.96 %	Fixed
Term loans	346.4	2015	5.98 %	Floating ¹
Senior debt	544.3	2036	2.46 %	Fixed
Revolving credit facility	271.0	2010	7.00 %	Floating ¹
NILEG Other	35.0	2010	5.27 %	Floating
	6,825.0			

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

² For detailed debt maturities, please refer to page 30 of this report.

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.

There are no material amortizations during the lifetime of the loans and the closest maturity is the revolving credit facility due in September 2010. The revolving credit facility amounts to €300 million of which €271 million were drawn as of September 30, 2008.

Net Assets

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

€ MILLION	09-30-2008	12-31-2007
Non-current assets	10,164.7	10,103.5
Current assets	418.7	510.0
Assets held for sale	2.6	8.1
Total assets	10,586.0	10,621.6
Equity	2,758.4	2,867.2
Non-current liabilities	7,494.3	7,374.5
Current liabilities	333.3	379.9
Total equity and liabilities	10,586.0	10,621.6

Non-current assets amount to €10,164.7 million of which 99 % relate to investment property. Independent third-party appraisers from CB Richard Ellis GmbH have confirmed our values in their valuation reports in 2007.

Current assets amount to €418.7 million, of which 44 % are bank balances and cash on hand. Non-current liabilities of €7,494.3 million represent 96 % of total liabilities.

Significant Events after the Interim Reporting Period

GAGFAH has decided to defer the decision to finalize the planned tax restructuring to next year, mainly to retain the flexibility in respect of potential amendments to the interest ceiling rules ("Zinsschranke").

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

Dividends

GAGFAH intends to pay the dividend for the third quarter of 2008 of €0.20 per share on December 5, 2008, to holders of record of GAGFAH S.A. shares on December 1, 2008. The shares of GAGFAH S.A. will be ex-dividend for the third quarter of 2008 dividend on December 2, 2008.

Outlook

GAGFAH provides affordable housing with an average rent per apartment of approximately €300 per month. The German residential housing market as well as our core portfolio have shown robust characteristics with long tenancy stays and low vacancy rates, mainly due to the low supply of new housing. We believe that GAGFAH's underlying business is well positioned to continue to show a stable performance in the foreseeable future.

Opportunity and Risk Report

There were no significant changes to the risk situation compared with the presentation of Financial Risk Management in the 2007 Annual Report.

Forward-looking Statements

This interim report contains statements that constitute forward-looking statements. Such forward-looking statements relate to, among other things, future commitments to acquire real estate and achievement of acquisition targets, timing of completion of acquisitions and the operating performance of our investments. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may”, “will”, “should”, “potential”, “intend”, “expect”, “endeavour”, “seek”, “anticipate”, “estimate”, “overestimate”, “underestimate”, “believe”, “could”, “project”, “predict”, “continue”, “plan”, “forecast” or other similar words or expressions.

Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results from operations or of financial conditions or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is limited. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results or stated expectations, including the risk that GAGFAH S.A. will be unable to 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

September 30, 2008

ASSETS			
€ MILLION	Note	09-30-2008	12-31-2007
Non-current assets			
Intangible assets	1.	31.1	32.3
Investment property	2.	10,060.7	9,795.2
Prepayments for investment properties	2.	0.0	202.6
Property, plant and equipment	3.	53.2	55.0
Other financial assets	4.	9.8	9.8
Other assets	6.	4.8	4.8
Deferred tax assets	8.	5.1	3.8
		10,164.7	10,103.5
Current assets			
Inventories	5.	59.2	84.5
Financial receivables and other financial assets	4.	4.1	1.2
Receivables		134.0	183.2
Other assets	6.	26.7	22.7
Securities		0.0	0.5
Current tax claims	7.	11.0	12.3
Bank balances and cash on hand	9.	183.7	205.6
		418.7	510.0
Assets held for sale		2.6	8.1
Total assets		10,586.0	10,621.6

EQUITY AND LIABILITIES

€ MILLION	Note	09-30-2008	12-31-2007
Equity	10.		
Subscribed capital		282.1	281.9
Share premium		1,540.1	1,537.5
Legal reserve		28.2	28.2
Revenue reserves		800.8	917.6
Equity attributable to the shareholders of the parent company		2,651.2	2,765.2
Minority interests		107.2	102.0
Total equity		2,758.4	2,867.2
Liabilities			
Non-current liabilities			
Liabilities to minority shareholders		3.3	13.1
Pension provisions		107.0	106.5
Other provisions	11.	25.8	26.7
Liabilities from income tax	12.	116.8	112.9
Deferred tax liabilities	8.	502.3	448.6
Financial liabilities	13.	6,635.4	6,557.3
Other liabilities	14.	4.7	5.9
Deferred liabilities of government-granted loans		99.0	103.5
		7,494.3	7,374.5
Current liabilities			
Pension provisions		6.4	6.4
Other provisions	11.	57.0	60.1
Liabilities from income tax	12.	28.8	43.1
Financial liabilities	13.	94.8	91.8
Other liabilities	14.	141.9	172.7
Deferred liabilities of government-granted loans		4.4	5.8
		333.3	379.9
Total liabilities		7,827.6	7,754.4
Total equity and liabilities		10,586.0	10,621.6

B. Consolidated Income Statement

for the period from January 1 to September 30, 2008

€ MILLION	Note	9M 2008	9M 2007 (restated) ¹	Q3 2008	Q3 2007 (restated) ¹
Income from the leasing of investment property	15.	741.8	698.7	252.8	239.0
Transferable leasehold land interest		-1.6	-1.6	-0.4	-0.5
Operating expenses for the generation of rental income (excluding share-based remuneration)	16.	-387.3	-356.9	-142.0	-125.9
Profit from the leasing of investment property		352.9	340.2	110.4	112.6
Income from the sale of investment property		108.5	134.9	34.5	63.8
Carrying amount of investment property sold		-72.5	-94.4	-23.4	-50.4
Profit from the sale of investment property		36.0	40.5	11.1	13.4
Loss / Profit from fair value measurement		-10.0	653.7	-7.0	9.5
Income from the sale of commercial real estate and property development		23.2	62.3	13.8	44.8
Carrying amount of commercial real estate and property development sold		-25.1	-54.9	-14.1	-37.6
Loss / Profit from the sale of commercial real estate and property development		-1.9	7.4	-0.3	7.2
Profit from other services	17.	2.9	3.0	1.2	0.8
Selling expenses (excluding share-based remuneration)	18.	-10.5	-14.2	-2.8	-4.2
General and administrative expenses (excluding share-based remuneration)		-31.9	-40.6	-9.3	-12.2
Expenses for share-based remuneration		-2.8	-2.3	-1.7	-0.9
Other operating income	19.	12.0	10.8	1.5	2.8
Other operating expenses	19.	-16.3	-23.6	-5.4	-4.2
Profit from operations before reorganization and restructuring expenses		330.4	974.9	97.7	124.8
Reorganization and restructuring expenses	20.	-19.8	-16.6	-6.3	-2.8
Profit from operations		310.6	958.3	91.4	122.0
Loss / Profit from other financial assets		-0.2	0.5	-0.1	0.2
Earnings before interest and taxes (EBIT)		310.4	958.8	91.3	122.2
Interest expenses (periodical)	21.	-231.1	-205.0	-78.6	-68.3
Other financial expenses		-1.6	-1.5	-1.3	-0.2
Interest income (periodical)		8.6	11.9	2.8	3.4
Profit from the fair value measurement of derivatives	21.	2.8	9.0	-11.3	-7.0
Interest expenses (refinancing)		-4.0	-15.6	-2.1	-4.6
Profit / loss before taxes		85.1	757.6	0.8	45.5
Income taxes	22.	-58.9	-73.8	-17.1	24.9
Net profit / loss		26.2	683.8	-16.3	70.4
Thereof attributable to:					
Minority interests		6.5	21.9	-1.9	1.6
Shareholders of the parent company		19.7	661.9	-14.4	68.8
Weighted average number of shares (undiluted)		225,606,712	225,515,377	225,606,712	225,515,377
Weighted average number of shares (diluted)		226,182,453	226,170,424	226,182,453	226,170,424
Earnings per share (in €)		0.09	2.94	-0.06	0.31
Diluted earnings per share (in €)		0.09	2.93	-0.06	0.30

¹) For more information, please refer to page 25 of this report.

C. Consolidated Cash Flow Statement

for the period from January 1 to September 30, 2008

€ MILLION	9M 2008	9M 2007 (restated) ¹⁾
Net profit	26.2	683.8
Change in the value of investment property	10.0	- 653.7
Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment	4.9	5.0
Gains on the disposal of property, plant and equipment	0.2	0.2
Gains on the disposal of investment property	- 36.0	- 40.5
Other noncash income / expenses	30.0	32.1
Change in provisions, pension provisions and deferred liabilities of government-granted loans	- 12.0	- 5.2
Change in deferred taxes	53.4	54.6
Change in working capital	- 19.0	32.6
Cash flows from operating activities	57.7	108.9
Cash received from the sale of investment property	162.2	130.7
Cash paid for investment property – reinvestment	- 53.3	- 61.9
	166.6	177.7
Cash paid for investment property – acquisition and modernization	- 96.1	- 437.1
Cash paid for investments in intangible assets and property, plant and equipment	- 1.9	- 3.1
Cash received from disposals of property, plant and equipment	0.2	0.7
Cash received from the sale of commercial real estate	0.0	17.0
Cash received from the sale of other financial assets	0.4	75.9
Cash received from the sale of subsidiaries	0.1	0.0
Cash paid for the acquisition of subsidiaries and minority shares in subsidiaries	- 19.5	- 336.5
Cash flows from investing activities	- 7.9	- 614.3
Cash paid to stockholders of GAGFAH S.A.	- 135.4	- 121.8
Cash paid to minority interests	- 1.3	- 0.8
Cash paid for liabilities to minority shareholders	- 1.5	- 1.4
Cash received from raising financial liabilities	131.9	2,110.5
Cash repayments of financial liabilities	- 59.9	- 1,602.0
Interest and cost paid for refinancing	- 6.0	- 15.4
Cash flows from financing activities	- 72.2	369.1
Change in cash and cash equivalents	- 22.4	- 136.3
Bank balances, cash on hand and securities at the beginning of the year	206.1	370.5
Bank balances, cash on hand and securities	183.7	234.2

¹⁾ For more information, please refer to page 25 of this report.

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

€ MILLION	09-30-2008	12-31-2007	09-30-2007
Cash on hand	0.1	0.1	0.1
Bank balances			
Time deposits	19.5	18.4	23.1
In current accounts	51.1	84.4	73.1
Restricted cash	98.9	89.0	124.5
Fund balances	14.1	13.7	12.9
Bank balances and cash on hand	183.7	205.6	233.7
Securities	0.0	0.5	0.5
Bank balances, cash on hand and securities	183.7	206.1	234.2

Cash and cash equivalents as of the balance sheet date included restricted cash of €98.9 million (prior year: €89.0 million) to which GAGFAH S.A. has direct access. These funds result from the sale of investment properties. GAGFAH S.A. has the option to either use these account balances for reinvestments in investment property or pay off debts.

D. Statement of Changes in Consolidated Equity

€ MILLION	REVENUE RESERVES					Equity attributable to the shareholders of the parent company	Minority interests	Total equity
	Subscribed capital	Share premium	Legal reserve	Unrealized gains/losses from derivative financial instruments	Retained earnings			
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	19.7	19.7	6.5	26.2
Total income and expenses for the period	0.0	0.0	0.0	-1.1	19.7	18.6	6.5	25.1
Share-based remuneration	0.2	2.6	0.0	0.0	0.0	2.8	0.0	2.8
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	-135.4	-135.4	-1.3	-136.7
September 30, 2008	282.1	1,540.1	28.2	0.0	800.8	2,651.2	107.2	2,758.4
January 1, 2007	281.9	1,572.1	27.6	-0.6	449.0	2,330.0	66.5	2,396.5
Result from measurement of swaps	0.0	0.0	0.0	5.1	0.0	5.1	0.0	5.1
Total income and expenses for the period recognized directly in equity	0.0	0.0	0.0	5.1	0.0	5.1	0.0	5.1
Net profit	0.0	0.0	0.6	0.0	661.3	661.9	21.9	683.8
Total income and expenses for the period	0.0	0.0	0.6	5.1	661.3	667.0	21.9	688.9
Share-based remuneration	0.0	5.8	0.0	0.0	0.0	5.8	0.0	5.8
Change in shareholdings and the consolidated Group	0.0	0.0	0.0	0.0	0.2	0.2	19.8	20.0
Dividends	0.0	-40.2	0.0	0.0	-43.2	-83.4	-0.8	-84.2
September 30, 2007	281.9	1,537.7	28.2	4.5	1,067.3	2,919.6	107.4	3,027.0

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 July 1 until September 30, 2008.

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

2. Consolidated Group and Consolidation Principles

CONSOLIDATED GROUP

Upstream mergers

GAGFAH Projektentwicklungs- und Projektsteuergesellschaft mbH transferred its net assets as a whole to GAGFAH M Immobilien Management GmbH by an upstream merger. WTCH-World Trade Center Hannover GmbH and WBO Wohnungsbau-Beteiligungs GmbH transferred their net assets as a whole to NILEG Immobilien Holding GmbH by upstream mergers.

Change of corporate form

GAGFAH Pegasus GmbH & Co. KG was changed and renamed into GAGFAH Pegasus GmbH, and GAGFAH First Property Holding GmbH & Co. KG was changed and renamed into GAGFAH Erste Grundbesitz GmbH.

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, the 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 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 three quarters of 2008 and accordingly for the first three quarters of 2007; the comparative figures in the income statement have been revised to reflect the reclassification of the operations.

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

4. Segment Reporting

Information on the segments is presented below:

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

€ MILLION	Real estate management	Real estate sales	Commercial real estate / property development	Group function / consolidation	Group 9M 2008
Segment revenues	741.8	108.5	23.2	0.0	873.5
Segment results (EBITDA)	354.8	25.4	-9.2	-25.9	345.1¹

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

€ MILLION	Real estate management	Real estate sales	Commercial real estate / property development	Group function / consolidation	Group 9M 2007 (restated) ²
Segment revenues	698.7	134.9	64.1	0.0	897.7
Segment results (EBITDA)	342.0	27.8	0.0	-43.1	326.7¹

¹ Excluding profits from fair value measurement.

² For more information, please refer to page 25 of this report.

5. Notes to the Consolidated Balance Sheet

1. INTANGIBLE ASSETS

Intangible assets with a finite lifespan mainly comprise software licenses for user programs amounting to €4.5 million (prior year: €5.7 million).

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

2. INVESTMENT PROPERTY AND PREPAYMENTS FOR INVESTMENT PROPERTIES

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

€ MILLION	09-30-2008	12-31-2007
As of January 1, 2008 (2007)	9,795.2	7,659.8
Changes to the consolidated Group	0.0	743.1
Additions	342.7	555.1
Disposals	- 64.4	- 143.7
Reclassifications	- 2.8	- 3.3
Changes in value	- 10.0	984.2
As of balance sheet date	10,060.7	9,795.2

Sections 6.15 and 6.16 of this report contain comments on income of €741.8 million (prior year: €698.7 million) from the leasing of investment property and operating expenses of €387.3 million (prior year: €356.9 million) for the generation of rental income.

Prepayments for investment properties amount to €0.0 million (prior year: €202.6 million).

3. PROPERTY, PLANT AND EQUIPMENT

There were no material changes within property, plant and equipment since June 30, 2008.

4. FINANCIAL RECEIVABLES AND OTHER FINANCIAL ASSETS

The decrease compared to June 30, 2008, is the result of changes in the fair value of swaps. Further information is provided in section 6.21 on page 34 of this report.

5. INVENTORIES

The decrease in inventories compared to June 30, 2008, is mainly due to the sale of land without buildings.

6. OTHER ASSETS

There were no material changes within the other assets since June 30, 2008.

7. CURRENT TAX CLAIMS

As of September 30, 2008, GAGFAH S.A. discloses current tax claims of €11.0 million (prior year: €12.3 million).

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

8. DEFERRED TAXES

Deferred tax assets of €5.1 million (prior year: €3.8 million) and deferred tax liabilities of €502.3 million (prior year: €448.6 million) result from temporary differences.

The increase of the deferred tax liabilities in the third quarter mainly relates from rising temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes caused by the ongoing depreciation under fiscal law.

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 €183.7 million (prior year: €205.6 million).

The time deposits of GAGFAH S.A. have terms between one day and three months and generate interest income between 2.50 % and 4.90 % (weighted average: 4.15 %).

The balances in current accounts mainly accrue interest between 3.53 % and 3.80 %.

10. EQUITY

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

11. OTHER PROVISIONS

There were no material changes within other provisions since June 30, 2008.

12. LIABILITIES FROM INCOME TAX

There were no material changes within the liabilities from income tax since June 30, 2008.

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 €6,674.9 million (prior year: €6,590.2 million) and liabilities to other lenders to €55.3 million (prior year: €58.9 million).

Of the current and non-current liabilities to banks and other lenders, a total of €6,402.0 million (prior year: €5,997.5 million) is secured by charges on property. €0.0 million (prior year: €264.4 million) are secured by pledging of shares. No collateral has been provided for the remaining €328.2 million (prior year: €387.2 million).

€6,460.9 million of the total financial liabilities (prior year: €6,376.9 million) relate to privately financed loans.

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

€ MILLION	Notional amount as of 09-30-2008	Weighted avg. maturity	Effective interest rate	Fixed or floating rate	2008	
					Required repay- ments	Interest payments
Term loans	5,628.3	2013	3.9620 %	Fixed	0.0	57.8
Term loans	346.4	2015	5.9810 %	Floating ¹	0.0	5.3
Senior debt	544.3	2036	2.4610 %	Fixed	5.7	4.2
Revolving credit facility	271.0	2010	6.9970 %	Floating ¹	0.0	4.8
NILEG other	35.0	2010	5.2720 %	Floating	0.0	0.5
	6,825.0				5.7	72.6

€ 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 ¹	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 ¹	0.0	16.1
NILEG other	40.6	2009	5.1898 %	Floating	0.0	2.1
	6,750.8				18.1	274.7

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

The 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 third quarter of 2008, €271.0 million of the revolving credit facility of €300.0 million have been drawn.

14. OTHER LIABILITIES

The decrease of other liabilities in the third quarter of €14.1 million mainly relates to changes in liabilities from operating expenses.

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	21.0	0.0	21.0	0.0	21.0	279.4	9.0	0.0	4.1	67.0	21.2
17.7	13.2	17.0	12.8	16.9	12.6	16.5	12.2	15.9	11.6	454.6	216.2
0.0	19.2	271.0	14.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14.7	1.5	5.4	0.9	14.9	0.2	0.0	0.0	0.0	0.0	0.0	0.0
32.4	281.0	293.4	275.0	31.8	259.9	295.9	247.3	4,032.9	188.7	2,132.9	271.8

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

6. Notes to the Consolidated Income Statement

15. INCOME FROM THE LEASING OF INVESTMENT PROPERTY

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

€ MILLION	9M 2008	9M 2007
Rental income, fees	506.0	469.5
Allocations charged	233.6	225.2
Rent, interest and expense subsidies	1.6	3.5
Risk of default on allocations	0.5	0.4
Lease income	0.1	0.1
Total	741.8	698.7

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

The rent, interest and expense subsidies primarily relate to government allowances to allow lower rent to be charged for subsidized housing. The amount of €3.5 million (9M 2007) contains nonrecurring subsidies.

Rental income includes an amount of €5.9 million (prior year: €6.7 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	9M 2008	9M 2007
Operating expenses	206.6	199.0
Maintenance costs	68.4	59.6
Personnel expenses	44.2	39.3
Real estate tax	25.6	22.6
External costs for real estate management	9.9	7.7
Bad debt allowances	7.4	7.3
Administrative expenses	6.6	7.2
Amortization and depreciation on intangible assets and property, plant and equipment	2.6	2.7
Other	16.0	11.5
Total	387.3	356.9

17. PROFIT FROM OTHER SERVICES

The profit from other services of €2.9 million (prior year: €3.0 million) consists of revenues from third-party real estate management of €4.4 million (prior year: €4.2 million) and revenues from other services of €7.0 million (prior year: €5.8 million). The prior-year income also included revenues from the leasing of commercial real estate of €1.8 million. The overall income is set off by expenses totaling €8.5 million (prior year: €8.8 million) from third-party real estate management, other services and commercial real estate, €3.9 million (prior year: €3.1 million) of which relate to personnel expenses.

18. SELLING EXPENSES

Selling expenses of €10.5 million (prior year: €14.2 million) predominantly comprise expenses for sales, advertising and marketing. Of these expenses, €2.7 million (prior year: €2.7 million) relate to marketing expenses and expenses for the preparation of privatization units and €3.3 million (prior year: €3.3 million) to personnel.

€2.3 million (prior year: €4.0 million) are broker fees and €0.4 million (prior year: €1.8 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 €12.0 million (prior year: €10.8 million). €4.3 million (prior year: €1.8 million) of that amount relate to the reversal of provisions and €1.0 million (prior year: €0.7 million) to the write-off of liabilities. Further €0.3 million (prior year: €1.9 million) relate to income from the sale of financial assets.

Of the other operating expenses of €16.3 million (prior year: €23.6 million), €7.9 million (prior year: €10.0 million) relate to costs of commercial real estate and property development.

20. REORGANIZATION AND RESTRUCTURING EXPENSES

The expenses break down as follows:

€ MILLION	9M 2008			9M 2007		
	Restructuring	Reorganization	Total	Restructuring	Reorganization	Total
Personnel-related expenses	8.9	2.2	11.1	12.7	0.0	12.7
Consulting fees	1.8	5.2	7.0	1.3	0.8	2.1
Nonpersonnel administrative cost	0.6	1.1	1.7	1.4	0.4	1.8
Total	11.3	8.5	19.8	15.4	1.2	16.6

21. INTEREST EXPENSES (PERIODICAL) AND PROFIT FROM THE FAIR VALUE

MEASUREMENT OF DERIVATIVES

The majority of the interest expenses of €231.1 million (prior year: €205.0 million) relates to interest payments on bank loans.

Furthermore, there are interest expenses of €5.9 million (prior year: €2.8 million) from the amortization of the present value of government-granted loans.

The profit from the fair value measurement of derivatives amounts to €2.8 million (prior year: €9.0 million) and results from the fair value measurement of swaps. The fair value measurement in the third quarter was effected by lower mid-term interest rates.

22. INCOME TAXES

Income taxes comprise deferred taxes of €53.4 million (prior year: €54.6 million) and effective income taxes of €5.5 million (prior year: €19.2 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

Other Financial Obligations

There were no material changes within the first three quarters of 2008, except from an increase of €7.4 million mainly due to the prolongation of the contract for the operational system.

7.3 EMPLOYEES

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

	9M 2008		9M 2007	
	Heads	FTEs	Heads	FTEs
Authorized signatories / authorized agents	46	46	64	63
Salaried employees	892	861	928	895
Wage earners	503	485	438	421
Total	1,441	1,392	1,430	1,379

The total headcount including temporary personnel was 1,883 (prior year: 1,843), thereof 65 (prior year: 53) 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 three quarters of 2008.

7.5 MANAGEMENT

There were no changes within the composition of the Board of Directors and senior management since June 30, 2008, except from the retirement of Jörg Deisel as a member of the senior management of the Company's subsidiaries.

7.6 CASH DIVIDEND

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

7.7 SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING PERIOD

New Acquisitions

Since October 1, 2008, no further acquisitions have been made.

GAGFAH has decided to defer the decision to finalize the planned tax restructuring to next year, mainly to retain the flexibility in respect of potential amendments to the interest ceiling rules ("Zinsschranke").

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

IMPRINT:

GAGFAH S.A.

2-4 RUE BECK

L-1222 LUXEMBOURG

GRAND DUCHY OF LUXEMBOURG

CONCEPT / DESIGN:

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