



Interim Report

as of September 30, 2006

Highlights

About GAGFAH S.A.

GAGFAH S.A. is a joint stock corporation incorporated in Luxembourg. GAGFAH's core business is the ownership, management and acquisition of a geographically diversified and well maintained residential property portfolio throughout Germany. With a portfolio of over 150,000 apartments located throughout Germany, GAGFAH is the largest German listed residential property company.

Key Performance Indicators

All per share data is based on 225 million total shares outstanding.

PRO FORMA THIRD QUARTER 2006

- Net profit after taxes of €17.8 million for the third quarter of 2006.
- Earnings per share of €0.08 per total shares outstanding for the third quarter of 2006.
- Funds from operations ("FFO", see Key Financial Information) of €38.5 million for the third quarter of 2006.
- FFO per share of €0.17 per total shares outstanding for the third quarter of 2006.

PRO FORMA NINE MONTHS 2006

- Net profit after taxes of €147.2 million for first nine months of 2006 increased from €-72.3 million for first nine months of 2005.
- Earnings per share of €0.63 per total shares outstanding for the first nine months of 2006 compared to €-0.33 per total shares outstanding for the first nine months of 2005.
- FFO increased by >100 % to €117.2 million for the first nine months of 2006 from €8.3 for the first nine months of 2005.
- FFO per share of €0.52 per total shares outstanding for the first nine months of 2006.

BASIC FIGURES OF GAGFAH S.A. SHARES

ISIN	LU0269583422
Ticker-Symbol	GFJ
Industry Group	Real Estate
Number of shares	225,000,000
Listing	Frankfurt Stock Exchange
Freefloat	19.95 %

Third Quarter Highlights

- IPO of GAGFAH S.A. on October 19, 2006.
- Rental growth of 1.1 % (same store) since 2005 year end or 1.5 % on an annualized basis.
- Reduced portfolio vacancy to 5.7 %, down from 6.2 % on June 30, 2006.
- Privatized 301 units in Q3 2006, 476 units for the first nine months of 2006.
- Acquisitions for a total of €527 million, €812 per square meter and a rent multiple of 13.6.
 - Signed two asset deals effective Q4 for €49 million comprising 1,259 units.
 - November 10, 2006: announced acquisition of 86.8 % and a public take over offer for shares in Grundstücks und Baugesellschaft AG Heidenheim (GBH AG) with approximately 9,000 units for a total consideration of up to €437 million (excluding additional acquisition costs of approximately €41 million), €763 per square meter and a rent multiple of 13.7.
- Acquired 48,216 units for a total consideration of approximately €2.5 billion in the first nine months of 2006.
- We believe that our financial and trading prospects remain favorable based on our potential acquisitions pipeline and continued improvements to the performance of the existing portfolio.

Key Financial Information

FINANCIAL FIGURES (€'000) PRO FORMA¹

INCOME STATEMENT	01-01– 09-30-2006	01-01– 09-30-2005	Change in %
Profit from the leasing of investment property	311,780	276,072	12.9
Profit from the sale of investment property	12,284	–7,172	>100.0
Profit from the measurement at fair value	52,770	31,840	65.7
EBIT	310,282	240,535	29.0
EBITDA	332,079	256,289	29.6
Weighted average number of shares	200,792,638	177,331,796	13.2
EPS (in €)	0.71	–0.43	>100.0

FINANCIAL FIGURES (€'000) PRO FORMA¹

BALANCE SHEET	09-30-2006	12-31-2005	Change in %
Investment property	7,639,063	7,611,754	0.4
Financial liabilities	5,638,767	5,520,362	2.1

OPERATIONAL FIGURES PRO FORMA¹

	09-30-2006	06-30-2006	Change in %
Group residential portfolio			
units	150,503	151,261	–0.5
sqm	9,026,446	9,075,164	–0.5
Net cold rent/sqm (in €)	4.76	4.75	0.2
Vacancy (in %)	5.7	6.2	–8.1
Number of employees (FTEs)	1,434	1,480	–3.1
Sold units	476	175	>100.0

FFO is a non-IFRS financial measure that our Group's management uses to report the funds generated from continuing 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 pro forma EBIT to pro forma FFO for our Group:

FUNDS FROM OPERATIONS – “FFO” (€ MILLION) PRO FORMA¹

	01-01– 09-30-2006	01-01– 09-30-2005	Change in %
EBIT	310.3	240.5	29.0
Restructuring Expenses	17.0	0	>100.0
Depreciation and Amortization	4.8	15.8	–69.6
EBITDA	332.1	256.3	29.6
Revaluation	–52.8	–31.8	66.0
Interest Expenses	–175.0	–218.1	19.8
Interest Income	5.1	5.1	0.0
Taxes paid	1.5	–3.2	>100.0
IPO costs	6.3	0	>100.0
FFO	117.2	8.3	>100.0
FFO per share (in €, for 225m shares outstanding)	0.52	0.04	>100.0

¹) Since our Group is the result of acquisitions and corporate combinations occurring at various times since September 2004, historical accounting results are not comparable for prior periods. Consequently, we use pro forma figures to provide comparable results of operations. We use pro forma figures to illustrate the integration effects of the affiliated companies, if GAGFAH S.A. had existed in its current form on the respective periods.

A. Consolidated Balance Sheet

ASSETS		PRO FORMA		
IN €'000	Notes	09-30-2006	12-31-2005	12-31-2005
Non-current assets				
Intangible assets	1	5,622	4,586	5,366
Investment property	2	7,639,063	5,790,102	7,611,754
Property, plant and equipment	3	68,372	95,134	101,765
Other financial assets	6	15,496	4,831	10,657
Receivables	5	28	26	26
Other assets	7	11,405	659	11,487
Deferred tax assets	9	128,917	91,272	140,903
Total non-current assets		7,868,903	5,986,610	7,881,958
Current assets				
Inventories	4	162,529	178,580	181,888
Receivables	5	116,330	82,119	86,539
Other financial assets	6	37,795	0	0
Other assets	7	38,717	7,521	29,533
Securities		3,486	0	0
Current tax claims	8	4,496	3,939	3,939
Bank balances and cash on hand	10	498,476	217,563	276,000
Subtotal current assets		861,829	489,722	577,899
Assets of discontinued operations		16,206	107,837	107,837
Total current assets		878,035	597,559	685,736
Total assets		8,746,938	6,584,169	8,567,694

EQUITY AND LIABILITIES

IN €'000	Notes	09-30-2006	12-31-2005	PRO FORMA 12-31-2005
Equity	11			
Subscribed capital		281,250	224,933	224,933
Capital reserve		1,587,900	936,237	1,549,911
Revenue reserves		461,959	338,487	354,422
Equity attributable to the shareholders of the parent company		2,331,109	1,499,657	2,129,266
Minority interests		78,603	63,073	76,079
Total Equity		2,409,712	1,562,730	2,205,345
Liabilities				
Non-current liabilities				
Borrowed capital from shareholders		6,352	0	8,886
Pension provisions		101,812	100,152	100,346
Other provisions	12	31,936	9,051	21,644
Deferred tax liabilities	9	157,579	66,680	146,308
Financial liabilities	14	5,398,369	4,266,118	5,166,939
Other liabilities	15	7,738	6,035	6,035
Deferred government loans		103,577	100,029	105,108
Total non-current liabilities		5,807,363	4,548,065	5,555,266
Current liabilities				
Pension provisions		6,304	6,254	6,254
Other provisions	12	65,117	74,288	92,467
Liabilities for income taxes	13	7,884	9,708	10,218
Financial liabilities	14	240,398	86,886	353,423
Other liabilities	15	205,370	292,125	339,636
Deferred government loans		4,790	3,450	4,422
Subtotal current liabilities		529,863	472,711	806,420
Liabilities from discontinued operations		0	663	663
Total current liabilities		529,863	473,374	807,083
Total liabilities		6,337,226	5,021,439	6,362,349
Total equity and liabilities		8,746,938	6,584,169	8,567,694

B. Consolidated Income Statement

IN €'000	Notes	01-01- 09-30-2006	01-01- 09-30-2005	07-01- 09-30-2006	07-01- 09-30-2005
Income from the leasing of investment property	16	558,543	352,978	195,312	124,840
Expenses for hereditary building rights		-1,549	-1,665	-793	-782
Operating expenses for the generation of rental income	17	-265,061	-170,156	-87,433	-59,097
Profit from the leasing of investment property		291,933	181,157	107,086	64,961
Income from the sale of investment property	18	87,632	38,533	34,163	2,907
Carrying amount of the investment property sold		-77,249	-46,357	-28,767	-3,482
Profit from the sale of investment property		10,383	-7,824	5,396	-575
Unrealized gains from fair value measurement		225,969	158,265	67,894	18,925
Unrealized losses from fair value measurement		-181,166	-97,926	-48,215	-2,538
Profit from the measurement at fair value	19	44,803	60,339	19,679	16,387
Profit from other services	20	2,334	343	-3,263	211
Selling expenses	21	-6,283	-4,418	-3,929	-3,184
General and administrative expenses	21	-60,967	-25,679	-21,255	-3,181
Other operating income	22	18,026	6,288	8,029	4,848
Other operating expenses	22	-9,015	-8,364	-2,989	-2,472
Profit from operations before restructuring		291,214	201,842	108,754	76,995
Restructuring expenses		-17,039	0	-6,816	0
Profit from operations		274,175	201,842	101,938	76,995
Investment result		756	107	527	107
Earnings before interest and taxes (EBIT)		274,931	201,949	102,465	77,102
Interest expense (periodical)	23	-162,051	-142,932	-60,891	-47,821
Interest income (periodical)		4,697	2,510	189	507
Result from fair value measurement of derivatives	23	44,996	-13,275	-26,263	-13,275
Interest (refinancing)		-12,981	-4,266	0	-4,266
Profit from continued operations before taxes		149,592	43,986	15,500	12,247
Income taxes for continued operations	24	-11,600	-1,219	4,094	-5,074
Profit from continued operations		137,992	42,767	19,594	7,173
Loss from discontinued operations before taxes	25	-7,672	-72,086	-1,755	-29,756
Income taxes for discontinued operations		0	0	0	0
Loss from discontinued operations		-7,672	-72,086	-1,755	-29,756
Profit for the period		130,320	-29,319	17,839	-22,583
Thereof attributable to:					
Minority interests		5,247	2,721	685	2,079
Shareholders of the parent company		125,073	-32,040	17,154	-24,662
Weighted average number of shares		200,792,638	177,331,796		
Basic and diluted earnings per share (in €)		0.62	-0.18		

B. Consolidated Income Statement

Pro Forma

IN €'000	01-01- 09-30-2006	01-01- 09-30-2005
Income from the leasing of investment property	606,889	589,190
Expenses for hereditary building rights	-1,549	-1,871
Operating expenses for the generation of rental income	-293,560	-311,247
Profit from the leasing of investment property	311,780	276,072
Income from the sale of investment property	91,091	94,155
Carrying amount of the investment property sold	-78,807	-101,327
Profit from the sale of investment property	12,284	-7,172
Unrealized gains from fair value measurement	258,289	280,203
Unrealized losses from fair value measurement	-205,519	-248,363
Profit from the measurement at fair value	52,770	31,840
Profit from other services	3,078	-3,458
Selling expenses	-6,372	-6,394
General and administrative expenses	-63,316	-56,611
Other operating income	25,553	24,919
Other operating expenses	-9,212	-13,859
Profit from operations before restructuring	326,565	245,337
Restructuring expenses	-17,039	0
Profit from operations	309,526	245,337
Investment result	756	-4,802
Earnings before interest and taxes (EBIT)	310,282	240,535
Interest expense (periodical)	-174,981	-218,098
Interest income (periodical)	5,083	5,097
Result from fair value measurement of derivatives	54,622	-16,904
Interest (refinancing)	-12,981	-4,266
Profit from continued operations before taxes	182,025	6,364
Income taxes for continued operations	-27,157	-2,725
Profit from continued operations	154,868	3,639
Loss from discontinued operations before taxes	-7,672	-75,929
Income taxes for discontinued operations	0	0
Loss from discontinued operations	-7,672	-75,929
Profit for the period	147,196	-72,290
Thereof attributable to:		
Minority interests	5,174	3,084
Shareholders of the parent company	142,022	-75,374
Weighted average number of shares	200,792,638	177,331,796
Basic and diluted earnings per share (in €)	0.71	-0.43

C. Statement of Changes in Consolidated Equity

IN €'000	Subscribed capital	Capital reserve	Legal reserve
January 1, 2006	224,933	913,744	22,493
Capital increase	56,317	703,512	5,136
Result from measurement of swaps			
Effects from "Transaction under common control"			
Profit for the period			
Change in shareholdings and the consolidated group			
Dividends		- 56,985	
September 30, 2006	281,250	1,560,271	27,629

IN €'000	Subscribed capital	Capital reserve	Legal reserve
January 1, 2005	221,250	586,625	22,125
Profit for the period			
Capital increase	3,683	327,119	368
Change in shareholdings and the consolidated group			
September 30, 2005	224,933	913,744	22,493

Unrealized gains/ losses from derivative financial instruments	Revenue reserves	Equity attributable to the shareholders of the parent company	Minority shares	Total equity
	338,487	1,499,657	63,073	1,562,730
		764,965		764,965
-6,801		-6,801		-6,801
	5,200	5,200		5,200
	125,073	125,073	5,247	130,320
			10,873	10,873
		-56,985	-590	-57,575
-6,801	468,760	2,331,109	78,603	2,409,712

	Revenue reserves	Equity attributable to the shareholders of the parent company	Minority shares	Total equity
	546,551	1,376,551	40,431	1,416,982
	-32,040	-32,040	2,721	-29,319
		331,170		331,170
			20,712	20,712
	514,511	1,675,681	63,864	1,739,545

D. Consolidated Cash Flow Statement

IN €'000	01-01 – 09-30-2006	01-01 – 09-30-2005
Earnings before interest and taxes (EBIT)	267,259	129,864
Remeasurement of investment property	-42,443	-60,339
Write-downs on property, plant and equipment	4,605	4,663
Gains/losses on the disposal of property, plant and equipment	123	-24
Gains/losses on the disposal of investment property	-10,383	7,824
Gains/losses on the disposal of consolidated subsidiaries	837	0
Income taxes paid	-461	882
Change in deferred government loans	-1,155	-1,919
Interest received	4,347	2,440
Interest paid	-169,357	-117,999
Change in inventories	19,354	66,171
Change in receivables	-17,695	9,793
Change in provisions	-17,411	19,565
Change in liabilities	18,542	-78,919
Cash flows from operating activities	56,162	-17,998
Cash received from the sale of investment property	36,901	38,533
Cash paid for investments in investment property	-20,375	-41,223
	72,688	-20,688
Cash paid for investment in property, plant and equipment	-5,412	-28,524
Cash received for disposals of property, plant and equipment	278	116
Cash received for disposals of assets from discontinued operations	90,650	0
Change in financial assets	330	0
Cash received for the disposal of subsidiaries	200	0
Cash paid from the acquisition of subsidiaries after deducting cash held by the subsidiaries	-922,637	-522,861
Cash flows from investing activities	-820,065	-553,959
Cash received from equity contributions	764,965	331,170
Cash paid (-) to minorities	-2,164	0
Cash received from the raising of loans	1,104,916	1,025,053
Cash repayment of loans	-768,394	-774,289
Interest paid and cost of procuring money for refinancing	-51,021	-4,266
Cash flows from financing activities	1,048,302	577,668
Change in cash and cash equivalents	284,399	5,711
Cash and cash equivalents at the beginning of the year	217,563	167,036
Bank balances, cash on hand and securities	501,962	172,747

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

IN €'000	09-30-2006
Cash on hand	83
Blocked accounts	35,057
Bank balances	
Time deposits	31,568
In current accounts	421,902
Balances of the funds	9,866
Securities	3,486
Bank balances, cash on hand and securities	501,962

Cash and cash equivalents as of the balance sheet date include balances on blocked accounts (among others security retainers from the property development business) of €35,057k, to which GAGFAH S.A. does not have unrestricted access.

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 interim consolidated financial statements do not contain all the disclosures and explanations required in annual financial statements and therefore should be read in conjunction with the consolidated financial statements as of December 31, 2005.

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 Methods

CONSOLIDATION GROUP

51 subsidiaries were included in the consolidated financial statements of GAGFAH S.A. as of September 30, 2006, on the basis of full consolidation since GAGFAH S.A. holds the majority of shares, either directly or indirectly. In addition, six joint ventures were included on the basis of proportional consolidation.

INCLUSION OF GAG ACQ LTD. AND UC ACQ LTD.

GAG ACQ LTD. and UC ACQ LTD. have issued eurobonds. The receivables from these eurobonds were brought into GAGFAH S.A. by way of a contribution in kind on September 29, 2006. As a consequence of this transaction, these two companies have to be included into the consolidation group.

According to IFRS 3 “Business Combinations” this is classified as a transaction under common control, because – in economic terms – all involved companies belong to the Fortress Group. This transaction does not result in a change of economic attribution.

This required a restatement of all consolidated accounts of GAGFAH S.A. for those prior periods that are reported for comparison purposes in this interim report. The inclusion of the two Irish companies was made on the basis of their historic carrying amount. A purchase price allocation according to IFRS 3 was not made.

CONSOLIDATION PRINCIPLES

The consolidation methods applied were the same as those applied in the previous set of consolidated financial statements. A more detailed description can be found in the notes to the consolidated financial statements as of December 31, 2005.

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, 2005, except for the following new provisions of IAS 39 “Financial Instruments: Recognition and Measurement” which are mandatory for all reporting periods beginning on or after January 1, 2006:

- Financial guarantees and credit commitments: This new regulation has expanded the scope of IAS 39. The amendment relates to the recognition of financial guarantees and credit commitments by the guarantor. According to the revised version of IAS 39, financial guarantees and credit commitments must be recognized at fair value in the case of first-time recognition. Subsequent valuation requires revaluation at the higher of the amount which has to be determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and the amount initially recognized, less, if required, the accumulated amortization recognized in profit and loss in accordance with IAS 18 “Revenue.”
- The hedging of planned internal group transactions: This amendment to IAS 39 has made it possible to define the currency risk from highly probable internal Group transactions as a cash flow hedge. Such recognition requires the transaction to be denominated in a currency different to the functional currency of the company and the currency risk must have an effect on the financial statements.
- Fair value option: The possibility of valuing every financial asset or financial liability at fair value through profit and loss has been limited by the amendment.

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

Until December 31, 2005, profits and losses incurred when remeasuring interest rate swaps used to hedge interest rate risks within the Group were recognized immediately in the income statement only. It was not possible to recognize hedges in the balance sheet due to their lack of effectiveness. Since the acquisition of the WOBÄ DRESDEN Group, the criteria of IAS 39.88 are met and the Group now also recognizes hedges in the balance sheet. The hedging instruments (mainly interest rate swaps) are used to hedge cash flows from floating-rate liabilities. The effective portion of profit or loss from the hedging instruments is recognized directly under equity and the ineffective portion under profit or loss. The amounts recognized under equity are recognized in the income statement in the period in which the hedged transaction impacts the profit or loss for the period. If the forecast transaction is no longer expected to occur, the amounts previously recorded in equity are recognized in net profit and loss for the period.

4. Segment Reporting

In accordance with its primary reporting format, GAGFAH S.A. is divided into the real estate management and real estate sales segments. With the acquisition of NILEG and GAGFAH GmbH, Fortress Investment Group LLC and the companies' management decided to discontinue part of its operations.

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

In December 2005, management decided to discontinue these operations. As a result, no new projects will be taken on or commenced. Existing projects will be sold or otherwise disposed of at their 2005 stage of completion. Existing projects will only be continued in exceptional cases where continuation is required to reach a stage of completion that permits their sale or disposal. Commercial real estate and property construction/development operations will be wound up by the end of 2006. The commercial real estate segment is presented separately in the balance sheet under discontinued operations.

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

Information on the segments for the first nine months of fiscal year 2006 is presented on the following pages:

Group Segment Report

GAGFAH S.A. for the Period from January 1 to September 30, 2006

IN €'000	Real estate management	Real estate sales	Group function/ consolidation	01-01- 09-30-2006
Segment revenues with third parties	558,543	87,632	0	646,175
Transactions with other segments	280	0	-280	0
Segment revenues	558,823	87,632	-280	646,175
Expenses for heritable building rights	-1,549	0	0	-1,549
Operating expenses for the generation of rental income	-265,061	0	0	-265,061
Carrying amount of the investment property sold	0	-77,249	0	-77,249
Selling expenses	0	-6,283	0	-6,283
Profit from other services	0	0	2,334	2,334
Other operating income	0	0	18,026	18,026
Other operating expenses	0	0	-9,015	-9,015
General and administrative expenses	0	0	-60,967	-60,967
Write-downs	1,191	0	3,414	4,605
Expenses for transactions with other segments	0	0	0	0
Segment result (EBITDA)	293,404	4,100	-46,488	251,016
Profit from the measurement at fair value	44,803	0	0	44,803
Segment write-downs	-1,191	0	-3,414	-4,605
EBIT (before restructuring)	337,016	4,100	-49,902	291,214
Restructuring expenses	0	0	-17,039	-17,039
Investment profit	0	0	756	756
EBIT	337,016	4,100	-66,185	274,931
Financial result/interest expense				-125,339
Profit/loss from continued operations before taxes				149,592
Income taxes for continued operations				-11,600
Profit/loss from continued operations				137,992
Profit/loss from discontinued operations before taxes				-7,672
Income taxes for discontinued operations				0
Profit/loss from discontinued operations				-7,672
Profit for the period				130,320
Segment assets as of September 30, 2006	7,641,396	108,243	997,299 *	8,746,938 *
Segment liabilities as of September 30, 2006	53,308	2,421	6,281,496 *	6,337,225 *
Segment investments (investments in property, plant and equipment or intangible assets)	20,375	0	5,412 *	25,787 *
Significant non-cash segment expenses	5,128	0	22,900 *	28,028 *

* The marked figures contain effects from discontinued operations.

Due to consolidation, information on the discontinued segments development and commercial properties are shown in one column in above table together with group functions and eliminations, and are therefore explained separately: The overall proceeds in discontinued operations were €155,998k (prior year: €47,273k). The loss from discontinued operations was €7,672k (prior year: €72,086k). Through the disposal of assets we were able to reduce the segment assets from €309,478k in the previous year to €178,720k in this reporting period.

Group Segment Report

GAGFAH S.A. for the Period from January 1 to September 30, 2005

IN €'000	Real estate management	Real estate sales	Group function/ consolidation	01-01- 09-30-2005
Segment revenues with third parties	352,978	38,533	0	391,511
Transactions with other segments	869	0	-869	0
Segment revenues	353,847	38,533	-869	391,511
Expenses for heritable building rights	-1,665	0	0	-1,665
Operating expenses for the generation of rental income	-170,156	0	0	-170,156
Carrying amount of the investment property sold	0	-46,357	0	-46,357
Selling expenses	0	-4,418	0	-4,418
Profit from other services	0	0	343	343
Other operating income	0	0	6,288	6,288
Other operating expenses	0	0	-8,364	-8,364
General and administrative expenses	0	0	-25,679	-25,679
Write-downs	808	95	3,759	4,662
Expenses for transactions with other segments	0	-3	3	0
Segment result (EBITDA)	182,834	-12,150	-24,519	146,165
Profit from the measurement at fair value	60,339	0	0	60,339
Segment write-downs	-808	-94	-3,760	-4,662
EBIT (before restructuring)	242,365	-12,244	-28,279	201,842
Restructuring expenses	0	0	0	0
Investment profit	0	0	107	107
EBIT	242,365	-12,244	-28,172	201,949
Financial result/interest expense				-157,963
Profit/loss from continued operations before taxes				43,986
Income taxes for continued operations				-1,219
Profit/loss from continued operations				42,767
Profit/loss from discontinued operations before taxes				-72,086
Income taxes for discontinued operations				0
Profit/loss from discontinued operations				-72,086
Profit for the period				-29,319
Segment assets as of September 30, 2005	5,552,482	50,382	731,714 *	6,334,578 *
Segment liabilities as of September 30, 2005	52,351	34	4,540,810 *	4,593,195 *
Segment investments (investments in property, plant and equipment or intangible assets)	41,422	0	28,524 *	69,946 *
Significant non-cash segment expenses	3,919	630	3,576 *	8,125 *

* The marked figures contain effects from discontinued operations.

5. Notes to the Consolidated Balance Sheet

1. INTANGIBLE ASSETS

Goodwill of €2,130k (prior year: €2,130k) from the acquisition of the NILEG Group is recognized under the intangible assets of €5,622k (prior year: €4,586k). There were no indications on the date of preparing these interim financial statements that would have required an impairment test to be performed on the goodwill.

Other intangible assets in the amount of €3,492k (prior year: €2,456k) relate to software licenses for application programs.

2. INVESTMENT PROPERTY

The following overview shows the development of the real estate portfolio since January 1, 2006. The reference value as of December 31, 2005 includes the reclassification of properties from current assets to investment property performed in 2006:

IN €'000	09-30-2006	12-31-2005
As of January 1	5,790,102	4,003,906
Changes to the consolidated group	1,831,288	1,603,878
Additions	20,375	192,572
Disposals	-77,249	-94,099
Reclassifications	29,744	16,415
Changes in value	44,803	67,430
As of reporting date	7,639,063	5,790,102

Investment property by region breaks down as follows:

REGION		
IN €'000	09-30-2006	12-31-2005
Berlin	934,117	934,790
Dresden	1,847,017	0
Essen	1,357,849	1,421,803
Frankfurt am Main	1,100,093	1,062,001
Hamburg	1,184,088	1,172,156
Hanover	1,215,899	1,199,352
Total	7,639,063	5,790,102

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

Sections 16 and 17 of these Notes contain comments on income from the leasing of investment property of €558,543k (prior year: €352,978k) and operating expenses for the generation of rental income of €265,061k (prior year: €170,156k).

3. PROPERTY, PLANT AND EQUIPMENT

As of the balance sheet date, property, plant and equipment came to €68,372k (prior year: €95,134k) and consisted among others of land with commercial and other buildings €43,189k (prior year: €43,958k) and other equipment, furniture and fixtures (€13,487k; prior year: €14,271k). The decrease in property, plant and equipment compared to December 31, 2005, is primarily due to reclassifications from prepayments to investment property in connection with the acquisition of real estate in Freiburg.

4. INVENTORIES

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

IN €'000	09-30-2006	12-31-2005
Land held for sale	162,342	113,138
Unfinished development	163	65,409
Other	24	33
Total	162,529	178,580

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

Impairment losses totaling €7.951k were charged on some of the inventories following measurement at the lower net realizable value, with costs yet to be incurred being deducted from the discounted sale price.

5. RECEIVABLES

As of September 30, 2006, GAGFAH S.A. discloses current receivables totaling €116,330k (prior year: €82,119k). The non-current receivables amount to €28k (prior year: €26k).

Of the current receivables, €100,438k (prior year: €59,847k) are due to sales of investment property and €8,965k (prior year: €2,919k) from leasing activities.

Furthermore, receivables of €2,597k (prior year: €2,454k) arose from third-party real estate management, €2,594k of which are current. Another €4,359k are other trade receivables (prior year: €1,669k), of which €4,333k are current.

Overall, impairment losses of €3,762k were recognized for bad debts.

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

6. OTHER FINANCIAL ASSETS

The other financial assets of €15,496k (prior year: €4,831k) mainly include non-current cash flow hedges.

Current financial assets of €37,795k (prior year: €0k) contain the market value of a swap of €36,931k (prior year: €0k). In addition, the item includes current cash flow hedges of €864k (prior year: €0k).

7. OTHER ASSETS

As of September 30, 2006, GAGFAH S.A. discloses other assets totaling €50,122k (prior year: €8,180k), of which €38,717k (prior year: €7,521k) are current and €11,405k (prior year: €659k) are non-current.

Of the other assets, €7,593k (prior year: €2,405k) relate to reimbursables and claims and €5,664k (prior year: €74k) to claims from overpaid operating expenses. Another €4,021k (prior year: €271k) relate to tax claims and €1,953k (prior year: €0k) relate to entitlements to public subsidies.

8. CURRENT TAX CLAIMS

As of September 30, 2006, GAGFAH S.A. discloses current tax claims of €4,496k (prior year: €3,939k).

These mainly relate to claims from tax on investment income, the interest discount tax and the solidarity surcharge.

9. DEFERRED TAXES

Deferred tax assets of €128,917k (prior year: €91,272k) result from loss carryforwards and temporary differences. Deferred tax liabilities of €157,579k (prior year: €66,680k) result exclusively from temporary differences.

10. BANK BALANCES AND CASH ON HAND

This item includes bank balances of €498,393k and cash on hand of €83k.

The time deposits of GAGFAH S.A. have terms between one day and three months and accrue interest between 1.70 % and 2.73 %.

The balances in current accounts are demand deposits and mainly accrue interest at the interbank rate less 0.5 % p. a.

11. EQUITY

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

12. OTHER PROVISIONS

As of September 30, 2006, GAGFAH S.A. discloses other provisions totaling €97,053k (prior year: €83,339k). Of this, €26,095k (prior year: €30,006k) relate to restructuring, with a non-current portion of €7,590k (prior year: €0k) and a current portion of €18,505k (prior year: €30,006k).

Restructuring provisions of €16,927k were utilized in the reporting period.

Of the remaining current provisions of €46,612k, €17,340k (prior year: €17,101k) relate among others to obligations from construction activities, €9,044k (prior year: €0k) to obligations from restitution claims and €7,009k (prior year: €7,912k) to warranty obligations.

€10,513k (prior year: €0k) of the remaining non-current provisions of €24,346k relate to demolition costs. There are also phased retirement obligations totaling €9,961k (prior year: €6,741k) that are non-current.

13. LIABILITIES FOR INCOME TAXES

The Group's liabilities for income taxes came to €7,884k (prior year: €9,708k) in the reporting period and mainly relate to corporate income tax (€4,343k). The item also includes trade tax liabilities of €2,647k.

14. FINANCIAL LIABILITIES

The financial liabilities of €5,638,767k (prior year: €4,353,004k) break down as follows for the fiscal year:

Liabilities to banks amount to €5,502,655k (prior year: €4,237,156k) and liabilities to other lenders to €80,860k (prior year: €79,450k). Furthermore, liabilities to shareholders of €55,252k (prior year: €36,398k) exist.

This item comprises non-current financial liabilities of €5,398,369k (prior year: €4,266,118k).

Of the current and non-current liabilities to banks and other lenders, a total of €4,167,753k (prior year: €3,525,728k) is secured in rem. €3,737k (prior year: €3,161k) are secured by a bank guarantee. No collateral has been provided for the remaining €1,467,277k (prior year: €824,115k).

Of the total financial liabilities, €5,426,143k (prior year: €4,159,426k) relate to freely financed loans. These in turn comprise global loans of €5,035,785k (prior year: €3,764,783k).

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

IN €'000	09-30-2006		12-31-2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Global loans	5,035,785	4,931,411	3,764,783	3,704,382
Shareholder loans	55,252	55,252	36,398	36,398
Freely financed loans	209,254	165,009	216,668	226,133
Government annuity loans	212,624	258,155	193,579	267,152
Financial liabilities of the funds	71,696	71,696	75,764	75,764
Other financial liabilities	54,156	34,327	65,812	44,327
Total	5,638,767	5,515,850	4,353,004	4,354,156

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

15. OTHER LIABILITIES

As of September 30, 2006, GAGFAH S.A. discloses other liabilities totaling €213,108k (prior year: €298,160k), €205,370k (prior year: €203,583k) of which are current.

The current liabilities include among others liabilities from the leasing of investment property of €66,701k (prior year: €47,036k) as well as liabilities from the October 2006 distribution of dividends of €56,985k.

In addition, trade payables of €18,407k (prior year: €23,242k) were disclosed under current liabilities.

Of the other current liabilities of €63,277k (prior year: €41,889k), €47,593k (prior year: €40,515k) relate to deferred liabilities. €33,373k of these liabilities relate to project development and €6,703k to Human Resources.

6. Notes to the Consolidated Income Statement

16. INCOME FROM THE LEASING OF INVESTMENT PROPERTY

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

IN €'000	01-01 – 09-30-2006	01-01 – 09-30-2005
Rental income, fees	369,607	235,124
Reimbursables charged	165,992	103,372
Rent, interest and expense subsidies	1,374	887
Other	21,570	13,595
Total	558,543	352,978

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 effects of economic trends on income from the leasing of investment property are immaterial in the reporting period. The same is true of seasonal effects.

17. OPERATING EXPENSES FOR THE GENERATION OF RENTAL INCOME

Operating expenses for the generation of rental income include operating expenses of €130,476k (prior year: €99,458k) and maintenance costs of €35,234k (prior year: €32,466k).

This item also includes personnel expenses of €30,835k (prior year: €22,950k) and real estate tax of €15,977k (prior year: €11,880k).

18. INCOME FROM THE SALE OF INVESTMENT PROPERTY

Income from the sale of investment property of €87,632k (prior year: €38,533k) is attributable to the sale of investment properties, including privatization and other sale of non-core properties.

19. PROFIT FROM THE MEASUREMENT AT FAIR VALUE

Unrealized net gains of €44,803k (prior year: €60,339k) on changes in value arose in connection with the measurement of investment property in the reporting period. These mainly relate to properties with leased residential and commercial buildings.

20. PROFIT FROM OTHER SERVICES

The result from other services of €2,334k (prior year: €343k) is mainly shaped by revenues from third-party real estate management of €3,276k and revenues from other services of €11,786k. This income contrasts with expenses totaling €12,728k from third-party real estate management and other services, €4,512k of which relate to personnel expenses.

21. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses of €6,283k (prior year: €4,418k) predominantly comprise expenses for sales, advertising and marketing. Of these expenses, €3,993k relate to trade receivables paid and €1,545k to personnel.

General and administrative expenses of €60,967k (prior year: €25,679k) mainly include salaries for administrative staff of €31,523k and other administrative expenses of €25,839k. Most of these expenses (€7,135k) relate to legal, consulting and audit fees.

22. OTHER OPERATING INCOME AND EXPENSES

All income not directly allocable to the various functional areas is disclosed under other operating income (€18,026k; prior year: €6,288k). €7,350k of that amount relate to the retransfer of reserves.

Of other operating expenses of €9,015k (prior year: 8,364k) €3,762k relate to write offs on receivables, €2,885k to administrative expenses and €1,075k to financing costs.

23. INTEREST EXPENSE AND INCOME FROM THE FAIR VALUE MEASUREMENT OF DERIVATIVES

Of the interest expenses the majority with €162,051k (prior year: €142,932k) is mainly due to periodic interest payments for bank loans to finance the real estate portfolio.

Income from the fair value measurement of derivatives amounts to €44,996k (prior year: €-13,275k) and results from the fair value measurement of swaps.

24. INCOME TAXES FOR CONTINUING OPERATIONS

Income taxes comprise deferred income taxes (€13,079k; prior year: €930k) and current income taxes (€-1,479k; prior year: €289k).

25. PROFIT/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES

The property development business and the project and land development activities in the property construction/development segment are being discontinued. Existing projects will be sold or otherwise disposed of at their 2005 stage of completion. Existing projects will only be continued in exceptional cases where continuation is required to reach a stage of completion that permits their sale or disposal.

The result from discontinued operations breaks down as follows:

IN €'000	01-01 – 09-30-2006	
	Property construction/development	Commercial real estate
Income from the sale of development properties	54,758	
Income from real estate management		9,611
Income from third-party real estate management	728	
Carrying amount of the development properties sold	48,458	
Income from the sale of commercial real estate		90,902
Carrying amount of the commercial property sold		92,242
Other expenses from the sale of development properties	14,124	
Expenses from third-party real estate management (outside service costs)	1,771	
Expenses from real estate management		1,865
General and administrative expenses	2,858	
Write-downs on development properties		2,360
Other operating income	7	
Profit/loss from discontinued operations before taxes	-11,718	4,046

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 2005.

7.2 CONTINGENT LIABILITIES AND FINANCIAL OBLIGATIONS

Obligations from leasing and renting are not material.

7.3 EMPLOYEES

	09-30-2006
Authorized signatories/authorized agents	58
Salaried employees	965
Wage earners	463
Total	1,486

In addition, 34 trainees and 293 part-time staff were employed as of September 30, 2006.

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.

7.5 MANAGEMENT AND SUPERVISORY BODIES

The following changes occurred:

- Mr. Udo A. Bachmann left the GAGFAH GmbH, the NILEG GmbH and the GAGFAH Acquisition 1 GmbH management as of July 31, 2006.
- Mr. Burkhard Ulrich Drescher was appointed CEO (Chief Executive Officer) of GAGFAH GmbH, the NILEG GmbH and the GAGFAH Acquisition 1 GmbH on August 1, 2006, succeeding Mr. Udo A. Bachmann in that position.
- On September 29, 2006, Wesley R. Edens, Robert I. Kauffman and Randal A. Nardone were appointed as members of the Board of Directors of the Company. So were Burkhard U. Drescher, Yves Wagner, Dieter Ristau and Dr. Jürgen Allerkamp on October 5, 2006.

7.6 SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING PERIOD

On October 4, 2006, the Board of Directors has enacted a stock option plan with a duration of ten years. Options under the stock option plan may be granted to employees (including former employees), executives and/or members of governing or supervisory corporate entities of the Company or of those companies of which it is the direct or indirect parent. Options under the stock option plan may also be granted to consultants and other third-party business partners of the Company or of those companies of which it is the direct or indirect parent.

The stock option plan provides that options will have to be exercised during an exercise period to be set by the Board of Directors or on its behalf at the time of allocation of the options, but not exceeding ten years following allocation. The exercise period and the exercise price are to be determined at the time the options are granted. Such price may be equal or below market value. It is expected that the members of the senior management that will be the beneficiaries of the options will, upon exercise, only pay a nominal subscription price in which case the difference between the issue price of the shares and the price paid by the employee will be paid to the Company by the group company of which the relevant beneficiary is an employee, an executive or a member of the governing or supervisory body.

The maximum number of shares issuable upon exercise of options granted under the stock option plan will be a number of shares not exceeding 1 % of the authorized share capital (including the issued share capital) of the Company. The number of shares that may be issued is subject to adjustment in case of certain transactions affecting the share capital of the Company such as the issue of bonus shares and share splits. As of the date hereof, no stock options have been allocated.

IMPRINT:

GAGFAH S.A.

14A, RUE DES BAINS

L-1212 LUXEMBOURG

GRAND DUCHY OF LUXEMBOURG

CONCEPT/DESIGN:

3ST KOMMUNIKATION, MAINZ