

GAGFAH S.A.

ANNUAL ACCOUNTS
and
INDEPENDENT AUDITOR'S REPORT
as of
December 31, 2007

2-4, rue Beck
1222 Luxembourg
R.C.S. Luxembourg B 109.526

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
GAGFAH S.A.
2-4, rue Beck
L- 1222 Luxembourg

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated April 23, 2007, we have audited the accompanying annual accounts of GAGFAH S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'Entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of GAGFAH S.A. as of December 31, 2007, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises



Bruno DI BARTOLOMEO

March 18, 2008

GAGFAH S.A.
Société anonyme – société de titrisation
Luxembourg

Directors' Report 2007

Organizational and legal structure

GAGFAH S.A. has been incorporated on July 12, 2005 as a Luxembourg *société de commandite par actions* under the name NLG Acquisition Holdings S.C.A. It subsequently changed its corporate name to NLG Acquisition Investments S.C.A. The Company was transformed into a *société anonyme* and changed its name into GAGFAH S.A.

It is registered at the trade register under number B 109526 and has its registered office at 2-4, rue Beck, L-1222 Luxembourg.

The Company is a securitization company governed by the law of March 22, 2004 on securitization.

GAGFAH S.A. is securitizing the risks relating to German real estate through the holding of interest and being the overall parent company of the GAGFAH Group. Neither the company nor the group perform any research and/or development activities.

At the end of 2007 the following reorganization and restructuring measures were implemented as first steps towards creation of a fiscal unity in 2008:

On October 30, 2007 GAGFAH S.A. acquired 100 % of the shares in Blitz F07-einhundertneunzig GmbH (to be renamed in GAGFAH Holding GmbH). This company was constituted as a new German intermediate Holding for all of GAGFAH's activities. To that end the following agreements were concluded:

1. GAG ACQ Ireland Limited (GAG ACQ) has redeemed its Eurobond loans by transfer of GAG ACQ's 82.48 % share in GAGFAH GmbH and its shareholder loan granted to GAGFAH GmbH to GAGFAH S.A.
2. GAGFAH S.A. converted to equity its shareholder loans and receivables from GAGFAH GmbH, NILEG Immobilien GmbH, GAGFAH Acquisition 1 GmbH, GAGFAH Acquisition 2 GmbH, GAGFAH Acquisition 3 GmbH, GBH Acquisition GmbH and WOBA Holding GmbH. The amounts were used to increase GAGFAH S.A.'s investment in and the share premium of the respective companies.
3. GAGFAH S.A. transferred to GAGFAH Holding GmbH 94.8 % of its participations in NILEG Immobilien GmbH, GAGFAH Acquisition 1 GmbH, GAGFAH Acquisition 2 GmbH, GAGFAH Acquisition 3 GmbH, GBH Acquisition GmbH and WOBA Holding GmbH as well as the whole participation (82,48 %) in GAGFAH GmbH.

Business conditions

Macroeconomic conditions

As the economic situation of GAGFAH S.A. depends on the income received from the interest it holds in its affiliated companies operating in Germany the German macroeconomic conditions are relevant. The German economy continued to show strong growth during 2007, with a GDP growth rate of 2.5%. GDP is forecast to grow by 1.9% in 2008 and 1.6% in 2009. (IfW Institut, Kieler Diskussionsbeiträge 447-448; December 07)

The unemployment rate for 2007 was with 9% 1.8% lower than in 2006 and was at a 14 year low. This decrease was mainly a result of the positive economic development in Germany (German Federal Statistics Office, 2008).

Development of the industry

The German residential real estate market

Germany has the largest residential property stock in Europe and is comprised of 39.4 million dwelling units of which approximately 80% are in the western German states and western Berlin (the former West Germany), and approximately 20% in the eastern German states and in eastern Berlin (the former East Germany). Approximately 57% are rented apartments and approximately 43% are owner-occupied. Owners of rented units are comprised of private investors with 13.5 million units, municipal housing and other communal housing enterprises with a stock of approximately 3.3 million units, building co-operatives with 2.1 million units, housing enterprises with 1.7 million units, banks, insurance companies and corporates with 1.5 million units and other owners with 0.5 million units (source: Deloitte: Der Deutsche Wohnimmobilienmarkt — Status Quo und Ausblick, October 2006; German Federal Statistics Office).

Development of Housing Sales and Rental Prices

Historically, the German residential market has been very stable, both in terms of rent and house price development. Since the mid-1990s residential real estate prices in Germany have decreased slightly whereas most other European countries have experienced substantial increases.

Apartment rents in Germany as a national average increased only slightly from €6.00 per square meter in 1995 to €6.25 per square meter in 2007 (BulwienGesa AG). Under corporate and public ownership, apartment rents are often below market levels as these owners are focusing on providing low-cost housing and rents are often subject to rent restrictions.

Home Ownership Rate

The home ownership rate of approximately 43% in Germany (the proportion of owner-occupant households to all households) is one of the lowest in Western Europe and well below the EU average of 63% (source: German Federal Statistics Office; Euroconstruct).

We expect the structure of the German housing industry to change over the medium term with local governments and corporations selling more of their residential property stock and public subsidies running out. We believe that this will lead to an increase of rents to market levels and an increased investment in residential real estate by owner-occupiers.

Change in Stock of Residential Housing Units in Germany

Over the past ten years, the construction of units in buildings with three or more units (net of units becoming obsolete) decreased by approximately 90% from 275,862 units in 1994 to 28,644 units in 2006 (source: German Federal Statistics Office). The decline in the construction of new residential housing units is largely attributable to high construction costs, the scarcity of land available for construction, low risk-adjusted returns for developers and strict regulations, particularly regarding building construction.

Demographic Developments

Although the German Federal Office for Building and Regional Planning projects (source: German Federal Office for Building and Regional Planning: Raumordnungsprognose 2020/2050) that due to demographic changes the population of Germany will decline slightly by 3% until 2020, it is anticipated that the number of households in Germany will increase by one million or 3% between 2007 and 2025, which will lead to an increase in the demand for residential units (German Federal Statistics Office, October 5, 2007). This is mainly due to a substantial reduction of household sizes and increased living space utilized per person as well as other social factors such as increasing divorce rates and people starting families later. We expect these trends to have a positive impact on residential property rents and unit price growth.

Business situation of the Company

Result situation

The result of the year 2007 was basically influenced by interest income of M€ 125.3 and interest expenses of M€ 15.8 as well as other operating charges in the amount of M€ 12.9, which predominantly consist of M€ 6.0 for consulting fees (of which M€ 2.0 for reorganization and restructuring), M€ 1.2 for audit and publication expenses, M€ 1.0 for insurance expenses (of which M€ 0.6 IPO- and D&O insurances), M€ 3.7 for refinancing and money transactions.

Financial situation

The following table summarizes the capital structure of GAGFAH S.A. as of December 31, 2007:

	2007		2006	
	in M€	in %	in M€	in %
Equity	1,893.7	88.32	1,925.4	88.76
Liabilities to affiliated undertakings	-	-	196.3	9.05
Liabilities to credit institutions	239.4	11.17	-	-
Liabilities to shareholders	3.6	0.16	42.1	1.94
Other debt	7.7	0.35	5.4	0.25
Balance sheet total	2,144.4	100.00	2,169.2	100.00

Apart from the subscribed capital of M€ 281.9 equity consists of capital reserves of M€ 1,532.2, a legal reserve of M€ 28.2 and retained earnings of M€ 51.4. The subscribed capital consists of 225,553,192 shares (225,515,377 shares as of December 31, 2006) with a nominal value of € 1.25 per share. All shares grant equal rights and obligations.

Compared to prior year's figures there are no material liabilities due to affiliated undertakings. As of December 31, 2006 liabilities in a total amount of M€ 196.3 were recorded for enhancements of capital reserves which were payable and settle in 2007.

In 2007 the Company entered into a revolving credit facility amounting to M€ 300.0 of which M€ 239.4 were drawn as of December 31, 2007. These financial liabilities bear interest of EURIBOR + 200 bp for the drawn amount and an interest rate of 0.75 % for the undrawn amount. The credit line expires September 2010.

The financial situation of GAGFAH S.A. is sound and well-regulated. The company's ability to fulfil its payment obligations was warranted at all times.

Asset situation

The balance sheet structure of GAGFAH S.A. complies with the character of the company as securitization company securitizing the risks of German real estate through the holding of interest in the GAGFAH Group of companies.

The following table summarizes the balance sheet structure:

<u>ASSETS</u>	2007	2006	<u>EQUITY AND LIABILITIES</u>	2007	2006
	M€	M€		M€	M€
Long-Term Assets	2,138.8	2,112.1	Equity	1,893.7	1,925.4
Short-Term Assets	5.6	57.1	Long-Term Liabilities	243.2	
			Short-Term Liabilities	7.5	243.8
	2,144.4	2,169.2		2,144.4	2,169.2

Fixed assets amounting to M€ 2,138.8 consist basically of financial assets (shares in and loans to affiliated companies).

Current assets total M€ 5.6 and consist essentially of cash at banks amounting to M€ 1.4, receivables from affiliated companies amounting to M€ 2.8 and prepaid expenses amounting to M€ 1.3.

The following table summarizes the significant accounting ratios:

	2007	2006
	in M€	in M€
Total assets	2,144.4	2,169.2
Equity	1,893.7	1,925.4
Equity in % of total assets	88.31	88.76
Financial assets	2,138.6	2,112.1
Financial assets in % of total assets	99.73	97.37
Equity-to-fixed-assets ratio	88.54	91.16

Events after the balance sheet date

No event with particular significance for the capital, financial and result situation has occurred after the closing date.

Risk management system

With regard to Corporate Governance the GAGFAH Group has implemented a risk management and risk control system. The elements of this system are the internal control system (IKR), the controlling system and the early warning system.

The advisability of organizational regulations is proved generally through control instances using inbuilt controls which are non-process-oriented and within the scope of the audit planning by the internal audit. One of the basic tasks of the internal audit is the supervision and controlling advice of the risk management.

For the delivery of all target figures, the monitoring and possible countermeasures and also as an indicator for entrepreneurial variances by target/actual analyses we have implemented and established a controlling system.

The early warning system is the entirety of all activities with regard to risk identification and risk control. This includes the definition of risks, the analysis, the rating and valuation as well as the monitoring. All information about identified and possible risks is reflected in the early warning system.

GAGFAH S.A. is integrated in the risk management and risk monitoring system of the GAGFAH Group.

Outlook

We believe that our financial and trading prospects remain favorable based on the stable characteristics of our residential property portfolio and continued improvements to the performance of our existing portfolio.

Quarterly dividends

The intention of GAGFAH S.A. is to distribute its income (or a substantial part thereof) via quarterly dividend payments. In contrast to the income situation until December 31, 2007 with predominantly interest income from shareholder loans, the structure will be completely different as of 2008 and profit will be realized through income from investments, particularly from GAGFAH Holding GmbH.

Disclosure regarding Article 11 of the Law on Takeover

- a) For information regarding the structure of capital reference is made to page 3 of this report.
- b) There are no restrictions on the transfer of securities.
- c) GAGFAH S.A.'s major shareholders are:

Shareholder	Number of shares	%
Fortress Subsidiary (GAGACQ) LLC	26,060,607	11.56
Fortress Subsidiary (GAGACQ) Investors (Cayman) Ltd.	25,574,777	11.37
Fortress Residential Investment Deutschland (Fund A) LP	20,626,823	9.17
Fortress Investment Fund III (GAGACQ Subsidiary) LLC	16,539,554	7.35
Fortress Investment Fund III (Fund B) (GAGACQ Subsidiary) LLC	14,141,601	6.29
Fortress Residential Investment Deutschland (Fund B) LP	12,330,464	5.48
Highbridge Capital Management LLC	11,815,415	5.24

- d) There are no securities granting special control rights to their holders.
- e) The control rights of any shares issued in connection with employee share schemes are exercised directly by the respective employees.
- f) There are no restrictions on voting rights.
- g) There are no agreements with shareholders which are known to the company and may result in restrictions on the transfer of securities or voting rights within the meaning of directive 2004/109/EC (Transparency Directive).
- h) Rules governing the appointment and replacement of board members and the amendment of the articles of association):

The Directors are appointed at the General Meeting of shareholders by a simple majority of the votes cast. Directors serve for a period not exceeding six years or until their successors are elected. Directors may be removed with or without cause at the General Meeting of shareholders by a simple majority of the votes cast at such meeting. The Directors are eligible for re-election. As long as the shares are listed on one or more regulated stock exchanges, the Board of Directors must include three independent Directors. In the event of vacancy in the office of a Director because of death, retirement, resignation, dismissal, removal or otherwise, the remaining Directors may fill such vacancy and appoint a successor to act until the next meeting of shareholders, without regard to the independence requirement.

Amendments of the Articles of Incorporation of GAGFAH S.A. are approved by resolution at an extraordinary General Meeting of shareholders. Extraordinary General Meetings of shareholders with the purpose of amending the Articles of GAGFAH S.A. are subjected to a quorum of at least half of the issued and outstanding shares of GAGFAH S.A. If such quorum is not represented at a meeting, a second meeting may be convened with the same agenda. Such second meeting is not subject to a quorum. Amendments of the Articles on Incorporation of GAGFAH S.A., other than change of nationality which requires unanimous consent of all shareholders, are approved by resolution of a two-thirds majority of the votes cast at the extraordinary General Meeting.

i) Powers of the Board of Directors:

The board of directors is vested with the broadest powers to manage the business of the Company and to authorize and/or perform all acts of disposal and administration falling within the purposes of the Company.

All powers not expressly reserved by the law or the Articles of Incorporation of the Company to the General Meeting shall be within the powers of the board of directors.

Except as otherwise provided in the Articles of Incorporation or by law, the board of directors of the Company is authorized to take such action (by resolution or otherwise) and to adopt such provisions as shall be necessary or convenient to implement the purpose of the Company.

The Board may delegate the daily management of the business of the Company, as well as the power to represent the Company in its day to day business, to individual directors or other officers or agents of the Company, who need not be shareholders. Any such delegation of daily management in favor of one or more Directors requires the prior authorization of the general meeting of shareholders.

The board of directors may set up committees including without limitation an audit committee, a compensation committee and a related party transaction committee. Each such committee shall be composed of at least three Directors, one of them at least being an independent Director. The board of directors may also appoint persons who are not Directors to the committees.

The board of directors may appoint a secretary of the Company, who need not be a member of the board of directors, and determine his responsibilities, powers and authorities.

GAGFAH S.A. has a total authorized un-issued share capital of € 9,999 million. The board of Directors has been authorized by the General Meeting of shareholders to issue shares up to the total amount of authorized share capital without further approval of the shareholders. Shares may be issued within the authorized share capital of GAGFAH S.A. with or without reserving any pre-emptive subscription rights to existing shareholders at the discretion of the Board.

GAGFAH S.A., acting through its Board, has further been authorized by the General Meeting of shareholders to purchase, acquire or receive its own shares in the Company up to 10% of the issued share capital from time to time.

- j) There are no significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid.
- k) There are no agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or of their employment ceases because of a takeover bid.

Luxembourg, March 18, 2008

Board of Directors of GAGFAH S.A.

GAGFAH S.A.

BALANCE SHEET December 31, 2007 (expressed in EUR)

<u>ASSETS</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Fixed Assets		
Tangible assets		
Other fixtures and fittings, tools and equipment (Note 3)	270,292	---
Financial assets		
Shares in affiliated undertakings (Note 4)	2,000,453,726	603,978,901
Loans to affiliated undertakings (Note 5)	<u>138,113,372</u>	<u>1,508,155,366</u>
	2,138,837,390	2,112,134,267
Current assets		
Debtors		
Amounts owed by affiliated undertakings (Note 6)	2,750,303	15,127,460
Other debtors due within one year	143,863	135,360
Cash at bank, in CCP accounts and in hand	1,392,628	39,570,858
Prepayments (Note 7)	<u>1,278,031</u>	<u>2,251,171</u>
	<u>5,564,825</u>	<u>57,084,849</u>
	<u>2,144,402,215</u>	<u>2,169,219,116</u>

The accompanying notes form an integral part of the annual accounts.

<u>LIABILITIES</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Capital and reserves		
Subscribed capital (Note 8)	281,941,490	281,894,221
Share premium account (Note 9)	1,532,197,037	1,572,066,140
Legal reserve (Note 10)	28,189,422	27,629,375
Profit brought forward	---	8,150,323
Interim Dividend (Note 11)	(45,107,638)	(38,337,614)
Profit for the financial year	<u>96,491,956</u>	<u>74,028,531</u>
	1,893,712,267	1,925,430,976
Other provisions (Note 12)	7,371,130	509,180
Creditors		
Amounts owed to shareholders (Note 13)	3,573,337	42,085,824
Amounts owed to affiliated undertakings (Note 14)	20,157	196,300,000
Amounts owed to credit institutions (Note 15)	239,442,563	---
Other creditors	<u>282,761</u>	<u>4,893,136</u>
	<u>243,318,818</u>	<u>243,278,960</u>
	<u>2,144,402,215</u>	<u>2,169,219,116</u>

GAGFAH S.A.

PROFIT AND LOSS ACCOUNT

for the period from January 1, 2007 to December 31, 2007

(expressed in EUR)

<u>EXPENSES</u>	Jan. 1 to Dec. 31, 2007	Jan. 1 to Dec. 31, 2006
Personnel costs (Note 16)	252,248	7,100
Value adjustments in respect of tangible assets	25,927	---
Other operating charges	12,918,881	8,529,416
Interest and similar expenses	15,808,535	---
Profit for the financial year	96,491,956	74,028,531
	<u>125,497,547</u>	<u>82,565,047</u>
<u>INCOME</u>		
Other operating income	147,343	---
Interest income from affiliated undertakings (Note 5)	125,297,935	82,415,366
Interest income from third parties	52,269	149,681
	<u>125,497,547</u>	<u>82,565,047</u>

The accompanying notes form an integral part of the annual accounts.

GAGFAH S.A.

NOTES TO THE ANNUAL ACCOUNTS

As of December 31, 2007

NOTE 1 - GENERAL INFORMATION

GAGFAH S.A. ("the Company") has been incorporated on July 12, 2005 as a Luxembourg "S.C.A." under the name NLG Acquisition Holdings S.C.A. It subsequently changed its corporate name to NLG Acquisition Investments S.C.A. and later to GAGFAH S.A. It is registered at the trade register under number B 109526 and has its registered office at 2-4, rue Beck, L-1222 Luxembourg.

The Company is a securitization company governed by the law of March 22, 2004 on securitization.

The corporate object of the Company is the acquisition and/or the assumption of risks resulting from the obligations assumed by third parties or relating to all or part of the activities of third parties, either directly or through intermediary entities, by issuing securities the value or return of which is dependent upon such risks.

The Company may provide any financial assistance to the undertakings forming part of the group of the Company such as, among others, the providing of loans and the granting of guarantees or securities in any kind or form.

The Company may borrow in any kind or form and issue bonds or notes. In a general fashion, the Company may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its purpose, always remaining within the scope of activities authorized for securitization companies under the law of March 22, 2004 on securitization.

The Company also prepared consolidated financial statements according to IFRS for the year ended December 31, 2007. These consolidated financial statements are available on the website <http://www.gagfah.com>.

GAGFAH S.A.

NOTES TO THE ANNUAL ACCOUNTS

As of December 31, 2007

NOTE 2 - VALUATION PRINCIPLES AND METHODS

General principles

The Company maintains its books and records in Euro ("EUR") and the annual accounts have been established in conformity with applicable legal requirements in Luxembourg including the following significant accounting policies:

Currency translation

Current assets and liabilities stated in currencies other than EUR are translated at the exchange rates prevailing at the date of the balance sheet. Transactions denominated in currencies other than EUR are translated at the exchange rates prevailing at the date of transaction. Realized exchange gains and losses and unrealized exchange losses are recorded in the statement of profit and loss. Unrealized exchange gains are not recognized.

Tangible Assets

Tangible assets are accounted for at cost less accumulated depreciation on a straight-line basis according to their estimated useful life and any impairment recognized.

Financial assets

Financial assets, including participation and loans granted to group-related companies and shareholders, are stated at acquisition cost. Write-downs are recorded if, in the opinion of the Directors, there is any permanent impairment in value.

Receivables and Debts

Receivables and debts are recorded at their nominal value. Receivables are written down to their recoverable amount if there is a permanent impairment.

GAGFAH S.A.

NOTES TO THE ANNUAL ACCOUNTS As of December 31, 2007

NOTE 3 – TANGIBLE ASSETS

The following overview shows the development of tangible assets in 2007:

Other fixtures and fittings, tools and equipment in EUR	2007			2006
	Acquisition costs	Depreciation	Book Value	Book Value
As of January 1	---	---	---	---
Additions	296,219	25,927	270,292	---
Disposals	---	---	---	---
As of December 31	296,219	25,927	270,292	---

NOTE 4 – SHARES IN AFFILIATED UNDERTAKINGS

In the course of reorganization and restructuring measures the investment structure of GAGFAH S.A. has changed in 2007 as disclosed in below table:

Company	January 1, 2007		Additions	Transfers	December 31, 2007	
	share in %	investment in EUR			share in %	investment in EUR
WOBA Holding GmbH	100.00	261,496,909	365,539,777	(594,430,778)	5.20	32,605,908
NILEG Immobilien Holding GmbH	100.00	173,528,000	143,781,711	(300,809,606)	5.20	16,500,105
GAGFAH Acquisition 3 GmbH	100.00	74,827,000	121,081,004	(185,720,788)	5.20	10,187,216
GBH Acquisition GmbH	100.00	68,027,242	8,620,881	(72,662,421)	5.20	3,985,702
GAGFAH Acquisition 1 GmbH	100.00	20,027,000	56,985,005	(73,007,381)	5.20	4,004,624
GAGFAH Acquisition 2 GmbH	100.00	6,027,000	8,194,018	(13,481,525)	5.20	739,493
GAG ACQ Ireland Limited	100.00	45,750	---	---	100.00	45,750
GAGFAH GmbH	---	---	685,841,679	(685,841,679)	---	---
Blitz F07-einhundert-neunzig GmbH ¹⁾	---	---	6,430,750	1,925,954,178	100.00	1,932,384,928
Total shares in affiliated undertakings		603,978,901	1,396,474,825	---		2,000,453,726

1) to be renamed GAGFAH Holding GmbH

On October 30, 2007 GAGFAH S.A. acquired 100.00 % of the shares in Blitz F07-einhundert-neunzig GmbH (to be renamed in GAGFAH Holding GmbH). This company was constituted as a new German intermediate Holding company for all of GAGFAH's activities. To that end the following agreements were concluded:

1. GAG ACQ Ireland Limited (GAG ACQ) has redeemed its Eurobond loans by transfer of GAG ACQ's 82.48 % share in GAGFAH GmbH and its shareholder loan granted to GAGFAH GmbH to GAGFAH S.A. The remaining loan balance will be repaid in cash. Please also refer to Note 5.

GAGFAH S.A.

NOTES TO THE ANNUAL ACCOUNTS

As of December 31, 2007

NOTE 4 – SHARES IN AFFILIATED UNDERTAKINGS - CONTINUED

2. GAGFAH S.A. converted to equity its shareholder loans and receivables from GAGFAH GmbH, NILEG Immobilien Holding GmbH, GAGFAH Acquisition 1 GmbH, GAGFAH Acquisition 2 GmbH, GAGFAH Acquisition 3 GmbH, GBH Acquisition GmbH and WOBA Holding GmbH. The amounts were used to increase GAGFAH S.A.'s investment in share capital and share premium of the respective companies. Please also refer to Notes 5 and 6.
3. GAGFAH S.A. transferred to GAGFAH Holding GmbH 94.80 % of its participations in NILEG Immobilien Holding GmbH, GAGFAH Acquisition 1 GmbH, GAGFAH Acquisition 2 GmbH, GAGFAH Acquisition 3 GmbH, GBH Acquisition GmbH and WOBA Holding GmbH as well as the whole participation (82.48 %) in GAGFAH GmbH.

NOTE 5 – LOANS TO AFFILIATED UNDERTAKINGS

The Company had a loan granted to NILEG Immobilien Holding GmbH which has been converted into equity on December 31, 2007 in the amount of EUR 131,795,364 interests included (EUR 222,824,700 as of December 31, 2006). The interest rate was 13.00 % p.a. and the maturity date was August 31, 2025.

The shareholder loan for GAGFAH Acquisition 1 GmbH amounted to EUR 30,934,486 including interest (EUR 30,000,000 as of December 31, 2006) and has been converted into equity effective December 31, 2007. The interest rate was 13,00 % p.a. and the maturity date was September 30, 2024.

The shareholder loan to WOBA Holding GmbH which amounted to EUR 365,539,777 interests included (EUR 426,378,750 as of December 31, 2006) has been converted into equity. The interest rate was 13.00 % interest p.a. and the maturity date was September 30, 2024.

The Eurobonds for GAG ACQ Ireland Ltd. amounted to EUR 688,554,936 (EUR 690,296,104 as of December 31, 2006). The terms of the loans set out that the income generated less administrative expenses had to be transferred in full to GAGFAH S.A. except for a residual amount of EUR 4k for each loan. Maturity date was September 29, 2024. On December 31, 2007 GAG ACQ Ireland Ltd. redeemed its Eurobond liabilities by transferring its share in GAGFAH GmbH and its shareholder loan granted to GAGFAH GmbH to GAGFAH S.A. The remaining balance will be settled in cash.

The Eurobonds for the UC ACQ Ireland Ltd. amount for EUR 138,113,372 (EUR 138,655,812 as of December 31, 2006) including an amount of EUR 705,186 for accrued interests. The terms of the loans set out that the income generated less administrative expenses must be transferred in full to GAGFAH S.A. except for a residual amount of EUR 4k for each loan. Maturity date is September 29, 2024.

A loan granted to GAGFAH Acquisition 3 GmbH amounting to EUR 119,765,488 has been converted into equity on December 31, 2007 (EUR 0 as of December 31, 2006). This loan did not bear interest and had a maturity of less than one year without fixed maturity date.

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NOTES TO THE ANNUAL ACCOUNTS As of December 31, 2007

NOTE 6 – AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

The following overview shows the development of amounts owed by affiliated undertakings in 2007:

Company	January 1, 2007	Additions	Converted into equity (Note 4)	December 31, 2007
GAG ACQ Ireland Limited	---	2,693,894	---	2,693,894
GAGFAH Operation Advisors	---	50,000	---	50,000
NILEG Immobilien Holding GmbH	4,673,221	7,313,126	(11,986,347)	---
GAGFAH Acquisition 1 GmbH	10,454,239	15,596,280	(26,050,519)	---
GAGFAH Acquisition 2 GmbH	---	8,194,018	(8,194,018)	---
GAGFAH Acquisition 3 GmbH	---	1,315,516	(1,315,516)	---
GBH Acquisition GmbH	---	8,620,881	(8,620,881)	---
GAGFAH M Immobilien-Management GmbH	---	6,409	---	6,409
Total amounts owed by affiliated undertakings	15,127,460	43,790,124	(56,167,281)	2,750,303

NOTE 7 – PREPAYMENTS

Prepaid expenses and deferred charges in the amount of EUR 1,278,031 (EUR 2,251,171 as of December 31, 2006) mainly comprise deferred insurance premiums.

NOTE 8 – SUBSCRIBED CAPITAL

As of December 31, 2007 the subscribed capital consists of 225,553,192 (225,515,377 as of December 31, 2006) shares with a nominal value of EUR 1.25 each. The capital increase was due to exercised stock options in the amount of 22,815 shares and board compensation in the amount of 15,000 shares with a nominal value of EUR 1.25 each.

As of December 31, 2007 the authorized un-issued capital of the Company is set at EUR 9,999,308,510 to be represented by 7,999,446,808 shares with a nominal value of EUR 1.25 each.

NOTE 9 – SHARE PREMIUM ACCOUNT

As of December 31, 2007 the share premium account amounts to EUR 1,532,197,037 (EUR 1,572,066,140 as of December 31, 2006). The decrease is due to the distribution of dividends that exceeded the distributable amounts of retained earnings in the amount of EUR 40,159,497 contrasted by a net increase in the amount of EUR 290,394 originated from the above-mentioned exercise of stock options and board compensation.

GAGFAH S.A.

NOTES TO THE ANNUAL ACCOUNTS

As of December 31, 2007

NOTE 10 – LEGAL RESERVE

Under Luxembourg law an amount equal to at least 5 percent of the profit of the year must be allocated to a legal reserve until such reserve equals 10 percent of the issued share capital. This reserve is not available for dividend distribution. In 2007 the legal reserve was brought to 10 percent of the subscribed capital as of December 31, 2006.

NOTE 11 – DIVIDENDS

In 2007, dividends in the amount of EUR 128,548,328 were distributed. Out of these dividends an amount of EUR 43,281,193 was paid out of retained earnings carried forward, an amount of EUR 40,159,497 out of the share premium account and a third dividend (interim dividend) of EUR 45,107,638 was concluded on November 13, 2007 and paid out of current year profit on November 16, 2007. The first two ordinary dividends were paid on April 12, 2007 and July 12, 2007.

NOTE 12 – OTHER PROVISIONS

The following overview shows the composition of other provisions as of December 31:

	2007	2006
	EUR	EUR
Pending losses from swap valuation	4,533,228	-
Other provisions	2,837,902	509,180
Total provisions	7,371,130	509,180

NOTE 13 – AMOUNTS OWED TO SHAREHOLDERS

As of December 31, 2007 the Company is showing liabilities to shareholders of EUR 3,573,337 (EUR 42,085,824 as of December 31, 2006). These liabilities have no maturity date and do not bear interest.

NOTE 14 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

As of December 31, 2007 the Company discloses an amount of EUR 20,157 owed to affiliated companies. As of December 31, 2006 an amount of EUR 196,300,000 was reported for which exclusively comprised committed capital contributions. These commitments were settled in 2007.

GAGFAH S.A.

NOTES TO THE ANNUAL ACCOUNTS

As of December 31, 2007

NOTE 15 – AMOUNTS OWED TO CREDIT INSTITUTIONS

As of December 31, 2007 the Company had a revolving credit facility amounting to EUR 300,000,000 of which EUR 239,442,563 were drawn. These financial liabilities bear interest of EURIBOR + 200 bp for the drawn amount and an interest rate of 0.75 % for the undrawn amount. The credit line expires September 2010.

NOTE 16 – PERSONNEL COSTS

As of December 31, 2007 personnel costs amounted to EUR 252,248, of which EUR 188,624 apply to salaries and wages for an average number of 3 (FTE) employees, EUR 23,161 for social security costs and EUR 40,463 for other personnel costs.

NOTE 17 – TAXES

The Company qualifies as a securitization vehicle falling within the scope of the Securitization Law of March 22, 2004. The Company is therefore fully liable to corporate income tax and municipal business tax. However it is subject to net worth tax (paragraph 3 of the Net Worth Law of October 16, 1934). Any commitments to investors (i.e. profit distributions) and commitments to other creditors of the Company will be deductible and will not be subject to Luxembourg withholding tax.

NOTE 18 – COMMITMENTS

GAGFAH S.A. has entered into a non-cancellable rent contract until February 14, 2010 combined with a sub-lease contract, both with the option for the reconduction of the contract for another period of three years. The future payments will be as follows:

in EUR	2008	2009	2010	Total
Rent contract	141,480	141,480	17,685	300,645
Sub-lease contract	95,906	95,906	11,988	203,800
Future payments	45,574	45,574	5,697	96,845

NOTE 19 – CONTINGENCIES

GAGFAH S.A. has given a guarantee up to the maximum amount of EUR 36,366,166 for GAGFAH GmbH regarding the Guarantee Facility Agreement between GAGFAH GmbH and an external bank.

NOTE 20 – SUBSEQUENT EVENTS

No event with particular significance for the capital, financial and result situation has occurred after the closing date.