

GAGFAH S.A.

Société anonyme – société de titrisation
Luxembourg

Directors' Report 2006

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 denomination in 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 14a, rue des Bains, L-1212 Luxembourg.

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

GAGFAH S.A. is securitising the risks relating to German real estate through the holding of interest and being the overall parent company of the GAGFAH Group of companies, NILEG Group of companies, WOBA Group of companies, the GAGFAH Acquisition 1 GmbH, GAGFAH Acquisition 2 GmbH, GAGFAH Acquisition 3 GmbH and GBH Acquisition 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. Following an analysis of the IFO Institut fuer Wirtschaftsforschung e.V. the German economy is facing an exceptional strong boom as it was in 1990 for the last time. The IFO index of business climate for the commercial economy rised in December 2006 and is consequently continuing its increase which started back in the year 2005. In the main construction trade, retail trade and wholesale trade the business climate increased as well. In December 2006 the index went up to 108.7 counters following 106.8 counters in November 2006.

Development of the industry

The development of the resident population in Germany is not following a definite trend. As a result of changing age distribution, varying birth rates and migration movements there is a permanent change of the population structure in Germany, nationwide but also with regional differences. While there are vacancies in one region there is an increasing demand especially in metropolitan areas. Furthermore, the housing market is facing new requirements for the product 'habitation'. Instead of the simple supply of living space there is a demand of flexible accommodation and service customized to the residents' needs.

Business situation of the company

Result situation

The result of the year 2006 was basically influenced by interest income of €m 82.4 and IPO expenses of €m7.2.

Financial situation

The capital structure of GAGFAH S.A. as of December 31, 2006 represents as follows:

	2006	2006	2005	2005
	€m	%	€m	%
Equity	1,925.4	88.76	339.3	90.29
Liabilities due to affiliated companies	196.3	9.05	0.0	0.00
Liabilities to shareholders	42.0	1.94	36.4	9.69
Other debts	5.4	0.25	0.1	0.03
Balance sheet total	2,169.2	100.00	375.8	100.00

Besides the subscribed capital of €m 281.9 the equity consists of revenue reserves of €m 1,572.1, a legal of €m 27.6 and earnings accumulated earning of €m 82.2.

The liabilities due to affiliated companies total amounting to €m 196.3 consist of liabilities to NILEG Holding amounting to €m 47.5, GBH Acquisition GmbH amounting to €m 68.0, GAGFAH Acquisition 2 GmbH amounting to €m6.0 and GAGFAH Acquisition 3 GmbH amounting to €m 74.8. These are about enhancements of capital reserves which are payable in 2007.

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 securitisation company securitising the risks of German real estate through the holding of interest in the GAGFAH Group of companies, NILEG Group of companies, WOBA Group of companies, the GAGFAH Acquisition 1 GmbH, GAGFAH Acquisition 2 GmbH, GAGFAH Acquisition 3 GmbH and GBH Acquisition GmbH.

The balance sheet structure represents as follows:

<u>ASSETS</u>			<u>EQUITY AND</u>		
	<u>2006</u>	<u>2005</u>	<u>LIABILITIES</u>	<u>2006</u>	<u>2005</u>
	€m	€m		€m	€m
Non-current Assets	2,112.1	359.1	Equity	1,925.4	339.3
Current Assets	57.1	16.7	Current Liabilities	243.8	36.5
	2,169.2	375.8		2,169.2	375.8

The fixed assets amounting to €m 2,112.1 consist basically of financial assets (shares in and loans to affiliated companies).

The current assets have a total of €m 57.1 and consist essentially of cash at banks amounting to €m 39.6, receivables from affiliated companies amounting to €m 15.3 and prepaid expenses amounting to €m 2.2.

The equity as of closing date amounted to €m 1,925.4 and financed 88.76 % of the balance sheet total amounting to €m 2,169.2.

As of closing date we report accruals amounting to €m 0.5 and liabilities amounting to €m 243.3.

The significant accounting ratios present as follows:

	2006	2005
	€m	€m
Total assets	2,169.2	375.8
Equity	1,925.4	339.3
Equity in % of total assets	88.76%	90.29%
Financial assets	2,112.1	343.2
Financial assets in % of total assets	97.37%	91.33%
Equity-to-fixed-assets ratio	91.16%	98.86%

Incidents after the closing date

No occurrence with particular significance for the capital, financial and result situation has happened 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 are reflected in the early warning system.

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

Future Perspectives

Growth

Accretive growth is a key pillar of our strategy. The intention is to annually acquire risks relating to residential real estate in Germany for a total real estate value of around € 1.4 billion.

Financing

This growth will be supplemented through further securitisations through new equity.

Quarterly dividends

The intention of GAGFAH S.A. is to distribute its income (or a substantial part thereof) via quarterly dividends payments.

Disclosure regarding Article 11 of the Law on Takeover

Information regarding section a) of the law (structure of capital) can be found on page 2 of this report.

Information regarding section c) of the law (significant direct and indirect shareholdings):

List of Shareholdings

Subsidiaries Included in the Consolidated Financial Statements

	Company name	Registered office	Share in capital	Held by
1	GAGFAH S.A.	Luxembourg, Luxembourg		
2	GAGFAH GmbH	Essen, Germany	17% 83%	72 71
3	GAGFAH I Invest GmbH & Co.KG	Essen, Germany	100%	2
4	GAGFAH M Immobilien Management GmbH	Essen, Germany	6% 94%	2 3
5	GAGFAH A Asset GmbH & Co. KG	Essen, Germany	100%	4
6	GAGFAH Projektentwicklungs- und Projektsteuerungsgesellschaft mbH	Essen, Germany	100%	4
7	VHB Grundstücksverwaltungsgesellschaft "Haus- und Bodenfonds" mbH	Essen, Germany	100%	4
8	Neues Schweitzer Viertel Betriebs- + Service GmbH & Co. KG	Berlin, Germany	94.99%	4
9	GSW Wohnbau GmbH	Freiburg, Germany	94.90%	4
10	Schweitzer Viertel Grundstücks GmbH	Berlin, Germany	94.74% 5.26%	4 8
11	IVS Schrömgens & Stephan Immobilienversicherungsservice GmbH	Düsseldorf, Germany	100%	4
12	HaBeGe Bau- und Projektentwicklungsgesellschaft mbH	Cologne, Germany	94.90% 5.10%	4 9
13	GAGFAH B Beteiligungs GmbH	Essen, Germany	100%	4
14	Media Home GmbH & Co. KG	Essen, Germany	51%	4
15	Media Home Verwaltung GmbH	Essen, Germany	51%	4
16	GbR Essen, Stadtwaldplatz	Essen, Germany	94% 6%	4 8
17	Haus- und Boden- Fonds 5	Essen, Germany	66.83%	3
18	Haus- und Boden- Fonds 6	Essen, Germany	88.19%	3
19	Haus- und Boden- Fonds 7	Essen, Germany	75.75%	3
20	Haus- und Boden- Fonds 8	Essen, Germany	73.50%	3
21	Haus- und Boden- Fonds 9	Essen, Germany	72.79%	3
22	Haus- und Boden- Fonds 10	Essen, Germany	73.36%	3
23	Haus- und Boden- Fonds11	Essen, Germany	72.69%	3
24	Haus- und Boden- Fonds 12	Essen, Germany	81.05%	3
25	Haus- und Boden- Fonds 13	Essen, Germany	77.04%	3
26	Haus- und Boden- Fonds 14	Essen, Germany	61.81%	3
27	Haus- und Boden- Fonds 15	Essen, Germany	71.37%	3

	Company name	Registered office	Share in capital	Held by
28	Haus- und Boden- Fonds 18	Essen, Germany	71.54%	3
29	Haus- und Boden- Fonds 19	Essen, Germany	74.11%	3
30	Haus- und Boden- Fonds 21	Essen, Germany	70.30%	3
31	Haus- und Boden- Fonds 23	Essen, Germany	53.93%	3
32	Haus- und Boden- Fonds 29	Essen, Germany	62.27%	3
33	Haus- und Boden- Fonds 33	Essen, Germany	56.90%	3
34	Haus- und Boden- Fonds 35	Essen, Germany	57.61%	3
35	Haus- und Boden- Fonds 37	Essen, Germany	47.79%	3
36	Haus- und Boden- Fonds 38	Essen, Germany	53.94%	3
37	NILEG Immobilien Holding GmbH	Hanover, Germany	100%	1
38	WTCH-World Trade Center Hannover GmbH	Hanover, Germany	100%	37
39	NORD/LB-Immobilien-gesellschaft für Mecklenburg-Vorpommern mbH	Schwerin, Germany	100%	37
40	Norddeutsche Wohnungsbau-Beteiligungs GmbH & Co. KG	Hanover, Germany	100%	37
41	Osnabrücker Wohnungsbau GmbH	Osnabrück, Germany	94.10%	40
42	OWG Asset GmbH & KG	Osnabrück, Germany	100%	41
43	NILEG Real Estate GmbH	Hanover, Germany	94.81%	37
44	NILEG Real Estate GmbH & Co. Management KG	Hanover, Germany	94.81%	37
45	NILEG Norddeutsche Immobilien-gesellschaft mbH	Hanover, Germany	94% 5.685%	43 37
46	NILEG Commercial Asset GmbH &KG	Hanover, Germany	100%	45
47	NILEG Resident. Asset GmbH & KG	Hanover, Germany	100%	45
48	WG Norden Beteiligungsgesellschaft GmbH	Hanover, Germany	100%	53
49	WBN Beteiligungs- GmbH	Hanover, Germany	100%	55
50	OWG Beteiligungs- GmbH	Hanover, Germany	100%	40
51	NILEG Beteiligungs- GmbH	Hanover, Germany	100%	45
52	Scholz-Hofheim GmbH & Co. KG	Wetzlar, Germany	100%	45
53	Wohnungsgesellschaft Norden GmbH	Hanover, Germany	94.88%	45
54	Wobau Norden Asset GmbH & KG	Hanover, Germany	100%	53
55	Wohnungsbau Niedersachsen GmbH	Hanover, Germany	94.85%	53
56	Wobau Niedersachsen Asset GmbH & KG	Hanover, Germany	100%	55
57	NILEG Immobilienservice GmbH	Hanover,	100%	55

	Company name	Registered office	Share in capital	Held by
		Germany		
58	WBO GmbH	Hanover, Germany	100%	37
59	WOBA Holding GmbH	Munich, Germany	100%	1
60	Blitz 05-661 GmbH	Munich, Germany	94.9%	59
61	Opera Co-Acquisition GmbH & Co. KG	Munich, Germany	94.9%	59
62	WOBA DRESDEN GMBH	Dresden, Germany	100%	59
63	Immo Service Dresden GmbH	Dresden, Germany	100%	62
64	Dienstleistungs- und Bauhof Dresden GmbH	Dresden, Germany	100%	63
65	Bau- und Siedlungsgesellschaft Dresden mbH	Dresden, Germany	94.73% 5.27%	62 61
66	Liegenschaften Weissig GmbH	Dresden, Germany	94.73% 5.27%	62 61
67	Wohnbau Nordwest GmbH	Dresden, Germany	94.9% 5.1%	62 61
68	SÜDOST WOBA DRESDEN GmbH	Dresden, Germany	94.9% 5.1%	62 61
69	PARKHAUS PROHLIS GmbH	Dresden, Germany	70%	68
70	Immobilien-Vermietungsgesellschaft Knappertsbusch & Co & SÜD OST WOBA Striesen KG	Leipzig, Germany	0.02%	68
71	GAG ACQ Ireland	Ireland, Clonee	100%	1
72	UC ACQ Ireland	Ireland, Clonee	--- ⁵⁾	--- ⁵⁾
73	GAGFAH Operations Advisors GmbH	Frankfurt/Main, Germany	17% 83%	72 71
74	GAGFAH Acquisition one GmbH	Essen, Germany	100%	1
75	GAGFAH Acquisition two GmbH	Berlin, Germany	100%	1
76	GAGFAH Acquisition three GmbH	Berlin, Germany	100%	1
77	GBH Acquisition GmbH	Essen, Germany	100%	1

Joint Ventures (as defined by IAS 31) Included in the Consolidated Financial Statements on a Proportionate Basis

	Company name	Registered office	Share in capital	Held by
78	Objekt Kassel GbR	Hanover, Germany	50%	45
79	Objekt Dresden GbR	Hanover, Germany	50%	45
80	Lühnde IHG und NILEG GbR	Hildesheim, Germany	50%	45
81	Grundstücksentwicklungsgesellschaft Oesselse "Langes Feld" GbR	Hildesheim, Germany	50%	45

Other Financial Assets of 20% or More

			Share in capital	Total equity € k	Net profit/loss	Held by
82	S-Immobilienmanagement GmbH & Co. KG	Göttingen, Germany	50%	104 ¹⁾	69 ¹⁾	45
83	Hannover Region Grundstücksgesellschaft Verwaltung mbH & Co. Businesspark Hannover Nord KG	Hanover, Germany	33.33%	848 ³⁾	-81 ³⁾	45
84	IDB Königsdamm GmbH & Co. KG	Tostedt Germany	33.33%	1560 ²⁾	244 ²⁾	45
85	Wohnungsbaugesellschaft mbH Salzgitter	Braunschweig, Germany	25.05%	34,664 ⁴⁾	1,045 ⁴⁾	45
86	Lehrter Wohnungsbau GmbH	Hildesheim, Germany	28.44%	10,322 ⁴⁾	471 ⁴⁾	45
87	Wohnstätten Wohnungsgesellschaft mbH	Hanover, Germany	20%	1,196 ³⁾	167 ³⁾	45
88	WBV Wohnbau Betreuungs- & Verwaltungs GmbH	Salzgitter, Germany	100%	26 ⁴⁾	0 ⁴⁾	85
89	Dreisam Wohn und Gewerbebau GmbH	Freiburg, Germany	52%	0 ¹⁾	-20 ¹⁾	9

¹⁾ As of December 31, 2005

²⁾ As of December 31, 2006

³⁾ As of December 31, 2003

⁴⁾ As of December 31, 2004

⁵⁾ The Company is fully consolidated due to a domination agreement in place.

Information regarding section h) of the law (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.

Information regarding section i) of the law (issue and buy-back of shares):

GAGFAH S.A. has a total authorized share capital of € 10 billion. 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.

The company is not aware of any issues regarding sections b), d), e), f), g), j) and k) of Article 11 of the Law on Takeovers.

Luxembourg, February 23, 2007
Board of Directors of GAGFAH S.A.

GAGFAH S.A.

ANNUAL ACCOUNTS
and
INDEPENDENT AUDITOR'S REPORT
as of
December 31, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of,
GAGFAH S.A.
14a, rue des Bains
Grand Duchy of Luxembourg

Report on the annual accounts

At your request, we have audited the accompanying annual accounts of GAGFAH S.A., which comprise the balance sheet as at December 31, 2006 and the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory notes to the annual accounts.

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, 2006, 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 of the annual accounts.

Report on other legal and regulatory requirements

The annual report, which is the responsibility of the Board of Directors, is in accordance with the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Michael Hornsby

Luxembourg, February 23, 2007

GAGFAH S.A.

BALANCE SHEET December 31, 2006 (expressed in EUR)

<u>A S S E T S</u>	2006	2005
Financial assets		
Shares in affiliated companies (Note 3)	603,978,901	146,055,000
Loans to affiliated companies (Note 4)	<u>1,508,155,366</u>	<u>213,001,558</u>
	2,112,134,267	359,056,558
Current assets		
Receivables from group companies with a maturity of less than 1 year (Note 5)	15,127,460	9,986,347
Other receivables	135,361	0
Cash at bank, in CCP accounts and in hand	39,570,858	6,755,378
Prepaid expenses and deferred charges	<u>2,251,171</u>	<u>0</u>
	57,084,850	16,741,725
	<u><u>2,169,219,117</u></u>	<u><u>375,798,283</u></u>

<u>LIABILITIES</u>	2006	2005
Share capital and reserves		
Share capital (Note 6)	281,894,221	3,683,101
Share Premium	1,533,728,526	327,118,953
Legal reserve (Note 7)	27,629,375	368,310
Result brought forward	8,150,323	0
Result for the period	<u>74,028,531</u>	<u>8,150,323</u>
	1,925,430,976	339,320,687
Other provisions	509,180	52,691
Current liabilities		
Amounts owed to group companies and shareholders (Note 8)	238,385,824	36,397,905
Other debts	<u>4,893,136</u>	<u>27,000</u>
	243,278,960	36,424,905
	<u><u>2,169,219,117</u></u>	<u><u>375,798,283</u></u>

GAGFAH S.A.

PROFIT AND LOSS ACCOUNT For the year ended December 31, 2006 (expressed in EUR)

<u>E X P E N S E S</u>	2006	2005
Interest and similar expenses	0	199
Other charges	8,529,416	65,902
personnel expenses	7,100	0
Taxes (Note 9)	0	0
Profit for the period	74,028,531	8,150,323
	<u>82,565,047</u>	<u>8,216,424</u>

I N C O M E

Interest and similar income (Notes 4)	82,565,047	8,216,424
	<u>82,565,047</u>	<u>8,216,424</u>

GAGFAH S.A.

NOTES TO THE ANNUAL ACCOUNTS December 31, 2006

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 denomination in NLG Acquisition Investments S.C.A. It is registered at the trade register under number B 109526 and has its registered office at 14a, rue des Bains, L-1212 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.

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.

GAGFAH S.A.

NOTES TO THE ANNUAL ACCOUNTS December 31, 2006

NOTE 2 - VALUATION PRINCIPLES AND METHODS - CONTINUED

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.

NOTE 3 – SHARES IN AFFILIATED COMPANIES

On July 13, 2005, the company acquired 100 % shares in Magnet 101. VV GmbH for an amount of € 28,000. This company was subsequently renamed to NILEG Immobilien Holding GmbH and the company made a capital increase of € 126,000,000 to bring its total investment in this company to € 126,028,000. GAGFAH S.A. had the obligation to increase the capital reserve of € 47,500,000.

On November 25, 2005, the company acquired 100 % shares in Blitz 05-132 GmbH for an amount of € 27,000. This company was subsequently renamed to GAGFAH Acquisition 1 GmbH and the company made a capital increase of € 20,000,000 to bring its total investment in this company to € 20,027,000.

On February 23, 2006, the company acquired 100 % shares in Blitz 06-652 GmbH for an amount of € 28,000. This company was subsequently equipped with equity via a capital increase to acquire the Woba Dresden GmbH on April 04, 2006 for an amount of € 261,496,909.

On September 30, 2006, the company acquired 100 % share in GAG ACQ Ireland Limited Clonee, Ireland for an amount of € 45,750.

On October 19, 2006, the company acquired 100 % shares in Blitz B06-608 GmbH for an amount of € 27,000. This company was subsequently renamed to GAGFAH Acquisition 2 GmbH and the company made a capital increase of € 6,000,000 to bring its total investment in this company to € 6,027,000.

On November 8, 2006, the company acquired 100 % share in Blitz B06-610 GmbH for an amount of € 27,242. The company was subsequently renamed to GBH Acquisition GmbH and the company made a capital increase of € 68,000,000 to bring its total investment in this company to € 68,027,242.

On December 18, 2006, the company acquired 100 % share in Blitz B06-615 GmbH for an amount of € 27,000. The company was subsequently renamed to GAGFAH

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NOTES TO THE ANNUAL ACCOUNTS December 31, 2006

Acquisition 3 GmbH and the company made a capital increase of € 74,800,000 to bring its total investment in this company to € 74,827,000.

NOTE 4 – LOANS TO GROUP COMPANIES

The Company had a loan granted to NILEG Immobilien Holding GmbH amounting to EUR 222,824,700 interests included. The interest rate is 13 % p.a. and the maturity date is August 31, 2025.

The interest expense on the shareholder loan for the GAGFAH Acquisition 1 GmbH amounts to EUR 30,000,000 bearing 13 % interest. The maturity date for this loan is September 30, 2024.

The Company had a loan granted to WOBA Dresden GmbH amounting to EUR 426,378,750 interests included. The interest rate is 13 % p.a. and the maturity date is September 30, 2024.

The EUROBONDS for the GAG ACQ Ireland amounts to of EUR 690,296,104. The EUROBONDS for the UG ACQ Ireland amounts to EUR 138,655,812.

NOTE 5 - RECEIVABLES FROM GROUP COMPANIES

As at December 31, 2006, the receivables from NILEG Immobilien Holding GmbH and GAGFAH Acquisition 1 GmbH are outstanding with an amount of EUR 15,127,460. The receivable from NILEG Immobilien Holding GmbH amounts to EUR 4,673,221. The shareholder loan for the GAGFAH Acquisition 1 GmbH amounts to EUR 10,454,239.

NOTE 6 - SHARE CAPITAL

As of July 12, 2005, the Company has been incorporated with a paid-in share capital amounting to EUR 31,000 divided into 24,799 Class A shares with a nominal value of EUR 1.25 each and 1 Class B share with a nominal value of EUR 1.25 each. The Class B share is subject to certain restriction as regard to its transferability.

On August 30, 2005, the partners of the Company resolved to increase the share capital from EUR 31,000 up to EUR 3,683,101.25 by issuance of 2,921,681 new Class N shares with a nominal value of EUR 1.25 each fully subscribed and paid in cash and the possibility to create and to convert the Class A shares in Class N shares.

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This capital increase has been done together with the issuance of a total share premium of EUR 327,487,263.45. The Shareholders decided during that same meeting to allocate an amount of EUR 368,310.13 from the share premium to the legal reserve.

On April 4, 2006, the Company decided the creation of Class W shares and has increased its share capital and share premium for respectively EUR 4,956,250 and EUR 642,543,750 through the issuance of 3,965,000 new Class W shares with a nominal value of EUR 1.25 each.

On May 31, 2006, the Company decided the creation of new Class R shares and has increased its share capital and share premium for respectively EUR 51,360,648.75 and EUR 66,104,767.49 through the issuance of 41,088,519 new Class R shares with a nominal value of 1,25 each.

The shareholders meeting resolves that out of the share premium, an amount of EUR 5,136,065.00 shall be immediately allocated to the legal reserve.

As of June 30, 2006 the share capital is set to EUR 60,000,000.00 divided by 24,799 shares of Class A, 2,921,681 shares of Class N, 3,965,000 shares of Class W and 41,088,519 shares of Class R of EUR 1.25 each and 1 share of Class B with a nominal value of EUR 1.25.

On September 29, 2006, the Company decided the creation of new Class G shares and has increased its share capital and share premium for respectively 221,250,000 and 608,750,000 through the issuance of 177,000,000 new Class R shares with a nominal value of EUR 1.25 each.

The shareholders meeting resolves that out of the share premium, an amount of EUR 22,125,000 shall be immediately allocated to the legal reserve.

On September 29, 2006, there was held an extraordinary general meeting of the GAGFAH S.A. The shares commuted of the Class G, Class N, Class R and Class W shares, to the creation of a class of ordinary shares, to become the sole class of shares of the Company (other than the class B management shares).

On December 11, 2006, the Company decided the creation of new ordinary shares and has increased its share capital and share premium for respectively 644,221.25 and 11,795,150.97 through the issuance of 515,377 new ordinary shares with a nominal value of EUR 1.25 each. Dividends amounting to EUR 56,985,417 were paid out of the share premium to the shareholders in 2006.

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NOTE 7 - 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.

NOTE 8 – OTHER PAYABLES TO GROUP COMPANIES

As of December 31, 2006 the Company has debts towards group companies. These debts have no maturity date and bear no interest. The liabilities to shareholders of GAGFAH S.A. amount to EUR 42,085,824. GAGFAH S.A. has payable to affiliated companies of EUR 196,300,000 to December 31, 2006.

NOTE 9 - TAXES

The Company qualifies as a securitisation vehicle falling within the scope of the Securitisation Law of March 22, 2004. The company is therefore fully liable to corporate income tax and municipal business tax. However it is not 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 10 – SUBSEQUENT EVENT

A dividend amounting to EUR 38,337,614 was distributed to the shareholders in January 2007.