

MERRILL LYNCH S.A.

**ANNUAL ACCOUNTS
AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2007**

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Merrill Lynch S.A.
4, Rue Albert Borschette
L-1246 Luxembourg

Following our appointment by the General Meeting of the Shareholders dated May 25, 2007 we have audited the accompanying annual accounts of Merrill Lynch 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.

Auditor's responsibility

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.

Deloitte

The procedures selected depend on the auditor's judgement, 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 auditor 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

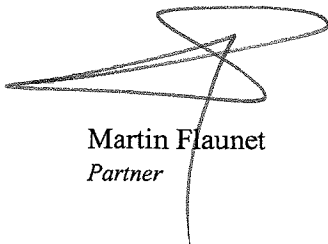
In our opinion, the annual accounts give a true and fair view of the financial position of Merrill Lynch S.A. as of December 31, 2007, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual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

Report on other legal and regulatory requirements

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

Deloitte S.A.

Réviseur d'entreprises



Martin Flaunet
Partner

March 20, 2008

Merrill Lynch S.A.
PROFIT AND LOSS ACCOUNT
Year ended December 31, 2007
(expressed in US Dollars)

EXPENSES	Note	2007	2006
Interest and similar charges	15	1,081,802,906	339,212,352
Other operating charges		434,975	368,133
Tax on profit on ordinary activities	17	1,258,765	742,848
 PROFIT FOR THE FINANCIAL YEAR		 2,989,516	 1,764,232
		<u>1,086,486,162</u>	<u>342,087,565</u>
 INCOME			
Interest and similar income	16	1,085,871,143	341,793,516
Other operating income		615,019	249,049
		<u>1,086,486,162</u>	<u>342,087,565</u>

See notes to the accounts.

Merrill Lynch S.A.
NOTES TO THE ACCOUNTS
December 31, 2007

NOTE 1 - GENERAL

Merrill Lynch S.A. ("the Company") was incorporated on December 18, 1991 as a "société anonyme" for an unlimited period.

The object of the Company is to make loans and to grant financial assistance in any form whatsoever to companies which are part of the Merrill Lynch group ("the group"). To that effect the Company may borrow money in whatever form and currency, issue bonds, debentures or other debt instruments in whatever form and in any manner whatsoever, and it may secure any of its borrowings by pledge or security of all or any of its property or income.

It may take participating interests in any companies or undertakings in whatever form and carry out transactions pertaining to the administration, the management, the control and the development of these participating interests.

According to article 314 of the Luxembourg commercial Law as amended, the Company is exempted from the obligation to prepare consolidated accounts.

The Company's accounting year coincides with the calendar year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual accounts are prepared under the historical cost principle, in accordance with the Laws and regulations in force in the Grand-Duchy of Luxembourg, except for the accounting policies adopted for foreign currencies and for valuation of financial derivatives, Certificates and Euro medium term notes ("EMTNs") stated at fair value.

Merrill Lynch S.A.
NOTES TO THE ACCOUNTS

December 31, 2007

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NOTE 10 - CERTIFICATES

Certificate issues	2007		2006	
	Nominal issue in currency	Nominal issue in USD	Nominal issue in currency	Nominal issue in USD
USD	253,834,000	253,834,000	17,900,000	17,900,000
EUR	2,171,026,510	3,194,122,930	1,242,294,740	1,635,729,578
CHF	127,552,874	113,138,969	5,500,794	4,504,970
GBP	34,861,000	69,532,011	16,461,000	32,288,253
JPY	300,000,000	2,652,520	-	-
SEK	5,000,000	777,774	-	-
PLN	43,650,000	17,835,254	-	-
Sub Total		3,651,893,458		1,690,422,801
Mark-to-market adjustments		(154,893,459)		20,511,870
Total Certificates portfolio		<u>3,496,999,999</u>		<u>1,710,934,671</u>

YEARS TO MATURITY

Certificate issues	1 - 5 years USD	Over 5 years USD	Total USD
USD	161,734,000	92,100,000	253,834,000
EUR	2,520,829,734	673,293,196	3,194,122,930
CHF	58,145,178	54,993,791	113,138,969
GBP	1,994,550	67,537,461	69,532,011
JPY	2,652,520	-	2,652,520
SEK	777,774	-	777,774
PLN	17,835,254	-	17,835,254
Total Certificates portfolio	<u>2,763,969,010</u>	<u>887,924,448</u>	<u>3,651,893,458</u>

Merrill Lynch S.A.
NOTES TO THE ACCOUNTS

December 31, 2007

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So far the Company has issued mainly Equity linked Certificates. This borrowing activity creates a market exposure, which the Company fully hedges with a related party. Under these hedges, the Company receives the same performance as exists on the underlying Certificates.

Proceeds of issuance of the Certificates are lent to companies of the group. The Company receives interest on the loans and earns a margin. The maturity and the notional amount of the Certificate, the hedge and the loan are matched.

NOTE 11 - EMTN ISSUES

EMTN issues	2007		2006	
	Nominal issue in currency	Nominal issue in USD	Nominal issue in currency	Nominal issue in USD
ARS	4,000,000	1,261,332	-	-
AUD	19,483,000	17,046,650	8,740,000	6,915,524
CHF	34,300,000	30,423,984	5,700,000	4,668,114
CLP	25,092,140,000	50,401,004	-	-
DKK	38,000,000	7,498,619	58,000,000	10,234,911
EUR	4,017,995,637	5,911,476,409	2,804,862,300	3,693,162,403
GBP	88,766,974	177,050,176	33,580,174	65,867,514
HKD	375,270,000	48,110,922	-	-
JPY	87,567,909,000	774,252,069	31,821,750,000	267,544,560
NZD	3,400,000	2,631,770	-	-
SEK	61,640,000	9,588,402	197,282,600	28,732,638
SGD	24,776,000	17,116,999	6,540,000	4,264,893
SKK	800,000,000	35,014,006	800,000,000	30,506,406
USD	1,508,583,120	1,508,583,120	598,152,041	598,152,041
Sub Total		8,590,455,462		4,710,058,004
Mark-to-market adjustments		(364,360,398)		57,152,621
Total EMTN portfolio		<u>8,226,095,064</u>		<u>4,767,210,625</u>

Merrill Lynch S.A.
NOTES TO THE ACCOUNTS
December 31, 2007
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NOTE 12 - SUBORDINATED CONVERTIBLE EQUITY CERTIFICATES

On August 10, 2000, Merrill Lynch S.A. issued 10,000 Subordinated Convertible Equity Certificates (SCECs) with a par value of USD 10,000 each. The return on SCECs interest is accounted for under the accrual method.

In 2005, Merrill Lynch S.A. issued 80 Fixed Capital Certificates (FCC) with a par value of USD 5,000,000 each. In 2007, Merrill Lynch S.A. issued 80 Fixed Capital Certificates (FCC) with a par value of USD 5,000,000 each. The return on FCC interest is accounted for under the accrual method.

NOTE 13 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

	2007	2006
	USD	USD
Loans from related parties	65,101,500	43,813,467
Mark-to-market on OTC instruments hedging certificates and EMTNs	618,486,766	54,826,539
Certificates and EMTNs maturing within 1 year	817,858,947	672,901,888
Mark-to-market on certificates and EMTNs maturing within 1 year	(34,689,128)	8,165,103
Interest payable on Certificates and EMTNs	<u>79,111,752</u>	<u>19,346,182</u>
Total Amounts owed to affiliated undertakings	<u>1,545,869,837</u>	<u>799,053,179</u>

Loans from related parties consist of borrowings from group companies. The loans are carried in the balance sheet at their nominal value plus interest accrued on a monthly basis.

Amounts owed to affiliated undertakings include the market valuation of the hedges to the EMTNs and Certificates (as specified in note 2).

Merrill Lynch S.A.
NOTES TO THE ACCOUNTS
December 31, 2007
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NOTE 14 - OTHER CREDITORS

	2007	2006
	USD	USD
VAT payable	289,442	259,037
Others	<u>817,124</u>	<u>92,057</u>
Total Other Creditors	<u>1,106,566</u>	<u>351,094</u>

NOTE 15 - INTEREST AND SIMILAR CHARGES

	2007	2006
	USD	USD
Interest relating to financing activity	30,866,138	24,006,752
EMTNs and Certificates: interest and related hedges	<u>1,050,936,768</u>	<u>315,205,600</u>
Total Interest and similar charges	<u>1,081,802,906</u>	<u>339,212,352</u>

All interest and similar charges are with related parties.

NOTE 16 - INTEREST AND SIMILAR INCOME

	2007	2006
	USD	USD
Interest relating to financing activity	27,487,071	42,249,949
EMTNs and Certificates: interest on loan to group companies and related hedges	<u>1,058,384,072</u>	<u>299,543,567</u>
Total interest and similar income	<u>1,085,871,143</u>	<u>341,793,516</u>

All interest and similar income are with related parties.

Merrill Lynch S.A.
NOTES TO THE ACCOUNTS
December 31, 2007
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NOTE 17 - TAX ON PROFIT ON ORDINARY ACTIVITIES

The Company is subject to Luxembourg corporate income tax, municipal business tax and net worth tax.

NOTE 18 - COMMITMENTS

The Company is entering into derivative contracts for the purpose of hedging exposure from the EMTNs and certificates.

2007	LESS THAN 1 YEAR USD	COMMITMENTS			TOTAL USD	MARKET VALUE
		1-5 YEARS USD	OVER 5 YEARS USD			GAIN / (LOSS) USD
Performance swaps	817,858,947	8,730,381,504	3,511,967,415	13,060,207,866	553,942,985	
Cross currency interest rate swaps	568,799,832	7,372,267,372	2,982,608,170	10,923,675,374	<u>1,359,110,530</u>	
TOTAL	1,386,658,779	16,102,648,876	6,494,575,585	23,983,883,240	<u>1,913,053,515</u>	
2006	LESS THAN 1 YEAR	COMMITMENTS			TOTAL	MARKET VALUE
		1-5 YEARS	OVER 5 YEARS			GAIN / (LOSS)
Performance swaps	672,901,888	5,278,973,318	1,121,507,487	7,073,382,692	(85,677,242)	
Cross currency interest rate swaps	561,379,731	4,796,502,277	987,926,487	6,345,808,495	<u>395,899,545</u>	
TOTAL	1,234,281,619	10,075,475,595	2,109,433,974	13,419,191,187	<u>310,222,303</u>	

Merrill Lynch S.A.
NOTES TO THE ACCOUNTS

December 31, 2007

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NOTE 19 - PARENT UNDERTAKING

The Company is a subsidiary of Merrill Lynch International Holdings Inc., a company incorporated under the Laws of United States of America whose registered office is in New York, N.Y..

The consolidated accounts of Merrill Lynch International Holdings Inc. may be obtained from:

Merrill Lynch
Corporate Reporting
2 World Financial Center Floor 6
New York 10281-6100

The parent company who prepares the consolidated group accounts, being the ultimate parent company of Merrill Lynch S.A. is Merrill Lynch & Co. Inc.

The consolidated accounts of Merrill Lynch & Co., Inc. may be obtained from:

Merrill Lynch & Co., Inc.
World Financial Center
North Tower
New York 10281-1332

Merrill Lynch S.A.
NOTES TO THE ACCOUNTS

December 31, 2007

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NOTE 20 - CASH FLOW STATEMENT

	2007	2006
	USD	USD
PROFIT FOR THE YEAR	2,989,516	1,764,232
Change in Receivables from Group Companies	54,921,849	(52,194,448)
Change in Other Receivables	(1,844,263)	8,773,716
Change in Payables to Group Companies	746,816,658	(446,002,828)
Change in Other Payables	(1,135,965)	2,191,961
 CASH FLOWS FROM FINANCING ACTIVITY		
Change in Financial Assets	(6,453,053,749)	(1,799,401,428)
Change in Certificates	1,786,065,328	711,144,319
Change in EMTNs	3,458,884,439	1,580,284,211
Change in Fixed Capital Certificates	400,000,000	0
 Increase/Decrease in Cash	(6,356,187)	6,559,735
Cash at the beginning of the year	7,528,247	968,512
Cash at the end of the year	1,172,060	7,528,247

MERRILL LYNCH S.A.

Société Anonyme

Registered Office: 4, Rue Albert Borschette, L-1246 Luxembourg

R.C. Luxembourg: B-39.046

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

Gentlemen,

We have the honour of reporting on the activity of your company for the year ended December 31st, 2007.

We hereby submit to your approval the accounts for the year.

The financial statements as at December 31st, 2007 closed with a net profit of USD 2,989,516 compared to USD 1,764,232 as at December 31st 2006, and the balance sheet shows total assets of USD 14,187,984,682 compared to USD 7,794,364,706 last year.

During the financial year, the main activity of your company consisted in granting loans to group companies, and issuing Euro Medium Term Notes and Certificates to third party investors.

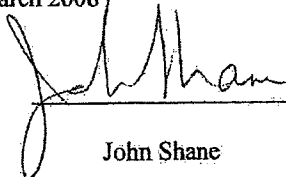
As at December 31st 2007, your company had no branches.

For the current year, we expect this entity to continue.

No significant events having occurred since the end of this financial year, we suggest the following allocation of the results:

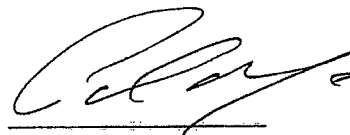
- USD 2,627,036 to retained earnings
- USD 362,480 to a special reserve for net worth tax

20 March 2008



John Shane

**JOHN G. SHANE
DIRECTOR
MLSA**



Paul Byrne

**P. Byrne
Director**