



ANNUAL REPORT 2007

ALTA FIDES AG

AKTIENGESELLSCHAFT FÜR GRUNDVERMÖGEN

ALTA FIDES AG GRUPPE

ALTA FIDES AG

Project Development

Acquisition, refurbishment and sale of exclusive listed residential real estate at premier locations and development of new residential projects

ALTA FIDES AG

Trade & Own Holdings

Formation of a nationwide residential real estate portfolio in first-class locations, enhancement of quality and value of the real estate and subsequent sale

PROFECTO AG

Non-Performing Loans (PROFECTO AG)

Exploitation of terminated bank loans secured by means of property encumbrances, predominantly for residential real estate

CAMPUS Real Estate AG

Student Apartments (CAMPUS Real Estate AG)

Formation of a nationwide portfolio of student lifestyle apartments and establishment of student housing as a stand-alone asset class on the German real estate market under the brand name "CAMPUS Real Estate"

Group Financial Parameters 2007		2007 EUR	2006 EUR	Change EUR	Change in percent
Sales revenue					
including other operating income	million	50.82	26.25	24.57	93.60
Total turnover and operating revenue	million	57.29	64.42	-7.13	-11.07
Gross Margin	million	26.46	15.37	11.09	72.15
EBIT	million	17.33	10.71	6.62	61.81
EBT	million	15.55	9.92	5.63	56.75
Profit for the financial year	million	11.73	6.04	5.69	94.21
Equity	million	60.68	48.34	12.34	25.53
EPS, undiluted		1.60	0.84	0.76	90.48
Equity ratio	percent	40.91	45.79		



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THE MANAGEMENT BOARD



THE SHARES

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DEAR SHAREHOLDER,

The 2007 trading year was very successful for ALTA FIDES AG and we are delighted that we can present you with excellent year-end accounts. With the continuation of our rigorous growth, ALTA FIDES AG has succeeded in increasing revenue, incl. miscellaneous trading revenue from EUR 26,250k (2006) to EUR 50,816k (2007); in this respect we were able to almost double the annual surplus with an increase of 94.19% from EUR 6,042k (2006) to EUR 11,733k (2007).

This success can be traced back to the constant expansion of our four fields of business (segments), in which we were able to record significantly increases in output.

The development of the "Project Development" segment was very pleasing. One particularly striking project in this respect is the Schloss Brandis in Leipzig, in which some 80 luxurious residential units will be created by August 2008, the majority of which were already sold in 2007 to owner-occupiers and capital investors.

In the business field of Trade and Own Holdings we have increased our own residential portfolio holdings from 80,000 m² to

111,000 m² (as per status of: 20.11.2007). Revenue in this field climbed by 278% from EUR 6,313k (2006) to EUR 23,904k, where the branch yield could be increased by 184%. We will continue to acquire and innovatively develop suitable real estate in the future. In this respect the examination and selection of our properties will be criteria for future success. In 2007 we succeeded in acquiring a file site in an excellent location in inner-city Leipzig: a site surrounding the former Leipzig headquarters of the German Post Office, upon which an inner-city quarter shall be created for residing, working and living. The successful trend of this segment will continue with the development of this site in 2008.

The 2007 trading year also marked the introduction of a new fourth field of business. CAMPUS Real Estate AG was founded as a subsidiary company of ALTA FIDES AG in July 2007, in order to establish student housing as a new class of asset in the German real estate market. Starting out from the locations of Karlsruhe, Heidelberg, Erlangen, Düsseldorf, Leipzig and Greifswald, at which in each instance between 200 and 400 student lifestyle apartments will be realised by mid-2009, ALTA FIDES AG is now already building

approx. 1,850 units on a nationwide basis. In 2007, 50% of the CAMPUS project in Erlangen was already sold to an institutional investor prior to commencement of construction; as a future market we will continue the 2007 expansion efforts in this business field and give it our fullest attention. As the "first mover" we will work rigorously to establish the field of "Student Housing" on the market.

In order to continue further success of these ambitious plans in the above-mentioned proposals, a stand-alone area of responsibility was created within the board of directors with Mr. Christian Dunkelberg appointed as Chief Operating Officer (COO), with effect from 01.08.2007. He follows on from Mr Gerd Eichinger, who is still committed to the expansion of our personnel and organisational structures.

The 2007 trading year was also characterised by our gaining a new major shareholder. In December 2007, Corestate Capital AG, an international real estate investor and asset manager with headquarters in Zürich, acquired 14.18% of the share capital of ALTA FIDES AG with a further option amounting to 14.82%, with effect from 15.01.2008.

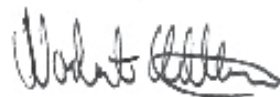
We wish to thank you for your wide backing and great trust. We feel certain that

the expanded positioning of ALTA FIDES AG as an innovative and highly-specialised real estate company will lead to further growth and added value for our shareholders. In this spirit, we are delighted that you will continue to accompany ALTA FIDES AG along its promising path.

In conclusion, however we would also like to express our enormous gratitude to all of our employees, without whose fantastic efforts the successful performance of our company in 2007 would have been impossible.

Stuttgart, April 2008

ALTA FIDES AG
Aktiengesellschaft für Grundvermögen



Norbert Ketterer
(CEO)



Christian Dunkelberg
(COO)



Rainer Fuchs
(CFO)

THE SHARES

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**■ Norbert Ketterer (CEO)**

Over 15 years of entrepreneurial activity in the real estate economy

Chairman of the Board of Directors of ALTA FIDES AG

Executive areas: Strategy, acquisition and sale of properties/ portfolios

**■ Christian Dunkelberg (COO)**

Over 22 years of experience in the field of real estate investment and project development as a Managing Director and board member of renowned real estate companies

Board Member of ALTA FIDES AG

Executive areas: Project development, investor relations

**■ Rainer Fuchs (CFO)**

Over 18 years of professional banking experience in the field of credit and capital markets

Board Member of ALTA FIDES AG

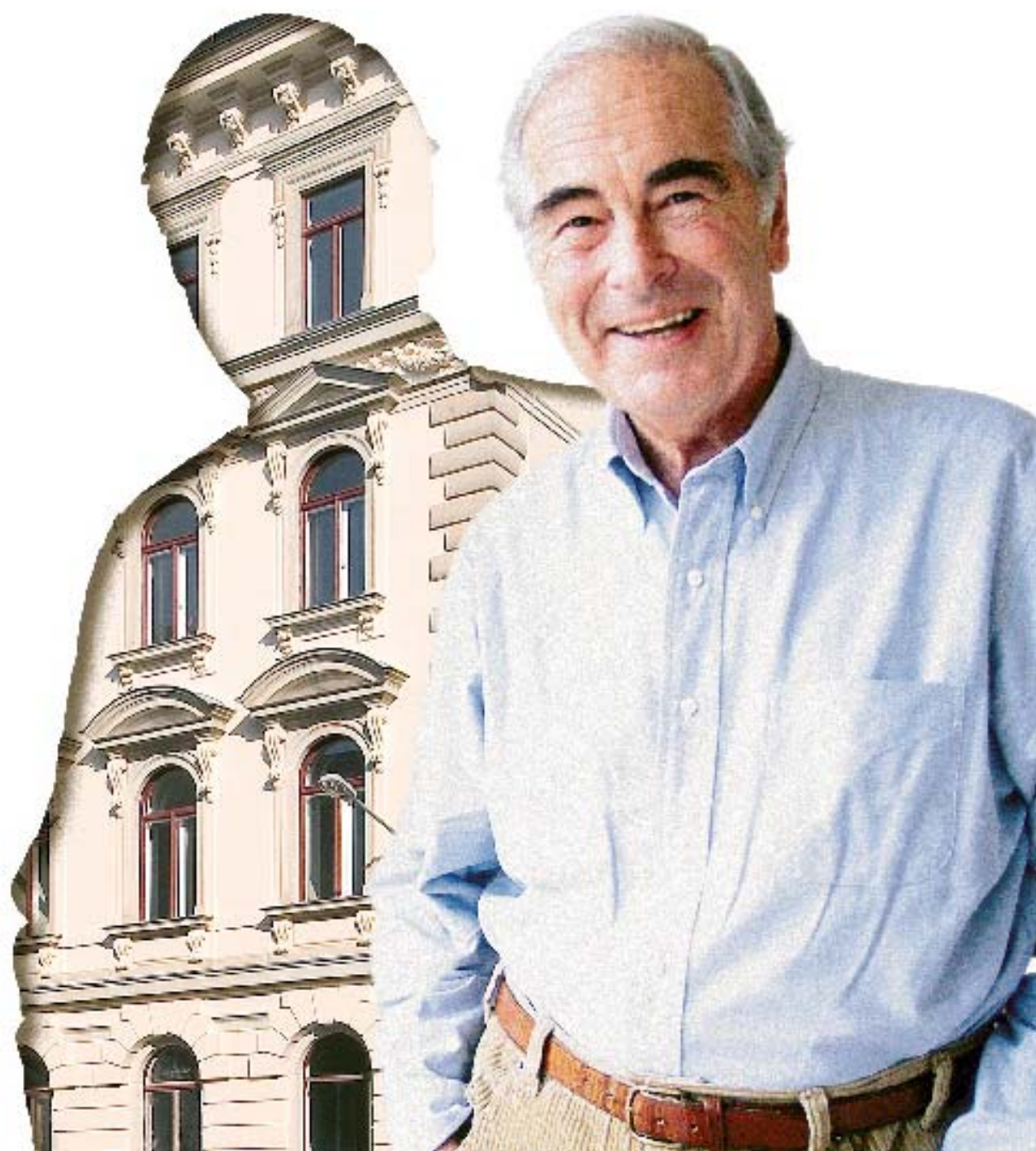
Executive areas: Finance, Controlling



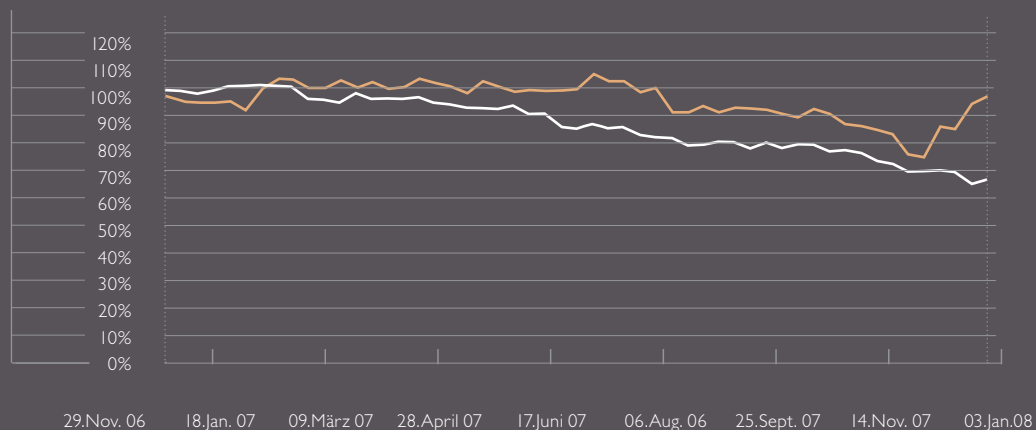
Stability

Strong
performance
in turbulent
times.

THE SHARES



ALTA FIDES AG
DIMAX - Index



Performance of shares

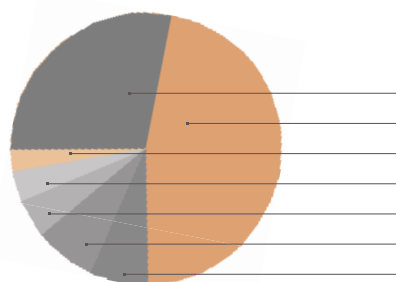
THE SHARES

Development of the share markets in 2007

Although the world economy showed strong growth throughout 2007, the economic prospects for the second half-year became somewhat overcast. The reasons for this change were poor conditions on the credit markets, higher energy prices and the worsening of the real estate crisis in the United States. In addition to this the weak dollar dampened the mood. In spite of these circumstances the German Share Index (DAX) recorded a very positive development when viewed over the year as a whole. It closed the year with more than 8,000 points and thus climbed by 22 % viewed across the year 2007. In contrast to this, the German Real Estate Share index (DIMAX) from the private bank, Ellwanger & Geiger slipped by 32.4 % in 2007. This index covers the shares of companies whose primary revenue is generated through the development or management of real estate.

Development of ALTA FIDES AG in the Prime Standard

In spite of the difficult market environment in the field of real estate, the share price developed positively in 2007. The share value gained 12 % in the first half-year. The peak price quoted was 18.30 EUR at the beginning of July. A decline in the share price followed from late summer on. After reaching a low of EUR 12.50 the share value again increased rigorously and was quoted on 31.12.2007 at EUR 16.95, almost as high as at flotation. Corestate Capital AG acquired an interest in ALTA FIDES AG on 21.12.2007 and thus demonstrated that the company's solid fundamental data inspires confidence. The investment was only completed in January 2008 and is therefore not yet illustrated within the company structure. The foundation in the summer of a new field of business, CAMPUS Real Estate also had a positive impact on the share value.



Free float	28.37 percent
Norbert Ketterer	46.56 percent
uniVersa Insurance Group	2.49 percent
Natalie Wagner	3.58 percent
Karl Ketterer	4.68 percent
Raimund Baumann	7.16 percent
Gerd Eichinger	7.16 percent

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The development of the share price compared with the industry benchmark, the German Real Estate Share Index (DIMAX), was exceedingly satisfactory. Whilst this index dropped by -32.4% in 2007 the ALTA FIDES AG share price almost remained stable, with a yearly development of -2.9%. This development against the market trend illustrates the special trust the shareholder places in ALTA FIDES AG and its management.

Retrospective on the general meeting

ALTA FIDES AG's ordinary general meeting on 25th June 2007 was attended by shareholders with a total of 5,568,818 votes and accounting for 78.99 % of the vote entitled share capital.

The board of directors was empowered by resolution made in the general meeting, to singly or repeatedly increase the share capital of the company with consent of the supervi-

sory board by 15.06.2012 up to a total of EUR 3,525,000.00, through the issue of new shares against cash contributions or contributions in kind. The board of directors was furthermore empowered by resolution made in the general meeting, with consent of the supervisory board by 15.06.2012, to singly or repeatedly relinquish conversion or option debenture bonds and/or benefits rights, with or without conversion or options rights or conversion obligations (referred to collectively in the following as "debenture bonds") in the total amount of up to EUR 80,000,000.00, with a term of up to 20 years and to grant conversion and option rights to new company shares to the owners and creditors of the debenture bonds, with a proportional amount of the share capital of up to EUR 3,525,000.00, according to the more detailed provisions of the debenture bonds.

_____	WKN	A0B7EZ	_____
_____	ISIN	DE 000 A0B 7EZ 7	_____
_____	Stock exchange	Frankfurt am Main	_____
_____	Market segment	Official trading, Prime Standard	_____
_____	Stock	EUR 7.050.000,00	_____
_____	Class of shares	Common bearer shares	_____
_____	Number of shares	7.050.000	_____

Basic information



REPORT BY THE SUPERVISORY BOARD

Dear Shareholders,

In the course of fiscal year 2007, the Supervisory Board discussed the performance of the business operations of ALTA FIDES AG together with the Management Board in the course of six meetings. The Company's performance following its IPO, its further strategic orientation, advice about founding the new subsidiary CAMPUS Real Estate AG and its business model as well as a change in the Management Board were of particular importance. Resolutions were passed on the transactions and measures submitted to the Supervisory Board for examination in accordance with the statutory provisions and the provisions contained in the Articles of Association.

dr. Plöger corporate Revision GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements submitted by the Management Board, the consolidated financial statements as well as the management report of the Company and of the Group for fiscal year 2007 and issued them with an audit opinion. The Supervisory Board in turn inspected the audit reports by dr. Plöger corporate Revision GmbH Wirtschaftsprüfungsgesellschaft and agreed with the

conclusion drawn by the auditor.

The Supervisory Board approved the annual financial statements of ALTA FIDES AG prepared by the Management Board as of April 21, 2008. The annual financial statements have thus been adopted. The consolidated financial statements were also examined and approved by the Supervisory Board on April 21, 2008.

dr. Plöger corporate Revision GmbH Wirtschaftsprüfungsgesellschaft took part in the Supervisory Board meeting on April 21, 2008 and reported on the main audit findings to the Supervisory Board and the Management Board.

With few exceptions, the requirements of the German Corporate Governance Code have been taken into account by the Management Board and the Supervisory Board. The joint declaration of conformity required under Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act) can be found in the current Annual Report and on the Internet at www.altafides.de/sites/ir_corpgov.

The employees of ALTA FIDES AG and its subsidiaries contributed towards the performance of ALTA FIDES AG in the year under review through their high commitment. The Supervisory Board would like to thank the Management Board and all the employees for their work.

Stuttgart, April 2008

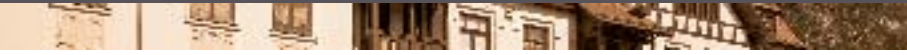
On behalf of the Supervisory Board



Prof. Dr. Willi Alda
-Chairman-



Prof. Dr. Willi Alda
Aufsichtsratsvorsitzender



Growth
and
value development
for a certain

future



CONSOLIDATED MANAGEMENT REPORT





CONSOLIDATED MANAGEMENT REPORT

I. FRAMEWORK CONDITIONS

I.1 General economic situation

During the first half of the year 2007, the global economy was characterized by robust growth. The renewed expansion of the boom in the threshold and developing countries could more than offset the slowing growth in the overall economic production. Furthermore, the growth of the world economy remained unabatedly high in the further course of the year – in spite of the changes on the global capital markets triggered by the US real estate crisis.

In the year 2007, the German economy recorded continuous growth. According to calculations by the Federal Office of Statistics (Destatis) the price- and calendar-adjusted gross domestic product (GDP) increased by 2.6 % compared with the previous year. This growth was generated in particular by manufacturing industries the gross value added of which increased by 5.2% compared with the previous year, followed by the sectors of commerce, the catering and hotel industry and transport (+ 2.3 %), financing, letting and corporate services (+ 3.1 %) as well as agriculture, forestry and fishery (+ 2.7 %). In spite of increased costs of raw material, the economic output of the construction industry improved by 1.7 %. Overall, however, the economic re-

covery has slowed down in Germany in 2007. While the price-adjusted gross value added of the public and private service providers still increased by 5.4 % in 2006, it only rose by 0.6 % in 2007 compared with the previous year. However, on an annual average, the economic output was achieved by a labour force of 39.7 million – which corresponds to the highest level since the German reunification. The number of unemployed fell by a total of 641,000 (-15.1 %) to 3.6 million. In this process, the gross wages and salaries rose by 3.1 % to EUR 954 billion in the year 2007. A higher increase was last recorded in the year 2000 (+3.4 %). At roughly EUR 620 billion, the net wages and salaries were approx. 2.3 % higher than the level of the preceding year. If we only consider the employees' share in this, however, the average gross wages and salaries rose by only 1.3 %, whereas the average gross wages and salaries increased by only 0.5 %. As against the preceding year, private consumer spending fell by 0.3 % in 2007, while savings rate rose by 0.3 % to 10.8 % at the same time.

I.2 Real estate market in Germany

Against the background of an internationalisation of the markets as well as the attractiveness of real estate as an investment form,

which is due to reasons of interest rates and inflation, the German real estate market is changing. In this context, the following developments are significant:

■ Investment growth in real estate

The German real estate market managed to continue its boom in the year 2007. Roughly EUR 75 billion were invested in the German real estate market in 2007, EUR 15 billion of which went to housing portfolios and development companies. If we consider interests in companies with major portfolios and takeovers of such, this sum almost totalled EUR 100 billion. In particular the office real estate markets benefited from this – with an investment total of approx. EUR 55 billion and, hence, a plus of 11% as against 2006. At the same time, the real estate industry recorded an increased demand for selling and logistics space in 2007.

■ Core investors as dominating group of buyers

The records on the real estate markets since 2004 are due to the willingness to buy on the part of financial investors who used the favourable interest level in order to invest in real estate properties with loan capital. On account of their high solvency the value of portfolios increased at high speed. Because

of the subprime crisis and the more stringent conditions for taking out loans core investors using a long-term strategy and relying on the development of the portfolios will dominate this market in the future. Among these, it is in particular the equity-oriented investors who will have an outstanding position.

■ Replacement of direct real estate investment by indirect forms of investment

The German real estate market is moving away from direct investment, i.e. the ownership of real estate properties, and towards indirect forms of investment by means of capitalized real estate products. Because of this new forms of investment in real estate properties, such REITs, derivatives or infrastructure funds, will evolve in addition to open and closed funds.

■ Separation of the demand for space from the development of business activity

In spite of the recovery of the overall economy in Germany, the economic growth is not going to have the same effect regionally. For this reason, the real estate industry has to take the disparities or the polarisation between growing and shrinking sites into account.



Project development | Seeresidenz Markkleeberg

■ Trend towards new urbanisation

As an effect of the wave of urbanisation, urban planners and project developers are facing new challenges in the development of modern residential, working and living space in the towns and cities which is in line with the demands. In this context, the optimisation of existing buildings will dominate compared with new construction and, in particular in the core cities, the expertise in reconstruction of and investments in existing buildings will be in high demand.

■ Energy efficiency boosts demand for asset management

Many residential buildings are thirty to sixty years old and do not fulfil the new requirements for energy-efficient reconstruction and climate protection. In this context, the reconstruction of the largely outdated German stocks poses a challenge. The problem: Frequently, the companies do not earn the money which is required in order to be able to at least preserve the structure. For this reason, companies have to manage their stocks under commercial aspects even more. This, in turn, means that efficient asset management will become the focus of corporate activities as a viable business segment for the future.

The market for residential real estate was quieter in 2007 than during the previous year. Trading was largely restricted to sales of portfolios, while the privatisation of municipal development companies has come to a standstill. Nonetheless, the German residential real estate market holds a big development potential for the coming years. One reason for this is the continued high interest of real estate investors in the German market, the low ownership rate in Germany as well as the potential for rent increases for German residential real estate. Furthermore, the market for residential real estate is influenced by the following framework conditions:

■ Differentiated demand situation

Even though the population in Germany will decrease in the long run because of demographic change, the increasing number of households will ensure that the demand for living space does not decrease. Furthermore, the ageing society leads to a change in the requirements put to living space. As a result of this, the demand for living space has to be met with individual as well as regionally differentiated concepts.

■ Reinforced competition for tenants

Vacancy rates which continue to be high in the new federal states (13% and more in some regions) and big disparities in the average rents (as a comparison: Munich >EUR 9.20 m², Leipzig EUR 4.46-6.40 m²) lead to reinforced competition for tenants. This competition also has an impact within towns or cities so that soft site factors, such as the quality of living and leisure as well as education facilities, gain in importance.

■ Increase in the rental and purchase prices of residential real estate

Since the turn of the millennium too few new residential buildings have been completed in Germany in order to cover the demand for living space in the medium to long run. With 157,100 new apartments the number of residential buildings for which a construction permit was granted fell by 27.4% compared with 2006 in the year 2007 alone. As a result of this, a tightening of the offer of apartments in the growth centres and, in connection with this, an increase in the rental and purchase prices of residential real estate have to be expected.

1.3 Competitive situation

ALTA FIDES AG has a clear positioning in the multi-faceted German real estate market. With high-quality real estate properties, which, hence, ensure a lasting value, the company's focus lies in an area with limited competition. As regards regional concentration and the development of defined market segments, ALTA FIDES AG is characterized by a high degree of specialisation and it is, hence, clearly different from its competitors. Moreover, ALTA FIDES AG also acts as a first mover in the newly established business segment of CAMPUS Real Estate. The company will develop the German market for lifestyle student living in the style of the British Unite Group and, hence, establish a niche market as a new asset class.





Project development | Schloss Brandis

CONSOLIDATED MANAGEMENT REPORT

2. BUSINESS OPERATIONS

Established in 2000, ALTA FIDES AG, with its registered office in Stuttgart, concentrates its activities on residential real estate as a niche player. The Company has its registered office in Stuttgart. In order to ensure proximity to the market, the Company maintains branch offices in Leipzig, its core market.

The Company's operations focus on the purchase, the development and the sale of exclusive, listed residential real estate, the trading of high quality residential real estate in premium locations in Germany, the realization of bank claims which are secured by real estate liens and the development of student accommodation as a new class of asset in the German real estate market. Strategically, the consistent expansion of these four business areas is where the Company's future activities will be concentrated, however, ALTA FIDES AG chiefly focuses on the CAMPUS Real Estate business area. In this area, ALTA FIDES AG is the leader and is striving to establish this long-term role as a pioneer.

ALTA FIDES AG sees its competitive strengths in its outstanding position in the development of exclusive listed residential real estate, in its employees' experience of many years, in its nationwide operational and established sales

network, in its lean organizational structure which ties up fewer resources and in its additional rental service for capital investors. In addition, ALTA FIDES AG continually has its finger on the pulse thanks to its innovative spirit.

2.1 Business fields

Project development

The business field of project development focuses on the acquisition of high-quality listed real estate properties in premium locations. After their acquisition, the projects are reconstructed comprehensively and sold to investors and owner-occupiers through a national distribution network. In the reconstruction activities ALTA FIDES AG only assumes the technical and commercial project management and construction controlling, while the actual execution work is awarded to external companies. At the same time, ALTA FIDES AG also realises new residential real estate properties at choice locations in the business field of project development.

In 2007, ALTA FIDES AG reconstructed twelve projects with a total of 139 units on a floor area of 12,715 m². The following reference objects were decisive for the financial year 2007:

■ Brandis Castle – Brandis near Leipzig

The historical baroque castle Brandis was acquired by ALTA FIDES AG in December 2005 and has been remodelled and reconstructed in line with the historic details and in compliance with the requirements of architectural preservation in four construction stages since mid-2007. Approx. 80 residential units with sizes from 50 m² to 150 m² will be constructed on an effective floor area of 6,100 m² at Brandis Castle and in its court buildings.

The apartments and maisonettes are partly equipped with balconies or terraces and gardens towards the beautiful courtyard of the castle. This historical residential complex is rounded off with exclusive interior furnishings, high-quality materials and contemporary ground-plan solutions. During the financial year 2007, 36 residential units and, hence, 45 % of the project could already be sold to owner-occupiers and investors.





Project development | Villa Sasstraße

■ Castle manor on the lake – Markkleeberg near Leipzig

In the project “Schlossgut am See“ [Castle Manor on the lake] ALTA FIDES AG is reconstructing buildings of the manor complex of Markkleeberg-Zöbiger Castles, the origins of which date back to the 18th century. The former barn will be converted into a luxurious residential complex with twelve condominiums for higher requirements and comprises a floor area of 1,038 m². Furthermore, the eight former gatehouses with a total area of 1,503 m² will be reconstructed and converted into seven terraced houses and one building with three condominiums. The Castle Manor on the Lake is located in the immediate vicinity of the recreation area Cospuden Lake, which is considered to be one of the most beautiful recreation and swimming lakes in central Germany.

■ Seeresidenz – Markkleeberg near Leipzig

With “Seeresidenz Markkleeberg” [“Lake Residence Markkleeberg“] a special residential ensemble is being developed embedded in a well-maintained park and only a few steps away from Cospuden Lake and the town centre of Markkleeberg. Until the middle of 2008, a floor area of in total 1,810

m² will be created, which will be divided into three semi-detached villas combining historical charm with the requirements put to contemporary living. The villas Alba and Barclaya will each be divided into two separate house units and comprise a total floor area of 1,070 m². Five condominiums with a total floor area of 739 m² will be built in Villa Candida.

■ Sasstraße – Leipzig-Gohlis

The popular quarter of Gohlis is located only a few minutes away from the centre of Leipzig. One of the rare classical art nouveau structures in Leipzig, Sasstraße 22, is located here.

ALTA FIDES AG began reconstructing this architectural gem in strict compliance with the requirements of architectural preservation at the end of 2007. In the course of the reconstruction, ornate historical details such as curved windows, wrought iron balconies and a lavishly decorated facade will be reconstructed comprehensively and lovingly.

In addition to the historical charm, the 15 apartments which will be constructed on a floor area of 1,200 m² have state-of-the-art floor plan solutions as well as contemporary and sophisticated furnishings.



Trading and own portfolio

The business division of trading and own portfolio is characterised by the acquisition of high-quality residential real estate properties suitable for privatisation in prime locations throughout Germany. After the execution of required reconstruction or modernisation measures, the real estate properties are either kept in the portfolio or sold to owner-occupiers or investors. During the financial year 2007 ALTA FIDES AG managed to acquire a high-quality stock of real estate properties largely comprising listed and reconstructed multifamily buildings or portfolios in good locations on account of its long-standing and established operations in the field of real estate development and trading.

As a result of this, the own portfolio of ALTA FIDES AG comprised an area of approx. 111,000 m² as of 31 December 2007. The course of business was primarily characterized by the acquisition of the multifamily building in Ferdinand-Rhode-Straße and the purchase of an art nouveau portfolio in the Leipzig region.

■ Ferdinand-Rhode-Straße 18 in Leipzig

The multifamily building in Ferdinand-Rhode-Straße 18 was acquired by ALTA FIDES AG in

the middle of 2007. This art nouveau building is located in Leipzig's most exclusive residential district – the “Musikviertel” [“Musicians' quarter”]. This reconstructed and listed property has 13 residential units with a total area of 1,700 m².

■ Art nouveau portfolio in Leipzig

In November ALTA FIDES AG acquired an art nouveau portfolio comprising 14 reconstructed multifamily buildings. The art nouveau buildings are primarily located in the quarter of Böhlitz-Ehrenberg in the north of Leipzig and in the south of Leipzig. The total floor area amounts to 10,677 m². The net rents exclusive of heating charges amount to EUR 600,000.

Because of rising real estate prices in the German conurbation areas ALTA FIDES AG will continue to consistently expand the business field of trading and own portfolio in 2008 and enlarge its portfolio. In this context, the corporate activities will primarily focus on the south of Germany.



Non-performing loans

PROFECTO AG has realigned its business activities and adjusted these to the changed conditions on the market by means of this. In addition, it will benefit from the considerable decline in major NPL transactions since this will, amongst other factors, lead to an increase of the pressure on the realisation of small tickets.

In 2007, the purchase of individual debts, baskets and portfolios with a total volume of more than EUR 260 million was looked into in the NPL segment. Contracts were not concluded, however, since the purchase prices suggested by the offerers were considerably higher than the evaluations in line with the market by PROFECTO AG and since the quality of the portfolios in particular with regard to their intrinsic value did not promise an economically efficient utilisation. Subsequently, the cautious approach of PROFECTO AG was confirmed by the development and events. PROFECTO AG has not developed any unmarketable stocks and is, hence, in a situation in which it can benefit from the developments on the market without any encumbrances.

The findings obtained in the framework of the examination of NPL transactions could

be used advantageously as a consultancy service for ALTA FIDES AG. During the financial year 2007 PROFECTO AG positioned itself as a service provider for ALTA FIDES AG. It has accompanied fourteen real estate transactions with a total volume of more than 21 millions from the NPL-related sector for ALTA FIDES AG Group.

Since the boom in non-performing-loans, which had prevailed since 2003, drastically lost momentum in Germany in 2007, the year 2008 also got off to a fairly quiet start. According to analysts, trading in non-performing loans faltered for various reasons – amongst other factors because of the effects of the global loan crisis on the prices of NPL portfolios and the banks' restraint to introduce new portfolios on the market. Experts expect the German NPL market to regain speed once the banks discover that a fast solution of the NPL problem is the best strategy in order to finance the loan demand with new capital. Since the intensity of the competition on the buyers' side has decreased considerably because numerous investors have withdrawn from the market PROFECTO AG will use its opportunity in particular in the field of single names and smaller portfolios.

CAMPUS Real Estate Business Area

The establishment of the subsidiary CAMPUS Real Estate AG in July 2007 enabled ALTA FIDES to strategically expand its business operations and to realize an innovative real estate product that redefines student accommodation and targets the living requirements of prospective university graduates. The business area is based on the idea of offering students modernly furnished apartments with an attractive interior in the direct vicinity of universities and other higher education institutions.

The large market for student accommodation has been confirmed by the results of a study carried out by the consultancy firm Ernst & Young, which was commissioned by ALTA FIDES AG. The current average of two million students in German higher education institutions are facing a shortage of more than 200,000 student residencies. This situation is expected to come to a head over the next few years due to the fact that the 13th school year is to be abolished and the increased numbers of pupils doing their Abitur (German secondary school academic qualification) are both expected to produce an additional approximate 700,000 students over the next seven years. The result is an increased lack of

student accommodation in university towns. A trend towards owning one's own apartment is becoming increasingly evident. Around 50 % of students no longer live at home or are looking for their own apartment. About half of these students are interested in procuring their own apartment in the vicinity of the universities. A further market can be seen in visiting lecturers and academics as well as those whose employment is linked to the university.

As a market leader, ALTA FIDES AG will open up this market potential, as well as the significant development opportunities, and establish a broad network of fastidiously and modernly furnished student apartments across Germany. With its offering, the Company will not be competing with existing student bodies but will be taking into account the changed demands of modern student living as a market expansion.







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new path

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innovative
living
concepts.



CAMPUS | Uni-CAMPUS Leipzig

2.2 The CAMPUS Concept

In order to realize the CAMPUS concept, ALTA FIDES AG will procure real estate in the vicinity of universities or colleges, which will then either be renovated into apartments or will be redeveloped into new buildings. The accommodation has been conceived as furnished, one-roomed apartments which are fitted with their own high-quality bathroom and kitchen area. The living space is 26 m². The CAMPUS property additionally contains meeting points such as a laundromat, fitness studio or television lounge. Students will pay an average of EUR 300 in rent for these fittings. Further advantages are a simple rental procedure through the Internet as well as dispensation of a deposit, commission fees and renovation costs.

Following their construction, the CAMPUS apartments will be managed by ALTA FIDES AG. The Company's objective is the partial sale of apartments or selected CAMPUS facilities to institutional investors or private capital investors. The CAMPUS concept enables ALTA FIDES AG to operate as a leader in the industry and to professionalize student living as a real estate product on the German real estate market. The future viability of this mar-

ket is guaranteed when the British market is taken as a reference. Within a very short time, the student accommodation market has developed from a niche market to its own class of asset, which accounted for a transaction volume of almost EUR 1 billion in 2006/2007, according to a studies carried out by King Surge in January 2008.

In the CAMPUS Real Estate business area, the main focus is on the sustained analysis of the market, the conception of the CAMPUS brand as well as the procurement of the first few real estate sites in selected university towns. This resulted in large-scale investments which were not offset by any revenues in fiscal year 2007. From 2008 onward however, the CAMPUS Real Estate business area, which is due to account for 70 % of the Company's activities in the future, will play a decisive role in sales and revenues.

The Locations

In fiscal year 2007, ALTA FIDES AG procured real estate for the first CAMPUS projects in Heidelberg, Karlsruhe, Erlangen and Leipzig.

- CAMPUS Heidelberg-Pfaffengrund
12,698 m² of real estate in the Heidelberg district Pfaffengrund will be used by ALTA

FIDES AG to create one of its first nationwide CAMPUS projects, which will provide students with the opportunity of combining their own apartment with a student environment. By the end of 2009, more than 14,000 m² of gross floor space will be turned into 450 student apartments in seven buildings on the property, which is situated in a quiet residential area.

■ **CAMPUS Karlsruhe, Degenfeldstraße/ Gottesauerstraße**

ALTA FIDES AG will be erecting its first CAMPUS in Karlsruhe on 8,500 m² of space between Degenfeldstrasse and Gottesauerstrasse. By fall 2009, 11,500 m² of gross floor space will be turned into 360 student apartments which are divided into two buildings. The apartments are in the direct vicinity of the university.

■ **CAMPUS Erlangen, Drausnickstraße**

On the edge of downtown Erlangen, an area of 1,800 m² will be used for 200 apartments aimed at student accommodation. To do this, ALTA FIDES AG is redeveloping two former infantry barracks, now listed buildings, on Drausnickstrasse creating a new use for them. Thanks to the location directly in the vicinity of local public transport, all faculties

of the second largest university in Bavaria can be reached quickly and with ease.

■ **Uni-CAMPUS und City-CAMPUS Leipzig**

The Uni-CAMPUS is only ten minutes from downtown Leipzig. By the end of 2008, ALTA FIDES AG will have created 100 CAMPUS apartments on an area of 3,150 m². The buildings, which are situated facing each other, are being extensively redeveloped and restored using historical data. The stucco design on the plaster facades bestows the Leipzig CAMPUS structure and individual character. The City-CAMPUS, due to consist of 250 student apartments, will be established only meters from the campus of the University of Leipzig, which is currently in construction, over an area of approximately 3,500 m². It will be part of an innercity district development, combining life, living and work and creating a vibrant environment.

At the beginning of 2008, negotiations for two additional locations were concluded leading to the procurement of real estate in the vicinity of the respective universities in the university town of Greifswald and in Düsseldorf. In the next five years, ALTA FIDES AG will invest EUR 750 million with the goal of constructing a nationwide CAMPUS network with a total

of 12,500 apartments in the relevant university towns and cities by 2012. ALTA FIDES AG has set itself the challenge of satisfying today the requirements for energy efficiency and sustainability of tomorrow.

2.3 Organisational and legal structure

In order to position its business divisions sustainably ALTA FIDES AG has established two subsidiaries. The company works in the field of non-performing- loans with PROPECTO AG, whereas CAMPUS Real Estate AG develops the segment of student living.

2.4 Management and supervision

■ Management board

The management board consists of three members who are in charge of managing the business of ALTA FIDES AG.

Norbert Ketterer (CEO),

born on 08 Dec. 1965, was one of the co-founders of ALTA FIDES AG in the year 2000 and holds the position of the chairman of the management board today. He is in charge of the fields of strategy and purchase and sale of properties and portfolios. He is appointed until the end of 2009. Furthermore, Mr. Ketterer is a member of the management board

of CAMPUS Real Estate AG and chairman of the supervisory board of PROPECTO AG.

Christian Dunkelberg (COO),

born on 11 Nov. 1958, was appointed as the chief operating officer on 01 August 2007 for a term of three years. As a managing director and member of the management board of renowned real estate companies, he commands more than 22 years of experience in the field of real estate investment and project development. In his capacity as a member of the management board of ALTA FIDES AG he manages the fields of project development and investor relations. In addition to his, he holds the position of the chairman of the management board of the subsidiary CAMPUS Real Estate AG.

Rainer Fuchs (CFO),

born on 08 Oct. 1960, has headed the areas of responsibility of finances and controlling since 2006. The qualified lawyer has been appointed until the middle of 2009.

As planned Gerd Eichinger left the management board of ALTA FIDES AG with effect as of 31 July 2007 and has dedicated himself to the consistent expansion of the human resources and organisational structures of the company since that time.

■ Supervisory board

The supervisory board advises and supervises the management board and appoints the members of the management board. As against the financial year 2006, the members of the acting supervisory board of ALTA FIDES AG have remained unchanged.

Prof. Dr. Willi Alda,

born on 20 March 1943, is a member of the management board of ALTA FIDES AG. Prof. Dr. Alda is a member of the board of trustees and advisory council of the foundation "Die lebendige Stadt", the chairman of the advisory council of the German Property Database (International Property Data Bank) as well as a Trustee of the Urban Land Institute.

Natalie Wagner,

born on 19 Nov. 1970, holds the position of the deputy chairwoman of the supervisory board of ALTA FIDES AG. She is the managing partner of Wirtschafts-Informations-Dienst GmbH.

Karl-Georg Wentz,

born on 17 Jan. 1958, is a member of the supervisory board of ALTA FIDES AG. He is the managing director of Karl Epple

GmbH & Co. KG and holds several offices within this group.

2.5 Employees

During the year 2007, 13 employees worked for ALTA FIDES AG Group in addition to freelance contributors. This corresponds to an increase by 7 employees compared to the year 2006. On account of the increase in the number of employees, the human resource expenses increased from EUR 679k to EUR 1,466k during the financial year 2007.



CONSOLIDATED MANAGEMENT REPORT

3. COURSE OF BUSINESS

3.1 Earnings situation

During 2007 ALTA FIDES AG was able to sharply increase revenues. It amounted to EUR 32,537k. This corresponds to an increase by more than 77% compared with the previous year (EUR 18,331k).

In the business field of project development, ALTA FIDES AG was able to record sales revenue of EUR 6,176k in 2007. This corresponds roughly to a reduction compared with the previous year (EUR 12,017k). This decline is merely due to separation from a project manager and the resulting delayed handover of individual properties; this reduced revenue will be recovered in 2008.

With an achieved turnover revenue of EUR 238k, PROFECTO AG fell somewhat behind plan. PROFECTO AG refrained from the acquisition of loan portfolios, due to the price level traded on the market for terminated loan demands. However, the company developed into a successful acquisition vehicle within the ALTA FIDES AG Group in 2007, with respect to real estate from bank utilisations. The corresponding income is, however, accounted for within the business segment of Trade and Own Holdings.

CAMPUS Real Estate AG, which was first founded in mid-2007, naturally only achieved a low overall performance total in 2007 (EUR 6,872k), resulting almost entirely from site acquisitions for projects. The first construction project in the Student Housing segment commenced at the end of 2007. A quite considerable expansion of activities is foreseen for 2008.

Changes in holdings amounted to EUR 6,471k in 2007, only a sixth of the amount for the previous year (EUR 38,168k). The reasons for this were the significantly higher turnover in the segment for apartment sales, which led to corresponding reductions in holdings, and the fact that an extraordinarily large residential portfolio was acquired in 2006.

The other income amounted to EUR 18,279k (2006: EUR 7,919k).

Corresponding with the lower level of build up in holdings, compared with the previous year, there was a considerable drop in material expenditure in 2007 from EUR 49,048k to EUR 30,824k.

Due to growth there was a significant increase in personnel expenditure in 2007 with EUR

1,467k compared to EUR 679k, as well as in depreciation, with EUR 1,346k compared to EUR 267k.

The trading result (EBIT) at group level was considerably increased. During the reporting year this amounted to EUR 17,334k, up from EUR 10,714k in the previous year. This is equivalent to an increase of just below 62%.

The financial result deteriorated in comparison with the previous year from EUR -792k to EUR -1,786k. The further build up of own holdings was decisive for this development of the results.

The cash flow generated by ongoing business activities in the current trading year amounts to EUR -29,009k, particularly due to the second instalment of the purchase price for the real estate portfolio acquired at the end of 2006 and because of construction activities in project development, the cash flow from investment activities amounted to EUR -17,196k and the cash flow from financing activities amounted to EUR 43,155k.

The group result after dividends to minority shareholders almost doubled in comparison

with 2006. In 2007 this amounted to EUR 11,256k compared with EUR 5,934k in 2006.

3.2 Financial and asset situation

ALTA FIDES AG Group also expanded its real estate holdings during the 2007 trading year. The largest single acquisition is represented by the former main post office site in inner-city Leipzig, covering an overall usable area of more than 30,000 m². The residential holdings, too, were also considerably supplemented by means of several single and portfolio acquisitions. This expansion of holdings led to an increase in financial investments from EUR 34,534k in 2006, to EUR 72,134k. Compared with this, reserve assets changed sub-proportionally with EUR 45,512k in 2007 against EUR 42,334k in 2006.

The expansion of building activities in project development is reflected by the climb in demands from contract output. This increased to EUR 8,394k in 2007, compared with EUR 2,096k in the previous year.

Liquid funds at concern level amounted to EUR 11,468k at 31.12.2007, compared with EUR 15,357k in the previous year. This drop results from continued lively activity in acquisitions.

The ALTA FIDES AG Group's company equity increased significantly by a good 25 % compared with the previous year. This amounted to EUR 60,678k at the balance sheet cut-off date, compared with EUR 48,423k in 2006. Due to the Group's busy investment activity however, the rate of company equity dropped slightly from 45.7 % on 31.12.2006, to a still good level of 40.9 % on 31.12.2007.

Long term commitments vis-à-vis financial institutes increased considerably to EUR 54,382k, compared with EUR 11,901k in 2006. On one hand the reason for this is the expansion of holdings. The rescheduling of an initial short term loan debt of EUR 23,000k into a loan with a remaining term of just over one year is however just as significant. Due, among other reasons, to this debt rescheduling, short term borrowed capital is reduced from EUR 40,781k to EUR 23,499k. Deposits received in the amount of EUR 4,895k made a much larger contribution to the financing of the ALTA FIDES AG Group at 31.12.2007, than with EUR 614k on 31.12.2006.

3.3 Significant events following completion of the 2007 trading year

The extensive acquisition activities could already be successfully implemented at the beginning of the 2008 trading year with the further acquisition of CAMPUS locations in Düsseldorf and Greifswald.

CONSOLIDATED MANAGEMENT REPORT

4. STATEMENTS IN ACCORDANCE WITH §289, PARAGRAPH 4, HGB

- The share capital of ALTA FIDES AG is made up of 7.050.000 ordinary shares without nominal value.
- There are no restrictions on transfer and/or voting rights.
- Over 10 % of the voting rights are held by the Chairman of the company's board of directors, Mr Norbert Ketterer, Ferdinand-Lassalle-Strasse 12, 04107 Leipzig.
- Special rights, bestowing supervisory powers, do not exist.
- Employees, who do not directly exercise supervisory powers, do not have shares in company capital.
- Statutory regulations apply for the appointment and departure of members of the board of directors, as well as for amendments to the charter.
- The board of directors was empowered by resolution made in the general meeting of 25.06.2007, to singly or repeatedly increase the share capital of the company with consent of the supervisory board by 15.06.2012 up to a total of EUR 3,525,000.00, through the issue of new shares against cash contributions or contributions in kind. The board of directors was furthermore empowered by resolution made in the general meeting of 25.06.2007, with consent of the supervisory board 15.06.2012, to singly or repeatedly relinquish conversion or option debenture bonds and/or benefits rights, with or without conversion or options rights or conversion obligations (referred to collectively in the following as "debenture bonds") in the total amount of up to EUR 80,000,000.00, with a term of up to 20 years. Simultaneously the owners and creditors of the debenture bonds shall be granted conversion and option rights to new company shares with a proportional amount of the share capital of up to EUR 3,525,000.00, according to the more detailed provisions of the debenture bonds.
- No significant agreements exist which are subject to the condition of supervisory change as a consequence of a takeover offer.
- There are no compensation agreements between the company and members of the board of directors or employees for the eventuality of a take-over offer.



CONSOLIDATED MANAGEMENT REPORT

5. RISK REPORT

ALTA FIDES AG is strategically aligned towards sustained growth and enhancement of the company value. Risk management is therefore an elementary part of the ALTA FIDES AG's operative business activities.

5.1 Project selection risk

It is a prerequisite for the success of ALTA FIDES AG's business activities that the company is able to acquire suitable properties and sites. Location, building fabric, as well as development and sales potential are decisive criteria in decisions pertaining to a property. Since ALTA FIDES AG is in competition with other real estate companies there may be a mid-term shortage of high-quality properties with favourable conditions.

5.2 Risks in construction and in refurbishment

Risks may arise in the execution of independent development projects, particularly where refurbishments result in higher costs and/or unforeseen additional expenditure. In addition, risks may arise during new constructions in the event of missing building permits. ALTA FIDES AG works toward minimising these risks by only purchasing sites which are already designated as construction land and for which planning permission has already been

largely clarified. ALTA FIDES AG refrains from acquisition in the case of sites classified as e.g. development land.

5.3 Risks in holdings

Risks may arise for ALTA FIDES AG's real estate holdings due to external factors, such as, e.g. deterioration of transport connections or social structure, as well as construction measures in the close environs, which cause a fall in rental income or the sale value of the real estate. In addition to this, maintenance and other management costs may turn out to be higher than anticipated.

5.4 Risk in marketing

Risks may arise with respect to the marketing and sale of real estate if the period planned for sell-off of the real estate is extended. Further risks can ensue if the calculated sales prices cannot be achieved due to alterations which could not be foreseen at the time of acquisition, or where there are changes with respect to taxation, political or other market conditions.

5.5 Risks in staff development

The German real estate industry is a growth industry and increasingly exposed to the

global competition for specialist personnel. The successful business activities of ALTA FIDES AG are substantially based on detailed real estate knowledge and the market know-how of management personnel, such as the board of directors and management employees. Their departure therefore represents a risk for ALTA FIDES AG.

5.6 Liability risks

The company bears the risk that sites it holds in ownership may be burdened with inherited contamination or ground pollution and that public authorities and private third parties must be enlisted in order to eliminate these inherited burdens. There are only limited legal possibilities for the company to exclude such a liability. The company counters possible harm by deploying its extensive market knowledge during the acquisition of real estate and, if necessary, by obtaining specialist reports.

5.7 Risks in assumption of borrowed capital

The company requires extensive financial funding for the implementation of its business concept and growth strategy, in order to rigorously continue the acquisition of residential real estate. In this respect the company is

obligated to summon up financial resources in advance, whilst the return flows of financial resources in the form of purchase price payments may, in some instances only be secured successively on the basis of project progress, due to compelling statutory requirements; the company has therefore assumed borrowed capital. There is therefore the risk that the future procurement of borrowed capital through banks may not be possible in a timely manner, or may only be possible at unfavourable conditions and that purchase price payments by customers take place later than planned. There could have a negative impact on the company's business activities and financial situation if the future assumption of borrowed capital is not possible, is only possible at unreasonable conditions, or where the term on borrowed capital is longer than that planned by the company.

5.8 Risks due to amendment of framework conditions

The real estate market is dependent upon tax-related and statutory framework conditions which mould the decision criteria of potential real estate purchasers. ALTA FIDES AG assumes that its products will retain their attractiveness in the future.

Nevertheless, alterations to the framework conditions, particularly with respect to the tax-related treatment of residential property ownership, may have a negative effect on the demand for real estate and real estate investment products.

ALTA FIDES AG is aware of these risks and monitors them regularly. Therefore the likelihood of significant risks actually arising is limited. It is clear from the developments in the 2007 trading year that the strategic alignment of the company has not been hindered by inherently existing risks. ALTA FIDES AG has developed a profitable business model. There is potential for expansion of established business fields. Several properties have already been acquired for the area of project development which, in the event of implementation in accordance with planning, will increase the likelihood of continued development of this field. Overall, there are no currently known risks which could lead to impairment of the asset, financial and income situation.

CONSOLIDATED MANAGEMENT REPORT

6. MARKET OUTLOOK

6.1 Market outlook

Fears that the upturn in Germany may come to a halt due to the US real estate crisis are unlikely to come true in 2008. Rather than this, according to forecasts, the German economy will also experience growth in 2008, albeit to a lesser degree than in 2007. In this respect the economy will no longer be predominantly supported by foreign trade, but rather by domestic demand. The real gross national product (GNP) is likely to grow by 1.9 % in 2008. This forecast already takes foreign trade risks into consideration, such as increased prices for energy and raw materials, as well as Euro exchange rates. Growth of 1.8 % is also anticipated for 2008 in the area of private consumption which, in consequence, contributes to economic growth by approx. half.

The German real estate market continues to develop positively in spite of the US financial crisis. Based on Ernst & Young Real Estate's "Trend Barometer – Real Estate Investments", experts assume that in 2008, Germany will rise to the position of one of Europe's most in-demand locations for real estate investments. Simultaneously, there is positive development in the majority of regions with respect to the demand for office space and the development of rents, both for offices and apartments. In

this respect a renaissance is expected for project development, since several construction projects will be realised in 2008, which were still in design stage in 2007. The efficiency of buildings will be a decisive factor in the future both for new constructions and for development of existing fabric.

6.2 Outlook for the ALTA FIDES AG Group

OUTLOOK FOR ALTA FIDES AG AND CAMPUS Real Estate AG

ALTA FIDES AG also profits from the positive development of the German real estate market. Experts may well anticipate a drop in investment volumes in Germany, due to the finance market crisis and the ever more difficult framework conditions for large-scale real estate transactions however this primarily impacts portfolio transactions exceeding EUR 500m and, therefore, does not affect the ALTA FIDES AG's market environment. Rather than that, the current market climate results in opportunities. Speaking in its favour are the low purchase prices, the increased starting yields and a smaller number of competitors, above all since ALTA FIDES AG is in a strong position in terms of company capital.

Even the currently underdeveloped market for real estate shares in Germany will be subject to growth in 2008. With a backdrop of positive forecasts, investors see an opportunity for attractive entry below the fabric value, since – in spite of the stock market crisis – as a general rule nothing has changed in terms of rental income and the corresponding property values of the companies. The ALTA FIDES AG share price will also profit from these developments. The entry of Zürich-based Corestate Capital AG at the end of 2007 provides clear evidence of the attractiveness of the company and its products.

The greatest potential for growth, in the opinion of ALTA FIDES AG lies particularly within the newly founded business field of CAMPUS Real Estate. Even in the first quarter 2008 a further three sites could be acquired; at the same time, negotiations are at an advanced stage with respect to the development of renowned university cities. ALTA FIDES AG's forecast for success is further reinforced by sustained interest from investors and tenants.

Viewed regionally, ALTA FIDES AG expects increased revenue in Leipzig in particular, as this city is traded by market experts as

one of the most promising locations next to Dresden. The current rating from Feri Rating & Research, Bad Homburg, anticipates increasing rents for office and retail properties, as well as for apartments in good locations. In this respect, it is expected that, by 2016, there will be an increase in net unheated rents for new build rental apartments from an average of 5.80 EUR/m² to 7.30 to 7.50 EUR/m². Rent increases are also expected with respect to large, high-quality apartments, as well as top refurbished old buildings. With regard to office real estate in top Leipzig locations, Feri assumes an increase in net unheated rents by 2016 from 6.60 EUR/m² to 7.80 EUR/m², with retail spaces in top locations rising from currently just under 64 EUR/m² to around 75 EUR/m². This holds an enormous development potential, particularly with regard to the realisation and marketing of the development of quarters around the former Main Post Office site on Augustusplatz in Leipzig. Overall, ALTA FIDES AG anticipates a significant increase in revenues and yield in all four fields of business.

OUTLOOK FOR PROPECTO AG

The real estate holding represents an important component on the active side of the balance sheet of the banks. For a long time the own real estate was barely taken into consideration in the definition of an effective holding structure. With the integration of their own property into the diversification of assets, the class of the assets becomes transparent and financial breathing space can be created through real estate transactions. Regional banks make more and more use of this scope for freedom of action. This growth market is being tapped into for the concern group in the first quarter 2008, with PROPECTO AG's significant shareholding in WIDICON Trade & Consulting GmbH & Co KG. Widicon is active in the German savings bank and cooperative bank segment and offers services in the value-orientated marketing of real estate in bank portfolios and non-business-requirement real estate.

The interaction of these company fields creates synergies in the collaboration with credit institutes which, through the marketing of regional and cross-regional real estate, are rounded off by and for bank customers. In this respect the collaboration with banks in advance of sanctions should also be affor-

ded appropriate place value.

From this supplementing and rounding off of the spectrum of services, and the realignment associated with it, PROPECTO AG will make a notable contribution to revenues and yield in 2008, both in and for the company group. The investment phase in PROPECTO AG will thereby reach completion.

Overall, ALTA FIDES AG anticipates a significant increase in revenue and yield in all four fields of business.

CORPORATE GOVERNANCE REPORT





Transparency
and
responsibility

always
within
sight.



CORPORATE GOVERNANCE REPORT

Responsible and transparent management and control, orientated towards sustained net product, has a high place value with ALTA FIDES AG. This corporate governance is necessary, in order to foster the trust of domestic and international investors, finance markets, business partners, and employees, as well as the public. Essential aspects of good corporate governance are efficient collaboration between the board of directors and supervisory board, respect for shareholders interests, as well as openness in company communications. The board of directors reports regularly, without delay and comprehensively to the supervisory board in all questions relevant to company planning and strategic further development, the course of trading, as well as the company situation. The company's responsible handling of risks also counts towards good corporate governance. Within the framework of their value orientated company management ALTA FIDES AG ensures that risks are recognised at an early stage, evaluated and that risk positions are optimised, through systematic risk management. To date ALTA FIDES AG has not completed pecuniary damage liability insurance.

■ Corporate Governance Codex

ALTA FIDES AG supports the German Cor-

porate Governance Codex, an important instrument for the capital market-orientated development of transparency, comprehensibility, trust and control.

The company complies with the recommendations of the German Corporate Governance Codex in the version, dated 14.06.2007 with few exceptions. Details may be derived from the mutual compliance declaration, in accordance with § 161 AktG, as submitted by the board of directors and supervisory board on 21.04.2008:

Codex point 2.3.4: Tracking of the general meeting via modern communications media, e.g. internet

The requirement for confidentiality of some shareholders, as well as the economically unacceptable relationship between the costs of such a broadcast and the minor level of demand for this form of broadcast due to the number of shareholders, compels the company not to broadcast the general meeting via modern communications media.

Codex point 5.1.2: Age limit for board members

The board of directors, supervisory board and company are of the opinion, that the knowledge and experience of company members

should not be dispensed of simply because their biological age is advancing. The supervisory board of ALTA FIDES AG therefore does not stipulate an age limit for board members.

Codex point 5.3: Formation of committees

The entire board of directors is regularly informed about significant developments of the company. In the light of the size of the body and the scale of business activities of the company, the formation of committees has not been taken into consideration to date.

Codex point 5.4.7: Remuneration of members of the supervisory board

The members of the supervisory board receive a fixed remuneration. In the light of the size of the body and the scale of business activities of the company, all members of the supervisory board receive identical remuneration. A success-based remuneration structure of the organ members would not uphold the company's interests with respect to swift growth.

Codex point 7.1.2: Publication of the concern year-end report

The company's year-end report was not drawn up within the period set by the codex.

It is planned to draw up this or a preliminary statement within the period.

The compliance declaration has been published together with the German Corporate Governance Codex in the internet under www.altafides.de/sites/ir_corpgov.

■ Transparent Communication

In order to guarantee the greatest possible transparency, ALTA FIDES AG endeavours to provide all target groups with the same information at the same time. For this reason, all press releases and ad hoc notifications are published on the homepage. In addition, our shareholders are informed of all significant dates by a Finance Calendar which is published in the year-end report, the quarterly reports and on the homepage.

Even before the general meeting, all shareholders receive comprehensive information pertaining to the past trading year via the company report and the invitation to the meeting with all agenda points. These documents are also available on the homepage. The exchange of information between the company and shareholders is additionally promoted by means of online publication of additional information in advance, such as, e.g. the Chairman's speech.

The shareholders make use of their administration and monitoring rights in the general meeting. Every share in ALTA FIDES AG allows one vote. The shareholders have the opportunity to exercise their right to vote in the general meeting, either personally, or to arrange for it to be exercised by an authorised person of their choice, or by a voting rights representative of the company subject to directives. There is no upper limit on the righting votes of a shareholder, or special voting rights. Every shareholder is entitled to participate in the general meeting, to speak on the respective agenda points and to demand information pertaining to matters relevant to the company, provided this is necessary for proper assessment of the object of the agenda.

Good corporate governance will also be the focus of activities for the board of directors and supervisory board in the ongoing trading year. ALTA FIDES AG will continue to align itself with the stipulations of the German Corporate Governance Codex and to accordingly implement the codex.

REMUNERATION REPORT

The remuneration of the board of directors is fixed by the supervisory board. For the Chairman of the board, Mr Norbert Ketterer, the remuneration system foresees a variable remuneration component in addition to a fixed annual salary. This remuneration component is aligned with the economic and financial situation of the concern. Variable remuneration aligned with success of ALTA FIDES AG is also applicable to Christian Dunkelberg due to his capital share in CAMPUS Real Estate AG, and to Rainer Fuchs via share subscription rights.

Remuneration to the board of directors in 2007 can be illustrated as follows with amounts shown in KEUR increments:

ALTA FIDES AG provides a company vehicle to the members of the board of directors.

Christian Dunkelberg is entitled to participate in an as-yet not existing share option programme of ALTA FIDES AG.

Rainer Fuchs has subscription rights to shares vis-à-vis the company from 31.12.2008, if, and as long as the share price for ALTA FIDES AG is trading at 20 % above the price on the day of first release of these shares (subscription price). The subscription right encompasses the right to demand delivery of 5 % of the number of all shares which are submitted for trade at the first notice (subscription quantity). The subscription price amounts to EUR 17.00.

Board member	Fixed remuneration	Variable remuneration	Total remuneration	Provision pledges	Other consideration and components with long-term incentive effect	The remuneration of the board of directors for 2007 in KEUR increments
Norbert Ketterer	230	0	230	0	0	
Christian Dunkelberg from 01.08.2007	102	0	102	0	See page 48/49	
Gerd Eichinger until 31.07.2007	106	0	106	0		
Rainer Fuchs	126	0	126	0	See page 48/49	

Remuneration

In the event that the subscription right is exercised, ALTA FIDES AG has the right to either sell the subscription quantity of shares to Mr Rainer Fuchs at the subscription price, or to redeem this right by payment of a redemption amount, yielded as the difference between the subscription price and the performance price, multiplied by the subscription quantity. The current value of this subscription right is EUR 2.74.

■ Remuneration of the Supervisory Board

Besides reimbursement of their expenses, the members of the supervisory board of ALTA FIDES AG receive lump-sum annual remuneration of EUR 10,000.00.

Prof. Dr. Willi Alda receives annual remuneration in the amount of EUR 10,000.00 plus

reimbursement of expenses for his mandate as member of the supervisory board of PROFACTO AG, a subsidiary company of ALTA FIDES AG. Mr Norbert Ketterer receives no special remuneration for his activity as Chairman of the supervisory board of PROFACTO AG. ALTA FIDES AG has made a commission agreement with Prof. Dr. Alda for the finding of Non Performing Loans. No commission payments were made to Prof. Dr. Alda in 2007.

■ Shareholding of members of the board of directors and the supervisory board

The shares held by members of the board of directors and the supervisory board as per 31.12.2007 can be illustrated as follows:

On the 21.12.2007, Mr Norbert Ketterer completed a purchase contract with Zwei-

Organ member	Number of held shares/ Proportion of share capital	Options, derivatives and the like
Norbert Ketterer	3,282.500/46.56 %	See following explanation
Christian Dunkelberg	0	0
Rainer Fuchs	0	See Remuneration Report
Prof. Dr. Willi Alda	0	0
Natalie Wagner	252,500/3.58 %	0
Karl-Georg Wentz	0	0

te REO-Real Estate Opportunities GmbH, Frankfurt a. M., pertaining to the acquisition of 1,000,000 shares of ALTA FIDES AG (equivalent to 14.18 % of the share capital). This contract was executed on 15.01.2008.

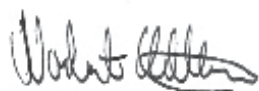
Furthermore, Mr Norbert Ketterer granted Zweite REO-Real Estate Opportunities GmbH and CORESTATE Capital Beteiligungs GmbH, Frankfurt am Main, options pertaining to the acquisition of a further 1,044,500 shares of ALTA FIDES AG (equivalent to 14.82 % of the share capital). Zweite REO-

Real Estate Opportunities GmbH and CORESTATE Capital Beteiligungs GmbH have been granted voting right authorisation for the shares which are the object of the respective options. The options may be exercised by 31.12.2009. The voting right authorisations are also limited up to this point in time. No acquisition or disposal transactions of ALTA FIDES AG shares which require obligatory notification have been executed during 2007 by the remaining members of the board of directors and supervisory board.

Stuttgart, April 2008

For the Board of Directors:

Norbert Ketterer



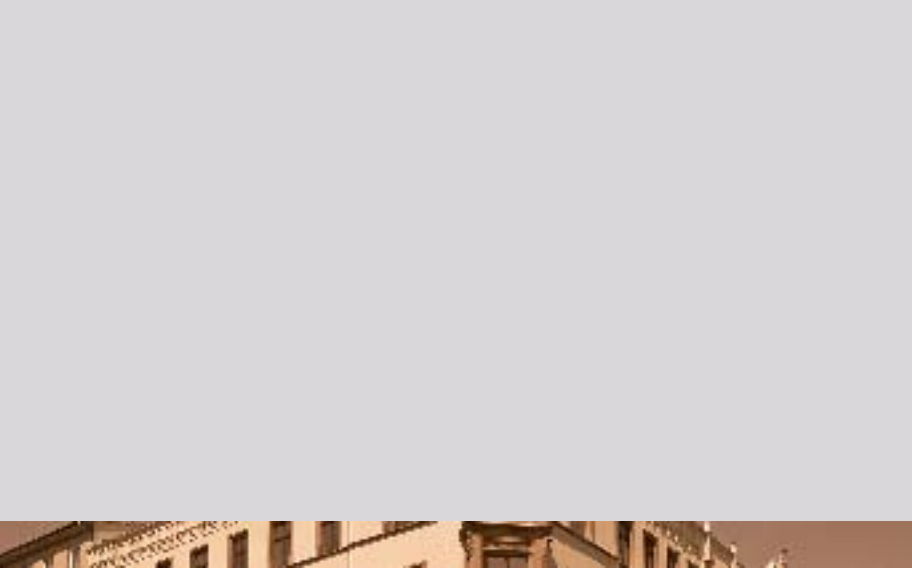
Christian Dunkelberg



For the Supervisory Board:

Prof. Dr. Willi Alda





Tailor-made
real estate
for sustained

yield

CONSOLIDATED FINANCIAL STATEMENT



BALANCE SHEET

Assets	EUR 31.12.2007	KEUR 31.12.2006
Long-term assets		
Outstanding capital stock	549,800.00	0.3
Concessions	2,060.00	0.0
Property, plant and equipment		
Land and buildings	542,645.03	765.2
Furniture and fittings		145.6
Financial investments	72,134,391.00	34,533.7
Other long-term receivables	1,100,464.99	5,593.3
Latent tax claims	2,052,893.37	350.3
Long-term assets, total	76,382,254.39	41,388.4
Short-term assets		
Inventories	45,512,351.75	42,334.3
Accounts receivable from contract production	8,394,345.62	2,096.1
Accounts receivable from sales and services	5,727,790.31	3,996.5
Tax claims	169,358.41	29.1
Other short-term receivables	559,940.02	426.0
Cash and cash equivalent	9,295,736.49	12,345.1
Stocks and shares	2,172,114.00	3,011.5
Other short-term assets	97,364.51	120.6
Short-term assets, total	71,929,001.11	64,359.2
Balance sheet total	148,311,255.50	105,747.6

PROFIT AND LOSS ACCOUNT

CASH FLOW STATEMENT

PERFORMANCE OF SHAREHOLDERS' EQUITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

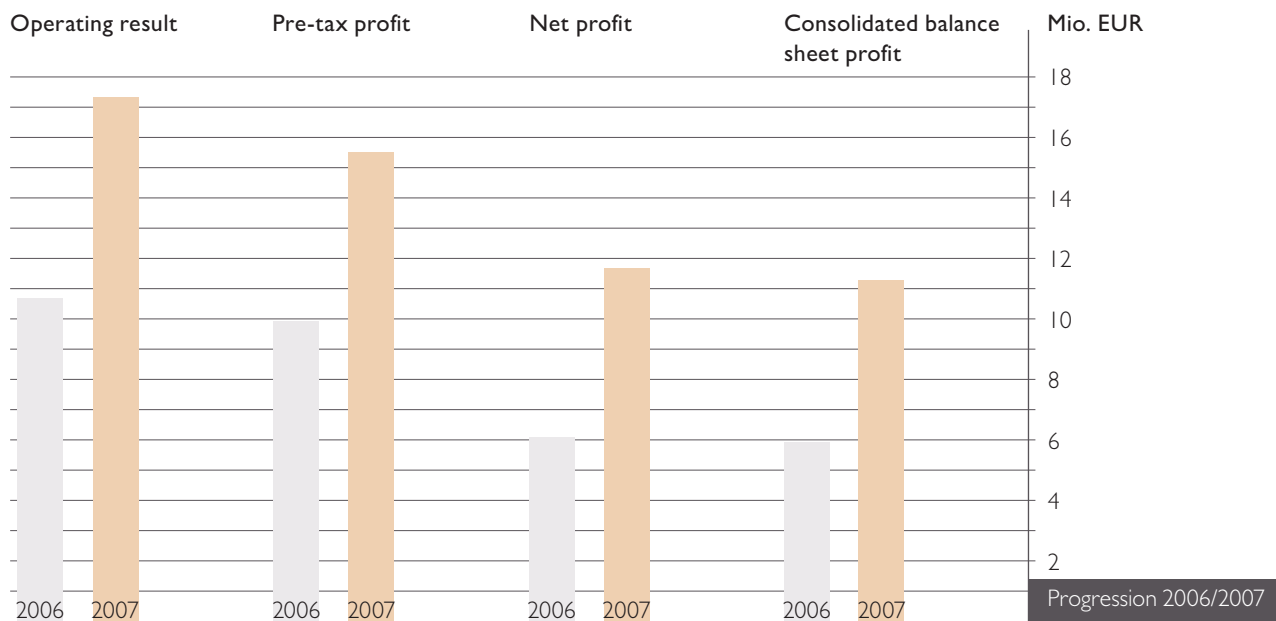
AUDIT CERTIFICATE BY THE FINAL AUDITOR



Equity and liabilities	EUR 31.12.2007	KEUR 31.12.2006
Equity		
Subscribed capital	7,050,000.00	7,050.0
Capital Reserve	30,682,841.94	30,687.0
Retained income	10,197,294.28	4,263.5
Consolidated profit	11,256,045.53	5,933.8
Revaluation surplus	237,071.70	328.7
Minority interests	1,254,567.08	99.6
Equity, total	60,677,820.53	48,362.6
Long-term liabilities		
Due to banks	54,382,360.48	11,900.5
Latent tax liabilities	9,657,885.61	4,643.6
Other long-term liabilities	0.00	0.0
Long-term liabilities, total	64,040,246.09	16,544.1
Short-term liabilities		
Other short-term reserves	798,773.15	2,045.7
Liabilities from taxes	1,196,933.80	2,145.3
Due to banks	9,061,444.48	17,466.2
Accounts payable for goods and services	2,651,328.02	16,008.5
Advance payments	4,895,432.41	613.8
Other short-term liabilities	4,989,277.02	2,561.4
Short-term borrowed capital, total	23,593,188.88	40,840.90
Balance sheet total	148,311,255.50	105,747.6

PROFIT AND LOSS ACCOUNT

	EUR 2007	EUR 2006
Sales revenue	32,536,618.96	18,331,170.42
Change in inventories	6,471,229.79	38,167,576.58
Other income	18,278,636.50	7,919,048.54
Total turnover and operating revenue	57,286,485.25	64,417,795.54
Cost of materials	-30,824,179.56	-49,047,529.77
Gross profit	26,462,305.69	15,370,265.77
Employment costs	-1,466,676.82	-678,895.49
Depreciations	-1,345,934.28	-267,048.00
Other operating expences	-6,315,823.90	-3,710,784.85
Operating result	17,333,870.69	10,713,537.43
Financial income	523,238.74	271,476.52
Expenditure	-2,309,413.81	-1,063,080.46
Pre-tax profit	15,547,695.62	9,921,933.49
Profits tax	-3,814,513.16	-3,879,329.11
Net profit	11,733,182.46	6,042,604.38
Share of minority shareholders	477,136.93	108,797.84
Consolidated balance sheet profit	11,256,045.53	5,933,806.54
Share certificates	7,050,000.00	7,050,000.00
Result per number of shares	1.60	0.84



GROUP CASH-FLOW STATEMENT

	EUR 2007	EUR 2006
Annual profit	11,733,182.46	6,042,604.38
Tax expenditure	3,814,168.16	3,879,329.11
Interest result	1,786,175.07	791,603.94
Earnings before interest and taxes (EBIT)	17,333,525.69	10,713,537.43
Depreciations	1,345,934.28	267,048.00
Attribution for financial investments	-17,440,845.14	-6,390,449.99
Change in latent tax claims	-1,728,822.73	0.00
Change in latent tax liabilities	5,040,541.46	2,091,136.76
Setting in the re-assessment reserve	-91,616.43	36,727.43
Profit from the acquisition of subsidiary	0.00	0.00
Cash flow	4,458,717.13	6,717,999.63
Change in accounts receivable from long-term production	-6,298,265.60	-1,403,611.02
Change in inventories	-3,178,031.24	-37,062,883.91
Change in accounts receivable from goods and services	-1,731,276.26	-2,871,214.05
Change in other short-term accounts receivable	-285,390.87	-73,815.92
Change in stocks and shares	839,386.00	-3,011,500.00
Change in other short-term assets	34,341.08	228,206.31
Change in payments on account received	4,281,605.11	-213,513.48
Change in short-term reserves	-1,246,954.53	1,781,023.56
Change in accounts payable from goods and services	-13,357,130.87	14,841,080.50
Change in other short-term accounts payable	-6,925,239.09	16,356,061.24
Operational cash flow	-23,408,239.14	-4,712,167.14
Advanced interest	523,238.74	271,476.52
Interest paid	-2,309,413.81	-1,063,080.46
Profits tax paid	-3,814,168.16	-3,394,420.66
Cash flow from current business operations	-29,008,582.37	-8,898,191.74

	EUR 2007	EUR 2006
Payment from the sale of fixed assets	627,110.00	0.00
Investment in fixed assets	-979,847.78	-813,929.81
Payments for financial investments	-20,786,934.55	3,220,280.17
Change in other long-term accounts receivable	3,943,386.67	-4,059,289.42
Payment from acquisition of subsidiaries minus cash and cash equivalent taken over	0.00	-378,757.31
Cash flow from investing activities	-17,196,285.66	-2,031,696.37
Payment from capital increase	-4,159.17	36,687,001.11
Minority interests	712,252.33	0.00
Increase of shareholder loan	-34,788.65	-59,601.75
Change in other long-term liabilities	0.00	-1,079,859.08
Change in bank loans	42,482,165.17	-13,756,454.71
Cash flow from financing activities	43,155,469.68	21,791,085.57
Stock of funds at the beginning of the accounting period	12,345,134.84	1,483,937.38
Stock of funds at the end of the accounting period	9,295,736.49	12,345,134.84
Change in stock of funds	-3,049,398.35	10,861,197.46

STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Capital reserve	Retained income
As of 01 Jan. 2007	7,050,000.00	30,687,001.11	4,263,487.74
Capital brought forward	0.00	0.00	5,933,806.54
Consolidated profit 2007	0.00	0.00	0.00
Change in revaluation surplus	0.00	0.00	0.00
Change in capital reserve	0.00	-4,159.17	0.00
Change in scope of consolidation	0.00	0.00	0.00
As of 31 Dec. 2007	7,050,000.00	30,682,841.94	10,197,294.28

2007

	Subscribed capital	Capital reserve	Retained income
As of 01 Jan. 2006	50,000.00	0.00	1,229,189.51
Capital brought forward	0.00	0.00	4,034,298.23
Re-assignment	1,000,000.00	0.00	-1,000,000.00
Capital increase in exchange for cash contributions	6,000,000.00	30,687,001.11	0.00
Consolidated profit 2006	0.00	0.00	0.00
Reorganisation into short-term borrowed capital	0.00	0.00	0.00
Change in the revaluation reserve	0.00	0.00	0.00
As of 31 Dec. 2006	7,050,000.00	30,687,001.11	4,263,487.74

2006

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Consolidated balance sheet profit	Revaluation surplus	Minority interests	Total equity
5,933,806.54	328,688.13	99,966.47	48,362,949.99
-5,933,806.54	0.00	0.00	0.00
11,256,045.53	0.00	442,348.28	11,698,393.81
0.00	-91,616.43	0.00	-91,616.43
0.00	0.00	0.00	-4,159.17
0.00	0.00	712,252.33	712,252.33
11,256,045.53	237,071.70	1,254,567.08	60,677,820.53

Consolidated balance sheet profit	Revaluation surplus	Minority interests	Total equity
4,034,298.23	291,960.70	300.00	5,605,748.44
-4,034,298.23	0.00	50,470.38	50,470.38
0.00	0.00	0.00	0.00
0.00	0.00	0.00	36,687,001.11
5,933,806.54	0.00	108,797.84	6,042,604.38
0.00	0.00	-59,601.75	-59,601.75
0.00	36,727.43	0.00	36,727.43
5,933,806.54	328,688.13	99,966.47	48,362,949.99



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2007

A. GENERAL INFORMATION REGARDING THE COMPANY

The corporate name of the company is: "ALTA FIDES AG Aktiengesellschaft für Grundvermögen." As an Aktiengesellschaft (AG – German stock corporation), the Company (hereinafter referred to as ALTA FIDES AG) was admitted to official trading on the Frankfurt Stock Exchange (Prime Standard) on December 6, 2006 and carries the securities identification number AOB 7 EZ.

The Company has its registered offices in Stuttgart. The Company is registered as an Aktiengesellschaft in the commercial register of Stuttgart Local Court under HRB 24693.

The Company's business premises are located in Altenbergstrasse 3, 70180 Stuttgart.

ALTA FIDES AG and its subsidiaries (hereinafter referred to as: the "Group") operate on the German real estate market with the main focuses in Stuttgart and Leipzig and provide all the services within the value chain in the real estate sector. The balance sheet date was December 31, 2007.

The reporting currency is euro (EUR) unless the information has been rounded to thousands of euro (abbreviated KEUR.).

The fiscal year corresponds to the calendar year.

The Management Board prepared the annual financial statements on January 28, 2008. The annual financial statements were approved and cleared for publication by means of a resolution passed by the Company's Supervisory Board on April 21, 2008.

The annual financial statements of ALTA FIDES AG and the consolidated financial statements of ALTA FIDES AG, as audited by dr. plöger corporate revision GmbH Wirtschaftsprüfungsgesellschaft in Leipzig, are published in the electronic version of the Bundesanzeiger (German Federal Gazette).

The consolidated financial statements of ALTA FIDES AG and its subsidiaries as of December 31, 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the requirements of German commercial law pursuant to Article 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). In so doing, the accounting standards adopted by the EU as part of the Endorsement Process until December 31, 2007, i.e. which were published in the official gazette of the EU, have

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been taken into account. The consolidated financial statements of ALTA FIDES AG, which were prepared on this basis, correspond to the "official IFRSs." All announcements by the International Accounting Standards Boards (IASB), which have to be applied as mandatory, have been applied.

Standards, interpretations and changes published but not yet applied

- IAS 23 Borrowing Costs (to be applied for fiscal years beginning on or after January 1, 2009)
- IFRS 8 Operating Segments (to be applied for fiscal years beginning on or after January 1, 2009)
- Revised IAS 1 (to be applied for fiscal years beginning on or after January 1, 2009)
- IFRIC 11 Group and Treasury Share Transactions (to be applied for fiscal years beginning on or after March 1, 2007)
- IFRS 12 Service Concession Arrangements (to be applied for fiscal years beginning on or after January 1, 2008)
- IFRS 13 Customer Loyalty Programs (to be applied for fiscal years beginning on or after July 1, 2008)
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (to be applied for fiscal years beginning on or after January 1, 2008)


The aforementioned standards were not adopted early by ALTA FIDES AG. Application is not expected to materially affect presentation of the net assets, financial position and results of operations of ALTA FIDES AG.

IFRIC D21 was adopted early for measurement of a construction contract relating to a property in Erlangen (Germany).

Estimates and judgments

On account of the uncertainties associated with the business operations, individual items in the consolidated financial statements can only be estimated and not valued precisely. An estimate is effected on the basis of the last available reliable information. The assets, liabilities, income, expenses as well as contingent assets and liabilities shown in the balance sheet on the basis of estimates may deviate from the amounts generated in the future. Changes are taken into account at the time of improved knowledge by recognizing them in net profit/loss. Essentially, estimates are made with regard to the following facts and circumstances:

- Determining the market values of the real estate properties
- Determining the recoverable amount to assess the need and amount of impairment
- Recognizing and measuring provisions
- Measuring receivables entailing risks
- Deferred taxes



The assumptions made in measuring the real estate portfolio can subsequently turn out to be incorrect in part or in full or there might be unforeseen problems or risks which were not discerned in connection with the real estate portfolio. Such developments which can also take place in the short term might lead to deterioration in the results of operations, a reduction in the value of the assets acquired as well as a considerable slump in the sales revenue, generated through the privatization of apartments as well as the current rents.

Measurements which are not based on estimates do not have any significant impact on net profit/loss.

The recoverability of real estate assets is primarily determined on the basis of the development of the real estate market as well as of the general economic situation in addition to the factors inherent in the respective property. There is the risk that the valuations used by the Group might have to be corrected in case of a negative development of the real estate market or of the overall economic situation. If impairment has to be charged on the Group's real estate assets, this would have adverse effects on the Group's net assets, financial position and results of operations.

The Group largely uses loans to finance the acquisition of real estate properties and portfolios or the execution of modernization

measures. A considerable increase in the currently low interest rate level would lead to a considerable increase in the Group's financing costs for refinancing of existing liabilities and for future financing of modernization measures and could, hence, have adverse effects on the financial position and results of operations.

B. CONSOLIDATED GROUP AND CONSOLIDATION METHODS

The consolidated financial statements have been prepared in accordance with the going concern assumption. No events with a significant influence on the net assets, financial position and results of operations had occurred by the time the consolidated financial statements had been prepared.

The consolidated financial statements were prepared by consolidating all the subsidiaries in which ALTA FIDES AG holds the majority of voting rights.

ALTA FIDES AG is the parent company of a total of 34 subsidiaries (Annex I).

I. 1. CONSOLIDATED SUBSIDIARIES

ALTA FIDES AG founded several new companies in fiscal year 2007 for the purpose of purchasing real estate. The companies inclu-


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	Seat	Group share
IVB Menckestr. 39 GmbH & Co. KG *	Stuttgart	100,00%
IVB Coppistr. 39 GmbH & Co. KG *	Stuttgart	94,00%
AF Ferdinand-Lassalle 16 GmbH & Co. KG *	Stuttgart	100,00%
AF Röntgenstr. 12 GmbH & Co. KG *	Stuttgart	100,00%
AF Marienhöhe GmbH & Co. KG *	Stuttgart	100,00%
AF 5. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	100,00%
AF Schloßgut GmbH & Co. KG *	Stuttgart	100,00%
AF Leibnizstr. 11 GmbH & Co. KG *	Stuttgart	100,00%
AF Seeresidenz GmbH & Co. KG *	Stuttgart	100,00%
AF Schloßresidenz GmbH & Co. KG *	Stuttgart	100,00%
AF 12. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	100,00%
AF 14. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	100,00%
AF 15. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	51,00%
AF 16. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	100,00%
IVB Immobilien Vermögen Beteiligungs GmbH	Stuttgart	100,00%
AF Trading GmbH & Co. KG *	Stuttgart	100,00%
AF Property GmbH & Co. KG *	Stuttgart	100,00%
AF 11. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	100,00%
Immobilien Vermittlung Beratung GmbH	Stuttgart	94,23%
Haus- und Grundstücksgesellschaft Holzhausen mbH	Leipzig	94,23%
IVB - HGH GbR *	Stuttgart	88,57%
Profecto AG	Stuttgart	100,00%
PF St.- Annen-Strasse GmbH & Co. KG *	Leipzig	100,00%
PF I. Verwaltung GmbH	Leipzig	100,00%
CAMPUS Real Estate AG	Stuttgart	86,00%
CAMPUS Service GmbH	Stuttgart	86,00%
CAMPUS Karlsruhe GmbH & Co. KG *	Stuttgart	86,00%
CAMPUS Heidelberg GmbH & Co. KG *	Stuttgart	86,00%
CAMPUS 3. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	86,00%
CAMPUS 4. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	86,00%
CAMPUS 5. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	86,00%
CAMPUS 6. Vermögensverwaltung GmbH & Co. KG *	Stuttgart	86,00%
ER C@mpus Verwaltungs GmbH	Stuttgart	55,00%
ER C@mpus GmbH & Co. KG *	Stuttgart	55,00%

Subsidiaries as of 31 Dec. 2007

* The companies are released to be let check there annual and interim reports according to the regulations in accordance with §264 b, HGB.



ded in the consolidated group are presented in Annex I of the Notes.

ALTA FIDES AG acquired 100.0% of the shares in each of the following companies as a limited partner:

- AF 14. Vermögensverwaltung GmbH & Co. KG (limited partner interest of EUR 50 k)
- AF 16. Vermögensverwaltung GmbH & Co. KG (limited partner interest of EUR 2 k)

PROFECTO AG – a subsidiary of ALTA FIDES AG held a 100.0% interest in:

- PF St. Annen-Strasse GmbH & Co. KG (limited partner interest of EUR 2 k)
- PF 1. Verwaltung GmbH (issued capital of EUR 25 k).

In fiscal year 2007, ALTA FIDES AG sold 45.0% of shares in ER C@mpus GmbH & Co. KG, which is headquartered in Stuttgart, to an unrelated party at their carrying amount. The sale price amounted to EUR 0.9 k. ER C@mpus GmbH & Co. KG acquired 100.0% (interest in issued capital of EUR 13.75 k) of ER C@mpus Verwaltungs GmbH.

ALTA FIDES AG held an 86.0% interest in CAMPUS Real Estate AG. The Management Board member Christian Dunkelberg acquired 10.0% of the rest of the shares and unrelated parties acquired 4.0%. The share capital amounts to EUR 5,000 k.

In turn, CAMPUS Real Estate AG held a 100.0% interest in the following companies:

- CAMPUS Service GmbH (nominal capital of EUR 25 k)
- CAMPUS Karlsruhe GmbH & Co. KG (limited partner interest of EUR 1 k)
- CAMPUS Heidelberg GmbH & Co. KG
- CAMPUS 3. Vermögensverwaltung GmbH & Co. KG
- CAMPUS 4. Vermögensverwaltung GmbH & Co. KG
- CAMPUS 5. Vermögensverwaltung GmbH & Co. KG
- CAMPUS 6. Vermögensverwaltung GmbH & Co. KG.

Subsequent acquisition costs of EUR 287 k were incurred in the fiscal year for the investment of Immobilien Vermittlung und Beratung GmbH in HGH GmbH. These were recognized in net profit/loss as part of capital consolidation.

2. CONSOLIDATION METHODS

All subsidiaries are included in the consolidated financial statements by means of full consolidation. Subsidiaries acquired are recognized using the purchase method detailed in IFRS 3. Purchases of shares in companies preceding this date were made using the relief option granted under IFRS 1.

The date of first-time consolidation is the date

of acquisition and is thus the day on which control of the acquired company's net assets and business operations is actually transferred to the parent company. The cost of acquisition consists of the funds paid for the acquisition plus the incidental costs of acquisition which can be directly allocated to the purchase. These incidental costs of acquisition established are allocated to the identifiable assets and debts of the company acquired. If the acquisition cost exceeds the share in the acquired company's revalued net assets attributable to the Company, this excess is recognized as goodwill. In the opposite case, any negative goodwill is recognized in net profit/loss. With regard to the determination of the net assets which are attributable to the Group, the share of capital held in the newly acquired company shall be decisive. The revalued net assets must be carried at their full amount. Minority interest is disclosed separately under consolidated equity. If the loss attributable to minority interest in any given period exceeds the minority interest reported in the consolidated balance sheet, the excess is netted against the majority interest in the consolidated equity.

In the case of subsidiaries that were established as new companies, the carrying amount reported by the parent company is equivalent to the equity reported by the subsidiaries and goodwill or other assets do not need to be recognized. In light of this, such assets did not

need to be tested for impairment during the fiscal year.

In their relationship to the parent company, the subsidiaries are not restricted in transfer payments, etc. to said party.

The financial statements of the subsidiaries included in the consolidated financial statements were prepared using uniform accounting policies. Minority interests of investments in partnerships were reported under current liabilities.

Capital consolidation is carried out in line with the purchase method by offsetting the cost of the investment against the equity of the subsidiaries at the time of acquisition/foundation. The positive difference remaining from capital consolidation is recognized as goodwill.

Intragroup profits and losses, revenue, income and expenses as well as receivables and liabilities between the companies included in the consolidated group are eliminated.

3. CURRENCY TRANSLATION

The consolidated group only includes German subsidiaries, which means that there are no financial statements in foreign currencies that had to be translated.





C. ACCOUNTING POLICIES AND CHANGES TO THEM

1. UNPAID CONTRIBUTIONS

Unpaid contributions are carried at their nominal amount.

2. PROPERTY, PLANT AND EQUIPMENT

Intangible assets, real estate and operating and office equipment are reported under property, plant and equipment. Under IAS 16, real estate properties comprise real estate used by the company itself for operating purposes. This relates to the office and business premises as well as a model apartment.

Property, plant and equipment which are recognized as assets are carried at cost upon first-time recognition under IAS 16.15. The cost model (IAS 16.30) or the revaluation model (IAS 16.31) can be used for subsequent measurement. This option was used for land, with the revaluation method being chosen. The increase in value was taken directly to equity and recognized under the revaluation reserve (IAS 16.39).

Insofar as the noncurrent assets can be written down, amortization/depreciation is charged on a straight-line basis. The depreciation period is based on the expected useful life. The useful life for depreciation of the buildings is 50 years.

Software as well as operating and office equipment are carried at amortized cost. Amortization/depreciation is charged on a straight-line basis. The amortization/depreciation period is based on the expected useful life. Purchased software is amortized over 3 to 5 years. Operating and office equipment is depreciated over 3 to 14 years.

3. LEASING

ALTA FIDES AG, rents out real estate properties (apartments as well as commercial real estate insofar as such are contained in the residential buildings) on a large scale as a lessor. These tenancies constitute operating leases for which the payments are recorded as income immediately.

Within the ALTA FIDES AG Group there is only an insignificant number of leases. According to IAS 17.8, these have to be classified as operating leases without any exceptions.

4. INVESTMENTS

According to IAS 40.5, investment property is defined as real estate held for the purpose of generating rental income or for the purpose of an increase in the value and not held for the purpose of service provision, for administrative purposes or for sale within the framework of the company's ordinary activities.

All investments are measured in the same way at fair value.

Various developer properties are reported under inventories or under receivables from long-term production.

Investment property is also recognized at cost (IAS 40.20) upon first-time recognition. There is an option to choose between the fair value model (IAS 40.33) and the cost model in the case of subsequent measurement. The fair value model was chosen. Changes in value are recognized in net profit/loss (IAS 40.35).

The fair values of the properties on the respective balance sheet date were used as a basis for revaluation of the investment property. The value was established individually for each property by an independent expert from a renowned real estate valuation company operating internationally under consideration of the condition of the property. The expert's reports were prepared as of the valuation date which corresponds to the balance sheet date by using valuation procedures common on the market (comparative value method on the basis of the International Valuation Standards). The value was established without consideration of taxes and capital costs of any type.

The carrying amounts of the investment property as of the reporting date amounted to EUR 72,134,391.00 (previous year: EUR 34,534 k).

■ Changes in the accounting policies and presentation methods

In 2007, the carrying amounts in the case of AF II. Vermögensverwaltung GmbH & Co. KG decreased by EUR 424 k due to a reduction in the incidental costs of acquisition for developed land which are reported under inventories.

The minority interests of investments in partnerships were reclassified against the previous year and recognized under current liabilities. The previous year's figure was adjusted accordingly.

In contrast to the previous year, the effective interest method under IAS 39.47 was not applied for materiality reasons.

For transparency and clarity reasons, the statement of changes in equity and the way in which equity is reported in the balance sheet were presented differently. The previous year's figure was adjusted accordingly.


5. INVENTORIES

Inventories primarily include real estate intended for sale (real estate held for trading) and developer properties. Inventories are carried at cost.

6. RECEIVABLES FROM CONSTRUCTION CONTRACTS

Real estate intended for sale in the ordinary course of business or in the process of





construction or development for such sale, particularly real estate acquired exclusively with a view to subsequent disposal in the near future or for development and resale, is reported under current assets. Development also comprises pure modernization and refurbishment activities.

As a rule, purchase contracts with fixed prices are already concluded for these properties (or for the individual apartments within these properties) before the beginning of the modernization and refurbishment activities. For this reason, the principles for the measurement of construction contracts are applied (IAS 11). These provide for proportionate recognition of the income and expenses according to the degree of completion (percentage of completion).

The cost-to-cost method (IAS 11.30), i.e. the share of the costs incurred in the total contract costs, was used to establish the degree of completion as a basis for the proportionate contract revenue. The contract revenue is recorded as income in the income statement.

IFRIC D21 was adopted early for measurement of a construction contract relating to a property in Erlangen (Germany). Profits were generated from disposal of the old building material and the land.

7. FINANCIAL ASSETS

Under IAS 39.9, financial assets and liabilities are divided into the following four measurement categories:

- Financial assets held for trading or designated at fair value
- Financial investments held to maturity
- Loans and receivables
- Financial assets available for sale.

Receivables are carried at their respective principal amount. If there is uncertainty surrounding the collectability of receivables, the amounts are subject to specific valuation allowances. In contrast to the previous year, the effective interest method under IAS 39.47 was not applied for materiality reasons.

8. OTHER PROVISIONS

In accordance with IAS 37, a provision must be recognized if a company has a present obligation (legal or constructive) as a result of a past event for which the outflow of resources is likely and for which the value can be reliably estimated.

The settlement amount of the provisions has to be estimated as well as possible (best estimate concept). Provisions must be discounted if the time value of money is material.

9. DEFERRED TAXES

Deferred taxes are calculated using the liability

method (IAS 12). Deferred taxes are recognized in the single-entity financial statements of the companies consolidated in the Group for measurement differences between the assets and liabilities of the tax base and the financial statements in accordance with IFRSs, insofar as the differences are likely to be offset in later fiscal years.

Furthermore, deferred taxes are recognized at Group level if they arise from consolidation entries.

Deferred tax assets and liabilities are reported in netted form if they are due to/from the same tax authorities for the same tax entity. Deferred taxes are reported as part of non-current assets due to the balance sheet being classified according to terms.

10. OTHER ASSETS AND LIABILITIES

Other assets are carried at their principal amount and other liabilities at their nominal amount or at cost. Liabilities are shown as liabilities at the amount repayable.

D. BALANCE SHEET AND INCOME STATEMENT DISCLOSURES

BALANCE SHEET DISCLOSURES

■ 1. Unpaid contributions

Unpaid contributions include the outstanding call commitments of unrelated parties on the capital.

■ 2. Property, plant and equipment

The changes to the individual items of property, plant and equipment are presented in the statement of changes in noncurrent assets (Annex 2 page 72).

■ 3. Investment property

The carrying amount of investment property changed during fiscal year 2007 as follows:

Carrying amount as of		
December 12, 2006	EUR	34,533,721.31
Additions in 2007		
to cost	EUR	23,853,741.58
Reversals of additions	EUR	17,440,845.14
Disposals in 2007	EUR	-2,399,798.70
Depreciation/ amortization expense	EUR	-1,294,118.33
Carrying amount as of		
December 12, 2007	EUR	72,134,391.00

Real estate was measured at fair market value (fair value) as of December 31, 2007.



The market values of the real estate to be valued were established according to the comparative value method (derivation from purchases and sales of comparable real estate) and for the Hauptpost grounds according to the residual value method. The property was valued by a publicly sworn expert.

In 2007, the rental income from the investment property amounted to EUR 4,552,662.38 (previous year: EUR 1,685 k).

There are no legal restrictions on the disposal of the investment property; actual restrictions on the disposal of these cannot be discerned.

There are no legal obligations to sell investment property at certain prices and/or to buy such at certain prices.

The changes to investment property are presented in the statement of changes in noncurrent assets (Annex 2).

■ 4. Other noncurrent receivables

The carrying amount reported of EUR 1,100,464.99 (previous year: EUR 5,593,316.25) essentially includes a claim arising from a loan agreement.

■ 5. Deferred tax assets and liabilities

Deferred taxes are determined taking the tax rates applicable in the future. An overall tax rate of 29.0% was taken as a basis for 2007.

Deferred taxes essentially arise from the following balance sheet items:

Deferred taxes are primarily attributable to the following balance sheet items:

in EUR	December 31, 2007	
	Deferred tax assets	Deferred tax liabilities
Inventories	0.00	1,879,576.80
Other assets	1,540,071.02	0.00
Investment property	419,736.99	7,806,779.99
Other provisions	0.00	0.00
Other liabilities	92,237.48	-66,597.51
Amounts due to banks	847.88	38,126.33
Total	2,052,893.37	9,657,885.61

Deferred taxes

■ 6. Inventories

The inventories comprise real estate properties (EUR 45,512,351.75; previous year: EUR 42,334 k) which will be sold on without any changes (real estate held for trading) as well as developer properties where the criteria for revenue recognition in line with IAS II are not met.

The inventories are recognized at the cost. These comprise 39 objects. Inventories did not have to be written down.

■ 7. Receivables from construction contracts

Receivables from construction contracts concern those real estate properties that are intended for sale during modernization and refurbishment (developer properties) and for which proportionate revenue was recognized

under IAS II. These are the developer properties which are reported under Inventories

The contract revenue recognized during the period under review was established on the basis of the total contract revenue and the percentage of completion as of the balance sheet date. The percentage of completion was established with the help of the ratio between the costs incurred until the balance sheet date and the total contract costs (cost to cost).

Security deposits from customers were not effected beyond the scope agreed on in the respective contract.

Costs of EUR 6,761,764.14 were incurred for the construction contracts; the profit reported amounts to EUR 1,632,581.48. The advanced payments received amount to EUR 4,895,432.41 and the security deposits amount to EUR 90,039.48.

in EUR	December 31, 2006	
	Deferred tax assets	Deferred tax liabilities
Inventories	0.00	-78,653.96
Other assets	10,347.09	9,922.05
Investment property	847.88	39,440.26
Other provisions	40,888.47	0.00
Other liabilities	0.00	- 92,879.05
Amounts due to banks	298,194.07	4,765,721.67
Total	350,277.51	4,643,550.97

■ 8. Trade receivables

Trade receivables largely comprise outstanding payments from the sale of apartments. Bad debt allowances were not required.

■ 9. Tax receivables, other current receivables and other current assets

The separately reported tax assets of EUR 169,359.41 concern receivables from overpayment of tax.

Other current receivables of EUR 559,940.02 primarily comprise short-term loans and advance payments.

Current assets include purchase price receivables.

■ 10. Cash and cash equivalents

The cash and cash equivalents item of EUR 9,295,736.49 (previous year: EUR 12.345 k) comprises cash and the short-term bank deposits which are held in the Group.

■ 11. Securities

Securities held for trading are recognized at their market value in line with IAS 39. The market value on the reporting date amounted to EUR 2,172,114.00 (previous year: EUR 3,012k).

■ 12. Equity

For changes in equity, please refer to the statement of changes in equity.

Development of the group capital assets
01 Jan. 2007 to 31 Dec. 2007

in EUR	Asset and production costs			
	01.01.2007	Additions	Disposals	31.12.2007
Intangible transfers assets	0.00	2,319.49	0.00	2,319.49
Land and buildings	799,040.75	0.00	391,020.32	408,020.43
Furniture and fittings	229,772.98	52,822.85	11,306.23	271,289.60
Financial investments	35,544,391.29	41,294,586.72	2,399,798.70	74,439,179.31
	36,573,205.02	41,349,729.06	2,802,125.25	75,120,808.83

a. Issued capital

As of December 31, 2007, the issued capital of ALTA FIDES AG amounted to EUR 7,050,000 (previous year: EUR 7,050,000). The share capital is divided into 7,050,000 shares.

b. Authorized capital

During the General Meeting of June 25, 2007, the Management Board was authorized, with the approval of the Supervisory Board

- to raise the share capital once or more than once until June 15, 2012 by issuing new shares made out to bearer against cash or benefits in kind, up to an overall total of EUR 3,525 k and
- to issue convertible and/or bonds with warrants and/or participation rights made out to the bearer with or without right to con-

version or option or conversion obligation up to a maximum of EUR 80,000 k with a term of up to 20 years and to issue bearers and/or creditors of bonds with warrants rights to conversion or option of new shares of the Company made out to the bearer at a proportional amount of the share capital of up to EUR 3,525 k of the bond.

c. Capital reserves

Essentially, the capital reserves comprise contributions which were made on account of the increase of the share capital in fiscal year 2006.

The costs of the capital increase and of the IPO were deducted from this. In fiscal year 2007, costs for the IPO of EUR 4,159.17 were incurred, which were offset against the capital reserves.

01.01.2007	Depreciations			Amortized costs	
	Additions	Disposals	31.12.2007	31.12.2007	31.12.2006
0.00	259.49	0.00	259.49	2,060.00	0.00
33,850.75	3,875.11	18,270.43	19,455.43	388,565.00	765,190.00
84,171.45	47,681.35	14,643.23	117,209.57	154,080.03	145,601.53
1,010,669.98	1,294,118.33	0.00	2,304,788.31	72,134,391.00	34,533,721.31
1,128,692.18	1,345,934.28	32,913.66	2,441,712.80	72,679,096.03	35,444,512.84

d. Retained earnings

The equity item retained earnings comprises the statutory reserve as per Article 150 of the Aktiengesetz (AktG – German Stock Corporation Act) and other retained earnings. The other retained earnings consists of undistributed profits of the previous years.

The retained earnings can be broken down as shown in the statement of changes in equity.

e. Minority interests

Additions to minority interests in the fiscal year of EUR 712.3 k concern the following companies:

Unrelated parties hold investments amounting to 45.0% in ER C@mpus GmbH & Co. KG and 45% indirectly in ER Campus Verwaltungs GmbH. The 45% investments are reported as minority interests at a value of EUR 3.5 k and EUR 0.8 k respectively.

Overview about the liabilities
from the ALTA FIDEA AG Group
as of 31 Dec. 2007

	Total EUR	Expected residual term till 1 year EUR
Liabilities to banks (2006)	63,443,804.96 (29,366,696.69)	9,061,444.48 (17,466,227.66)
Latent tax liabilities (2006)	9,657,885.61 (4,643,551.02)	
Other liabilities (2006)	798,773.15 (2,045,727.68)	798,773.15 (2,045,727.68)
Tax liabilities (2006)	1,196,933.80 (2,145,351.97)	1,196,933.80 (2,145,351.97)
Accounts receivable trade (2006)	2,651,328.02 (16,008,458.89)	2,651,328.02 (16,008,458.89)
Advances from demand (2006)	4,895,432.41 (613,827.30)	4,895,432.41 (613,827.30)
Other liabilities (2006)	4,989,277.02 (2,561,041.04)	4,989,277.02 (2,561,041.04)
Total (2006)	87,633,434.97 57,384,654.59	23,593,188.88 40,840,634.54

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Christian Dunkelberg and unrelated parties have investments in CAMPUS Real Estate AG totaling 14.0%. The investments are reported as minority interests at a value of EUR 700.0 k.

Other unrelated parties have investments in AF 15. Vermögensverwaltung GmbH & Co. KG with a share of 49.0%. The investments are reported as minority interests at a value of EUR 24.5 k.

Subsequent costs for the investment in IVB-HGH-GbR of EUR 287 k were incurred by HGH GmbH. As a result, minority interests declined by EUR 16.5 k.

Net profit/loss of EUR 477,136.93 (previous year: EUR 109 k) is attributable to minority interests. Of this, minority interests in partnerships of EUR 34,788.65 are reported under the current liabilities.

Expected residual term		given securities EUR	type of securities
1 - 5 years EUR	over 5 years EUR		
34,200,115.80	20,182,244.68	63,443,804.96	mortgage
(2,501,090.28)	(9,399,378.75)		
9,657,885.61			
(4,643,551.02)			
43,858,001.41	20,182,244.68		
7,144,641.30	9,399,378.75		

■ 13. Liabilities

The division and the residual terms of the liabilities can be found in the consolidated statement of changes in liabilities appended as Annex 3 to these Notes.

a. Noncurrent amounts due to banks

Amounts due to banks with residual terms of over 1 year are reported. All amounts due to banks are secured by means of liens on real property to the amount of the respective loan proceeds.

b. Current amounts due to banks

The current amounts due to banks comprise the current portion of long-term interest-bearing bank loans which fall due within a period of one year.

c. Trade payables

These comprise current suppliers' accounts receivable from the current business operations.

d. Other current liabilities

The Group has other current liabilities to unrelated parties as well as towards related parties. For details, please refer to the related party disclosures.

The current interest-bearing liabilities comprise overdraft facilities and deposits received under tenancy agreements for leased properties.

Advanced payments received comprise the advance payments from buyers of apartments.

Other provisions

in EUR	01.01.2007	Consumption	Closing	Feed	31.12.2007
Building costs	770,000.00	770,000.00	0.00	59,463.06	59,463.06
Acquisition and inquiry costs	227,500.00	188,444.83	39,055.17	321,540.00	321,540.00
Archiving costs	18,580.00	0.00	0.00	10,000.00	28,580.00
Share in profits	245,437.00	245,437.00	0.00	0.00	0.00
Costs for initial public offering	209,346.68	190,187.02	19,159.66	0.00	0.00
Notary and land register costs	555,000.00	190,564.80	364,435.20	0.00	0.00
Consulting fees	0.00	0.00	0.00	58,049.18	58,049.18
Outstanding accounts	0.00	0.00	0.00	100,897.34	100,897.34
Vacation	0.00	0.00	0.00	33,000.00	33,000.00
Costs for shareholders' meeting	0.00	0.00	0.00	36,000.00	36,000.00
Other costs	19,864.00	19,864.00	0.00	161,243.57	161,243.57
Total	2,045,727.68	1,604,497.65	422,650.03	780,193.15	798,773.15

The minority interests of investments in partnerships of EUR 94,390.40 were reclassified to other current liabilities in contrast to the previous year. The previous year's figure was adjusted accordingly.

■ 14. Other provisions

Other provisions are structured as shown in Annex 4.

Use is expected to be made in 2008 of all provisions reported as of the balance sheet date. The provisions exclusively concern expenses for fiscal year 2007.

■ 15. Tax liabilities

Tax liabilities concern the current income tax obligations.

INCOME STATEMENT DISCLOSURES

The income statement disclosures were prepared using the nature of expense method.

■ 16. Revenue

Revenue comprises sales revenues for real estate, commission and rental income and is broken down as follows:

	2007 EUR	2006 KEUR
Sale of apartments	19,581,926.52	14,350
Rents	4,552,662.38	1,685
Commission received	3,580.39	34
Revenue from construction contracts	8,394,345.62	2,096
Other tax-free revenue	4,104.05	166
Revenue, total	32,536,618.96	18,331

Revenue

■ 17. Change in finished goods and work in progress

The item includes changes in finished goods and work in progress.

■ 18. Other incomee

Other income can be broken down as follows:

	2007 EUR	2006 KEUR
Income from the reversal of investments	17,440.845.14	6,391
Income from investments	0.00	1,142
Income from the reversal of provisions	422,650.03	0
Other	415,141.33	387
Other income	18,278,636.50	7,920

■ 19. Cost of materials

Cost of materials recognizes the expenses for the inventories, i.e. for the purchase of real

estate (real estate held for trading) and for modernization and refurbishment measures (developer activities).

■ 20. Staff costs

Staff costs comprise the following:

	2007 EUR	2006 EUR thousand
Wages and salaries	1,389,910.38	395
Bonuses	0	245
Statutory social security contributions	78,401.44	45
Allowances	- 1,635.00	- 6
Staff costs, total		
of which:	1,466,676.82	679
Management Board salaries:		
Ongoing compensation	651,644.37	216
Bonuses	0	245
Staff costs		

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■ 21. Depreciation/amortization expense

Depreciation/amortization of noncurrent assets is exclusively reported under the depreciation/amortization item for the fiscal year.

■ 22. Other operating expenses

Other operating expenses essentially comprise administration expenses, selling expenses as well as miscellaneous operating expenses.

The item comprises the following:

	2007 EUR	2006 KEUR
Rent-related expenses	2,648,029.47	1,393
Real estate-related expenses	1,169,847.80	895
Other administrative expenses	2,498,291.63	1,422
	6,316,168.90	3,710

Other operating expenses

The legal and consulting costs for fiscal year 2007 include the fee for the auditor of EUR 148 k.

■ 23. Net financial income/net finance cost

The net financial income/net finance cost consists of the financial cost from bank loans (EUR 2,309,413.81; previous year: EUR 1,063 k) and of financial income from interest (EUR 523,238.74; previous year: EUR 271 k).

■ 24. Tax expense

Income tax expenses comprise the current income tax expenses (EUR 501,011.93; previous year: EUR 949 k) as well as the deferred tax expense (EUR 3,313,501.23; previous year: EUR 2,931 k). The tax income and tax expenses are netted. The current and deferred tax receivables and tax liabilities resulting from this are shown separately in the balance sheet.

Accruals (EUR 2,052,893.37) and deferrals (EUR 9,657,885.61) arose for deferred income taxes in 2007. In establishing the deferred taxes the trade tax, the corporation tax and the solidarity surcharge have been taken into account. In total, this results in a uniform average tax rate in the amount of 29% (previous year: 39%) throughout the Group.

According to IAS 12, the income taxes for the accounting period consist of the current (actual) income taxes and the deferred income taxes.

Current income tax expense is established according to the rules for the establishment of profits for taxation purposes to be applied for the individual subsidiaries (the companies' taxable income), which is derived from the single-entity financial statements which were prepared in accordance with tax rules and not in accordance with IFRS.

The deferred tax assets and liabilities arise from temporary differences between the measurement of an asset or a liability according to IFRSs and the corresponding tax value. For the purpose of measurement of the deferred taxes, those tax rates are used which are valid at the time of the settlement of the debt or of the realization of the asset. In this context, amendments of laws which have already been adopted but which have not yet been announced as of the balance sheet date also have to be taken into account.

Reconciliation of tax expense	2007 EUR	2006 EUR
Consolidated net profit before taxes	15,547,380.62	9,921,933.49
Expected current income tax expense	3,017,367.30	3,869,554.06
Non-deductible expenses	-56,351.78	0.00
Tax effects from loss carryforwards	1,188,340.38	0.00
Adjustment of the tax amount to deviating tax rate for partnerships	-334,842.74	0.00
Other tax effects	0.00	9,755.05
Tax expense in line with consolidated income statement	3,814,513.16	3,879,329.11

■ 25. Earnings per share

According to IAS 33, information on the earnings per share has to be presented by companies whose ordinary shares are traded publicly or the trading of which has been initiated on a stock exchange.

According to IAS 33, the earnings per share are established by dividing the consolidated net profit for the fiscal year by the weighted average number of the shares issued. There can be no dilution of this parameter by potential shares (convertible bonds, bonds with warrants or share options).

ALTA FIDES has not issued any option or conversion rights. A dilution can therefore be ruled out. The calculation of the diluted earnings per share has therefore not been performed since this is equivalent to the basic earnings.

In order to show the effect on the earnings per share on account of the corporate actions presented, the calculation has also been performed with the number of shares existing after the last resolution.

E. CASH FLOW STATEMENT

Please refer to the cash flow statement attached as a separate component to the consolidated financial statements.

The cash flow statement provides an overview of the origin and the use of the funds within the group. The cash flow statement was prepared in accordance with IAS 7. Accordingly, the cash flow from the operating activities, investment activities and financing activities is determined and shown. If there are mixed transactions, they have been allocated to the various types of activities where necessary. The cash flow from operating activities is presented using the indirect method. The non-cash profit components are thus eliminated based on the consolidated net profit/loss after tax.

The bank deposits available at short notice as well as the cash in hand were deferred as cash funds.





F. SEGMENT REPORTING

IAS 14 provides for a differentiation of segment reporting according to primary and secondary segment report formats. In this context, the prevailing origin and the type of risks and earnings determine whether the primary report format will be business divisions or geographical regions. Disclosures regarding geographic regions have been omitted due to the fact that the Group operates exclusively in Germany. The business divisions constitute the primary segments. The Group is divided into the following business divisions: Trading and own portfolio, Project development, Non-performing Loans, Campus and Cross-divisional.

The Trading and own portfolio business division is aimed at the long term and comprises leasing as well as the sale of real estate and receivables. Within the Project development business division, which is aimed at the short term, real estate is acquired, modernized and renovated and sold to investors as well as to owner-users. The property in question here is primarily listed property offering the buyer the possibilities of extraordinary tax depreciations according to Article 7i of the Einkommensteuergesetz (EstG – German Income Tax Act).

The Non-performing loans business division concentrates on buying and selling receivables which are secured through real estate.

The Campus division is dedicated to the development of student residences and living concepts for students.

The Cross-divisional business division comprises operations that cannot be allocated to any of the other divisions.

The divisional report has been included with these notes to the financial statements in Annex 5.

Annex 5 provides an overview of how business division revenue is divided as well as of the individual costs allocated to the divisions. This results in the respective contribution margins of the business divisions. The overhead costs which cannot be directly allocated to the segments as well as interest and taxes are recognized on a company level in order to establish the overall result.

According to IAS 14.61, the essential expenses which do not constitute cash items have to be disclosed for each division. These comprise depreciation and amortization for the respective business divisions. Apart from these, there are no essential expenses which do not constitute cash items for each division.

The individual costs comprise the cost of the sold real estate, expenses for commission fees as well as the space costs which can be allocated.

Amongst other things, the overheads comprise space costs, staff costs and various incidental expenses which cannot be allocated.

G. OTHER DISCLOSURES

I. Disclosures on events after the balance sheet date

In December 2007, Mr. Ketterer sold a share holding of 14.18%, valid from January 2008 onward, to CORESTATE German Residential Ltd.

There have been no further relevant events regarding the report after the balance sheet date.

2. Disclosures on contingent liabilities; risk management

ALTA FIDES AG has only established real secondary liabilities and secondary liabilities under the law of contracts with regard to liabilities of subsidiaries which are included in the scope of consolidation. Such obligations have not been established toward third parties.

To date, the ALTA FIDES AG Group has operated exclusively within the euro-zone. For this reason, there are no currency risks. The Group is financed by real estate loans, common in the industry, from renowned German banks. The loans are connected with the properties, meaning that the loans are repaid from the proceeds of a possible further sale of the properties. This does not result in the risk of having to conclude possible follow-up financing at considerably worse conditions. Investment property is

financed in the long term; hedging against long-term interest risks is not effected.

The real interest rate for borrowed capital amounts is less than 6.0% p.a.

The ALTA FIDES AG Group uses comprehensive funds for the acquisition of residential real estate property. For this reason, the Company is obliged to raise the funds in advance, whereas returns of funds in the form of the payment of purchase prices can only be received step-by-step in accordance with the progress of the project partly due to mandatory legal provisions. For this reason, the Company has borrowed capital. This means that there is the risk that, in the future, the procurement of borrowed capital from banks might not be possible in due time or that such might only be possible at more unfavorable conditions and that payments of purchase prices by customers might take place later than originally planned.

In case the raising of borrowed capital is not possible in the future or in case such is not possible at adequate conditions or in case a longer term for external financing emerges than planned by the Company, this might have a negative impact on the business operations of the Company as well as on the financial situation. The Group has strengthened its equity basis by means of the planned IPO in order to ensure continued stable access to real estate loans at favorable conditions.




Divisional reporting

in EUR		Trading and own portfolio	Project development
Sales revenue	2007	23,904,035.96	6,176,488.62
	2006	6,313,986.14	12,017,184.28
Change in inventories	2007	-2,304,431.58	4,122,500.00
	2006	36,232,105.94	1,935,470.64
Other income	2007	18,200,112.78	64,755.01
	2006	7,532,716.67	0.00
Total turnover and operating revenue	2007	39,799,717.16	10,363,743.63
	2006	50,078,808.75	13,952,654.92
Depreciations	2007	-1,345,596.71	0.00
	2006	-266,935.11	0.00
EBIT	2007	17,269,955.87	1,105,165.21
	2006	6,474,351.32	3,880,180.08
Financial result	2007	-1,656,680.21	-137,524.53
	2006	-368,514.32	-423,089.62
Profit tax	2007	-3,421,310.67	-382,196.36
	2006	-1,820,156.32	-2,059,172.79
Concern annual surplus	2007	12,191,964.99	585,444.32
	2006	4,285,680.68	1,397,917.67
Division asset	2007	105,183,921.76	31,656,676.93
	2006	101,776,343.71	12,461,812.94
Division debt	2007	64,736,229.60	16,227,980.84
	2006	54,104,122.12	10,894,235.35
Division investments	2007	979,847.78	0.00
	2006	813,929.81	0.00

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NPL	CAMPUS	Transcending segments	Total
237,500.00	2,218,594.38	0.00	32,536,618.96
0.00	0.00	0.00	18,331,170.42
0.00	4,653,161.37	0.00	6,471,229.79
0.00	0.00	0.00	38,167,576.58
12,140.77	0.00	1,627.94	18,278,636.50
0.00	0.00	386,331.77	7,919,048.44
249,640.77	6,871,755.75	1,627.94	57,286,485.25
0.00	0.00	386,331.77	64,417,795.44
-337.57	0.00	0.00	-1,345,934.28
0.00	0.00	-112.89	-267,048.00
-337,300.23	-460,876.53	-243,073.63	17,333,870.69
0.00	0.00	359,005.93	10,713,537.33
26,884.38	-19,147.04	292.33	-1,786,175.07
0.00	0.00	0.00	-791,603.94
0.00	-18.53	-10,987.60	-3,814,513.16
0.00	0.00	0.00	-3,879,329.11
-310,415.85	-480,042.10	-253,768.90	11,733,182.46
0.00	0.00	359,005.93	6,042,604.28
767,681.09	10,633,046.31	69,929.41	148,311,255.50
0.00	0.00	-8,490,552.07	105,747,604.58
17,488.86	6,660,927.36	20,808.31	87,663,434.97
0.00	0.00	-7,673,304.63	57,328,052.84
0.00	0.00	0.00	979,847.78
0.00	0.00	0.00	813,929.81



In order to manage default risks, the ALTA FIDES AG Group pursues the business policy of implementing the usual hedging tools in the execution of contracts as part of the execution of property and apartment sales. As part of this, ownership is only transferred once the payment has been received, i.e. there is no default risk. The maximum default risk corresponds to the amounts shown on the balance sheet.

3. Average employee count

The average employee count for the year was 13 (previous year: 7).

4. Management Board members and their remuneration

The members of the Management Board in the year under review:

Norbert Ketterer, ales (Chairman)

Salary: EUR 230 k (previous year: EUR 26 k)
Bonus: EUR 0.00 k (previous year: EUR 0.00 k)
Shares held on balance sheet date: 46.56% (previous year: 46.56%)

Norbert Ketterer is CEO of CAMPUS Real Estate AG and a member of the Supervisory Board of Profecto AG.

Rainer Fuchs, sales

Salary: EUR 126 k (previous year: EUR 70 k)
Bonus: EUR 0.00 k (previous year: EUR 175 k)

Shares held on balance sheet date: 0.00% (previous year: 0.00%)

Gerd Eichinger (until July 31, 2007) sales

Salary: EUR 106 k (previous year: EUR 120 k)
Bonus: EUR 0.00 k (previous year: EUR 70 k)
Shares held on balance sheet date: 7.16% (previous year: 7.16%)

Christian Dunkelberg (from August 1, 2007 onward) sales

Salary: EUR 102 k (previous year: EUR 0.00 k)
Bonus: EUR 0.00 k (previous year: EUR 0.00 k)
Shares held on balance sheet date: 0.00% (previous year: 0.00%)

5. Supervisory Board members and their remuneration

The members of the Supervisory Board in the year under review:

Professor Willi Alda (Chairman)

Sales

Chairman of the Advisory Board to Deutsche Immobilien Datenbank (International Property Database)

Member of the Board of Trustees and the Advisory Board to the Lebendige Stadt foundation (Foundation for Vibrant Cities)

Chairman of the Advisory Board to the Trustees of the Urban Land Institute

Remuneration: EUR 10 k (previous year: EUR 4 k)

Natalie Wagner, (Deputy Chairwoman)**sales**

Managing partner of Wirtschafts-Informations-Dienst GmbH

Remuneration: EUR 10 k (previous year: EUR 10 k)

Shares held on balance sheet date: 3.58% (previous year: 3.58%)

Karl-Georg Wentz,**sales**

CEO of Karl Epple Holding GmbH

Remuneration: EUR 10 k (previous year: EUR 2 k)

6. Relationships with related parties

The persons and companies affiliated with the Group comprise ALTA FIDES AG as well as all subsidiaries (cf. Annex I page 63), the members of the Management Board and of the Supervisory Board as well as the members of the subsidiaries' executive bodies each including the members of their immediate family as well as those companies which may be decisively influenced by members of the Management Board or of the Supervisory Board or their immediate family or in which these hold a considerable share of the voting rights. In addition, related parties comprise those companies with which ALTA FIDES AG forms a group, or in which it holds an interest, which facilitate a decisive influence on the business policy of the holding company as well as the

main shareholders of ALTA FIDES AG including its affiliated companies.


a. Service relationships between the affiliated companies

ALTA FIDES AG provides services for itself and for all subsidiaries. Intra-group billing of services does not take place between the affiliated companies.

b. Bonuses and other financial transactions with related parties**Norbert Ketterer**

Since 2006, a management employment contract has been in place between ALTA FIDES AG and Norbert Ketterer. According to this contract, Mr. Ketterer is entitled to a bonus in addition to a current monthly salary of EUR 10 k; since February 1, 2007 - EUR 20 k. Said claim to a bonus amounts to 4% of the annual profit in the event of an annual profit according to the Handelsgesetzbuch (HGB – German Commercial Code) before corporation and trade tax and the bonus itself of even less than EUR 1 million; in the event of an annual profit of over EUR 1 million, said bonus amounts to 3% thereof and in the event of an annual profit of more than EUR 2 million to the amount of 2% thereof.

By means of notarized contracts from July 5, 2007 and December 28, 2007 from Altrichter, Notary, Mr. Ketterer acquired several lis-



ted residential properties, yet to be redeveloped, for a price of EUR 2,529,525.00, from AF Schlossresidenz GmbH & Co. KG and AF Schlossgut GmbH & Co. KG, subsidiaries of ALTA FIDES AG. The company rüber & hess, auditors, lawyers and tax consultants confirm by means of actuarial reports from March 25, 2008 that the prices agreed with Mr. Ketterer correspond to those that had been reached with third parties.

Rainer Fuchs

A management employment contract in the version of June 22, 2006 is in place between ALTA FIDES AG and Rainer Fuchs. Mr. Fuchs has a current monthly salary of EUR 10 k.

According to Article 5, Paragraph 1 of the employment contract concluded with Mr. Fuchs, said party is entitled to subscription rights to virtual shares from December 31, 2008 onward to the amount of 5% of the number of all shares which were issued for trading in the approved division upon the first quote. The market price of the shares must be 20% higher than the price on the day of the first admission to trading.

Gerd Eichinger

A management employment contract in the version of October 15, 2006 is in place between ALTA FIDES AG and Mr. Eichinger. According to this contract, Mr. Eichinger is en-

titled to a bonus in addition to the current monthly salary of EUR 10 k; since February 1 2007 - EUR 15 k. On July 13, 2007 the management employment contract was converted to an employment contract, valid from August 1, 2007.

Gerd Eichinger is also managing director at IVB Immobilien Vermögen und Beteiligungs GmbH, HGH GmbH and at IVB Immobilien Vermittlung und Beratung GmbH. Mr. Eichinger does not receive any separate remuneration for these activities. No remuneration was paid with regard to this during the previous year.

In the year under review and in the previous year, Gerd Eichinger held an interest of 6% in IVB Coppistraße 39 GmbH & Co. KG, 6% in IVB HGH GbR and 5.77% in IVB Immobilien Vermittlung und Beratung GmbH.

A tenancy agreement has been concluded between Mr. Eichinger and ALTA FIDES AG regarding the property on Ehrensteinstrasse 9, Leipzig, last amended in the version of October 25, 2006. Up to June 30, 2007, ALTA FIDES AG paid monthly rent of EUR 5,670.00 to Mr. Eichinger.

By means of a notarized contract of July 5, 2007 from Altrichter, Notary, Mr. Eichinger acquired several listed residential properties, yet to be redeveloped, for a price of EUR 506,267.00, from AF Schlossresidenz GmbH & Co. KG, a subsidiary of ALTA FIDES AG.

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The company röber & hess, auditors, lawyers and tax consultants confirm by means of actuarial reports from March 25, 2008 that the prices agreed with Mr. Eichinger correspond to those that have been reached with third parties.

Christian Dunkelberg

A management employment contract in the version of June 6, 2007 is in place between ALTA FIDES AG and Christian Dunkelberg. Mr. Dunkelberg has a current monthly salary of EUR 20 k.

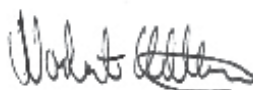
Mr. Dunkelberg holds a 10% interest in CAMPUS Real Estate AG. The CAMPUS Real Estate AG share capital amounts to EUR 5,000 k.

H. DISCLOSURES ON COMPANY ACQUISITIONS

DECLARATION ACCORDING TO ARTICLE 161 OF THE AKTG

The declaration, in accordance with Article 161 of the AktG and compliant with the recommendations given by the Government Commission on the German Corporate Governance Code announced by the German Ministry of Justice in the official section of the German electronic Federal Gazette, was submitted in 2007 and made available to shareholders on the ALTA FIDES AG web site.

Stuttgart – April 17, 2008



Norbert Ketterer



Christian Dunkelberg



Rainer Fuchs



AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by ALTA FIDES Aktiengesellschaft für Grundvermögen consisting of the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements together with the group management report for the fiscal year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) and supplementary provisions of the articles of association are the responsibility of the management board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 of the HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der

Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that

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our audit provides a reasonable basis for our opinion.

Our audit has not given rise to any objections, except for the following reservation: Contrary to IAS 40 (9 d), a property in the development stage was reported as investment property and was measured at fair value on the basis of a residual amount calculation drawn up by an external expert. The increase in value is EUR 6.1 million.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU

and the additional requirements of German commercial law pursuant to Article 315a (1) of the HGB and supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Leipzig – April 24, 2008

dr. plöger corporate Revision GmbH
Wirtschaftsprüfungsgesellschaft



Dr. Plöger
Wirtschaftsprüfer

IMPRINT

The annual report of ALTA FIDES AG contains statements referring to the future which are based on current assumptions and evaluations. These statements should not be considered a guarantee that these events will actually materialize.

This annual report is also available in German. In case of doubt, the German annual report shall prevail.

An online version of the German and of the English annual report is available on the internet at www.altafides.de/sites/ir_finanzberichte.html

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FINANCIAL CALENDAR 2008

April 2008	Publication of fiscal year 2007 annual financial report
May 2008	Publication of Q1-Report 2008
01 August 2008	General meeting in Stuttgart
August 2008	Publication of Q2-Report 2008
from the 06th to the 08th October 2008	EXPO REAL, Munich
November 2008	Publication of Q3-Report 2008

