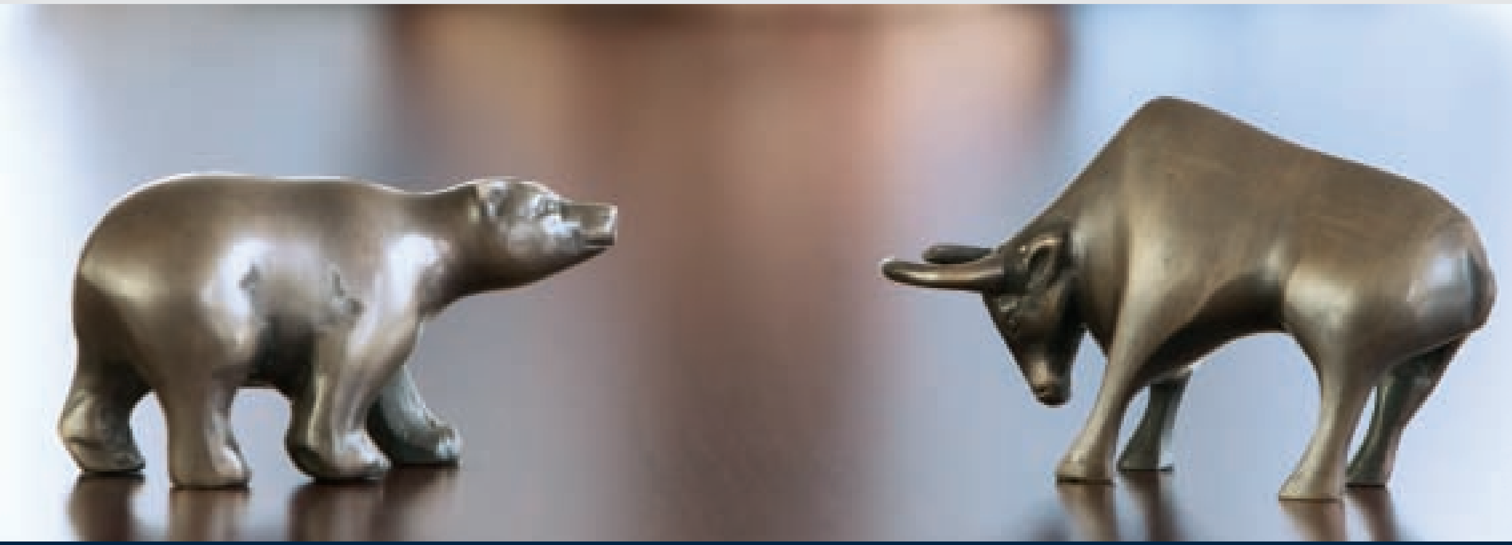
Vivacon AG
Annual Report 2007

vivacon

Group Key Financial Figures Vivacon AG

in € million	31.12.2007	31.12.2006	Development	Development in %
Transaction volume	567.7	571.5	− 3.8	− 0.7
Revenues	193.8	124.4	69.4	+ 55.8
Total output	230.4	221.0	9.4	+ 4.3
EBIT	82.1	78.5	3.7	+ 4.6
Net consolidated income for the year attributable to shareholders of the parent company (Net income)	56.2	45.9	10.3	+ 22.4
EPS – undiluted – (in EUR)	2.88	2.38	0.50	+ 21.0
EPS – diluted – (in EUR)	2.80	2.27	0.53	+ 23.3
Investments	4.1	52.1	−48.0	− 92.1
Number of employees (average)	95	61	34	+ 55.7
Subscribed capital	19.8	19.3	0.5	+ 2.6
Shareholders’ equity	238.0	183.1	54.9	+ 30.0
Balance sheet total	951.7	642.0	309.7	+ 48.2



Vivacon AG
Financial Calendar

Shareholders' Meeting	20.05.2008
Quarterly report	14.05.2008
Half-year report	14.08.2008
Nine-months report	13.11.2008

Vivacon AG
Branch offices in Germany

vivacon

- Cologne (headquarters)
- Hamburg
- Munich
- Berlin
- Frankfurt
- Hanover

vivacon

Annual Report 2007
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Letter to Shareholders

Michael Jung

CEO

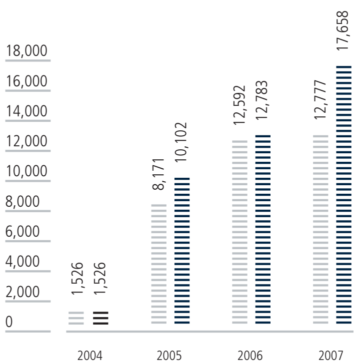
To our shareholders,

the business year 2007 was a hugely successful one for Vivacon AG. With a net income of EUR 56.2 million, the company generated the highest group profit to date in its history. Vivacon continued the trend of the previous year's success (net profit 2006 of EUR 45.9 million) and again even managed to significantly exceed it by about 23 %.

The remarkable company development in 2007 gains particularly in importance in view of a capital market which, above all, in the second half of the year was characterised by turmoil due to the American subprime crisis.

Irrespective of the effects of the crisis, Vivacon AG consistently further expanded the operative business. The company acquired 17,658 residential units, and sold 13,157 units in portfolio transactions and direct sales. In total, the transaction volume exceeded EUR 567.7 million – yet another impressive figure and key milestone for the company.

Revenue amounted to EUR 193.8 million following EUR 124.4 million in the previous year. This is an increase of approximately 56 %. EBIT also reached with EUR 82.1m a new record level. Net income increased by 22 % to EUR 56.2 million following EUR 45.9m in 2006. This development is also reflected in the earnings per share, which amounted to EUR 2.88 in 2007 in comparison to EUR 2.38 in 2006.



Sales and acquisition volume in flats

sold flats acquired flats

An investment management partner in high demand

Despite the increased transaction activities in 2007, the Vivacon activities still account for just a relatively small part of the entire German market volume. Alone in 2007, the company received offers for about 2,400 portfolios with a volume of approximately 765,000 dwelling units. Vivacon's intensive review procedure and stringent due diligence of this comprehensive offer identified 86 portfolios with some 17,700 flats for acquisition. The offered market spectrum allowed for a targeted selection of profitable portfolios, which are additionally optimised by Asset Management.

Vivacon AG's long-standing experience, proven competency, direct access to the German real-estate market, and ultimately a nationwide network are key success factors for the aspired company development.

Focus on sustainable revenues

Vivacon AG is not only a residential portfolio investor. Between the acquisition and disposal of portfolios, the company renders a variety of value-creating and value-adding services:

Acquisition ▪ Structuring ▪ Preparation ▪ Due Diligence
Financing ▪ Asset Management ▪ Disposal

The business model is geared towards the increase of sustainable earnings. This refers, above all, to long-term ground lease revenues, stable rent revenues and income from Asset Management services. Ground rents with maturities of up to 198 years and a guaranteed increase in line with inflation, guarantee results independent of cyclical developments over an extremely long period.

In 2007, the amount of annual ground rents increased significantly by about 51 % from EUR 9.4 million at the end of 2006 to EUR 14.2 million at the end of last year.

Expansion of business segments and personnel capacities

Growth and the increasing importance of recurring income from ground rents and services were crucial for the re-structuring of our existing two business segments “Institutional Investors” and “Private Investors”in the business year 2008. The Asset Management segment was due to its in the meantime considerable revenue share in 2007 defined as an independent segment and not allocated to the two existing business segments.

We have further based the strategic alignment on the segments Investment Management (previous: “Institutional Investors”) and the Development segment (previous: “Private Investors”), which bundles core skills from listed buildings, designer and luxury flats.

During the course of this realignment, the personnel structures were in particular adjusted, and the number of employees considerably increased – ultimately a key prerequisite for regional expansion. Vivacon AG employs more than 111 staff per 31.12.2007 at three locations in Cologne alone, and in the affiliated branches in Frankfurt and Berlin. The construction of the new headquarter in the representative area of Rheinauhafen in Cologne gives us the opportunity to concentrate the increase in personnel at a central location. The move to the new company head-quarter, for which Vivacon has the development responsibility, is planned for the end of 2008.

In 2007 the office in Berlin was opened, which primarily co-ordinates acquisitions in the region. In Hamburg and Munich we reinforced our decentralised sales structure by new personnel. A representative office in the financial center Frankfurt will maintain contacts with banks, investors, analysts and advisors in the Main metropolis.

Business segments 2008

1.	Investment Management
2.	Asset Management
3.	Development

Expansion of all business segments

The expansion of capacities is also clearly evident in the private investor segment. In 2007 we started 11 new development projects, more than ever before. Furthermore, we managed to further successfully establish the luxury flats of the yoo Deutschland brand, and positioned one further project Munich with the French star designer Philippe Starck. Additional, two more projects in Dusseldorf and Berlin are already ensured.

The development of the innovative product line of student flats with strong returns, which in the first quarter of 2008 was placed on the market as "MyStudio", is one aspect of interdisciplinary team structures and Vivacon's own creativity in respect of developing new and modern market segments.

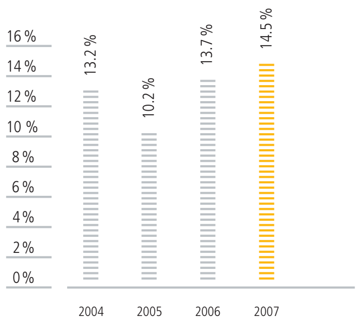
Management changes

Last year was also characterised by changes at management level. Following ten years of setting up and managing Vivacon AG at executive level, the company co-founder and CEO Marc Leffin moved to the Supervisory Board as per 1 August 2007. He will support the company in the new function of Supervisory Board Chairman, and continues to be committed to the development of the company.

Having served as the Chief Financial Officer of Vivacon AG since 2004, I was entrusted with the tasks of Chief Executive Officer in August 2007.

Oliver Priggemeyer was also newly appointed as COO to the Executive Board in mid-2007. Oliver Priggemeyer, former CEO of EPM Assetis GmbH, is responsible for Asset Management, ground lease concepts, organisation and personnel.

Frank Zweigner was appointed Deputy Member of the Executive Board with effect from 1 January 2008. As the long-standing Head of Real Estate Acquisition at Vivacon AG, Frank Zweigner played a successful and crucial role in the positive development of the transaction business. His appointment means a further reinforcement of our competency in respect of acquiring attractive real estate portfolios.



Development EBIT-Margin (in %)

EBIT in percent of transaction volume

Ideal perspectives for 2008

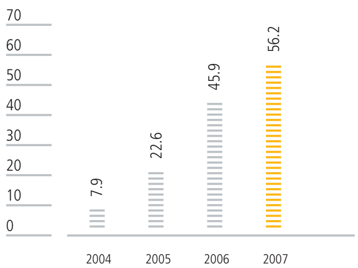
Several acquisitions in the second half of 2007 gave Vivacon AG a solid basis on which to continue the successful disposals in 2008. More than 7,100 acquired residential units are already available as transaction property at the beginning of the year. Thereof, 6,100 units were already owned stock of the Company at the end of the year and are optimized by the Asset Management. At the start of the current business year, the company therefore owns a significantly higher housing stock than in the corresponding period last year that saw volume of 2,865 units.

A transaction inventory 6,100 dwelling units at the beginning of the current year, an order volume of EUR 85.2 million alone in listed buildings, the increasing amount of annual ground rents and more than 111 highly qualified employees in all company divisions provide excellent conditions and enable the Management to confidently forecast a continuation of the successes from 2007.

Property Management as a key element of the Vivacon value creation

In January 2008, Property Management expanded our business activities by property management in the form of an 80 % participation in the Curanis Group. Curanis, one of Germany's largest independent property managers, services more than 53,000 residential and commercial units with a current market value of about EUR 4 billion. Vivacon AG's first company acquisition is a key strategic step and will also have a crucial and positive effect on the operative development in 2008.

Future comprehensive Asset and Property Management services will expand our value chain, and offer institutional investors added value and key functions from a single source, without the necessity of having an own infrastructure. This will further optimise the performance of the Vivacon portfolios in 2008. In addition there will be a growing share of recurring revenues and income from long-term Property Management contracts.



Development
Net Income (in EUR million)

Therefore, 2007 was a business year of significant further development and remarkable successes for Vivacon AG, and a year of expansion in all business segments. We are convinced that we will be able to continue on this road in 2008. We would like to thank our employees for their extraordinary commitment in 2007. We would also like to thank our shareholders and partners for their trust and constructive co-operation.

We assure you that we will pursue the ambitious goals to the best of our ability in 2008 and again repeat Vivacon AG's past successes.

Yours Michael Jung

Michael Jung
CEO

1. Investment Management

Interview
Dr. Katja Popp,
Babcock & Brown, Munich

Portfolio investments

2. Asset Management

Interview
Iris Moderow, buyer of a
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Landmark flats

Phillipe Starck designer flats

Luxury flats

Vivacon AG
Investment Management

Dr. Katja Popp

Babcock & Brown, Munich

Interview

What is your assessment of the German market for residential properties?
The market for German residential property has developed very positively since 2004. The slight downturn in mid 2007 is less the result of overvaluation than the consequence of the banking crisis. Here we expect the market to stabilise as soon as the aftermath of the sub-prime crisis has been overcome.

What makes the German market so interesting for you?
It is generally true that the German residential property market is significantly more attractive than in other Western European countries, where properties were partly overvalued. In Germany, investments tend to be of a secure and long-term nature.

What strategy are you pursuing for the acquired portfolios?
With most portfolios we pursue a medium- to long-term investment strategy. In individual cases, we also use the opportunity to conclude short-term rounding-off transactions .

Do you take any value enhancement measures?
We aim to purchase portfolios that have a certain level of vacancy. We then endeavour to reduce this level of vacancy and through refurbishment and construction measures attempt to reduce the maintenance backlog in order to realise a higher rent potential.

Why have you opted to partner with Vivacon?
Vivacon is in a position to offer portfolios off-market without costly and time-consuming bidding. In addition, Vivacon is able to bundle large numbers of smaller portfolios into lucrative large offers.

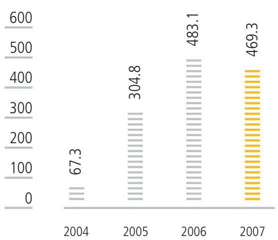
What was your perception of Vivacon during these sales procedures?
The business processes always take place in a very pleasant atmosphere. Vivacon is a reliable partner with a high degree of transaction security. It is also very positive that decisions are straightforward and are made without excessive deliberation.

Do you plan to continue working with Vivacon in future?
Yes, we are still in contact and consider further joint projects to be likely.

Vivacon AG
Investment Management

Strategic residential stock expansion

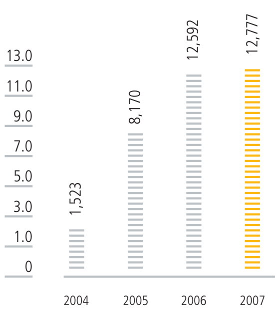
As in the past, Vivacon AG reinforced its position in 2007 as one of the most important transaction partners for German residential property. In total, the company sold 12,777 residential units with a total market volume of about EUR 469.3 million in 2007. Vivacon AG also realised the largest individual transactions in the company's history to date. As early as the middle of the year, the company succeeded in selling a residential portfolio in the region of about 5,700 residential and commercial units to an international institutional investor. The total space of this portfolio was 356,260 sqm, and generated a selling volume of EUR 220 million. The initial annual ground rent generated from this transaction is approx. EUR 0.9 million.



Transaction volume Investment Management (in EUR million)

During the course of an additional, major, transaction at the end of the business year, Vivacon AG sold a portfolio of about 3,900 residential and commercial units and rental space of 245,000 sqm to a Scandinavian investor. The volume was EUR 180 million. The transaction was also realised by way of the leasehold model, which creates an initial annual ground rent of approx. EUR 1.5 million.

The strategic acquisition policy further increased the owned housing stock to about 6,100 units at the end of the year. In 2007, the company even acquired some 7,100 units. At the beginning of the current year the company therefore managed almost half the transaction volume of 16,000 residential and commercial units planned for 2008. However, this transaction volume is a relatively small proportion of the German market, and documents huge growth potential. The annual transaction volume over the past few years in Germany alone was about EUR 140 billion. Of this overall volume, Vivacon AG has, to date, accounted for less than 0.4 %.



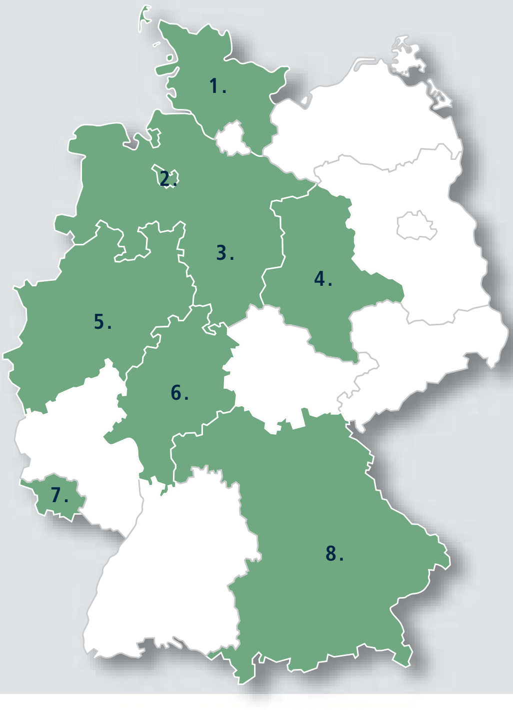
Units transacted Investment Management (in '000)

An attractive market environment for investors

The German market is still characterised by a huge number of residential properties facing strong demand by international institutional investors. Large public housing stocks, and numerous housing associations, are expected to be privatised in the medium-term.

These housings stocks are a solid investment especially for long-term investors. The relatively low price in an international comparison, and moderate interest rates, are not the only aspects in favour of such an investment. The risk of price declines seems low, and realistic rental returns are comparatively attractive. Furthermore, there is a stable and high demand for residential properties in Germany, not least with a view to providing for one's old age.

Geographical Spread
of acquired portfolios per 31. Dezember 2007



1. Schleswig-Holstein		
	Units:	269
	Sqm:	16,895
	Multiple:	11.7 x
	Price/sqm:	EUR 572
2. Bremen		
	Units:	211
	Sqm:	13,133
	Multiple:	11.2 x
	Price/sqm:	EUR 581
3. Lower-Saxony		
	Units:	2.829
	Sqm:	160,151
	Multiple:	11.1 x
	Price/sqm:	EUR 674
4. Saxony		
	Units:	298
	Sqm:	16,626
	Multiple:	10.1 x
	Price/sqm:	EUR 423
5. North Rhine-Westphalia		
	Units:	1,774
	Sqm:	117,312
	Multiple:	11.1 x
	Price/sqm:	EUR 572
6. Hesse		
	Units:	1,278
	Sqm:	94,875
	Multiple:	13.3 x
	Price/sqm:	EUR 578
7. Saarland		
	Units:	235
	Sqm:	16,136
	Multiple:	11.3 x
	Price/sqm:	EUR 701
8. Bavaria		
	Units:	261
	Sqm:	15,702
	Multiple:	12.5 x
	Price/sqm:	EUR 743

Partner and international transaction platform

From the view of an institutional investor, convincing aspects favour a co-operation with Vivacon AG. It offers its partners attractive investment opportunities in the German real-estate market. Our strategy of bundling medium- and larger-sized housing stocks into customised portfolios creates a special value add. Our offers are pinpoint geared towards demand.

Professional management of all relevant processes in the real-estate management value chain allows for optimised returns. Starting with the portfolio preparation, comprehensive due diligence and the development of financing scenarios right up to modernisation and asset and property management, Vivacon AG contributes at all times to an increase in value.

International investors have for years now appreciated our competence and reliability in all project phases. Vivacon AG has a wealth know how and long-standing experience, and therefore provides attractive long-term investment opportunities in the German real-estate market. In addition, the company has an excellent understanding of the specific sector requirements.

The leasehold concept as a distinctive feature

Our real-estate portfolios are normally sold by way of a ground lease. As the leading German supplier of this model in the private customer segment and in portfolio transactions, we succeeded in establishing in Germany the concept that is customary and recognised abroad. Institutional investors increasingly profit from the accompanying financial benefits too.

The leasehold model legally separates buildings and land. Investors merely acquire properties and the resulting rental returns, while the land remains the property of Vivacon AG. Thus, the financing volume of the investor reduces, as the land share of the real estate is excluded. The buyer pays Vivacon AG annual ground rents with a term of up to 198 years for surrendering the land. In addition, the ground rent is coupled as per agreement with the rate of inflation – secure and long-term income in favour of Vivacon AG, which increases with each leasehold transaction. At the end of 2007, the value of annual ground rent payment had already reached approximately EUR 14.2 million.


Portfolio Kaiserslautern


Visualization Grazer Damm, Berlin


Portfolio Kaiserslautern


Portfolio Kaiserslautern


Portfolio Kaiserslautern

Socially-responsible tenant privatisation

For those with low incomes, leaseholds are an excellent opportunity for acquiring residential property. The deduction of the land share and a low monthly financial charge therefore make leaseholds an interesting model for tenant privatisation.

In 2007, Vivacon AG carried out its first privatisation measure at its own responsibility. A measure which especially sparked huge public interest due to the remarkable socially-responsible conditions. Beginning of the year, 126 dwelling units were acquired by Wohnbau Salzgitter and subsequently successively sold, largely to tenants.

By providing a leasehold, we managed to considerably reduce the purchase price of the flats in the case of selling them on. The flats were made available to the tenants exclusively and considerably below usual market conditions. The overall costs for buyers for financing and ground rent were considerably below the net rent level. As expected, there was a strong demand for flats by tenants, and the entire units sold very quickly.

Following the successful implementation of this innovative, and to date unique privatisation model in Germany, Vivacon AG sold two additional portfolios totalling 1,644 flats form the Wohnbau Salzgitter stock to investors who privatise the flats for tenants in the outlined manner.

These favourable offers prompt further demand, and in addition allow for a socially-responsible increase of the ownership ratio. Vivacon AG will continue to provide innovative offers in this sector, and further develop the leasehold model possibilities.

Iris Moderow

Buyer of a leasehold flat

Interview

You are one of the first tenants of the apartment complex in Salzgitter who bought a condominium under a leasehold arrangement. What was the transaction like?

It was no problem at all. Vivacon, the new owner of the complex, had sent us an offer. Once the sales office was opened, everything moved pretty quickly. I didn't need very long to think it over at that price.

How has it been working with Vivacon AG?

Uncomplicated, and things get done quickly. They took care of the transaction process. They presented us with a detailed offer, and when I did the math, I knew it was serious. So there was no question of us not doing it.

Would you buy a leasehold flat again? How much money does it allow you to save?

I was familiar with the leasehold arrangement through friends. I think it is a good alternative, because the savings are considerable. Not having to buy the land is an advantage, which is what made the low EUR 13,200 purchase price possible. Now that we own it, we only pay the lease plus administrative expenses. This saves us about EUR 250 a month.

You bought the flat about nine months ago. Are you happy with it?

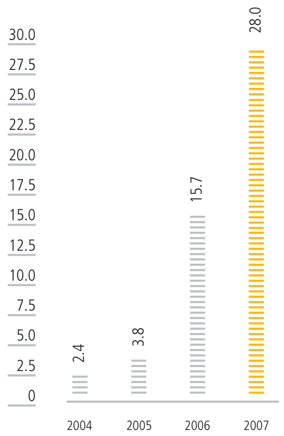
For that sum of money, how can you not be happy? We have been living in this flat for quite a long time. Once the children have left home, it might have gotten too expensive for us. So we are glad that we get to stay here as owners.

Vivacon AG
Asset Management

Increasing ground rent and optimised rental income

The at the end of 2007 newly defined business segment Asset Management comprises on the one hand the management of ongoing ground rent and the rental management of the properties we maintain. It also focuses on the classic asset management services.

Numerous portfolio transactions under ground lease terms were ultimately crucial for the sharp increase in the annual ground rent income by about 50 % to EUR 14.2 million compared with the previous year's figure at the end of the 2007 business year. Vivacon AG's larger residential portfolio was accompanied by an increase in rental income generated during the property holding period. In accordance with our transaction business, the rental income is generated on an annual basis from changing properties. However, the ongoing acquisition of new residential units for preparation, optimization and structuring secures an ongoing flow of rental income.



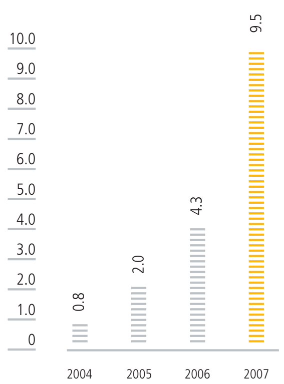
Rental income
Asset Management (in EUR million)

Long-term value added

Vivacon AG's Asset Management segment has been expanded in the last few years in a targeted manner. Today, a highly qualified team is successfully working on sustainable value added strategies, and their implementation for managed real estate properties. A wealth of experience and competence in acquiring, financing and managing comprehensive housing stocks forms a solid basis for the promising development of this segment.

However, the advantages of institutional investors co-operating with Vivacon AG start in much earlier process phases that precede Asset Management.For example, during the course of the acquisition we secure our partners an option to acquire highly attractive real-estate portfolios in a decent size. Comprehensive review and due diligence documentation support the decision-making process, and reduce the investment risk. In respect of financing, our partners also benefit from a strong network of national banks with whom we pre-negotiate financing in our customers' interests.

The management of properties by our Asset Management segment comprises setting clear goals within the meaning of value sustaining property and stable rent income development, cost efficiency and professional property management.



Ground rent income
Asset Management (in EUR million)

A success story: "Berlin Marzahn"

In November 2006, Vivacon AG took over the asset management for 1,253 dwelling units in the Berlin district Marzahn. In only one single year we managed to considerably increase the economic value of this real estate – just one example documenting our operative success: the vacant units fell 70 % from October 2006 to November 2007 from 98 to 28 units. The share of rented units therefore increased in total from 92.5 % to 97.8 %. The annual actual rent was optimised by 6 % to EUR 4.1 million, and outstanding rent receivables fell by 58 % from EUR 158,000 to EUR 66,000.

Vivacon AG
Development

Manuela Hanraths

Buyer of a yoo flat in Hamburg

Interview

What were your motives for buying a yoo flat?

The first time I heard about yoo was through a newspaper advert. When I entered the showroom in the Hamburg HafenCity, I immediately was enthusiastic for the design and the exquisite location. Right there, I made up my mind: it was going to be this place and no other.

yoo means design-oriented living. Have your expectations been fulfilled? How do you feel today in your yoo flat?

We feel very comfortable. It is even nicer than we had imagined. The residential site is well-designed right down to the last detail, the entire building forms a magnificent whole. The developers did not skimp on anything: the colours, the equipment, the technical design – everything matches and is elegant, from the wellness area to the underground car park.

How was the service quality of yoo Germany?

We were satisfied from the outset. From the acquisition until we moved in, they spared no effort to take care of us, answer all our questions, and even fulfil our special wishes immediately. A number of changes were implemented before we moved in.

Was your interior design influenced by the yoo styles, and did you get advice from yoo?

The showroom was superb; it gave me a clear understanding about design and furniture. However, we did not stick to a single design line, but rather combined the styles. The offered service for the implementation of our individual wishes was excellent.

You own several yoo flats in Hamburg and Munich. What made you invest in yoo property as a capital investment?

yoo offers exquisite brand flats. This is a future trend. yoo is simply special, and these design flats sell well overseas, too. What you purchase is a fantastic lifestyle, and I am convinced that others will like it just as much as I do.

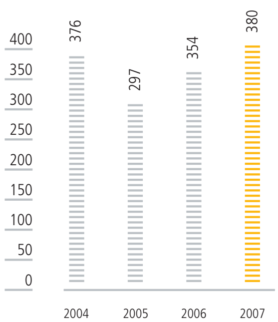

Interior opinion Dalberger Hof, Mainz


Villa St. Gertraudt, Berlin


Dalberger Hof, Mainz


Interior opinion yoo Hamburg

Vivacon AG
Development



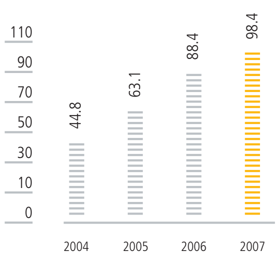
Units transacted

Development

Landmark buildings, designer and luxury flats

The Development business segment contains with the sale of comprehensive reconstructed landmark buildings to private capital investors and occupants, and the exclusive sale of designer apartments by our subsidiary yoo Deutschland GmbH. In addition, Vivacon develops and distributes luxury apartments at attractive locations. As a partner in third-party sales, we also grant local property developers the opportunity to benefit from Vivacon AG's nationwide competence in respect of developing and marketing projects.

In addition, the first development and sale of a modern, commercial property was started in 2007: the VD Office Rheinauhafen, Cologne, Vivacon AG's future representative company headquarter. The property was sold prior to the construction start to AXA Investment Managers GmbH, one of Germany's largest commercial real estate investors.



Transaction volume

Development (in EUR million)

Prime flats in a historic ambience

The landmark building segment again saw a successful development in 2007. Vivacon AG is Germany's leading supplier of individual flats in up-market modernised landmark buildings.

Thanks to the sensitive and extensive reconstruction and modern architectural concepts, the company converts valuable buildings into residential culture in landmark buildings – whether it is a grand hotel from the turn of the century, a former Berlin hospital or an old railway depot in Dusseldorf.

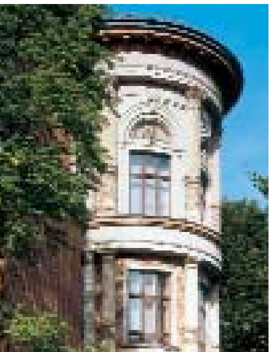
The special feature of our properties is that all flats are sold to capital investors and occupiers by way of the leasehold concept. The favourable purchase price, excellent returns and tax benefits of listed depreciation therefore make Vivacon landmark properties a worthwhile investment.

Villa Ottilie, Berlin

Villa St. Gertraudt, Berlin

Grand Hotel, Bad Nauheim

Living 106, Berlin



Villa St. Gertraudt, Berlin

Neuer Garten, Dusseldorf

Hardtberger Gärten, Königstein

Landmark property award

One of our landmark properties, Villa St. Gertraudt in Berlin, won the "Special Recognition" award in the 2007 competition "German Building Developer Award for Modernisation in 2007". Vivacon AG arranged the reconstruction of the former hospital near Potsdamer Platz in 2005, and created about 100 modern owner-occupied flats with more than 11,000 sqm of floor space in the landmark building complex.

The German Property Developer Prize, awarded by the Federal Association of Germany Housing and Real Estate Companies, the Association of German Architects and the German Association of Cities, honours, in particular, the stylish and detailed reconstruction of historical buildings in attractive living space – a huge motivation and award for our commitment.

It confirms our concept of maintaining valuable and historical landmark buildings by way of modern utilisation forms in respect of their attractiveness, and simultaneously creating unique housing comfort.

New private customer properties

The past business year also saw the start of sales involving three new listed properties. "Palais am Stadtkai" in Mülheim a. d. Ruhr comprises 42 landmark and 24 newly constructed flats, and a total sales volume of EUR 16 million. All listed units of the Müllheim property have already been sold.

Sales included "Kaisergärten" in Leipzig with 36 flats and a volume of EUR 6 million, and "Geistinger Park" in Hennef with 77 flat units and a volume of EUR 17 million.

All landmark properties are marketed under leasehold to capital investors and occupiers. As a development and distribution partner, we also took on three additional projects: the "Haus Westend" in Bad-Neuenahr has 35 condominiums and a project volume of EUR 8 million.

During the course of the third quarter, the marketing of 77 flats in "Britzer Parkvillen", Berlin, was started. The new development project "Living 106" was also placed on the market in the third quarter of 2007. Attractive new properties have already been earmarked for 2008, among others in the Berlin district Märkischen Viertel.

Reference property projects
Development

Property	Date purchased	Timeframe/ Modernisation	Status placed	Units	Volume sqm	EUR '000
Gartenstadt am Weinberg, Plauen	Jan. 97	06/97 – 12/98	100 %	288	17,400	20,900
Wuhletalterrassen, Berlin-Hellersdorf	Juli 98	01/99 – 12/99	100 %	319	20,900	15,650
Stadtwaldstudios, Berlin-Köpenick	May 99	04/00 – 12/00	100 %	176	6,960	6,750
Historische BMW-Siedlung, Eisenach	Jan. 00	08/00 – 12/01	100 %	319	21,972	29,200
Kontorhaus Remberti, Bremen	Sept. 00	09/02 – 11/04	92 %	82	9,465	13,900
Gartenstadt Kreuzkampe, Hanover, I. BA	Aug. 01	06/02 – 06/04	100 %	355	20,076	27,600
Gartenstadt Kreuzkampe, Hanover, II. BA	Aug. 01	04/03 – 10/04	98 %	386	20,126	28,480
GRAND LIVING, Bad Nauheim	Feb. 03	09/03 – 12/04	100 %	121	11,025	24,280
Hochpfortenhaus, Cologne	July 03	07/04 – 05/05	100 %	50	3,954	12,480
Belgische Häuser, Cologne	"Third-party sales"	04/04 – 03/05	100 %	56	4,200	9,500
Wohnanlage Kamen	Sept. 03	not modernised	100 %	249	11,850	8,400
Villa St. Gertraudt, Berlin	Nov. 03	10/04 – 11/05	100 %	109	9,600	20,600
Arkadien, Wesel	"Third-party sales"	01/05 – 12/05	100 %	74	5,400	9,100
Hardtberger Gärten, Königstein	Sept. 04	08/05 – 12/06	95 %	68	5,200	16,000
Villa Ottilie, Berlin	Oct. 04	04/06 – 03/07	100 %	46	4,800	12,500
Sommerhaus am Stadtpark, Fürth	Apr. 05	01/06 – 12/06	100 %	74	5,500	10,700
Neuer Garten, Dusseldorf	Oct. 05	07/06 – 12/07	100 %	200	12,700	32,800
Sportpark Appartements, Cologne	Oct. 05	not modernised	10 %	309	9,700	21,060
Dalmannkai (yoo), Hamburg	Nov. 05	01/06 – 12/07	100 %	63	7,700	39,900
yoo Munich	June 06	07/07 – 12/08	72 %	69	10,200	58,900
Wilde 13, Dusseldorf	Apr. 06	01/07 – 12/07	100 %	79	5,500	13,400
Wilde 13 Townhäuser, Dusseldorf	Apr. 06	01/07 – 12/07	41 %	22	3,600	7,100
Kloster Geistingen, Hennef	"Third-party sales"	12/06 – 12/07	100 %	57	4,400	9,400
Am Karlsbad, Berlin	Sept. 06	06/07 – 06/08	100 %	108	7,100	20,800
Palais-am-Stadtkai, Mühlheim	Jan. 07	landmark 12/07 – 12/08 new built 06/08 – 06/09	64 %	65	6,200	16,300
Kaisergärten Gohlis, Leipzig	"Third-party sales"	12/07 – 12/08	38 %	36	3,200	6,500
Geistinger Park – 1. BA, Hennef	Mar. 07	12/07 – 12/08	40 %	74	7,090	17,700
Haus Westend, Bad Neuenahr	"Third-party sales"	03/08 – 04/09	49 %	35	3,240	7,700
Britzer Parkvillen, Berlin	"Third-party sales"	03/08 – 06/09	17 %	77	6,840	17,000
Living 106, Berlin	"Third-party sales"	06/08 – 09/09	41 %	65	5,320	19,600

Vivacon AG
Development

yoo – flats with a designer image

Philippe Starck has been designing yoo flats worldwide since 1999. The French designer has already realised his innovative idea of creative and design-oriented living space in Hong Kong, Miami, Sydney, London and at other locations. Since 2003, Vivacon has been exclusively marketing the successful concept in Germany.

The sale of our yoo brand properties has been extremely successful. The notarised volume of the 50 flats was EUR 37.8 million. Die yoo Deutschland GmbH is a joint venture with yoo Ltd., the London real estate development company of designer Philippe Starck and project developer John Hitchcox. yoo Deutschland owns the exclusive license for building and marketing Philippe Starck real estate.

Philippe Starck, one of the world's most successful designers, creates an unrivalled living and residential atmosphere in the luxury flats he creates by way of various design styles. The first property jointly realised with Philippe Starck, "Dalmannkai" in the Hamburg Hafencity, sold out within a short period of time and was ready for occupancy in 2007. The second yoo Deutschland property in Munich's "Thalkirchner Strasse" is a further success. At the end of 2007, more than 70 % of the 68 luxury flats with a totel sales volume of EUR 59 million were notarised.

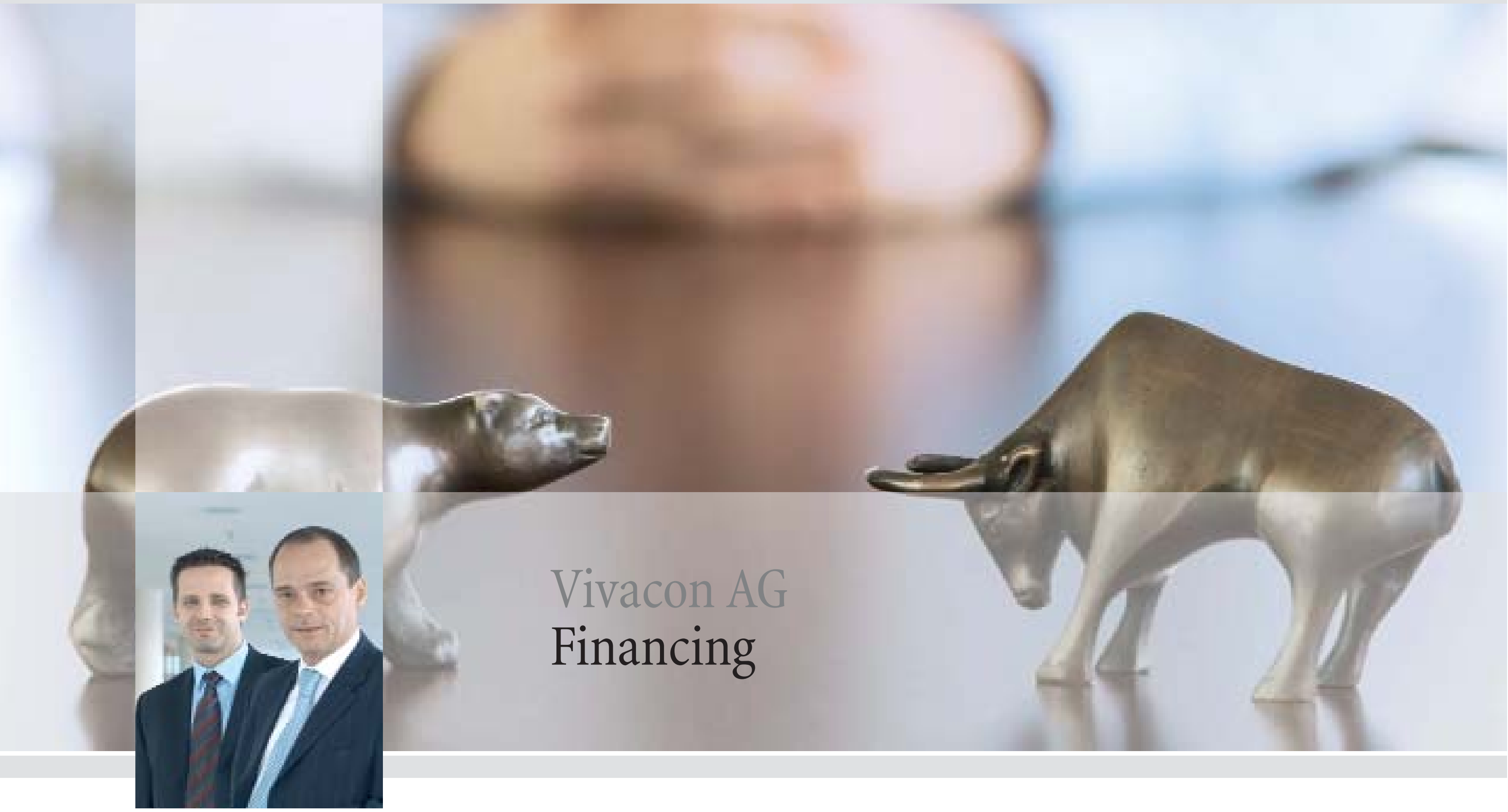
The enormous success of the co-operation with Philippe Starck is highlighted by the continuation of this unique living concept in Germany. New yoo property projects are due to start in 2008. At "Schlossuferresidenz" in Dusseldorf, 55 condominiums will be created with total value of EUR 51 million. The company will also realise a yoo property in Berlin for the first time: The residential complex "Am Zirkus", which has 120 units and a market value of EUR 75 million.

Innovative product line "Vivacon Rendite"

The new Vivacon AG "yield flats" offer the buyer a high interest rate and guaranteed long-term returns. Tailor-made luxury apartments in major German cities for clearly-defined target groups.

Vivacon AG is also creating forward-looking products in the Development segment, and attracting new target groups. Under the name "Vivacon Rendite", the company started to offer condominiums with a gross rental return of about 6 % in 2008. The offer of fully-fitted flats is geared towards students, managers and senior citizens, and is ideal for the respective target group requirements.

The first property will be realised under the name of "MyStudio" at the Bonn university location. In an existing building, 60 up-market modernised apartments will be created with floor space totalling 1,580 sqm. Comfortable jointly used areas, sauna and fitness area round off the offer in Bonn. The project volume is EUR 4.6 million.



Vivacon AG
Financing

Michael Kohl, Postbank Firmenkunden AG

Dirk Ley, Postbank Firmenkunden AG

Interview

The American sub-prime and banking crisis also let to fluctuations in the Vivacon AG share price. Were these effects on the German market justified?
Comparisons cannot be drawn between American sub-prime business and the German real estate market. Nevertheless, clan liability of sorts exists in Germany and worldwide. Bank and real estate securities have suffered from the event, even if they were not directly affected by the crisis. The decline in Vivacon's share price was characterised by this general uncertainty.

How do you expect the portfolio investments in German residential real estate to develop? How has the market changed over the last few years?
According to our estimates, we will see an increasing number of medium-sized transactions of up to a maximum of EUR 300 million. Investors are increasingly setting their sights on long-term investment strategies. Investors are ever more geared towards maintaining holdings in the medium-term, and ensuring values increase via active asset management. Thanks to the strong expansion of asset management, Vivacon is well placed, and has created a foothold with secure cash flow.

In addition to the portfolio trade, Postbank AG is a key partner for Vivacon in the construction business. How do you rate this co-operation?
Highly encouraging; Vivacon normally manages to select and market good products. Vivacon has found an attractive niche and operates at a highly professional level. This is also reflected in yoo Deutschland.

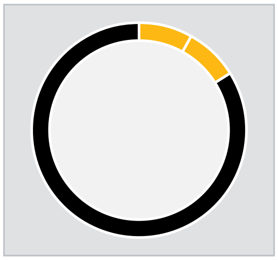
Are you referring to the success of our Philippe Starck properties?
Vivacon has created a high-quality real estate market in Germany in the form of yoo. We ultimately profit from that, too. Vivacon is increasingly succeeding in addressing attractive target groups beyond the bulk business; for example, the success of the landmark projects.

How do you rate overall the collaboration with Vivacon AG to date?
Very positively. We have come to know Vivacon AG as a reliable business partner with quick and flexible communication lines. The business processes have been well prepared and are swiftly implemented. The collaboration with management is characterised by trust and professionalism.

To our Shareholders
Investor Relations

Volatile equity markets

We are not satisfied with the development of the Vivacon share price in the second half of 2007. Vivacon AG was also confronted with the turbulences created by the American Subprime crisis. Following very satisfying share price development until the middle of the year, and growth of + 18 %, the share price fell sharply during the rest of the year. This development is in no way associated with the company's operative business. Moreover, it reflects the negative stock market influences of the American banks and real-estate crisis. Almost all national real-estate companies were adversely affected by the nervousness of the capital markets and the accompanying falls in share prices.



Marc Leffin	7.97 %
Timo Herbrand	7.62 %
Free Float	84.41 %

Vivacon focuses on the German real-estate market, and is neither active on the American real-estate nor the US financial markets. The causes and effects of the crisis cannot be directly transferred to the German market Vivacon AG's economic situation is excellent. The numerous positive developments in 2007 clearly document the company's lasting operative success.

The price turbulence of the Vivacon share is, therefore, in no way associated with the company's value and longstanding success.

Transparency through information

Volatile markets and the effects of the American subprime crisis influenced the price of the Vivacon share in 2007. However, the economic success of Vivacon AG continues unabated. Growth and success characterised the fiscal year.

In view of the nervous capital markets continuous IR activities are of great importance to us. The 2007 business year was again characterised by intensive communication with investors.

At 19 conferences in the world's key financial centres, 120 investors were informed about Vivacon AG's business model and current developments.

In addition, we conducted 6 international roadshows, numerous teleconferences and of course individual discussions.

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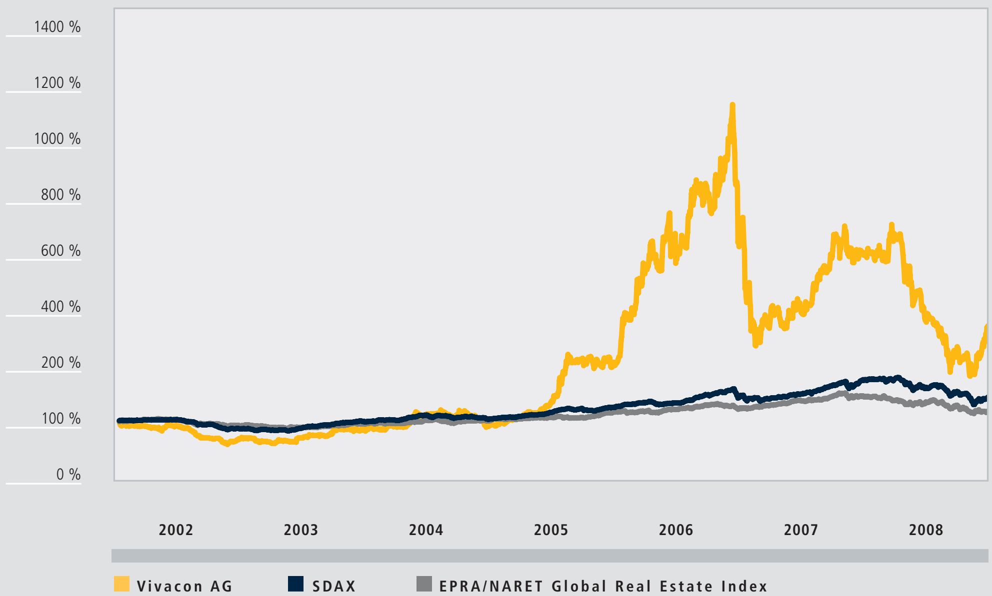
Vivacon Share Reference Data

SEC. NO. (WKN)/ISIN:	604891/DE0006048911
SYMBOL:	VIA
EXCHANGES:	Frankfurt, Stuttgart, Munich, Dusseldorf, Hamburg, Berlin
MARKET SEGMENT:	Prime Standard/Regulierter Markt
INDEX-AFFILIATION:	SDAX, FTSE EPRA/NAREIT Index
INITIAL LISTING:	21.12.2001

Vivacon AG in comparison with SDAX and EPRA in the years 2002 to date



To our Shareholders
Investor Relations

Analysts confirm great potential

Analysts see considerable upward potential for the Vivacon share of up to EUR 30, owing to the well-established business model and the long-standing operating success of the company.

Three additional research houses initiate coverage of Vivacon AG in 2007: West LB, Viscardi Securities and Merrill Lynch.

Numerous estimates by the trade press confirm the company's operative competency and future alignment. Irrespective of the share price drops last year, the majority of analysts see target prices far in excess of EUR 20, while individual estimates even predict figures above EUR 30.

Vivacon AG will continue the intensive communication with investors in 2008, and provide detailed information as usual.

With ideal prerequisites, the company is convinced of the positive developments ahead.

Amid calmer capital markets, and the forecast annual development for our company, we see excellent opportunities for an appropriate recovery of our share price.

Assurance of the legal representatives regarding the consolidated financial accounts of Vivacon AG for the 2007 financial year

"We assure to the best of our knowledge that the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group, and that a true and fair view of the business development, including the operating result and the Group's situation, is presented in the Group management report, and that the key opportunities and risks of the Group's prospective development in the remaining financial year are described."

Report of the Supervisory Board

Marc Leffin

Chairman of the Supervisory Board

SUPERVISORY BOARD

Marc Leffin, Chairman of the Supervisory Board

Prof. Dr. Horst Gräf, Vice-Chairman of the Supervisory Board

Ulrich Höller, Vice-Chairman of the Supervisory Board

Eckhard Rodemer

Erwin Walter Graebner

Dr. Carsten Vier

In the reporting year 2007, the Supervisory Board of Vivacon AG has fulfilled the duties imposed on it by the law, the company articles and its bylaws, according to the accepted recommendations of the Corporate Governance Code. It has intensively deliberated over the economic and financial situation and development of the company, advised the Executive Board and monitored management activities.

Sessions of the Supervisory Board in 2007

A total of six scheduled Supervisory Board meetings were held. Between those meetings, the Supervisory Board discussed urgent matters in telephone conferences, with necessary decisions of the Supervisory Board being made in writing between scheduled meetings by circular. In addition to Supervisory Board meetings and teleconferences, the Chairman of the Supervisory Board also maintained constant contact with the Executive Board, which provided him with ongoing information and all important events relevant to the position and development of the company and the preparation of the deliberations and decisions of the Supervisory Board; he in turn kept the members of the Supervisory Board informed thereof.

The subject of every consultation was the current business situation and prospects, the strategic alignment of the company, planning for the business year 2007, changes in personnel as well as the approval of projects. The focus of the consultations on company planning was the reinforcement of the attained market position in the area of investment management, the extension of the leading position of the development division (listed buildings and design), the extension of asset management and the establishment of the leasehold business model in the field of public bodies and industrial companies. In the process the Supervisory Board always related its deliberations and assessments to the commercial and financial situation of the company, its liquidity and liquidity planning as well as to its risk profile and risk management.

In the first and second session of the Supervisory Board in February and March 2007, the focus of discussion was the annual financial statements for 2006, as well as the concrete target planning and business strategy for the year 2007.

In the meeting in May 2007, the Supervisory Board, after evaluation the first quarter of 2007 thoroughly revised and discussed further operational planning for the ongoing business year, also with regard to the developing negative trends in the international capital markets in the wake of the subprime crisis in the USA.

In the further sessions in August, October and December 2007, the Supervisory Board gave special attention to the effects of the American mortgage crisis on the company's relations with banks, the adverse trend in the equity market and the subsequently necessary business and commercial policy decisions of Vivacon AG to assure the planned annual earnings.

The Supervisory Board adapted its internal organization to address the changed and increased demands on supervisory and advisory structures in its fourth session in August 2007. At the same time as the change in chairman, the Supervisory Board gave its leadership a wider base by electing two deputy chairmen. Marc Leffin took over as the chairman of the Supervisory Board from Prof. Horst Gräf. The deputy chairmen are Prof. Horst Gräf and Ulrich Höller. Furthermore, the Supervisory Board has established an Audit Committee in addition to the investment & acquisitions committees so that it can perform its duties more efficiently.

The deliberations of the October 2007 session were held against the background of the trends in the capital market, the review of the results, the business progress during the first half of 2007 as well as the financial planning.

In its sixth meeting of December 2007, the Supervisory Board dealt with the evaluation of trends in the first 9 months of 2007, planning for the year 2008 to 2010 and the strategic extension of asset management activities by the takeover of the Curanis Holding GmbH.

Intensive work in the committees of the Supervisory Board

Each of the committees of the Supervisory Board consist of three suitably qualified members of the Supervisory Board. Supervisory Board members have been appointed to the investment and acquisition committee with special competence in commercial decision making, in the Audit Committee members with special experience in auditing, bookkeeping and accounting. In accordance with the objective of Clause 5.2. of the German Corporate Governance Code, the Chairman of the Supervisory Board is not a member of the Audit Committee but of the investment and acquisition committee. The members of the investment and acquisition committee are Marc Leffin (chairman), Erwin Walter Graebner and Ulrich Höller. The Audit Committee consists of Prof. Horst Gräf (chairman), Eckhard Rodemer and Dr. Carsten Vier. Insofar as legally permitted, the power of decision of the Supervisory Board has been transmitted to the committees.

The investment and acquisition committee unanimously and conclusively agreed on investments and transactions with a financial value from EUR 20 million to EUR 75 million. This made timely and flexible allowance for more the expeditious decision-making processes in the company that are determined and required by the specific conditions of the real estate market.

Report of the Supervisory Board

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In the business year ending, the committee decided over 12 transactions with a total volume of EUR 162 million in the context of two teleconferences and four written circulars. The Supervisory Board was informed at regular intervals of the decisions of the Committee and their reasons at the Supervisory Board meetings and if required between meetings in writing or by telephone discussions and included the Committee's activities in its deliberations and audits.

The Audit Committee supports the Supervisory Board in the oversight of the accounts, risk management, compliance, the required independence of the auditor, the award of audit contract to the auditor, the identification of focal points for the audit and arranging the auditor's fees. The Supervisory Board has individually defined the powers and responsibilities, information and procedures of the Audit Committee in a resolution. Since its foundation in August 2007, the Audit Committee has held two scheduled sessions. It discussed the quarterly results and reports, thereby subjected to the completed and planned transactions to critical examination and assessment, been informed about the liquidity status and planning of the company, advised the Executive Board, prepared the 2007 Audit with the auditor and reported on the results of the audit to the Supervisory Board.

Cooperation with the Executive Board

The Executive Board kept the Supervisory Board informed of all important issues relating to operational business development, sales procedures, liquidity, liquidity planning as well as risks and risk management, by means of written and verbal reports in a timely and comprehensive manner. It coordinated the strategic alignment of the company with the Supervisory Board and discussed the status of the strategy implementation with the Supervisory Board at regular intervals.

Based on the cooperation with the Executive Board, which was characterised by a timely and comprehensive provision of information, the Supervisory Board monitored the business management on an ongoing basis. It has continuously monitored the development of the Corporate Governance Standards, and, together with the Executive Board, issued a declaration of compliance under § 161 AktG. This has been made permanently available to shareholders on the company website. The Supervisory Board has also reviewed the efficiency of its own advisory and supervisory activities. The work of Vivacon AG complies with the recommendations of the German Corporate Governance Code in the latest edition.

Annual and consolidated financial statements discussed in detail

The Supervisory Board was presented the auditor's report on the statutory annual financial statement and on the consolidated financial statements prepared pursuant to IFRS. In preparing the statutory annual financial statement, the Executive Board withdrew the sum of EUR 17,646,086.17 from the capital reserve, leaving EUR 17,646,086.17 in retained earnings in the 2007 statutory annual financial statement.

The net worth, financial position, and earnings as shown in the IFRS consolidated financial statements are considered more meaningful than those presented in the statutory annual financial statement. The discrepancy between shareholders' equity under commercial law and shareholders' equity pursuant to IFRS also increased further in the financial year under review particularly because of the further accumulation of leasehold properties and the market-to-market valuation of ground lease properties under IFRS which is not required pursuant to the German Commercial Code. The realisation of sales revenues for renovated properties according to IFRS also took place on December 31, 2007 according to IAS 18.

The auditor was present at the meetings of the Auditing Committee on March 10 and 17, 2008 as well as at the meeting of the Supervisory Board on March 27, 2008 and the telephone conference of the Supervisory Board on April 9, 2008 regarding the statutory annual financial statement as well as the consolidated financial statements prepared pursuant to IFRS. The auditor reported extensively on the audit itself and the key results of the audit and was available to provide additional information. The result of the audit by auditor was approved by the Supervisory Board, which raised no objections after its own verification of the annual financial statement, management report, consolidated financial statement and group management report. The Supervisory Board approved the annual financial statement on 27 March 2008 and the IFRS consolidated financial statements prepared by the Executive Board on 9 April 2008. The statutory annual financial statements are herewith formally approved. Furthermore, we agree with the recommendation by the Executive Board to carry forward an amount of EUR 7,723,068.67 to a new statement and to recommend to the General Shareholders' Meeting the payout of a dividend of EUR 0.50 per no-par share.

The Supervisory Board would like to thank the members of the Executive Board, as well as the employees for their exceptional personal commitment in an especially difficult business year and the success which thereby resulted.

Cologne, April 2008

Marc Leffin
Chairman

Annual Report 2007
Audit Opinion

Audit Opinion:

We have audited the consolidated financial statements prepared by Vivacon AG, Cologne, Germany, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] are the responsibility of the Company's management. 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 Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). 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 entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report.We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB 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 relating to future development.

Cologne, Germany, 3 April 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Lützeler	Schlöder
Wirtschaftsprüfer	**Wirtschaftsprüfer**
(German Public Auditor)	**(German Public Auditor)**

A Overall economic situation, course of business, competitive situation and company situation

a) Structure and operations of the Vivacon Group

Vivacon AG, with registered offices in Cologne, is the parent company of the Vivacon Group, which included 283 separate companies as of 31 December 2007.

The Vivacon Group's business operations are organised into the following primary areas:

- Acquisition and management of leasehold properties
- Dealing in housing portfolios
- Asset management and other real estate-related services
- Leasing properties held in the proprietary real estate portfolio
- Property development for restored listed housing and designer properties

Real estate holdings, including leasehold properties, and the property development business, are generally structured in separate legal entities.

Vivacon AG is the holding company of the Vivacon Group, and also is operationally active in and in charge of leasehold property management, portfolio trading and structuring of the property development businesses.

b) Overall economic situation in Germany

Growth of the German economy in 2007 of 2.5 % exceeded the projections issued at the beginning of the year by the German government and reputable economic research institutes. Economic growth was slightly lower than the 2.8 % posted last year. Inflation-adjusted GDP growth was fuelled by exports and increased domestic demand for capital goods in 2007. Domestic private consumption declined, unlike the last year, resuming the multi-year trend of weak domestic consumer demand. Last-minute buying in the run-up to the sales tax hike effective 1 January 2007 was the primary reason for the 0.3 % year-on-year decline.

Foreign trade remained vibrant, with exports higher than in 2006. The German export industry increased its general competitive lead, despite the strengthening of the euro, particularly in relation to the US dollar. Exports increased 8.3 % in 2007, less than the 12.5 % increase seen in 2006. The dependency of the German economy on exports, and hence on the world economy, thus remains unchanged.

Unemployment fell in 2007. The number of employed rose in 2007 by 649,000 according to initial data (1.7 %) to an average 39.7 million for the year, coming after a 0.6 % increase in 2006. The continued strength of the economy was key in boosting employment levels in 2007. Mild weather in early 2007 and seasonal worker unemployment benefits introduced in late 2006 also played a role. In 2008 Germany will see continued job growth and labour market reforms despite the rollback of certain reforms. The average unemployment rate in 2007 was 10.8 % compared with 11.7% in the year before, calculated by the Federal Labour Office.

The disposable income of private households increased in 2006 by 2.7 %, following an increase of 1.7 % in 2005. Private household spending increased 2.3 % in 2007, coming after a 2.0 % rise in 2006. The savings rate rose to 10.9 % in 2007 versus 10.6 % for 2006.

The federal budget deficit decreased again in 2007, due in particular to the value-added tax hike. The consolidation of public finances is to be pursued in 2008 with the aim of further reducing the public sector deficit.

The continued recovery of the German economy forecast at the start of the year actually took place in 2007. In spite of last year's drastic increase in energy prices, accompanied by restrictive monetary policies in some countries, the world economy remained dynamic. The international financial markets crisis triggered by the troubled US real estate market had no significant impact on real economic growth in 2007.

Estimates by international organisations are currently projecting that the global economy will continue to grow at a robust 3.4 % in 2008. The decline of 0.3 % versus 2007 primarily reflects faltering financial market confidence in the wake of major write-downs by big banks on subprime mortgages, depressing the US economy. It is feared that the subprime mortgage crisis could have a broader impact on the overall US economy. The prospect of a US recession is accompanied by a sustained slide in the US dollar versus all major currencies.

In view of the economic situation, the Federal Ministry of Economics and Technology is thus forecasting German GDP growth of approx. 2.0 % for 2008. The German government is assuming a further reduction of unemployment by about 300,000.

The positive outlook for the general economic trend in 2008 is, of course — as with any forecast — subject to uncertainties and risks. The current international financial crisis poses substantial risks for the economy. A recession in the USA brought on by falling consumer spending could weaken global economic momentum. Due to its strong dependence on the world economic situation, a development of this kind would probably affect the German economy particularly severely.

The global imbalances which have existed over an extended period, especially in the budget and trade balance deficits of the USA, will not, in the view of international organisations, be significantly reduced. If financial markets should begin to view this situation as untenable and the Federal Reserve Bank cuts rates further, weakening the US dollar versus other major currencies, this would create potential for a massive shift of capital involving dramatic moves in exchange and interest rates. Along with the correction of possible speculative exuberance in the real estate sector in some countries, this could lead to considerable impediments to the dynamics of the world economy.

c) Situation in the industry

The strength of the purchase and sale markets for the Vivacon AG property development business is measured primarily in terms of the level of construction spending and the number of housing completions.

Construction spending rose 4.0 % in 2007 according to initial estimates by the German Construction Industry Association, following a 3.0 % rise in 2006. This was the second year which deviated from the negative long-term trend for the construction industry in Germany. For 2008, a 3.0 % increase in nominal building revenue is deemed reasonable given a 2.0 % to 2.5 % increase in construction prices. Commercial and public sector construction remain the primary drivers. Housing construction has stabilised at a low level. This market segment continues to stagnate as an after-effect of the mini-boom in 2006, predicated on the elimination of the homebuyer's subsidy and advance buying in the run-up to the sales tax increase effective 1 January 2007. The German Construction Industry Association foresees another growth phase starting in 2008 however, while commercial construction, the previous growth driver, will largely be running out of growth momentum by 2009.

The number of housing completions for 2007 was largely unchanged year-on-year according to initial estimates of about 250,000 units. Due to an increasing number of households in Germany and increasing dwelling area per person, the current level of housing construction will be inadequate to meet housing demand in the long term. Housing prices and rents are thus projected to rise, particularly in major population centres.

The tax law framework affecting the listed building renovations segment in 2008 has been clarified by the July 2007 application bulletin regarding § 15b EstG (Income Tax Act). This bulletin confirmed tax deferrals eligible to buyers of protected historic housing units. Vivacon AG is expecting clear positive effects from this change to the law in the "Individual marketing of housing property" business area. Due to the expected extensive abolition of possibilities for offset of losses in the initial phase of investments, particularly for closed, tax-deductible fund structures, the attractiveness of investments in listed buildings in comparison with alternative investments should increase. Vivacon AG thus continues to see itself as well-positioned in this market segment with its offerings of listed historical properties for private investors. Vivacon AG is responding to any possible future reduction or even abolition of the fiscal support for investment in listed buildings with the already initiated and increasing diversification of the company's fields of business. However, we believe such reduction or elimination is unlikely over the medium-term.

According to an initial estimate, the volume of transactions in housing properties in Germany (single-family dwellings, duplexes, condominiums and housing-zoned land) increased by EUR 2.5 billion to EUR 94.6 billion. Larger transactions have become less frequent however since the summer of 2007 (volume > EUR 500 million). Vivacon AG's relevant market (transaction size EUR 100 to EUR 250 million) still appears to be relatively strong based on sale of a large real estate portfolio in the fourth quarter of 2007. Demand remains strong in the German housing property, given the continuing recovery of the German economy and limited new housing starts with rising rents and prices.

The housing markets in Germany are characterised by increasing regionalisation. Housing shortages in various affluent conurbations contrast with high rates of vacancy in a few structurally weak regions. The market for office space is exhibiting signs of recovery. In this case, a reluctance to initiate commercial real estate projects in previous years has led to an increase in the level of rents in numerous regional markets.

Classic bank financing is experiencing a renaissance, due to the noticeable current problems with securitisation. A number of foreign banks have partially withdrawn from the German market, while others have limited their activity. Securitisation of rental income was a popular tool over the last few years for financing the acquisition cost of real estate portfolios. Vivacon has built up an extensive network of financing partners over the years, freeing us from dependence on the securitisation market or individual banks. Vivacon AG itself has placed some EUR 180 million in securitised leasehold income since 2006 for long-term financing. The Vivacon AG Executive Board expects the securitisation market to revive in the months ahead. Until such time, Vivacon will continue to utilise existing bridge financing for leasehold properties.

d) Competitive situation and opportunities for future development

Since 1997, Vivacon AG has continuously been the leader in the German market for leasehold apartments. Ten years ago, the sale of lease-hold apartments was still a niche product in the German housing market, which required a high degree of explanation for market participants. Our IPO in 2001, extensive PR and increasing transaction volume have brought increasing visibility to our business model and attractive buying opportunities. To Vivacon AG's knowledge, no competitor presently exists which exclusively carries out transactions using leaseholds.

An enormous potential for the further expansion of leasehold in the German market continues to exist. Vivacon AG, with its many years' experience in dealing with leaseholds, stands to gain from such a development.

Due to the present highly dynamic situation on the German property market, the company continued to concentrate on the sale of property portfolios to institutional investors in 2005, complemented by an extensive range of services. Foreign institutional investors in particular continue to invest in German housing property. One main reason for this is that German real estate remains relatively cheap. Cost of financing is only moderate seen long-term, despite the rise in interest rates in 2007. For 2008 Vivacon AG thus predicts demand to remain strong for housing portfolios, especially in the market relevant for Vivacon, i.e. transactions up to EUR 150 million.

In 2005, Vivacon AG began to market yoo properties (Philippe Starck) via its subsidiary yoo Deutschland GmbH. Leasehold does not play a role in this case. In this business segment we are addressing buyers interested in exclusive, premium-priced flats for personal or investment purposes in select locations within Germany's metropolitan centres. Vivacon AG has noted a significant increase in demand in this niche market. Due to the exclusiveness of the properties and the resulting low numbers of such properties, as well the regionalisation of the German housing market, competition with other providers in this business segment has remained moderate.

B Course of business in 2007

a) Profitability

Business in fiscal year 2007 maintained the strong showing in fiscal year 2006. The key performance indicators outlined below show the company meeting or beating the previous year's mark.

Profitability

	2007 '000	%	2006 '000	%	Change '000
Revenue	193,761	84.1	124,377	56.3	69,384
Change in holdings	– 39,216	– 17.0	35,013	15.8	– 74,229
Income from properties held as financial investments carried at fair value	70,880	30.7	58,579	26.5	12,301
Other operating income	4,972	2.2	3,046	1.4	1,926
Total operating performance	**230,397**	**100.0**	**221,015**	**100.0**	**9,382**
Purchased services	– 103,774	– 45.0	– 112,491	– 50.9	8,717
Gross profit/operating income	**126,623**	**55.0**	**108,524**	**49.1**	**18,099**
Personnel expenses	– 16,213	– 7.0	– 13,395	– 6.1	– 2,818
Depreciation	– 359	– 0.2	– 274	– 0.1	– 85
Operating expenses	– 23,078	– 10.0	– 11,223	– 5.1	– 11,855
Selling expenses	– 4,829	– 2.1	– 5,267	– 2.4	438
	– 44,479	**– 19.3**	**– 30,159**	**– 13.6**	**– 14,320**
Net operating income	**82,144**	**35.7**	**78,365**	**35.5**	**3,779**
Income from investments	4,780	2.1	3,759	1.7	1,021
Net interest result	– 15,274	– 6.4	– 14,487	– 6.6	– 787
Operating result	**71,650**	**31.3**	**67,637**	**30.6**	**4,013**
Net income from prior periods	0		116		–116
Earnings before income taxes	**71,650**		**67,753**		**3,897**
Taxes on income	– 15,098		– 21,878		6,780
Net profit	**56,552**		**45,875**		**10,677**

The key performance indicator for the company is transaction volume (notarised sales prices). The revenue reported in the Annual Financial Statements for the Institutional Investors segment cannot be directly deduced from the sales volume posted in the reporting year, due to the respective structuring alternatives. As a rule, transactions are structured in the context of a sale of company shares. The growth of the company's transaction volume (including the sale of a portfolio to the joint venture operated with Forum) is summarised below:

	2007 in million €	2006 in million €	Change in %
Private Investors	98.4	88.4	11.3
Transaction business	469.3	483.1	– 2.9
Transaction volume	**567.7**	**571.5**	**– 0.7**

Group transaction volume nearly reached last year's level. The total came to EUR 567.7 million, down slightly from EUR 571.5 million.

Portfolio trading is the main driver of Group transaction volume. This segment saw a slight decline, down 2.9 % to EUR 469.3 million. This was mainly due to real estate portfolios being held to be optimised and which are currently being prepared for sale. The company observed continued strong interest on the part of foreign investors throughout the past fiscal year. The last transaction with a volume of more than EUR 180 million was legally finalised in November 2007 and executed on 31 December 2007.

In March and June 2007 another two portfolios of properties in eastern and northern Germany valued at EUR 45 million were sold to the joint venture with Forum S.A.R.L. This real estate portfolio is owned indirectly by WIAG Wohnimmobilien AG. Vivacon AG controls a 30 % stake in this company.

In June 2007 a real estate portfolio in northern Germany and Western Ruhr Valley valued at EUR 220 million, not including leasehold income rights, representing approximately 356,000 sqm was sold to an institutional investor. This was the largest single transaction in the company's history.

In Q4 the company also finalised the sale of 1,644 public housing units in Salzgitter to a group of investors. These transactions represent the transfer to partners of the tenant privatisation model successfully launched by Vivacon AG in the first half of the year based on the advantageous leasehold concept.

A portfolio of properties located primarily in North Rhine-Westphalia, Lower Saxony, Berlin and Munich involving approximately 245,000 sqm valued at EUR 180 million was sold to an institutional investor in a transaction executed on 31 December 2007.

Overall, the company has sold some 12,777 apartments to institutional investors in the fiscal year 2007 alone (previous year: 12,592). Real estate sales to institutional investors were the primary source of Group earnings in fiscal year 2007.

In the business segment "Private Investors" the success in placing portfolios in the projects Stadtbad Mülheim and yoo Munich as well as the sale of the project Rheinauhafen to the declared increase in the volume of transactions. In the reporting year, the sales of 380 appartments to private investors have been notarised (previous year: 354 units).

The Vivacon AG business model is unique in that part of our operating margin derives from leasehold properties. In this manner the Vivacon Group makes financing easier for the buyer. Because Vivacon AG is in a position to securitise the leasehold cash flows on the capital market, the company is usually able to immediately refinance the equivalent of the mortgage value of the appropriated properties. In 2006, two tranches of leasehold payments were securitised on the capital market for the first time. The Group is planning further securitised leasehold income placements for future financing purposes in fiscal year 2008, until which time existing bridge financing is being utilised.

Sales to institutional investors, as well as purchase of additional leasehold property portfolios, allowed us to substantially increase our holdings of leasehold properties overall in 2008 within a short period of time, and to have the possibility of utilising these leasehold properties in line with the Vivacon AG business model.

Revenue rose from EUR 124.4 million last year to EUR 193.8 million for 2007. Increases were seen across all business segments. In fiscal year 2007 the Vivacon Group generated EUR 37.5 million in revenue from real estate portfolio holdings and leasehold income, versus EUR 20.0 million in the year prior.

Institutional Investor revenue rose by EUR 28.8 million to EUR 89.2 million. Most sales to Institutional Investors were structured as share deals. As a result, only a small fraction of the entire transaction volume from Institutional Investors of EUR 469.3 million is reported as sales revenue in the IFRS consolidated financial statements. EBIT for the Institutional Investor segment came to EUR 77.5 million in 2007 versus EUR 68.3 million for the previous year.

Net profit from valuation of properties held as financial investments results exclusively from market valuation of leasehold properties. Properties held for sale are carried at cost rather than a potentially higher sale price. The key valuation parameters for leasehold properties, including in particular the financial market-based discount factor, have not changed since last year, as the real interest rate relevant for measuring inflation-indexed leasehold cash flows is nearly unchanged year-on-year due to the rise in inflation. In the context of increasing inflation and the associated increase in attractiveness of inflation-index investment products, the Group has overall however reduced the discount rate by 10 base points. Net gain from revaluation of leasehold properties concerns almost exclusively leasehold properties.

Personnel expenses rose during the year under review. Personnel expenses rose from EUR 13.4 million to EUR 16.2 million due both to significant hiring and an increase in performance-linked compensation. Personnel expenses include EUR 2.3 million in connection with the employee stock options plan (previous year EUR 2.0 million).

The major rise in other operating expenses from EUR 11.2 million to EUR 23.1 million was due primarily to one-time effects concerning market value changes in inflation-linked swap contracts. These were responsible for EUR 7.2 million in other operating expenses during the year under review.

The negative financial result (excluding income from investments) increased by EUR 0.8 million to EUR 15.3 million during the year under review. Interest rate hedging transactions generated income of EUR 6.6 million during the year under review.

Net profit for the year rose from EUR 45.9 million to EUR 56.6 million.

In the reporting year 2007, all quarters were ended with positive results. The formerly apparent dependency on the fourth quarter was not repeated in 2007. In this regard the establishment of structures which enable a larger number of transactions to be conducted in portfolio deals has had a positive effect. As in the year prior, larger individual transactions were executed at the end of H1.

Basic earnings per share per IAS 33 rose to EUR 2.88 in 2007 coming after EUR 2.38 in 2008. The average number of shares outstanding during the fiscal year was 19,533,095 (previous year: 19,262,801). Vivacon AG's strategy continues to be based on the sale of portfolios to institutional investors directly and marketing them in cooperation with investment banks. In the private customer area, Vivacon's strategy remains that of selling properties only through selected partners, rather than maintaining its own sales organisation.

In the future, package sales to institutional investors will continue to account for a considerable proportion of Vivacon AG's added value.

b) Assets

The table below provides an overview of key balance sheet items with a year-on-year comparison.

	31.12.2007		31.12.2006		Change
	’000	%	’000	%	’000
Non-current assets					
Intangible assets	204	0.0	159	0.0	45
Tangible assets	349,195	36.7	227,958	35.5	121,237
Investments	9,121	1.0	4,948	0.8	4,173
Other financial assets	24,600	2.6	21,679	3.4	2,921
	383,121	**40.3**	**254,744**	**39.7**	**128,377**
Current assets					
Inventories	333,386	35.0	178,812	27.9	154,574
Other current assets	97,656	10.2	53,847	8.3	43,809
Cash and cash equivalents	137,577	14.5	154,553	24.1	– 16,976
	568,619	**59.7**	**387,212**	**60.3**	**181,407**
	951,740	**100.0**	**641,956**	**100.0**	**309,784**
Equity	**238,045**	**25.0**	**183,058**	**28.5**	**54,987**
Non-current borrowing					
Deferred taxes	51,713	5.4	39,513	6.1	12,200
Non-current assignable loans	173,833	18.3	173,897	27.1	– 64
Other non-current financial liabilities	115,078	12.1	535	0.1	114,543
	340,624	**35.8**	**213,945**	**33.3**	**126,679**
Current borrowing					
Provisions	12,631	1.3	6,774	1.1	5,857
Actual tax liabilities	975	0.0	2,306	0.4	– 1,331
Current bank loans	300,308	31.6	199,283	31.0	101,025
Other current financial liabilities	59,157	6.2	36,590	5.7	22,567
	373,071	**39.2**	**244,953**	**38.2**	**128,118**
	951,740	**100.0**	**641,956**	**100.0**	**309,784**

Total assets have considerably increased compared with the previous year. The growth in non-current assets was essentially the result of leasehold properties which were acquired in 2007, and which have remained in the long-term ownership of the company. The increase in working capital was primarily due to the increase of properties slated for sale.

The Group's holdings of leasehold properties are carried at a current fair value of EUR 348.0 million. This measurement is based on leasehold income of EUR 14.2 million.

The table below provides a three-year view of the change in leasehold property holdings:

in million €	**2007**	**2006**	**2005**
Leasehold cash flows as of fiscal yearend	14.2	9.5	4.0
Leasehold revenue for the year	9.5	4.3	2.0
Fair value of leasehold cash flows at fiscal yearend	348.0	227.1	93.0

The rise in current assets from EUR 387.2 million on 31 December 2006 to EUR 568.6 million at the end of fiscal year 2007 was due to an increase in holdings of properties to be sold within the first half of fiscal year 2008. There was only a small increase in properties held for sale and property-equivalent rights in the Private Investor business segment.

The EUR 43.9 million year-on-year increase in receivables and other assets to EU 97.7 million closed due to sale of several properties in the Private Investor business segment in the fourth quarter and the positive market valuations of interest hedging agreements.

On the liabilities side, non-current debt increased this past year due to financing obtained in connection with a real estate portfolio held for sale. Deferred tax liabilities also increased, basically as a result of the different evaluations of the leasehold properties in the tax statement compared with the valuation under IAS 40. Deferred taxes arising from valuation differences between tax and IFRS financial accounting offset deferred taxes written back due to the lower tax rate applicable pursuant to 2007 corporate tax reforms.

The current liabilities with respect to credit institutes primarily relate to the financing of projects in the listed building and design segment, as well as in the business segment "Institutional Investors". The acquired property packages and projects are carried under assets as properties held for sale.

c) Financial situation

During the reporting period, the company increased the capital stock under the share option programme by TEUR 498. This generated cash inflows of TEUR 3,996. In May 2007 a dividend of EUR 0.40/share was distributed. A total EUR 7.8 million in dividends was distributed.

Project-financing banks were continued to be enlisted to assist in project financing. Interest compensation arrangements have been made with the respective banks between the accounts for receiving payments from customer purchases and the accounts for financing purchases and modernisation.

In 2006, companies included in the consolidated accounts of Vivacon AG have securitised ground lease cash-flows from two portfolios on the capital market. The securities offerings amounted to EUR 62.0 million and EUR 117.5 million respectively. In 2007 the Group signed a bridge financing deal paving the way for another securitisation. As of 31 December 2007, the amount of bridge financing was drawn was EUR 35.7 million.

As of the reporting date, the Group held EUR 137,6 million in cash and cash equivalents, EUR 98.6 million of which is not freely disposable. Liquidity management is conducted to ensure solvency at all times. Individual Group companies regularly transfer surplus liquidity to Vivacon AG, which manages cash to optimise interest income while maintaining maximum flexibility.

C Purchases and ongoing projects

In 2007, the company also acquired a number of major residential property portfolios. The company has long-term experience in this area and operates an efficient national network. The company is therefore able to acquire property portfolios significantly more quickly and at a lower price than comparatively new market entrants or foreign bond investors. In the second half of 2005, Vivacon AG further expanded its established acquisition team, which is specialised in the acquisition of large housing portfolios. The company will continue to markedly expand the purchasing team, especially with the goal of exploiting existing opportunities for the acquisition of leasehold portfolios.

Vivacon AG acquired leasehold property portfolios at a cost of EUR 3.3 million this past fiscal year (previous year: EUR 47.4 million).

The following properties were purchased in the previous business year for the segment "Private Investors".

Hamburg Harvestehude:

In the fourth quarter of 2008 a housing property was acquired in Hamburg in the immediate vicinity of the city's Außenalster lake. A company was purchased in this deal involving another property located "am Alsterkamp". About 70 housing units are planned, with an approximate total of 8,000 sqm floor space. Some existing buildings are to be demolished and replaced. The property will be positioned in the premium-priced, luxury segment. The location, a wellness area and adequate underground parking will be part of its cachet. Sales are slated to kick off in mid-2008. Total sale volume will be some EUR 55 million.

yoo Berlin:

In December 2007, another Philippe Starck project was initiated. Located at the downtown address Am Zirkus 1, right next to the Berlin Ensemble, some 94 housing units are being built with a total of 13,200 sqm dwelling area, as part of a Deutschen Immobilien AG development project. Construction start is slated for mid-2008 with completion in mid-2010.

yoo Dusseldorf:

In December 2007 the purchase of an existing building in Dusseldorf was finalised. Roughly 50 housing units are to be built at the Schlossuferpromenade in the historic city centre right on the Rhine with some 8,000 sqm total dwelling area.

Berlin Luisenstadt:

Purchase of a 12,000 sqm property including historic buildings was finalised in December 2007. The campus in Luisenstadt will involve the renovation of some 375 housing units totalling some 26,000 sqm.

Development business:

Vivacon AG largely concluded upgrading of the properties Wilde 13 and Neuer Garten in Dusseldorf in 2007. These projects were mostly completed in December 2007.

The Group also completed the development of the property yoo Hamburg. Upgrading being conducted for the properties yoo Munich, Am Karlsbad in Berlin, Geistinger Park in Hennef and in Mülheim is proceeding essentially on track. Sale of these properties is slated for fiscal year 2008.

Construction on the Rheinauhafen commercial project is also proceeding on track. Acceptance of the completed project is slated for autumn. The property, featuring the future corporate headquarters of Vivacon AG, had been sold to a real estate investor prior to construction start.

D Human resources and social responsibilities

Remuneration policy stipulated by the Supervisory Board which affects members of the Executive Board puts the focus on long-term incentives, in addition to reasonable fixed remuneration. The remuneration for members of the Executive Board of Vivacon AG is determined by the size of the company as well as its economic and financial situation. In addition, the tasks and the contribution of each member of the Executive Board are appreciated. Remuneration for the Executive Board is principally based on performance. In the 2006 fiscal year, total remuneration was comprised of three components: (i) a fixed remuneration (ii) a variable remuneration, which is measured according to a proportion of recorded consolidated income after taxes and (iii) share-based remuneration. The assessment basis of variable remuneration components is reviewed at regular intervals based on an analysis of remuneration structure. In the 2007 financial year, the Supervisory Board decided to introduce a sliding scale structure for variable remuneration dependent on the absolute amount of recorded consolidated income after taxes. The third Executive Board pay component is share-based, determined by the Supervisory Board.

See Notes for individual Executive Board member remuneration. Determination of the share-based remuneration is also itemised in the explanatory notes. Executive Board member employment contracts are for the industry-standard three-year period and feature the customary termination clauses.

The payment policy for technical and management staff largely mirrors the payment policy for the Executive Board of Viavacon AG, whereby the variable payment components are defined individually and under the respective item.

In the reporting year the share option programme 2007 was again passed by the General Assembly on 22 May 2007. Members of the Executive Board of Vivacon AG as well as other technical and management staff of Vivacon AG as well as of the Group.

Supervisory Board remuneration consists exclusively of fixed components. The respective remuneration amounts are based on the responsibilities held by individual Supervisory Board members.

The number of Group employees increased over the course of the year from 71 to 111 as of 31 December 2007.

For fiscal year 2008 additional hiring is planned for staff managerial positions, on a selective basis, in view of the business outlook.

E Performance of Vivacon stock

International capital markets maintained their positive momentum throughout the first half of 2007. The impact of the US subprime mortgage crisis was increasingly felt in the second half of the year however. Despite market volatility, the DAX finished out 2007 up 22.3 % at 8,067. The MDax finished up a modest 4.9 % at 9,865. The SDAX lost 6.7 % to close out the year at 5,192. Small and mid-cap equities thus underperformed blue chips in 2007, a reversal of the situation seen the year prior. The excellent performance of the MDAX and SDAX confirm the sustained keen interest of investors in small and mid caps.

In the previous stock exchange year, Vivacon AG stock was able to initially continue the positive trend of previous years. Our shares climbed from EUR 24.45 on 31 December 2006 to a high for the year of EUR 31.15 on 22 June 2007. The negative impact of the US subprime mortgage crisis on international financial markets significantly affected Vivacon AG share performance, the shares trading down to a low of EUR 10.81 on 21 November 2007. This movement is unrelated to our business results, reflecting instead stock market fears concerning the banking and real estate situation in the US. Nearly all national publicly traded real estate companies were indiscriminately punished by the markets.

The continued expansion of analyst coverage and the large number of road shows for investors in Germany and abroad, as well as the consistency of the information policy have all help to assure a continuous flow of information from the company to the capital markets into 2007.

Vivacon AG's market capitalisation was roughly EUR 257 million at the end of 2007, based on 19,846,035 shares outstanding, at the year-end closing price of EUR 12.95 as opposed to EUR 607 million when the shares peaked in 2007. Business remains strong, we continue to expand into new segments such as the purchase of leasehold property portfolios, and we have successfully transacted several larger package sales; thus we are convinced that the company still has a great deal of growth potential ahead.

F Risk reporting

The risk management policy of the Vivacon group is characterised by a desire for sustainable growth and a sustainable increase in company value. Before new business transactions are concluded, the opportnuities and risk are carefully weigh up, whereby disproprtionate risks are to be avoided. Risk management is an integral factor in the planning and execution of the company's business strategies with the risk management policy being determined by members of the board. At regular intervals, the appropriateness and efficiency of the group's risk management and the associated control systems are monitored at board level and correspondingly modified. Reflecting the dynamic development of the company, risk management was further refined in the business year 2006 and adapted to the new management and company structures.

Vivacon AG started the systematic implementation of a risk management system in the business year 2000. The risk-management process first classifies identified risks as external and internal risks. External risks arise from markets where the company operates or from the legal and societal environment. These include in particular the market for housing properties, on both the buy and sell side, and the bond market.

We utilise a number of interlocking risk management and control systems for the early identification of circumstances that may potentially jeopardise the future of our company as a going concern.

In the property development business, risk management includes regular and structured risk reporting to the Executive Board.

In portfolio trading, primary risks associated with portfolio financing are subject to reporting to the Executive and Supervisory Boards on an individual transaction level above a certain amount. After purchase, primary risks associated with individual portfolios, including resale risk, are documented in weekly meetings, and management processes accordingly initiated.

The Executive Board is convinced that the measures it has taken sufficiently control and cover the company's business risks. It continually develops the existing risk-management system to continually enhance the value-focused risk culture of the company upon which all its business activities are based at all levels of the company, and to adapt this culture to the constantly changing business environment.

The following critical risks exert a direct influence on the company's net worth, financial position and earnings to an exceptional degree:

Project selection risk

Under its business model, Vivacon AG concentrates an the sale of residential property both in its dealings with private and institutional customers, as well as in the design and marketing of designer apartments.

The initial prerequisite for the successful implementation of the Vivacon AG business model is thus the availability of suitable properties for the company to acquire, redesign, modernise and sell. When deciding whether to acquire such properties, the decisive factors are the location of the respective property, the state of the building and its scope for development, as these determine the prospects for resale.

Vivacon AG is in competition with numerous real estate companies that are also involved in the acquisition, modernisation and sale of residential property. Many companies active in this market are significantly better capitalised than Vivacon AG. It cannot be ruled out that state or corporate property owners, including major housing providers, may form their own companies or try to sell their apartment holdings themselves, substantially reducing the number of available housing properties suitable for purchase. If Vivacon AG is not able to acquire suitable residential properties on attractive terms, this could have a considerable adverse impact on the company’s business activities as well as on its net worth, financial position and earnings.

Development of valuation of leasehold properties

The value of leasehold properties depends largely on future lease income and the attractiveness thereof, relative to alternative investment opportunities. If there is a significant and sustained increase in interest rates and the inflation-protected leasehold payment does not increase, as for example the interest rates may rise even if there is no inflation, this could result in depreciation in value of leasehold properties.

Dependency on external partners

Vivacon AG does not maintain its own sales organisation, but instead makes use of external sales partners – essentially in the business area "Private customers". The company is therefore dependent an the personal and commercial performance of its sales partners. What is more, the company is dependent an the acceptance by its sales partners of the applied leasehold model and that they correspondingly follow it in their sales activities. It is also of decisive importance for the commercial success of Vivacon AG that it assures the continued loyalty of the existing sales partners, gains new sales partners and expands the existing sales network. If the company does not succeed in assuring the loyalty of existing sales partners and in gaining new sales partners, this could have a negative impact an Vivacon AG’s business activities, as well as an the Status of its net worth, financial position and earnings.

In its business area "Designer apartments", Vivacon AG is dependent on cooperation with the designer Philippe Starck. If Philippe Starck should cease to be available to the company, this could have adverse affects on the business activities of Vivacon AG, as well as on its net worth, financial position and earnings.

Debt financing, interest rate and liquidity risks

For the implementation of its business model and growth strategy, Vivacon AG requires extensive financial resources, on the one hand for the acquisition of residential properties, and on the other to finance refurbishment of these properties and to pay the commissions of its sales partners. In each case, Vivacon AG is obliged to provide the financial resources in advance, while financial returns in the form of the sales price can only be successively generated based an progress of the project, due to mandatory legal provisions. The company has undertaken extensive borrowings from external sources, which in addition to interest payments, are also subject to various other commercial restrictions, e.g. with respect to the acquisition of further residential properties and the marketability of the sites. There is a risk that the borrowing of external capital from banks will cease to be promptly available at a future date, or only under unfavourable conditions, and that the purchase price payments of customers, e.g. as a consequence of delayed completion of refurbishment work, would be made later than planned. If the company cannot secure external capital in future at all, or only under inappropriate conditions, or if financing through external borrowings should be necessary for longer than foreseen by Vivacon AG, this could have an adverse impact an Vivacon AG's business activities as well as an its net worth, financial position and earnings.

In 2006, companies included in the consolidated accounts of Vivacon AG securitised leasehold payments on the capital markets, receiving liquid funds of EUR 179.5 million. If the company cannot effect such securitisations in future at all, or only under unfavourable conditions, this could have an adverse impact an Vivacon AG's business activities as well as an its net worth, financial position and earnings.

Adverse developments on the financial markets would increase our financing costs, limiting our financial and operational flexibility.

Vivacon is subject to interest rate risk mainly in relation to debt from the property development and portfolio trading business. In both of these areas, financing is limited in term to the duration of the respective operational activities concerned.

Non-current financial liabilities unrelated to project and portfolio financing arise from the securitisation of leasehold cash flows. With this method of financing, existing variable interest terms are hedged, leaving only security price risk. Interest rates on securitised cash flows amount to 4.74 %, 4.35 % and 4.87 % respectively.

Cash flow risks exist with variable interest rates for financing the portfiolio and property development business. As of 31 December 2007 the Vivacon Group had interest-bearing net financial liabilities of EUR 163.7 million. A 50 basis point parallel translation in the yield curve would create cash flow risk of EUR 0.8 million.

Change in the general conditions in the market for housing property

The real estate market is subject to constant flux in fiscal and legal conditions, and is thus subject to changes in the parameters by which potential competitors for the acquisition of property make decisions. The company believes that the success of Vivacon AG is fundamentally based an the adaptation to the changing background conditions and investment motives of the buyers. Vivacon AG assumes that the products that it offers will continue to take into account changes in the fiscal and legal regimes in a prompt and comprehensive manner. However, changes in the general conditions, especially the fiscal regime for freehold property can lead to demand for investment products gravitating elsewhere, such as to share funds and life insurance policies. Changes in the regulatory environment governing housing properties rendering the apartment market less attractive for buyers could negatively impact Vivacon AG's business in terms of net worth, financial position and earnings.

Resale risk

Under its business model, Vivacon AG sells a large volume of apartments in residential properties that it previously purchased itself. The respectively dominant market conditions, which the company cannot itself influence, determine the time of sale, the amount of the sale price in such transactions and the time of its receipt, as well as the potential of the company to conduct sales of apartments, in particular under lease-hold. The transactions of large volumes are conducted with institutional customers. In such cases, the creditworthiness of the customers is of extreme importance. The failure of the transaction or a bad debt could have a considerable adverse impact on the net worth, financial position and earnings of the company. Above all in the area of private customers, the market acceptance of leasehold and variations in economic conditions, including to a large extent external factors which cannot be influenced by the company, such as economic growth, trends in prices and interest rates are significant. They may mean that Vivacon AG is no longer in a position to conduct sales of apartments, in particular under leasehold at all or only at unprofitable prices. This could have a considerable adverse impact on the business activities of Vivacon AG, as well as on the net worth, financial position and earnings of the company.

Loss of key employees

The business operations of Vivacon AG are dependent to a large degree on the senior managers, i.e., on the Executive Board and senior managers having detailed knowledge of the real estate market and the company, and furthermore having specialised know-how in the areas of property and leasehold, as well as well-established relationships with the sales partners and other contractual partners. The departure of an individual in such a key rote can consequently have adverse effects on the business operations of Vivacon AG and hence on its net worth, financial position and earnings.

Managing growth

The strategy of continued expansion pursued by Vivacon AG is a key element in ensuring profitability and growth in profitability. The personnel and organisational structures within Vivacon AG (e.g. in the areas of marketing, law, IT, accountancy or audit) are to be adapted and extended in accordance with future growth. The possibility of problems arising in implementation in view of the aforementioned factors, especially with the adaptation and extension of the personnel and technical structure, cannot be excluded. The occurrence of such risks, also individually, can have a sustained adverse impact on the net worth, financial position and earnings of Vivacon AG.

G Reporting pursuant to § 315 (4) Commercial Code

The registered capital of Vivacon AG on 31 December 2007 is distributed among 19,846,035 shares. There are no special conditions pertaining to the exercise of voting rights, and to special rights, specifically in the case of a change of control. The boards of Vivacon AG are appointed for a term of three years. According to the information available to Vivacon AG, no shareholder holds over 10 % of voting rights.

At the General Shareholders' Meeting in 2004 and 2005, the Executive Board was authorised to raise approved capital totalling EUR 11,939,998.00. In three cash capital increases, the Executive Board made use of the authorisation – with the Supervisory Board's consent in each case – by way of the utilisation of approved capital totalling EUR 6,383,302.00 by 31 December 2005.

Approved capital of EUR 5,556,696.00 left available following these stock offerings was not drawn upon. At the 2006 General Shareholders' Meeting, the Executive Board was authorised to raise approved capital totalling EUR 4,013,160.00.

By resolution of the General Shareholders' Meeting of 15 May 2006, Vivacon AG's share capital was conditionally increased by up to EUR 2,900,000.00 (Contingent Capital VI). The conditional capital increase will only be effected to the extent that the bearers and/or creditors of conversion rights or option warrants attached to the convertible or option bonds to be issued by the company from 15 May 2006 to 30 April 2011, as per the resolution passed by the General Shareholders' Meeting, exercise their conversion or option rights or the bearers and creditors with conversion obligations in respect of the convertible bonds to be issued by the company from 15 May 2006 to 30 April 2011 as per the authorisation resolution passed by the General Shareholders' Meeting comply with their conversion obligations. No convertible bonds were issued in the 2006 fiscal year.

By the resolution passed by the General Shareholders' Meeting of 22 May 2007, the Executive Board was authorised, given Supervisory Board approval, to increase the company's share capital on a one-off basis or on multiple occasions up until 30 April 2012 in return for cash or non-cash contributions up to an amount totalling EUR 144,703.00 via the issue of new bearer-denominated no-par shares each with a share in nominal capital calculated at EUR 1.00 per share (Approved Capital II). As of the balance sheet reporting date, no use had been made of the authorisation. The Executive Board was further authorised, given Supervisory Board approval, to decide on the exclusion of shareholders' statutory rights of subscription.

An exclusion of subscription rights is however only permissible to:

- compensate for peak amounts
- assure subscription rights to owners of options and conversions rights to be issued from debt depreciations
- issue shares as employee shares to employees of the company
- gain investments in kind, especially in the form of share holdings, companies or parts of companies
- open up new capital markets, especially abroad
- or if a capital increase against cash investments does not exceed 10 % of the basic capital and the issue amount of the share does not significantly fall below the stock market price

By resolution of the General Shareholders' Meeting of 15 May 2006 and pursuant to Article 71 Subsection 1 No. 8 of the German Companies Act, the Executive Board was authorised to purchase its own shares for a value equating to max. 10 % of share capital up until 14 November 2007 provided it was not for the purpose of trading in its own shares. The value of shares purchased may not exceed or fall short of the average of the opening and closing prices of the company's shares in XETRA trading (or an alternative, functionally comparable, successor system) by more than 5 % during the ten preceding trading days. Authorisation expires without being specifically revoked upon adoption of a new authorisation to repurchase company shares, in line with § 71 (1) no. 8 AktG (German Companies Act). Notwithstanding the above, the authorisation granted expires on 14 November 2007 at the latest.

The Executive Board was authorised, given Supervisory Board approval, to sell its own purchased shares in another way in full or in part via the stock market or via an offer to all shareholders provided that its own purchased shares are not sold at a price more than 5 % below that quoted on the stock market for company shares of the same type at the time of sale. This authorisation is restricted to a total of max. 10 % of the company's share capital. For the purposes of the aforementioned ruling, the relevant stock market price is considered to be the average of the opening and closing prices of the company's shares in XETRA trading (or an alternative, functionally comparable, successor system) during the ten trading days preceding the sale of the shares.

The Executive Board was further empowered to recall its own shares either in full or in part without a further vote at the General Shareholders' Meeting, subject to Supervisory Board approval. Shareholder subscription rights will be suspended in connection with the above measures in the event that they are implemented.

In the 2007 financial year, the company neither bought nor sold any shares of its own.

The members of the Executive Board are appointed and demissioned according to §§ 84 f. AktG. According to § 10 of the company articles, the Executive Board consists of one or more persons, whereby the number of members of the Executive Board is determined by the Supervisory Board. At present no President of the Executive Board has been appointed. Mr. Jung is the chairman of the Board.

The General Assembly passes changes to the Company Articles as per §§ 133 AktG in conjunction with 179 Para. 2 AktG in conjunction with § 25 Para. 1 of the Articles with a simple majorit of the basic capital represented at the vote. Changes to the Articles that only affect their form can under § 179 Para. 1 Clause 2 AktG in conjunction with § 9 of the Articles be performed by the Supervisory Board.

The service contracts of the members of the Executive Board do not contain „Change of Control" clauses.

H Supplementary report

Important events after the close of the financial year

Vivacon AG purchased an 80 % equity stake in Curanis Holding GmbH with registered office in Munster, effective 1 January 2007. The strategic aim of this acquisition was to increase vertical integration within the Group and obtain management synergies for Group real estate portfolios. Curanis Holding GmbH is one of Germany's leading building management companies. With a staff numbering approximately 600, the company manages around 53,000 housing and commercial units valued at a total EUR 4.0 billion approximately. The company generated revenue of EUR 25.0 million in 2007 with a profit margin (before taxes and interest) of roughly 10 %.

I Outlook for financial year 2007 and Group prospects

The strategy of Vivacon AG continues to be based on large portfolio sales to institutional investors under application of leashold and retaining ownership of the leasehold properties. In spite of the present turbulence in the international financial markets, the company notes a continuing keen interest in German property portfolios. Therefore Vivacon AG expects in the coming years – subject to lasting major turbulence in the international mortgage markets – a sustained high level of transactions by the continued purchase of new properties and their rapid placement with third parties. With the acquisition of the Curanis Group in Q1 2008, the entire wealth creation chain for institutional investors from the acquisition of portfolios via asset management to property management can in future be offered from a single source which should further stimulate growth.

Furthermore the company plans to supplement its existing strategy with the acquisition of pure leasehold portfolios. Besides for accommodation, these may also be used for commercial or community purposes.

For the next business year, in addition to the development and initiation of properties in the, "Development" business unit, the creation of new product lines for student and retiree accommodation as well as the initiation of further projects, especially in the high price segment is planned.

The Board is therefore anticipating further increase in transaction volumes and profitability.

Cologne, 1 April 2008

(signed) Michael Jung (signed) Timo Herbrand (signed) Oliver Priggemeyer (signed) Michael Ries (signed) Frank Zweigner

Group balance sheet as of 31. Dezember 2007

Notes	Page	ASSETS	Date 31.12.07 €	Date 31.12.06 €
		A. Non-current		
		I. Intangible assets		
C.1, D.1	73, 84	1. Industrial property rights and similar rights and assets	182,207.17	136,900.81
C.1, D.1	73, 84	2. Goodwill	22,044.43	22,044.43
			204,251.60	**158,945.24**
		II. Property, plant and equipment		
C.2, D.1a)	74, 85	1. Investment property	348,004,409.00	227,109,698.00
C.2, D.1	74, 84	2. Furniture, fixtures and fittings	1,191,035.74	848,004.35
			349,195,444.74	**227,957,702.35**
C.3, D.1c)	75, 89	III. Investments		
		1. Equity investments in associated companies	9,012,239.97	4,937,002.43
C.3	75	2. Other long-term investments	109,070.00	11,460.00
			9,121,309.97	**4,948,462.43**
		IV. Other non-current financial assets		
C.5, D.2	76, 90	1. Receivables against associated companies	19,697,614.17	16,781,758.07
C.5, D.2	76, 90	2. Other non-current assets	302,015.83	297,010.73
C.5, D.2, D.9	76, 90, 95	3. Other financial assets	4,600,000.00	4,600,000.00
			24,599,630.00	**21,678,768.80**
			383,120,636.31	**254,743,878.82**
		B. Current		
		I. Real estate held for sale and advances	331,906,424.91	176,779,459.81
C.4, D.3	76, 91			
		II. Work in progress and pre-construction costs	1,479,859.48	2,032,739.76
C.4, D.4	76, 92			
		III. Receivables and other assets		
		1. Receivables from ground rents and other rents	1,806,112.18	1,386,574.20
C.5, D.5	76, 92	2. Receivables against associated companies	2,781,696.28	1,137,303.42
C.5, D.6	76, 93	3. Receivables from construction contracts	15,531,157.95	0.00
C.4, C.12, D.7	76, 83, 93	4. Receivables from building sales and commission	49,536,462.63	37,272,561.28
C.5, D.7	76, 93	5. Receivables from derivative financial instruments	6,007,302.56	0.00
C.5, C.11, D.16e)	76, 82, 111	6. Tax refund claims	4,169,727.03	3,304,098.20
C.5, D.9	76, 95	7. Other current assets	17,823,242.74	10,746,246.00
C.5, D.9	76, 95		**97,655,701.37**	**53,846,783.10**
		IV. Cash, balances at banks and securities	137,577,033.20	154,552,640.91
C.6, D.10	79, 95		**568,619,018.96**	**387,211,623.58**
			951,739,655.27	**641,955,502.40**

Notes	Page	LIABILITIES	Date 31.12.07 €	Date 31.12.06 €
		A. Shareholders' Equity		
D.11	96	1. Subscribed capital	19,846,035.00	19,347,784.00
D.11	98	2. Capital reserve	79,952,454.18	74,068,092.93
		3. Retained earnings	138,129,128.19	89,661,260.85
		Shareholders' equity attributable to shareholders of the parent company	237,927,617.37	183,077,137.78
		Minority interests	117,077.99	–20,055.54
			238,044,695.36	**183,057,082.24**
		B. Non-current liabilities		
C.10, D.15	82, 107	1. Deferred tax liabilities	5,712,900.51	39,512,650.99
C.9, D.17b)	80, 109	2. Liabilities due to banks	114,477,258.34	0.00
C.9, D.17a)	80, 109	3. Liabilities from bonds	173,833,151.61	173,896,965.55
C.9	80	4. Other liabilities	601,236.74	535,277.44
			340,624,547.20	**213,944,893.98**
		C. Current liabilites		
C.7, D.15	79, 107	1. Other provisions	12,630,785.38	6,774,027.30
C.9, D.17c)	80, 110	2. Liabilities due to banks	300,308,385.10	199,283,118.87
C.9	80	3. Advances received	2,915,917.27	1,110,232.68
C.9	80	4. Liabilities due to the purchase of real estate	0.00	15,543.75
C.9, C.11, D.17d)	80, 82, 111	5. Trade payables	26,459,011.09	12,547,553.64
C.9, C.11, D.17e)	80, 82, 111	6. Liabilities from derivative financial instruments	10,735,214.04	3,405,613.46
C.10, D.17f)	82, 112	7. Actual tax liabilities	974,448.33	2,306,219.69
C.9, D16f)	80, 112	8. Liabilities due to associated companies	2,143,359.37	936,516.33
		9. Other liabilities	16,903,292.13	18,574,700.46
			373,070,412.71	**244,953,526.18**
			951,739,655.27	**641,955,502.40**

Group Profit and Loss Statement for the business year 2007

Notes	Page		2007 €		2006 €	
		01. Revenues				
		a) Sales to private investors	101,547,603.29		60,541,289.87	
		b) Sales to institutional investors	54,674,598.06		43,836,145.63	
		c) Rental income	28,012,903.19		15,691,747.65	
		d) Leasehold ground rents	9,526,111.95		4,307,963.76	
C.12, E.1	83, 113			**193,761,216.49**		**124,377,146.91**
D.3	91	02. Changes to total real estate held for sale with finished and unfinished structures together with work in progress		−39,216,298.25		35,013,253.18
D.1, E.2	84, 113	03. Net earnings from fair-value valuation of investment properties at its fair value		70,879,842.07		58,579,453.41
E.3	113	04. Other operating income		4,971,911.99		3,162,064.38
		05. Purchased services				
		a) Property management	−17,611,921.29		−9,931,075.79	
		b) Sale of real estate	−85,818,552.33		−102,266,141.47	
		c) Other purchased materials and services	−343,841.30		−294,161.82	
				−103,774,314.92		**−112,491,379.08**
		06. Personnel expenses				
E.5	114	a) Wages and salaries	−15,263,815.75		−12,680,766.69	
		b) Payroll taxes	−948,951.33		−714,328.45	
				−16,212,767.08		**−13,395,095.14**
E.4	114	07. Amortisation and depreciation on intangible non-current assets and on property, plant and equipment		−358,695.96		−274,147.22
E.6	114	08. Other operating expenses		−27,907,164.86		−16,489,926.87
D.1c)	89	09. Earnings from equity investments (in associated companies)		4,780,400.00		3,758,894.88
		10. Income from other securities of finacial assets				
		11. Other interest and similar income		13,868,933.22		5,059,398.46
E.7	115	12. Interest and similar expenses		−29,142,671.91		−19,548,512.04
E.8	115	**13. Net operating income from ordinary business activities/Income before taxes**		**71,650,390.79**		**67,753,523.20**
		14. Taxes on income		−15,098,235.76		−21,878,243.63
		15. Net consolidated income		**56,552,155.03**		**45,875,279.57**
E.9	115	Minority interest in net income for the year		312,640.09		833.07
		Net consolidated income for the year attributable to shareholders of the parent company		56,239,514.94		45,874,446.50
				56,552,155.03		**45,875,279.57**
		Earnings per share (in EUR) – undiluted		2.88		2.38
		Earnings per share (in EUR) – diluted		2.80		2.27

Group Cash Flow Statement for the business year 2007

		2007 €	2006 €
01.	Net income for the year	56,552,155.03	45,875,279.57
02.	Depreciation (+)/Amortisation (–) on fixed assets	358,695.96	274,147.22
03.	Loss (+)/Gain (–) from the disposal of fixed assets	–13,428.51	–777.91
04.	Loss (+)/ Gain (–) from the fair value valuation of investment property	–70,879,842.07	–58,579,453.41
05.	Non-cash relevant addition (–) of real estate	0.00	–600,747.26
06.	Personnel expenses for share option scheme (+)	2,386,464.02	2,017,700.36
07.	Earnings from long-term equity investments in associated companies	–4,075,237.54	–3,758,894.88
08.	Income from the release of bad will (–)	0.00	–538,546.63
09.	Release of transaction costs in conjunction with liabilities from bonds	519,246.06	0.00
10.	Increase (+)/Decrease (–) in minority interests	–175,506.56	294,673.40
11.	Increase (+)/Decrease (–) in deferred tax liabilities	12,200,249.52	21,680,990.65
12.	Increase (+)/Decrease(–) in actual tax liabilities	–1,331,771.36	–2,959,006.81
13.	Increase (–)/Decrease (+) of other operating non-current and current assets	–243,993,669.33	12,559,126.43
14.	Increase (+)/Decrease (–) of operating current and non-current liabilities not affecting payment	91,904,260.12	9,048,047.70
15.	**Cash flow from operating activities**	**–156,548,384.66**	**25,312,537.43**
16.	Receipts from the sale of fixed assets (+)	49,905.65	109,103.54
17.	Payments in relation to investment property (–)	–3,292,796.15	–47,429,289.11
18.	Payments in relation to business combinations (–)	–96,310.00	–2,991,910.71
19.	Payments made for fixed asset investments (–)	–784,810.85	–1,787,213.14
20.	**Cash flow from investing activities**	**–4,124,011.35**	**–52,099,309.42**
21.	New non-current borrowings (+)	114,477,258.34	0.00
22.	Cash flow from securisation bridge financing	36,493,945.43	–51,339,281.05
23.	Cash flow from issuing bonds (net of transaction costs)	0.00	174,396,207.38
24.	Cash flow from issuing bonds of associated companies	–2,915,856.10	–11,531,758.07
25.	Cash flow from bond repayments	–583,060.00	–578,969.39
26.	Dividend payments	–7,771,647.60	0.00
27.	Receipts from capital increases less payments made for costs directly attributable to the capital increase (+)	3,996,148.23	782,032.57
28.	**Cash flow from financing activities**	**143,696,788.30**	**111,728,231.44**
29.	Cash-relevant changes to funds (total of rows 15, 20, 28)	–16,975,607.71	84,941,459.45
30.	Funds at the start of the period	154,552,640.91	69,611,181.46
31.	**Funds at the close of the period**	**137,577,033.20**	**154,552,640.91**
	Payments resulting from earnings from associated companies	705,162.46	5,250,000.00
	Interest received	4,187,008.15	4,758,346.25
	Interest paid	–24,632,052.15	–15,773,884.61
	Tax refunds	125,922.56	0.00
	Tax payments	–2,754,261.03	–7,334,674.32

Development of Shareholders' Equity for the business year 2007

Development of Shareholders' Equity in the period from 1. January to 31. December 2006

	Shareholders' equity attributable to shareholders of the parent company					
	Subscribed capital €	**Capital reserve €**	**Retained earnings €**	**Total €**	**Minority interest €**	**Total €**
Date 01.01.2006	**19,185,165.00**	**71,430,979.00**	**43,786,814.35**	**134,402,958.35**	**– 315,562.01**	**134,087,396.34**
Stock option excercised in the course of capital increase	15,801.00	625,231.57		782,032.57		782,032.57
Reclassification due to share option scheme	5,818.00	– 5,818.00		0.00		0.00
Personnel expenses for share option scheme		2,017,700.36		2,017,700.36		2,017,700.36
Additions to minority insterests					294,673.40	294,673.40
Net consolidated income			45,874,446.50	45,874,446.50	833.07	45,875,279.57
Date 31.12.2006	**19,347,784.00**	**74,068,092.93**	**89,661,260.85**	**183,077,137.78**	**– 20,055.54**	**183,057,082.24**

Development of Shareholders' Equity in the period from 1. January to 31. December 2007

	Shareholders' equity attributable to shareholders of the parent company					
	Subscribed capital €	**Capital reserve €**	**Retained earnings €**	**Total €**	**Minority interest €**	**Total €**
Date 01.01.2007	**19,347,784.00**	**74,068,092.93**	**89,661,260.85**	**183,077,137.78**	**– 20,055.54**	**183,057,082.24**
Stock option excercised in the course of capital increase	498,251.00	3,497,897.23		3,996,148.23		3,996,148.23
Dividend payments			– 7,771,647.60	– 7,771,647.60		– 7,771,647.60
Personnel expenses for share option scheme		2,386,464.02		2,386,464.02		2,386,464.02
Additions to minority insterests					– 175,506.56	– 175,506.56
Net consolidated income			56,239,514.94	56,239,514.94	312,640.09	56,552,155.03
Date 31.12.2007	**19,846,035.00**	**79,952,454.18**	**138,129,128.19**	**237,927,617.37**	**117,077.99**	**238,044,695.36**

Annual Report 2007
Notes to the consolidated financial statement

A Fundamentals and information on the company

Pursuant to Section 315 a of the German Commercial Code (HGB), Vivacon AG is obliged to prepare a consolidated financial statement in compliance with IFRS. The consolidated financial statement of Vivacon AG (parent company) is prepared according to the provisions of the International Accounting Standards Board (IASB) in London as adopted by the EU and in compliance with the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the Standing Interpretations Committee (SIC). Due account has been taken of all applicable compulsory IAS and IFRS requirements for the 2007 financial year. Thus, the consolidated financial statement conforms to IFRS requirements as adopted by the European Union. Beyond the details specified in the notes pursuant to IFRS, further disclosures and notes are published, which are required by German commercial law.

The company headquarters are located at Bayenthalguertel 4 in Cologne, Germany. Vivacon AG is registered in the Cologne Trade Register under the number HRB 34894. The financial year is the calendar year. The financial statements have been prepared in EUR. Unless stated otherwise, all information in the notes is in TEUR.

The shares of Vivacon AG are traded publicly.

The objective of the business activities of the group is the sale of residential real estate (by means of transactions structured either as asset deals or share deals) to institutional investors and the purchase and utilisation of leasehold land (business segment "Institutional Investors"), the provision of services in connection with residential real estate to institutional investors and the management of own real estate portfolios (business segment "Institutional Investors"), the privatisation of residential leasehold housing and the development and sale of listed property, designer property, and other property of the "yoo" and "vivacon development" brands (business segment "Private Investors").

The legal structure of the sale of residential real estate in the "Institutional Investors" business segment determines the volume of revenues reported in the "Institutional Investors" segment in the annual financial statements, since in the case of transactions structured as share deals, usually only a small portion of the transaction volume is posted as revenues in the profit and lost statement.

On 2 April 2008, the Executive Board prepared the consolidated financial statement and the group management report according to Section 315a (1) b of the German Commercial Code (HGB) and submitted it to the Supervisory Board for approval. The consolidated financial statement and the group management report for the 2007 financial year are scheduled for approval and release for publication on 9 April 2008.

All transactions in the Vivacon Group except for the transactions of a subsidiary in the Czech Republic, which are of minor significance for the position of the group, are executed in euro. Therefore, the euro is the functional currency for the Vivacon Group.

As a matter of principle, the consolidated financial statement is prepared using the historical cost principle. Not included are investment property and derivative financial instruments that are carried at fair value. As in the prior year, as of the balance sheet date the balance sheet does not contain any assets and liabilities carried at cost that represent underlying transactions for hedging the fair value.

Generally, the applied accounting and valuation principles correspond to those applied in the prior year, with the following exceptions resulting from new or revised standards. New or revised mandatory standards introduced in the course of the financial year had no impact on the consolidated financial statements. However, they partly necessitate the following additional disclosures:

IFRS 7: financial instruments: disclosures

In August 2005, IASB published IFRS7: financial instruments: disclosures. This new standard represents a revision and intensification of the disclosure regulations of IAS 32: Financial instruments: disclosure and presentation and IAS 30: Disclosures in financial statements of banks and similar financial institutions and summarises them in one document.

This standard requires disclosures that will enable the recipients of the financial statements to assess the importance of the financial instruments for the group's financial position and earning power and the type and scope of the risks resulting from these financial instruments. As only disclosure obligations are concerned, the first application did not have any major impact on the group's net worth, financial position or earnings.

IAS 1: presentation of financial statements

This amendment results in new disclosures that enable the recipients of the financial statements to assess the group's capital management goals, methods and processes. The additional disclosures are presented in a separate part at the end of section A of these notes.

IFRIC 8: scope of IFRS 2

This interpretation demands the application of IFRS 2 to all transactions for which a company is not able to specifically identify some or all received goods or services. In particular, this applies if the consideration for equity instruments granted by the company appears to be less than the fair value. As the group only issues equity instruments to staff members within the scope of the staff share option programmes, the application of this interpretation did not have any effect on the group's net worth, financial position and earnings.

IFRIC 9: reassessment of embedded derivatives

According to IFRIC 9, the company must always assess a contract for a structured instrument at the time of conclusion of the contract in order to determine whether an embedded derivative is on hand. If substantial changes in the contract terms are involved, reassessment is only permissible if this would significantly modify the cash flows. As the group does not have any embedded derivatives that need to be separated from the host contract, this interpretation does not have any effect on the group's net worth, financial position, and earnings.

IFRIC 10: interim financial reporting and impairment

As of 1 January 2007, the group applied the IFRIC Interpretation 10 for the first time. This interpretation concludes that where an impairment loss is recognised in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment should not be reversed in subsequent financial statements. As the group did not record such impairment losses in the past, this interpretation does not have any effect on the group's net worth, financial position and earnings.

The following standards and interpretations that have already been issued are applied from their effective date, provided that they have been adopted by the European Commission by this date:

- IAS 1: presentation of financial statements:

the revised IAS 1 standard was published in September 2007 and shall first be applied to financial years commencing on or after 1 January 2009. The revised standard contains substantial amendments concerning the presentation and reporting of financial information in the financial statements. In particular, the amendments include the introduction of a total account that comprises both the result generated in a period as well as unrealised profits and losses, which used to be presented within the equity, and that replaces the profit and loss statement in its previous form. Moreover, apart from the balance sheet on the balance sheet date and the balance sheet as of the previous balance sheet date, a balance sheet must now be presented as of the beginning of the comparative period if the company applies accounting and valuation policies retrospectively or makes a retrospective restatement.

- IAS 27: consolidated and separate financial statements according to IFRS:

the revised IAS 27 standard was published in January 2008. The implemented changes shall first be applied to financial years commencing on or after 1 July 2009. The amendments are the result of the joint project of IASB and FASB for the revision of accounting regulations for business combinations. The amendments primarily relate to the accounting for non-controlling interests (minority interests) which shall henceforth fully participate in the losses of the group and for transactions that lead to a loss of control of a subsidiary and whose effects shall be recognised in profit or loss.

- Amendments to IAS 32: financial instruments: presentation and IAS 1:

presentation of financial statements: The amendments to IAS 32 and IAS 1 were published in February 2008 and shall first be applied to financial years commencing on or after 1 January 2009. The amendment relates to the classification of puttable instruments as equity or liabilities. According to the previous arrangement, companies were occasionally forced to report the statutory capital as financial liabilities, due to legal put rights of the shareholders. Henceforth, these shareholder contributions are usually to be classified as equity, provided a severance pay is agreed at fair value and the contributions represent the most subordinate claim to the company's net assets.

- Amendment to IFRS 2: share-based payment:

In January 2008, IASB published the revised IFRS 2 standard. The amendments mainly relates to the clarification of the terms "vesting conditions" and "cancellations". The application of the revised standard is mandatory for reporting periods commencing on or after 1 January 2009.

- Amendment to IFRS 3: consolidated financial statements and IAS 27 Consolidated and separate financial statements:

In January 2008, IASB published the revised IFRS 3 und IAS 27 standards. The amendments mainly relate to the presentation of minority interests and acquisitions that do not cover 100 % of the shares of a company in the balance sheet. The application of the revised standards is binding for reporting periods commencing on or after 1 June 2009.

- IFRS 8: operating segments: this standard replaces IAS 14: segment reporting and adapts the IASB standards to the US regulations of SFAS 131. In general, financial information must be reported on the basis of the internal management approach that is used to assess the operating segments. The application of IFRS 8 is mandatory for reporting periods commencing on or after 1 January 2009. Vivacon does not expect significant changes as a result of this replacement.

- IFRIC 11: group and treasury share transactions:
according to this interpretation, contracts under which staff members are granted rights to equity instruments of a company shall be accounted as share-based payment transactions settled with equity instruments if the company purchases the instruments from a third party or if the shareholders provided the needed equity instruments.

- IFRIC 13: customer loyalty programmes: this interpretation shall first be applied to financial years commencing on or after 1 July 2008.

The application of these new or amended standards and interpretations will result in some additional disclosure requirements in the coming consolidated financial statements. The application of these standards and interpretations is unlikely to have any significant effects on the net worth, financial position and earnings of the Vivacon AG.

IAS 23: borrowing costs
The revised IAS 23: borrowing costs standard was published in March 2007 and shall first be applied to financial years commencing on or after 1 January 2009. This standard requires the capitalisation of borrowing costs that can be allocated to a qualified asset. A qualified asset is an asset for which a considerable amount of time is necessary to convert it to the planned condition for use or sale.

In line with the transition regulations of this standard, the group plans to apply it in the future. Thus, starting from 1 January 2009, borrowing costs will be capitalised as qualified assets. These changes do not affect the previously accrued borrowing costs that were immediately posted as expenses.

Judgements and estimates
Judgements and estimates on the part of top management that might result in a significant increase or decrease in the reported carrying value in subsequent periods, in particular impact the following assets and liabilities:

- IAS 40: valuation of investment property: the IAS 40 valuation of investment property only relates to leasehold land. The real estate portfolios held for sale are always carried at amortised cost. The valuation according to IAS 40 takes into account the ground rents to be expected in the future, which are discounted using a real interest rate derived from the capital market. In addition to real-estate-specific risks, the discount rate reflects reductions customary on the capital market for this asset category. The latter are based on opinions of internationally renowned rating agencies on the hypothecation value of the ground rent cash flows of the group's leasehold land portfolios and concrete purchase offers that the group has received for individual or all ground rents. Further details are presented in section D. A change by 10 basis points of the discount rate underlying the valuation would result in a valuation change of approximately EUR 8.5 million.

- IAS 18/IAS 11 valuation of restoration and development projects: the accounting and valuation of restoration and development projects requires estimates of the expected success of the project. The group manages the individual projects on the basis of regular project calculations that need to be taken into consideration in the accounting and valuation.

- Trade receivables and other receivables: the allowances for impairment comprise a considerable number of estimates and assessments of individual receivables on the basis of the creditworthiness of individual customers and the valuation of collateral (mainly real estate portfolio).

- Deferred tax assets: deferred tax assets are recorded for all unused tax losses to the extent that it is likely that taxable income will become available for this purpose. Deferred tax assets mainly relate to unused trade tax losses at the Vivacon AG level as well as subsidiaries organised as partnerships (Section 15a of the German Income Tax Act - EStG). Primarily owing to the group structure, a trade income tax loss was incurred at the Vivacon AG level. In future, Vivacon AG intends to source any activities subject to trade income tax to Vivacon AG and/or to allocate costs directly attributable to individual group activities and indirect costs to the respective group companies for taxation purposes. Additionally, Vivacon forecasts an increase in taxable earnings on the level of the Vivacon AG. The scope of the unused tax losses and the carrying value of the considered tax losses are presented in section D of these notes.

- Share-based payment: In the group, the cost of granting equity instruments to staff members is carried at the fair value of these equity instruments at the time of the grant. To estimate the fair value, a suitable valuation method must be determined for the granting of equity instruments; this depends on the conditions at the time of the grant. Moreover, it is necessary to determine suitable data for use in this valuation procedure, such as the prospective option term, volatility, and dividend yield as well as corresponding assumptions. The assumptions and applied methods are presented in section D of these notes.

- Provisions: the determination of provisions for warranty obligations and legal disputes is largely based on estimates.

Financial risk management objectives and methods

Market price fluctuations of financial parameters can result in significant cash flow and profit risks for the group. Especially changes of the interest rates and the domestic inflation affect both the operating business and the investment and financing activities. To optimise the allocation of financial resources within the group and to ensure the highest possible yield for its shareholders, the group proactively identifies, analyses, and manages the risks involved. The company primarily endeavours to manage and monitor these risks in the current business and financial activities. If necessary, the group also manages these risks with the help of derivative financial instruments. As in the prior year, no hedge accounting was done in the reporting period.

The Executive Board is responsible for the management of financial market risks.

As a matter of principle, the group does not keep a trading portfolio for financial instruments. Derivative trading did not take place in the 2006 and 2007 financial years and will not take place in the future. As a matter of principle, excess liquid funds are invested in secure current investment products.

The main risks arising in connection with the financial instruments that affect the group include interest rate and inflation-related cash-flow risks as well as liquidity and credit risks. Against this background, the main risk involves a change of the nominal interest structure curve and – in view of the fact that the group mainly has non-current assets that provide for inflation-indexed cash flows – of the real interest structure curve. The potential effects of a parallel shift of the interest curve in Germany are presented in the form of estimates. These are based on the assumption that the effects presumed within the scope of the sensitivity analysis occur. The actual effects on the group's profit and loss statement and the company's cash flow may deviate from this.

Except for derivative financial instruments, the financial liabilities used by the group mainly include bonds, bank loans, bank overdrafts, debenture bonds, trade payables and loans granted. The main purpose of these financial instruments is to finance the group's business activity. The group has a variety of financial assets, such as trade receivables, liquid funds and current deposits directly resulting from its business activity.

The group is active almost exclusively in Germany. Currently, currency risks are exclusively associated with the activities in Czech Republic, which are not significant for the group in terms of volume.

The group has been using derivative financial instruments since the 2006 financial year. This includes interest hedging agreements and inflation swap agreements. The purpose of these derivative financial instruments is to hedge cash flows against interest rate and inflation risks resulting from the group's financing activities in connection with the issue of loans by group companies in 2006 and the financing of real estate portfolios.

The company exclusively concludes derivative financial instruments with financial institutions with an "investment grade" rating as contract partners and continuously monitors this rating.

The main strategies and methods applied by the top management for managing individual risk categories are outlined below:

Interest rate risks

The management of the group's interest expense takes place with the objective of minimising long-term variable interest payments to the greatest extent possible. As in the prior year, almost all non-current financial liabilities had fixed interest payments as of 31 December 2007, owing to the use of interest hedging transactions by means of which the group swaps the determined difference between fixed interest and variable interest-bearing amounts with respect to an agreed par amount with the contract partner at predefined time intervals. Prior to interest hedge activities, long-term financial liabilities with variable interest payments amount to EUR 231.9 million (previous year: 117.5 million). A change in interest rates of 50 basis points would result in a change in interest risk of EUR 1.2 million (previous year: 0.6 million).

In contrast to long-term debt financing, building contract financing and short-term financing of the real estate portfolios held for quick resale are almost exclusively agreed with variable interest rates. Due to the short term and the interest compensation with the purchase price payments received in the field of building contracting, hedging does not make sense in these cases. Therefore, no transformation from variable interest rates to fixed interest rates is performed for short-term financing. A shift of the interest curve by 50 basic points and the inclusion of the purchase price payment accounts would result in a change of the annual interest payments amounting to EUR 0.8 million, compared to EUR 0.3 million in the prior year.

This sensitivity analysis is derived as follows:

	2007	2006
Short-term bank loans subject to variable interest rates (EUR million) before deduction of transaction costs not yet amortised	301.3	200.4
Purchase price payment accounts assigned for security, which are included in the interest compensation and interest leaving liquid funds (EUR million)	137.6	154.5
Short-term net financing debts subject to variable interest rates (EUR million)	163.7	45.9
Effects of a change of the average interest rate by 50 basis points annual interest payment obligations (EUR million)	0.8	0.3

Effects of changes in fair value on the earnings before taxes only result from the fair valuation of interest hedging transactions that are carried at fair value and whose changes in fair value are recognised in profit or loss. An increase of the interest rate by 50 basis points would result in a positive change in fair value by EUR 9.3 million (prior year: EUR 6.8 million). A reduction in the interest rate of 50 basis points would result in a negative change of the fair values of EUR 10.2 million (previous year: EUR 7.7 million). The agreements underlying this derivation are described in detail in section D of these notes.

This sensitivity analysis is derived as follows:

	2007	2006
Volume of the interest hedging agreements (EUR million)	245.2	99.5
Average weighted fixed interest payment (in %)	4.52	4.35
Market value of interest hedging agreements (EUR million)	5.1	– 2.6
Effects of an increase of the average interest rate by 50 basis points the fair value (EUR million)	9.3	6.8

Inflation risk

The risk of change of inflation expectations and the current inflation are significant for the cash flows and results of the group. These parameters affect the group's position as follows:

- All contracts for leasehold land that are carried in the balance sheet item "investment property" provide for regular inflation indexing of the ground rents. This inflation indexing usually takes place every three years. Therefore, based on the current annual ground rent volume of EUR 14.2 million, an increase of the annual inflation from 2.0% to 3.0 % would, over a period of three years, result in an increase of EUR 0.4 million (increase volume of EUR 1.3 million instead of EUR 0.9 million after three years) of the annual ground rents and of the cash flows to be taken into consideration within the scope of the IAS 40 valuation of the investment property. Further information on the valuation of the leasehold land is provided in section D of these notes. As a matter of principle, the leasehold contracts do not provide for a reduction of the ground rents in the event of negative inflation.

- The group has concluded inflation hedging agreements for certain cash flows from ground rents (see D.16.e). For this purpose, the group swaps insecure payment flows from the aforesaid inflation indexing against a fixed payment derived from the inflation expectations at the conclusion of the agreements. The hedging agreements have a residual term until 2036 and relate to ground rents of a volume of EUR 8.0 million. Due to the considerable increase of the inflation expectations that was identified last year, the fair value dropped by EUR 7.2 million in the 2007 reporting period. According to the company's findings in relation to the net changes over the historic period of such instruments and additional plausibility checks, a parallel shift of the inflation expectation curve by 10 basis points would result in a change in fair value by approximately EUR 1.6 million. This would correspond to the net effect on the result of the change in fair value of these inflation hedging agreements.

Liquidity risk

The liquidity risk for the company implies that it may be unable to comply with its financial obligations, e.g. in connection with the repayment of financial debts and the payment of purchase liabilities. The group continuously monitors the risk of a liquidity bottleneck by means of monthly and weekly budgets. Both the terms to maturity of the financial assets (e.g., receivables, other financial assets) and expected cash flows from the business activity are taken into account.

The group limits the liquidity risk by actively managing the current assets and the liquid funds within the group and by controlling the business relationships with the banks that finance the individual product and real estate portfolios. The group follows the strategy of avoiding dependencies on individual financing institutions. The group has access to credit lines to refinance leasehold land and real estate portfolios.

The maturities of the group's financial liabilities are appended as annex to these notes.

The following table shows all contractually fixed payments for amortisations, repayments and interest from accounted financial liabilities, including the derivative financial instruments with a negative fair value, as of 31 December 2007. For the obligations, the company states the undiscounted cash outflows for the next financial years. The contractual cash outflows for financial liabilities without an explicitly agreed fixed amount or term including interest are based on the conditions as of the end of the financial year. Therefore, the inflows and outflows do not consider extension options that must be taken into consideration especially in the building contract business, the offsetting against purchase price payment accounts and the possibility of premature amortisation using current ground rent and rent surpluses.

in € million (cash outflows with negative sign)	2008	2009	2010 and later
Liabilities from bonds	9.3	9.3	283.6
Non-current bank loans	6.5	6.5	127.5
Other non-current liabilities	0.6	0.0	0.0
Current bank loans	317.5	0.0	0.0
Derivative financial liabilities	−1.3	−1.3	31.3
Trade liabilities	26.5	0.0	0.0
Other financial liabilities	19.0	0.0	0.0
	378.1	**14.5**	**442.4**

Credit risk

A credit risk is the unexpected loss of funds or revenues due to counterparty default. The group especially manages credit risks in the "Private Investors" segment by concluding purchase agreements only after evidence of the refinancing of the contract partner has been provided. Usually, credit risks in the "Institutional Investors" segment are only entered after a refinancing confirmation. Thus, there are no major credit risks in this regard. Other credit risks from granted loans, default risks relating to the liquid funds and advance payments to sales partners are only entered following an individual analysis performed under consideration of the amount in question. Due to the relative significance of the "Institutional Investors" segment and the dependence of the segment on certain transactions, the group may encounter a temporary concentration of default risks. Due to their significance, the group manages these risks individually, not according to general guidelines.

On the balance sheet date, the carrying value of the financial assets represents the maximum default risk.

Further information on the scope of use of derivative financial instruments can be found in the additional disclosures concerning the respective balance sheet item in section D.16.

Capital management

The primary objective of the group's capital management is to ensure a good equity ratio in the group in order to support its business activity and to increase the goodwill. Thus, the group primarily manages the capital with the help of the group's equity ratio at group level according to IFRS. The group's equity ratio should not be under 20 %. The dividend policy and capital measures are structured under consideration of these objectives.

The group's equity ratio amounted to 25.0 % as of 31 December 2007 and 28.5 % as of 31 December 2006. As a matter of principle, financial liabilities for financing the building contract business and the real estate portfolio held for sale are assumed at the level of project companies on the basis of so-called "non-recourse" financing. The group manages the financing structure for this purpose in a case-specific manner. Vivacon's financing contracts generally include typical industry interest covenants.

B Consolidated companies, changes in the scope of consolidation, and consolidation principles

In addition to Vivacon AG, the consolidated companies comprise all subsidiaries for which Vivacon AG holds the majority of the voting rights, i.e. which it controls as defined in IAS 27. yoo Deutschland GmbH, Cologne, is fully consolidated with a 50 % share, as Vivacon AG has the right to appoint the majority of managing directors.

Subsidiaries are fully consolidated from the time of acquisition, i.e. from the time from which the group gains control. The consolidation ends as soon as the parent company is no longer in control.

The issuers of any bonded loans mortgaged and placed on the capital market are also included among the consolidated companies. These companies have sold bonded loans collateralised by leasehold land to special purpose entities based in Luxembourg. The rights to dispose of the shares and assets, which are limited for the term of mortgage, do not conflict with the need to consolidate the company. Moreover, the Luxembourg-based acquirers of the bonded loans are also included among the consolidated companies pursuant to SIC 12 as special purpose entities, since their assets are attributable to the group in economic terms. These financing companies then placed the bonded loans on the capital market.

The consolidated financial statement comprises Vivacon AG and its included subsidiaries as of 31 December of every financial year. The group does not use financial years that differ from the calendar year.

The financial statements of the subsidiaries are consolidated and included as of the same balance sheet date as the parent company, in compliance with standardised accounting and valuation principles.

All intra-group balances, income, expenses, and unrealised profits and losses from intra-group transactions are fully eliminated.

The consolidated financial statement is prepared in euro, the functional currency of all included companies and the group's reporting currency. In the group, only one subsidiary has a functional currency other than euro. This is Vivacon CEE. In the reporting period, this Czech subsidiary was consolidated for the first time. In this individual case, the group's reporting currency and the local currency are not identical. Monetary assets and liabilities in foreign currency are converted to the functional currency on every balance sheet date, using the exchange rate of the balance sheet date. All currency differences are recognised in profit or loss. Non-monetary items carried at amortised historical acquisition or manufacturing cost in a foreign currency are also converted using the exchange rate on the date of the business transaction.

The assets and liabilities of the Czech company were converted using a closing date exchange rate of 1 euro = 26.67 Czech crowns. Income and expenses were converted using an average annual exchange rate of 1 euro = 27.78 Czech crowns. The resulting conversion differences are recorded as separate equity component. The cumulative amount recorded in the equity for a foreign enterprise is resolved when this foreign enterprise is disposed of, which is recognised in profit or loss.

Minority interests represent the portion of the result and the net assets that is not attributable to the group. Minority interests are reported separately in the consolidated profit and loss statement and in the consolidated balance sheet. In the consolidated balance sheet, they are reported under equity, separated from the equity allocated to the shareholders of the parent company. Minorities result exclusively from new establishments. Therefore, no goodwill is accounted as difference between the purchase price and the carrying value of the acquired net assets allocated to the minority shareholders on a pro-rata basis.

a) Changes in the scope of consolidation

In the 2007 financial year, Vivacon AG established numerous new companies, primarily for the purpose of purchasing residential real estate portfolios. The consolidated companies and the associated direct and indirect shareholding ratios as of 31 December 2007 can be found in annex 1 to these notes.

By means of the notarial contract dated 13 July 2007, the group purchased 100.0 % of the interests in APV Alsterproperty GmbH & Co. KG, Seevetal (now renamed Vivacon Development Harvesterhuder Weg III GmbH & Co. KG) and 100.0 % of the interests in APV Alsterproperty Vermögensverwaltungs GmbH. APV Alsterproperty GmbH & Co. KG is the owner of a plot of land in Hamburg, which is developed within the scope of a development project. The said acquisitions do not represent a business combination pursuant to IFRS 3.4. At the time of takeover, the companies did not have independent, permanent business operations. Therefore, IFRS 3 does not apply. The old structures purchased by way these companies from the group perspective were accounted at acquisition costs, which comprise the carrying value of the land plus the portion of the purchase price of the shares that exceeds the acquired equity of the respective company.

As of 31 October 2007, the group purchased 99.7 % of Westdeutschland Immobilien Portfolio IV./2007 GmbH & Co. KG and 94,6 % of Westdeutschland Erwerber Portfolio IV. /2007 GmbH. After the purchase of the interests, Westdeutschland Immobilien Portfolio IV./2007 GmbH & Co. KG purchased real estate portfolios in the Ruhr area; until the time of the purchase, both companies were shelf companies without operating activities. Therefore, IFRS 3 does not apply in this case, either.

Vivacon AG concluded a contract for the acquisition of 100 % of the shares in the stock corporation now operating under the name Vivacon CEE with effect from 1 March 2007. The acquisition costs for the shares amounted to TEUR 7. Until the purchase, the company was a shelf company without operating activities. Therefore, IFRS 3 also does not apply in this case.

As a matter of principle, business combinations are accounted by applying the purchase method. The goodwill resulting from a business combination is determined as the excess of the acquisition costs of the merger over the acquiring party's portion of the fair value of identifiable assets, liabilities and contingent liabilities of the acquired company. Negative differences are recognised in the profit and loss accounts. After the initial recognition, the goodwill is carried at cost minus accumulated impairment losses, which are calculated on the basis of an impairment test to be carried out.

By means of the contract dated 9 February 2008, Vivacon AG acquired 80 % of the interests in Curanis Holding GmbH. The strategic purpose of this acquisition is the expansion of the value chain in the group and synergies in the management of the real estate portfolios held by the group. Curanis Holding GmbH is one of the market-leading real estate management companies in Germany. The companies of the Curanis group have approximately 600 employees and manage a total of approximately 53,000 residential and commercial units with a total value of approximately EUR 4.0 billion. In 2007, the company generated revenues of EUR 25.0 million, with an EBIT margin of approximately 10 %. The acquisition of the group took place with economic effect from 1 January 2008. For this reason, Curanis Holding GmbH and its subsidiaries are not included in the consolidated financial statements of Vivacon AG as of 31 December 2007. The tentative purchase price for the said acquisition of interests is EUR 18.75 million and will be determined conclusively on the basis of the audit (yet to be completed) of the takeover balance sheet as of 1 January 2008. Subject to the outstanding results of the closing audit process, the Curanis group mainly has receivables and liquid funds at the time of acquisition. At the time of acquisition, the balance sheet equity is estimated at EUR 2.0 million. Other disclosures about the individual asset classes, liabilities and contingent liabilities are virtually impossible for the time being, as the preparation and audit of the takeover balance sheet have not yet been completed. The acquisition costs of the stake are mainly determined by the long-term management agreements. Therefore, these long-term management agreements represent material intangible assets as of the time of takeover.

Acquisition of companies in the prior year:
Under the agreement dated 26 October 2006, the Vivacon group purchased 94.08 % of the interests in the formerly municipal housing company Rendsburger Wohnungsgesellschaft mbH. The first consolidation took place on 30 November 2006. The acquisition costs of the interests amounted to TEUR 3,083. The acquisition costs consisted of the contractually agreed purchase price for Rendsburger Wohnungsgesellschaft amounting to TEUR 3,030 plus ancillary acquisition costs of TEUR 53. At the time of acquisition, Rendsburger Wohnungsgesellschaft did not hold assets of any significant value other than the real estate property carried at amortised cost (TEUR 26,853) and assets from the service charge statement for the reporting period (TEUR 1,726). The total assets on the date of initial consolidation amounted to TEUR 28,754. In addition to the liabilities to banks and other creditors (TEUR 24,053) and down payments received from tenants (TEUR 1,430), the company mainly had provisions for deferred compensation payments to the state pension funds and for the flat-rate taxation of these liabilities (TEUR 1,109). The total liabilities on the date of initial consolidation amounted to TEUR 26,841. On the date of acquisition, the statutory equity on the trade balance sheet totalled TEUR 1,913. In the course of the purchase price allocation to the assets and liabilities acquired, the land was carried at an amount that was TEUR 3,847 higher, and additional liabilities arising in connection with the initiated liquidation of Rendsburger Wohnungsgesellschaft mbH (TEUR 940) and deferred taxes resulting from the distribution of profits before taxes (so-called tax "EK 02") amounting to TEUR 970 were recorded. This resulted in a negative difference arising from the initial consolidation. This negative difference of TEUR 539 was recognised in profit or loss in the prior year. The revenue was posted as other operating income. The total acquisition costs of the investment, which affected payments in the prior year, amounted to TEUR 3,083. The liquid funds acquired with the subsidiary totalled TEUR 92. Since the initial consolidation, a loss of TEUR 279 was recorded in the result for the 2006 period. Had consolidation taken place under comparable circumstances on 1 January 2006, the group would have been able to achieve additional revenue amounting to TEUR 4,278 and additional consolidated net profit for the year of TEUR 330. Rendsburger Wohnungsgesellschaft mbH was sold in the 2007 reporting period. From the sale, the group realised revenues amounting to TEUR 1,426.

Furthermore, under a contract dated 23 October 2006, a subsidiary of Vivacon AG purchased 94.0 % of the interests in DENUS Sechsundneunzig Unternehmensverwaltungs GmbH. The acquisition costs for the shares amounted to TEUR 26. The initial consolidation resulted in a goodwill of TEUR 2, which was posted as expense in 2006. At the time of acquisition, the company only reported liquid funds totalling TEUR 24 resulting from the payment of the capital stock on the assets side. No other assets and liabilities were posted at the time of acquisition. The carrying value of the assets and liabilities at the time of acquisition corresponded to their fair value. Since the date of acquisition, a loss of TEUR 280 has been recognised in the 2006 group result. The acquisition of this shelf company as of 1 January 2006 would not have impacted the financial figures (revenues, period result) of the group. DENUS Sechsundneunzig Unternehmensverwaltungs GmbH, which was renamed Rendsburger Erwerber GmbH in 2007, was sold in the 2007 reporting period. The group realised a loss of TEUR 284 before taxes from the sale of the interests.

As in the prior year, the other subsidiaries joining the consolidated companies are intra-group start-ups.

As in the prior year, the group sold numerous interests in associated companies within the scope of the operating activity. In the reporting period, the following companies that were among the consolidated companies as of 31 December 2006 were sold:

- Rendsburger Wohnungsgesellschaft mbH
- Rendsburger Erwerber Gesellschaft mbH
- Vivacon Immobilien Portfolio X./2006 GmbH & Co. KG
- Vivacon Immobilien Portfolio XI./2006 GmbH & Co. KG
- Vivacon Immobilien Portfolio XV./2006 GmbH & Co. KG
- Vivacon Immobilien Portfolio XVII./2006 GmbH & Co. KG
- Vivacon Immobilien Portfolio XVIII./2006 GmbH & Co. KG
- Vivacon Immobilien Portfolio I./2007 GmbH & Co. KG
- Vivacon Immobilien Portfolio II./2007 GmbH & Co. KG
- Vivacon Immobilien Portfolio IV./2007 GmbH & Co. KG
- Vivacon Immobilien Portfolio VI./2007 GmbH & Co. KG
- Vivacon Immobilien Portfolio VIII./2007 GmbH & Co. KG
- Vivacon Erwerber Portfolio X./2006 GmbH
- Vivacon Erwerber Portfolio XI./2006 GmbH
- Vivacon Erwerber Portfolio XV./2006 GmbH
- Vivacon Erwerber Portfolio XVII./2006 GmbH
- Vivacon Erwerber Portfolio XVIII./2006 GmbH
- Vivacon Erwerber Portfolio I./2007 GmbH
- Vivacon Erwerber Portfolio II./2007 GmbH
- Vivacon Erwerber Portfolio IV./2007 GmbH
- Vivacon Erwerber Portfolio VI./2007 GmbH
- Vivacon Erwerber Portfolio VIII./2007 GmbH
- Vivacon Immobilien Portfolio XV./2006 Verwaltungs GmbH
- Vivacon Immobilien Portfolio IV./2007 Verwaltungs GmbH

Due to its structure under company laws, the sale of company interests is an elementary part of the business activity of the Vivacon Group. Owing to the structure, the sold real estate portfolios are purchased by independent subsidiaries. Only in exceptional cases, the resale of real estate portfolio takes place in the form of a so-called asset deal. For this reason, no further disclosures are made concerning the sold companies, as the respective business areas do not represent separate material business areas.

b) Consolidation principles

The financial statements of subsidiaries to be included in the consolidation are prepared in compliance with standardised accounting and valuation principles according to IAS 27.

Capital consolidation was conducted according to IAS 27 and IFRS 3 by offsetting the carrying amounts of the company's investments against the equity of the subsidiaries on the date of acquisition. Any remaining positive differences are capitalised as goodwill. Intra-group receivables and liabilities are offset against each other within the scope of debt consolidation. There are no residual balances. Intra-group expenses and income are also offset against each other.

c) Accounting and valuation of associated companies

Since 1 October 2006, Vivacon AG has held a 30% stake in two companies. Until 30 September 2006, one of these companies was included in the consolidated financial statements of Vivacon AG as a subsidiary. The group carries its share in the assets and liabilities by applying the so-called "at-equity" method (see C.3). The financial statements of the associated companies are prepared in compliance with the accounting and valuation principles of the Vivacon group and on the same balance sheet date as the financial statements of Vivacon AG.

C Accounting methods

01 Intangible assets

Any intangible assets acquired are carried at cost according to IAS 38 and amortised on a straight-line basis over a useful life of 3 to 7 years. Intangible assets posted in the group refer largely to licences that are amortised over the minimum terms of the license agreement. Intangible assets are either derecognised upon disposal or if no further economic benefit is expected from the further use or sale of the asset. The residual value, useful life and depreciation principles are reviewed at the end of each reporting period and adjusted if necessary.

The goodwill from the purchase of Vogtländische Baugesellschaft Verwaltungs-GmbH in Plauen was last amortised in 2004 systematically on the basis of a useful life of five years. The book value of the goodwill developed as follows:

	2007 '000 €	2006 '000 €
Carrying amount as of 5 June 2002 (initial consolidation)	45	45
Accumulated additions (previous years)	3	3
Accumulated amortisation (previous years)	– 26	– 26
Carrying amount on the balance sheet reporting date	22	22

The goodwill resulting from the acquisition of further companies was written down, as it related to off-the-shelf companies without operating activities and a company with an exclusive general partner function. In this connection, expenses amounting to TEUR 4 were recorded in the reporting period.

02 Property, plant and equipment

The property, plant and equipment except for investment property are carried at amortised cost. The assets of the property, plant and equipment that are carried at cost relate exclusively to furniture, fixtures and fittings. The amortised acquisition costs are calculated on the basis of the historical acquisition costs minus accumulated impairment losses and scheduled amortisation. No impairments were necessary in the previous years and in the reporting period. Depreciable property, plant and equipment (other equipment, fixtures and fittings) are depreciated on a straight-line basis over a useful life of 3 to 15 years. The residual values, useful lives, impairments and methods of writing down are checked at the end of a given reporting period and, if necessary, adjusted. As a matter of principle, impairments are recognised in profit or loss. Borrowing costs are recorded in the period in which they accrue.

The investment property posted on the balance sheet date only includes leasehold land. The hereditary leasehold agreements concluded are operating lease agreements as defined by IAS 17, with the leasehold land accounted at the lessor. These leasing relationships are classified as operating lease relationships, as not all material risks and opportunities associated with the ownership are transferred from the group to the leaseholder. Leasehold land posted under "investment property" must therefore be assessed according to IAS 40.

Leasehold properties are carried at fair value in compliance with IAS 40. At initial recognition, investment properties are carried at acquisition cost plus incidentals. During the year under review and in the prior year, there was no derecognition or permanent inability to use properties for commercial purposes. Plots of land reported under non-current assets are transferred to the investment property portfolio as soon as they are held for the purpose of obtaining land rents and appreciation. When transferring plots of land in the field of "restoration" from inventories to the investment property after asserting leasehold entitlements, any difference existing at this point in time between the fair value and the previous carrying value are recognised in profit or loss. For further details, please consult section D. 1 a) of these notes.

Property, plant and equipment assets are either derecognised upon disposal or if no further economic benefit is expected from the further use or sale of the asset.

On every balance sheet date, the group determines whether there are any indications of an impairment of an asset. If such indications are present, the group estimates the realisable amount of the particular asset. As in the prior year, there was nothing that would indicate an impairment as of the balance sheet date.

As per the balance sheet date - and on 31 December 2006 - no buildings were posted by the group under property, plant and equipment. We have short-term plans to sell the land and buildings posted under inventories as per the balance sheet date. Therefore, the real estate reported in the current assets is carried at the lower of the acquisition costs of the assets or the net realisable value.

03 Financial assets - investments

Financial assets largely relate to share investments in associated companies. The group exerts significant influence on these companies, which are neither subsidiaries nor joint ventures.

The financial accounting and valuation of these investments takes place using the "at-equity" method. The shares in the associated companies, the acquisition costs and the change in the group's interest in the shareholders' equity of the associated companies are shown in the balance sheet. The profit and loss statement contains the share of the group in the success of the associated company. Profits and losses resulting from current transactions between the group and associated companies did not occur. The group determines on every balance sheet date whether there are any objective indications of impairments of interests in associated companies. Should this be the case, the difference between the fair value of the associated company and the acquisition costs is recorded as impairment loss, recognised in profit or loss.

The balance sheet date and the accounting and valuation principles of the associated company are the same as those of the group. More information on this item is provided separately in section D. 1 c) of these notes.

As in the prior year, there were no objective indications of impairments of interests in associated companies as of the balance sheet date.

04 Real estate held for sale, work in progress and pre-construction costs

Real estate held for sale, work in progress and pre-construction costs are assessed according to IAS 2.9 at acquisition and manufacturing costs or at the net realisable value, if this is lower. The net realisable value is the estimated selling price minus any costs that accrue until completion. No impairment to a lower net realisable value was posted during the reporting period.

Manufacturing costs encompass all individual costs including above all the services of the general contractors entrusted with the construction of the properties as well as, if applicable, the purchase costs of the original building structures used for the new properties. Owing to the structure of the Vivacon group, no manufacturing overheads accrued. Borrowing costs are not taken into consideration.

Real estate held for sale that fulfil the criteria of IAS 11 are accounted according to IAS 11. According to this standard, contract revenues and contract costs shall be recorded as income and expenses in connection with the respective construction contract in line with the stage of completion as of the balance sheet date. An expected loss from the construction contract shall be immediately accounted as expense. Borrowing costs are recorded as expenses according to the preferred method.

The contract revenues correspond to the originally agreed purchase prices and additional revenues, to the extent that these can be determined in a reliable manner and it is probable that they will result in revenues.

The contract costs comprise all costs that can be allocated directly to the individual contract.

The stage of completion is determined on the basis of the ratio of costs already incurred to the prudent estimate of the total costs.

05 Financial assets

Depending on the individual case, financial assets as defined by IAS 39 are either held as financial assets assessed at fair value through profit or loss, as loans and receivables, as investments held to maturity or as investments available for sale.

The designation of the financial assets in the valuation categories took place during their initial recognition. Reclassifications are performed as of the end of the financial year, insofar as this is possible and necessary.

Financial assets relate to the following balance sheet items and financial asset classes:

in '000 €	31.12.2007	31.12.2006
1) Non-current receivables from associated Fcompanies – receivables carried at (amortised) cost	19,698	16,782
2) Other non-current financial assets – receivables carried at (amortised) cost	302	297
3) Non-current cash – cash and cash equivalents carried at (amortised) cost	4,600	4,600
4) Rent and lease receivables – receivables carried at (amortised) cost	1,806	1,386
5) Positive fair value of interest hedging agreements – financial assets carried at fair value	6,007	0
6) Current receivables from associated companies – receivables carried at (amortised) cost	2,782	1,137
7) Current receivables from the sale of buildings and commissions and receivables from construction contracts – receivables carried at (amortised) cost	65,068	37,272
8) Other current assets – – receivables carried at (amortised) cost	17,823	10,746
9) Cash, balances at banks and cheques – carried at (amortised) cost	137,577	154,553

When first recorded, financial assets are carried at fair value. In the case of financial assets other than those classified as investments carried at fair value through profit or loss, transaction costs that are directly attributable to the purchase of the asset are also taken into consideration.

All standard purchases and sales of financial assets are accounted on the trade date, i.e. on the date on which the group enters the obligation to purchase or sell the asset. Standard purchases and sales are purchases and sales of financial assets that prescribe the delivery of the assets within a period determined by market regulations or market conventions.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Upon initial recognition, loans and receivables are carried at amortised cost minus the allowance for impairment by applying the effective interest method. Profits and losses are recorded in the period result if the financial asset is derecognised or impaired and within the scope of amortisation.

Except for the receivables from derivative financial instruments, which are carried at fair value through profit or loss, the current assets of the Vivacon group mainly comprise financial assets held as loans and receivables and investments held to maturity. Individual assets that meet the criteria and are designated as such are allocated to the category "financial assets held for sale". Therefore, receivables and other assets are carried at amortised cost, which generally corresponds to the par value before impairment.

The receivable from associated companies that is reported under non-current assets relates to a receivable from bonded loans. These non-derivative financial assets with fixed or determinable payment amounts and fixed maturities are classified as "loans and receivables". Following the initial recognition, the investments held to maturity are carried at amortised cost, using the effective interest method. Profits and losses are recorded in the period result if the investment is derecognised or impaired and within the scope of amortisation.

None of the reported receivables and other assets are listed in any active market. The carrying values and fair values of the financial assets recorded in the consolidated financial statements are detailed below.

On 31 December 2007, as in the prior year, no financial assets were designated as "at fair value through profit or loss".

The group uses derivatives to hedge against interest rate fluctuation and inflation risks. The corresponding contractual terms and the accounting and valuation of these financial instruments are detailed in section D. 16 of these notes.

Impairment of financial assets

On every balance sheet date, the group determines whether there is any impairment of a financial asset or a group of financial assets.

If there are objective indications that an impairment of financial assets carried at amortised cost has taken place, (e.g., substantial difficulties of the debtor or substantial payment delays), the amount of the impairment is assessed as the difference between the carrying value of the asset and the net present value of the anticipated future cash flow, discounted with the original effective interest rate of the financial asset, under consideration of recoverable collateral. The carrying value of the asset is reduced with the help of an impairment account. The impairment loss is recognised in profit or loss. The impairment account is derecognised against the carrying value of the receivable as soon as the receivable is considered as definitely irrecoverable.

If the amount of the impairment is reduced in the following periods and if this reduction can objectively be traced to an event that takes place after the impairment is recorded, the previously recorded impairment is reversed. However, the new carrying value of the asset must not exceed the amortised cost at the time of the appreciation. An appreciation is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised if one of the following criteria is met:

- the contractual rights to the cash flows from a financial asset have expired

- though the group retains the rights in connection with cash flows from financial assets, it assumes a contractual obligation for the immediate payment of the cash flow to a third party under an agreement that fulfils the conditions of IAS 39.19 (pass-through arrangement), or the group has transferred its contractual rights in connection with cash flows from a financial asset, which involves the (a) transfer of essentially all risks and opportunities associated with the ownership of the financial asset or, (b) though neither transferring nor retaining all risks and opportunities associated with the ownership of the financial asset, the transfer of the authority to dispose of the asset

All in all, the net result from the financial assets only relates to the item "other assets". Other net results were not obtained in the other categories. The net result is presented in detail in the respective balance sheet item and represents the balance of all amounts recorded in the profit and loss statement for the individual balance sheet items.

06 Cash and cash equivalents

Cash and cash equivalents include cash holdings, cash at banks and short-maturity securities. Cash and cash equivalents are carried at amortised cost.

07 Other provisions

Other provisions are made if the group has a current (legal or de facto) obligation due to a past event, the outflow of resources with economic benefits to meet the obligation is probable and a reliable estimate of the amount of the obligation is possible.

According to IAS 37, other provisions are carried at the best-possible estimation of the total expenditure required to meet all existing liabilities on the balance sheet date, taking into account all apparent risks and uncertain obligations based on past events whose amount and maturity are uncertain. No provisions were discounted on 31 December 2007 due to the exclusively short-term maturity of uncertain liabilities posted under provisions.

The group does not have any obligations resulting from defined benefit pension schemes.

08 Share-based compensation

The costs arising in connection with the granting of share options to members of the Executive Board and employees of the group that took place after 7 November 2002 are carried at the fair value of these equity instruments at the time of their granting. The fair value is calculated on the basis of acknowledged share option models (further details are provided in section D. 12 of these notes).

The recording of the expenses arising from the granting of equity instruments and the corresponding increase in equity occurs over the period in which the exercise or performance terms must to be met (so-called "vesting period"). This period ends on the day of the first exercise option i.e. at the time at which the particular employee receives an irrevocable subscription entitlement. The accumulated expenses arising from the granting of equity instruments on each balance sheet date until the time of initial exercise option take account of the part of the vesting period that has already elapsed as well as the number of equity instruments that are actually exercisable upon expiry of the vesting period based on the group's best possible estimate. The amount charged or credited to the profit and loss statement reflects the development of the accumulated expenses recorded at the start and end of the reporting period.

09 Liabilities

Due to materiality, liabilities except for financial liabilities are carried at the repayment amount. As of the balance sheet date, there were no non-interest-bearing, non-current liabilities carried at their present discounted value.

Financial liabilities relate to the following balance sheet items:

in '000 €	31.12.2007	31.12.2006
1) Non-current liabilities from bonds – carried at (amortised) cost	173,833	173,897
2) Non-current liabilities to banks – carried at (amortised) cost	114,477	0
3) Other non-current financial liabilities – carried at (amortised) cost	601	535
4) Current liabilities to banks – carried at (amortised) cost	300,308	199,283
5)) Liabilities from the purchase of land – carried at (amortised) cost	0	15
6) Trade liabilities – carried at (amortised) cost	26,459	12,548
7) Liabilities from derivative financial instruments – carried at fair value	10,735	3,406
8) Financial liabilities to associated companies – carried at (amortised) cost	2,143	937
9) Other financial liabilities – carried at (amortised) cost	16,903	18,575

Financial liabilities

The financial liabilities of the Vivacon group consist of interest-bearing loans, liabilities from supply and service agreements, and financial liabilities from financial instruments. As in the prior year, liabilities from financial guarantees and "financial liabilities held for trading purposes" in excess of the derivatives did not exist in the reporting period.

When first recorded, interest-bearing loans are carried at fair value of the consideration received minus the transaction costs associated with the loan. Subsequent valuations are carried at amortised cost using the effective interest method. Profits and losses are recorded as affecting net income if the liabilities are derecognised and within the scope of amortisations. A financial liability is derecognised if the obligation underlying this liability is met, cancelled or expires.

Profits and losses from the valuation of derivatives are recorded as affecting net income. Other important net results only relate to the interest on the respective categories; the net result represents the balance of all amounts recorded in the profit and loss statement for the individual balance sheet items.

If an existing financial liability is replaced by another financial liability from the same lender, but with substantially different contractual terms, or if the terms of an existing liability are modified to a significant extent, such a replacement or modification will be treated as if the original liability had been derecognised and a new one applied. The difference between the respective carrying amounts is shown as affecting net income.

10 Taxes

Actual taxes:
The actual tax refund entitlement and tax liabilities for the current and earlier periods are assessed on the basis of the amount the group expects to have refunded by the tax authorities or that it expects to pay to the tax authorities for past financial years. This amount is calculated on the basis of the tax rates and tax laws applicable on the balance sheet reporting date.

Deferred taxes:
Deferred tax assets and liabilities are recorded on the basis of the liability method for all taxable temporary differences between the assessment base of an asset or liability in the balance sheet and the assessment base for tax purposes. Deferred tax assets are recorded for all unused tax losses to the extent that it is likely that taxable income will become available for this purpose. The deferred tax rate is 31.6 % (prior year: 39.9 %).

Deferred tax assets and tax liabilities are assessed on the basis of the tax rates expected to be applicable during the period in which an asset is realised or a liability is discharged. The assessment is carried out on the basis of the tax rates and tax laws applicable on the balance sheet date. Therefore, the reduction in tax rates scheduled to come into force in 2008 within the framework of the corporate tax reform was not taken into consideration in the assessment of deferred taxes.

11 Derivative financial instruments and hedges

The group uses derivative financial instruments such as interest swaps and inflation swaps to hedge against interest and inflation risks (see also section A of these notes). These derivative financial instruments are carried at fair value upon conclusion of an agreement as well as in subsequent periods. Derivative financial instruments are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Any derivatives issued by the Group are long-dated instruments. Nevertheless their positive or negative fair values are reported under current assets or short-term debts.

Profits or losses resulting from changes in the fair value of derivative financial instruments that are not reported as hedging instruments in the balance sheet are immediately shown as affecting net income.

The fair value of interest swap agreements is determined with reference to current relevant market parameters. More information regarding the determination of the fair value of the interest swap is provided in section D.16.d).

Changes in value over the course of a period are shown as affecting net income. Derecognition takes place in the event of the expiry of contractual rights or if the group transfers the rights derived from the derivative financial instruments (further information is provided in section D.16 of these notes, the corresponding criteria for the derecognition of financial assets and liabilities is provided in section C).

On 31 December 2007, the inflation hedging agreements had negative market values. These negative market values are therefore reported in the item "Liabilities from derivative financial instruments" under current liabilities. The negative change in value of these agreements in the year under review are shown under miscellaneous operating expenses.

The negative market values of interest hedging agreements that were also reported as "Liabilities from derivative financial instruments" on 31 December 2007 all result from agreements that were concluded in the financial year 2007. The negative changes in market value are posted as interest and similar expenses.

The positive changes in market value of the interest hedging agreements concluded in 2006 are reported in the profit and loss statement under interest and similar income.

12 Revenue recognition

Revenue is generally posted where it is likely that the group will accrue the economic benefit and the income can be reliably determined. Particular reference is made to the criteria outlined in the following:

Sale of flats in the Private Investors business:
Revenue recognition occurs by applying the details explicitly relevant to the real estate sector set out under Example 9 of IAS 18, whereby the specifics of the provisions laid down in the Real Estate and Property Development Act and binding for German real estate companies apply. The revenue is shown on the basis of the purchase price instalments stipulated by the Real Estate and Property Development Act as soon as the respective projects have been completed and the associated risks have been transferred. The time of realisation is generally taken to be the date on which notice of maturity regarding the respective purchase price instalment is issued by the notary. If, in individual cases, the requirements for the application of IAS 11 should be fulfilled the group recognises the revenues according to the building progress.

Revenue from the sale of portfolios:
Income from the sale of portfolios includes the purchase prices for portfolio companies transferred within the framework of share deals as well as the acquisition costs for properties transferred to the Vivacon group by way of additional purchase price from the Sold portfolio companies ("earned properties"). Both income components are generally collected if the beneficial ownership is transferred.

For the portfolio companies this is the point in time stipulated in the transfer agreement at which risks and rewards are transferred; in the case of property transfers the income is generally not collected until in addition to beneficial ownership, legal ownership has been secured by means of registration of a priority notice of conveyance.

Income from rents, ground rents and lease payments are realised pro rata temporis and duly adjusted per the reporting date. As the total amount of rental returns substantially depends on the holding periods of the properties intended for portfolio transactions, the actual amount of rental returns may vary year on year.

D NOTES TO THE BALANCE SHEET

01 Intangible assets; property, plant & equipment and financial assets

Changes in the individual items of these non-current assets throughout the reporting year and the previous year are shown in the table of fixed assets, alongside the depreciation and amortisation for the financial year (annex 2 to these notes).

As in the previous year, no impairment of intangible assets or of property, plant & equipment and financial assets occurred in the reporting year.

On 31 December 2007, a payout with an amount of TEUR 96 (previous year: TEUR 0) was posted within financial assets in connection with an acquisition that will become financially effective in 2008.

The carrying amount of vehicles held on the basis of hire-purchase contracts on 31 December 2007 was TEUR 24 (prior year: TEUR 46).

The additions / disposals in connection with the acquisition and sale of businesses exclusively result solely from the acquisition of the Rendsburger Wohnungsgesellschaft GmbH in 2006 and its subsequent sale in the reporting year 2007.

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a) Property valuation according to IAS 40

The carrying amount of investment properties held has developed as follows since 31 December 2005:

	million €
Carrying amount (fair value) as of 31.12.2005	93.0
2006 additions (at acquisition cost)	75.5
Increase on the basis of fair-value valuation	50.6
Increase in relation to the fair-value valuation of properties already in the portfolio on 31 December 2005	8.0
Carrying amount (fair value) as of 31.12.2006	227.1
2007 additions (at acquisition cost)	50.0
Increase on additions during the year under review on the basis of fair-value valuation	63.2
Increase in relation to the fair-value valuation of properties already in the portfolio on 31.12.2006	7.7
Carrying amount (fair value) as of 31.12.2007	**348.0**

The additions in 2007 include additions from direct acquisitions amounting to EUR 3.3 million (previous year: EUR 47.4 million). The other additions are attributable to transfers from current assets (EUR 46.7 million, previous year EUR 28.1 million), which partially result from the renumeration in form of land transfer (EUR 29.9 million, previous year EUR 27.7 million). The Vivacon group usually sells real property in the Portfolio Trading segment and in the Listed Properties business segment in the area of ground lease. The land remaining in the possession of the Vivacon group represents a material part of the trading or contractor margin. The acquisition costs of the leasehold properties are therefore calculated by distributing a total purchase price to the land and properties built on it.

Leaseholds and the associated leasehold properties still lead a marginal existence in the German property market. There is therefore only a limited amount of representative market data available on leaseholds and leasehold properties, which means that the fair values of leasehold properties have to be estimated on the basis of valuation methods according to the classification model outlined in IAS 40. Here, it is necessary to constantly and intensively adjust fair values to current market developments.

To establish the fair value of the ground lease properties Vivacon AG continued to employ the discounted cash flow (DCF) method. External appraisal reports are not commissioned. Due to the long terms of ground lease contracts as well as to the option of extending leasehold entitlements or using the property further subsequent to the expiry of the contractual term, the perpetual pension model is applied such that the value of the property is determined by a multiplier derived from the cash flow discount interest rate, via which annual ground rent payments are multiplied. The individual valuation of the ground lease properties occurred by including the forecast real ground rent cash flow for the individual property in the DCF valuation. The different levels of these cash flows reflect in particular the location-specific differences in quality between individual leasehold properties.

Due to the identical risk structure and the high reliability of the cash flow, the applicable discount rate when using the DCF method was therefore derived from the capital market and applied across the board for all leasehold properties.

Discount rate

The determination of the discount rate reflects in particular the following underlying principles of a leasehold agreement:

- Leasehold contract terms exceeding 99 or 198 years as well as relatively few deviations in the residual terms of individual contracts from the agreed terms

- 100 % adjustment of monthly ground rents – payable in advance – to the cost-of-living index at regular intervals of between one and three years depending an the contract concerned

- High level of security due to the legally standardised practices for ordering leaseholds (property ranks above other forms of credit in safeguarding the owner of the leasehold property)

- Low ongoing general administrative costs

The discount rate in the 2007 financial year was derived as following including a comparison with the previous year's rate:

	2007	2006
Long-term interest rate		
Interest rate of a 10-year mortgage bonds	4.70 %	4.00 %
Long-term mark-up derived with Svensson method	0.50 %	0.30 %
	5.20 %	4.30 %
Inflation mark-down	– 2.40 %	– 1.50 %
Inflation-adjusted long-term interest rate	2.80 %	2.80 %
General risk mark-up	1.25 %	1.35 %
Discount rate	4.05 %	4.15 %

The above derivation demonstrates that the increase in the nominal interest rate determined in the financial year 2007 was accompanied by an increase in inflation expectations. All in all, the inflation-adjusted long-term interest rate, which is relevant for the valuation, remained unchanged over the prior year at a level of 2.8 %.

The discount rate consists of a long-term real-estate specific real base interest rate plus an appropriate risk surcharge. The real-estate specific real base interest rate is calculated, as in the previous year, on the basis of the interest for mortgage bonds with a maturity of 10 years. The mark-up was determined on the basis of the Svensson method in order to adequately take into account the long-term nature of the leasehold agreements outlined above. The Svensson method is a mathematical procedure that enables one to draw longer-term conclusions by means of the interpolation of observable interest structure curves. Furthermore, owing to the contractually agreed inflation adjustment a mark-down was taken into consideration to determine the long-term real interest. This is calculated on the basis of information available to the group concerning long-term inflation forecasts and in this context in particular on the basis of the terms and conditions of long-term inflation swap agreements. In addition, the actual inflation level of the reporting year was used in the calculation, and the determined inflation rate of 2.4 % was referenced for plausibility using the rate of interest of inflation-indexed federal bonds with a remaining time to maturity of 8 years.

The company also applied a general risk surcharge. This risk surcharge essentially reflects a mark-down recognised at the capital market. This value decreased by 10 base points compared with the previous year. For the principal application of this risk surcharge the following aspects were considered as was the case in the previous year:

- mark-downs owing to the uncertainty of future inflation-related leasehold cash flow anticipated by the capital market despite the option to conclude hedging transactions, and the associated relative attractiveness of inflation-protected investment products

- costs associated with a change in the situation with respect to the land registry as well as latent risks perceived by the capital market associated with a potentially incomplete situation with respect to the land registry

- interest rate risks and

- general risks of default

Especially the first-mentioned circumstance is considered material by the group for the observable mark-down. Due to the higher demand for inflation-protected securities observable in connection with the actual inflation development, the company deems an adjustment of the security mark down necessary. Additionally, the company has external value indicators that – in particular because of the inflation adjustment of the leasehold payments – result in a higher valuation of the leasehold payments.

Due to the existing scope for discretion in calculating the risk surcharge, an adjustment of the discounting interest rate currently at 4.05 % will only be contemplated in the event of major changes to the risk-free real capital market interest rate, in the event of current market developments necessitating refining of valuation principles and/or if the way the capital market perceives certain risks changes fundamentally.

Determination of cash flows

The respective cash flows used for valuation purposes were moreover adjusted to allow for the following property-specific circumstances:

- Special agreements with leaseholders regarding the ground rent levels: the group concluded a collateral agreement relating to the ground rent levels for a leasehold property depending on the success of services to be rendered by the group

- Commencement of the ground rent payments: leasehold agreements concluded in the listed building segment generally schedule payment of ground rent for after the flat has been accepted. This delayed attachment date has been reflected in the cash flows. During the year under review, this adjustment affected three properties

During the year under review the group hedged against inflation-related increases of all collateralised cash flows by means of inflation swap agreements. From these collateral agreements the group generates annually fully secured cash flows in the amount of EUR 1.4 million (previous year: EUR 1.2 million).

b) Miscellaneous

In 2007, the group acquired several property portfolios used almost exclusively for residential purposes and located predominantly in North Rhine-Westphalia. The current market value of these properties is EUR 2.0 million (previous year: EUR 63.7 million).

In addition to the share purchase prices for the given portfolio companies, the sale of real estate portfolios to institutional investors brought the group properties with a current market value of EUR 63.6 million as revenue during the year under review. This turnover was posted under revenues in the amount of the current book values of the properties acquired (EUR 29.9 million). The fair value portion of these leasehold properties ascribable to the valuation in the amount of EUR 33.7 million is posted under earnings from the valuation as investment properties.

Ground rent revenues from leasehold properties amount to EUR 9.5 million in 2007, after EUR 4.3 million in 2006. Agreements existing on the balance sheet reporting date will lead to proceeds from ground rents in the following year of EUR 14.2 million, EUR 56.6 million in the next two to five years and EUR 2.2 billion thereafter (generally 98 or 198 years). When determining the future proceeds from ground rents, no allowance was made for inflation indexing.

The securitisation of parts of the leasehold properties at the beginning of 2006 means that leasehold properties carried at a fair value of EUR 74.4 million for per 31.12.2007 are not saleable until the end of the securitisation period in 2036. The scheduled securitisation of further parts of the leasehold properties in December 2006 means that leasehold properties carried at a fair value of EUR 96.7 million per 31.12.2007 are not saleable until the scheduled end of the securitisation period in 2017. Cash flows surpluses resulting from the ground rents and payments from the inflations swap agreements are to be used fully to cover interest and to repay the borrower's note loan.

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c) Non-current equity investments in associated companies

The non-current equity investments in associated companies relate to shareholdings in WIAG Wohnimmobilien AG, Freeholdco GmbH & Co. KG as well as Freeholdco GmbH. All of these companies are based in Cologne. The remaining capital shares are in each case held by Forum European Realty Income S.a.r.l, Luxembourg. This company holds the controlling interests as defined by IAS 27.

The group holds a 30 % stake in WIAG Wohnimmobilien AG. WIAG Wohnimmobilien AG manages residential leasehold portfolios in Neumuenster, Halle and Gera via subsidiaries.

Freeholdco GmbH is the non-shareholding managing general partner of Freeholdco GmbH & Co. KG. For this reason the at-equity value of these two companies was determined at a cumulative level. The group holds a 30 % stake in Freeholdco GmbH & Co. KG. Based an a disproportionate profit sharing agreement the group is entitled to a 50 % share of the net profit for the year generated by this company. The group holds a 30 % stake in Freeholdco GmbH. Via its subsidiaries, Freeholdco GmbH & Co. KG, Cologne is the owner of the properties in Halle, Neumuenster and Gera that are burdened with leaseholds in favour of WIAG Wohnimmobilien AG.

The following table contains a summary of the consolidated financial information relating to WIAG Wohnimmobilien AG per 31 December 2007:

in '000 €	WIAG Wohnimmobilien AG 2007	WIAG Wohnimmobilien AG 2006
Current assets and accruals	13,312	13,953
Non-current assets	146,110	94,2880
Liabilities incl. (deferred and actual) income tax liabilities	– 133,136	– 89,807
Net assets	**26,286**	**18,434**
Net profit for the year (net loss for the year)	7,853	(1,917)
Balance-sheet total	159,422	108,241
Revenues of the reporting year	18,125	1,197

The non-current assets of the WIAG Wohnimmobilien group relate to residential property portfolios in Neumuenster, Halle and Gera. The valuation of the building on 31 December 2007 in compliance with IAS 40 is based on fair values determined on the basis of expert opinions.

The following table contains a summary of the consolidated financial information relating to FreeholdCo GmbH & Co. KG per 31 December 2007:

in '000 €	Freeholdco GmbH & Co. KG/ Freeholdco GmbH 2007	Freeholdco GmbH & Co. KG/ Freeholdco GmbH 2006
Current assets and accruals	3,061	5,176
Non-current assets	30,471	20,485
Liabilities incl. (deferred and actual) income tax liabilities	– 30,905	– 26,455
Net assets	**2,627**	**– 794**
Net profit for the year (net loss for the year)	4,849	8,821
Balance-sheet total	33,532	25,661
Revenues of the reporting year	1,028	3,633

The non-current assets are exclusively made up of ground lease properties. The valuation of the leasehold properties takes place through the analogue application of the valuation methods described in D.1.a).

The item "Earnings from non-current investments in associated companies" shown in the profit and loss statement is the exclusive result of the proportional earnings of these controlled companies. As in the previous year, impairments and earnings from disposals were not reported.

02 Other non-current financial assets

The carrying value posted in the amount of TEUR 24,600 (previous year: TEUR 21,679) includes money due under loans to sales partners and customers (TEUR 302; previous year: TEUR 297) as well as a separately reported receivable against associated companies in the amount of TEUR 19,698 (previous year: TEUR 16,782) from the acquisition of the borrower's note loans issued by the associated companies, which has been placed in the capital market by a company included in the group consolidated statement, and cash not freely available to the group in the long-term amounting to TEUR 4,600 (previous year: TEUR 4,600). The increase in receivables due from associated companies compared with the previous year results from further payments made to associated companies in conjunction with the securisation of ground lease cash flows.

Cash bears variable interest on overnight accounts. The fair value of the cash corresponds to the reported carrying amount.

The claim against associated companies is therefore opposed by a liability from bonds in the same amount (see section D.16. a). The contractual terms of the borrower's note loan reported here correspond to those of bonds placed on the capital market. For further information on these terms and the changes in market value of these borrower's note loans, please consult Section D.16. The borrower's note loans are listed. However, these instruments will not be listed in an active market.

As in the previous year, allowances on loans were not made. The net result from this financial assets is therefore nil.

As in the previous year, there are no repayment obligations due.

03 Real estate held for sale

The posted carrying value relates to properties and – if owner's hereditary building rights have already been created – titles with finished and unfinished structures. Furthermore, any advances received hereon are reported under this item. Preconstruction costs for these properties are posted in a separate item.

Real estate held for sale as of the balance sheet reporting date is broken down by business segments as follows:

In '000 €	**31.12.2007**	**31.12.2006**
Tenant privatisation	35,754	14,352
Contractor objects	61,069	57,740
Property trade inventories	234,084	104,687
	331,906	**176,779**

In connection with the properties held for sale, mortgages in favour of the financing banks were usually registered and claims from tenancies assigned to these banks for security.

04 Work in progress and construction preparation costs

As in the previous year, work in progress and construction preparation costs, which are reported separately, are essentially attributable to construction work preparation costs.

05 Receivables from rental and leasehold payments

The receivables reported amounting to a total of TEUR 1,806 (previous year: TEUR 1,387) are attributable to receivables from the renting of residential properties and residential property portfolios intended for sale as well as from leasehold payments.

As in the previous year, allowances for impairment and releases of the same were not necessary in the reporting year. The value adjustment account reports a valuation adjustment with an amount of TEUR 375 that results from previous years. As in the previous year, receipts of payments on impaired receivables did not occur. Therefore in the reporting year, as in the previous year, no net earnings from the valuation of the financial assets were achieved.

The receivables are not subject to interest and are usually immediately due for payment.

The maturity structure of these receivables is shown in the following:

In '000 €	**31.12.2007**	**31.12.2006**
Carrying amount	1,806	1,387
Carrying amount of impaired receivables	0	0
Carrying amount of non-impaired receivables	1,806	1,387
Of which:		
Not yet due	0	0
Overdue for less than three months	1,436	372
Overdue for more than three months and less than six months	53	377
Overdue for more than six months and less than twelve months	267	638
Overdue for more than twelve months	50	0

06 Current receivables against associated companies

The receivables reported amounting to TEUR 2,782 (previous year: TEUR 1,137) is to an amount of TEUR 1,665 (previous year: TEUR 1,137) attributable to group receivables arising from current business transactions and services rendered in advance. The remainder is attributable to a claim that results from a share in an inflation swap transferred to an associated company. As in the previous year, allowances for impairment on receivables due from associated companies were not necessary as of the balance sheet reporting date.

As in the previous year, there are no overdue receivables. As in the previous year, allowances for impairment did not have to be posted. Therefore in the reporting year, as in the previous year, no net earnings from the valuation of the financial assets were achieved.

07 Receivables from building sales and commissions as well as receivables from construction contracts

On 31 December 2007, the reported receivables from the building sales and commissions, as in the previous year, primarily include receivables from the sale of leasehold rights to residential properties and properties in the business segments Monument (listed properties) and design/development.

The revenues from the construction contract for the "Rheinauhafen" project in the reporting year correspond to the reported receivables on 31 December 2007. Advance payments for construction contracts were not received during the reporting year. In the previous year, no property development project fulfilled the conditions for an application of the IAS 11. The revenues were capitalised using the so-called cost-to-cost method. The revenues of EUR 15.5 million are opposed by contract-related costs amounting to EUR 12.7 million in the reporting year.

In the previous year, the trade receivables included a receivable due from a related person amounting to TEUR 237.

As in the previous year, no allowances for impairment on residential properties, leasehold rights to residential properties and commissions were necessary in the reporting year as the corresponding plots principally serve as securities for these receivables.

As in the previous year, receipts of payments on impaired receivables did not occur. Therefore in the reporting year, as in the previous year, no net result from financial assets was achieved.

Receivables have a residual term to maturity of up to one year.

The maturity structure of these receivables is shown in the following:

In '000 €	31.12.2007	31.12.2006
Carrying amount	65,068	37,272
Carrying amount of impaired receivables	0	0
Carrying amount of non-impaired receivables	65,068	37,272
Of which:		
Not yet due	33,869	15,833
Overdue for less than three months	16,791	18,260
Overdue for more than three months and less than six months	9,399	1,309
Overdue for more than six months and less than twelve months	3,535	2,170
Overdue for more than twelve months	1,474	0

08 Positive market values from financial instruments

The positive market values from financial instruments that were reported for the first time result from interest hedging agreements concluded in connection with the mortgaging leasehold cash flows. In the previous year, the interest hedging agreements reported here had a negative market value of TEUR 2,639. Please refer to D.16 for further details on relation to financial instruments.

The increase in the level of interest rates during 2007 lead to a net gain amounting to EUR 7.2 million in the reporting year (previous year: EUR 1.2 million).

09 Other current assets and tax refund claims

Miscellaneous short-term assets amounting to a total of TEUR 17,823 (previous year: TEUR 10,746) are essentially attributable to rental account and deposit balances held by administrators (EUR 6.4 million; previous year: EUR 1.1 million), balances on trustee accounts (EUR 2.4 million; previous year: EUR 2.0 million) and claims to collateral usage of leasehold land (EUR 0.0 million; previous year: EUR 1.1 million).

The tax refund claims reported separately amounting to EUR 4.1 million primarily relate to advance corporation tax payments made in the reporting year (previous year: EUR 3.3 million).

Miscellaneous assets amounting to TEUR 302 (previous year: TEUR 297) have a residual term to maturity of more than one year and are reported as a separate item under other non-current assets.

In the reporting year, impairments amounting to a total of TEUR 308 (previous year: TEUR 4,069) were posted, of which an amount of TEUR 304 (previous year: TEUR 3,808) was attributable to a fully impaired account receivable from Vivacon German Properties PLC. This company, in which the group has no shareholding and over which the group has no controlling rights, was supposed to be floated in the stock market in the year under review. In this connection, Vivacon AG undertook to provide the advance funding for the flotation. Currently, Vivacon German Properties PLC has no concrete plans to go ahead with flotation. The group has therefore impaired the receivable in full. As in the previous year, receipts of payments on impaired receivables did not occur. The net result therefore amounts to TEUR 308 (previous year TEUR 4,069).

10 Cash on hand and credit balances held by banks, securities

Credit balances held by banks include collected purchase prices amounting to EUR 90.6 million (previous year: EUR 59.9 million) that have been pledged as collateral for bank loans to the banks providing the funding and are therefore not at the free disposal of the group. Interest compensation arrangements that provide for interest payments at the corresponding loan conditions on the accounts for receiving payments from customer purchases have been made with the financing banks.

Moreover, accruals from the first mortgaging of leasehold land were reported that were not freely available as of the balance sheet reporting date for amounts of TEUR 8.0. Within the first quarter, these funds were released for the purposes of general group financing. As such, total reported liquid funds amounting to EUR 98.6 million (previous year: 124.4 million) were not freely available to the company as of the balance sheet date (see F. Cash Flow Statement).

Furthermore, all credit balances are due in the short term. As a general rule, interest of approx. 2.00 % is payable on the credit balances held by banks. The securities with a total value of EUR 5.6 million (previous year: EUR 0.0 million) represent shares in funds and were sold in January 2008. The market values of the reported cash and cash equivalent and current asset securities, as in the previous year, correspond to their carrying amounts. The net result from this balance sheet item amounts to EUR 4.1 million (previous year EUR 4.7 million).

11 Subscribed capital/Earnings per share

As of the balance sheet reporting date, the company's subscribed capital was divided into 19,846,035 no-par shares, each with a share of nominal capital calculated at EUR 1.00. The number of outstanding shares developed as follows:

	Units
Number of shares outstanding as of 31.12.2005	19,185,165
Increase due to usage of Contingent Capital II (fully paid-up)	5,818
Share options exercised cash down (fully paid-up)	156,801
Number of shares outstanding as of 31.12.2006	**19,347,784**
Share options exercised cash down (fully paid-up)	498,251
Number of shares outstanding as of 31.12.2007	**19,846,035**

As in the previous year, own shares are not reported.

When calculating undiluted earnings per share, the earnings attributable to the bearers of the parent company's ordinary shares are divided by the weighted average number of ordinary shares outstanding during the year.

When calculating diluted earnings per share, the earnings attributable to the bearers of the parent company's ordinary shares are divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average of such ordinary shares as would have arisen via the conversion into ordinary shares of all potential ordinary shares with a diluting effect.

Undiluted earnings per share pursuant to IAS 33 amounted to EUR 2.88 in 2007 after EUR 2.38 in 2006. The average number of shares outstanding in the financial year amounted to 19,533,095 (previous year: 19,266,801). Diluted earnings per share amounted to EUR 2.80 in 2007 after EUR 2.27 in 2006, whereby the earnings used to calculate diluted earnings in the reporting year were determined as follows:

2007	**million €**
Consolidated profit (excl. minority earnings)	56.5
Minority share of earnings	– 0.3
Earnings used for calculating diluted earnings per share in 2007	**56.2**

Prior year:	**million €**
Consolidated profit (excl. minority earnings)	45.9
Minority share of earnings	0.9
Earnings used for calculating diluted earnings per share in 2006	**45.9**

The number of shares used to calculate diluted earnings was determined as follows:

	Units
Average number of shares in 2007	19,533,095
Diluted shares from share option schemes	538,803
Number of shares used for calculating diluted earnings in 2007	**20,071,898**

The number of shares used to calculate the previous year's diluted earnings was determined an the basis of an average number of shares amounting to 19,266,801 and a diluting effect from the share option scheme amounting to 963,861 shares.

12 Subscribed capital / capital reserve

The increase in subscribed capital in the reporting year is exclusively attributable to the capital increases in connection with share option schemes as well as to further usage of contingent capital associated with this.

As in the previous year, the equity change statement is included in the financial statements as a separate constituent part thereof.

The Executive Board and Supervisory Board made use of their authorisation pursuant to art. 28 para. 1 of the Memorandum and Articles of Association and allocated 50 % of the annual net profit of the commercial separate financial statements of Vivacon AG for the financial year 2007 with an amount of EUR 35,292,172.34, namely EUR 17,646,086.17, to appropriated retained earnings.

The Executive Board and Supervisory Board will propose to the general meeting to use the unappropriated retained earnings in the amount of EUR 17,646,086.17 to pay out a dividend of EUR 0.50 per no-par share in the dividend-bearing nominal capital of EUR 19,846,035 totalling to EUR 9,923,017.50, and to carry the remaining unappropriated retained earnings in the amount of EUR 7,723,068.67 forward to new account.

13 Contingent capital

a) 2001 share option scheme

The Vivacon AG Executive Board and, where members of the Executive Board were affected, the Vivacon AG Supervisory Board were authorised by resolution of the General Shareholders' Meeting of 15 October 2001 to grant certain executive personnel of Vivacon AG and associated companies of Vivacon AG subscription rights to the purchase of new Vivacon AG shares (2001 share option scheme) until 30 June 2010. The General Shareholders' Meeting of 15 October 2001 therefore approved contingent capital amounting to EUR 450,000.00 for the issue of new, bearer-denominated, no-par shares to the bearers of share options issued in connection with the 2001 share option scheme. Contingent Capital I was made available with a residual amount of EUR 205,000.00 as part of the 2004 share option scheme such that no options will be issued in future via the 2001 share option scheme. As of the balance sheet reporting date, total options amounting to 103,732 had not yet been exercised, taking account of the effect on the number of share options attributable to capital increases from shareholder funds. Of these, 52,824 relate to members of the Executive Board. The average option exercise price in respect of the 2001 share option scheme amounts to EUR 5.48. The vesting period for options from the 2001 share option scheme expired.

By way of the resolution passed by the General Shareholders' Meeting of 22 May 2007 certain conditions of the 2001 share option scheme (exercise term, alternative performance, regulations in case of a takeover bid) were adapted to the provisions of the 2007 share option scheme.

Share options from the 2001 share option scheme do not need to be accounted for in accordance with IFRS 2.

b) 2004 share option scheme

With a view to company development and in order to be able to secure a competitive remuneration package for executive personnel at Vivacon AG both now and in the future, the Executive Board and Supervisory Board deemed it necessary to increase the total number of share options that can be issued to executive personnel. It was also deemed necessary to modify the distribution of share options issued to individual groups of persons with subscription entitlements. Authorisation to issue further share options on the basis of the Vivacon share option scheme of 15 October 2001 was therefore withdrawn at the General Shareholders' Meeting of 27 April 2004 for future purposes and replaced by a new authorisation (2004 share option scheme).

Furthermore, at the General Shareholders' Meeting of 27 April 2004, the company's share capital was conditionally increased by up to EUR 295,000.00 via the issue of up to 295,000 new bearer-denominated, no-par shares. The contingent capital increase serves the exclusive purpose of the issue of up to 295,000 subscription rights (share options) to the company's Executive Board members and other executive personnel within the framework of the Vivacon 2004 share option scheme. The increase in contingent capital is only carried out to the extent that share options issued in connection with the Vivacon 2004 share option scheme are actually exercised. Each share option entitles the holder to subscribe to a no-par share in accordance with the terms set out below. New shares entitle holders to a share in the profits from the start of the financial year in which they are issued.

Of Contingent Capital I still existing on the date the given resolution was passed amounting to EUR 450,000.00, a total of EUR 205,000.00 was made available for the redemption of options issued in connection with the Vivacon 2004 share option scheme in view of the fact that the authorisation to issue subscription rights within the framework of the 2001 share option scheme had been withdrawn. Thus, together with the new Contingent Capital II, total conditional capital amounting to EUR 500,000.00 is available for the Vivacon 2004 share option scheme.

The Executive Board and Supervisory Board were authorised to issue subscription rights to max. 500,000 no-par shares each with a calculated value of EUR 1.00 on a one-off basis or on multiple occasions up until 31.12.2009. The Executive Board was further authorised to issue share options to persons with subscription entitlements with the exception of Executive Board members in accordance with the terms governing the contingent capital increase concerned. The Supervisory Board was authorised to issue share options to Executive Board members of Vivacon AG in accordance with the terms governing the contingent capital increase concerned.

By way of the resolution passed by the General Shareholders' Meeting of 22 May 2007 certain conditions of the 2004 share option scheme (exercise term, alternative performance, regulations in case of a takeover bid) were adapted to the provisions of the 2007 share option scheme.

On the balance sheet date, a total of 389,981 options had not yet been exercised. Of these, 223,011 relate to members of the Executive Board. The average option exercise price of the 2004 share option scheme amounts to EUR 11.40. The two-year vesting period for 189,042 options featuring an exercise price of EUR 5.02 elapsed. The vesting period for a further 200,876 ends on 31 August 2008.

Share options from the 2004 share option scheme need to be accounted for in accordance with IFRS 2. The valuation parameters used for accounting and valuing purposes are described in detail in a subsequent part of this section.

c) 2005 share option scheme

By way of the resolution passed by the General Shareholders' Meeting of 19 May 2005, Vivacon AG' s share capital was conditionally increased by up to EUR 350,000 via the issue of up to 350,000 new, bearer-denominated, no-par shares (Contingent Capital III). The conditional capital increase serves the exclusive purpose of issuing up to 350,000 subscription rights (share options) to members of the company's Executive Board and company personnel as well as to the executive personnel and employees of group companies within the framework of the Vivacon 2005 share option scheme. The increase in contingent capital is only carried out to the extent that share options issued in connection with the Vivacon 2005 share option scheme are actually exercised. Each share option entitles the holder to subscribe to a no-par share in accordance with the terms set out below. Of Contingent Capital 1 still existing on the date the given resolution was passed, a total of EUR 230,000.00 was made available for the redemption of options issued in connection with the Vivacon 2005 share option scheme. Thus, together with the new Contingent Capital III, total conditional capital amounting to EUR 580,000.00 is available for the Vivacon 2005 share option scheme. In the 2005 financial year, 537,000 options were issued, 348,000 of which to Executive Board members, from a total of 580,000 options.

New shares entitle holders to a share in the profits from the start of the financial year in which they are issued.

By way of the resolution passed by the General Shareholders' Meeting of 22 May 2007 certain conditions of the 2005 share option scheme (exercise term, alternative performance, regulations in case of a takeover bid) were adapted to the provisions of the 2007 share option scheme.

On the balance sheet date, a total of 405,598 options had not yet been exercised. Of these, 311,193 options relate to members of the Executive Board. The average option exercise price of the 2005 share option scheme amounts to EUR 11.86. The vesting period for options from the 2005 share option scheme ended on 30 June 2007.

Share options from the 2005 share option scheme need to be accounted for in accordance with IFRS 2. The valuation parameters used for accounting and valuing purposes are described in detail in section D.12. e).

d) 2006 share option scheme

By way of the resolution passed by the General Shareholders' Meeting of 15 May 2006, Vivacon AG' s share capital was conditionally increased by up to EUR 247,606 via the issue of up to 247,606 new, bearer-denominated, no-par shares (Contingent Capital V). The conditional capital increase serves the exclusive purpose of issuing up to 247,606 subscription rights (share options) to members of the company's Executive Board and company personnel as well as to the executive personnel and employees of group companies within the framework of the Vivacon 2006 share option scheme. The increase in contingent capital is only carried out to the extent that share options issued in connection with the Vivacon 2006 share option scheme are actually exercised. Each share option entitles the holder to subscribe to a no-par share in accordance with the terms set out below. New shares entitle holders to a share in the profits from the start of the financial year in which they are issued.

On the balance sheet date, a total of 242,324 options had not yet been exercised. Of these, 148,563 options relate to members of the Executive Board. The average option exercise price of the 2006 share option scheme amounts to EUR 17.44. The vesting period for 237,324 options from the 2006 share option scheme ended on 31 August 2008, the vesting period for another 5,000 options will elapse on 30 November 2008.

By way of the resolution passed by the General Shareholders' Meeting of 22 May 2007 certain conditions of the 2006 share option scheme (exercise term, alternative performance, regulations in case of a takeover bid) were adapted to the provisions of the 2007 share option scheme.

e) 2007 share option scheme

By way of the resolution passed by the General Shareholders' Meeting of 22.05.2007, Vivacon AG' s share capital was conditionally increased by up to EUR 312,530 via the issue of up to 312,530 new, bearer-denominated, no-par shares (Contingent Capital VII). The conditional capital increase serves the exclusive purpose of issuing up to 312,530 subscription rights (share options) to members of the company's Executive Board and company personnel as well as to the executive personnel and employees of group companies within the framework of the Vivacon 2007 share option scheme. The increase in contingent capital is only carried out to the extent that share options issued in connection with the Vivacon 2007 share option scheme are actually exercised. Each share option entitles the holder to subscribe to a no-par share in accordance with the terms set out below. New shares entitle holders to a share in the profits from the start of the financial year in which they are issued.

In the 2007 financial year, 303,530 options were issued, 125,012 of which to Executive Board members. The average option exercise price of the 2007 share option scheme amounts to EUR 20.49.

The Executive Board was authorised to issue share options in accordance with the terms governing the contingent capital increase concerned to persons with subscription entitlements with the exception of Executive Board members. The Supervisory Board was authorised to issue share options to Executive Board members of Vivacon AG in accordance with the terms governing the contingent capital increase concerned.

Share options and new shares are issued in accordance with the following terms governing the Vivacon 2007 share option scheme. The Executive Board or, in the case of share options issued to Executive Board members, the Supervisory Board is entitled to stipulate further details in respect of the issue of share options, the exercising of same and the issue of new shares.

The group of persons with subscription entitlements includes Executive Board members and personnel of Vivacon AG as well as executive personnel and employees of group companies in accordance with the following split:

- Executive Board members of Vivacon AG up to 40 %
- selected personnel of Vivacon AG up to 50 %
- executive personnel of group companies up to 10 %

The requirement for the granting of options is that the given person has a valid contract of employment with the company at the time the share option scheme is launched. Persons joining the company at a later date cannot be issued with options until they have been employed at the company for at least six months.

The Executive board stipulates the number of subscription rights to be issued to persons with subscription entitlements, with the exception of Vivacon AG Executive Board members, in the case of whom the Supervisory Board stipulates the number of subscription rights to which they are entitled.

Each subscription right entitles the person with a subscription entitlement to purchase a bearer-denominated, no-par, Vivacon AG share in return for payment of the given exercise price. The option entitlement can only be exercised if the person with a subscription entitlement still has a valid contract of employment with Vivacon AG at the time the subscription right is exercised. If these requirements are not met, the options lapse without compensation. However, should these requirements fail to be met after the waiting period has elapsed and provided the contract of employment has not been terminated without notice by the person with a subscription entitlement or the company, the options do not lapse until the end of the following period of exercise, i.e. the options can be exercised up until this point in time given compliance with the other scheme requirements.

The share options are non-transferable and cannot be pledged. However, the Executive Board can approve such legal transactions given proof of the justified interest of a person with a subscription entitlement or the justified interest of Vivacon AG and the consent of the Supervisory Board. The options can be inherited.

Share options can only be exercised against payment of the basic price of exercise, equating to 100 % of the average price of the opening and closing prices of the company's shares in XETRA trading (or an alternative, functionally comparable, successor system) on the last five trading days prior to the issue of the option.

The basic exercise price and option conditions are adjusted if, during the term of the options, Vivacon AG, by granting subscription rights to its shareholders, either increases its share capital or creates other subscription rights (as per Article 192 of the German Companies Act), convertible rights or option rights not covered by this resolution and does not grant persons with subscription entitlements subscription rights (in accordance with Article 186 Subsection 1 of the German Companies Act) as they would have been entitled to, had they been shareholders at the relevant time. If the company's share capital is increased from company funds via the issue of new no-par shares, contingent capital must also increase proportionately by law. The right of persons with subscription entitlements to purchase new shares by exercising their options increases by the same extent, too. In the event of a capital reduction, the entitlement to subscription rights decreases proportionately to the reduction in capital. Article 9 Subsection 1 of the German Companies Act remains unaffected by this.

Options can only be exercised during certain exercise periods. Options may not be exercised during the periods beginning on the 20th day of the last month of each quarter and ending on the day of the following publication of the preliminary quarterly or preliminary year-end results respectively. Options may also not be exercised during the time between the 20th day of March of each year and the day of the General Shareholders' Meeting of Vivacon AG.

Options may not be exercised until a two-year vesting period has elapsed. The vesting period commences on the day the options are granted. For the purposes of these option conditions, the date of granting the options is considered to be in each case the last day of the month in which the options are granted as per the given individual agreement. The vesting period ends on 31 August 2008.

The term to maturity of the options commences on the day the options are granted and ends after a five-year period has elapsed.

Share options can only be exercised if the average of the opening and closing prices of the company shares in XETRA trading (or via an alternative, functionally comparable, successor system) has risen by at least 20 % as compared with the basic exercise price on the last five trading days prior to the commencement of the given exercise period.

Further details relevant to the share option scheme are stipulated by the company's Executive Board with the approval of the Supervisory Board. To the extent that members of the company's Executive Board are affected by this, the Supervisory Board alone stipulates the details. The details concerned include above all the selection of individual persons with subscription entitlements from a given group of persons with subscription entitlements and the stipulation of the number of share options to be offered to the persons concerned as well as the details concerning the realisation of the scheme (above all concerning the methods of granting and exercising share option rights and the issuing of shares).

f) Résumé of the accounting and valuation of share options as well as of the share options not yet exercised as of the balance sheet reporting date

The valuation of personnel expense to be determined for the share option scheme as per IFRS 2 is carried out on the basis of the following parameters:

	Share option 2004	Share option 2005	Share option 2006	Share option 2007
Grant date	Jun 2004	June 2005	August 2006	August 2007
Number of options issued	301,500	537,000	473,400	312,530
Price at issue	EUR 6.46	EUR 15.11	EUR 19.35	EUR 20.93
Basic exercise price at issue	EUR 5.99	EUR 14.40	EUR 17.40	EUR 20.49
Average term expected	4 years	4 years	4 years	4 years
Account taken of future dividends	No	No	Yes (EUR 0,40 per share)	Yes (EUR 0,40 per share)
Volatility expected p.a.	17.2 %	45.0 %	40.0 %	40.0 %
Interest rate p.a. (4-year Euribor)	3.54 %	2.54 %	3.60 %	4.5 %
Account taken of success hurdle and dilution	No	Yes	Yes	Yes
Value of option	**EUR 1.72**	**EUR 5.89**	**EUR 6.54**	**EUR 6.62**

The aforementioned determinants were taken account of via the application of a Black-Scholes option valuation model with the exception of consideration given to the success hurdle and dilution. The anticipated dividend policy was taken into account for the first time in 2006 and also in 2007 as future payment of the dividend was probable at the level recognised at the time of issue. The annual volatility taken account of by the valuation model is measured according to the volatility anticipated in August 2007 on the basis of the long-term volatility of the Vivacon AG share determined in the past, whereby the group gave due consideration to the fact that the volatility of the past financial years was attributable to the impact of extraordinary events and that the reduction in long-term volatility already identifiable in the past will continue over the anticipated average term to maturity. The anticipated volatility given due consideration is based on the assumption that future trends can be derived from past volatilities. The volatility actually occurring can therefore deviate from the assumptions made.

The impact of percentage success hurdles set via the share option schemes and the diluting effect of option exercises on the stock market price were given due consideration via discounts on the basis of information provided by independent experts. The anticipated level of personnel fluctuation of 5 % p.a. was reflected in the measurement of expense due to share options by adjusting the volume framework.

From the share option schemes described under items a) to d), 1,435,102 share options (previous year: 1,672,593) had not yet been exercised as of the balance sheet reporting date of 31.12.2007. Of these, 860,603 share options were attributable to Executive Board members. The development can be summarised as follows:

	Share options in units	**Weighted average exercise price in EUR**
Outstanding share options as of 1.1.2006	1,394,838	8.24
Granted	473,400	17.40
Forfeited	38,841	9.89
Exercised	156,801	4.99
Outstanding share options as of 31.12.2006	1,672,593	11.14
Granted	312,530	20.49
Forfeited	51,770	17.79
Exercised	498,251	8.02
Outstanding share options as of 31.12.2007	1,435,102	13.98

The weighted average minimum contractual term (vesting period) for those share options outstanding as of 31 December 2007 amounts to seven months (previous year: 12 months). The weighted average contractual term for those share options outstanding as of 31 December 2007 amounts to 36 months (previous year: 38 months).

The total amount of exercisable options as of 31 December 2007 is 698,372 options (previous year: 524,210).

The exercise prices for the options outstanding as of the end of the reporting period range between EUR 3.27 and EUR 20.49 (previous year: EUR 3.27 and EUR 17.40). The respective exercise prices are indicated in the commentaries to the individual share option schemes. Please see E.5 for an overview of total expenses in connection with the share option schemes.

g) 2006 convertible or option bonds

By way of the resolution passed by the General Shareholders' Meeting of 15 May 2006, Vivacon AG's share capital was conditionally increased by up to EUR 2,900,000.00 (Contingent Capital VI). The conditional capital increase will only be effected to the extent that the bearers and/or creditors of conversion rights or option warrants attached to the convertible or option bonds to be issued by the company from 15 May 2006 to 30 April 2011 as per the resolution passed by the General Shareholders' Meeting exercise their conversion or option rights or the bearers and creditors with conversion obligations in respect of the convertible bonds to be issued by the company from 15 May 2006 to 30 April 2011 as per the authorisation resolution passed by the General Shareholders' Meeting comply with their conversion obligations. In the 2007 financial year, as in the previous year, no conversion or option rights were issued.

14 Approved capital

At the General Shareholders' Meetings of 2004 and 2005, the Executive Board was authorised to use approved capital totalling EUR 11,939,998.00. In three cash capital increases, the Executive Board made use of the authorisation – with the Supervisory Board's consent in each case – by way of the utilisation of approved capital totalling EUR 6,383,302.00 by 31 December 2006.

No use was made so far of the approved capital remaining after the capital increases had been effected amounting to EUR 5,556,996.00. At the 2006 General Shareholders' Meeting, the Executive Board was authorised to raise approved capital totalling EUR 4,013,160. The then approved capital totalling EUR 9,570,156 was increased by EUR 144,703 by way of a resolution passed by the General Shareholders' Meeting of 22 May 2007.

The individual resolutions in detail:

Via the resolution passed by the General Shareholders' Meeting of 27 April 2004, the Executive Board was authorised, given Supervisory Board approval, to increase the company's share capital on a one-off basis or on multiple occasions up until 27 April 2009 in return for cash or non-cash contributions up to an amount totalling EUR 4,975,000.00 via the issue of new, bearer-denominated, no-par shares each with a share in nominal capital calculated at EUR 1.00 per share. Of this, use was made of an amount totalling EUR 4,643,332.00. As such, an amount of EUR 331,668.00 is still available from the approved capital.

Via the resolution passed by the General Shareholders' Meeting of 19 May 2005, the Executive Board was authorised, given Supervisory Board approval, to increase the company's share capital on a one-off basis or on multiple occasions up until 30 April 2010 in return for cash or non-cash contributions up to an amount totalling EUR 6,964,998.00 via the issue of new bearer-denominated no-par shares each with a share in nominal capital calculated at EUR 1.00 per share (Approved Capital II). In the 2005 financial year, use was made of the authorisation to raise Approved Capital II for an amount totalling EUR 1,739,970.00. The Executive Board was further authorised, given Supervisory Board approval, to decide on the exclusion of shareholders' statutory rights of subscription.

Via the resolution passed by the General Shareholders' Meeting of 15 May 2006, the Executive Board was authorised, given Supervisory Board approval, to increase the company's share capital on a one-off basis or on multiple occasions up until 30 April 2011 in return for cash or non-cash contributions up to an amount totalling EUR 4,013,160.00 via the issue of new, bearer-denominated, no-par shares each with a share in nominal capital calculated at EUR 1.00 per share (Approved Capital III). As of the balance sheet reporting date, no use had been made of the authorisation. The Executive Board was further authorised, given Supervisory Board approval, to decide on the exclusion of shareholders' statutory rights of subscription.

Via the resolution passed by the General Shareholders' Meeting of 22 May 2007, the Executive Board was authorised, given Supervisory Board approval, to increase the company's share capital on a one-off basis or on multiple occasions up until 30 April 2012 in return for cash or non-cash contributions up to an amount totalling EUR 144,703.00 via the issue of new, bearer-denominated, no-par shares each with a share in nominal capital calculated at EUR 1.00 per share (Approved Capital IV). As of the balance sheet reporting date, no use had been made of the authorisation. The Executive Board was further authorised, given Supervisory Board approval, to decide on the exclusion of shareholders' statutory rights of subscription.

The exclusion of subscription rights is however only admissible:

- for settling large sums
- for granting subscription rights to bearers of option and conversion rights to be issued arising from bonds to be issued
- for issuing shares in the form of personnel shares to group employees
- for obtaining non-cash contributions above all in the form of participations, companies or parts thereof,
- for tapping into new capital markets, above all abroad and
- in cases where a capital increase in return for cash contributions does not exceed 10 percent of share capital and the issue value of the shares does not fall short of the listed price to any significant extent

15 Deferred tax liabilities

Deferred taxes were attributable to specific balance sheet items as follows:

	31.12.2007		31.12.2006	
in '000 €	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Investment property		56,165		42,703
Real estate held for sale	7,355		2,586	
Receivables from building sales and commissions		10,995		6,278
Transaction costs		2,054		2,431
Miscellaneous	408	0	28	461
EK 02		0		970
Tax-losses carried forward	9,738		10,716	
	17,501	69,214	13,330	52,843
Balance	–17,501	–17,501	–13,330	–13,330
	0	**51,713**	**0**	**39,513**

As of the balance sheet date, the tax losses carried forward relate to corporation and trade tax amounting to TEUR 22,391,000 (valued with TEUR 3,434,000) and TEUR 40,031,000 respectively (valued with TEUR 6,304,000). In the previous year, EUR 36.4 million of trade tax losses carried forward, valued at TEUR 7,208,000 and EUR 13.3 million of corporate income tax losses carried forward, valued at TEUR 3,508,000 were reported. In future, the reported tax losses will be used via tax gains in accordance with the terms governing the corporate taxation. The losses carried forward with regard to corporation tax are attributable to amounts carried forward as of Article 15a of the Corporation Tax Act (KStG) as well as the corporate income tax losses of Vivacon AG carried forward. The limitation on the amount that can be used in respect of tax losses carried forward (minimum taxation) since 2004 has no effect on the value of the losses carried forward.

Outside balance differences in conjunction with subsidiaries of Vivacon AG were not accounted for and amounted to EUR 0.8 million (previous year EUR 1.0 million). The tax rate for calculating deferred taxes stood at 31.6 % in the 2007 financial year (previous year 39.9 %) and reflects a corporate income tax rate of 15.8 % and a trade tax rate of 15.8 %, taking into consideration the non-deductibility of the trade tax as of 2008. All changes of deferred tax liabilities are recognised in the profit and loss accounts, with the exception of "EK02"-changes. Changes in "EK02" relate to changes in the consolidated entities.

16 Miscellaneous provisions

in '000 €	01.01.2007	Acquisition/ Sale	Consumption	Release	Utilisation	31.12.2007
Work in progress	891	0	653	0	8,159	8,397
Risk of litigation	220	0	0	0	190	410
Ex-gratia payments	1,974	0	834	217	2,742	3,665
Handling costs	760	0	760	0	0	0
Loss making contracts	280	– 280	0	0	0	0
Insecure purchase liabilities	400	0	400	0	0	0
Personnel related provisions	1,109	– 1,109	0	0	0	0
Potential purchase price reductions	1,000	1,000	0	0	0	0
Other	140	0	140	0	159	159
	6,774	**– 1,389**	**3,787**	**217**	**11,250**	**12,631**

It is expected that all provisions accounted for as of the balance sheet reporting date will be claimed in 2007. The increase in provisions in 2007 compared with 2006 primarily reflects the finalisation of development projects at year-end 2007. This results in the increase in provisions for work in progress. The increase in "ex-gratia" payments relate to projected liabilities in conjunction with one development project.

17 Liabilities

The residual terms to maturity of the financial liabilities can be seen in the table of liabilities attached to these notes as Appendix 3. The future cash flows connected with the financial liabilities are explained in detain in the following.

The net result from non-derivative financial liabilities relates – as in the previous year – to effective interest costs.

a) Non-current financial liabilities from bonds

Liabilities from bonds are attributable to issue revenues from the mortgaging of leasehold land. The issue placed in the first quarter of 2006 for an original, nominal amount of EUR 62.0 million was repaid to an extent of EUR 0.5 million in the course of the year under review. (previous year: EUR 0.5 million). The bond is subject to a fixed interest rate and is due in 2036. Effective interest of 5.05 % is payable on the bond. Nominal interest amounting to 4.74 % is payable on the outstanding residual amount. Transaction costs totalling TEUR 2,135,000 were set off against the nominal value at the time of purchase. Leasehold properties with a market value of EUR 74.4 million have been pledged as collateral.

The bonds from the first mortgaging were listed with a mark-down of approx. 10 % of the nominal value as of 31 December 2007. This corresponds to a market value of approx. EUR 6.0 million, which is below the nominal value. In contrast, in December 2006, the bonds from the first mortgaging were listed at their nominal value plus a surcharge of 250 base points. This equates to a market value exceeding the nominal value by approx. EUR 1.5 million.

The second issue of bond-based loans placed in December 2006 generated liquid funds for the group amounting to EUR 117.5 million. Repayments of EUR 0.1 million were made in the reporting year (previous year: EUR 0.0 million). The bond has an anticipated term to maturity running until February 2017. Premature repayment at the nominal value is a possible option starting in February 2014 and at three-month intervals thereafter. The agreed rate of interest is set via the 3-month Euribor plus 28 base points every three months. Should no refinancing be required in 2014, the agreed surcharge on top of the base rate increases by 28 base points. Transaction costs totalling TEUR 2,969,000 were deducted from the nominal value at the time of purchase and will be offset as of the effective interest method (surcharge on variable interest amounting to 32 base points) over the anticipated term of the bond. Leasehold property of the Group with a market value of EUR 96.7 million has been pledged as collateral as of 31 December 2007. The cash flow risk has been hedged via an interest swap agreement worth EUR 113.5 million at an interest rate of 4.35 %.

The bonds from the second mortgaging were listed with a mark-down of approx. 3 % of the nominal value as of 31 December 2007. This corresponds to a market value of approx. EUR 3.5 million, which is below the nominal value. The market values of the bonds equate to the nominal amount of the financial liabilities in respect of the second issue as of 31 December 2006.

b) Non-current liabilities due to banks

The non-current liabilities due to banks derive from the financing of a real estate portfolio held for sale. The bank loans amount to EUR 114.5 million as of 31 December 2007. In the previous year, the Group did not report any non-current bank liabilities from property financing. Transaction costs amounting to EUR 0.7 million were deducted from the nominal value at the time the financial liabilities appeared and will be offset over the term.

The loans have a variable interest rate plus a margin that is customary in the market and have a due date of 2012. These loans are secured by priority encumbrances on specific properties as well as the assignment of rights from the tenancies. The acquisition costs of properties given as collateral are EUR 137.0 million.

The market value of these financial obligations corresponds approximately to the carrying amount.

c) Current liabilities due to banks

Current liabilities due to banks, attributable above all to loans due to banks for project and portfolio funding, were recorded as of the balance sheet reporting date as follows:

In '000 €	31.12.2007	31.12.2006
Projects in the monuments and design segments as well as tenant privatisation		
Nominal value	187,608	116,885
Transaction costs	– 1,107	– 1,157
Bridge financing of leasehold system cash flow		
Nominal value	35,738	0
Transaction costs	– 756	0
Portfolio trading		
Nominal value	77,971	82,603
Transaction costs	0	0
Miscellaneous	854	952
	300,308	**199,283**

Repayment of liabilities due to banks from project operations and tenant privatisation occurs in the form of a one-off sum at the end of the project term as soon as the purchase price payments received exceed the loan amount and other relevant settlement requirements (above all in respect of the return of guarantees furnished according to the Brokers' and Developers' Rules and Regulations for Notaries and Credit Institutions (MaBV) have been met. These liabilities due to banks are subject to a variable interest rate on the basis of the 1-month or alternatively 3-month Euribor plus a margin of approx. 1.0 %–1.8 %. Transaction costs are offset over the entire term of the loans.

The current bank liabilities from the bridge financing of ground lease properties have a term up to November 2008. The credit line is a total of EUR 60.0 million. Interest is based on the 3-month Euribor plus a customary margin that is graduated over time. Transaction costs amounting to EUR 0.8 million were deducted from the nominal value at the time the financial liabilities appeared and will be offset over the term or alternatively over the term of a planned long-term refinancing.

The current bank liabilities from the financing of portfolio trading have an average residual term of approx. six months. Interest is based on the 3-month Euribor plus a customary margin. On principle, transaction costs are not deducted from the nominal value at the time of the appearance of the financial liabilities, rather they are shown as affecting net income.

d) Trade payables

These are primarily attributable to liabilities due to general construction companies with accounts for work completed as of 31.12.07 included in the balance sheet. The debts are not subject to interest and have short terms to maturity.

e) Liabilities from derivative financial instruments

in '000 €	31.12.2007	31.12.2006
Negative market value of inflation swap agreements	9,794	766
Negative market value of interest hedge agreements for portfolio financing	336	0
Negative market value of interest hedge agreements in connection with the securitisation of leasehold ground rent claims	605	2,639
	10,735	**3,406**

The group uses the following financial instruments:

Inflation swap agreements:

The ground leases described in detail in section D are generally subject to a regular inflation adjustment clause foreseeing the regular adjustment of leasehold ground rents. Any reduction in annual leasehold ground rent payments due to deflationary developments is ruled out. In 2006, the group hedged the contractual, future inflation adjustments for all mortgaged leasehold cash flows currently amounting annually to EUR 7.5 million anticipated at the time of mortgaging via inflation hedge agreements over a 30-year term to maturity running until 2036. Premature termination of the agreements is possible at any time. The resulting incoming annual payments amounting to EUR 1.6 million serve the purpose of bond repayment. Valuation of these derivatives as of 31.12.07 occurs at their fair value. Determination of the fair value of the given inflation hedge is carried out an the basis of anticipated domestic German inflation and the resultant cash flow. The determining valuation factor is therefore the forecast level of long-term domestic inflation. In Germany, there is only a limited market for inflation swaps and for the derivation of long-term inflation expectations such that macro-economic derivations were only resorted to in part. The change in market values created expenses amounting to EUR 7.2 million for the group (previous year: EUR 0.4 million). The expenses equal the net gain and are posted under other operating expenses.

Interest hedge agreements:
December 2006 saw the group conclude interest hedge agreements worth a total of EUR 99.5 million at an interest rate of 4.35 % with a term to maturity of 30 years. In March 2007, interest hedge agreements were made with a volume of EUR 14.0 million for an interest rate of 4.87 %. Premature termination of the agreements is possible at any time. The given agreements serve to hedge the issue of bonds occurring at variable terms of interest fixed on the basis of Euribor rates in December 2006. Valuation of the fair value is carried out on the basis of market values. The change in market values created earnings amounting to EUR 7.2 million for the group (previous year: EUR 1.2 million) as well as expenses of EUR 0.3 million (previous year: EUR 0.0). They are reported in net interest income. The positive market values of the interest hedge agreements as of 31 December 2007 are reported in a separate item within current assets.

In connection with the interest hedge as part of the mortgaging of leasehold cash flows, expenses of EUR 5.1 million were incurred in the previous year.

In December 2007, the Group concluded an interest hedge agreement with a four-year term for a property portfolio designated for sale in the short term. The volume amounts to EUR 131.7 million and the hedged interest rate is 4.62 %. On 31 December 2007, the interest hedge agreements had a negative market value of EUR 0.6 million. The costs resulting from these interest hedge agreements amounting to EUR 0.6 million were reported under interest and similar expenses in the profit and loss statement.

f) Miscellaneous liabilities and liabilities due to associated companies

in '000 €	**31.12.2007**	**31.12.2006**
Tax liabilities	222	3,121
Social security liabilities	0	0

As in the previous year, miscellaneous liabilities amounting to a total of EUR 16.5 million (previous year: EUR 18.6 million) were mainly attributable to liabilities from salary payments including bonus entitlements of Executive Board members as well as liabilities from outstanding invoices received. Miscellaneous liabilities are all due for payment in the course of the 2007 financial year. Liabilities due to associated companies amounting to EUR 2.1 million (previous year: EUR 0.9 million) are attributable to one liability vis-à-vis Freeholdco GmbH & Co. KG arising from the assumption of obligations from interest swap agreements that had a negative market value at the time of the transfer of ownership.

E Notes to the profit and loss statement

01 Revenues

The revenues generated in 2007 were as follows:

in '000 €	2007	2006
Revenues from sales to		
Institutional Investors	54,675	43,836
Private Investors	101,547	60,541
	156,222	**104,377**
Rental income	28,013	15,692
Leasehold ground rents	9,526	4,308
	193,761	**124,377**

Please refer to Item "C.12" in these notes for more details concerning the realisation of sales revenues. Revenues from sales to Institutional Investors include turnover from the transfer of leasehold property amounting to EUR 29.9 million (previous year: EUR 27.7 million).

02 Earnings from fair-value valuation (IAS 40)

Earnings generated from the valuation of real estate held as financial investments at their fair value amounting to EUR 70.9 million (previous year: EUR 58.6 million) are attributable exclusively to leasehold property held for the purpose of earning leasehold income in the long-term. Please refer to the details set out under Item "D.1.a) Property valuation according to IAS 40" in these notes for further information in this connection.

03 Other operating income

Miscellaneous operating income amounting to a total of EUR 5.0 million (previous year: EUR 3.2 million) is attributable mainly to income from the reallocation of costs connected with mortgaging activities to associated companies (EUR 0.9 million) as well as EUR 1.6 million profits from the disposal of shares in associated companies, which had no real estate ot the time of sale. Profits generated from the disposal of property, plant and equipment were of minor significance in the year under review, as was the case in the previous year.

04 Depreciation and amortisation

The only write-downs reported in the financial year under review were the depreciation an and amortisation of fixed assets.

05 Personnel expenses

In the 2007 financial year, expenses arising from the share option schemes amounting to TEUR 2,386 (previous year: TEUR 2,018) were stated. The ratio of share-based personnel expenses to overall personnel expenses came to 14.7 % (previous year: 15.1 %).
The employer's contribution to the state pension scheme, defined by IAS 19 as a contribution-based pension scheme, amounted to EUR 0.5 million in the reporting year (previous year EUR 0.4 million).

06 Miscellaneous operating expenses

Miscellaneous operating expenses include:

in '000 €	2007	2006
Sales expenses	4,829	5,267
Receivable losses	307	4,069
Administrative expenses	22,771	7,154
	27,907	16,490

Administrative expenses incurred in the 2007 financial year include the following fees for the auditor of the financial statements:

- audit of financial statements: TEUR 621
- tax consultancy services: TEUR 0
- miscellaneous services: TEUR 25

The increase in other operating expenses over 2006 reflects expenses totalling EUR 7.2 million in conjunction with inflation swap agreements.

07 Miscellaneous interest and similar income

Miscellaneous interest and similar income is primarily attributable to the interest earned on purchase price payments received as well as to fixed-term cash investments. Income from changes in the fair value of financial instruments amounting to EUR 7.1 million was realised in the reporting year (previous year: EUR 1.2). This equals the net result from interest hedge agreements. Other interest and similar income resulted exclusively from such financial assets as were not valued at their fair values.

08 Miscellaneous interest and similar expenses

Miscellaneous interest and similar expenses can be put down mainly to liabilities due to banks and loans based on bonds. Additionally, expenses from interest hedge transactions that are allocated to the category "financial liabilities to be accounted for at fair value through profit and loss" of EUR 0.9 million are reported under this item (previous year: EUR 5.1 million). The expenses qual – an in the previous year – the net result from such instruments. Other interest and similar expenses resulted exclusively from such financial liabilities that were not valued at their fair values.

09 Taxes on income

in '000 €	2007	2006
Deferred taxes	13,189	20,795
Corporation and trade tax	1,909	1,082
	15,098	21,878

No tax expenditures were reported in equity, as was the case in the previous year.

Deferred tax expense (net) is attributable to the creation or release of temporary differences between IFRS book values and tax book values. The actual tax ratio amounts to 20.94 %. The difference to the target tax quota is derived via the following calculation:

in '000 €	2007	2006
Earnings before income taxes	71,650	67,754
Earnings adjustments		
Income from associated companies	–4,780	–3,758
Reclassification of minority results in partnerships to the interest results	430	0
Income from the release of negative goodwill from capital consolidation	0	–539
Adjusted earnings	67,299	63,456
Anticipated income tax expense 39.986 % (previous year: 39,986)	26,910	25,374
Reconciliation		
Deviation from non-deductible operating expenses, tax-free income, securitised loan transactions and long-term interest on debt	–194	716
Taxes from previous years (actual and deferred)	–195	–544
Deviation from tax rate changes (ongoing and effect on deferred taxes on December 31, 2006)	–11,360	0
Deviation from sale of KG participations	–1,469	–4,933
Deviations due to share option scheme	954	806
Non-capitalised tax losses carried forward	0	233
Miscellaneous tax effects	398	226
Income tax expense reported	15,098	21,878
Effective tax rate in %	20.94	34.38

The principle item in the reconciliation outlined above relate to the reduction in tax rates, which have become effective during 2007. This results in a release of deferred tax liabilities as at 31 December 2006 of EUR 8.4 million and a lower tax burden on the 2007 result.

10 Paid and proposed dividends

In May 2007, a dividend not reported as debt in the previous year of EUR 0.40 per share was paid out. The dividend volume amounted to a total of EUR 7.8 million (previous year: EUR 0.0 million).

The Executive Board and Supervisory Board made use of its authorisation in accordance with Article 28 Subsection 1 of the Articles of Association and placed half the annual net profit of the statutory individual financial statement of Vivacon AG for financial year 2007 amounting to EUR 35,292,172.34, i.e. EUR 17,646,086.17, into retained earnings.

The Executive Board will propose to the General Shareholders' Meeting and the Supervisory Board to use the retained earnings amounting to approx. EUR 17,646,086.17 to pay out a dividend of EUR 0.50 per no-par share for the nominal capital entitled to dividends of EUR 19,846,035, which is a total of EUR 9,923,017.50, and to carry forward the remaining retained earnings amounting to approx. EUR 7,723,068.67 to a new statement. The dividend for 2007 was not reported as a debt item.

11 Abandoned Divisions

As in the previous year, the subsidiaries sold in the reporting year were not independent divisions. Rather, the sale of subsidiaries is a structure-related elementary part of operational business. Therefore, information on abandoned business according to IFRS 5 is not necessary.

F Cash Flow Statement

Please refer to the cash flow statement attached to these consolidated financial statements as a separate constituent part thereof for further details.

As far as the group companies newly founded in 2007 and in some cases already sold are concerned, these are all real estate property companies that were established for legal reasons. The companies have no economic significance in their own right. Any effect of the acquisition or founding and selling of these companies is therefore allocated to operational business activities and not reported separately.

Changes in total project funding are reported in the cash flow statement under operating activities as they serve the exclusive purpose of specifically funding the inventory assets reported under current assets.

Financial funds include exclusively current credit balances held by banks. Of the liquid funds, an amount of EUR 90.6 million (previous year: EUR 59.9 million) was pledged to the banks funding the given projects as collateral for loans. Additional liquid funds reported under the companies set up for mortgaging purposes amounting to EUR 8.0 million (previous year: EUR 64.5 million) were not yet freely available for general group funding as the requirements for group-internal payment to the bond issuers had not been met yet.

For cash-flows in conjunction with the business combinations of 2006, we refer to section B of this notes.

G Segment Reporting

Vivacon AG acquires, modernises, rents out and sells residential housing. The company thereby generates revenues via its sale and rental activities. After the given residential item of housing has been modernised and sold, Vivacon AG is as a general rule paid leasehold ground rent for 99 or 198 years.

Since the 2003 financial year, the company has also been developing and selling yoo brand designer real estate as well as, since 2004, marketing residential real estate to institutional investors (portfolio trading). In the 2005 financial year, business activities were enhanced to include residential real estate management for institutional investors.

Segment reporting as of 31.12.07 was carried out for the following business areas:

- Institutional Investors (portfolio trading and asset management)
- Private Investors (individual sale of residential housing)

Data relevant to geographic segments has not been provided as the company is active almost exclusively in Germany.

The Segment report together with the previous year’s data has been attached to these notes as Appendix 4.

H Miscellaneous Date

01 Events occurring after the balance sheet reporting date

With financial effect on 1 January 2007, Vivacon AG acquired 80 % of the shares of Curanis Holding GmbH, located in Munster. The strategic goal of this acquisition is the expansion of the value chain in the Group as well as to generate synergies in the management of the real-estate portfolio held by the Group. Curanis Holding GmbH is one of the market's leading property management companies in Germany. The company has a workforce of approx. 600 employees and manages a total of 53,000 residential and commercial units with a total value of approx. EUR 4 billion. In 2007, the company had revenues in an order of magnitude of EUR 25 million and generated an earnings margin (before taxes and interest) of approx. 10 %.

Effective 1 January 2008, Mr. Frank Zweigner was appointed as a deputy member of the Executive Board.

02 Risk management

Vivacon Group's risk management system is described in detail in the management report.

03 Contingencies and miscellaneous financial obligations

As of 31 December 2007, miscellaneous financial obligations are essentially attributable to office rental contracts for the buildings in Cologne at Bayenthalguertel 4 and Konrad-Adenauer-Ufer 81 respectively. The total monthly rental expenses for these premises amount to EUR 0.5 million for financial year 2008 (previous year: EUR 0.4 million). The office rental contracts run until October 2008. In 2007, Vivacon AG concluded a rental contract for an office building in Cologne (Rheinauhafen) to be built by a Vivacon AG subsidiary and already sold to an investor in 2007 with a minimum term of ten years with effect of October 2008. The monthly rental expenses will most likely amount to EUR 0.1 million. There are annual rental expenses amounting to EUR 0.1 million for office rental contracts concluded in Frankfurt with at term up to the year 2012. There will most likely be expenses of EUR 0.1 million (previous year EUR 0.1 million) for financial year 2008 resulting from leasing agreements.

In summary, the expenses in 2007 and the future obligations from rental and leasing agreements are as follows:

in million €	**2007**	**2006**
In 2006	n.a.	0.4
In 2007	0.7	0.4
In 2008	0.9	0.0
In 2009	0.9	0.0
In 2010	0.9	0.0
In 2011	0.9	0.0
In 2012	0.8	0.0
In 2013	0.7	0.0

As of the balance sheet reporting date, financial obligations existed in respect of contracts for the acquisition of residential complexes and housing portfolios amounting to EUR 82.7 million (previous year: EUR 31.7 million).

As the building contractor, Vivacon Group is subject to the statutory five-year warranty period vis-à-vis the purchasers when renovated residential real estate is sold. To the extent that a relevant warranty claim is filed, the company passes on the cost incurred to the given sub-contractor appointed to carry out the work concerned.

In addition to this, no further obligations of significance with regard to the assessment of the company's financial position need mentioning.

04 Average number of personnel

On average for the year, 95 (previous year: 61) personnel were employed.

05 Members of the Executive Board and their remuneration

In the past financial year under review, the following were members of the Executive Board:

- Marc Leffin, degree in business administration (Diplom-Kaufmann), Cologne (CEO until 31 July 2007)
  Fixed remuneration: TEUR 143 (previous year: TEUR 290)
  Bonus entitlement for the 2007 financial year: TEUR 857 (previous year: TEUR 1,100)
  Shareholding as of the balance sheet reporting date: 7.97 % (previous year: 8,18 %)
  Share options existing as of 31.12.07: None (previous year: 168,039 options for an average basic exercise price of EUR 9.42)

- Timo Herbrand, degree in business administration (Diplom-Kaufmann), Cologne (CIO)
  Fixed remuneration: TEUR 260 (previous year: TEUR 264)
  Non-cash remuneration: TEUR 14 (previous year: TEUR 14)
  Bonus entitlement for the 2007 financial year: TEUR 1,087 (previous year: TEUR 1,100,000)
  Shareholding as of the balance sheet reporting date: 7.62 % (previous year: 8,04 %)
  Share options granted in 2007: 31,253 (previous year: 68,955) for a basic exercise price of EUR 20.49 (previous year: EUR 17.40)
  and a value of EUR 6.62 per option (previous year: EUR 6.54)
  Share options existing as of 31.12.07: 224,610 with an average basic exercise price of EUR 14.18
  (previous year: 226,994 options for an average base price of EUR 11.74)

- Michael Jung, degree in business administration (Diplom-Kaufmann), Frankfurt (CFO, as of 1 August 2007,CEO)
  Fixed remuneration: TEUR 280 (previous year: TEUR 264)
  Bonus entitlement for the 2007 financial year: TEUR 1,087 (previous year: TEUR 1,100)
  Share options granted in 2007: 31,253 (previous year: 89,521) for a basic exercise price of EUR 20.49 (previous year: EUR 17.40)
  and a value of EUR 6.62 per option (previous year: EUR 6.54)
  Share options existing as of 31.12.07: 361,620 (previous year: 330,367 with an average basic exercise price of EUR 11.38
  (previous year: EUR 10.52)

- Michael Ries, degree in real estate management (Diplom-Immobilienwirt), Cologne (CMO)
  Fixed remuneration: TEUR 260 (previous year: TEUR 260)
  Bonus entitlement for the 2007 financial year: TEUR 837 (previous year: TEUR 880)
  Share options granted in 2007: 31,253 (previous year: 68,955) for a basic exercise price of EUR 20.49 (previous year: EUR 17.40)
  and a value of EUR 6.62 per option (previous year: EUR 6.54)
  Share options existing as of 31.12.07: 243,120 (previous year: 246,570) with an average basic exercise price of EUR 13.50
  (previous year: EUR 11.42)

- Oliver Priggemeyer, Sparkassenbetriebswirt, Mainz (COO, since 1 July 2007)
  Fixed remuneration: TEUR 110 (previous year: TEUR 0)
  Bonus entitlement for the 2007 financial year: TEUR 272 (previous year: TEUR 0)
  Share options granted in 2007: 31,253 at a basic exercise price of EUR 20.49 and a value of EUR 6.62 per option (previous year: 0)
  Share options existing as of 31.12.07: 31,253 with an average basic exercise price of EUR 20.49 (previous year: 0)

For further notes on the remuneration system, we refer to the information given by the company in the management report.

06 Members of the Supervisory Board and their remuneration

In the past financial year under review, the following were members of the Supervisory Board:

- Marc Leffin, Cologne
  (member since 1 August 2007, Chairman of the Supervisory Board as of 21 August 2007, up to 31 July 2007 CEO of Vivacon AG, Chairman of the investment and acquisition committee of the Supervisory Board)
  businessman
  remuneration: TEUR 21 (previous year: TEUR 0)
  Shareholding as of the balance sheet reporting date: 7.97 % (previous year: 8.18 %)

- Prof. Dr. Horst Gräf, Berlin
  (chairman of the Supervisory Board up to 21 August 2007, as of 21 August 2007 vice-chairman of the Supervisory Board, chairman of the auditing committee of the Supervisory Board)
  lawyer
  remuneration: TEUR 36 (previous year: TEUR 24)

- Ulrich Höller (FRICS), Frankfurt
  (vice-chairman of the Supervisory Board, member of the investment and acquisition committee)
  CEO of DIC Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main and CEO of DIC Asset AG, Frankfurt am Main
  remuneration: TEUR 34 (previous year: TEUR 24)

- Eckhard Rodemer, Vögelsen
  (member of the auditing committee)
  member of the supervisory board of IMW AG, Berlin; up to 1 January 2008 CEO of IMW AG, Berlin
  remuneration: TEUR 23 (previous year: TEUR 16)

- Erwin Walter Graebner, Cologne
  (member of the investment and acquisition committee)
  businessman
  member of the Supervisory Board of Lindner Hotel AG, Dusseldorf
  member of the Supervisory Board of AMPLIO Hotel Investments Emlak A.S., Istanbul
  remuneration: TEUR 25 (previous year: TEUR 21)

- Dr. Carsten Vier, Bad Homburg
  (as of 11 October 2007, member of the Supervisory Board and the audit committee)
  businessman
  remuneration: TEUR 7 (previous year: TEUR 0)

- Henning Sieh, Berlin
  (member of the Supervisory Board up to 30 September 2007)
  lawyer
  CEO of Stiftung Kapitalmarktrecht (Capital Market Law Foundation) for the financial centre Germany
  remuneration: TEUR 15 (previous year: TEUR 16)

- Dr. Patrick Schmitz-Morkramer, Frankfurt
  (member of the Supervisory Board and the investment and acquisition committee up to 31 March 2007)
  Managing Director at Lehman Brothers Bankhaus AG, Frankfurt
  remuneration: TEUR 5 (previous year: TEUR 20)

07 Related parties

Related parties are considered to be members of the Executive Board and Supervisory Board as well as their families and close relatives. Related companies with regard to the parent company are all such companies as are included in the list of companies incorporated into the consolidated financial statements as well as all associated companies.

In the previous year, Vivacon AG acquired a portfolio of leasehold property from ICR GmbH. Vivacon AG's chairman of the Supervisory Board, Mr Marc Leffin, holds a major stake in ICR GmbH. The portfolio purchase costs amount to EUR 19.7 million. The leasehold ground rent earned from these properties was then used for the acquisition of ICR GmbH in connection with the mortgaging activities carried out via the capital market in December 2006. The original acquisition of the properties concerned was carried out under the condition that they would be mortgaged via the capital market.

Please refer to the details given in these notes in respect of further information concerning associated companies as well as with regard to comments and other items connected with Vivacon German Properties PLC. Vivacon AG has no stake in Vivacon German Properties PLC. Vivacon AG supported the IPO of the company as well as utilisation of the name element "Vivacon".

In the reporting year, the Group sold two real-estate portfolios to the joint venture operated together with Forum European Realty Income S.a.r.l, Luxembourg. Sales to the joint venture usually take place for the acquisition costs of the real estate. The value of the real estate sold to the joint venture company in the reporting year was EUR 45.0 million. As shown in detail in Section D, Vivacon participates disproportionally in the cash flow of the joint venture company because regarding the joint venture company, which is the owner of the ground lease properties, there is a disproportionate profit sharing agreement.

There were no other business transactions with related parties subject to reporting in the reporting year.

08 Purchase of own shares (Article 160 Subsection 1 No. 2 of the German Companies Act (AktG))

Via the resolution of the General Shareholders' Meeting of 22.05.06 and pursuant to Article 71 Subsection 1 No. 8 of the German Companies Act, the Executive Board was authorised to purchase its own shares for a value equating to max. 10 % of share capital up until 14.11.08 provided it was not for the purpose of trading in its own shares. The nominal value of shares purchased may not exceed or fall short of the average of the opening and closing prices of the company's shares in XETRA trading (or an alternative, functionally comparable successor system) by more than 5 % during the ten preceding trading days. The authorisation ends automatically, without any need for express annulment, when a new authorisation for the purchase of own shares pursuant to Article 71 Subsection 1 No. 8 of the German Companies Act comes into effect. Notwithstanding the above, the authorisation granted expires on 21 November 2008 at the latest.

The Executive Board was authorised, given Supervisory Board approval, to sell its own purchased shares in another way in full or in part via the stock market or via an offer to all shareholders provided that its own purchased shares are not sold at a price more than 5 % below that quoted on the stock market for company shares of the same type at the time of sale. This authorisation is restricted to a total of max. 10 % of the company's share capital. For the purposes of the aforementioned ruling, the relevant stock market price is considered to be the average of the opening and closing prices of the company's shares in XETRA trading (or an alternative, functionally comparable, successor system) during the ten trading days preceding the sale of the shares.

The Executive Board was further authorised, given Supervisory Board approval, to recall its own shares either in full or in part without a further resolution needing to be passed by the General Shareholders' Meeting. Shareholder subscription rights will be suspended in connection with the above measures in the event that they are implemented.

In financial years 2006 and 2007, the company neither bought nor sold any shares of its own.

09 Statement of compliance according to Article 161 of the German Companies Act

The statement of compliance according to § 161 of the German Companies Act (AktG) in respect of the recommendations of the "Government Commission on the German Corporate Governance Code" published in the official section of the electronic Federal Gazette by the Federal Ministry of Justice was issued for 2007 and made available to the shareholders on the website of Vivacon AG.

Cologne, 1 April 2008

(signed) Michael Jung (signed) Timo Herbrand (signed) Oliver Priggemeyer (signed) Michael Ries (signed) Frank Zweigner

List of consolidated companies as of 31. Dezember 2007

☐ SOMMERSTRASSE FÜRTH GmbH, Cologne	100 %
☐ Vivacon Karlsbad GmbH & Co. KG, Cologne	100 %
☐ Vivacon Development GmbH & Co. KG, Cologne	100 %
☐ VD office Rheinauhafen GmbH & Co. KG, Cologne (via Vivacon Development GmbH & Co. KG)	100 %
☐ yoo Deutschland GmbH, Cologne	50 %
☐ yoo Hamburg GmbH & Co. KG, Cologne (via yoo Deutschland GmbH)	32.5%
☐ yoo München GmbH & Co. KG, Cologne (via yoo Deutschland GmbH)	50 %
☐ Grundbesitzverwaltungsgesellschaft Wuhletalkarree GmbH & Co. KG, Cologne	100 %
☐ GERMAN REAL ESTATE OPPORTUNITIES GmbH & Co. KG, Cologne	100 %
☐ GERMAN GROUND LEASE PROPERTIES GmbH & Co. KG, Cologne	100 %
☐ GERMAN GROUND LEASE PROPERTIES GmbH & Co. II KG, Cologne	100 %
☐ MAPLE LEAF GERMANY TWO GmbH & Co. KG, Cologne	100 %
☐ Vivacon Grundstücks GmbH & Co. KG, Cologne	100 %
☐ GERMAN REAL ESTATE OPPORTUNITIES Grundstücks GmbH & Co. KG, Cologne (via GERMAN REAL ESTATE OPPORTUNITIES GmbH & Co. KG)	100 %
☐ GERMAN GROUND LEASE PROPERTIES Grundstücks GmbH & Co. KG, Cologne (via GERMAN GROUND LEASE PROPERTIES GmbH & Co. KG)	100 %
☐ GERMAN GROUND LEASE PROPERTIES Grundstücks II. GmbH & Co. KG, Cologne (via GERMAN GROUND LEASE PROPERTIES GmbH & Co. II. KG)	100 %
☐ VIVAPROTECT Assekuranzkontor für Wohnungswirtschaft GmbH, Cologne	90 %
☐ Vivacon Immobilien Portfolio I./2006 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio V./2006 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio IX./2006 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XII./2006 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Asset Management GmbH & Co. KG, Cologne	100 %
☐ Vivacon Karlsbad Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Development Verwaltungs GmbH, Cologne (via Vivacon Development GmbH & Co. KG)	100 %
☐ VD office Rheinauhafen Verwaltungs GmbH, Cologne (via Vivacon Development GmbH & Co. KG)	100 %
☐ yoo Hamburg Verwaltung GmbH, Cologne (via yoo Deutschland GmbH)	32.5 %
☐ yoo München Verwaltung GmbH, Cologne (via yoo Deutschland GmbH)	50,0 %
☐ Vogtländische Baugesellschaft Verwaltungs-GmbH, Cologne	100 %
☐ GERMAN REAL ESTATE OPPORTUNITIES Verwaltung GmbH, Cologne	100 %
☐ GERMAN GROUND LEASE PROPERTIES Verwaltungs-GmbH, Cologne	100 %
☐ GERMAN GROUND LEASE PROPERTIES Verwaltungs II-GmbH, Cologne	100 %
☐ Vivacon Rheinruhr Portfolio I. Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio I./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio IV./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio V./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio VI./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio VII./2006 Verwaltungsgesellschaft mbH, Cologne	100 %

☐ Vivacon Immobilien Portfolio VIII./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio IX./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio X./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XI./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XII./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Asset Management Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Real Estate Management GmbH, Cologne	100 %
☐ Vivacon Grundstücks Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Finance S.A.R.L, Luxembourg	100 %
☐ Vivacon Erwerber Portfolio IX./2006 GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XII./2006 GmbH, Cologne	100 %
☐ Vivacon Allgemeine Verwaltungsgesellschaft, Cologne (former Vivacon Immobilien Portfolio XIV./2006 Verwaltungsgesellschaft mbH, Cologne)	100 %
☐ Vivacon Immobilien Portfolio XVI./2006 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XVII./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XVIII./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XIX./2006 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XVI./2006 GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XIX./2006 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XIX./2006 GmbH & Co. KG, Cologne	100 %
☐ GERMAN REAL ESTATE OPPORTUNITIES Grundstückseigentums GmbH & Co. KG, Cologne (via GERMAN REAL ESTATE OPPORTUNITIES GmbH & Co. KG)	100 %
☐ SOMMERSTRASSE FÜRTH Grundstückseigentums GmbH & Co. KG, Cologne (via SOMMERSTRASSE FÜRTH GmbH)	100 %
☐ Vivacon Grundstückseigentums Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Grundstückseigentums GmbH & Co. KG, Cologne	100 %
☐ Grundbesitzverwaltungsgesellschaft Wuhletalkarree Grundstückseigentums GmbH & Co. KG, Cologne (via Grundbesitzverwaltungsgesellschaft Wuhletalkarree GmbH & Co. KG)	100 %
☐ German Ground Lease Properties VIERTE GmbH & Co. KG, Cologne (former: RIAG Immobilienverwaltung Erbbaurechte GmbH & Co. KG, Essen)	100 %
☐ German Ground Lease Properties IV. Verwaltungs GmbH, Cologne (former: RIAG Immobilienverwaltung Erbbaurechte GmbH, Essen)	100 %
☐ German Ground Lease Properties III. Verwaltungs GmbH, Cologne (former: Montan Grundstücks-Gesellschaft Erbbaurechtsverwaltungs GmbH, Essen)	100 %
☐ German Ground Lease Properties DRITTE GmbH & Co. KG, Cologne (former: Montan Grundstücks-Gesellschaft Erbbaurechtsverwaltungs GmbH & Co. KG, Essen)	100 %
☐ German Ground Lease Finance S.A. Luxembourg	0 %
☐ German Ground Lease Finance S.A. II , Luxembourg	0 %
☐ Vivacon Immobilien Portfolio XVI./2006 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Stadtbad Mülheim GmbH & Co. KG, Cologne	100 %
☐ Vivacon Stadtbad Mülheim Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Development Köln-Lindenthal GmbH & Co. KG, Cologne	100 %
☐ Vivacon Development Köln-Lindenthal Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Development Projektgesellschaft I. GmbH & Co. KG, Cologne	100 %
☐ Vivacon Development Projektgesellschaft I. Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Development Projektgesellschaft II. GmbH & Co. KG, Cologne	100 %
☐ Vivacon Development Projektgesellschaft II. Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Development Projektgesellschaft III. GmbH & Co. KG, Cologne	100 %

☐ Vivacon Development Projektgesellschaft III. Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Development Projektgesellschaft IV. GmbH & Co. KG, Cologne	100 %
☐ Vivacon Development Projektgesellschaft IV. Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Development Projektgesellschaft V. GmbH & Co. KG, Cologne	100 %
☐ Vivacon Development Projektgesellschaft V. Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio III./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio V./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio VII./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio IX./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio I./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio II./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio III./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio V./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio VI./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio VII./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio VIII./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio IX./2007 Verwaltungs GmbH, Cologne	100 %
☐ Westdeutschland Immobilien Portfolio I./2007 Verwaltungs GmbH, Cologne (former: Vivacon Immobilien Portfolio X./2007 Verwaltungs GmbH, Cologne)	100 %
☐ Vivacon Erwerber Portfolio III./2007 GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio V./2007 GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio VII./2007 GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio IX./2007 GmbH, Cologne	100 %
☐ Vivacon CEE a.s., Prague	100 %
☐ Level 4 Networks GmbH, Cologne	51 %
☐ Vivacon Privatinvestoren Verwaltungs GmbH, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100%
☐ Vivacon Privatinvestoren GmbH & Co. KG, Cologne	100 %
☐ Vivacon Denkmal Verwaltungs GmbH, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Denkmal GmbH & Co. KG, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Geistinger Park Hennef Verwaltungs GmbH, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Geistinger Park Hennef GmbH & Co. KG, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Privatinvestoren Vertriebsverwaltungs GmbH, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Privatinvestoren Vertriebs GmbH & Co. KG, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Neubau Verwaltungs GmbH, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Neubau GmbH & Co. KG, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Immobilien Portfolio XI./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XI./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XI./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XII./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XII./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XII./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XIV./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XV./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XVI./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XVI./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XVI./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XVII./2007 GmbH & Co. KG, Cologne	100 %

☐ Vivacon Immobilien Portfolio XVII./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XVII./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XVIII./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XVIII./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XVIII./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XIX./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XIX./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XIX./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XX./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XX./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XX./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXI./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXII./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXII./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXII./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXIII./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXIV./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXV./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXV./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXV./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXVI./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXVI./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXVI./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXVII./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXVII./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXVII./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXVIII./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXVIII./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXVIII./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXIX./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXIX./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXIX./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXX./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXX./2007 Verwaltungs GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXX./2007 GmbH, Cologne	100 %
☐ WESTDEUTSCHLAND Immobilien Portfolio II./2007 GmbH & Co. KG, Cologne	99.7 %
☐ WESTDEUTSCHLAND Erwerber Portfolio II./2007 GmbH	94.8 %
☐ WESTDEUTSCHLAND Immobilien Portfolio II./2007 Verwaltungsgesellschaft mbH	100 %
☐ WESTDEUTSCHLAND Immobilien Portfolio III./2007 GmbH & Co. KG	99.7 %
☐ WESTDEUTSCHLAND Ewerber Portfolio III./2007 GmbH	94.8 %
☐ WESTDEUTSCHLAND Immobilien Portfolio III./2007 Verwaltungsgesellschaft mbH	100 %
☐ Vivacon Grundstückseigentumsverwaltungs III./2007 GmbH, Cologne	100 %
☐ Vivacon Grundstückseigentums III. 1./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Grundstückseigentums III. 2./2007 GmbH & Co. KG, Cologne (via German Ground Lease Properties DRITTE GmbH & Co. KG)	100 %
☐ Vivacon Grundstückseigentums III. 3./2007 GmbH & Co. KG, Cologne (via German Ground Lease Properties VIERTE GmbH & Co. KG)	100 %

☐ Vivacon Grundstückeigentums III.4./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Grundstückeigentums III.5./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Development Harvestehuder Weg I GmbH & Co. KG, Cologne (via Vivacon Development GmbH & Co. KG)	100 %
☐ Vivacon Development Harvestehuder Weg II GmbH & Co. KG, Cologne (via Vivacon Development GmbH & Co. KG)	100 %
☐ Vivacon Erwerber Portfolio XXXII./2007 GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXXIII./2007 GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXXIV./2007 GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio XXXV./2007 GmbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXXI./2007 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXXII./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXXII./2007 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXXIII./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXXIII./2007 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXXIV./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXXIV./2007 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXXV./2007 GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilien Portfolio XXXV./2007 Verwaltungsgesellschaft mbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Baden-Württemberg GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Bayern GmbH, Cologne	100 %
☐ Vivacon Beteiligungs GmbH & Co. KG, Cologne (via Vivacon Finanzierungs GmbH & Co. KG)	100 %
☐ Vivacon Erwerber Portfolio Bremen und Umland GmbH, Cologne	100 %
☐ Vivacon Deutz-Kalker-Bad GmbH & Co. KG, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Deutz-Kalker-Bad-Verwaltungs GmbH, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Finanzierungs GmbH & Co. KG, Cologne	100%
☐ Vivacon Erwerber Portfolio Frankenland GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Hamburg und Umland GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Hannover und Umland GmbH, Cologne	100 %
☐ Vivacon Immobilienportfolio Baden-Württemberg GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Bayern GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Bremen und Umland GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Frankenland GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Hamburg und Umland GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Hannover und Umland GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Mitteldeutschland GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Münsterland GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Neue Bundesländer GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Norddeutschland GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio östliche Großstädte GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Rheinland GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Rhein-Main-Neckar GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Rhein-Ruhr GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Süd-West-Deutschland GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio Westfalen GmbH & Co. KG, Cologne	100 %
☐ Vivacon Immobilienportfolio westliche Großstädte GmbH & Co. KG, Cologne	100 %
☐ Vivacon Erwerber Portfolio Mitteldeutschland GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Münsterland GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Neue Bundesländer GmbH, Cologne	100 %

☐ Vivacon Erwerber Portfolio Norddeutschland GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio östliche Großstädte GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Rheinland GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Rhein-Main-Neckar GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Rhein-Ruhr GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio Süd-West-Deutschland GmbH, Cologne	100 %
☐ Vivacon Villenquartier Wiesbaden GmbH & Co. KG, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Villenquartier Wiesbaden Verwaltungs GmbH, Cologne (via Vivacon Privatinvestoren GmbH & Co. KG)	100 %
☐ Vivacon Erwerber Portfolio Westfalen GmbH, Cologne	100 %
☐ Vivacon Erwerber Portfolio westliche Großstädte GmbH, Cologne	100 %
☐ WESTDEUTSCHLAND Erwerber Portfolio V./2007 GmbH, Dusseldorf	94.8 %
☐ WESTDEUTSCHLAND Erwerber Portfolio VI./2007 GmbH, Dusseldorf	94.8 %
☐ WESTDEUTSCHLAND Erwerber Portfolio VII./2007 GmbH, Dusseldorf	94.8 %
☐ WESTDEUTSCHLAND Erwerber Portfolio VIII./2007 GmbH, Dusseldorf	94.8 %
☐ WESTDEUTSCHLAND Immobilien Portfolio V./2007 GmbH & Co. KG, Dusseldorf	99.7 %
☐ WESTDEUTSCHLAND Immobilien Portfolio VI./2007 GmbH & Co. KG, Dusseldorf	99.7 %
☐ WESTDEUTSCHLAND Immobilien Portfolio VII./2007 GmbH & Co. KG, Dusseldorf	99.7 %
☐ WESTDEUTSCHLAND Immobilien Portfolio VIII./2007 GmbH & Co. KG, Dusseldorf	99.7 %
☐ WESTDEUTSCHLAND Immobilien Portfolio IX./2007 GmbH & Co. KG, Dusseldorf	99.7 %
☐ WESTDEUTSCHLAND Erwerber Portfolio IX./2007 GmbH, Dusseldorf	94.8 %
☐ Vivacon Development Harvestehuder Weg I. Verwaltungs GmbH, Cologne (via Vivacon Development GmbH & Co. KG)	100 %
☐ Vivacon Development Harvestehuder Weg II. Verwaltungs GmbH, Cologne (via Vivacon Development GmbH & Co. KG)	100 %
☐ WESTDEUTSCHLAND Immobilien Portfolio IV./2007 GmbH & Co. KG, Dusseldorf	99.7 %
☐ WESTDEUTSCHLAND Erwerber Portfolio IV./2007 GmbH, Dusseldorf	94.8 %
☐ Vivacon Development Harvestehuder Weg III. GmbH & Co. KG, Hamburg (via Vivacon Development Harvestehuder Weg I GmbH & Co. KG)	99.7 %
☐ Vivacon Grundstückeigentums III.6./2007 GmbH & Co. KG, Cologne (via Vivacon Immobilien Portfolio XIX./2006 GmbH & Co. KG)	100 %
☐ yoo Berlin GmbH & Co. KG, Cologne (via yoo Deutschland GmbH)	50 %
☐ yoo Berlin Verwaltungs GmbH, Cologne (via yoo Deutschland GmbH)	50 %
☐ VD Berlin-Mitte Luisenstadt Verwaltungs GmbH, Cologne (via Vivacon Development GmbH & Co. KG)	100 %
☐ APV Alsterproperty Vermögensverwaltungsgesellschaft mbH, Seevetal	96.6 %

Consolidated financial liabilities as of 31. Dezember 2007

	Total	Expected residual terms Up to 1 year	1 – 5 years	over 5 years
	€	€	€	€
Deferred tax liabilities	51,712,900.51			51,712,900.51
in the previous year	39,512,650.99			39,512,650.99
Liabilities from bonds	173,833,151.61			173,833,151.61
in the previous year	173,896,965.55			173,896,965.55
Other provisions	12,630,785.38	12,630,785.38		
in the previous year	6,774,027.30	6,774,027.30		
Liabilities due to banks	414,785,634.44	300,308,385.10	114,477,258.34	
in the previous year	199,283,118.87	199,283,118.87		
Advances received	2,915,917.27	2,915,917.27		
in the previous year	1,110,232.68	1,110,232.68		
Trade payables	26,459,011.09	26,459,011.09		
in the previous year	12,563,097.39	12,563,097.39		
Liabilities from derivative financial instruments	10,735,214.04	10,735,214.04		
in the previous year	3,405,613.46	3,405,613.46		
Actual tax liabilities	974,448.33	974,448.33		
in the previous year	2,306,219.69	2,306,219.69		
Other liabilities	19,647,888.24	19,046,651.50	601,236.74	
in the previous year	20,046,494.23	19,511,216.79	48,439.26	486,838.18
Total	**713,694,959.91**	**373,070,412.71**	**115,078,495.08**	**225,546,052.12**
in the previous year	**458,898,420.16**	**244,953,526.18**	**48,439.26**	**213,896,454.72**

Securities given €	Notes
173,833,151.61	Land charges, assignment of rents, pledging of account balances
173,896,965.55	
414,785,643.44	Land charges, assignment of rents,
199,283,118.87	purchase-money claims and ground rents , pledging of account balances
24,476.42	Automobile chattel mortgage
60,360.39	
588,643,271.47	
373,240,444.81	

Development of fixed assets in the business year 2007

	Manufacturing or acquisition costs					
	01.01.	Addition	Addition/ Disposal*	Changes	Disposal	31.12.
	€	€	€	€	€	€
I. Intangible assets						
1. Industrial property rights and similar rights and assets	349,934.66	95,708.34	−1.00	0.00	0.00	445,642.00
2. Goodwill	48,109.18	0.00	0.00	0.00	0.00	48,109.18
Reporting year	**398,043.84**	**95,708.35**	**−1.00**	**0.00**	**0.00**	**493,751.18**
Previous year	387,750.27	10,292.57	1.00	0.00	0.00	398,043.84
II. Property, plant and equipment						
1. Investment property	227,109,698.00	50,014,868.93	0.00	70,879,842.07	0.00	348,004,409.00
2. Furniture, fixtures and fittings	1,584,188.40	687,802.51	−8,856.11	0.00	82,040.00	2,181,094.80
Reporting year	**228,693,886.40**	**50,702,671.44**	**−8,856.11**	**70,879,842.07**	**82,040.00**	**350,185,503.80**
Previous year	94,032,026.54	76,112,897.46	11,549.88	58,579,453.41	42,040.89	228,693,886.40
III. Investments						
1. Equity investments in associated companies	4,937,002.43	4,075,237.54	0.00	0.00	0.00	9,012,239.97
2. Other investments	11,460.00	97,610.00	0.00	0.00	0.00	109,070.00
	4,948,462.43	**4,075,237.54**	**0.00**	**0.00**	**0.00**	**9,121,309.97**
	234,040,392.67	**54,971,227.32**	**−8,857.11**	**70,879,842.07**	**82,040.00**	**359,800,564.95**

* Change in consolidation

Depreciation and amortisation				Residual book values	
01.01.	**Addition**	**Disposal**	**31.12.**	**31.12.2007**	**31.12.2006**
€	**€**	**€**	**€**	**€**	
213,033.85	50,400.98	0.00	263,434.17	182,207.17	136,900.81
26,064.75	0.00	0.00	26,064.75	22,044.43	22,044.43
239,098.60	**50,400.98**	**0.00**	**289,499.58**	**204,251.60**	**158,945.24**
200,748.19	38,350.41	0.00	239,098.60		
0.00	0.00	0.00	0.00	348,004,409.00	227,109,698.00
736,184.05	308,294.98	54,419.97	990,059.06	1,191,035.74	848,004.35
736,184.05	**308,294.98**	**54,419.97**	**990,059.06**	**349,195,444.74**	**227,957,702.35**
534,820.57	235,796.81	34,433.33	736,184.05		
0.00	0.00	0.00	0.00	9,012,239.97	4,937,002.43
0.00	0.00	0.00	0.00	109,070.00	11,460.00
0.00	**0.00**	**0.00**	**0.00**	**9,121,309.97**	**4,948,462.43**
975,282.65	**358,695.96**	**54,419.97**	**1,279,558.64**	**358,521,006.31**	**233,065,110.02**

Consolidated segment reporting in ‘000 as of 31. December 2007

	Total Private Investors		**Total Institutional Investors**	
	31.12.2007 ‘000 €	**31.12.2006 ‘000 €**	**31.12.2007 ‘000 €**	**31.12.2006 ‘000 €**
Revenues (external sales)	104,399	63,344	89,192	61,014
Depreciation and amortisation	347	271	11	3
EBIT	6,250	10,400	77,548	68,326
Income from other securities				
Other interest and similar income				
Interest and similar expenses				
Taxes on income				
Net consolidated income				
Segment assets	268,700	259,867	552,906	315,526
Segment liabilities	65,338	83,629	293,223	84,432
Segment investments	7,043	1,595	43,853	74,548

Non-cash expenses were not incurred in 2006 and 2007.

* Includes income from associated companies of TEUR 4,780 (previous year: TEUR 3,759)
** Includes shareholdings in associated companies of TEUR 9,012 (previous year: TEUR 4,937)

Reconciliation		Group consolidated	
31.12.2007 '000 €	31.12.2006 '000 €	31.12.2007 '000 €	31.12.2006 '000 €
170	19	193,761	124,377
0	0	359	274
3,126*	3,514*	86,924	82,240
		0	2
		13,869	5,059
		– 29,143	– 19,548
		15,098	– 21,878
		56,552*	45,875
130,134**	68,121**	951,740	643,514
355,134	292,396	713,695	460,457
4,075	4,937	54,971	81,080

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Statements with regard to the future

This business report contains figures that relate to future developments. These statements represent assessments that we have made on the basis of the currently available information. If the assumptions on which the statements are based are not be fulfilled – as discussed in the risk report – then the actual results may differ from those presently expected.

Note

This report appears in German (original version) and in English (a non-binding translation).