ESTAVIS AG

THE REAL ESTATE INVESTMENT GROUP

ANNUAL REPORT 2009/10

ESTAVIS AG

ANNUAL REPORT 2009/10

Overview
Key Financial Data

ESTAVIS AG (continued activities)	2009/10	2008/09
Revenues and earnings	TEUR	TEUR
Revenues	71,328	70,710
Total operating performance	83,155	79,148
EBIT	4,724	–23,408
Pre-tax profit	1,317	–28,289
Net profit	645	–27,928

ESTAVIS AG	30 June 2010	30 June 2009
Structure of assets and capital	TEUR	TEUR
Non-current assets	22,537	22,241
Current assets	132,864	185,047
Equity	52,270	49,080
Equity ratio	34 %	24 %
Total assets/equity and liabilities	155,401	207,287

ESTAVIS AG

Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2010	9,546,235
Free float	71.1 %
Share price high (1 July 2009 – 30 June 2010*)	EUR 2.55
Share price low (1 July 2009 – 30 June 2010*)	EUR 1.25
Closing price on 30 June 2010*	EUR 1.93
Market capitalisation on 30 June 2010*	EUR 18 million

* Closing prices in Xetra trading

This Annual Report comprises the consolidated financial statements of ESTAVIS AG and the management report of the Group on the 2009/2010 financial year as well as additional voluntary information.

This translation of the original German version of the Annual Report has been prepared for the convenience of our English-speaking shareholders.
The German version is authoritative.

The above-mentioned versions of the Annual Report can be found at www.estavis.de or can be optained free of charge by writing to:
ESTAVIS AG, Uhlandstraße 165, 10719 Berlin, Germany.

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CEO of ESTAVIS AG

LETTER TO THE SHAREHOLDERS

Florian Lanz
Chief Executive Officer (CEO)

Eric Mozanowski
Member of the Management Board

Dear Shareholders,
Ladies and Gentlemen,

ESTAVIS AG got back on track for success in the 2009/10 financial year. The company's focus on high-value business activities and our structural relaunch are starting to pay off. Our most important goal for the year – returning to profitability – was a success.

We recorded a slight increase in revenues to EUR 71.3 million (previous year: EUR 70.7 million). Our earnings figures have improved significantly as against the previous year. EBIT rose to EUR 4.7 million (previous year: EUR 23.4 million), consolidated net profit increased to EUR 1.1 million (previous year: EUR 46.2 million). This corresponds to earnings per share of 13 cents (previous year: EUR 4.67).

The gradually improving conditions in the property sector contributed to the positive business developments. Residential property in particular is increasingly being seen as a key element in asset accumulation by institutional and private investors.

More planning security in financing

After the end of the financial year, we reached an agreement with the lending bank on the prolongation of extensive property finance. The financing volume is EUR 28.5 million and covers around 60 % of our let property portfolio (as of 30 June 2010).

This agreement gives us planning security until the end of 2011 while at the same time improving our financing structure. It has also given us more room for manoeuvre in the financing of new projects.

Property pipeline well filled

Given the strong demand for high-quality residential property at commercially attractive locations such as Berlin and Leipzig, we have boosted our property purchases in these regions. In this area we are mainly focusing on listed properties that offer private investors additional tax relief under section 7 of the Einkommensteuergesetz (EStG – German Income Tax Act) in addition to a redeveloped apartment. This form of tax-effective property investment is meeting with a great deal of interest from investors and owner-occupiers in particular.

In Berlin, we have acquired a highly promising property in the listed "Glanzfilmfabrik" site, a former industrial ensemble located directly on the River Spree. The complex is set to undergo a high-quality renovation and conversion over the next two years. 230 apartments and several town houses will be built in three stages. The project has a sales volume of EUR 65 million and thereby offers a solid foundation for our future business development.

Furthermore, we have selectively acquired further promising properties, mainly in the south of Germany. These properties offer good value-added potential for the future, while current rents will make a positive to contribution to earnings performance at ESTAVIS.

TAG Immobilien AG – new core shareholder

With an interest of around 20%, TAG Immobilien AG (TAG), a successful listed property company from Hamburg, became the largest single shareholder in ESTAVIS AG in May 2010. TAG acquired its interest by way of capital increase against non-cash contributions and by buying shares on the equities market.

In the capital increase, roughly 1.4 million new shares were subscribed to at a price of EUR 2.35 per share. The subject of the non-cash contribution was a listed property in a highly sought-after location in the centre of Berlin. With total residential space of around 3,300 m², 41 high-quality apartments and lofts are being created by the planned refurbishment of the building dating back to 1910 ("Kastaniengärten" project). The sale of listed apartments is expected to generate total revenues of around EUR 11 million.

We expressly welcome TAG's investment and see it as proof of its confidence in our corporate strategy. TAG's investment also serves to strengthen our shareholder structure and offers interesting business prospects for both companies.

Outlook for the 2010/11 financial year

As a provider of residential investments, ESTAVIS is already well established on the market. We want to build on what we have achieved and press ahead with the operative and strategic development of the company. In future, as an exit specialist, we will increasingly acquire and optimise property portfolios before selling them on to investors by way of a wide spectrum of exit channels, thereby generating value-added potential. In doing this, we intend to progressively gear our business activities more towards higher price segments on the property market. This will lead to higher average sales prices and income margins in the long term.

For the 2010/11 financial year, we are assuming a rise in revenues and consolidated net profit before taxes on the basis of steady sales of listed and portfolio properties.

Our efforts will continue to focus on the planned development of our listed projects in Berlin, "Glanzfilmfabrik" and "Kastaniengärten". The disposal process and preparations for the refurbishment of both projects are already underway.

Dear Shareholders,
Ladies and Gentlemen,

ESTAVIS has turned around and is emerging from its successful restructuring stronger than before. We have returned to positive territory and have taken key steps towards strengthening the company's financing. Thanks to a well-filled property pipeline, we have promising business prospects that we intend to further extend and improve going forward.

We would like to thank our shareholders for the confidence they have shown in our abilities so far and hope that you will continue to accompany us in future. We would also like to thank all our employees, who have each played a key part in ESTAVIS' success through their extraordinary commitment.

Florian Lanz
Chief Executive Officer (CEO)

Eric Mozanowski
Member of the Management Board

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ladies and Gentlemen,

ESTAVIS AG completed the necessary turnaround in the 2009/10 financial year and successfully overcame the effects of the financial crisis. Corporate strategy was refocused on quality business activities less susceptible to fluctuations in the economy. At the same time, the company has undergone a structural, HR and operative reorientation.

Monitoring the activities of the Management Board

In the 2009/10 financial year, the Supervisory Board of ESTAVIS AG took great care in performing the duties assigned to it by law and the Articles of Association. In doing so, it regularly advised the Management Board on the company's management and monitored the activities of the Management Board on a continuous basis.

The Supervisory Board was kept fully informed of all issues concerning the company's development and the course of business at all times and in a timely manner, including written monthly reports on the commercial, financial and technical development of the company. In addition, the Management Board informed the Chairman of the Supervisory Board of any significant events immediately and in a timely manner. The Supervisory Board also addressed the topic of the company's business policy and discussed aspects of its medium-term strategic planning with the Management Board. Where decisions by the Management Board required the approval of the Supervisory Board, the members of the latter examined the corresponding documents with due care, discussed them in a plenary session and passed resolutions accordingly. In addition to the intensive work within the Supervisory Board, the Supervisory Board members were also in regular contact with members of the Management Board outside meetings to receive information on current business development and major transactions and to assist the Management Board in an advisory capacity. In addition, individual discussions with the Management Board were used to discuss prospects and the future orientation of business activities as well as of the companies in the ESTAVIS Group. The Supervisory Board also addressed the potential conflicts of interest arising from the fact that the law firm Heuking Kühn Lüer Wojtek, of which the Chairman of the Supervisory Board, Dr. Karl-Josef Stöhr, is a partner, acts in an advisory capacity for ESTAVIS AG.

Meetings and committees

There were a total of five ordinary meetings of the Supervisory Board in the past financial year, in which the Supervisory Board discussed in depth the economic situation and the operative and strategic development of the company and its divisions.

In the meeting on 24 September 2009, the Management Board reported to the Supervisory Board on the economic situation and development of ESTAVIS AG. The main area of focus was the annual financial statements for the 2008/09 financial year. Property finance matters were also discussed and corresponding resolutions were passed.

The meeting of the Supervisory Board on 10 November 2009 was held together with the Management Board. The meeting discussed and passed the declaration of compliance with the German Corporate Governance Code. Furthermore, the agenda of the Annual General Meeting of ESTAVIS AG was also resolved. In addition, the appointment of various members as managing directors of companies of the ESTAVIS Group was approved.

At its meeting on 13 November 2009, the Supervisory Board focused on the annual and consolidated financial statements for the year ended 30 June 2009, the Management Board's proposal on the appropriation of net profit and corporate planning for the 2009/10 financial year. The annual and consolidated financial statements were then unanimously approved by the Supervisory Board.

The meeting on 16 February 2010 followed the Annual General Meeting and elected the Chairman and the Deputy Chairman of the Supervisory Board. It also approved the investment of an ESTAVIS Group company in a property management company and discussed other issues.

The meeting on 18 June 2010 centred on the business situation of the company, on which the Management Board reported to the Supervisory Board in great depth. No resolutions were passed at this meeting.

The members of the Supervisory Board of ESTAVIS AG also consulted with each other outside meetings and passed resolutions by way of votes held by telephone, in writing or in text form. All members of the Supervisory Board participated in each of these resolutions.

Given the reduction in the size of the Supervisory Board to three members, the Supervisory Board has not formed any committees as it believes that it can work efficiently as a whole. As committees must have at least two members or at least three members in order to be quorate, they are not deemed necessary for a Supervisory Board of this size.

New elections and reduction in size of the Supervisory Board

On 16 February 2010, the Annual General Meeting elected the new Supervisory Board. As per the resolution of the Annual General Meeting, the Supervisory Board consists of three members. Dr. Karl-Josef Stöhr, Michael Kremer and John Cutts were elected to the Supervisory Board. At the constituting meeting of the Supervisory Board following the Annual General Meeting, Dr. Karl-Josef Stöhr was elected as the Chairman and Michael Kremer as the Deputy Chairman of the Supervisory Board. The Management Board and the Supervisory Board thank the former members of the Supervisory Board, Mr. Denham Eke and Mr. Ulrich Wogart, for their commitment since ESTAVIS AG was founded.

Changes in the Management Board

By way of resolution of the Supervisory Board, the Management Board of ESTAVIS AG was reduced from four to two members as of 1 January 2010 as part of the strategic reorientation of the company. The Management Board members Ms. Corina Büchold and Mr. Hans Wittmann resigned their Management Board mandates as at 31 December 2009. After leaving the Management Board, Ms. Büchold took on a management position within the company. Mr. Wittmann has been available to ESTAVIS AG in an advisory capacity since his departure.

The CEO and the Supervisory Board of ESTAVIS AG wish to expressly thank Ms. Büchold and Mr. Wittmann for their extraordinary dedication since the founding of the company in 2006 and for their personal contribution to the restructuring and repositioning of ESTAVIS AG.

The appointment of the Management Board member Mr. Eric Mozanowski was prolonged by one year to 31 December 2011.

Corporate Governance

The Management Board and Supervisory Board of ESTAVIS AG identify with the objectives of the German Corporate Governance Code, which aims to promote responsible and transparent company management and control with a view to generating a sustainable increase in enterprise value. In accordance with section 161 of the German Stock Corporation Act, the Management Board and Supervisory Board of a listed company are required to issue a statement each year in which they provide information on the extent to which the recommendations of the Government Commission on the German Corporate Governance Code have been complied with in the past and are currently being complied with. In September 2010, the bodies of company adopted the declaration of conformity based on the version of the German Corporate Governance Code dated 26 May 2010 and made it permanently available to the shareholders on the homepage of ESTAVIS AG.

Single-entity and consolidated financial statements, audit of the annual financial statements

The Annual General Meeting appointed eidel & partner Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Kehl am Rhein, (eidel & partner), as the company's auditors. The Supervisory Board issued eidel & partner with the corresponding audit engagement, including specifying the focuses of the audit. The Supervisory Board ensured that it was kept informed about the audit measures performed by eidel & partner with a view to ensuring audit quality and auditor independence. The single-entity financial statements of ESTAVIS AG and the consolidated financial statements for the year ended 30 June 2010, the management report of ESTAVIS AG and the Group management report were audited by eidel & partner and issued with an unqualified audit opinion in each case.

The Supervisory Board also examined the single-entity and consolidated financial statements prepared by the Management Board, as well as the management report and Group management report. The audit report was submitted to all of the members of the Supervisory Board in good time. The Supervisory Board examined these documents and discussed them in detail at its meeting on 20 September 2010. The lead auditor attended this meeting and reported on the key results of the audit. The Supervisory Board raised questions with the Management Board on individual aspects.

The examination of the single-entity financial statements of ESTAVIS AG, the consolidated financial statements, the management report and the Group management report by the Supervisory Board did not give rise to any objections. Based on the final results of its own examination, the Supervisory Board concurred with the results of the audit. The Supervisory Board approved the single-entity and consolidated financial statements for the 2009/10 financial year and the accompanying management report and Group management report. The financial statements are therefore adopted in accordance with section 172 of the German Stock Corporation Act.

In the name of the members of the Supervisory Board, I would like to thank the Management Board and the employees of ESTAVIS AG for the work they have achieved and their remarkable commitment and loyalty.

Berlin, 20 September 2010

For the Supervisory Board
Dr. Karl-Josef Stöhr
Chairman

CORPORATE GOVERNANCE REPORT

In accordance with section 3.10 of the German Corporate Governance Code, the Management Board and Supervisory Board of ESTAVIS AG report on the company's corporate governance activities each year.

The Management Board and Supervisory Board of ESTAVIS AG identify with the objectives of the German Corporate Governance Code, which aims to promote responsible and transparent company management and control with a view to generating a sustainable increase in enterprise value.

Corporate Governance at ESTAVIS AG is intended to increase the confidence of investors, business partners, employees and the wider public in the management and monitoring of the company.

Declaration of conformity 2010

In accordance with section 161 of the German Stock Corporation Act, the Management Board and Supervisory Board of a listed company are required to issue a statement each year in which they provide information on the extent to which the recommendations of the Government Commission on the German Corporate Governance Code have been complied with in the past and are currently being complied with.

For the period from the last declaration of conformity dated 10 November 2009 until 1 July 2010, the following declaration refers to the version of the Code dated 18 June 2009. Since 2 July 2010, the declaration refers to the requirements of the Code in the new version dated 26 May 2010, which was published in the electronic Bundesanzeiger (German Federal Gazette) on 2 July 2010. This declaration has been published in full on the company's website www.estavis.de.

In accordance with section 161 of the German Stock Corporation Act, the Management Board and Supervisory Board of ESTAVIS AG hereby issue the following declaration:

"ESTAVIS AG has complied with and continues to comply with the recommendations of the German Corporate Governance Code with the following exceptions:

Section 4.2.3 (Compensation)
The total compensation of the Management Board currently consists of fixed and variable components, but no long-term incentives containing risk elements.
Moreover, the recommendation that negative developments should be taken into account when determining the variable components of overall remuneration was and is not complied with. According to the Supervisory Board, neither of these aspects is necessary in order to ensure the loyalty of the Management Board and its commitment to the company. A severance pay cap for former members of the Management Board has not currently been agreed, as the Supervisory Board does not consider this to be necessary.

Section 5.1.2 (Age limit)
Due to the age structure of the Management Board, no age limit is currently specified.

Sections 5.3.1, 5.3.2 and 5.3.3 (Committees)
To date, the Supervisory Board has not formed committees, and in particular an audit committee or a nomination committee. In light of the number of three members the Supervisory

Board considers efficient work to be possible in joint representation and the formation of committees, which must include at least two people or, for a quorum, at least three people, to be unreasonable given the size of the Supervisory Board.

Section 5.4.1 (composition of the Supervisory Board)
The new recommendation added to the Code as amended on 26 May 2010 on the formulation of specific objectives regarding the composition of the Supervisory Board is not currently complied with as, in the opinion of the Supervisory Board, such a composition is not essential for effective and successful work by the Supervisory Board. The Supervisory Board will examine the extent to which this recommendation can be complied with in future.

Section 5.4.6 (Supervisory Board remuneration)
ESTAVIS AG does not pay remuneration to the members of the Supervisory Board personally for the consultancy and agency services they perform for the company. If remuneration is paid to a law office for consultancy services by a member of the Supervisory Board or for other lawyers of the same law office, these services are not listed in the corporate governance report as, in the opinion of the Management Board and the Supervisory Board, such information is of immaterial value to the capital market.

Section 7.1.2 (Discussion of interim reports by the Supervisory Board)
At present, quarterly reports are not discussed with the Supervisory Board prior to publication. The Management Board reports to the Supervisory Board on the company's situation and the course of business each month in writing. The Supervisory Board does not consider additional quarterly reporting to be necessary."

Compensation report

Compensation paid to the Management Board

The Supervisory Board stipulates the structure and amount of the compensation paid to the members of the Management Board and reviews these factors on a regular basis. The total remuneration of the Management Board is composed of fixed and variable components and other compensation.

Fixed compensation is paid in the form of a monthly salary, while the variable component is paid as an annual management bonus. The management bonus depends on the operating result (EBIT) generated by the company. Other variable compensation components, such as stock options or similar instruments, are currently not used. Other compensation consists of non-cash benefits in the form of the use of a company car and a health insurance allowance.

In the 2009/210 financial year, the compensation paid to the Management Board totalled TEUR 796.

The following table shows the individual components of the compensation paid to the members of the Management Board:

ESTAVIS AG	Fixed compensation	Other compensation	Total compensation
	TEUR	TEUR	TEUR
Florian Lanz	238	33	271
Eric Mozanowski	220	33	253
Corina Büchold (until 31 December 2009)	115	17	132
Hans Wittmann (until 31 December 2009)	117	24	140
Total	**690**	**107**	**796**

ESTAVIS AG has also taken out D&O and accident insurance policies for the members of the Management Board.

The Group has no pension commitments to members of the Management Board.

Compensation paid to the Supervisory Board

The compensation paid to the Supervisory Board consists of fixed and performance-related compensation. In addition, the members of the Supervisory Board are reimbursed for any expenses incurred in exercising their function.

The members of the Supervisory Board receive fixed annual remuneration of TEUR 5 and the Chairman of the Supervisory Board receives fixed annual remuneration of TEUR 10 plus statutory VAT in each case, to the extent that this is required to be paid; these amounts are payable after the end of the financial year.

In addition, the members of the Supervisory Board receive variable compensation based on the development of the company's share price compared with the share price performance of its peer group, which is composed of Colonia Real Estate AG, Deutsche Wohnen AG, Franconofurt AG and Vivacon AG. Variable compensation is limited to 200% of the fixed compensation of the respective member plus statutory VAT, to the extent that this is required to be paid.

In the 2009/10 financial year, the compensation paid to the Supervisory Board totalled TEUR 56. The following table contains a detailed overview of the individual compensation paid:

ESTAVIS AG	Fixed compensation	Variable compensation	Total compensation
	EUR	EUR	EUR
Dr. Karl-Josef Stöhr	11,900	8,925	20,825
Michael Kremer	5,950	4,463	10,413
John W. Cutts	5,950	4,463	10,413
Denham Eke (until 16 February 2010)	3,966	2,975	6,942
Ulrich Wogart (until 16 February 2010)	3,966	2,975	6,942

Shareholdings of the Management Board and Supervisory Board

The number of ESTAVIS shares held by the members of the Management Board as of 30 June 2010 was as follows:

ESTAVIS AG	Number of shares
Florian Lanz (directly/indirectly via LAGO Invest GmbH, Berlin)	860,000
Eric Mozanowski	190,250

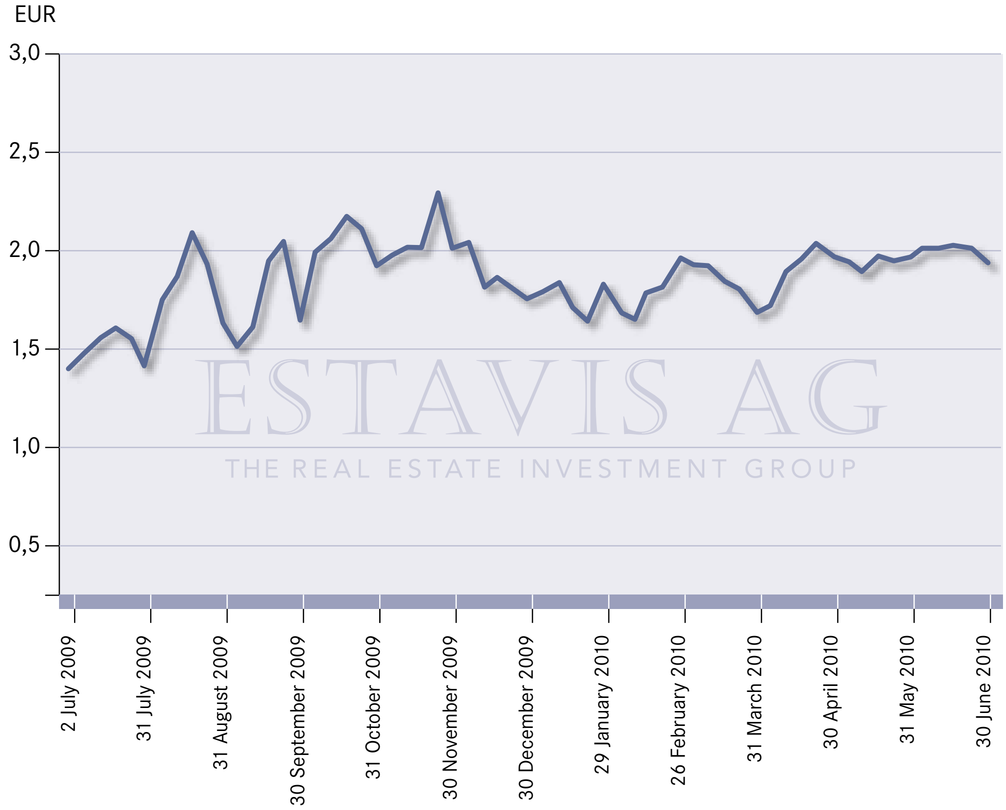
No members of the Supervisory Board held ESTAVIS shares at the reporting date.

THE ESTAVIS SHARE

In light of improving economic prospects and rising corporate profits, stock exchanges around the world recovered considerably in the 2009/10 financial year from their low in the same period of the previous year. However, burgeoning concerns regarding the creditworthiness of several European nations and doubts as to the strength of the economic upswing put confidence in the global finance markets to the test. The resulting volatility was a key feature of stock market performance in the past financial year. Against this backdrop, tangible assets such as gold and property experienced brisk demand.

ESTAVIS' shares gained in value significantly over the course of the 2009/10 financial year. Closing on Xetra at EUR 1.93 on 30 June 2010, they rose by around 30% as against the start of the financial year (EUR 1.48). On the basis of the closing price for the 2009/10 financial year, the market capitalisation of ESTAVIS AG was around EUR 18 million.

The average daily trading volume (Xetra) in ESTAVIS' shares was 54,448 in the 2009/10 financial year (previous year: 9,168).

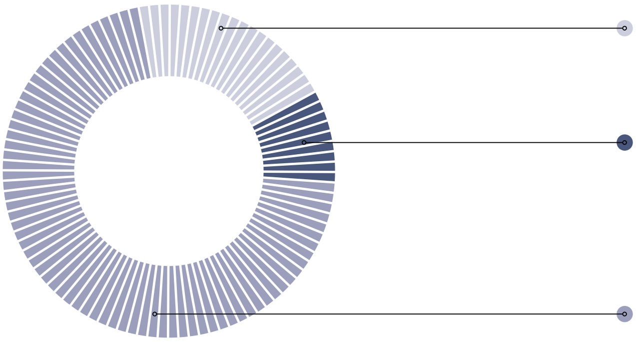


ESTAVIS' share price development in the 2009/10 financial year

Shareholder structure

As at 30 June 2010, the issued capital (share capital) of ESTAVIS AG amounted to EUR 9,546,235 and was composed of 9,546,235 no-par value bearer shares. The issued capital increased by EUR 1,446,808 in the reporting period as part of a non-cash capital increase. The sole subscriber to the capital increase was TAG Immobilien AG (Hamburg), which is now the main shareholder in ESTAVIS AG with around 20% of shares.

The shareholder structure is shown in the graphic below:



Shareholder structure on 30 June 2010

Investor relations activities

Transparent communications with private and institutional investors are a matter of great concern to us. This also means our participation in key investor conferences.

In the first half of the 2010/11 financial year, we will be presenting at the Annual Conference of the Real Estate Share Initiative, of which ESTAVIS is a member. Attendance at further investor meetings and conferences is planned for the second half of the financial year.

The development of ESTAVIS AG is monitored continuously by analysts at WestLB and SES Research. According to current analyst reports, ESTAVIS' shares are believed to offer significant upside potential:

- WestLB, recommendation: "Buy", target price EUR 3.30
- SES Research, recommendation: "Buy", target price EUR 3.30

ESTAVIS shares at a glance

ESTAVIS AG

Share	
Stock exchange segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2010	9,546,235
Free float	71.1 %
Share price high (1 July 2009 – 30 June 2010*)	EUR 2.55
Share price low (1 July 2009 – 30 June 2010*)	EUR 1.25
Closing price on 30 June 2010*	EUR 1.93
Market capitalisation on 30 June 2010*	EUR 18 million

* Closing prices in Xetra trading

with Florian Lanz, CEO of ESTAVIS AG

ESTAVIS AG focuses on the residential property segment. Why?

The German residential property market is highly interesting for both private and institutional investors as it offers relatively stable returns with manageable risks. And for us it's the market segment that we know well and where we feel there are attractive prospects. Over the years, we have gained extensive experience and have the necessary specialist expertise with residential property investments. It's only natural to us to focus on this market and our promise to ourselves is that quality always counts more than just quantity.

Germany's population will steadily decline over the coming decades. Given this demographic trend, can we expect a surplus offer on the residential market?

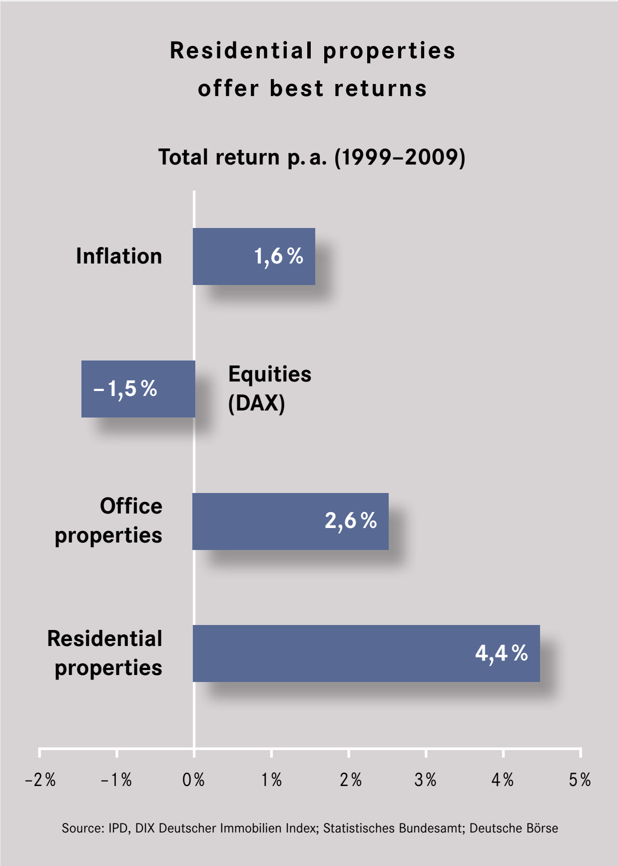
Every property investor obviously has to keep an eye on demographic developments. But for the residential market in particular, prospects are significantly better than for office properties, for example. People are always getting older, which also means that they are using their apartments for longer. And the primary factor shaping demand on the residential market will be how the number of households develops. Forecasts indicate that the number of households in Germany will continue to increase in the coming years. There are several trends contributing towards this development. Firstly, individual space requirements are on the rise; living space per capita is continuing to increase. Meanwhile, the size of households is decreasing, what means that fewer and fewer people are living together in a shared household. The number of single and two-person households is rising while larger households are becoming less common. So the general conditions are highly positive in terms of demand. And as construction activity has been lagging behind new building requirements for years, a surplus of apartments is not expected anywhere in Germany in the foreseeable future.

But in the new German states, and increasingly in the old ones as well, there are a number of regions that people are leaving – apartments are left vacant and in some cases there are even plans for the widespread demolition of residential properties. How does that fit?

The fact is that vacancy rates on the residential market are already falling and there are clear signs of a shortage of apartments in many locations. On the basis of the Techem-Empirica Vacancy Index, vacancies in Germany were at 4.0 % in 2006, which declined to 3.7 % by 2009. And according to a study by the Prognos research institute, the apartments available in 75 % of German regions will no longer be sufficient to meet expected requirements by 2025. In the regions where this is not the case there will be indeed higher vacancy rates. This mainly affects properties that can no longer be marketed on account of the standard of their amenities and their condition. Naturally, demolition is an option in such cases. Anyone who invests in residential property should always take great care in deciding which location to invest in. This is why ESTAVIS focuses on growing locations in metropolitan regions such as Berlin, Potsdam or Leipzig.

Are there figures to verify the advantages of residential property investments compared to other types of property use?

Some interesting data has been published on this recently. IPD Investment Property Databank GmbH calculated a decline in total return on the DIX German Property Index to 2.5 % for 2009. That's the average return that a property investor generated as a total of the rental return and the return from the change in capital value in the past year. Overall, this means that the German property market got off lightly in the crisis. However, there were notable differences between the different types of use. In 2009, institutional investors achieved a total return on 5.3 % on residential properties, significantly more than for retail and office properties. Furthermore, the total return on residential property increased considerably while it declined in the other two segments. A comparison over the longer term is also interesting: If you look at the returns on residential properties, office properties and equities over the last ten years, residential properties are ahead by a long way. Their total return was 4.4 % per year. But the average annual rate of inflation over the same period was only 1.6 %. So the bottom line is that residential property investors posted real asset growth.



A key focus of ESTAVIS' activities is listed properties. Why?

Under sections 7h and 7i of the German Income Tax Act, investors can claim higher depreciation on listed buildings and properties in redevelopment areas. This is effectively the last tax advantage worth mentioning left for property investors today – and naturally it makes these properties highly attractive to many investors. However, there is also another key aspect. Buyers and interested parties often make it very clear to us in talks that, in addition to all other aspects, they above all appreciate the individuality and the frequently fascinating history of a listed building or location. A former industrial plant like our most recent project, the old glaze factory “Glanzfilmfabrik” in Berlin-Köpenick, is something truly unique that cannot just be reproduced. As a buyer, this means that you already have a certain exclusivity not available from new buildings.

What will you be concentrating on in the coming months?

We will continue to concentrate on locations with interesting return potential and on residential properties. Listed properties will be at the heart of this but this is not essential. The crucial factor will always be the potential that we see in a property and a location. Generally, we mainly want to increase our exposure in the higher-end segment.

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PRELIMINARY REMARKS

The consolidated financial statements of ESTAVIS AG (hereinafter also referred to as ESTAVIS) on which this report is based have been prepared in line with the International Financial Reporting Standards (IFRS).

As part of its reorientation in the 2008/09 financial year, the ESTAVIS Group disposed of some of its business activities. To ensure a meaningful comparison, unless stated otherwise, the figures used in this report (including for the previous year) relate to the continued operations of the ESTAVIS Group. For a detailed presentation of the key figures for discontinued activities, please see the notes to the consolidated financial statements, section 6.25.

All monetary figures in this report are stated in euros (EUR). Both individual and total figures represent the value with the smallest rounding difference. Accordingly, adding the values of the individual line items may result in slight differences compared with the sum totals presented.

1 BUSINESS AND CONDITIONS

1.1 BUSINESS ACTIVITIES AND BUSINESS MODEL

The ESTAVIS Group is one of the leading listed property dealers in Germany. Its business operations comprise domestic properties in Germany only, focusing mainly on commercially attractive locations. Its activities centre on the acquisition, optimisation/modernisation and sale of residential properties. ESTAVIS's operations are divided into the segments of retail trading and other activities.

In the reporting period, the ESTAVIS Group underwent and completed a change in strategy. Its business model is now essentially based on exit-oriented sales of residential property. It has discontinued its prior portfolio business with institutional investors.

Retail trading (sale of properties to private investors)
The retail trading segment comprises the sale of apartments to private investors primarily for the purposes of retirement provision and as tax-advantaged investments. Activities here focus on the acquisition, modernisation and sale of listed properties that private investors can utilise for tax benefits in particular. Properties are sold throughout Germany through external sales partners.

Other activities
Other activities essentially include the exploitation of properties held as inventories outside retail business. The ESTAVIS Group generates regular rental income from residential property holdings held for future disposal. This segment also includes a low level of commercial development activity.

1.2 CORPORATE STRUCTURE

ESTAVIS AG acts as an operating holding company for a number of property management companies and performs the functions of corporate management, financing and administration in the ESTAVIS Group.

As part of a restructuring programme, the ESTAVIS Group has sold off various loss-making investments since the 2008/09 financial year, thereby streamlining its corporate structure. In this context, the former majority investment (80.4%) in Hamburgische Immobilien Invest SUCV AG (HAG Group) was sold to an external investor in June 2009. The disposal became effective in the reporting period.

A presentation of the current corporate structure and a list of the individual subsidiaries and associates of ESTAVIS AG can be found in the notes to the consolidated financial statements.

1.3 ECONOMIC ENVIRONMENT

a) Macroeconomic development

Following a severe slump as a result of the global financial crisis, the economic situation in Germany improved again over the course of the 2009/10 financial year. With a rise in gross domestic product of 4.1% in the second quarter of 2010 (as against the previous year), Germany had the highest growth rate in the European Union. The strong growth was driven both by increased demand from abroad and by private and government consumer spending. The unemployment rate declined from 8.2% (July 2009) to 7.5% (June 2010) in the 2009/10 financial year.

Consumer prices increased only slightly by 0.4% on average for 2009 – the lowest rate of inflation since German reunification. However, consumer prices rose again in the first half of 2010.

The interest rate policy of the European Central Bank was geared towards stimulating economic development in the reporting period. After cutting interest rates to 1.0% in May 2009, the European Central Bank has since maintained this low interest level (as at September 2010).

In spite of the incipient economic recovery, investment activity and private consumer spending remained well below pre-crisis levels. Lending by banks to companies and consumers, a key foundation for economic growth, remained restrictive.

b) Development in the German housing market

With around 40.2 million residential units, Germany has the largest housing market in Europe, but is different from other European countries in terms of its ownership structure and price development. At 43%, Germany has a relatively low level of owners compared to the rest of Europe. In contrast to other major markets such as the US, Spain or France, the price performance of German residential property remained stable for many years. In the crisis years between 2007 and 2009, these foreign markets, unlike the German market, experienced considerable price declines.

The housing market in Germany is characterised by a low level of new construction activity compared to the rest of Europe. The number of apartments completed declined by around 10 % year-on-year to 140,000 units in 2009. Thus, only 17 new apartments were built per 10,000 inhabitants. With a new building rate (number of new apartments compared to total apartments) of around 0.3 %, construction activity is still at an historically low level.

In light of the low level of new construction activity in Germany, demand for living space is on the rise, particularly in conurbations, leading to higher prices and rents. According to a survey conducted by the German Property Association IVD in 390 cities, rent for apartments in Germany increased by an average of 0.9 % year-on-year in 2009. At 1.9 %, the rise in rent in major cities with more than 100,000 inhabitants was around twice as high as the average. According to the IVD study, renovated apartments with good amenities in older buildings in major cities saw particularly high increases in rents (2.0 %). We see the findings of the IVD report as key statistical backing for our focus on high-quality residential property in prospering cities such as Berlin, Leipzig and Dresden.

The prospects for the German residential property market are still considered positive by industry experts. Property investments remain a key element of asset accumulation for institutional and private investors. In particular, the residential property market is defined by long-term trends and is therefore less susceptible to economic fluctuations.

1.4 LEGAL CONDITIONS

ESTAVIS AG is a stock corporation (Aktiengesellschaft) based in Germany and has issued voting shares that are listed on an organised market as defined by section 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG), namely the Regulated Market of the Frankfurt Stock Exchange (Prime Standard).

a) Managing body

The legal managing and representative body of ESTAVIS AG is the Management Board. The composition of the Management Board and the appointment of its members are based on sections 76, 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Article 6 of the company’s Articles of Association. In accordance with these provisions, the Management Board is composed of one or several members. The Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint up to five Management Board members and specify a Management Board member to act as Chairman. At present, the company’s Management Board consists of the Chairman and one additional member.

In accordance with section 84 of the AktG, the members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. They may be reappointed or their term extended for a maximum of five years in each case. The appointment and reappointment of members requires a corresponding resolution by the Supervisory Board to be passed no more than one year before the expiration of the respective member’s term. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for good cause.

b) Amendment of the Articles of Association

In accordance with section 179 of the AktG, any amendment to the Articles of Association requires a resolution by the General Meeting. This does not apply to amendments and additions to the Articles of Association that relate solely to their wording, the responsibility for which has been transferred to the Supervisory Board in accordance with Article 11 (2) of the Articles of Association.

In accordance with sections 133 and 179 of the AktG in conjunction with Article 13 (3) of the Articles of Association, resolutions by the General Meeting on amendments to the Articles of Association require a simple majority of the votes cast and a simple majority of the share capital represented when the resolution is adopted, unless a larger majority is prescribed by law or the Articles of Association in an individual case.

c) Capital structure

As of 30 June 2010, the issued capital (share capital) of ESTAVIS AG amounted to EUR 9,546,235 and was composed of 9,546,235 no-par value bearer shares. There are no different stock classes. The share capital was increased by EUR 1,446,808 by way of non-cash capital increase in the reporting period.

The Management Board is authorised, with the approval of the Supervisory Board, to acquire up to 809,942 treasury shares and sell them while excluding subscription rights up to and including 15 February 2015.

Following the partial utilisation of authorised capital for the purposes of the non-cash capital increase in the reporting period, the Management Board is also authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a maximum of EUR 678,192 by issuing new no-par value bearer shares in exchange for non-cash or cash contributions on one or more occasions up to and including 22 February 2012 (Authorised Capital I). Subject to the conditions described below, shareholders are granted statutory subscription rights.

The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in the following cases:

- to adjust for fractional amounts;
- in the case of capital increases in exchange for cash contributions if the respective capital increase does not exceed 10 % of the company's share capital and the issue price does not materially fall below the relevant stock market price. For the purposes of this authorisation, the issue price for the purchase of new shares by an intermediary with the simultaneous obligation of such intermediary to offer the new shares for purchase by one or more third parties designated by the company is deemed to be the amount that must be paid by the third party or parties;
- for the purpose of acquiring companies, interests in companies, parts of companies, intellectual property rights such as patents or trademarks or licenses thereto, or other product rights or other contributions in kind;
- for the issuance of employee shares to employees of the company or its affiliates; or
- in other cases that are considered to be in the interests of the company.

The Management Board is also responsible, with the approval of the Supervisory Board, for determining the further content of the stock rights and the other details of the implementation of capital increases from authorised capital.

The Management Board is also authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a maximum of EUR 1,362,213 by issuing new no-par value bearer shares in exchange for non-cash or cash contributions on one or more occasions up to and including 22 February 2012 (Authorised Capital II). Authorised Capital II is subject to the same provisions on the exclusion of shareholders' statutory subscription rights and the other conditions as described for Authorised Capital I above.

The Management Board is also authorised, with the approval of the Supervisory Board, to increase the share capital of the company by issuing up to 562,500 new no-par value bearer shares in exchange for non-cash or cash contributions up to and including 19 February 2014 (Authorised Capital III). In line with the Articles of Association, Authorised Capital III is subject to the following provisions on the disapplication of pre-emption rights and other conditions:

The Management Board is authorised, with the approval of the Supervisory Board, to disapply pre-emption rights in full or in part in the following cases:

- for capital increases against cash contributions if shares in the company are traded on a stock market (regulated market or OTC or the successors to these segments), the capital increase does not exceed ten percent of the share capital and the issue price of the new shares is not significantly less than the market price of shares in the company of the same class and features already traded on the stock market within the meaning of sections 203 (1) and (2), 186 (3) sentence 4 AktG at either the time of coming into effect or the time of this authorisation being exercised. The amount of 10 % of the share capital must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorisation with pre-emption rights disapplied under direct or mutatis mutandis application of section 186 (3) sentence 4 AktG, if such inclusion is required by law. For the purposes of this authorisation, the issue price for the purchase of new shares by an intermediary with the simultaneous obligation of such intermediary to offer the new shares for purchase by one or more third parties designated by the company is deemed to be the amount that must be paid by the third party or parties;
- for capital increases against non-cash contributions, particularly for the acquisition of companies, parts of companies and investments in companies, industrial property rights, such as patents, brands or licences to these, or other product rights or other non-cash contributions; or
- for fractional amounts arising from subscriptions ratios.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further content of share rights and the other details of the capital increase and its implementation. The Management Board is authorised to determine that the new shares in accordance with section 186 (5) AktG must be assumed by a bank or a company operating in accordance with section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) KWG, with the obligation of offering them for subscription by shareholders.

The Management Board is authorised, with the approval of the Supervisory Board, to issue convertible or option bonds or profit participation certificates with or without conversion or pre-emption rights (referred to collectively below as “bonds”) with a total nominal amount of up to EUR 200,000,000 on one or more occasions up to and including 15 February 2015. The bearers of bonds can be granted conversion or pre-emption rights for up to 20,000,000 bearer shares with a pro rata share of capital of up to a total of EUR 20,000,000. Subject to the conditions described below, shareholders are granted subscription rights.

The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders’ statutory subscription rights in the following cases:

- for fractional amounts arising from pre-emption rights;
- to offer convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights for subscription to individual investors, provided that, in accordance with section 186 (3) sentence 4 AktG mutatis mutandis, the shares issued on account of these bonds do not exceed 10 % of the existing share capital at the time of this authorisation coming into effect or at the time of the resolution to exercise this authorisation and the issue price of the bonds is not significantly less than the theoretical fair value of the bonds as calculated in line with recognised financial methods. The amount of 10 % of the share capital must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorisation with pre-emption rights disapplied under direct or mutatis mutandis application of section 186 (3) sentence 4 AktG, if such inclusion is required by law;
- to offer profit participation certificates without conversion or pre-emption rights for Subscriptionto individual investors provided that the issue price is not significantly less than the theoretical fair value of the profit participation certificates as calculated in line with recognised financial methods and provided that the profit participation certificates only have the characteristics of a debenture, i. e. if they do not constitute any shareholder rights in the company, nor any conversion or pre-emption rights, do not grant any entitlement to the liquidation proceeds and if the amount of the interest yield is not based on the net profit for the period, balance sheet profit or dividend;
- to the extent that this is necessary to grant bearers of conversion or pre-emption rights granted by the company or companies in the Group to shares of the company pre-emption rights to bonds issued under this authorisation in the amount they would be entitled to after exercising their conversion or pre-emption rights or after satisfying any conversion obligation (dilution protection), or
- if bonds are issued in exchange for non-cash contributions and the disapplication of pre-emption rights is overwhelmingly in the interests of the company.

The Management Board is also responsible, with the approval of the Supervisory Board, for determining the further details of the issue and features of the bonds, including in particular the term, issue and exercise periods, termination, issue price, interest rate, denomination, adjustment of the subscription price and grounds for a conversion obligation.

In connection with the option described above to grant conversion and pre-emption rights, the share capital of ESTAVIS AG has been contingently increased by way of resolution of the Annual General Meeting of 16 February 2010 by up to EUR 3,239,770 by issuing up to

3,239,770 new no-par value bearer shares with profit participation from the start of the financial year in which they are issued (Contingent Capital 2010). The contingent capital increase will only be implemented to the extent that

- the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights issued by the company or its subordinate Group companies on the basis of the authorisation resolution by the Annual General Meeting on 16 February 2010 up to and including 15 February 2015 exercise their conversion or pre-emption rights and the company decides to serve the conversion or pre-emption rights from this contingent capital, or

- the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights with a conversion obligation issued by the company or its subordinate Group companies on the basis of the authorisation resolution by the Annual General Meeting on 16 February 2010 up to and including 15 February 2015 satisfy their obligation and the company decides to serve the conversion or pre-emption rights from this contingent capital.

The shares issued under utilisation of the Contingent Capital shall be issued in line with the provisions of the authorisation resolution of the Annual General Meeting of 16 February 2010, i. e. in particular at least 80 % of the average stock market price of ESTAVIS shares in the opening auction in XETRA® trading on the last ten trading days before the resolution by the Management Board to issue the respective bonds, taking into account adjustments as per the dilution protection regulations of the resolution of the Annual General Meeting on 16 February 2010.

d) Transfer and voting right restrictions

As part of a capital increase against non-cash contributions, TAG Asset Management GmbH, Hamburg (TAG), acquired 1,446,808 new bearer ESTAVIS shares at an issue price of EUR 1.00 per share in the reporting period. The share capital of ESTAVIS AG was increased as a result of this from EUR 8,099,427 to EUR 9,546,235.

The new shares issued are subject to a contractual lock-up until 1 April 2011. Within the lock-up period, TAG is required not to offer, allocate, issue, sell, undertake to sell, sell a purchase option on, buy a disposal option on or to otherwise issue or dispose of the new shares either directly or indirectly without the written approval of ESTAVIS AG. The agreement also prohibits TAG from concluding or performing transactions (including transactions in derivatives or other financial instruments) within this period by which the economic risk of share ownership would be transferred in full or in part to a third party, regardless of whether these transactions would be effected by delivery of shares, cash payment or other benefits. However, TAG was entitled to transfer the new shares to TAG Immobilien AG, Hamburg, or other companies of the TAG Group without the approval of ESTAVIS AG.

The lock-up period agreed with the old shareholders in connection with the capital increase to acquire the B&V Group in October 2007 expired in the reporting period.

The shares of ESTAVIS AG were not subject to any voting right restrictions in accordance with statutory provisions or the Articles of Association as of the balance sheet date. All shares issued as of 30 June 2010 carry full voting rights and each grant the holder one vote at the Annual General Meeting.

e) Equity interests and rights of control

As at the reporting date, TAG Immobilien AG, Hamburg, held 20.03 % of shares in ESTAVIS AG. The company is not aware of any other direct or indirect interests in its share capital that exceed 10 % of the voting rights.

None of the shares issued by ESTAVIS AG carry rights that grant the holders special rights of control.

There is no information on voting right controls for employees holding equity interests in the company who do not directly exercise their rights of control.

f) Impacts of potential takeover bids

There are no material agreements between ESTAVIS AG and other parties that would come into force, change or be terminated in the event of a change of control in the company as the result of a takeover bid.

ESTAVIS AG has not concluded any agreements that provide for the compensation of members of the Management Board or employees in the event of a takeover bid.

1.5 ESTAVIS SHARE PRICE PERFORMANCE

Since 2 April 2007 (date of initial listing), ESTAVIS' shares have been traded on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard). The company's shares are also traded on the Regulated Market of the Berlin Stock Exchange and the OTC markets of the Hamburg, Munich, Stuttgart and Düsseldorf Stock Exchanges.

The opening price of ESTAVIS shares in the 2009 / 10 financial year (Xetra trading) was EUR 1.48. At the end of the financial year on 30 June 2010, the shares were listed at EUR 1.93. This represents an increase of around 30 %. On the basis of the total number of ESTAVIS shares (9,546,235), this corresponds to a market capitalisation of around EUR 18.4 million.

The average daily trading volume (Xetra) in ESTAVIS' shares was 54,448 in the 2009 / 10 financial year (previous year: 9,168).

2 BUSINESS PERFORMANCE AND FINANCIAL POSITION

2.1 SUMMARY ASSESSMENT OF BUSINESS PERFORMANCE AND COMPARISON OF FORECAST AND ACTUAL BUSINESS PERFORMANCE

The business performance in the 2009 / 10 financial year was characterised by stable demand for apartments. The low interest rates and the greater interest in tangible assets as result of the turbulence caused by the financial crisis were the key drivers behind this positive market and business performance.

The unusually long and severe winter led to postponements in the completion of renovation work on individual properties to later in the year. However, these delays were caught up in the last quarter of 2009 / 10.

On the basis of the year-on-year increase in revenues and the return to positive territory for consolidated earnings in the 2009/10 financial year, actual business performance was largely in line with forecast developments.

The positive development of consolidated earnings as against the previous period is essentially due to the improvement in other operating income (mainly as a result of reversals of write-downs on receivables and inventories), lower costs of materials (essentially due to write-downs on properties held as inventories in the previous period), the drop in staff costs, the decline in other operating expenses (lower rental guarantees and miscellaneous other operating expenses in particular) and improved net finance costs.

2.2 EARNINGS SITUATION

The ESTAVIS Group's key revenue and earnings figures developed as follows in the period under review:

	2009/10	2008/09
	Mio. EUR	Mio. EUR
Revenues	71.3	70.7
EBIT	4.7	–23.4
Net profit	0.6	–27.9

In the 2009/10 financial year, consolidated revenue rose by 0.9% to EUR 71.3 million. The ESTAVIS Group's revenues are broken down into the following business segments for financial reporting purposes:

- Retail trading EUR 56.3m (previous year: EUR 62.1m)
- Other activities EUR 15.1m (previous year: EUR 8.6m)

In the retail trading segment, revenue declined from EUR 62.1 million in the previous year to EUR 56.3 million. The decline in revenue is due to a lower number of residential units sold as a result of longer processing periods for customer finance at banks. Segment EBIT amounted to EUR 1.6 million (previous year: EUR 2.5 million).

Revenue in the other activities segment increased from EUR 8.6 million in the previous year to EUR 15.1 million. The rise in revenue is essentially due to the disposal of a property portfolio of EUR 10.3 million. Segment EBIT increased to EUR 3.1 million (previous year: EUR –25.8 million). The main reasons for the earnings performance in this segment were reversals of write-downs on inventories and receivables in the amount of EUR 3.6 million after write-downs on properties held as inventories of EUR 15.0 million in the previous period.

For a detailed presentation of the segment performance, refer to the Group Notes, section 5.

Consolidated net profit climbed to EUR 0.6 million in the reporting period (previous year: EUR 27.9 million).

The positive development of consolidated earnings as against the previous period is essentially due to the improvement in other operating income (mainly as a result of reversals of write-downs on receivables and inventories), lower costs of materials (essentially due to write-downs on properties held as inventories in the previous period), the drop in staff costs, the decline in other operating expenses (lower rental guarantees and miscellaneous other operating expenses in particular) and improved net finance costs.

In the 2009/10 financial year, the gross margin (revenues plus changes in inventories less cost of materials/revenues) was 34.5% (previous year: 10.4%). However, these values cannot be compared directly as the cost of materials for the comparative period included write-downs on properties held as inventories of EUR 15.0 million. Adjusted for these write-down effects, the gross margin in the comparative period was 31.7%.

The EUR 2.7 million increase in other operating income is largely due to the reversals of impairment losses on receivables and inventories.

Staff costs declined by EUR 0.5 million from EUR 3.2 million in the previous year to EUR 2.7 million. A key factor in this development was the lower average headcount compared to the previous period and the reduction of the Management Board as at 31 December 2009.

Other operating expenses declined by EUR 7.7 million from EUR 34.5 million to EUR 26.8 million. In particular, this was due to the lower expenses for rental guarantees and a reduced scope of miscellaneous other operating expenses (essentially lower write-downs on receivables).

Interest income decreased by EUR 0.7 million year-on-year as a result of the decline in cash and cash equivalents. Interest expenses fell by EUR 2.1 million. The drop in interest expenses is predominantly due to lower utilisation of project finance, the sale of properties financed by borrowing and lower interest rates. As a result, net finance costs improved by a total of EUR 1.5 million from EUR –4.9 million in the previous year to EUR –3.4 million in the 2009/10 financial year.

Earnings before taxes improved to EUR 1.3 million (previous year: EUR 28.3 million). Taking into account income taxes of EUR –0.7 million (previous year: EUR 0.4 million) and the result of discontinued operations of EUR 0.4 million (previous year: EUR –18.3 million), consolidated net profit amounted to EUR 1.1 million (previous year: EUR –46.2 million).

Further detailed information on the composition and amount of the Group's income and expenses can be found in the notes to the consolidated financial statements.

2.3 FINANCIAL AND NET ASSET SITUATION

The reorientation and consolidation of the business activities of the ESTAVIS Group in the 2009/10 financial year are reflected in its financial and net assets situation as at 30 June 2010.

Total assets declined by EUR 51.9 million to EUR 155.4 million (previous year: EUR 207.3 million). This change is essentially due to the derecognition of the assets and liabilities held for sale of the interest in the HAG Group.

Non-current assets changed only slightly by EUR 0.3 million to EUR 22.5 million (previous year: EUR 22.2 million). The change is due to the EUR 0.3 million rise in deferred income tax receivables.

The ESTAVIS Group invested EUR 0.2 million (previous year: EUR 0.4 million) in property, plant and equipment and intangible assets in the period under review. Non-current financial assets were unchanged at EUR 0.2 million (previous year: EUR 0.2 million).

The clear drop of EUR 52.2 million in current assets was essentially as a result of the derecognition of the assets held for sale as part of the disposal of the HAG Group in the amount of EUR 47.0 million. Furthermore, receivables declined by around EUR 8.6 million. While trade receivables increased by around EUR 17.6 million, other receivables were down by EUR 25.1 million. A key reason for this was the internal offsetting of items reported under other receivables and other liabilities with an overall effect of EUR 12.0 million.

Inventories climbed by EUR 3.2 million as a result of property acquisitions to EUR 84.0 million (previous year: EUR 80.7 million). Cash and cash equivalents increased slightly to EUR 4.1 million (previous year: EUR 3.9 million).

As a result of the consolidated net profit for the 2009/10 financial year and the capital increase in April 2010, equity rose to EUR 52.3 million (previous year: EUR 49.1 million). Thus, the equity ratio improved to 33.6% (previous year: 23.7%).

Non-current liabilities rose by around EUR 15.2 million to EUR 20.1 million. The change is predominantly due to the EUR 15.9 million increase in non-current financial liabilities in connection with property acquisitions.

Current liabilities declined by EUR 70.3 million to EUR 83.0 million (previous year: EUR 153.3 million). These changes were mainly due to the derecognition of the liabilities held for sale as part of the disposal of the HAG Group in the amount of EUR 43.4 million, the decline in other liabilities of EUR 20.3 million (EUR 12.0 million of which due to internal offsetting against other receivables) and the reduction of short-term financial liabilities in the amount of EUR 8.1 million.

The decline in other liabilities – not including the effects of internal offsetting – is largely due to the repayment of liabilities to related parties. The completion and handover of renovated properties and the sale of portfolio properties effected a reduction in current financial liabilities of EUR 67.9 million to EUR 59.8 million.

Gearing (debt/total capital) declined from 76.3% to 66.4%. The ratio of cash and cash equivalents to total assets improved slightly from 1.9% to 2.6%. At the same time, the Group's liquidity ratio (cash and cash equivalents/current liabilities) climbed from 2.5% in the previous year to 4.9%.

Key figures from the cash flow statement	2009/10	2008/09
	Mio. EUR	Mio. EUR
Cash flow from operating activities	–3.5	–12.2
Cash flow from investing activities	–4.6	–0.7
Cash flow from financing activities	–0.5	–0.2
Change in cash and cash equivalents	–8.6	–13.0
Cash and cash equivalents at the start of the period	12.7	25.7
Cash and cash equivalents at the end of the period	4.1	12.7

In the 2009/10 financial year, net cash used in operating activities improved as against the previous year to EUR 3.5 million (EUR –12.2 million). The main factor here was the considerably improved earnings performance of the Group in the reporting period.

Net cash used in investing activities amounted to EUR –4.6 million in the reporting period (previous year: EUR –0.7 million). In particular, the cash flow from investing activities was negatively affected by the disposal of the HAG Group in the reporting period (derecognition of cash and cash equivalents of EUR 8.8 million).

Net cash used in financing activities was down slightly year-on-year at EUR –0.5 million in the period under review (previous year: EUR 0.2 million).

The financing situation improved in the reporting period and liquidity bottlenecks were eliminated. Factors contributing to this included strict cost and liquidity management, a capital increase against non-cash contributions, the borrowing of mid-term capital and the repayment of short-term financial liabilities by way of the sale of portfolio properties.

After the end of the financial year, the ESTAVIS Group reached an agreement with its largest lending bank on the prolongation of property finance with a volume of EUR 28.5 million until the end of 2011 (see section 5, supplementary report).

Further details on the amount and composition of the Group's cash flows can be found in the cash flow statement and also in the Group Notes, section 6.23.

2.4 OTHER NON-FINANCIAL PERFORMANCE FACTORS

The technical expertise and commitment of our employees and executives are essential requirements for the ESTAVIS Group's business performance.

To help retain employee knowledge and skills, the ESTAVIS Group places a strong emphasis on attractive working conditions. In particular, this includes a competitive remuneration and training system which is continuously monitored and adapted to reflect changes in the labour market as appropriate. In addition, we constantly make observations on employee satisfaction on the basis of changes in fluctuation rates and sickness levels. Both variables have shown low figures in the past. With respect to senior management, too, we aim to engender a long-term commitment to the company in order to allow us to maintain our long-standing business relationships.

3 OPPORTUNITY AND RISK REPORT

3.1 RISK MANAGEMENT

The ESTAVIS Group's risk management system is geared towards identifying, securing and utilising the existing and future success potential of the Group's commercial activities in order to generate a sustained increase in enterprise value. An integral component of this system is the fact that potentially adverse developments and events are addressed in a structured manner and at an early stage, thereby allowing the Management Board to initiate countermeasures in good time before significant damage is done.

With the function of detecting and communicating significant risk factors in a prompt manner, and particularly those that are highly relevant in terms of income and liquidity and that could therefore jeopardise the Group's continued existence, the ESTAVIS Group's risk management system is integrated within the Group's planning, reporting and controlling processes at an organisational level. The system is managed on a centralised basis by ESTAVIS AG and comprises the systematic identification, analysis, assessment and monitoring of material risks by the company's Management Board. In light of the Group's clearly defined corporate structures and business processes, the level of formalisation has been kept comparatively low to date for reasons of efficiency. The close involvement of the Management Board in the main business transactions and projects serves to ensure that any risks arising are monitored on an ongoing basis.

The risk management system employed by ESTAVIS AG contains the following key elements:

- a structured and standardised controlling and reporting system that is capable of identifying adverse business developments at an early stage and communicating them to the company's management;
- the documentation of relevant risks for the purposes of informing the company's management on a regular or case-by-case basis;
- the frequent and regular assessment of the identified risks and the resolution of decisions on any countermeasures or the conscious acceptance of transparent risks by the Management Board of ESTAVIS AG.

The financial risk management of the ESTAVIS Group is geared towards managing and limiting the financial risks arising from operating activities. In particular, this is intended to counter significant bad debt losses that could jeopardise the company's economic development. Another objective of financial risk management is to ensure optimised Group financing. To this end, appropriate credit line agreements concluded by the parent company are used for the centralised financing of the operating Group units. The availability of sufficient funds for the company is monitored by a rolling liquidity control.

To date, derivative financial instruments have not been recognised separately in the ESTAVIS Group's risk management system, as they are only used to a negligible extent. With regard to the individual risks arising from primary financial instruments, we refer in particular to the statements below on the Group's bad debt and financing risks and the information contained in the notes to the consolidated financial statements.

The appropriateness and functionality of the risk early warning system implemented by the Group is examined by the auditor in the course of the annual audit of ESTAVIS AG's external financial reporting. Potential improvements identified as a result are subsequently incorporated into the system.

To ensure the regularity of financial reporting in the consolidated financial statements, the Group management report and the quarterly reports, ESTAVIS AG has integrated preventative and monitoring controls for the company's accounting processes in its internal control system (IKS). These measures include the separation of functions, pre-defined approval principles and computer processes for the processing of accounting data. The key organisational measures are a component of the IKS handbook, which sets out the company's core business processes. If necessary, special areas of accounting are covered by external consultants.

The consistency of accounting processes of the subsidiaries included in the consolidated financial statements is guaranteed by central accounting at the parent company. The reliability of the reconciliation of the incoming accounts of the companies included in consolidation to IFRS and their combination to form consolidated accounting is essentially safeguarded by the use of external consultants.

The presentation of specific risks and opportunities below is based on a planning horizon of two financial years.

3.2 INDIVIDUAL RISKS

The ESTAVIS Group is exposed to a large number of different risks which, individually or collectively, could adversely affect the net asset, financial and earnings situation of the company and its further economic development. According to the Management Board of ESTAVIS AG, the following company- and market-specific individual risks should be taken into account in particular.

Additional risks of which the company is not currently aware or whose significance is not yet known could also have a significant adverse effect on the business development of the ESTAVIS Group.

Company-specific risks

a) Project selection risks

The economic success of the ESTAVIS Group depends to a large extent on the selection and acquisition of suitable properties. This gives rise to the risk of incorrectly estimating or failing to identify the negative structural, legal, commercial and other encumbrances of the properties to be purchased. Furthermore, the assumptions made in relation to the income potential of the properties could subsequently prove to be partially or entirely incorrect. In particular, incorrect estimates relating to the attractiveness of property locations and other factors that investors consider to be crucial to decisions to buy could result in properties not being sold at the planned terms and conditions or within the forecast timeframe.

These property-specific risks are countered by a thorough examination of the relevant properties. As part of the property assessment, factors such as expected renovation, maintenance and modernisation requirements and the earnings power and debt service coverage ratio are examined using standard banking benchmarks.

b) Property portfolio risks

The ESTAVIS Group primarily holds its property portfolios on a short-term basis, but some properties are held for longer periods. As long as properties are held by the company, there is a risk of devaluation due to a deterioration in the social structures of the respective locations, excessive levels of wear and tear, unexpectedly high renovation requirements or similar factors.

Property portfolio risks will be countered by the measures described in section 3.2 a. In addition, in order to protect against the risk, that a sale cannot be realised on a short-term basis, rights of cancellation are sometimes included in the purchase agreement. In such cases, the risk is generally restricted to downpayments that are primarily payable at a high level and that cannot be reimbursed in the event of withdrawal from the purchase agreement.

c) Construction risks

To the extent that construction measures are required for the properties traded or leased by the Group, there is a risk that the resulting construction costs could significantly exceed forecasts. This risk is countered through detailed construction cost planning and strict monitoring.

d) Sales risks

In the area of residential property trading, ESTAVIS Group draws upon an extensive network of experienced external sales partners. This means that its commercial success is dependent to a large extent on recruiting qualified brokers and retaining their services on a long-term basis. This is achieved in particular through attractive remuneration conditions. A portion of the remuneration for external sales partners is normally payable on conclusion of the notarised agreement. The risk exists that the buyer pulls out of the purchase agreement within the permitted cancellation period. While the partial remuneration for the external sales partner can be claimed back in such cases, there is the risk that these receivables will not be collectable.

The primary risk to the Group's property rentals is that the properties offered will fail to meet tenants' expectations, resulting in vacancies. The ESTAVIS Group strives to reduce this risk by intensively monitoring the rental market on an ongoing basis, including analysing tenant requirements, as well as improving the attractiveness of its properties by performing modernisation work as appropriate.

e) Financing, liquidity and interest rate risks

In relation to the existing loans for financing the properties held by the Group and the new borrowing required to acquire additional properties, there is a risk that company-specific and market-specific developments may make it harder to borrow funds and/or make such borrowing possible only on less favourable terms.

In light of an ongoing restrictive lending policy at banks, however, there is the risk that lenders accelerate the loans extended to finance properties before they are sold. Depending on the extent of the accelerated loan, the ESTAVIS Group could be exposed to a risk in terms of its solvency. The ESTAVIS Group has concluded loan agreements with several banks in order to counter this risk. In the reporting period, the Group also borrowed mid-term capital to further diversify its financing structure.

Interest rate risks exist for the liabilities intended for prolongation or refinancing and the planned loans to finance properties.

A change in overall interest rates could have a certain impact on the Group's cash flow and the interest income generated from its cash and cash equivalents; however, based on the volumes held at present, any such effect would likely be minimal. Far more important is the potential indirect effect of changes in overall interest rates on property demand (see the corresponding information on economic risks).

There are no other significant risks relating to the financial instruments held by the Group at present.

f) Bad debt risks

In Retail trading this risk is reduced by not handing over the property until after the full purchase price has been paid. This also applies when the properties require renovation. Given the broad customer structure in Retail trading, bad debt risks and the influence on the company's financial situation are only of minor significance.

The company also bears the credit risk in the event that it enforces rights of rescission or warranty against the seller of a property and the seller defaults on the repayment of the purchase price or the fulfilment of the warranty rights.

Finally, property purchases are subject to a certain credit risk, as rent payments frequently continue to be paid to the seller even after the respective rights, entitlements and obligations have been transferred, meaning that the seller is then required to pass these payments on to the ESTAVIS Group.

g) Legal risks

In the context of their business activities, ESTAVIS Group companies may, in particular, become involved in legal disputes and be confronted by (potential) warranty and compensation claims without themselves being able to enforce claims against third parties. In particular, warranty risks arise in cases in which liability exemption has not been agreed on property sales.

If ESTAVIS Group is committed to carrying out renovation and modernisation measures, it usually assumes a guarantee for these measures when the property is sold, unless such a guarantee has already been concluded. In addition, if such measures have not been performed properly, a portion of the agreed selling price may be given up. Significant additional costs may also arise in the event of delays to the renovation and modernisation work.

In the past, a number of property sale contracts contained contractual commitments on the amount of rent payable. If it is not possible to furnish evidence of such commitments, either in general or at a specific point in time, certain purchase price components may be due at a later date or may even be waived. Short- to medium-term rental guarantees that could lead to corresponding equalisation obligations were also issued in individual cases.

When selling individual apartments, ESTAVIS Group companies and their external sales partners also perform consultancy services that could lead to compensation claims from third parties.

Adequate provisions have been recognised for the legal risks to which the Group is currently exposed. At present, there are no legal risks, particularly arising from legal disputes, that could have a significant adverse effect on the financial position of the ESTAVIS Group.

Market-specific risks

a) Economic risks

To date, the ESTAVIS Group has generated revenues exclusively within Germany. As such, a deterioration in the domestic economic climate could lead to a (significant) decline in demand for property investments, have a negative impact on rent and price levels and impair the credit rating of potential tenants and buyers of properties. Furthermore, the market environment in Germany is indirectly affected by global economic trends.

The development of interest rates in Germany is particularly important to domestic property demand. An increase in interest rates would make property investments more difficult due to rising interest payments. In this case, the borrowing costs for the loans taken out by the companies of the ESTAVIS Group would also rise, with a corresponding negative impact on earnings.

b) Sector risks

Deterioration in the general conditions on the German property market could have a negative influence on the business performance of ESTAVIS Group. A decline in the prices of properties would hamper the realisation of gains on the disposal of the properties held. At the same time, additions of attractively priced properties could be limited as potential sellers are unwilling to sell on account of the low price level.

The development in the property sector is also largely determined by the availability of finance instruments. Persistent restrictive lending could have a negative impact on demand for property overall.

The property sector is characterised by intense competition among numerous providers. As such, there is a risk that the competition will adopt the competitive advantages of the ESTAVIS Group. This could lead to increased price pressure and lower margins.

Finally, demand for residential properties could also be negatively impacted by the expected decline in the German population and the resulting potential downturn in living space requirements.

c) Legal conditions

As the business activities of the ESTAVIS Group are regulated by the specific legal conditions applying to property, they may be adversely affected by amendments to national and/or European legislation or the changed interpretation or application of existing legislation, including tenancy law, public construction law, preservation law and tax law.

Any changes in tax law regarding the deductibility of redevelopment expenses for property buyers can pose risks to the business development. However, there is no evidence of such a change in tax law at this time.

3.3 OTHER INFLUENCES

In addition to the risks described above, the Group is subject to general influences that are not foreseeable and that are difficult to counteract, including political changes, social influences and risk factors such as natural disasters and terrorist attacks. These factors could have an adverse effect on the economic environment and hence indirectly impair the further business development of the ESTAVIS Group.

3.4 ASSESSMENT OF THE OVERALL RISK

The financing situation improved in the reporting period and liquidity bottlenecks were eliminated. Factors contributing to this included strict cost and liquidity management, the borrowing of mid-term capital and the repayment of short-term financial liabilities by way of the reduction of portfolio properties.

Furthermore, after the end of the financial year, the ESTAVIS Group reached an agreement with its largest lending bank on the prolongation of property finance with a volume of EUR 28.5 million until the end of 2011 (see section 5, supplementary report). The agreement has significantly improved planning security for future corporate financing.

On the basis of this information, the Management Board of ESTAVIS AG feels there are currently no specific risks that, individually or cumulatively, could endanger the Group as a going concern or significantly impair its net asset, financial and earnings situation.

3.5 DEVELOPMENT IN OPPORTUNITIES

Growing number of households

Despite the forecast population decline in Germany, many experts believe that demand for living space will continue to rise. The main reason for this development is the trend towards smaller households, changing living concepts and greater expectations of living space per capita. Demand for living space varies greatly from region to region. While there is a considerable shortage of apartments in prosperous regions today, living space is less in demand in structurally weak and rural regions in particular. The growing demand for living space in attractive locations is providing the ESTAVIS Group with long-term prospects for implementing its business model. In light of the low ownership rate in Germany compared to the rest of Europe at around 43 % – 19 % of which apartments – there are also attractive prospects for the privatisation of owner-occupied living space.

Low level of construction activity

The growing demand for residential space in regions experiencing a rapid population influx is being met by an increasingly short supply. New construction activity in Germany is at an historically low level. The number of apartments completed declined by around 10 % year-on-year to 140,000 units in 2009. Thus, only 17 new apartments were built per 10,000 inhabitants. According to calculations by the Eduard Pestel Institute, around 400,000 new apartments will be needed in the long term to meet requirements – especially in big cities. The low level of new construction work is bolstering demand for existing apartments. With our offering of renovated listed properties at commercially attractive locations such as Berlin, Leipzig and Dresden, we feel we are excellently positioned to profit from this trend.

Economic development and interest rates

Good general economic conditions in Germany are having a positive effect on demand and therefore for the price and rent level of property. The rise in gross domestic product in 2010 and 2011 forecast by leading economic institutes and a stable labour market situation are providing a favourable environment for private apartment acquisitions. The current low interest rates are also helping some private investors to decide to invest in property. Mortgage rates are at an historically low level and are below the 4 % mark for terms or ten and 15 years (as of September 2010).

Boosting private pension provision

Given demographic developments, improving private pension provision is a matter of growing significance in Germany. According to a survey by the FORSA Institute, residential property will play a greater role in this in future than has been the case in the past. Residential property is also said to offer the best protection against inflation. Government measures (e. g. so-called Residential Riester subsidisation) are benefiting the acquisition of private residences.

4 FORECAST REPORT

The following statements on the future business performance of ESTAVIS Group and the factors considered to be crucial in terms of the development of the market, the sector and the company are based on the estimates made by the Management Board of ESTAVIS AG. Based on the available information, the assumptions made are currently considered to be realistic. All forecasts involve the risk that the developments predicted will not actually occur, either in terms of their extent or the general trend. The material risks to which ESTAVIS Group believes it is exposed are explained in the Opportunity and Risk Report.

4.1 FUTURE ORIENTATION OF BUSINESS AND THE COMPANY

The ESTAVIS Group is already well established on the market as a provider of residential investments today. The company intends to build on what it has achieved to date and press ahead with its operative and strategic development.

In light of the growing significance of property as a private pension plan and the generally positive conditions on the German property market, the company is anticipating that its business potential will increase in future.

Sales of apartments – primarily listed properties that offer the buyer special tax benefits regarding the deductibility of redevelopment expenses – remain an essential pillar of ESTAVIS' business. Its activities are increasingly being geared towards the higher-end price segments of the property market. This will lead to higher average sales prices and income margins in the long term.

The ESTAVIS Group is also planning to increasingly acquire and optimise property portfolios before selling them on to investors by way of a wide spectrum of exit channels, thereby generating value-added potential.

In the next two years, the product offering will be expanded further by the sale of properties for owner-occupiers. The ESTAVIS Group feels there are opportunities for organic growth in this area which can be tapped with existing organisational structures and financial conditions.

4.2 DEVELOPMENT OF THE ECONOMY AS A WHOLE AND THE RESIDENTIAL MARKET

General economic conditions are expected to improve further in 2010 and 2011. The Kiel Institute for the World Economy (IfW) is forecasting GDP growth in Germany of 3.4 % for 2010 and of 1.7 % for 2011. However, in spite of the good growth prospects there are still risks to a robust upswing. High levels of public debt, the limited leeway for new fiscal measures and the expiry of earlier stimulus programmes could impair the recovery of the economy as a whole. Tougher requirements for capital resources at banks (Basel III) could also stifle lending activities.

Given the forecast economic growth, the IfW is anticipating a rise in consumer prices of 1.1 % in 2010 and 1.6 % in 2011. At the same time, falling unemployment rates are assumed for 2010 and 2011.

Against the backdrop of long-term demographic and regional trends, conditions on the residential market are also offering a positive future environment for the business model of the ESTAVIS Group. The growing population influx in commercially attractive regions and conurbations is also driving up requirements for living space. In conjunction with a low level of new construction activity, this development will entail rising rents and purchase prices for property. The German Property Association IVD is assuming an average rise in net basic rents throughout Germany of between 1.0 % and 1.5 %. Thus, this would mark a continuation of the trend towards rising rents and prices.

Mortgage rates are expected to stagnate at their current low level, boosting private property acquisitions. Economic experts feel that a change in the interest rate policy of the European Central Bank geared towards stimulating the economy is unlikely in the near future. Industry experts are forecasting that interest rates will remain at 1.0 % until the middle of 2011.

4.3 MARKET AND BUSINESS OPPORTUNITIES

Over the next two financial years, the Management Board will continue to pay greater attention to the improving earnings trend in the Group while at the same time taking advantage of growth options. The resources made available will be reinvested in further growth in the retail trading segment in particular while maintaining a stable net assets and financial position. In addition to its low volatility, this segment also offers an attractive, stable profit margin.

For the 2010 / 11 financial year, the Management Board of ESTAVIS AG is assuming a rise in revenues and consolidated net profit before taxes on the basis of steady sales of listed and portfolio properties.

Based on current planning, the trend towards higher revenues and consolidated net profit before taxes will also continue in the 2011 / 12 financial year. Sales in the higher-end price segments of the property market will increasingly have a positive influence on the development of revenues and earnings.

The Group will further consolidate its financial and liquidity position over the next two financial years. This will include measures such as the prolongation and restructuring of existing liabilities and the optimisation of project finance. Furthermore, the company will also strengthen is equity base.

4.4 OVERALL ASSESSMENT

We are forecasting a continuing improvement in the economic situation in Germany in the 2010 / 11 financial year. However, the economic recovery is fraught with uncertainty. The stability of the economic recovery is largely dependent on the development of the global economy.

In terms of business, we are anticipating a steady trend in sales of properties to private investors. It also planned to strengthen the company's positioning in terms of property sales.

Based on a stable business performance and solid cost structures, we are forecasting an improvement in our earnings and financial situation in the next two years.

5 SUPPLEMENTARY REPORT

In September 2010, the ESTAVIS Group reached an agreement with its largest lending bank on the prolongation of property finance with a volume of EUR 28.5 million until the end of 2011. The finance agreement covers residential properties that the ESTAVIS Group is holding in its portfolio for the purposes of rental plus future optimisation and resale.

No other events of particular significance to the business development of the ESTAVIS Group have occurred since the end of the 2009/10 financial year.

6 KEY FEATURES OF THE REMUNERATION SYSTEM FOR BOARD MEMBERS

The contracts of the members of the Management Board of ESTAVIS AG have been concluded for a period of between two and three years. Termination with notice during the term of the agreements has not been provided for either side. The remuneration paid to the Management Board members of ESTAVIS AG consists of fixed annual basic remuneration and a variable bonus that depends on the EBIT generated by the company. In addition, the Management Board members are granted the use of a company car, and ESTAVIS AG has taken out D&O and accident insurance policies on their behalf.

The interest of the Management Board members in the long-term positive growth of the ESTAVIS Group is guaranteed by way of the shares in ESTAVIS AG that they hold. No other remuneration components with a long-term incentive effect have been agreed with the Management Board members at present. The Management Board members have not been granted any pension commitments or other retirement benefits. No arrangements for benefits upon early termination have been agreed with the Management Board members with the exception of a provision entitling the company to release Management Board members from their duties during their statutory notice period and in the event of their dismissal, subject to the continued payment of their salary. The employment contracts of the Management Board members also prescribe a subsequent restraint on competition.

In addition to the reimbursement of their expenses, the members of the Supervisory Board receive fixed annual remuneration for each full financial year of their membership of the Supervisory Board. They are also granted variable remuneration, which is currently limited to a maximum of 200% of the respective fixed remuneration per year and is dependent on ESTAVIS' share price performance relative to the share prices of a specific peer group of property companies to be determined by the General Meeting. ESTAVIS AG has also taken out D&O insurance for the members of the Supervisory Board.

The total remuneration of the Management Board and Supervisory Board members and the individual remuneration paid to the Management Board members can be found in the notes to the consolidated financial statements and in the corporate governance report. The corporate governance report also includes a breakdown of the individual remuneration paid to members of the Supervisory Board.


3

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CONSOLIDATED BALANCE SHEET

ESTAVIS AG

Assets	Section	30 June 2010 TEUR	30 June 2009 TEUR
Non-current assets			
Goodwill	6.1, 6.3	17,776	17,776
Other intangible assets	6.3	37	18
Property, plant and equipment	6.2, 6.3	486	485
Investments in associates	6.4	59	50
Other non-current financial assets	6.5	155	193
Deferred income tax receivables	6.13	4,024	3,718
Total		**22,537**	**22,241**
Current assets			
Inventories	6.6	83,958	80,727
Trade receivables	6.7	19,527	1,955
Other receivables	6.7	24,335	49,424
Current income tax receivables		979	2,028
Cash and cash equivalents	6.8	4,065	3,884
Assets held for sale	6.25	–	47,029
Total		**132,864**	**185,047**
Total assets		**155,401**	**207,287**

CONSOLIDATED BALANCE SHEET

ESTAVIS AG	Section	30 June 2010	30 June 2009
Equity		TEUR	TEUR
Issued capital	6.9	9,546	8,099
Capital reserves		45,249	44,222
IAS 39 reserve		–	16
Retained earnings		–2,525	–3,597
Equity attributable to the shareholders of the parent company		52,270	48,740
Minority interests		0	340
Total equity		**52,270**	**49,080**
Liabilities			
Non-current liabilities			
Provisions	6.11	90	97
Non-current financial liabilities	6.10	16,448	588
Deferred income tax liabilities	6.13	3,583	4,254
Total non-current liabilities		**20,120**	**4,938**
Current liabilities			
Provisions	6.11	3,961	4,855
Current financial liabilities	6.10	59,824	67,918
Advance payments received		4,051	4,101
Current income tax liabilities		2,169	1,158
Trade payables	6.12	7,673	6,214
Other liabilities	6.12	5,333	25,586
Liabilities held for sale	6.25	–	43,437
Total current liabilities		**83,011**	**153,269**
Total equity and liabilities		**155,401**	**207,287**

CONSOLIDATED INCOME STATEMENT

ESTAVIS AG

	Section	2009/10	2008/09
		TEUR	TEUR
Revenues	6.14	71,328	70,710
Other operating income	6.17	9,671	6,989
Changes in inventories		2,156	1,450
Total operating performance		**83,155**	**79,148**
Cost of materials	6.15	48,874	64,776
Staff costs	6.16	2,664	3,196
Depreciation and amortisation	6.3	132	135
Other operating expenses	6.17	26,768	34,468
Operating result		**4,716**	**–23,427**
Net income from associates	6.4	**8**	**19**
Interest income	6.19	239	894
Interest expenses	6.18, 6.19	3,647	5,776
Financial result		**–3,408**	**–4,882**
Pre-tax profit from continued activities		**1,317**	**–28,289**
Income taxes	6.20	672	–361
Result from continued activities		**645**	**–27,928**
Result from discontinued activities	6.25	419	–18,310
Net profit		**1,064**	**–46,237**
attributable to parent company shareholders		1,071	–37,853
attributable to minority interests		–7	–8,385
Earnings per share (EUR)			
from continued activities		**0.08**	**–3.45**
from discontinued activities		0.05	–1.23
from net profit	6.22	**0.13**	**–4.67**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ESTAVIS AG	2009/10	2008/09
	TEUR	TEUR
Net profit	**1,064**	**–46,237**
Available-for-sale financial assets	–16	0
Changes in fair values	–16	0
Reclassification recognized in profit or loss	–	–
Income taxes	–	–
Income directly recognized in equity	**–16**	**0**
Total comprehensive income	**1,048**	**–46,237**
attributable to parent company shareholders	1,055	–37,853
attributable to minority interests	–7	–8,385

CONSOLIDATED CASH FLOW STATEMENT

ESTAVIS AG

		2009/10 TEUR	2008/09 TEUR
	Net profit	1,064	–46,237
+	Depreciation/amortisation of non-current assets	132	284
+/–	Increase/decrease in provisions	–901	300
+	Impairment on assets held for sale	–	11,468
+/–	Change in value of investment property	–	1,249
+/–	Other non-cash expenses/income	–21	66
–/+	Gains/losses from the disposal of non-current assets	–	63
–/+	Increase/decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities	7,027	15,473
+/–	Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	–10,346	4,499
–/+	Result from the disposal of consolidated companies	–419	680
=	**Cash flow from current operating activities**	**–3,464**	**–12,154**
+	Payments received from the disposal of property, plant and equipment	–	46
+	Payments received for the disposal of financial assets	–	18
+	Payments received from the disposal of investment property	–	135
–	Payments for investments in intangible assets	–29	–38
–	Payments for investment property	–	–768
–	Payments for investments in property, plant and equipment	–123	–394
–	Payments for investments in non-current financial assets	–6	–
+	Payments from the disposal of fully consolidated companies	–	293
–	Payments from the additions of fully consolidated companies	–4,491	–
=	**Cash flow from investing activities**	**–4,649**	**–708**
+	Payments made by shareholders	2	–
–	Payments to shareholders	–	–78
+	Payments from issuing bonds and raising (financial) loans	–	1,008
–	Repayment of bonds and financial loans	–518	–1,108
=	**Cash flow from financing activities**	**–517**	**–178**
	Net change in cash and cash equivalents	–8,629	–13,040
+	Cash and cash equivalents at the beginning of the period	12,694	25,733
	attributable to cash and cash equivalents reclassified as assets held for sale	8,810	–
=	**Cash and cash equivalents at the end of the period**	**4,065**	**12,694**
	attributable to cash and cash equivalents reclassified as assets held for sale	–	8,810

Explanations on individual positions can be found in the Notes to the Consolidated Financial Statements, sec. 6.23.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year from July 1, 2009 to June 30, 2010

ESTAVIS AG	Issued capital	Capital reserves	IAS 39 reserve	Retained earnings	Equity attributable to the shareholders of the parent company	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As of 1 July 2009	**8,099**	**44,222**	**16**	**–3,597**	**48,740**	**340**	**49,080**
Total recognised income and expenses	**–**	**–**	**–16**	**1,071**	**1,055**	**–7**	**1,048**
Disposal of shares of consolidated companies	–	–	–	1	1	0	**2**
Change in consolidated group	–	–	–	–	–	–333	**–333**
Capital increase against contributions in kind	1,447	1,027	–	–	2,474	–	**2,474**
As of 30 June 2010	**9,546**	**45,249**	**–**	**–2,525**	**52,270**	**0**	**52,270**

Explanations on individual positions can be found in the Notes to the Consolidated Financial Statements, sec. 6.9.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year from July 1, 2008 to June 30, 2009

ESTAVIS AG	Issued capital	Capital reserves	IAS 39 reserve	Retained earnings	Equity attributable to the shareholders of the parent company	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As of 1 July 2008	**8,099**	**77,065**	**16**	**1,413**	**86,594**	**8,742**	**95,336**
Total recognised income and expenses	**–**	**–**	**0**	**–37,853**	**–37,853**	**–8,385**	**–46,237**
Acquistion of shares of consolidated companies	–	–	–	–1	–1	–19	**–20**
Change in consolidated group	–	–	–	–	–	2	**2**
Withdrawal for covering of losses from the capital reserve of ESTAVIS AG	–	–32.843	–	32.843	–	–	**–**
As of 30 June 2009	**8,099**	**44,222**	**16**	**–3,597**	**48,740**	**340**	**49,080**

Explanations on individual positions can be found in the Notes to the Consolidated Financial Statements, sec. 6.9.

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1 BASIC INFORMATION

ESTAVIS AG and its subsidiaries trade in property upon which they undertake maintenance work partly for the purpose of resale. The company is domiciled in Berlin, Germany. The company's shares are listed on the Frankfurt Stock Exchange for trading on the Regulated Market (Prime Standard).

As of 30 June 2010, ESTAVIS AG acts as the operating holding company for a number of special-purpose entities.

These consolidated financial statements were approved for publication by the company's Management Board in September 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

The following section describes the accounting policies applied in preparing the consolidated financial statements.

2.1 Principles

The consolidated financial statements for the 2009/10 financial year of ESTAVIS AG were prepared in accordance with the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 concerning the application of international accounting standards in the form of the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as required in the European Union with an orientation to the capital market.

The requirements of the IFRSs were met in full and provide a true and fair view of the net assets, financial position and results of operations of the ESTAVIS Group. In order to improve the clarity of presentation, some individual income statement and balance sheet items are presented in aggregated form. These items are discussed in the notes. The income statement is structured in accordance with the nature of expense method.

As a matter of principle, the consolidated financial statements were prepared using a historical cost approach. Available-for-sale financial assets are carried at fair value.

The estimates and assumptions applied in preparing the IFRS financial statements affect the measurement of assets and liabilities, the disclosure of contingent assets and liabilities at the respective balance sheet dates, and the amount of income and expenses during the period under review. Although these assumptions and estimates are made in accordance with the best of knowledge of the company's management and on the basis of current events and measures, actual results may ultimately differ from these estimates.

The accounting methods employed in the consolidated financial statements are the same as those on which the consolidated financial statements as of 30 June 2009 are based, only with some changes as explained below.

In addition to IFRS 8 "Segment Reporting", the amended IAS 27 "Consolidated and Separate Financial Statements" and the amended IFRS 3 "Business Combinations" adopted early in the Group last year, the following new and amended accounting standards and interpretations were effective for the first time for the IFRS consolidated financial statements for the 2009/2010 financial year:

Standard/Interpretation		New/amended
IAS 1	Presentation of Financial Statements	amended
IAS 23	Borrowing Costs	amended
IAS 32 + IAS 1	Amendments: Puttable Financial Instruments and Obligations Arising on Liquidation	amended
IAS 39	Amendments: Eligible Hedged Items	amended
IFRS 1 + IAS 27	Amendments: Cost of Subsidiaries, Joint Ventures and Associates	amended
IAS 39	Amendments: Reclassification of Financial Assets: Effective Date and Transition	amended
IAS 39 + IFRIC 9	Amendments: Embedded Derivatives	amended
IFRS 2	Amendments: Vesting Conditions and Cancellation	amended
IFRS 7	Amendments: Enhancing Disclosures on Financial Instruments	amended
IFRIC 12	Service Concession Arrangements	new
IFRIC 13	Customer Loyalty Programmes	new
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	new
IFRIC 15	Agreements on the Construction of Real Estate	new
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	new
IFRIC 17	Distributions of Non-cash Assets to Owners	new
IFRIC 18	Transfers of Assets from Customers	new
Various	IFRS Improvements 2008	new

The amendment to IAS 1 requires the additional presentation of other comprehensive income as part of the income statement. The amendment to IAS 23 requires the capitalisation of the financing costs of properties for renovation and development projects resulting from cumulative production costs for projects starting in the 2009/10 financial year. For projects starting prior to this, the previous accounting treatment, under which interest is not recognised in cost, remains in force. The first-time adoption of the other new accounting standards did not affect the IFRS consolidated financial statements of ESTAVIS AG.

The following accounting standards that have been published or amended by the IASB and, in some cases, not yet endorsed by the European Union will only be required to be adopted in preparing future financial statements – subject to their endorsement by the European Union – and have not been adopted early by ESTAVIS AG:

Standard/Interpretation		Applicable from financial year
Various	IFRS Improvements 2009	2010/2011
IFRS 2	Amendments: Group Cash-settled Share-based Payment Transactions	2010/2011
IFRS 1	Change: Additional exemptions for first-time adopters	2010/2011
IFRS 32	Classification of Rights Issues	2010/2011
IFRS 1	Amendment: Limited Exemption from Capital Comparative IFRS 7 Disclosures for First-time Adopters	2010/2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	2010/2011
IAS 24	Amendment: Related Party Disclosures	2011/2012
IFRIC 14	Amendment: Voluntary Prepaid Contributions under a Minimum Funding Requirement	2011/2012
Various	IFRS Improvements 2010	2011/2012
IFRS 9	Financial Instruments	2013/2014

The company does not expect the future application of the new accounting standards to have a significant impact on the consolidated financial statements.

All amounts contained in the notes and tables are disclosed in thousands of euro unless stated otherwise. Both individual and total figures represent the value with the smallest rounding difference. Accordingly, adding the values of the individual line items may result in slight differences compared with the sum totals presented.

2.2 Consolidation

a) Subsidiaries

All the subsidiaries of ESTAVIS AG are included in the consolidated financial statements. This relates to companies whose financial and business policy the Group is able to control, either directly or indirectly. A list of the companies included in consolidation can be found under section 2.2 d.

Subsidiaries are fully consolidated from the date on which the Group obtains control over the respective company. They are deconsolidated from the date on which such control ends.

Acquired subsidiaries are recognised in accordance with the purchase method. The cost of acquisition corresponds to the fair value of the assets given up, equity instruments issued and liabilities created or incurred at the date of exchange, plus any costs directly attributable to the acquisition. On initial consolidation, any assets, liabilities and contingent liabilities identified in the course of the business combination are recognised at their fair value at the acquisition date irrespective of any minority interests. The excess of the cost of acquisition over the Group's interest in the fair value of the net assets of the company acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the (proportionate) net assets of the company acquired, the difference is recognised directly in the income statement. Acquisitions of shares in subsidiaries after control has been established are accounted for as equity transactions. The difference between the purchase price of the shares and the outgoing minority interest is offset directly against retained earnings in equity.

The sale of special-purpose entities (share deals) is reported in the same way as a comparable direct sale of real estate (asset deals), as these transactions are an integral component of the primary business activities of the ESTAVIS Group. This serves to ensure the presentation of a true and fair view of the Group's net assets, financial position and results of operations. The selling price of the shares in the special-purpose entities being sold, plus its liabilities and less its receivables, is reported as the proceeds of the sale, while the carrying amount of the real estate being sold is reported under cost of materials. For any residual interests the cost of acquisition is taken as the net total of the pro rata Group carrying amounts in the assets and liabilities leaving the Group as a result of the sale. If properties are acquired by way of the acquisition of a property management company, this is shown as the acquisition of a property. The costs are determined as the purchase price of the shares in the property management company plus the liabilities assumed less other assets of the property management company.

Intra-group transactions, balances and unrealised profits from transactions between Group companies are eliminated. The same applies to unrealised losses, unless the transaction indicates the impairment of the transferred asset. Where necessary, the accounting policies of subsidiaries have been changed in order to ensure uniform Group-wide accounting.

b) Joint ventures

All of the joint ventures of ESTAVIS AG are included in the consolidated financial statements on the basis of proportionate consolidation. This relates to companies whose financial and business policy the Group is able to control, either directly or indirectly, in conjunction with a third party. A list of the companies included in the consolidation on the basis of proportionate consolidation over which joint management is exercised with other companies can be found under 2.2 d.

The information on the accounting treatment of subsidiaries also applies to the accounting treatment of joint ventures, with the difference that it only relates to the interest held by the Group; the interest attributable to the joint venture partner is not recognised.

c) Associates

Associates are companies over which the Group is able to exercise a significant influence but which it is not able to control; as a rule, this generally relates to companies in which the Group holds an interest of between 20 % and 50 %. These investments are accounted for using the equity method. A list of the associates consolidated at equity can be found under 2.2 d.

Investments in associates are initially carried at cost. The Group's interest in associates contains the goodwill arising on acquisition (adjusted for accumulated impairment losses as applicable). As a result the carrying amount of the interest changes in equity in line with the capital contributions and withdrawals of the Group and through profit and loss according to the Group's share in the profit or loss of associates or, for earnings of associates recognised directly in equity, directly against the Group's equity. As soon as the Group's interest in the net loss of an associated company reduces the carrying amount of the Group in this company, including other unsecured receivables from the associate, the Group does not recognise any additional losses unless it has assumed obligations or made payments on behalf of the associated company. Earnings are only recognised again when the adjustment of the carrying amount results in a positive investment value.

Unrealised profits from transactions between Group companies and associates are eliminated in accordance with the Group's interest in the associate. The same applies to unrealised losses, unless the transaction indicates the impairment of the transferred asset. Where necessary, the accounting policies of associates have been changed in order to ensure uniform Group-wide accounting.

d) Consolidated group

As of 30 June 2010, the consolidated financial statements of ESTAVIS AG included 47 subsidiaries, two joint ventures and an associate. The consolidated group changed as follows as against 30 June 2009:

The 80.36 % interest in Hamburgische Immobilien Invest SUCV AG was disposed of effective from the start of the 2009/2010 financial year in June 2009. Thus, the 23 companies of the HAG Group will leave the consolidated group as of the start of the next financial year. Four largely wound-up, inactive companies were also sold. The remaining shares in a joint venture (property management company) were acquired. The company will be fully consolidated from 1 October 2010. In addition, four new property management companies were formed and a further property management company and interests in two joint ventures (property management companies) were acquired. 13 largely wound-up, inactive Group companies (property management companies) were merged with another Group company.

The following list shows the companies included in the consolidated group in addition to ESTAVIS AG. The disclosures in parentheses provide information on the business activities of the respective company. Companies without any such information are special-purpose entities.

List of equity interests in subsidiaries

Company	Domicile	Equity interest*
ESTAVIS Beteiligungs GmbH & Co. KG (Zwischenholding)	Berlin	94 %
SIAG Dritte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Fünfte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Zwölfte Wohnen GmbH & Co. KG	Berlin	94 %
SIAG Neunzehnte Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Zwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Fünfundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG Siebenundzwanzigste Wohnen GmbH & Co. KG	Berlin	100 %
SIAG 28. Wohnen GmbH & Co. KG	Berlin	100 %
SIAG 29. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 30. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 31. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 32. Wohnen GmbH & Co. KG	Berlin	100 %
NoBa Nortorfer Bau GmbH & Co. KG	Berlin	94,9 %
Estavis 34. Wohnen GmbH & Co. KG	Berlin	100 %
B&V Denkmalbauten Birkenhöfe-Augsburg GmbH & Co. KG	Berlin	100 %
Estavis 36. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 37. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 38. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 39. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 40. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 41. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis Filmfabrik GmbH & Co. KG	Berlin	100 %
Estavis 43. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 44. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 45. Wohnen GmbH & Co. KG	Berlin	100 %
Estavis 46. Wohnen GmbH & Co. KG	Berlin	100 %
Erste Sachsen Wohnbauten GmbH & Co. KG	Leipzig	94,9 %
Zweite Sachsen Wohnbauten GmbH & Co. KG	Leipzig	94,9 %
Dritte Sachsen Wohnbauten GmbH & Co. KG	Leipzig	94,9 %
Dritte Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	94,9 %
Vierte Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	94,9 %
Fünfte Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	94,9 %
B&V Bauträger- und Vertriebsgesellschaft für Immobilien mbH & Co. KG	Berlin	94,8 %
B&V Dölauer Str. GmbH & Co. KG	Berlin	94 %
Erste Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	100 %
Zweite Sachsen Denkmalbauten GmbH & Co. KG	Leipzig	100 %
B&V Wohnbaugesellschaft mbH	Leipzig	100 %
Erste SIBA Wohnen GmbH	Berlin	100 %
Estavis Vermögensverwaltungs GmbH	Berlin	100 %
Estavis 28. Property GmbH	Berlin	100 %
SPC Center Verwaltungsgesellschaft mbH	Berlin	50 %

List of equity interests in subsidiaries (continued from previous page)

Company	Domicile	Equity interest*
Estavis 30. Property GmbH	Berlin	94%
SD Sachsen Denkmal GmbH	Leipzig	100 %
Estavis Verwaltungs GmbH i.L.	Berlin	100 %
B&V 1. Property GmbH	Berlin	100 %
KMW Wohnbauten 4 you GmbH	Leipzig	100 %

* The equity interest describes the percentage interest held by the immediate parent company in each case. The remaining shares are held by other Group companies with the exception of Estavis Beteiligungs KG, 12. SIAG KG and B&V Dölauer Str. KG.

In accordance with section 264b of the German Commercial Code, the commercial partnerships listed as subsidiaries above are exempted from the preparation, audit and disclosure requirements for corporations with regard to the annual financial statements and the management report.

Interests in joint ventures

Company	Domicile	Equity interest*
MERLINIK GmbH & Co. Reithalle Potsdam KG	Berlin	50,9 %
BEST Estavis Berner Group GmbH	Berlin	51 %

* The equity interest describes the percentage interest held by the immediate parent company in each case.

In spite of the Group's capital majority in these companies, they are treated as joint ventures as the company agreement states that key decisions in the company can be made only by mutual consent.

List of equity interests in associates

Company	Domicile	Equity interest*
SIAG Sechzehnte Wohnen GmbH & Co. KG	Berlin	50 %

* The equity interest describes the percentage interest held by the immediate parent company in each case.

2.3 Segment reporting

Segment reporting is in line with internal reporting to the ESTAVIS AG Management Board, which is the highest management body as defined by IFRS 8 (Management Approach). It covers the business segments Retail trading and other activities.

2.4 Foreign currency translation

a) Functional currency and reporting currency

ESTAVIS AG prepares its consolidated financial statements in euros (EUR).

The euro is the currency of the primary business environment in which ESTAVIS AG and its subsidiaries operate, and is therefore also their functional currency. Transactions in other currencies are thus foreign currency transactions.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group company using the exchange rates applicable at the transaction date. After initial recognition, monetary foreign currency items are translated at the exchange rate at the respective balance sheet date.

Currency translation differences resulting from the fulfilment of foreign currency transactions or the translation of monetary foreign currency items at the balance sheet date exchange rate are recognised in the income statement as foreign currency gains or losses.

2.5 Intangible assets

a) Goodwill

Goodwill is the excess of the cost of an acquisition over the Group's interest in the fair value of the net assets of the company being acquired at the acquisition date. It is reported as an intangible asset. Any goodwill resulting from the acquisition of an associate is contained in the carrying amount of the interest in the respective associate. Goodwill is tested for impairment annually and carried at original cost less accumulated impairment losses. Goodwill is not amortised.

b) Other intangible assets

This includes purchased software, which is carried at cost and amortised on a straight-line basis over its useful life. The useful life for purchased software is three to five years.

2.6 Property, plant and equipment

Property, plant and equipment primarily consist of computer hardware, other office equipment and motor vehicles, and is carried at cost less cumulative depreciation and impairment. Depreciation is recognised on a straight-line basis, taking into account the residual value and applying the following useful lives:

- Computer hardware 3 years
- Other office equipment 8–13 years
- Motor vehicles 2–3 years

The residual values and remaining useful lives are reviewed at each balance sheet date and adjusted as necessary.

Subsequent expenditure is only capitalised if it is probable that the company will receive an economic benefit from the respective expenditure in future. All other repair and maintenance measures are recognised as expenses in the financial year in which they are incurred.

If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down to the latter (see also section 2.7).

Gains and losses from the disposal of property, plant and equipment are determined by comparing the sales proceeds with the carrying amount, and are reported in the operating result.

2.7 Impairment of assets

Goodwill is tested for impairment annually. Property, plant and equipment and intangible assets that are subject to depreciation or amortisation are tested for impairment if events or indicators suggest that their carrying amount may not be recoverable. Impairment losses are recognised in the amount by which the carrying amount of an asset exceeds its recoverable amount. The latter corresponds to the higher of the net selling price of the asset and the discounted net cash flow from its continued use (value in use). In order to determine impairment, assets are combined at the lowest level to form cash-generating units for which cash flows can be identified largely independently from the rest of the company. Goodwill impairment is determined at the level of the segment to which the respective goodwill is allocated.

If the reasons for impairment no longer apply, impairment losses can be reversed up to a maximum of the amortised cost of the respective asset. Goodwill impairment losses may not be reversed.

2.8 Financial assets

Financial assets are divided into the following measurement categories: financial assets recognised at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification of financial assets depends on the purpose for which they were acquired. The company's management is responsible for determining the classification of financial assets on initial recognition and reviewing their classification at each reporting date. In the period under review and the prior period, the Group only had financial assets in the categories loans and receivables and available-for-sale financial assets

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and financial assets that were voluntarily designated as "at fair value through profit or loss" on acquisition. A financial asset is classified as held for trading if it was primarily acquired for the purpose of being sold in the short term, it forms part of a clearly identifiable portfolio of managed financial instruments that has been used to generate short-term gains in the past, or it is a derivative not included in a hedging relationship. The company's management may choose to designate other financial assets as "at fair value through profit or loss" if certain conditions are met. Assets belonging to this category are reported under current assets if they are held for trading or they are expected to be disposed of within twelve months of the balance sheet date.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group directly provides a debtor with money, goods or services without intending to use the corresponding receivables for trading purposes. Loans and receivables are classified as current assets if they have a maturity of twelve months or less from the balance sheet date; otherwise, they are reported under non-current assets. Loans and receivables are reported in the balance sheet under other financial assets, trade receivables and other receivables.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that have been allocated to this category or that cannot be allocated to any of the other categories. They are reported under non-current assets if the company's management does not intend to dispose of them within twelve months of the balance sheet date.

2.9 Available-for-sale financial assets

On initial recognition, available-for-sale financial assets are carried at fair value plus the transaction costs incurred. At subsequent reporting dates, they are carried at fair value, which corresponds to their market price. The difference between this amount and the carrying amount on initial recognition is taken directly to the revaluation reserve in equity.

When available-for-sale financial assets are sold or an impairment loss is recognised on such assets, any unrealised gains on fair value measurement contained in equity are reclassified and recognised in the income statement.

At each balance sheet date, ESTAVIS AG examines whether there is any objective evidence of impairment. If such evidence exists, any accumulated losses previously recognised directly in equity are reclassified and recognised as an expense in the income statement.

If there is no active market for an available-for-sale financial asset, particularly in the case of investments in property companies, they are measured at the lower of cost or fair value in the event of impairment. Impairment is recognised in income. Reversals of impairment are not recognised.

2.10 Inventories

The inventories of the ESTAVIS Group consist of property acquired for resale. They are carried at the lower of cost and net realisable value. The cost includes the purchase price for the respective properties plus directly attributable expenses, such as brokerage fees, real property transfer taxes, notaries' fees and land register costs. Production costs are incurred if and to the extent that restoration work is performed on a property prior to its disposal. Production costs include the directly attributable cost of materials and wages, as well as the cost of purchased services. The overheads attributable to construction are also included in the cost of inventories. For construction projects that begin after 30 June 2009, interest on borrowed capital caused by cumulative production costs are capitalised as production costs. For construction projects that began before 1 July 2009, interest on borrowed capital is still not included in the cost of production. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Trade receivables

Trade receivables are initially carried at their fair value. Subsequent to initial measurement, they are carried at amortised cost calculated in accordance with the effective interest method, less any write-downs. Trade receivables are written down if there is objective evidence that the amounts due may not be collectable in full. The amount of the write-down recognised is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from the receivable discounted using the effective interest method. Write-downs are recognised in income. If the reasons for a write-down no longer apply, either in full or in part, the write-down is reversed up to a maximum of the amortised cost of the receivable and the amount of the reversal is recognised in income.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of the cash flow statement, cash and cash equivalents are composed of cash, demand deposits held at banks, and other short-term, highly liquid investments with an original term of no more than three months.

2.15 Provisions

Provisions are recognised when the company has a current legal or constructive obligation based on events in the past, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the company expects the reimbursement of an amount for which a provision has been recognised (e. g. under an insurance policy), it must record the right to reimbursement as a separate asset providing that reimbursement is effectively guaranteed in the event of a claim being asserted on the respective obligation.

The company recognises provisions for onerous contracts if the unavoidable costs of meeting the obligation under the respective contract are greater than the expected benefits from the contractual claim.

Provisions are measured at the amount of the probable outflow of resources. The measurement of non-current provisions includes discounting using a risk-adequate interest rate.

2.14 Financial liabilities

On first-time recognition, financial liabilities (not including derivatives) are carried at fair value less transaction costs. In subsequent periods, they are carried at amortised cost. Any differences between the amount disbursed (less transaction costs) and the settlement amount are recognised in income over the term of the respective liability in accordance with the effective interest method.

In both first-time and subsequent measurement, derivatives are carried at fair value. Changes in value are recognised in income.

Financial liabilities are classified as current if the Group does not have the unconditional right to settle the liability at a date that is more than twelve months after the balance sheet date.

2.15 Deferred taxes

Deferred taxes are recognised in accordance with the liability method for temporary differences between the tax base and the IFRS carrying amount of assets and liabilities, as well as for unused tax loss carryforwards. As a matter of principle, deferred taxes are calculated by applying the tax base that is expected to be in place when the temporary difference is reversed in accordance with the information available at the current balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which temporary differences or tax loss carryforwards can be utilised.

Changes in deferred tax items are recognised in income. Exceptions to this are the addition in equity of deferred tax items as part of the purchase price allocation of company acquisitions and deferred tax items in connection with changes in value recognised directly against reserves, which are also recognised directly against reserves.

2.16 Revenue recognition

Revenues are composed of the amounts invoiced for the sale of properties. Revenue from the sale of a property is recognised when substantially all the risks and rewards incident to ownership of the respective property are transferred to the buyer. This is generally the case when the possession, benefits, burdens and risks associated with the property are transferred. In the case of the sale of special-purpose entities, this date is generally the date on which the transfer of the shares in the respective entity is completed.

If renovation work is still in progress at the date on which the property is sold and this renovation work is negligible compared to the volume of the transaction as a whole, the company recognises a provision for the additional costs that are expected to be incurred. In the case of more comprehensive renovation work, the portion of revenue attributable to renovation is recognised as construction progresses. In the case of renovation work before transferring property to the buyer, the entire proceeds are only recognised once the property has been transferred.

Components of the consideration that depend on the fulfilment of agreed minimum rental income from the sold properties are recognised only when these conditions are met in full.

Rental income is recognised on an accrual basis in accordance with the terms of the underlying contracts. Rental income from investment property is recognised as revenue, while rental income from properties carried in the trading portfolio is reported under other operating income. The incidental expenses invoiced to tenants is offset against the corresponding expenses as the allocable expenses are considered to have been advanced in the interests of the tenants.

Interest income is recognised on a time proportion basis that takes into account the outstanding liability and the effective yield over the remaining term.

2.17 Brokerage commission

Commission for brokering an actual business contract is recognised by the Group as an expense when the brokered transaction is fulfilled. Any commission paid before this time is reported under other receivables.

2.18 Leases

The Group acts as a lessee.

Leases under which the Group companies bear the substantial risks and rewards of ownership of the leased property are classified as finance leases. Assets held under finance leases are capitalised at the start of the lease term at the lower of their fair value and the present value of the minimum lease payments. At the same time, a lease liability in the same amount is recognised under non-current financial liabilities. The portion of the lease liability that is due within twelve months of the balance sheet date is reported under current financial liabilities. Each lease instalment is then divided into the finance charge and the reduction of the outstanding liability in order to ensure a constant periodic return on the outstanding lease liability. The finance charge is recognised in the income statement as interest expense. Items of property, plant and equipment held under finance leases are depreciated over their useful life, which may be limited by the lease term, taking into account any residual value.

Some of the finance leases entered into by the ESTAVIS Group for office furniture and IT equipment contain residual value guarantees. No purchase or lease extension options have been agreed.

Leases not classified as finance leases are classified as operating leases. The company has entered into operating leases for motor vehicles, some of its office equipment, and business premises. These leases do not contain purchase options. Leases for office space contain extension options at standard market conditions. Payments made in connection with operating leases (less incentive payments by the lessor) are recognised in the income statement on a straight-line basis over the term of the lease.

The Group acts as a lessor in connection with the leasing of properties held as inventories. These agreements are classified as operating leases. For information on the accounting treatment of rental income, see section 2.16.

2.19 Residual interests and dividend distributions

The Group holds equity interests in a few number of partnerships in which minorities also hold an interest. In accordance with IAS 32, the shareholder position in a partnership is generally required to be recognised as a liability on account of the termination rights of the limited partners. From the Group's perspective, this applies to minority interests in subsidiaries with the legal form of a partnership. When these liabilities arise, they are measured at the present value of the partner's compensation claim. This is generally the amount of the partner's capital contribution. Subsequent to initial recognition, the liability is adjusted depending on the company's results prior to the recognition of the change in the respective liability. The change in the liability is recognised in the income statement unless it is based on capital contributions and withdrawals. If the adjustment results in a theoretical claim on behalf of the partner, it must be suspended until it would result in a liability against the partner again. Only residual values resulting from a negative shareholder position or a reserve for available-for-sale securities are recognised in equity.

For corporations within the Group, liabilities for distributions to shareholders are only recognised in the period in which the corresponding resolution on the appropriation of net retained profits is adopted by the shareholders' meeting.

3 CAPITAL AND FINANCIAL RISK MANAGEMENT

Using its capital management, ESTAVIS AG pursues the goal of sustainably strengthening the Group's liquidity and equity basis, providing funds for the Group's equity-financed growth and generating an appropriate return on capital employed. In the context of the ESTAVIS Group's property activities, as far as possible purchasing volumes are financed by debt capital in line with tax consideration on account of the continuing relatively favourable refinancing situation. The Group's accounting equity acts as a passive control criterion. The active control variables are revenues, gross margin and EBIT.

Financial risk management describes the management and limitation of the financial risks resulting from the Group's operating activities. Particular risks are the liquidity risk (avoiding disruptions to solvency) and risk of default (risk of a loss when a contractual party does not meet its contractual obligations).

Responsibility for liquidity risk management lies with the Management Board, which has established an appropriate system for controlling short, medium and long-term finance and liquidity requirements. The Group controls liquidity risks by maintaining appropriate liquid funds, lines of credit at banks and other facilities as well as constant monitoring of forecast and actual cash flows as part of ongoing, rolling liquidity controlling and by coordinating the maturity profiles of financial assets and liabilities.

In order to avoid risks of default, the Group only enters into sales relationships with parties of good credit standing. To further limit default risk, ownership of sold properties is only transferred to the buyer after the purchase price has been paid into a notary trust account.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, the company uses estimates and assumptions about expected future developments on the basis of conditions on the balance sheet date. Inevitably, it is rare for the estimates derived on this basis to correspond precisely to the actual future circumstances.

Estimates are required to be made in particular for the recognition of current and deferred taxes. There is a degree of uncertainty regarding the interpretation of complex tax legislation. Accordingly, differences between actual results and our assumptions or future changes in our estimates may lead to changes in tax results in future periods. The Group has taken account of the potential effects of external tax audits by the taxation authorities to a reasonable extent.

In estimating the net selling prices of properties held as inventories, there is a particular degree of uncertainty with regard to the determination of the estimated selling price.

Impairment testing for the goodwill that is allocated to the Retail trading segment requires the use of estimate ranges in respect of future revenues and trading margins in particular.

5 SEGMENT REPORTING

The ESTAVIS Group is divided into the following segments:

1. Sale of properties to private investors: The purchase and sale of property for retail trading, in which generally individual apartments are sold to investors.
2. Development: This segment develops properties with the intention of selling them at a later date. As activities in this area were at a low level in the financial year and are expected to remain so in the coming years, these are no longer reported separately. These activities are included in other activities.
3. Other activities: As there has been no new business in the purchase and sale of property in the context of portfolio trading, in which generally large portfolios of property are sold to investors, since the last financial year and instead revenues are generated only from the liquidation of this area's remaining inventory property, this segment is now referred to (including retroactively) as "other activities". Portfolio trading has been discontinued.

The Group only deals in property located in Germany. There is therefore no need for any geographical segmentation.

The segment results for the financial year ended 30 June 2010 are shown below.

	continued operations			
	Retail trading	Other activities	Consolidation	Group
	TEUR	TEUR	TEUR	TEUR
Revenues (external only)	56,251	15,077	–	71,328
Revenues (internal only)	–	–	–	–
Segment result	**1,601**	**3,130**	**–**	**4,732**
Unallocated			–	– 16
Operating result			–	4,716
Net income from investments carried at-equity	8	–	–	8
Financial result			–	–3,408
Pre-tax profit			–	1,317

Taking into account the renaming of the portfolio trading segment as other activities, the inclusion of development in other activities and the difference between continuing and discontinued operations, the segment results for the previous year are as follows:

	continued operations				discontinued operations			
	Retail trading	Other activities	Consolida-tion	Group	Retail trading (HAG)	Investment property	Property manage-ment	Group
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Revenues (external only)	62,124	8,203	–	70,372	9,527	762	522	10,811
Revenues (internal only)	–	396	– 14	382	452	–	145	597
Segment result	**2,498**	**–25,845**	**–**	**–23,347**	**–3,337**	**– 1,191**	**– 1,306**	**–5,834**
Unallocated			–	–80				–
Valuation loss from assets held for sale			–	–				– 11,915
Operating result			–	–23,427				– 17,749
Net income from invest-ments carried at-equity	–	19	–	19	8			8
Financial result			–	–4,882				– 1,748
Pre-tax profit			–	–28,289				– 19,489

In the financial year, the segment results for other activities includes income from reversals of bad debt allowances and write-downs charged on receivables in the amount of TEUR 2,000 and income from reversals of impairment losses on inventories of TEUR 1,590. In the previous year, segment results for other activities were reduced by depreciation expenses of TEUR 15,031 on properties held as inventories.

The unallocated costs relate to the write-down on a portfolio of securities in the financial year and the previous year.

The company has generated the revenues as shown below with major customers accounting for more than 10 % of total consolidated revenues:

Financial year 2009/10
Major customer (1) with revenues of TEUR 10,250

Financial year 2008/09
None

The revenues related to the segment other activities.

Depreciation and write-downs of property, plant and equipment and amortisation and write-downs of intangible assets were attributable to the segments as follows in the financial year:

	continued operations		
	Retail trading	Other activities	Group
	TEUR	TEUR	TEUR
Depreciation and write-downs of property, plant and equipment	14	108	122
Depreciation and write-downs of intangible assets	0	10	10

The segment breakdown for the previous year was as follows:

	continued operations			discontinued operations			
	Retail trading	Other activities	Group	Retail trading (HAG)	Investment property	Property management	Group
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Depreciation and write-downs of property, plant and equipment	13	108	121	64	–	58	122
Depreciation and write-downs of intangible assets	0	14	14	16	–	11	27
Changes in value of investment property	–	–	–	–	–1,249	–	–

Segment assets, segment liabilities and segment investments were as follows as of 30 June 2010:

	Retail trading	Other activities	Unallocated	Consolida-tion	Group
	TEUR	TEUR	TEUR	TEUR	TEUR
Segment assets	63,535	82,454	21,292	–11,939	155,342
Investments carried at equity	–	59	–	–	59
Total segment assets	**63,535**	**82,513**	**21,292**	**–11,939**	**155,401**
Segment liabilities	**5,323**	**15,694**	**94,053**	**–11,939**	**103,131**
Segment investments	21	145	–	–	166

Taking into account the renaming of the portfolio trading segment as other activities, the inclusion of development in other activities the figures for the previous year are as follows:

	Retail trading	Other activities	Property manage-ment	Invest-ment property	Unallo-cated	Consoli-dation	Consoli-dation
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Segment assets	62,331	87,260	–	–	17,700	–7,083	160,208
Assets held for sale (HAG)	27,847	–	–	9,555	9,724	–97	47,029
Investments carried at equity	–	50	–	–	–	–	50
Total segment assets	**90,178**	**87,260**	**–**	**9,555**	**27,424**	**–7,180**	**207,287**
Segment liabilities	**11,408**	**30,838**	**–**	**–**	**79,675**	**–7,151**	**114,770**
Liabilities held for sale (HAG)	2,731	–	–	120	40,616	–29	43,437
Total segment assets	**14,138**	**30,838**	**–**	**120**	**120,291**	**–7,180**	**158,207**
Segment investments	42	61	329	768	–	–	1,200

Segment assets primarily relate to property, plant and equipment, investment property (previous year), inventories and receivables. Goodwill is allocated to the Retail trading segment. This does not include cash and cash equivalents, tax receivables or financial assets.

Segment liabilities relate to operating liabilities. This does not include tax liabilities or financial liabilities.

Segment investments include additions to property, plant and equipment and intangible assets (see section 6.3) and in the previous year investment property.

6 SUPPLEMENTARY NOTES TO THE INDIVIDUAL ITEMS OF THE FINANCIAL STATEMENTS

6.1 Intangible assets

The table under section 6.3 shows the changes in intangible assets over the last two years.

The goodwill has been assigned to the Retail trading segment for the purposes of impairment testing. The recoverable amount is determined by calculating the segment's value in use. The calculation is based on forecast cash flows derived from the three-year planning prepared by the management board.

For reasons of simplification, no growth in cash flows is assumed after this three-year period.

The company's management board determined the budgeted cash flow for the detailed planning phase on the basis of past events and expectations of future market developments.

The discount rate of 10.3 % is a pre-tax interest rate that reflects the specific risks to which the segment is exposed. Impairment testing showed that no impairment losses were required for the goodwill.

6.2 Property, plant and equipment

The table under section 6.3 shows the changes in non-current assets over the last two years.

The carrying amounts of operating and office equipment include TEUR 5 (previous year: TEUR 14) relating to assets for which the Group is the lessee under a finance lease (for information on lease liabilities, see section 6.10). These assets are legally owned by the lessor.

The Group has concluded operating leases for office space, motor vehicles and business equipment. Lease expenses for continuing operations are recognised in the income statement in the amount of TEUR 420 (previous year: TEUR 546).

6.3 Statement of changes in non-current assets

Non-current assets have changed as follows in the financial year from 1 July 2009 to 30 June 2010:

	Goodwill	Other intangible assets	Property, plant and equipment	Non-current assets held for sale (HAG)
	TEUR	TEUR	TEUR	TEUR
As of 1 July 2009				
Cost	17,776	44	852	3,472
Cumulative depreciation, amortisation and write-downs	–	26	366	3,472
Carrying amounts as of 1 July 2009	**17,776**	**18**	**485**	**–**
Disposal HAG (–)	–	–	–	–
Additions (+)	–	29	137	–
Disposals (–)	–	–	– 15	–
Depreciation, amortisation and write-downs (–)	–	– 10	– 122	–
Carrying amounts of 30 June 2010	**17,776**	**37**	**486**	**–**
As of 30 June 2010				
Cost	17,776	74	920	–
Cumulative depreciation, amortisation and write-downs	–	36	434	–

Non-current assets have changed as follows in the financial year from 1 July 2008 to 30 June 2009:

	Goodwill	Other intangible assets	Property, plant and equipment	Non-current assets held for sale (HAG)
	TEUR	TEUR	TEUR	TEUR
As of 1 July 2008				
Cost	20,581	178	1,792	–
Cumulative depreciation, amortisation and write-downs	–	36	679	–
Carrying amounts as of 1 July 2008	**20,581**	**141**	**1,113**	–
Disposal Property Management (–)	–	–95	–438	–
Additions (+)	–	38	394	–
Disposals (–)	–	–	–46	–
Depreciation, amortisation and write-downs (–)		–42	–243	–3,125
Carrying amounts of 30 June 2009	**17,776**	**18**	**485**	**–**
As of 30 June 2009				
Cost	17,776	44	852	3,472
Cumulative depreciation, amortisation and write-downs	–	26	366	3,472

6.4 Investment associates

Investment property developed as follows:

	2009/10	2008/09
	TEUR	TEUR
Start of financial year	**50**	**32**
Disposals	–	–8
Shares in gains and losses	8	26
End of financial year	**59**	**50**

The shares of the ESTAVIS Group in the associated company that is not listed and that has since fulfilled its essential business purpose and is now being wound down are as follows:

	Equity interest	Assets	Liabilities	Income	Net profit
		TEUR	TEUR	TEUR	TEUR
SIAG Sechzehnte Wohnen GmbH & Co. KG	50 %	136	77	9	8

6.5 Other non-current financial assets

The other financial assets reported by the company can be broken down as follows:

	30 June 2010	30 June 2009
	TEUR	TEUR
Available-for-sale securities	13	44
Other non-current financial assets	142	149
Total	**155**	**193**

The available for sale securities are listed shares. A write-down of TEUR 16 (previous year: TEUR 80) was recognised on share holdings in the financial year. This expense is included in other operating expenses.

6.6 Inventories

The company's inventories include properties and advanced payments for properties. They developed as follows in the past financial year:

	30 June 2010	30 June 2009
	TEUR	TEUR
Properties	68,568	62,345
Construction work in progress	15,390	18,380
Advanced payments	–	1
Total	**83,958**	**80,727**

Properties are carried at cost, including accrued renovation costs. Write-downs of TEUR 99 were required in the period under review (previous year: TEUR 15,139). These write-downs are reported under cost of materials. In the previous year, a write-down previously recognised on a property was reversed in the amount of TEUR 1,590. The assessment of the anticipated proceeds was adjusted upwards on account of the further improvement in the potential buyer's refinancing options. This income is included in other operating income. The properties reported as inventories serve as collateral for financial liabilities.

6.7 Trade receivables and other receivables

Trade receivables primarily relate to the sale of properties. The development of trade receivables is shown in the following table:

	30 June 2010	30 June 2009
	TEUR	TEUR
Trade receivables	19,668	3,368
Write-downs/derecognition	–141	–1,413
Trade receivables (net)	**19,527**	**1,955**

Trade receivables serve as collateral for financial liabilities.

The following trade receivables were overdue as at 30 June 2010:

	30 June 2010	30 June 2009
	TEUR	TEUR
Trade receivables	19,527	1,955
Of which neither impaired as of the reporting date nor overdue	18,167	1,104
Of which not impaired as of the reporting date and overdue by up to 30 days	90	67
Of which not impaired as of the reporting date and overdue by between 31 and 60 days	166	183
Of which not impaired as of the reporting date and overdue by between 61 and 90 days	88	263
Of which not impaired as of the reporting date and overdue by between 91 and 180 days	184	136
Of which not impaired as of the reporting date and overdue by between 181 and 360 days	141	63
Of which not impaired as of the reporting date and overdue by more than 360 days	692	139

Write-downs of trade receivables have developed as follows:

	2009/10		2008/09	
	Total	Specific allowances	Total	Specific allowances
	TEUR	TEUR	TEUR	TEUR
As of 1 July	**1,413**	**1,401**	**7**	**–**
Change in consolidated group	–	–	–	–
Additions (write-downs)	38	38	1,406	1,401
Reversal	1,310	1,310	–	–
Derecognition	–	–	–	–
As of 30 June	**141**	**129**	**1,413**	**1,401**

Other receivables largely include receivables from advance commission payments on unrealised retail sales, short-term loans to sales companies and receivables from investment companies for short-term loans and settlement accounts. In the previous year this item also included receivables from related parties of TEUR 489.

6.8 Cash and cash equivalents

Cash and cash equivalents are primarily composed of demand deposits with banks and a small amount of cash.

6.9 Equity

As of the balance sheet date, the issued capital of ESTAVIS AG was EUR 9,546,235. 9,546,235 fully paid in shares with a nominal value of EUR 1 each have been issued.

Issued capital was increased by EUR 1,446,808 as a result of the issue of new shares in the financial year. The shares were issued against the contribution of a property. The property was valued at TEUR 2,474 based on its fair value as at 31 March 2010. The amount in excess of the change in issued capital was appropriated to the capital reserves.

The capital reserves result from amounts paid in the past in capital increases exceeding the amount of issued capital.

The retained earnings result from the Group's earnings up to the balance sheet date that have not yet been distributed.

The minority interests reflect the net assets of the Group relating to the other shareholders in subsidiaries.

The composition of and changes in equity are shown in the statement of changes in equity.

6.10 Financial liabilities

The following table shows the company's current and non-current financial liabilities:

	30 June 2010	30 June 2009
	TEUR	TEUR
Non-current financial liabilities		
Other shareholder capital attributable to minority interests	–	16
Liabilities to banks and other lenders	16,448	566
Finance lease liabilities	–	6
Total non-current financial liabilities	**16,448**	**588**
Current financial liabilities		
Current portion of liabilities to banks and other lenders	59,818	67,908
Current portion of finance lease liabilities	6	10
Total current financial liabilities	**59,824**	**67,918**

The carrying amount of non-current financial liabilities to banks and other lenders can be broken down into liabilities with a remaining term of between one and five years (TEUR 16,448; previous year: TEUR 556) and liabilities with a remaining term of more than five years (TEUR 0; previous year: TEUR 0).

Liabilities to banks are secured by the properties for which they were incurred.

All loans are denominated in euro.

The company's total liabilities from finance leases are based on the following minimum lease payments:

	30 June 2010	30 June 2009
	TEUR	TEUR
Up to 1 year		
Total minimum lease payments	6	11
Finance charge	0	1
Present value of minimum lease payments	6	10
Between 1 and 5 years		
Total minimum lease payments	–	6
Finance charge	–	1
Present value of minimum lease payments	–	6
Total		
Total minimum lease payments	6	17
Finance charge	0	1
Present value of minimum lease payments	6	16

As in the previous year, the interest rate for lease liabilities was between 8.2 % .

6.11 Provisions

Provisions developed as follows in the financial year:

	Outstanding construction work	Rental guarantees	Other	Total
	TEUR	TEUR	TEUR	TEUR
1 July2009	**724**	**2,778**	**1,451**	**4,952**
Utilisation	–374	–1,302	–17	–1,693
Reversal	–1	–69	–4	–74
Addition	256	504	306	1,065
Reclassification as liabilities held for sale	–	–	–200	–200
30 June 2010	**605**	**1,910**	**1,536**	**4,051**

The provision for outstanding construction work includes the expected cost of the construction work to be performed after the possession, benefits, expenses and risks incident to ownership of the respective property are transferred to the buyer provided that this is not offset by any further proceeds. The provision is current.

The provision for rent guarantees covers obligations of the Group for minimum rental income promised to the purchasers of property for specific periods.

The other provisions mainly include provisions for warrantees, litigation risks and archiving costs (long-term). The other provisions include a provision for uncertain obligations of TEUR 179 for ESTAVIS AG arising from profit transfer agreements by its legal predecessor (IMMCON GmbH) with its former subsidiaries. The time at which this will be transferred is uncertain. It has been reported as current.

6.12 Trade payables and other liabilities

The company had the following liabilities at the respective reporting dates:

	30 June 2010	30 June 2009
	TEUR	TEUR
Trade payables	7,673	6,214
Liabilities to related parties (sec. 6.27)	272	3,742
Miscellaneous other liabilities	5,060	21,844
Total	**13,005**	**31,800**

Miscellaneous other liabilities include liabilities from advance payments by tenants for operating costs, liabilities to investment companies for short-term loans and settlement accounts and sales tax liabilities.

6.13 Deferred taxes

The deferred tax assets and liabilities recognised by the company have the following expected realisation dates:

	30 June 2010	30 June 2009
	TEUR	TEUR
Deferred tax assets		
expected to be realised after more than 12 months	1,737	2,909
expected to be realised within 12 months	2,287	809
Total	**4,024**	**3,718**
Deferred tax liabilities		
expected to be realised after more than 12 months	58	4,179
expected to be realised within 12 months	3,524	74
Total	**3,583**	**4,254**

Deferred taxes developed as follows:

	2009/10	2008/09
	TEUR	TEUR
Deferred tax liabilities	–4,254	–5,238
Deferred tax assets	3,718	3,684
Balance of deferred taxes at start of financial year	**–536**	**–1,554**
Expense (–)/income (+) reported in income statement	977	1,063
Disposals due to change in consolidated group	–	–491
Reclassification as assets/liabilities held for sale	–	447
Balance of deferred taxes at end of financial year	**441**	**–536**
Deferred tax liabilities	–3,583	–4,254
Deferred tax assets	4,024	3,718

The changes in deferred tax liabilities in the past two years were due to the following factors:

	Differences relating to investment property	Differences relating to property held as inventories	Differences relating to other receivables	Differences relating to other items	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
1 July 2008	**845**	**1,335**	**2,764**	**294**	**5,238**
Amounts recognised in income	–353	–1,159	1,411	–102	–203
Disposal for deferred taxes on available-for-sale securities recognised directly in equity	–	–	–	0	–
Reclassification as assets/liabilities held for sale	–492	–125	–	–164	–781
30 June 2009	**–**	**51**	**4,175**	**28**	**4,254**
Amounts recognised in income	–	461	–1,140	8	–671
30 June 2010	**–**	**511**	**3,035**	**36**	**3,583**

Deferred taxes from differences in other receivables result from the capitalization of brokerage commission for trading revenues not yet realized.

The changes in deferred tax assets were due to the following factors:

	Tax loss carryforward	Other	Total
	TEUR	TEUR	TEUR
1 July 2008	**3,288**	**396**	**3,684**
Amounts recognised in income	693	168	861
Addition due to acquisition of B&V Group	–491	–	–491
Disposal due to change in consolidated group	–216	–119	–335
30 June 2009	**3,273**	**445**	**3,718**
Amounts recognised in income	451	–145	306
30 June 2010	**3,724**	**300**	**4,024**

Deferred tax assets from tax loss carryforwards are carried at the amount of future taxable profit that is expected to be required to realise the corresponding tax benefits. The deferred tax assets from tax loss carryforwards relate to the parent company and a number of subsidiaries. Based on its forecasts, the company expects to be able to utilise a portion of the available tax loss carryforwards in the next five financial years. No deferred tax assets were recognised for some existing trade tax loss carryforwards in the amount of TEUR 38,937 (previous year: TEUR 33,684) or existing corporation tax loss carryforwards in the amount of TEUR 15,205 (previous year: TEUR 21,353) as these are no longer expected to be realised.

No deferred tax liabilities were recognised on outside basis differences in the amount of TEUR 29 (previous year: TEUR 323) as the Group controls the reversal of the difference and does not intend to do this in the foreseeable future.

6.14 Revenues

	2009/10	2008/09
	TEUR	TEUR
Retail trading	70,556	70,310
Other revenues	772	400
Total	**71,328**	**70,710**

The figures for all items of the income statement, especially for the previous period, relate to continued operations,. Please see section 6.25 for the results of discontinued operations.

6.15 Cost of materials

The cost of materials primarily relates to the carrying amounts of the properties sold in the respective periods and the cost of construction work. This also includes purchased services. It also includes write-downs on property held as inventories in the amount of TEUR 99 (previous year: TEUR 15,139).

6.16 Staff costs

The Group employed an average of 42 people over the year (previous year: 69, thereof 42 of these in continued operations. The staff costs incurred by the Group are composed as follows:

	2009/10	2008/09
	TEUR	TEUR
Salaries and other benefits	2,406	2,906
Employer contributions to statutory social insurance	258	291
Total	**2,664**	**3,196**

Employer contributions to statutory social insurance included contributions to statutory pension insurance in the amount of TEUR 130 (previous year: TEUR 144).

6.17 Other operating income and expenses

Other operating income can be broken down as follows:

	2009/10	2008/09
	TEUR	TEUR
Rental income from properties held as inventories	5,569	5,613
Income from reversals of impairment losses on inventories	1,590	–
Income from reversals of bad debt allowances and write-downs charged on receivables	2,000	–
Miscellaneous other operating income	512	1,376
Total	**9,671**	**6,989**

Other operating expenses can be broken down as follows:

	2009/10	2008/09
	TEUR	TEUR
Consulting costs	2,314	2,439
Sales costs	15,949	15,640
Costs relating to rental guarantees	1,054	5,185
Expenses in connection with letting properties held as assets	1,949	1,750
Miscellaneous other operating expenses	5,502	9,455
Total	**26,768**	**34,468**

Miscellaneous other operating expenses include a write-down on securities of TEUR 16 (previous year: TEUR 80) and a write-down on receivables of TEUR 1,013 (previous year: TEUR 2,919).

6.18 Capitalised interest expenses in production costs

For construction projects that begin after 30 June 2009, interest on borrowed capital in the amount of TEUR 382 was capitalised as production costs of the respective constrcu-tion projects. Interest rates arise from the financial liabilities assigned to the respective project.

6.19 Minority interests

Interest income includes TEUR 0 (previous year: TEUR 66) in losses relating to other shareholder capital (minority interests in subsidiaries with the legal form of limited partnerships). Interest expenses include TEUR 41 (previous year: TEUR 0) of profit shares relating to other shareholder capital.

6.20 Income tax expense

The income tax expense reported in the income statement consists of current and deferred taxes as follows:

	2009/10 TEUR	2008/09 TEUR
Current income tax expense	1,649	54
Deferred income tax expense	–977	–415
Total	**672**	**–361**

The reported tax expense differs from the theoretical amount calculated by applying the company's average income tax rate to its earnings before taxes:

Tax reconciliation

	2009/10 TEUR	2008/09 TEUR
Pre-tax profit	1,317	–28,289
Taxes calculated on the basis of the parent's income tax rate	397	–8,536
Effect of:		
Differences in tax rates	30	2
Change in tax rates	39	26
Non-deductible or partially deductible expenses	23	19
Additions and deductions for trade tax purposes	59	259
Tax loss carry forwards not recognised	466	5,986
Taxes for previous years		
Original taxes	–340	–91
Utilisation/reporting of previously unreported loss carry forwards	–558	–36
Discontinuation of previously reported loss carry forwards	558	1,971
Other factors	–2	39
Reported income tax expense	**672**	**–361**

A tax rate of 30.175 % (previous year: 30.175%) was used for the parent company.

6.21 Joint venture

The following items are included in the consolidated financial statements for the proportionately consolidated joint venture:

	2009/10	2008/09
	TEUR	TEUR
Non-current assets	12	–
Current assets	330	3,271
Non-current liabilities	–	–
Current liabilities	185	3,484
Income	115	209
Expenses	–171	–306

6.22 Earnings per share

Basic earnings per share are calculated as the ratio of the net profit attributable to the shareholders of the parent company to the average number of shares in circulation during the financial year, not including treasury shares held by the company.

	2009/10	2008/09
Net profit attributable to the shareholders of the parent company (in TEUR)		
from continued operations	645	–27,928
from discontinued operations	419	–9,926
Total	**1,064**	**–37,853**
Average number of shares in circulation (in thousands)	8,461	8,099
Basic earnings per share (in EUR)		
from continued operations	0.08	–3.45
from discontinued operations	0.05	–1.23
Total	**0.13**	**–4.67**

In the 2009/2010 financial year, no dividend was paid for the previous financial year. In addition, no dividend will be proposed for financial year 2009/10.

6.23 Cash flow statement

The cash flow statement distinguishes between cash flows from operating activities, investing activities and financing activities. The cash flows for discontinued operations were as follows: cash flow from operating activities of TEUR 0 (previous year: TEUR 3,527), cash flow from investing activities of TEUR –4,491 (previous year: TEUR –960) and cash flow from financing activities of TEUR 0 (previous year: TEUR –162).

The net cash used in operating activities as determined in accordance with the indirect method amounted to TEUR –3.464 (previous year: TEUR –12,154). This includes income taxes paid in the amount of TEUR 768 (previous year: TEUR 3,218), income taxes recovered in the amount of TEUR 529 (previous year: TEUR 313), interest received in the amount of TEUR 95 (previous year: TEUR 595) and interest paid in the amount of TEUR 2,643 (previous year: TEUR 6,474). Discontinued operations account for the following amounts: income taxes paid in the amount of TEUR 0 (previous year: TEUR 1,761), income taxes recovered in the amount of TEUR 0 (previous year: TEUR 249), interest received in the amount of TEUR 0 (previous year: TEUR 290) and interest paid in the amount of TEUR 0 (previous year: TEUR 1,761).

The liquidity reported under cash and cash equivalents consists of cash-in-hand and bank balances.

6.24 Other financial obligations and contingent liabilities

At the balance sheet date, the company had liabilities under pending real estate purchase agreements in the amount of TEUR 245 (previous year: TEUR 0). The company has only entered into obligations for the acquisition of property, plant and equipment and intangible assets to an insignificant extent.

The company has entered into non-cancellable operating leases relating to business premises, office equipment and motor vehicles.

The future cumulative minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2010	30 June 2009
	TEUR	TEUR
Up to 1 year	375	304
Between 1 and 5 years	363	450
More than 5 years	6	–

Via various subsidiaries, the Group is a fully liable partner in several investment companies. This resulted in a liability for their liabilities on the balance sheet date of TEUR 68,360 (previous year: TEUR 67,650).

6.25 Company disposals/discontinued operations

As at the end of the 2008/2009 financial year, the ESTAVIS Group's shares in the HAG Group were disposed of effective from the start of the 2009/2010 financial year. The selling price for the shares in the HAG Group was TEUR 3,400. The sale was completed in the first half of the year. The disposal related to the assets and liabilities reported as available for sale as at 30 June 2009, which included cash and cash equivalents in the amount of TEUR 8,810. The subsequent recognition of sales commission resulted in a loss on disposal of TEUR 68. Over the course of the financial year, a receivable from the sold HAG Group previously written down (discontinued operation) was sold with a gain on disposal of TEUR 487. Both amounts are shown under the result from discontinued operations. No tax expenses have been assigned to this result.

The sale of the HAG Group also meant the disposal of a material share of the Retail trading segment and the complete discontinuation of the Investment property segment. In the previous year the Property management segment was discontinued by way of the disposal of the interest in ESTAVIS Property Management GmbH. The result of discontinued operations breaks down as follows:

	2009/10	2008/09
	TEUR	TEUR
Revenues/other income (including revenues with continued operations)	–	13,305
Expenses	–	18,459
Operating result	–	–5,154
Net income from associates	–	8
Net interest income	–	–1,748
Earnings before taxes of discontinued operations	–	–6,893
Tax expenses	–	–732
Earnings after taxes of discontinued operations	–	–6,161
Loss on disposal	419	–680
Impairment loss on assets held for sale	–	–11,915
Tax expenses	–	–447
Loss on disposal/impairment loss after taxes	–	–12,149
Result of discontinued operations	**419**	**–18,310**
Cash flow from operating activities	–	3,527
Cash flow from investing activities	–4,491	–960
Cash flow from financing activities	–	–162
Total cash flow from discontinued operations	**–4,491**	**2,405**

The cash flow from discontinued operations for the financial year resulted from the sale of the share in HAG, taking into account the cash and cash equivalents lost in the sale and the transaction costs.

6.26 Additional information on financial instruments

a) Classes and measurement categories

The following tables show the reconciliation of the carrying amounts of financial instruments to the IAS 39 measurement categories and the fair values of the financial instruments with the source of measurement for each class:

	Carrying amount 30 June 2010	of which within scope of IFRS 7	IAS 39 measurement category*	Fair value of financial instruments within scope of IFRS 7	of which calculated using stock market prices
	TEUR	TEUR		TEUR	TEUR
Other non-current financial assets	155	155		155	13
Investments	13	13	AfS	13	13
Securities	–	–	–	–	–
Miscellaneous financial assets	143	143	LaR	143	–
Trade receivables	19,527	19,527	LaR	19,527	–
Other receivables	24,335	13,050	LaR	13,050	–
Cash and cash equivalents	4,065	4,065	LaR	4,065	–
Total assets	**48,082**	**36,797**		**36,797**	**13**
Non-current financial liabilities	76,272	76,272		76,341	–
Lease liabilities	6	6	n/a	6	–
Other financial liabilities	76,266	76,266	AmC	76,335	–
Trade payables	7,673	7,673	AmC	7,673	–
Other liabilities	5,333	4,365	AmC	4,365	–
Total liabilities	**89,277**	**88,310**		**88,379**	**–**

* AfS: available-for-sale financial assets; LaR: loans and receivables; AmC: amortised cost (financial assets carried at cost); n/a: not applicable

	Carrying amount 30 June 2009	of which within scope of IFRS 7	IAS 39 measure-ment category*	Fair value of financial instruments within scope of IFRS 7	of which calculated using stock market prices
	TEUR	TEUR		TEUR	TEUR
Other non-current financial assets	193	193		193	44
Investments	69	69	AfS	69	44
Securities	–	–	AfS	–	–
Miscellaneous financial assets	124	124	LaR	124	–
Trade receivables	1,955	1,955	LaR	1,955	–
Other receivables	49,424	31,682	LaR	31,682	–
Cash and cash equivalents	3,884	3,884	LaR	3,884	–
Total assets	**55,456**	**37,715**		**37,715**	**44**
Non-current financial liabilities	68,506	68,506		68,506	–
Lease liabilities	16	16	n/a	16	–
Other financial liabilities	68,490	68,490	AmC	68,490	–
Trade payables	6,214	6,214	AmC	6,214	–
Other liabilities	25,586	19,897	AmC	19,897	–
Total liabilities	**100,305**	**94,616**		**94,616**	**–**

* AfS: available-for-sale financial assets; LaR: loans and receivables; AmC: amortised cost (financial assets carried at cost); n/a: not applicable

Cash and cash equivalents, trade receivables and other receivables predominantly have short remaining terms. Their carrying amounts as of the reporting date are therefore approximately their fair values. The same applies to financial liabilities, trade payables and other liabilities. If the other financial investments are listed on an active market their market price is the fair value. The fair value of non-current papers not actively traded is also calculated by discounting future cash flows.

Discounting is based on a matched maturity market interest rate. The individual features of the financial instruments being measured are taken into account using standard credit and liquidity spreads. The interest of TEUR 25 reported in the previous year for which no fair value was calculated has since been derecognised.

Net earnings in line with IAS 39 measurement categories are therefore as follows:

	Loans and Receivables (LaR) 1 July to 30 June		Available-for-Sale Financial Assets (AfS) 1 July to 30 June		Financial Liabilities measured at Amortised Cost (AmC) 1 July to 30 June	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Interest income	239	894	–	–	–	–
Interest expenses	–	–	–	–	3,647	5,774
Income from currency translation	–	–	–	–	–	–
Expense of currency translation	–	–	–	–	–	–
Valuation allowance	1,013	2,249	16	80	–	–
Appreciation	2,000	–	–	–	–	–
Gain on disposal	–	–	–	–	–	–
Loss on disposal	–	–	–	–	–	–
Net earnings	**1,226**	**–1,356**	**–16**	**–80**	**–3,647**	**–5,774**

The interest income and interest expenses are shown in the corresponding positions of the consolidated income statement. All other expenses and income are included in the items other operating expenses and income respectively.

b) Financial risks

The Group's business activities expose it to a variety of risks. In particular, these include liquidity, default and interest rate risks. Targeted financial risk management is intended to minimise the negative effects of these risks on the Group's net asset, financial and earnings situation and cash flows. For a description of the risk management system please see section 3 and the management report (section 3.1).

Liquidity risk

The following tables show the undiscounted, contractually agreed interest and principal payments of the financial liabilities covered by IFRS 7:

	30 June 2010			
	Carrying amount	Outflow in next reporting period	Outflow in next but one reporting period	Later outflow
	TEUR	TEUR	TEUR	TEUR
Finance lease liabilities	6	6	–	–
Other financial liabilities	76,266	61,788	11,663	5,877
Cash outflow for financial liabilities		**61,794**	**11,663**	**5,877**
Trade payables	7,673	7,673	–	–
Other liabilities	4,365	4,365	–	–
Cash outflow for trade payables and other liabilities		**12,038**	–	–
Cash outflow for liabilities within scope of IFRS 7		**73,832**	**11,663**	**5,877**

	30 June 2009			
	Carrying amount	Outflow in next reporting period	Outflow in next but one reporting period	Later outflow
	TEUR	TEUR	TEUR	TEUR
Finance lease liabilities	16	11	6	–
Other financial liabilities	68,490	69,874	37	671
Cash outflow for financial liabilities	**–**	**69,885**	**43**	**671**
Trade payables	6,214	6,214	–	–
Other liabilities	19,897	19,897	–	–
Cash outflow for trade payables and other liabilities	**–**	**26,111**	**–**	**–**
Cash outflow for liabilities within scope of IFRS 7	**–**	**95,996**	**43**	**671**

The interest rates at the respective balance sheet date were used to determine interest payments for interest-bearing loans with variable interest rates in future reporting periods.

The ESTAVIS Group has cash and cash equivalents from continuing activities of TEUR 4,065 (previous year: TEUR 3,884) to cover its liquidity risk. In addition, there are unutilised lines of credit to complete specific projects of TEUR 14,739 (previous year: TEUR 27,280).

Risk of default

The maximum default risk of the ESTAVIS Group is determined by the carrying amounts of its financial assets. It is higher as the Group is a fully liable partner in several investment companies. This resulted in a liability for their liabilities on the balance sheet date of TEUR 68,360 (previous year: TEUR 67,650).

The following risk concentrations have been identified: As of the balance sheet date, 17 % of other receivables relate to one investment company (previous year: 33 %). In the reporting period, other receivables from the investment company and trade receivables were ascribed in the amounts of TEUR 690 and TEUR 1,310 respectively. On the balance sheet date of the comparative period, TEUR 10,250 (52 %) of trade receivables also related to one major customer.

Interest rate risk

The interest rate risk is incurred by concluding floating rate credit facilities. These are predominantly short-term. To a limited extent, changes in interest rates can therefore lead to higher interest payments for the financial liabilities entered into. In the context of interest rate risks, a sensitivity analysis is used to calculate the effects of changes in interest rates on net profit as of the balance sheet date. It is assumed that the respective portfolio of financial instruments subject to interest rate risks on the balance sheet date will be representative for the reporting period and the comparative period. If the market interest rate as of the balance sheet date (reporting date of the comparative period) had been 100 basis points higher (lower), the net interest figure as of the balance sheet date would have been TEUR 475 (previous year: 329) worse (better).

6.27 Related party transactions

As part of this year's capital increase by ESTAVIS AG (see section 6.9), ESTAVIS AG became an associated company of TAG Immobilien AG, Hamburg. The ESTAVIS Group sold a property parcel to a company of the TAG Group at a price of TEUR 10,250. The purchase price was deferred for a further three months on the balance sheet date.

Mr. Florian Lanz, CEO of ESTAVIS AG, provided the Group with a binding commitment for funds of TEUR 500 in the second quarter in the event of a liquidity bottleneck.

Mr. Eric Mozanowski, a member of the Management Board of ESTAVIS AG, granted various Group companies two short-term loans of TEUR 150 and TEUR 3,260 at interest rates of 10 % and 15 % respectively in the financial year. These loans were repaid by the end of the financial year. The loans were collateralised by the assignment of receivables and land charges. Mr. Mozanowski also acquired developed property from a Group company at a price of TEUR 350. The agreement for this had already been concluded in the previous year.

The ESTAVIS Group had a current liability of TEUR 272 to its associate SIAG Sechzehnte Wohnen GmbH & Co. KG as at the reporting date. This amount resulted from settlement transactions between the two companies.

The members of the Management Board of ESTAVIS AG received the following compensation:

	2009/10			2008/09		
	Fixed	Variable	Total	Fixed	Variable	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Florian Lanz (CEO, from 1 July 2009)	238	33	271	–	–	–
Eric Mozanowski	220	33	253	219	–	219
Rainer Schorr (CEO, until 30 June 2009)	–	–	–	427	–	427
Corina Büchold (until 31 December 2009	115	17	132	307	–	307
Hans Wittmann (until 31 December 2009)	117	24	140	310	–	310

FThe members of the Supervisory Board received total compensation of TEUR 56 for the past financial year (previous year: TEUR 36).

7 OTHER DISCLOSURES

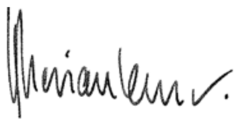
The auditor performed the following services for the ESTAVIS Group:

	2009/10	2008/09
	TEUR	TEUR
Audits of financial statements	260	754
Other audits or valuation services	2	–
Tax advisory services	–	–
Other services	–	13
Total	**262**	**767**

All values in the table above are gross figures as the Group is not entitled to the deduction of input tax.

The declaration on the Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act was issued on 20 September 2010 and made permanently available to the shareholders on the homepage of ESTAVIS AG (www.estavis.de).

Berlin, 20 September 2010



Florian Lanz
Chief Executive Officer (CEO)

Eric Mozanowski
Member of the Management Board

AUDITORS' CERTIFICATE

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, as well as the group management report, prepared by ESTAVIS AG, for the business year from 1 July 2009 to 30 June 2010. The preparation of the consolidated financial statements and group management report in accordance with International Financial Reporting Standards (IFRS) as to be applied in the EU and the supplementary commercial law provisions under Section 315a (1) HGB, as well as the supplementary provisions in the articles of incorporation, is the responsibility of the company's management board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB [Handelsgesetzbuch – German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 [German] principles of proper accounting 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 evaluations of 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 the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the conclusions of our audit, the consolidated financial statements comply with the International Financial Reporting Standards (IFRS) as to be applied in the EU and the supplementary commercial law provisions under Section 315a (1) HGB, as well as the supplementary provisions in the articles of incorporation, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with [German] principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group‘s position and suitably presents the opportunities and risks of future development.

Kehl am Rhein, 20 September 2010

eidel & partner
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Michael Strickmann	Andreas Eidel
Auditor	Auditor


EILMES

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DIRECTORS AND OFFICERS

Supervisory Board

Dr. Karl-Josef Stöhr (Chairman)
Member of the Supervisory Board since 2006
Lawyer and partner, Sozietät Heuking Kühn Lüer Wojtek, Berlin

Michael Kremer (Deputy Chairman)
Member of the Supervisory Board since 2006
Business Consultant
Other mandates:
Chairman of the Supervisory Board of Deutsche Operating Leasing AG, Frankfurt
Member of the Supervisory Board of Aveco Holding AG, Frankfurt;

John W. Cutts
Member of the Supervisory Board since 2007
Managing Director, Pall Mall Capital Ltd., London

Mr. Denham Eke und Mr. Ulrich Wogart were elected members of the Supervisory Board until the Annual General Meeting on 16 February 2010. The Supervisory Board was reduced to three members as decided by the Annual General Meeting on 20 February 2010.

Management Board

Florian Lanz (Chairman)
First elected: 1 July 2009
Elected until: 30 June 2012
Responsibility on the Board of Management of ESTAVIS AG:
Strategy, Communication, Key accounting, Finance

Eric Mozanowski
First elected: 1 October 2008
Elected until: 31 December 2011
Responsibility on the Board of Management of ESTAVIS AG:
Retail business activities

The Management Board members Ms. Corina Büchold and Mr. Hans Wittmann resigned their Management Board mandates as at 31 December 2009.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Corporation, and the management report of the Corporation includes a fair review of the development and performance of the business and the position of the Corporation, together with a description of the principal opportunities and risks associated with the expected development of the Corporation.

Berlin, 20 September 2010

ESTAVIS AG
The Executive Board

FORWARD-LOOKING STATEMENTS

This annual report contains specific forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events. This applies, in particular, to statements relating to future financial earning capacity, plans and expectations with respect to the business and management of ESTAVIS, growth, profitability and the general economic and regulatory conditions and other factors to which ESTAVIS is exposed.

Forward-looking statements are based on current estimates and assumptions made by the company to the best of its knowledge. Such forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors that may cause the actual results including the net asset, financial and earnings situation of ESTAVIS to differ materially from or disappoint expectations expressed or implied by these statements. The operating activities of ESTAVIS are subject to a number of risks and uncertainties that may also cause a forward-looking statement, estimate or prediction to become inaccurate.

FINANCIAL CALENDAR 2010/11

2010

19 October 2010	Annual conference of „Real Estate Share Initiative“, Frankfurt/Main
12 November 2010	Quarterly report – 1st quarter 2010/11
13 December 2010	Annual General Meeting, Berlin

2011

11 February 2011	Quarterly report – 2nd quarter / Half year 2010/11
13 May 2011	Quarterly report – 3rd quarter / Nine months 2010/11
23 September 2011	Annual report 2010/11

All dates are provisional. Please check our website www.estavis.de for confirmation.

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Management Board

Florian Lanz (Chairman)
Eric Mozanowski

Chairman of the Supervisory Board

Dr. Karl-Josef Stöhr, Berlin

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Illustrations: eilmes & staub Design und Visionen GmbH, Paul Heyse

ESTAVIS AG

THE REAL ESTATE INVESTMENT GROUP